SECTOR INDUSTRY STUDY

SMALL MEDIUM ENTERPRISES (SME’s) SECTOR IN GHANA

BY STRATEGY & RESEARCH DEPT.
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## Executive Summary

### Value Chain
- Producers and Suppliers of SME Products.
- SME Companies (Manufacturers, Agro-processors, Chemical sellers, Spare parts dealers).
- Distributors/Retailers
- Final Consumers
- MDAs/Private Sector Associations, Donor Partners
- Haulage Companies

### Major Players
- Golden Exotics
- Keda (GH) Ceramics Company Ltd
- Andy-D Enterprise
- Mepoat Trading Agency Ltd
- Union Beverages Ltd
- Ernest Chemist Ltd
- Chief Benz Motors

### Demand Dynamics
- Demand for the goods is influenced by various factors such as:
  - Consumer Preferences
  - Economic Factors
  - Marketing and Branding
  - Government Policies and Support
  - Tourism and Export Opportunities
  - Technological Advancements: Technological advancements and e-commerce platforms have opened new avenues for SMEs to reach a wider customer base.
  - Social and Environmental Consciousness: Consumers are increasingly valuing products that align with their social and environmental values.

### Supply Dynamics
- SMEs in Ghana employ various methods to source raw materials for production. The sector sources for most of their supplies from local sources and imports from other countries. They establish partnerships and relationships with local suppliers who specialize in providing the specific raw materials they need. This includes agricultural products, textiles, metals, plastics, chemicals, and more.

### Distribution Dynamics
- In Ghana, SMEs employ various distribution methods to distribute their finished goods to customers. Some SMEs choose to distribute their finished goods directly to customers without involving intermediaries. They may have physical retail outlets, showrooms, or their own online platforms where customers can purchase products directly from them. This approach allows SMEs to have more control over the distribution process and customer relationships. Additionally, SMEs often collaborate with distributors or middlemen/women to reach a wider customer base.

### Regulatory Dynamics
- SMEs in Ghana are regulated through various laws, policies, and institutions. The regulatory framework aims to provide a conducive environment for SMEs to operate, protect their interests, ensure compliance with regulations and promote their growth. Furthermore, there are several agencies that see to the regulation, provide support, resources and services to small and medium-sized businesses. These agencies aim to foster entrepreneurship, enhance business skills and facilitate the growth and development of SMEs.

### Risk Considerations
- SMEs often face financial risks such as inadequate cash flow, limited access to financing, inability to secure credit and difficulty in managing debt.
- Changes in market conditions, competition, customer preferences and demand fluctuations pose market risks for SMEs.
- SMEs are exposed to various operational risks, including supply chain disruptions, equipment breakdowns, production delays, quality control issues and inadequate infrastructure. These risks can lead to production disruptions, increased costs, customer dissatisfaction and reputational damage.
- SMEs in Ghana must navigate regulatory and compliance requirements, licensing obligations, tax compliance, labor laws, and industry-specific regulations. Non-compliance with applicable regulations can result in penalties, legal disputes, reputational damage and hindered business operations.
- Changes in government policies, economic instability, currency fluctuations, inflation, and political instability can impact the business environment. SMEs need to monitor and adapt to these external factors to mitigate potential risks and identify opportunities.

### Key Success factors
- Maintaining accurate financial records and regularly monitoring cash flow.
- Diversifying the customer base and exploring new market opportunities.
- Investing in appropriate technology solutions and ensuring cybersecurity measures are in place.
- Staying informed about regulatory changes and seeking professional advice and support from the numerous regulatory agencies.
- Building a strong and skilled workforce through effective recruitment, training and employee engagement.
- Establishing relationships with reliable suppliers and maintaining contingency plans for supply chain disruptions.
- Access to spontaneous finance.
- Stability in macroeconomic indicators (inflation and exchange rate).

### Banking Needs
- Business Current Accounts
- Business Savings Accounts
- Business Loans and Overdrafts
- Trade Finance
- Cash Management Services
- Payroll Management
- Foreign Exchange Services
- Consumer Loans
- Payroll Management
- Investment Products
- Business Advisory Services
- Online & Mobile Banking
1.0 Introduction

The contribution of the private sector to the development and sustainable growth of an economy cannot be underestimated. In both developed and developing economies, Small and Medium Enterprises (SMEs) are considered as an engine for economic growth.

These SMEs do not only contribute to the growth of national GDP but also contribute to the reduction of unemployment. In developed economies such as the United Kingdom and Germany, small and medium enterprises comprise of a major number of registered companies.

In a developing economy as Ghana, despite the limited data on the growth and development trends of SMEs, data available from the Registrar General’s Department suggests that about 92% of companies registered are small and medium firms. Furthermore, small and medium enterprise provides 85 percent of manufacturing employment and contributes 70 percent to the national GDP.

This supports the fact that SMEs play a significant impact on economic growth and development, employment and income. Therefore, most nations strived to create a harmonious environment and policies that support the sustainable growth of these SMEs.

This tends to assist SMEs to turn out to be larger firms and corporations in future. Furthermore, apart from them being a source for job creation and employment, they also serve as a source of investment opportunities, provision of niche professional services and capacity building to both individuals and firms.

SMEs also serve as a revenue generation stream for Government finances. In a transition economy, small and medium enterprises play a vital role in the migration from state-led firms to a more private-led oriented firm. Therefore, they serve as a seedbed for business development and economic growth in most developing economies including Ghana. The ability to motivate the development of sustainable small and medium enterprises is an essential ingredient to achieve rapid growth and economic development within the entire sub region.

Despite the numerous advantages that SMEs provide to the development of the national economy, their development has met several obstacles over the past decades leading to the decline of the growth of a number of small and medium enterprises. These challenges emanate from several sources including among others inadequate Government policy to protect local businesses, globalization and entry of multinational firms, lack of finance in terms of credit facilities to SMEs, the inadequate use and availability of technology, low Research and Development (R&D) capability levels and others.

Therefore, in order to achieve an efficient SME sector development, there is the need to deal with these challenges in a more proactive manner. This will enable firms to gain competitive advantage and be more assertive and competitive in their various industries. A healthy small and medium enterprise is the backbone for a healthy economic development.

**SMEs in Ghana Context**

Over the period there has been several definitions for SMEs. Despite this, there is no universally accepted definition of small and medium enterprises. This is because various scholars define it from different angles and point of views. SMEs in Ghana mainly consist of rural and urban enterprises.
The World Bank defines small and medium enterprises as “any firm that has an employee size of up to 300 and an annual sale of not up to US$15 million”. In Ghana small and medium enterprises can be “defined as any enterprise or business entity that employs less than 10 employees for small enterprise and any firm with more than 10 employees is classified as medium and large enterprise” according to the Ghana Statistical Service. The Ghana Enterprises Agency (GEA) also defines SMEs by considering the size of employees and fixed asset. According to GEA definition of SME, a firm can be considered as a small and medium enterprise if it employs less than 10 employees and has a fixed asset including, plants and machinery not exceeding 10 million Ghana Cedis. This definition from the GEA is limited and poses some form of inconsistency to be adopted universally due to few reasons that includes the frequent depreciation of the local currency and the process of valuing these assets according to the Ghana Enterprise Development Commission.

Table 1: Summary of SME Definition in Ghana

<table>
<thead>
<tr>
<th>Enterprise Size</th>
<th>No. of Employees</th>
<th>Revenue (including fixed Assets and Machinery) in Million Cedi's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>Fewer than 50</td>
<td>≤ 10</td>
</tr>
<tr>
<td>Small</td>
<td>Fewer than 30</td>
<td>≤10</td>
</tr>
<tr>
<td>Very small</td>
<td>Fewer than 10</td>
<td>≤10</td>
</tr>
<tr>
<td>Micro</td>
<td>Fewer than 6</td>
<td>≤10</td>
</tr>
</tbody>
</table>


This report presents the analysis of the SME sector in Ghana indicating the major players, challenges and the key SMEs centers in Ghana for business decision making by the business units.

2.0 SME Development in Ghana

Small and Medium enterprises evolved during the pre-colonial time where the middle class was trained to take over the businesses of European merchants. Despite this effort, the development of SMEs diminished during the era of the first president of Ghana, who saw the rise of the private sector as a political threat, and therefore, formulated policies to discourage the formation of a vibrant private sector. The setback in the 1980’s in large-scale manufacturing firms forced formal sector workers to seek for a secondary source of revenue stream, and this resulted in the setting up small and medium private enterprises. Therefore, Government enacted policies to encourage the setting up of SME’s.

In 1981, National Board for the Small Scale Industries (NBSSI) and now, Ghana Enterprises Agency (GEA) was set up in accordance with Act 434 as the upmost body to oversee the activities of small-scale industries in Ghana. The board was widened in 1991 and 1994 respectively by integrating the Ghanaian Enterprise Development Commission and Cottage Industries into the National Board for Small Scale Industries.

Furthermore, to promote the adaptation of technology in this sector, the Technology Industrial Service was set up in 1987 to monitor the transfer of technology through a Technology Transfer Unit. To further strengthen the private sector and SMEs, the Government introduced a number of policy reforms geared towards the improvement of this sector. The most significant ones among them were the Private sector Advisory Group, the abolishment of the Manufacturing Industries Act 1971(Act 356), and this led to the repeal of the price control law.
Similarly, the introduction of the Investment Code of 1985 under the PNDC law 116 led to the promotion of foreign investment and joint ventures.

The Private sector development ministry was established in 2001 and in 2017 as Ministry of Business Development to serve as a supervising body to promote private sector development. Since the private sector serves as the engine for growth for most economies around the globe, this Ministry was charged with the responsibilities of providing training and skill-based development programs to improve the skills and capacity of local entrepreneurs.

In order to promote a sustainable agriculture sector since agricultural products serve as a major source of raw materials for most SMEs, the Government launched the President Special Initiative (PSI) in 2001. This initiative was set up to create jobs and serve as a poverty alleviation scheme through agri-business and export. Through the implementation of the program, a considerable number of entrepreneurs in the agri-business benefitted from the capacity-building programs and also the business network available for the export of commodities through the PSI offices and agencies.

The Rural Enterprise Program is also one of the major reforms introduced by the Government to promote rural enterprises. This program also aims at providing aid for the development of SMEs in the district level. As part of the Rural Enterprise Program, each district was to identify three (3) business development projects for consideration in their respective localities. This is to improve the livelihoods and increase the incomes of the rural poor Micro and Small Entrepreneurs (MSEs). The development objective is to increase the number of rural MSEs that generate profit, growth and employment opportunities.

Additionally, to promote SMEs development and industrialization, the Government launched the One District One Factory (1D1F) initiative. This is to change the nature of Ghana’s economy from one which is dependent on import and export of raw material to one which is focused on manufacturing, value addition and export of processed goods. It is also to ensure even and spatial spread of industries that would stimulate economic activity in different parts of the country and create massive employment particularly for the youth in rural and peri-urban communities and thereby improve income levels and standards of living, as well as reduce rural-urban migration.

The initiative is private sector led where Government creates the necessary conducive environment for the businesses to access funding from financial institutions and other support services from Government agencies to establish factories. Ghanaian entrepreneurs will thus own the companies, operate them and bear all the risks and rewards of the projects.

3.0 Characteristics of MSMEs in Ghana

In Ghana, Micro and Small and Medium Enterprises (MSMEs) are more labour intensive than larger firms and therefore have lower capital costs associated with job creation. They are mostly registered as sole proprietorships and the largest employment category is working proprietors. These groups make up more than half of the MSME workforce. In most cases, the owner’s families are involved in the business. Though they are usually considered as unpaid staff, they are active in the enterprise and make up roughly a quarter of the employees. The remaining portion of the workforce is split between hired workers and trainees or apprentices.

In terms of business activity, they are mostly engaged in retail trading or manufacturing. While it is a common perception that the majority of MSMEs will fall into the first category, the proportion of MSME
activity that takes place in the retail sector varies considerably between rural and urban areas. Retailing is mostly found in urban and peri-urban regions, while manufacturing is mostly located in rural or urban centers. However, the extent of involvement in manufacturing in any area, is dependent on various factors, such as availability of raw materials, taste and consumption patterns of domestic consumers, and the level of development of the export markets.

The MSMEs in Ghana are also categorized as either urban or rural enterprises. The former is subdivided into “formal” and “informal” enterprises. The formal enterprises mostly have paid employees, a registered office and pay the Social Security and National Insurance Trust (SSNIT) contributions of employees.

The rural enterprises are largely made up of family groups, individual artisans and women engaged in food vending and related businesses. The major activities within this sector include: soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smiting, ceramics, timber and mining, beverages, food processing, bakeries, wood furniture, electronic repairs, agro processing, chemical-based products and mechanics among others.

Most MSMEs in Ghana also tend to strongly revolve around the owner-managers, rather than as a separate corporate structure. There is often greater subjectivity in decision-taking, and prevalence of largely informal employer-employee relationships.

4.0 Contribution of SMEs to Economic Growth

Small and Medium-sized Enterprises (SMEs) play a significant role in Ghana’s economy. Over 90 percent of business enterprises in the country are SMEs. Moreover, not only do they form around 80 percent of the total employment in Ghana but also account for some 60 percent of the country's GDP. Data from Ghana’s Registrar General’s Department (RGD) indicates that 92% of businesses are registered as MSMEs. The majority of businesses within the MSME sector are mainly sole proprietorships, and include small retailers, market women, farmers and artisans.

Axiomatically, MSMEs have the potential to accelerate economic development necessary for wealth creation and poverty reduction. This is due to the sector being the largest employer of vulnerable groups such as women, youth, and low-skilled workers who are most likely to be financially excluded.
The available data within the Ghanaian MSME sector offers interesting insights into how the various segments of micro, small and medium enterprises contribute to the number of businesses and total employment. As captured in figure 2 below, micro enterprises dominate the absolute number of business enterprises in operation. However, by definition, they also contribute the lowest number of jobs created per business.

Out of the estimated 2.1 million businesses in the Ghanaian MSME sector, about 1.7 million can be classified under the micro enterprise category. These businesses employ roughly 2.5 million people (or 30% of all MSME employees), implying an average of 1-2 jobs created per micro enterprise.
At the next level up, the small enterprise category makes up 15% of all SMEs, with about 320,000 businesses, which account for 23% of all MSME jobs (1.9 million employees). This implies an average of 6 jobs created per small enterprise.

Furthermore, at the top of the pyramid, about 85,000 medium enterprises make up 4% of all SMEs but contribute 47% of the total MSME employment (approximately 3.9 million jobs). This implies an average of approximately 46 jobs created per medium enterprise.

Finally, according to data from Ghana Statistical Service (GSS), GDP contribution from the informal sector which is significantly dominated by Micro, Small and Medium Enterprises (MSMEs) contributed a total of GHS 156.75 billion to nominal GDP in 2022 up by 31.86% compared to 2021. This represents a share of 25.69% of total GDP. Real GDP of the informal sector witnessed a growth of 4.23% representing GHS 48.81 billion in 2022 compared to 2021.

**Fig 3: Trends in Informal GDP at Purchase Value**

![Trends in Informal GDP at Purchase Value](image)

**Source: Ghana Statistical Service (GES)**

**Fig 4: Trends in Informal GDP at Purchase Value (%)**

![Trends in Informal GDP at Purchase Value (%)](image)

**Source: Ghana Statistical Service (GES)**
5.0 Value Chain of the SME Sector

A lot of SMEs receive several raw materials and many of its products from both domestic and foreign producers and suppliers. Majority of these foreign supplies come from China, the EU and USA. However, many of these supplies are also obtained domestically especially from those SMEs into agro-processing of agricultural produce. Some SMEs directly distribute their goods and services whilst others employ the services of wholesalers and retailers throughout the country to distribute their various products and services. At the end of the chain is the various consumers of the products of SMEs.

Fig 5: Value Chain

6.0 Major Players in the Sector

There are various types of Small and Medium Enterprises (SMEs) in Ghana, classified according to their nature of business, size and industry sector. Here are some of the common types of SMEs in Ghana:

- **Agricultural SMEs:** These are small and medium enterprises that engage in agricultural activities such as crop farming, livestock rearing and fisheries.
- **Manufacturing SMEs:** These are small and medium enterprises that are involved in the production of goods such as food processing, textiles, plastics and pharmaceuticals.
- **Service SMEs:** These are small and medium enterprises that provide services such as accounting, consulting, legal services and healthcare.
- **Construction SMEs:** These are small and medium enterprises that are involved in the construction of buildings, roads and other infrastructure projects.
- **Retail SMEs:** These are small and medium enterprises that engage in the sale of goods to consumers, such as supermarkets, convenience stores and street vendors.
• **Tourism SMEs**: These are small and medium enterprises that operate in the tourism industry, such as hotels, restaurants and tour operators.

• **Information and Communication Technology (ICT) SMEs**: These are small and medium enterprises that provide services related to information and communication technology such as software development, mobile app development and web design.

Furthermore, SMEs may differ in structure depending on their size, nature of business and ownership structure. The following are some common structures you will find in Ghana:

• **Sole proprietorship**: This is the most common structure for small businesses in Ghana. It involves a single owner who is responsible for the management and financing of the business.

• **Partnership**: This structure involves two or more individuals who share ownership and management of the business. Partnerships are common in professional services such as accounting, law and consulting.

• **Limited Liability Company (LLC)**: An LLC is a separate legal entity from its owners and provides limited liability protection to its shareholders. It is a popular structure for medium-sized businesses in Ghana.

• **Cooperative**: This structure involves a group of individuals who come together to form a business for their mutual benefit. Cooperatives are common in agriculture, handicrafts and other sectors.

• **Franchise**: This structure involves a business owner (franchisor) who licenses their business model to another individual (franchisee) to operate under their brand name. Franchising is common in the retail and food sectors.

• **Joint Venture**: A joint venture involves two or more businesses that combine resources and expertise to pursue a specific project or goal. Joint ventures are common in construction and infrastructure projects.

The following figures below indicate the share of the major players of some the SMEs across some of the various sectors indicated above.

**Fig 6: Some Major Players in the SME Sector**

![Major Players](image)

Source: Ghana Export Promotion Authority (GEPA)
Fig 7: Some Major Players in the SME Sector

Source: Ghana Export Promotion Authority (GEPA)

Fig 8: Some Major Players in the SME Sector

Source: Surveys from S&RD

Fig 9: Some Major Players in the SME Sector

Source: Surveys from S&RD
Fig 9: Some Major Players in the SME Sector

Source: Surveys from S&RD

Fig 10: Some Major Players in the SME Sector

Source: Surveys from S&RD

Fig 11: Some Major Players in the SME Sector

Source: Surveys from S&RD
Table 2: Key SMEs in the Importation of Spare parts at Abossey Okai

<table>
<thead>
<tr>
<th>MAJOR PLAYERS AT ABOSSEY OKAI</th>
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<tbody>
<tr>
<td>DANSEY ENTERPRISE</td>
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<tr>
<td>LAS ANGEL ENTERPRISE</td>
</tr>
<tr>
<td>CHIEF-BENZ MOTORS</td>
</tr>
<tr>
<td>FIRST POINT RIGIGAB ENTERPRISE</td>
</tr>
<tr>
<td>SAM AGUDE MOTORS</td>
</tr>
<tr>
<td>CN GLOBAL HONDA HOUSE</td>
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<tr>
<td>ADOM MOTORS</td>
</tr>
<tr>
<td>MIC LOV MOTORS</td>
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<tr>
<td>K.NYARKO ENTERPRISE</td>
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<tr>
<td>FTN MOTORS</td>
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<tr>
<td>GENUINE LIFE ENTERPRISE</td>
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<td>PAA ADOM ENTERPRIE</td>
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<tr>
<td>UPLOAD MOTORS</td>
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<td>CADIMA ENTERPRIE</td>
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<td>KORAMAUD AUTO PARTS</td>
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<td>GOD FIRST ENTERPRIE</td>
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<td>NANA TUFUOR MOTORS</td>
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<td>F.Y NANA BA ENTERPRISE</td>
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<td>NANA HAGAN ENTERPRISE</td>
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<td>OJASS AUTO PARTS</td>
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<td>VOLVO HOUSE</td>
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<tr>
<td>DICKS AUTO PARTS</td>
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<td>CASE DIE MOTORS</td>
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<td>NANA KANKAM MOTORS</td>
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<tr>
<td>ACOLA ENTERPRIE</td>
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<td>SARFORD ENTERPRIE</td>
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<td>JUST COME VENTURES</td>
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<td>BENZ GATE</td>
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<td>AKWESI APENTENG ENTERPRISE</td>
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<td>KWAKU FORD</td>
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<td>TELMAC-LINE</td>
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<td>FIADE ENTERPRIE</td>
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<tr>
<td>YOUNG BEN ENTERPRISE</td>
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<tr>
<td>BATMAN SPARES AND TRADING VENTURES</td>
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<td>RAPID COOLING ENTERPRISE</td>
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<td>WILLIE-POSH CO.LTD</td>
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<td>K.DUAH MOTORS</td>
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<td>FAP AUTO ZONE</td>
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<td>A.K DARKO MOTORS</td>
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<td>COPARTS ENTERPRIE</td>
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<td>AMEYAW FORD</td>
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<tr>
<td>LARRY AKPATSU ENTERPRISE</td>
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<td>KUFATA</td>
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<td>SEWELLE MOTORS</td>
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<td>OSIKA MOTORS</td>
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<tr>
<td>WOFA YAW FORD</td>
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<tr>
<td>OSCAR FORD</td>
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<tr>
<td>K.GYASI MOTORS</td>
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</tbody>
</table>

Source: Survey by GCB S&RD

7.0 Key Market Centers in Ghana that Host MSME

In Ghana, there are several markets that are particularly known for hosting small-scale enterprises and informal trading activities. These markets provide a platform for small businesses and entrepreneurs to sell their products and services. Here are some markets in Ghana with a significant presence of small-scale enterprises:

Agbogbloshie Market: Agbogbloshie is a bustling market in Accra known for its informal trading activities, particularly in the area of second-hand electronics, including computers, mobile phones, and accessories. The market also hosts numerous businesses dealing in spare parts for electronics and appliances. These include components such as circuit boards, capacitors, resistors, connectors, and other parts used for repairing and refurbishing electronic devices. Alongside the electronics-focused businesses, there are also vendors and traders offering a variety of general merchandise in Agbogbloshie Market. These may include clothing, shoes, accessories, household items, construction and hardware and other miscellaneous goods.

Makola Market: Makola Market, one of the largest markets in Ghana, is home to numerous small-scale enterprises. The market is known for its diverse range of business activities and is a hub for both wholesale and retail trade. Makola Market is a major hub for the trading of food items. You can find a wide variety of fresh produce, including fruits, vegetables, grains, spices, and local food ingredients. Traders, both
wholesale and retail, offer these foodstuffs to cater for the needs of individuals, restaurants and other food businesses. The market is renowned for its vibrant clothing and textile section. It offers a wide array of fabrics, including wax prints (such as Ghanaian and West African prints), lace, batik and other traditional and contemporary textiles. Tailors, seamstresses and fashion designers source their materials from this market. It also features numerous shops and stalls selling cosmetics, beauty products and personal care items. This includes skincare products, hair extensions, wigs, hair care products, makeup, and accessories. Makola Market is a destination for household goods and kitchenware.

Shoppers can find items such as cooking utensils, pots, pans, cutlery, plasticware, cleaning supplies and other household essentials. While not as dominant as in some other markets, there are also sections within Makola Market where you can find small-scale businesses selling electronic gadgets, mobile phones, accessories, and related items.

**Abossey Okai Spare Parts Market**, located in Accra, Ghana, is a renowned hub for automotive spare parts and accessories for SMEs. The market specializes in the trading of spare parts for various types of vehicles, including cars, trucks and motorcycles. The market is filled with shops and stalls operated by spare parts dealers who specialize in different types of vehicle components.

These dealers offer a wide range of spare parts, including engines, transmissions, suspension systems, brakes, electrical parts, body parts and more. Alongside the spare parts dealers, there are also mechanics and repair service providers operating within the market. They offer repair and maintenance services for vehicles, sourcing the required spare parts from the market itself.

The market also features shops and vendors offering accessories for vehicles, such as car audio systems, car alarms, car care products, seat covers, floor mats and other related items. The market provides a range of tools and equipment for automobile repair and maintenance. Some sections of the market are dedicated to the sale of tyres and wheels for various vehicles. These include new and used tyres, alloy wheels, rims, and related accessories. Abossey Okai spare parts market also houses shops and service providers specializing in auto electrical services. They offer repairs, installations and troubleshooting of electrical components in vehicles, such as batteries, alternators, starters, and wiring.

Additionally, there are businesses within the market that focus on auto body work and panel beating. They provide services for repairing and restoring damaged vehicle bodies, including dent removal, painting and other related services.

**Abeka Lapaz Market** – Abeka Lapaz Market, also known as Lapaz market, is a popular market located in the Abeka-Lapaz neighborhood of Accra, the capital city of Ghana. It is one of the bustling markets in Accra and is known for its vibrant atmosphere and diverse range of goods. The market offers a wide variety of products, including fresh fruits and vegetables, clothing, shoes, accessories, electronics, household items, beauty and personal care, handicrafts and more. Alongside goods, you may find small businesses offering services like tailoring, shoe repairs, mobile phone repairs, hairstyling, and more. It attracts both locals and visitors who come to shop for daily necessities, clothing, and various other items. It’s a hub of activity with numerous stalls and vendors selling their goods.

**Suame Magazine Spare Parts Market**, located in Kumasi, is a renowned hub for the automotive industry and is particularly known for its thriving spare parts market for SMEs. It is one of the largest industrial areas in West Africa and has a concentration of businesses involved in vehicle repairs, spare parts trading,
and related services. The market is home to numerous spare parts dealers who specialize in different types of vehicle components. These dealers offer a wide range of spare parts, including engines, transmissions, suspension systems, brakes, electrical parts, body parts and more. The area is also filled with workshops and garages where mechanics provide repair and maintenance services for vehicles. These mechanics source the required spare parts from the nearby spare parts market to carry out their services. Suame magazine is known for its metal fabrication workshops, where skilled artisans offer services such as welding, metalwork and fabrication of custom parts for vehicles and machinery.

The area also houses shops and businesses specializing in auto body work and spray painting. These businesses provide services for repairing and restoring damaged vehicle bodies, including dent removal, panel beating, painting, and other related services. Suame Magazine is not limited to the automotive sector. It is also a hub for engineering services and machine shops that cater for various industries including fabricating metal parts for the mines especially for obsolete machines which are no more being produced. These shops provide services such as machining, fabrication, and repair of machinery and equipment.

**Kejetia Market:** It is one of the largest and busiest open-air markets in West Africa. It is a vibrant trading hub with a wide variety of goods and services available. The market is renowned for its extensive selection of fabrics, including colorful wax prints (such as Ghanaian and West African prints), lace, batik, and other traditional and contemporary textiles. It is a destination for purchasing fabric for both everyday wear and special occasions. The market also features a section dedicated to foodstuffs where vendors sell fresh produce, including fruits, vegetables, grains, spices, and local food ingredients. It is a destination for household goods and supplies such as kitchenware, cooking utensils, pots, pans, cutlery, plasticware, cleaning supplies, home decor, and other household essentials. While not as dominant as other sections, there are also shops and stalls in Kejetia Market offering small electronic gadgets, home appliances, and accessories. The market also hosts a section dedicated to arts and crafts, where artisans and traders sell traditional crafts, souvenirs, sculptures, paintings, beads, and other artistic products representing Ghanaian culture. Furthermore, the market is known for its tailoring and sewing services, with numerous skilled tailors and seamstresses available to create custom clothing and provide alterations.

**Takoradi market Circle:** This is a prominent and bustling market located in the city of Takoradi in the Western Region of Ghana. It is one of the largest and busiest markets in the region, serving as a major commercial and trading hub. It is characterized by a bustling atmosphere, with numerous vendors, traders, and shoppers filling the market's streets. The market offers a diverse array of goods and products, catering to a wide range of needs and preferences. You can find fresh produce, including fruits, vegetables, meat, and fish, as well as a variety of foodstuffs, grains, and spices. Additionally, the market offers clothing, footwear, household items, electronics, jewelry, fabrics, handicrafts, and other consumer goods. The market also serves as a trading hub for local farmers, artisans, and small-scale entrepreneurs bring their products to sell, while larger wholesalers and distributors also operate in the market. This creates a dynamic marketplace that supports both small-scale businesses and larger commercial enterprises.

**Techiman market:** It is one of the largest open-air markets in West Africa and serves as a crucial trading center in the country. Techiman Market is primarily known the hub for agricultural trade. It is famous for its extensive selection of agricultural products, including fresh fruits, vegetables, grains, tubers, and livestock. The market serves as a hub for farmers, traders, and buyers involved in the agricultural industry. In addition to agricultural products, the Techiman market offers a wide range of other goods and
commodities. These include clothing, textiles, household items, electronics, handicrafts, kitchenware, medicinal herbs, traditional medicines, and more. One notable aspect of Techiman Market is its livestock section, where various types of livestock such as cattle, goats, sheep, and poultry are bought and sold. The livestock market attracts traders from different parts of Ghana and neighboring countries. Techiman market plays a vital role in the local and regional economy, serving as a significant source of employment and income generation. It provides opportunities for small-scale traders, farmers, artisans, and other entrepreneurs to sell their products and generate income.

8.0 Supply Dynamics

SMEs in Ghana employ various methods to source raw materials for production. The sector source for most of their supplies for production from domestic sources. They establish partnerships and relationships with local suppliers who specialize in providing the specific raw materials they need. This includes agricultural products, textiles, metals, plastics, chemicals and more. SMEs that require agricultural raw materials often source from farmer cooperatives or aggregators. These organizations work directly with farmers to aggregate their produce and provide a reliable supply of raw materials to SMEs. This sourcing method is particularly common in industries such as food processing, beverages, textiles and natural product manufacturing. The above notwithstanding, some SMEs in the country, especially those involved in agri-business, opt to source raw materials directly from farmers. They establish direct relationships with farmers, cutting out intermediaries and ensuring a consistent supply of high-quality raw materials. This approach often involves working closely with farmers, providing training and implementing sustainable farming practices.

Some SMEs in Ghana also rely on trade associations and industry networks to source raw materials. These associations often have connections with suppliers and normally provide access to information and contacts for sourcing specific raw materials. Through trade associations, SMEs benefit from collective purchasing power and negotiate better terms with suppliers. For certain raw materials that are not readily available locally or are more cost-effective to import, SMEs may opt to source from international suppliers. This involve importing materials such as specialized machinery, components, chemicals and unique raw materials required for manufacturing and agro-processing.

It's worth noting that the methods SMEs use to source raw materials can vary depending on the industry, product requirements and available resources. The choice of sourcing method is often influenced by factors such as cost, quality, availability, reliability, sustainability and the overall business strategy of the SME.

9.0 Demand Dynamics of the SME Sector

Household demand growth will be strong in the medium term supported by the positive economic outlook, favourable demographics and improved access to credit. The low disposable incomes of Ghanaian consumers will however limit spending on goods and services. Whilst goods produced by SMEs is significant and plays a crucial role in the country’s economy, demand for the goods are influenced by various factors such as:

**Consumer Preferences:** Consumer preferences play a significant role in shaping the demand for SME goods. Factors such as quality, price, design, functionality and branding influence consumers' choices.
SMEs that align their products with consumer preferences and offer unique value propositions have a better chance of attracting demand.

**Economic Factors**: Economic conditions and income levels impact the demand for SME goods. During periods of economic growth and increased disposable income, consumers tend to have a higher demand for goods across various sectors. Conversely, during economic downturns, consumer spending may decrease, affecting the demand for SME goods especially non-essential goods.

**Marketing and Branding**: Effective marketing and branding strategies are crucial in generating demand for SME goods. Most MSMEs currently promote their products using social media. Some of the well-structured ones with proper governance structures do use other channels such as traditional advertising, word-of-mouth and participation in trade fairs or exhibitions. Building a strong brand image and reputation helps create customer loyalty and drives demand.

**Government Policies and Support**: In Ghana, government through its agencies like GEAPA, Ghana Export Promotion Center (GEPA), Business Advisory Centers (BAC) etc. ensure that the necessary policies and support programs are championed to promote the goods and services offered by SMEs. Initiatives such as financial assistance, access to markets, capacity building and favorable regulations go a long way to help SMEs thrive and increase their market share.

**Tourism and Export Opportunities**: Ghana’s growing tourism industry and export markets provide opportunities for SMEs. Tourism creates demand for local crafts, textiles, traditional and cultural experiences. Similarly, exporting goods to international markets by SMEs in the Non-Traditional Export Sector can expand the customer base and increase demand for SME products.

**Technological Advancements**: Technological advancements and e-commerce platforms have opened new avenues for SMEs to reach a wider customer base. In Ghana, online marketplaces like Jumia Ghana, Zoobashop, Tonaton, SuperPrice etc. as well as digital marketing strategies enable SMEs to tap into national and international markets, expanding their reach and potential demand.

**Social and Environmental Consciousness**: Consumers are increasingly valuing products that align with their social and environmental values. SMEs that prioritize sustainability, fair trade, ethical sourcing and social responsibility may attract customers who actively seek such products, driving demand.

**10.0 Distribution Dynamics**

In Ghana, SMEs employ various distribution methods to distribute their finished goods to customers. Some SMEs choose to distribute their finished goods directly to customers without involving intermediaries. They may have physical retail outlets, showrooms, or their own online platforms where customers can purchase products directly from them. This approach allows SMEs to have more control over the distribution process and customer relationships. Additionally, SMEs often collaborate with distributors or middlemen/women to reach a wider customer base.

Distributors purchase products in bulk from SMEs especially those into manufacturing and agro-processing and then sell them to retailers or other businesses. Normally the distributors are responsible for managing the logistics of the distribution process. Also, some SMEs in Ghana distribute their finished goods through retail partnerships such as Shoprite, Maxmart, Melcom, and Palace Mall etc. They collaborate with these independent retailers, department stores, supermarkets or specialty shops to sell
their products. This distribution method allows SMEs to tap into existing retail networks and leverage the established customer base of these retailers.

The above notwithstanding, with the rise of e-commerce in Ghana, SMEs are increasingly using online platforms to distribute their finished goods. They set up their own e-commerce websites or leverage popular online marketplaces as well as social media platforms such as Facebook, WhatsApp and Instagram to reach a broader customer base. E-commerce platforms provide SMEs with the advantage of nationwide or even international distribution, offering convenience to customers and enabling SMEs to showcase their products to a larger audience.

Likewise, SMEs especially those into the export of Non-Traditional Exports (NTEs) often participate in trade fairs, exhibitions and industry-specific events to showcase and distribute their finished goods. These events provide opportunities for direct interaction with potential customers, wholesalers, retailers and other businesses in the industry. Through the participation in trade fairs, SMEs can secure orders, build relationships and generate sales leads.

SMEs in Ghana often employ a combination of these distribution methods based on their specific industry, product characteristics, target market, available resources and business objectives. The choice of distribution channels depends on factors such as cost-effectiveness, market reach, level of control desired and the nature of the products being distributed.

11.0 Haulage and Transport

Trucks and trailers are proven, efficient and economical means of connecting suppliers, SMEs, distributors and retailers. Trucks and trailers carry inputs and finished goods from the port to the factories of SMEs and their retail shops and warehouses. Products are also hauled by road by SMEs to the various parts of the country to distributors, retailers and final consumers. Some SMEs may own the assets used in their operations or outsource most of the road transport activities to independent owner operators and use storage depots owned by others under throughput fee arrangements.

Ghana’s current product distribution channel is predominantly by road, using trucks. Some of the SMEs own trucks that carry out the distribution of electronics, foodstuffs, hardware and many more. Furthermore, there are haulage companies that haul products on behalf of the SMEs. The haulage claim due any transporter is computed by multiplying the quantity of product loaded by a determined ‘rate’ and the distance covered by the vehicle.

12.0 Regulatory Dynamics

SMEs in Ghana are regulated through various laws, policies and institutions. The regulatory framework aims to provide a conducive environment for SMEs to operate, protect their interests, ensure compliance with regulations and promote their growth. The following are some key aspects of the regulatory framework for SMEs in Ghana:

- **Business Registration:** SMEs in Ghana are required to register their businesses with the Registrar General’s Department (RGD) under the Companies Act, 2019 (Act 992). This registration process establishes the legal entity of the business and provides certain protections and benefits.
- **Licensing and Permits:** Depending on the nature of the business, SMEs may need to obtain specific licenses, permits or certifications from relevant regulatory bodies. For instance,
businesses in sectors such as finance, health, education, food processing, pharmaceuticals and telecommunications may require additional approvals or permits from respective regulatory agencies such as Food and Drugs Authority (FDA), Ghana Standard Authority (GSA), National Communication Authority (NCA), Environmental Protection Agency (EPA) etc.

- **Taxation:** SMEs in Ghana are subject to taxation, including corporate income tax, value-added tax (VAT), withholding tax, and social security contributions. The Ghana Revenue Authority (GRA) is responsible for enforcing tax regulations and collecting taxes. SMEs must comply with tax obligations, including filing tax returns and maintaining proper accounting records.

- **Labor Regulations:** SMEs in Ghana must comply with labor laws, including the Labor Act, 2003 (Act 651). These laws regulate various aspects of employment, such as minimum wage, working hours, occupational health and safety, employment contracts and employee benefits. SMEs must adhere to these regulations to ensure fair treatment of employees and avoid legal disputes.

- **Intellectual Property Protection:** Intellectual property rights, such as trademarks, patents, copyrights and industrial designs, are protected under the Ghanaian legal framework. SMEs can register and enforce their intellectual property rights through the Registrar General's Department and the Copyright Office to safeguard their innovations, brands and creative works.

- **Competition and Consumer Protection:** The Ghanaian Competition Act, 2010 (Act 815) aims to promote fair competition and protect consumers' interests. SMEs must comply with regulations related to anti-competitive practices, mergers and acquisitions and consumer protection to ensure a level playing field and maintain fair business practices.

- **Sector-Specific Regulations:** Certain industries or sectors may have additional regulations specific to their operations. For example, the agricultural sector has regulations related to land use, crop production and food safety, while the manufacturing sector may have regulations related to product standards and quality control.

Aside the above, there are several agencies that see to the regulation, provide support, resources, and services to small and medium-sized businesses. These agencies aim to foster entrepreneurship, enhance business skills and facilitate the growth and development of SMEs.

The following are some notable ones in Ghana:

- **Ghana Enterprise Agency (GEA):** The GEA is the main government agency responsible for the promotion and development of micro, small, and medium enterprises in Ghana. They offer a wide range of support services such as business advisory services, capacity building programs, access to finance and market linkages.

- **Micro-finance and Small Loans Center (MASLOC):** This is a government institution that provides financial support and business development services to micro and small enterprises. They offer loans, grants and technical assistance to help entrepreneurs start and expand their businesses.

- **Ghana Investment Promotion Centre (GIPC):** The GIPC is an agency responsible for promoting and facilitating investments in Ghana. While their primary focus is attracting foreign direct investment, they also support domestic SMEs by providing information, advisory services and facilitating access to markets and partnerships.

- **Business Advisory Centre (BAC):** BACs are decentralized units established by the GEA across the various regions in Ghana. These centers offer personalized business advisory services, training programs and access to finance for SMEs at the local level.
• **Ghana Chamber of Commerce and Industry (GCCI):** The GCCI is a private sector-led organization that represents the interests of businesses in Ghana. They provide advocacy, networking opportunities, business support services and access to markets for SMEs.

• **Association of Ghana Industries (AGI):** The AGI is another prominent private sector organization that supports industrial and commercial enterprises in Ghana. They offer training, mentorship, business development services and advocacy for their members, including SMEs.

• **Ghana Export Promotion Authority (GEPA):** GEPA is responsible for promoting and developing Ghana's non-traditional exports. They provide export-related services, market information, training and financial support to SMEs looking to expand their businesses internationally.

13.0 Trade Dynamics

The major international trade activities in the value chain relates to importation of raw materials by SMEs into processed and semi processed goods such as plastics, pharmaceuticals, finished electronic products and retail consumer goods. In 2021 and 2022, the European Union and the Far East (China & India) were the dominant suppliers of imported raw materials and finished goods to Ghana by SMEs. Asian product suppliers are achieving increasing market share in Ghana due to their more direct participation in distribution channels as well as promotion of their products. It is estimated that Ghana goods imports are worth US$14 billion. As of 2019, vehicles other than railways and tramway were the largest import category of goods into Ghana, amounting to approximately 1.69 billion U.S. dollars and occupying 16 percent of the country's total annual imports.

**Fig 12: Distribution of goods imported into Ghana, by category**

![Bar Chart showing distribution of goods imported into Ghana](image)

Source: Statista
Furthermore, trade activities in the value chain relates to the exportation of finished and semi-finished products especially for SMEs in Non-Traditional Exports. Product export in the NTEs is estimated at about 90% of total production. In 2021 Non-Traditional Export (NTE) products were exported to 152 countries. These countries are represented in five groups as follows:

- European Union (EU) & United Kingdom
- ECOWAS
- Other Developed Countries
- Rest of Africa
- Emerging Economies
Table 3: Comparative Share of NTE Earnings by Destination & Top Ten Leading Destinations

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<tbody>
<tr>
<td>EUROPEAN UNION_EU</td>
<td>1,197,567,901</td>
<td>977,603,872</td>
<td>22.49%</td>
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<td>ECOWAS</td>
<td>1,096,275,617</td>
<td>783,838,565</td>
<td>39.6%</td>
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<td>EMERGING ECONOMIES</td>
<td>721,680,645</td>
<td>323,959,397</td>
<td>-1.46%</td>
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<td>OTHER DEV. COUNTRIES</td>
<td>261,719,570</td>
<td>311,234,129</td>
<td>-15.91%</td>
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<tr>
<td>REST OF AFRICA</td>
<td>53,073,055</td>
<td>41,483,907</td>
<td>27.94%</td>
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Source: Ghana Export Promotion Authority (GEPA)

Export of NTE goods into ECOWAS was US$1,096,275,617 in 2021, an increase from US$783,838,565 representing a 39.86% increase from the previous year. This market destination represents 32.92% share of the total Non-traditional export market. Rest of Africa, Other Developed Countries as well as Emerging Economies absorbed 1.59%, 7.85%, 21.67% respectively, of NTEs.

A comparison of the performance of the various market destinations by category in 2021 compared to 2020 shows growth of 22.49% and 27.97% in the performances of European Union & United Kingdom and Rest of Africa respectively. The performance of other Developed Countries and Emerging Economies declined by 15.91% and 1.46% respectively in 2021 compared to 2020.

Netherlands was the lead market destination for NTEs, absorbing US$423.96 million worth of NTEs in 2021. Out of the top ten market destinations - in terms of destinations by categories- 4 were EU & UK countries, 3 were ECOWAS countries, 1 was from Other Developed countries, and 2 were from Emerging Economies. The three ECOWAS countries in the list, Burkina Faso, Togo and Senegal were second, fourth and ninth respectively, in the top ten market destinations.

14.0 Foreign Exchange Dynamics

Activities of major players in this sector results in the inflow and outflow of foreign exchange through their local banks. Therefore, availability of forex plays a major role in this sector. Exchange rate fluctuations have a major effect on this sector because some of the customers in the sector generate their revenues in Cedis but import finished goods, machines and raw materials in foreign currency. The sector requires forex demands of about US$5 billion annually.

15.0 Risk Consideration

SMEs in Ghana face various risks that can impact their operations, profitability and sustainability. Understanding and effectively managing these risks is crucial for the success of SMEs. By identifying and addressing these risks, GCB Bank can minimize potential losses from the sector. The following are some key risk considerations for SMEs in Ghana:
• SMEs often face financial risks such as inadequate cash flow, limited access to financing, inability to secure credit, and difficulty in managing debt.

• Changes in market conditions, competition, customer preferences and demand fluctuations pose market risks for SMEs.

• SMEs are exposed to various operational risks, including supply chain disruptions, equipment breakdowns, production delays, quality control issues and inadequate infrastructure. These risks can lead to production disruptions, increased costs, customer dissatisfaction and reputational damage.

• SMEs in Ghana must navigate regulatory and compliance requirements, licensing obligations, tax compliance, labor laws and industry-specific regulations. Non-compliance with applicable regulations can result in penalties, legal disputes, reputational damage and hindered business operations.

• SMEs may face challenges related to attracting and retaining skilled employees, managing workforce productivity and addressing labor disputes.

• As technology becomes increasingly integral to business operations, SMEs face risks related to cybersecurity threats, data breaches, system failures and inadequate technology infrastructure. Inadequate protection of digital assets can result in financial losses, reputational damage, and compromised customer trust.

• Changes in government policies, economic instability, currency fluctuations, inflation and political instability can impact the business environment. SMEs need to monitor and adapt to these external factors to mitigate potential risks and identify opportunities.

16.0 Key Success Factors

• Maintaining accurate financial records and regularly monitoring cash flow.

• Diversifying the customer base and exploring new market opportunities.

• Investing in appropriate technology solutions and ensuring cybersecurity measures are in place.

• Staying informed about regulatory changes and seeking professional advice and support from the numerous regulatory agencies.

• Building a strong and skilled workforce through effective recruitment, training and employee engagement.

• Establishing relationships with reliable suppliers and maintaining contingency plans for supply chain disruptions.

• Access to spontaneous finance.

• Product Quality.

• Proper Storage of Products.

• Competitive pricing.

• Stability in macroeconomic indicators (inflation and exchange rate)

• Product Packaging.

17.0 Banking Needs

Banking needs for SMEs are essential for their financial operations, growth and overall business success.

Key Banking Expectation for the sector are as follows:
- Quick decision making
- Competitive pricing
- Efficient technology platform

Table 4: Banking Needs of the Sector

<table>
<thead>
<tr>
<th>Value Chain Phase</th>
<th>TYPE OF FINANCE</th>
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<tbody>
<tr>
<td><strong>SMEs</strong></td>
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<td></td>
<td>• Business Current Accounts</td>
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<td>• Business Savings Accounts</td>
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<td></td>
<td>• Business Loans and Overdrafts</td>
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<td>o working capital</td>
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<td>o Equipment purchases</td>
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<td>• Trade Finance</td>
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<td>o Letters of Credit</td>
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<td>o Import and export financing</td>
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<td>o Trade guarantees</td>
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<td>o Documentary collections</td>
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<td>• Cash Management Services</td>
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<td>o Cash collection</td>
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<td>o Cash forecasting</td>
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<td>o Electronic funds transfers</td>
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<td>o Payroll Management</td>
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<td>o Payment solutions</td>
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<td>• Merchant Services</td>
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<td></td>
<td>o Point-of-Sale (POS) Terminals,</td>
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<td>o Payment gateways for online transactions</td>
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<td>o Mobile payment solutions</td>
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<td>o e-commerce payment integrations</td>
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<td>• Online and Mobile Banking</td>
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<td>• Business Advisory Services (SME Clinics)</td>
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<td>• Treasury Services</td>
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<td>o Foreign exchange services,</td>
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<td>o Hedging solutions,</td>
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<td>o Investment products.</td>
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<td>• Consumer Loans</td>
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<td>• Payroll Management</td>
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<td><strong>Distributors/Retailers</strong></td>
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<td>• Asset finance</td>
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<td>• Short term finance</td>
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<td>• Working Capital</td>
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<td>• Cash collection</td>
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<td>• Consumer loans</td>
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<td><strong>Supporting Agencies/Private Sector Associations</strong></td>
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<td>• Consumer loans</td>
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<td>• Current and Savings accounts</td>
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<td>• Payroll Management</td>
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18.0 Conclusion

The SME sector in Ghana plays a crucial role in the country's economic development, contributing significantly to employment generation, innovation and GDP growth. This sector comprises a diverse range of businesses, spanning various industries such as agriculture, manufacturing, commerce (import trade) and services. They contribute to reducing unemployment rates, particularly in urban and rural areas and play a crucial role in addressing youth unemployment challenges. Despite their significant contributions, SMEs in Ghana face several challenges and constraints.

These include limited access to finance, inadequate infrastructure, regulatory burdens, skills gaps and market access constraints. Addressing these challenges is essential for unlocking the full potential of the SME sector. The Government of Ghana recognizes the importance of SMEs and has implemented various initiatives to support their growth. These include the establishment of specialized agencies, financial support programs, capacity-building initiatives and policy reforms to create an enabling environment for SMEs to thrive.

Despite the challenges in the sector, there are several opportunities for the development of SMEs such as fostering access to finance through innovative financing mechanisms, promoting technology adoption and digitalization, strengthening business development services, enhancing market linkages and facilitating access to domestic and international markets. Hence, continued efforts from the government, financial institutions and other stakeholders are crucial to addressing the constraints and creating an enabling environment for SMEs to thrive and contribute even more to Ghana's sustainable development.
Disclaimer:

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