

# THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

## Key Success Factors of Small and Medium Scale Enterprises: A Ghanaian Perspective

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### **Abstract:**

*The multi methodology is adopted for the investigation of the objectives of the study. The quantitative approach is first used and the initial findings are validated whilst the other part was validated through the qualitative approach in order to ensure reliability and generalisability of the results. The study employed a survey strategy and data were coded into NCSS 11 for analysis. Multinomial logistic regression was used to analyse data and then cox regression was used to check the robustness of the findings. From the findings, the most significant factors are: government support, inflation rate, interest rate, sector, training, business plan and infrastructure. The study eventually recommends strategies and policies to government and SMEs to positively improve their success rate. The results of the study will be significant to policy makers (that is government and quasi-government agencies), SMEs and other researchers.*

**Keywords:** SMEs, Turnover, Ghana, Ashanti region, northern region, multinomial regression

### **1. Introduction**

Earlier research documented the role of Small and Medium Enterprises (SMEs) in a country's economy. Schröder and Rodermund (2006) stated that the performance of SMEs is related to the wealth of a nation and growth of economies. SMEs are simpler with centralized decision-making structures with short-term planning as opposed to larger firms (Rohde, 2004). The SME sector determines whether a nation is successful or not with regards to job creation (Wiese, 2014). SMEs play major roles in economic development in emerging countries (Kongolo, 2010). SMEs are of paramount importance all over the world in terms of job creation (Amoah-Mensah, 2013). Eventually, SME sector influences a nation's economic development.

Amidst the significance of SMEs, they encounter a number of problems, which are caused by complex and interwoven factors. In Ghana, a third out of five SMEs fail in the first couple of months (Mensah, 2004). Empirical studies show that major constraints to SMEs' expansion include the following: lack of access to finance, labour and management, low demand for output, technology, raw materials, infrastructure, marketing and business environment problems (Kayanala and Quartey, 2000).

Given the significant role that SMEs play within the national economy as stated by (Nieman, 2006; Schröder and Rodermund, 2006; Wiese, 2014), it is important that the necessary policy attention is given to them to ensure that the sector overcomes the several challenges they are exposed to. Small enterprises are a major source of livelihood for most people in the developing world. Their ability to grow is however, undermined by credit constraints (Domeher et al., 2013). Research on SMEs in Ghana cuts across a wide spectrum, with some researchers for example (Mensah, 2004; Adomako - Ansah, 2012; Nkuah et al, 2013) investigating financing issues whilst others for example (Adom, 2015) have also looked at SMEs from the perspective of gender. Other researchers focused on growth and performance of SMEs for example (Alhassan et al., 2016). Admittedly there are some studies for example (Alimo, 2015) on key success and failure factors on SMEs. Empirical research provides evidence of how previous studies have focused on individual sectors such as construction, tourism and garment industry. The Ghana Banking Survey (GBS, 2016) identified that in Ghana, the services sector including restaurants, hotels, business and transport form the majority of SMEs. The industry part includes electricity, water and sewerage, mining, manufacturing and construction. The services sector remains the largest in terms of contribution to GDP with a GDP increase from (51.95%) in 2014 to (54.4%) in 2015; Industry (25.3%) and agriculture (20.3%) by year end 2015 (GBS, 2016). Generally, the GDP growth rate has fallen consistently from (9.3%) in 2012 to (3.9%) in 2015 (GBS, 2016). Infrastructural and capital investment by government instead of consumption and the energy crisis saga resulted in a fall of GDP over the last few years (GBS, 2016).

### 1.1. Statement of the Problem

Somewhere in the 1970's it became paramount for Ghanaians to manage the national economy (Alebummah, 2015). The Ghana Enterprises Development Commission (GEDC) had to be created through the Ghanaian Enterprises Development Decree to provide financial aid to SSEs. The Ghanaian Business Promotion Act 334 (1970) was passed to promote entrepreneurship of the private sector towards promoting private entrepreneurship since the economy was managed by non-Ghanaians (GEDC Annual Report, 1986). The National Board for Small Scale Industries (NBSSI) was established in 1985 to promote the overall development of SMEs. There was the merger between the Commission and Department of Cottage Industries in 1991 and with the NBSSI in 1994 (Alebummah, 2015). The merger was important to provide sufficient finance and credit to SMEs, capacity building programs and technological improvements for the SME sector to facilitate growth (Tetteh-Ossom, 2013). In spite all these interventions most SMEs in Ghana do not grow into large businesses with fewer than five percent of large businesses being Ghanaian owned (Villars, 2006). Skills of management, credit access, advanced technology and inability to be recognised by large corporations amongst others are some obstacles SMEs face regularly in their daily operations (WTO, 1998; ABSA, 2005).

Although there are many existing studies on what drives SMEs growth, there are certain loopholes that need to be addressed. In the methodologies from previous studies, data was collected mainly through surveys. Researchers went and conducted the surveys and analysed the results and this might have affected validity of results as it lacked validation. This study adopts a process that is more rigorous where the first pilot is developed, the main survey is conducted, analysis of the results is made and later validation to allow some of these SMEs confirm the results with their earlier responses. This improves the validity of the data and the findings in general. Moreover, the variables used in the previous studies were generally business related such as leverage and growth and macro factors such as demographic forces, economic factors, and technological, political, social and cultural forces. It may be possible that a combination of demographic factors, firm-specific factors as well as external factors can affect SME performance. These factors combined are investigated to enable in-depth decision making for policy makers to improve the success of SMEs and their performance in the long term, especially in Ghana. The need therefore arises to explore demographic factors, firm-specific factors as well as external factors for SME growth.

## 2. Literature Review

This section examines literature relevant to this study.

### 2.1. Definition of Key Concepts

Small and Medium Scale Enterprises: Researchers, organizations, nations and individuals globally are likely to formulate their own definitions to suit their particular "target" group (Storey, 1994). For the purpose of this study, the definition of (Abor and Biekpe 2006) is adopted, thus Micro Enterprise (six workers or less); Very Small Enterprises (between six and nine workers); and Small Enterprises (between ten and twenty-nine employees).

#### 2.1.1. Growth

(Penrose, 1959) explains growth as an increase in size or things which can be quantified. Delmar, et al. (2003) indicated that growth indicators such as assets, market share, physical output and profits but sales and employment are very vital to growth hence are searched for when measuring growth.

#### 2.1.2. Success

Success usually refers to the financial performance of a firm but there are several interpretations for it (Foley & Green, 1989). According to Perren (2000), some researchers use tangibility in defining success such as revenue or a firm's growth and profitability. There is no uniformity in researcher's definitions of success (Perez & Caninno, 2009). In several researches, the word performance and success are used interchangeably and even so with this study. Sandberg et al. (2002) stressed that performance is being able to start a firm, grow and survive while contributing to employment and income generation. Many researchers for example (Hawawini et al., 2003) stressed that macroeconomic factors influence performance significantly. Hence, this study set out to find the influence of microeconomic and macroeconomic factors on business turnover and net worth.

### 2.2. The Role of SMEs to National Economic Development

The SME sector determines whether a nation is successful or not with regards to job creation (Wiese, 2014). SMEs play major roles in economic development in emerging countries (Kongolo, 2010). These roles include: Entrepreneurship-according to Mort et al., (2003), SMEs in many countries promote indigenous entrepreneurship, opportunities for investment and local technological advancements; Employment and GDP-Firms with between more than five but greater than two hundred and fifty workers contribute to sixty-seven percent of total job creation (Ayyagari et al, 2011); Distribution of Income-SMEs do not only serve as sources of employment but also income (Abor & Biekpe, 2006). Large firms can sub contract to SMEs and this will result in equitable distribution of income (Lloyd, 2002); Variety of Products and Services: SMEs provide consumers and customers with vast types of goods and services and freedom of choice (Jackson, 2004).

### *2.3. Theoretical Literature*

This section looks into theories underlying business success to facilitate a detailed outlook.

#### 2.3.1. Learning Theory

Sapienza and Grimm (1997) assert that the greater an organization's learning, the greater its ability to develop and exploit existing knowledge.

#### 2.3.2. Location Theory

According to Weber (1929), three elements influence intra-regional and inter-regional location and these are raw material costs, transport costs and labour costs.

#### 2.3.3. Pecking Order Theory

According to Timmons (1999), small and young businesses usually draw funds internally but with growth, come the need to resort to external sources of finance.

#### 2.3.4. The Goal Approach

The focus is on financial measures such as revenue and profits (Duchesneau and Gartner 1990)

#### 2.3.5. The Resource-Based View

The resource-based view (RBV) focuses on the physical, financial, organizational or human resources available to firms for competition, growth and survival (Barney, 1991; Hall, 1992).

#### 2.3.6. Human Capital Theory

This asserts that employee productivity depends on investments in knowledge, skills and competencies (Becker, 1964).

### *2.4. Empirical Literature*

Based on review of empirical literature, the success factors in this study can be categorised into three: demographic; firm specific and external factors.

#### 2.4.1. Demographic Factors

##### 2.4.1.1. Gender

Empirical evidence from (Sulemana, 2014) in Ghana, suggests that gender has a significant impact on success.

##### 2.4.1.2. Age

Available discussion explains that the younger entrepreneurs are motivated, energetic, determined to work and likely to bear risks than older entrepreneurs (Storey, 1994).

##### 2.4.1.3. Education

Sulemana(2014) posits that an entrepreneur's low level of education has no influence on success while (Chowdhury, 2013; Martey et al., 2013) explains that education of an entrepreneur has positive influence on SME success.

##### 2.4.1.4. Previous Work Experience

(Chowdhury, 2013; Naqvi, 2011; Sarwoko and Frisdiantara, 2016; Wiese, 2014) state that previous work experience of an entrepreneur has positive influence on SME success.

##### 2.4.1.5. Family Business Background

Empirical evidence (Olabisi et al., 2011) reports that presence of family influence and members affect business success.

#### 2.4.2. Firm Specific Factors

##### 2.4.2.1. Training

Training in any business area will lead to improvements in the business and this affirms empirical evidence (Magableh, 2011) report, that training has a positive influence on performance.

##### 2.4.2.2. Location

The findings of the study carried out by (Sulemana, 2014) in Ghana reveal that, the location of a business has a positive relationship with success.

#### 2.4.2.3. Number of Employees

(Bouazza et al., 2015) indicates that human resources have a negative influence on business growth while (Abdullah and Rosli, 2015; Moorthy et al., 2012) report that human resource management has positive influence on SME success.

#### 2.4.2.4. Leverage

(Asikhia and Rensburg, 2015; Mateev and Anastasov, 2010; Sarwoko and Frisdiantara, 2016) posit that leverage has positive influence on SME success.

Cost Control: (Asikhia and Rensburg, 2015; Martey et al., 2013) reports annual cost incurred has positive impact on success.

#### 2.4.2.5. Business Plan

Having a business strategy, according to Barney et al. (2001), is important to enable the firm create products and services at reduced cost. Having a business plan will serve us a guide for SMEs to measure and assess the business from time to time and make required changes when the need arises. (Hove and Tarisai, 2013; Uddin and Bose 2013) indicate that having a business plan has a positive influence on SME success.

Information Communication Technology: Rahman and Ramos (2013) see the employment of an idea or invention as innovation while technology involves creating a service or product at a lower cost. Available empirical evidence (Abdullah and Rosli, 2015; Anga, 2014; Asikhia and Rensburg, 2015; Moorthy et al., 2012) say that ICT has positive influence on SME success.

### 2.4.3. External Factors

#### 2.4.3.1. Access to Finance

(Aminu and Shariff, 2015; Anga, 2014; Chittithaworn et al, 2011; Hove and Tarisai, 2013) reports access to finance affects performance.

#### 2.4.3.2. Interest Rates

Interest rates can affect the repaying amounts of borrowers and sales will also fall as a result. Samuelson (1945) posits that borrowers are affected by interest rate increment and they have no choice than to borrow at these expensive rates.

#### 2.4.3.3. Infrastructure

Available evidence (Okoye et al., 2014) report that infrastructure has a positive influence and (Chittithaworn et al., 2011; Naqvi, 2011) also report poor infrastructure has negative influence on SME success.

#### 2.4.3.4. Government Support

According to Keynes (1938), to better manage an economy, government should have policies in place and that governments can support businesses instead of competing with them. Empirical evidence (Uddin and Bose, 2013) report government support has a positive influence on business success while (Anga 2014; Benzinger and Chu, 2012; Kemayel, 2015; Naqvi, 2011) reveal government structure and policies have negative influence on SME success.

#### 2.4.3.5. Inflation

Sergii (2009) posits that the relationship between lower inflation rates and growth rate is a positive one while a negative relationship exists between higher inflation levels and growth.

### **3. Methodology**

Triangulation involves the application of various data gathering methods in order to attain credibility of data (Saunders et al, 2009). The study began with an in-depth review of existing studies. The choice of research approach was the triangulation method where paper survey questionnaires were administered to SMEs using convenience sampling method to collect data from a total of 600 owners of SMEs located in Kumasi and Tamale in the Ashanti and Northern Regions of Ghana respectively. In the questionnaire, questions asked included: Personal Information where socio-demographic information about entrepreneurs were asked; Business Information which inquired about the general characteristics of the firm; Macro-economic factors to understand the macro-economic factors and finally the entrepreneur's own measure of success was explored. Descriptive analysis was employed in analysing the data, followed by a follow up for validation from some respondents through interviews and focus group discussions to buttress the results so that the results can be classified as credible. Finally, there was an application of multinomial regression to test hypothesis for validation or rejection and later cox regression analysis to test robustness of the findings.

#### *3.1. Research Strategy, Research Sample and Data Collection*

The current paper investigated the key success factors of SMEs.

### 3.1.1. Research Strategy

The survey strategy is applied in this research with the adoption of questionnaires and semi-structured interview. Jack and Robson (2002) defines case study as involving the use of one or more sources of evidence to make an inquiry into a phenomenon in reality. Groups of people were involved in the focus group discussions to determine whether the results of the main survey can enable researcher draw general conclusions.

### 3.1.2. Sample

There are ten regions in Ghana with the greater Accra Region being the capital as well as the largest in terms of urbanisation and economic development according to the results of the 2010 Ghana Population and Housing Census (GPHC, 2012). The research was not conducted in this region due to evidence of numerous researches on SMEs for example (Adomako-Ansah, 2012; Alimo, 2015) conducted in the Greater Accra region compared to studies in the other regions. The study was conducted in Kumasi and Tamale metropolis which are the respective capitals of the Ashanti Region and the Northern Region of Ghana so as to gain inter-regional insights since these regions are different from each other in terms of culture, climate and economic development. A total of 600 SMEs was used for this study. Convenience Sampling or haphazard sampling was adopted and it involves selecting in no particular order subjects that are easily obtained and repeating this process until the needed sample size has been obtained. There is inherent bias and conditions beyond which we cannot control (Saunders et al, 2009).

### 3.1.3. Data Collection

The data collected were quantitative in nature based on questions regarding: Personal information where socio-demographic information about entrepreneurs are asked; Business Information which inquires about the general characteristics of the firm; Macro-economic factors to understand the macro-economic factors and their impact on the success of SMEs in Ghana as well as Personal Success Measures where the concept of success among SMEs is explored. Qualitative data was also gathered from the semi-structured interviews conducted. A pilot test was conducted with ten people and these did not form part of the main sample frame. NCSS statistical software version 11 was used to analyse the data collected in order to address the specific objectives being raised in this research.

## 4. Results

The research sample is described below.

### 4.1. Sample Description

A total of 600 SME owners were involved in this survey; the sample consisted of 232 females (38.67%) and 368 males (61.33%). About (40.5%) of respondents were between 30-44 years old and (56.00%) of the respondents were married. On the level of education, the results show that (18.33%) have no formal education at all. Whilst (20.67%) have only primary education, only (10.50%) have tertiary education. The number of respondents who have previous work experience is 359 (59.83%). A total of (51.83%) descended from a family of entrepreneurs and (36.00%) of the businesses were between 5 and 10 years of age. Respondents were engaged in various businesses in the areas of agriculture (crop and animal farming), hospitality (accommodation and catering), manufacturing (wood, metal, block, shoe and food processing) and trading (wholesale and retail). The percentage of participants from each business sector was 25%. Approximately (61.00%) of respondents' employ less than six people. Most of the businesses in this sample could thus be classified as small enterprises. These businesses reported a median annual turnover of less than GHC 100,000 (72.17%) and a median net worth of less than GHC 100,000 (60.83%). About 520 of these SMEs (86.67%) employ a debt to equity ratio of less than 1.0

### 4.2. Research Hypothesis Testing

- H<sub>0</sub>: null hypothesis e.g. Gender (X<sub>1</sub>) has no effect on SME success
- H<sub>a</sub>: alternate hypothesis Gender (X<sub>1</sub>) has positive or negative effect on SME success

This is expected for all the other explanatory variables

Variable	Interpretation	Measurement	Apriori Expectation
<b>Dependent</b>			
TRNO	Annual Turnover Growth	(1=Low, 2=Medium, 3=High)	n/a
<b>Independent</b>			
GEN	Gender	(1= Male, 0 = Female)	+/-
AGE	Age	(1= <45, 2= 45-55, 3= >55)	+/-
EDU	Education	(1=Educated, 0 = Otherwise)	+
WKEX	Previous Experience	(1 = Yes, 2= No)	+
FAM	Fam. Business Background	(1 = Yes, 2 = No)	+
SECT	Sector type	(1=Agric, 2=Hosp, 3=Manu, 4=Trad)	+ / -
TRAIN	Business Training	(1 = Yes, 2 = No)	+
LOC	Location of Business	(1= Kumasi, 2 = Tamale)	+/-
FIRAGE	Length of business operation	(1= <10years, 2= >10 years)	+/-
EMP	Number of employees	(1=1-5, 2=6-29)	+
LEV	Debt to Equity (%)	(1= <1.00, 2= >1.00)	+ / -

Variable	Interpretation	Measurement	Apriori Expectation
<b>Independent</b>			
CTRL	Cost Control	(1 = Yes, 2= No)	+
BPLN	Business Plan	(1 = Yes, 2= No)	+
ICT	Info. Comm. Technology	(1 = Yes, 2= No)	+
FIN	Easy Access to Finance	(1 = Yes, 2= No)	+
INTR	Satisfactory Interest rate	(1 = Yes, 2= No)	+
TAX	Satisfactory Taxes	(1 = Yes, 2= No)	+
INFRAS	Adequate Infrastructure	(1 = Yes, 2= No)	+
GOV	Government support	(1 = Yes, 2= No)	+
INFL	Negative Inflation effects	(1 = Yes, 2= No)	-

Table 1: Description of Variables for Regression Analysis

Source: Author (2019)

#### 4.3. Key Success Factors of SMEs

The indicator of success here is Annual Turnover and it is measured on three levels: lower level of success which is below GHC100,000 showing least success; middle level of success which ranges from an annual turnover of GHC100,000-500,000 showing moderate success; and then the upper level of success which is above an annual turnover of GHC500,000 showing high success.

Multinomial logistic regression has more than two values or outcomes. As seen in this study, there are three unique values for Y as annual turnover (Value (1) = < GHC100,000 ; Value (2)=GHC100,000-500,000; Value (3)= > GHC500,000) making it a multinomial logistic regression and the reference value used here is Y (1). There are two outcomes : Y(2) and Y(3). Data from the multinomial logistic regression and cox regression showing significance or lack of significance is shown in Table 2.

Code	Logistic Regression					Cox Regression	
	Y (2)=Success			Y (3) =High success		P	Status
Coefficient (b)	P	Status	P	Status	P		
GEN	0.1724	0.982	Ns	0	Sig	0.056	Ns
AGE	0.2991	0.968	Ns	0	Sig	0.75	Ns
EDU	1.0412	0.905	Ns	0.671	Ns	0.084	Ns
WKEX	0.5902	0.939	Ns	0.052	Ns	0.096	Ns
FAM	0.3771	0.956	Ns	0.411	Ns	0.365	Ns
SECT	0.4257	0.933	Ns	0	Sig	0	Sig
TRAIN	2.2501	0.808	Ns	0.663	Ns	0.001	Sig
LOC	-0.0104	0.998	Ns	0.553	Ns	0.221	Ns
FIRAG	-0.3812	0.961	Ns	0.042	Sig	0.082	Ns
EMP	0.09811	0.988	Ns	0	Sig	0.995	Ns
LEV	-0.3553	0.967	Ns	0.29	Ns	0.033	Sig
BPLN	11.9173	0.127	Ns	0	Sig	0.001	Sig
CTRL	-0.2067	0.974	Ns	0.803	Ns	0.677	Ns
ICT	8.21434	0.381	Ns	0.314	Ns	0.106	Ns
FIN	0.42318	0.938	Ns	0.081	Ns	0.411	Ns
INTR	-0.7337	0.894	Ns	0	Sig	0.691	Ns
TAX	-4.2724	0.501	Ns	0	Sig	0.132	Ns
INFRA	10.9951	0.241	Ns	0.208	Ns	0.035	Sig
GOV	0.2209	0.911	Ns	0	Sig	0	Sig
INFLA	2.89312	0.756	Ns	0	Sig	0.046	Sig

Table 2: Significance of Independent Variables

: Y (2) =Turnover (GHC100,000-500,000), Y (3) =Turnover&gt;GHC500,000, Sig=Significant, Ns=Insignificant

Source: Author (2019)

Table 2 shows that all the 20 factors are eliminated from the significance tests because their p values are greater than 0.05 when turnover is GHC100,000-500,000 thus at moderate success while 10 factors are eliminated when turnover is above GHC 500,000 thus at high level of success from the significance tests because their p values are greater than 0.05. The remaining 10 factors validate hypothesis Ha; which says: there are some factors that are considered to be key for SMEs success. Therefore, H0; which posits that there are no key factors for SMEs success in Ghana, is rejected in favour of Ha at 5% level of significance. The 10 significant factors indicate that there are factors that are key for SME success.

#### 4.4. Analysis of the Impact of the Significant Factors on SME Success

These factors are eliminated from the significance tests under logistic regression at Y (3) thus at high success level, because their p values are greater than 0.05: education, work experience, family business background, training, location, leverage, cost control, ICT, access to finance and infrastructure. As indicated in Table 3, only 4 of the significant factors have positive coefficients meaning they increase the success rate of SMEs. The factors are ranked on the basis of their impact on SME success using the logistic regression coefficient as a measure. The most important factor on the basis of rankings is government support, followed by interest rate, sector and inflation rate. These 4 significant factors were used to come up with the estimated logistic model:

$$Y = a + b_1\text{GOV} + b_2\text{INTR} + b_3\text{SECT} + b_4\text{INFLA}$$

In the model, "Y" represents turnover or success, "a" represents a constant, while b1 to b4 are regression coefficients. There are 5 factors under cox regression that have positive coefficients and these are government support, training, business plan, infrastructure and inflation rate. The estimated cox model will be:

$$Y = \text{Exp} (b_1\text{GOV} + b_2\text{TRAIN} + b_3\text{BPLN} + b_4\text{INFRAS} + b_5\text{INFLA})$$

Logistic Regression	Odds Ratio	Coefficient	Z	Rank
GOV	10000+	24.616	19.976	1
INTR	10000+	22.602	11.974	2
SECT	10000+	12.939	9.918	3
INFLA	6323.358	8.752	4.63	4
EMP	0.10918	-2.2147	-3.361	5
FIRAGE	0.09488	-2.3551	-2.029	6
GEN	0.00002	-10.728	-6.84	7
AGE	0.00001	-11.453	-17.419	8
BPLN	0	-46.366	-26.029	9
TAX	0	-52.857	-43.027	10
CoxRegression	Risk Ratio	Coefficient	Z	Rank
GOV	2.4669	0.902975	4.7944	1
TRAIN	1.9394	0.662396	3.519	2
BPLN	1.594	0.466227	3.8782	3
INFRAS	1.5615	0.445658	0.0353	4
INFLA	1.4729	0.387211	0.0455	5
SECT	0.8288	-0.18778	-4.331	6
LEV	0.7336	-0.30974	-2.1368	7

Table 3: Impact of Significant Factors on SME Success

Source: Author (2019)

Comparing both models, it can be seen that government support and inflation rate are the most important key SME success factors as they have been confirmed under both logistic and cox regression. Uddin and Bose (2013) in Bangladesh already confirmed this when they said government support have positive effects on business success contrasting Benzing and Chu (2012) who posits that satisfactory government support is the least factor in relation to success.

The important key SME success factors are interest rate, business sector, training, business plan and infrastructure. Magableh et al. (2011) in Jordan revealed that training is positively related with performance. Uddin and Bose (2013) in Bangladesh indicate that business plan have positive effects on business success. Okoye et al. (2014) in Kenya found that infrastructure influenced the performance of SMEs.

The least important factors with negative coefficients under either logistic or cox are number of employees, firm age, gender, age, tax and leverage. Elsewhere and even locally, these factors had been proven to either have a positive or negative impact on SME success. Martey et al. (2013) in Accra Metropolitan Area of Ghana reports that the number of employees have positive impact on performance. In Ghana, Sulemana (2014), proved that there is a positive relationship between gender and business performance. Mateev and Anastasov (2010) in Central and Eastern Europe discovered that leverage is important on firm growth.

Based on the combined estimated logistic and cox models, the model for the study can be derived as;

$$Y = a + b_1\text{GOV} + b_2\text{INFLA} + b_3\text{INTR} + b_4\text{SECT} + b_5\text{TRAIN} + b_6\text{BPLN} + b_7\text{INFRAS}$$

#### 4.5. Key Success Factors of SMEs-Interview Reports

Semi-structured interviews were conducted with 30 SMEs (7 from Tamale and 23 from Kumasi) from the main sample to ensure validity of the results gathered from the questionnaire analysis. The findings of the interviews thus throw light on the fact that when it comes to the issue of SME success factors and challenges, the answer may not be as

straight forward as the quantitative findings seem to indicate. The quantitative findings show that interest rates, government support and inflation among others are critical for SMEs and the qualitative results confirm it. The one factor that featured most prominently was the lack of government support (96.67%) which is a confirmation of the findings of the main survey. The participants identified a number of challenges in the conduct of their businesses; (43.33%) were able to control cost (46.67%) did not have easy access to finance while (63.33%) were not satisfied with the interest rates on their borrowings. About (60.00%) were not satisfied with the taxes they were paying and others had received government support one way or the other and even through a reduction in tax liabilities. Although the quantitative finding reveals a business plan as a critical success factor and as also reported by Hove and Tarisai (2013), some SMEs did not know the essence of a business plan and majority of those who had an idea did not know how to develop one.

#### 4.6. Focus Group Findings

A total of 5 different groups (at least one from each sector) with each group having 6 members were involved to confirm or reject the findings of the main survey. Only few had easy access to finance and there was no group where all the participants had easy access to finance. The trading group stressed on taxes and lack of organized workshops for traders while the hospitality group stressed on taxes and funding from financial institutions. (Magableh et al., 2011) report, that training has a positive influence on performance. All the groups affirmed lack of government support as major barriers to business expansion. The manufacturing group stressed on lack of government support where all the good wood is being exported leaving them with the leftovers to work with as their main problem while the agricultural group stressed on funding from government. (Uddin and Bose, 2013) say government support has a positive influence on business success. With rising prices, the participants find it somewhat impossible to control cost on a monthly or regular basis. All the groups explained that they cannot control cost on a daily basis. (Martey et al., 2013) indicates annual cost incurred has positive impact on success. The cost of credit from lenders makes it difficult to access funds from external providers. They believe if the government could make funds available for SMEs through the banks at subsidized interest rates, this could go a long way towards helping them in their business expansion.

### 5. Conclusion

This study has discussed the quantitative and qualitative results obtained from the study. The success factors from the various outcomes have been combined and ranked, it can be seen that demographic factors (none); firm-specific factors (sector, training and business plan) and external factors (government support, inflation rate, interest rate and infrastructure) are the key SME success factors. Government support, sector and inflation rates are the most important key SME success factors. The number of employees, firm age, gender, age, tax and leverage are the least important success factors

#### 5.1. Recommendation

The findings of this study have a number of implications for policy as well as further research in the topic area. The findings call for more government support for the SMEs for various reasons. Government can adopt a number of policies such as the provision of business development services to firms to equip them business knowledge on types of joint ventures possible. Government could invest in infrastructure in the northern parts as this will release private investments and creation of more job opportunities as a result. Interest rates can be increased to reduce borrowing thereby leaving consumers with less money for spending thereby reducing inflation. SMEs must encourage employees to build on their knowledge and skills. Encouraging competition amongst lenders could also drive down the cost of credit which is one of the major causes of the credit non-application for external finance. Affordable interest rates on borrowing will enhance the expansion and success of all the sectors. Training and workshops are necessary for employee management and development. It been established that the absence of a business plan and registration of business makes such businesses unattractive to lenders of finance. Hence, not having a business plan and no registration of the businesses leaves little to be desired. At least documentation of the business plan can be achieved without necessarily embarking on the tiresome and costly process of business registration.

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