The Core Attributes and Specialisations of Small and Medium Textile Enterprises in Ghana

Isaac Abraham

Akenten Appiah-Menka University of Skills Training and Entrepreneurial Development
P.O. Box 1277, Kumasi, Ghana
Correspondence: iabraham@aamusted.edu.gh

ABSTRACT: *The growth and sustainability of Small and Medium Enterprises (SMEs) are crucial for the economic development of any nation. The government of Ghana, in recognition of this, established the Ghana Enterprises Agency to promote the growth and development of Micro and Small Enterprises (MSEs). This study aimed to identify the core attributes and areas of specialization of Small and Medium Textile Enterprises (SMTEs) in Ghana to provide the necessary support, identify employment opportunities, and mobilize the needed revenue for development. A descriptive research design was used for the study, with a sample size of 273 out of 300 questionnaires distributed to small and medium textile manufacturers in Greater Accra, Ashanti, Northern, and Western regions. The study employed multi-stage sampling techniques involving convenient, purposive, and stratified sampling procedures. The findings revealed that Greater Accra and the Ashanti region have the highest population of SMTEs in Ghana. The average annual earning of SMTEs in Ghana was around Gh¢18,000, which suggests more room for improvement. The study recommends that the government must provide valuable resources, particularly financial and strategic support, for the development of the private sector, particularly SMEs. The study also identified that the textile industry has significant potential for job creation and revenue generation, particularly in the face of rising youth unemployment rates in Ghana. Therefore, the government should promote investment in the textile sector, particularly for SMTEs, through policies that prioritize infrastructural development, access to finance, and targeted training programs. Overall, this study highlights the importance of supporting SMEs, particularly in the textile industry, as a vital means of promoting economic growth and development in Ghana.*

KEYWORDS: attributes, specializations, printing, embroidery, weaving and dyeing

INTRODUCTION

SMEs are recognized worldwide as vital to economic growth due to their rapid development and their role in generating employment (Herr & Nettekoven, 2018). SMEs have the highest number of businesses and lead the world economies in terms of employment (Kritikos et al., 2018). However, their full potential remains largely untapped due to various factors such as

legal, institutional, cultural, and societal, which differ across countries, affecting SMEs' role in economic development (Gherghina et al., 2020).

Despite this, SMEs' employment generation is essential for global countries, and they have the potential to become sources of innovation and improved productivity (Chong et al., 2019; Amoah & Amoah, 2018). SMEs contribute significantly to the attainment of fundamental goals of most economies, becoming the mainstay of socio-economic progress (Linton & Solomon, 2017; Petkovska, 2015). Traditional small businesses usually do not have a long-term strategy but have a small marketplace, whereas contemporary SMEs applying high technology are continuously seeking new markets and exploiting the efficiency of their activities (Nakos et al., 2019).

SMEs, particularly traditional ones, have strengths and weaknesses that closely relate to their leaders' involvement and human resources capacities (Rubio-Mozos et al., 2019). Nonetheless, the well-being of an economy depends mostly on the number and dynamics of SMEs and their success in the market (Herr & Nettekoven, 2018). The government of Ghana established the National Board for Small Scale Industries (now Ghana Enterprises Agency) by Act 434 of 1981 to promote the growth and development of Micro and Small Enterprises (MSEs) and ensure their sustainability (NBSSI, 1990). SMEs in Ghana provide approximately 70% of the country's GDP, and about 85% of manufacturing employment, and hence have a catalytic impact on the general economic growth, income, and employment (Services Portal of the Government of Ghana, 2018).

The global definition of Small and Medium-scale Enterprises (SMEs)
The significance of Small and Medium-scale Enterprises (SMEs) cannot be overstated as they are considered the backbone of all economies. Nonetheless, a universal definition of SMEs is non-existent, and this can be problematic. According to UNIDO (2004), a universal definition is essential for statistical purposes, monitoring industry well-being, benchmarking against other economies, setting arbitrary thresholds for levies or regulations, and determining the suitability for specific forms of public support. One of the initial efforts to define SMEs is the Bolton Report 1971, which proposed two approaches to the definition, the quantitative and the qualitative approaches (Muller et al., 2016). However, quantitative criteria are mostly used in defining SMEs by researchers, policymakers, intercontinental institutions, and statistical agencies. The size of SMEs is usually measured by the number of employees, but the definition of small and medium-sized businesses is relative to the local economy's scope, and hence differs from country to country.

For example, the European Commission (2016) defines micro-enterprises as having less than ten (10) employees, small enterprises having less than 50 employees, and medium-sized enterprises having less than 250 employees. In contrast, the OECD defines SMEs as businesses employing up to 249 people, with the ensuing breakdown - micro from 1 to 9, small from 10 to 49 and medium from 50 to 249, for statistical purposes. The World Bank defines Micro, Small, and Medium Enterprises (SMEs) as micro-enterprises with 1–9 employees, small enterprises with 10–49 employees, and medium enterprises with 50–249 employees (Sobir, 2019). However, some states employ different conventions, making it difficult to compare SMEs across different countries. Hence, despite the absence of a universal definition of SMEs,

it is imperative to have a standardized and agreed-upon definition to support the monitoring and growth of SMEs worldwide.

Definition of SMEs in Ghana

In Ghana, the definition of Small and Medium Enterprises (SMEs) is based on the number of employees in the enterprise (Abor and Quartey, 2010). Different studies have used varying employment cutoff points to categorize SMEs in Ghana. For example, Steel and Webster (1992) used an employment cutoff point of 30 employees for small-scale enterprises, while Aryeetey (1994) used the number of employees to categorize small-scale enterprises into three categories, concluding that a business employing below six (6) persons is micro, 6 to 9 persons as very small, and between 10 to 29 workers as a small enterprise.

Despite the lack of a globally accepted definition for SMEs, the Ministry of Local Government and Rural Development in Ghana has defined them based on the number of employees. According to Amoah (2018), the Ministry considers any establishment that employs 1 to 9 employees as a small-scale enterprise, 10 to 20 employees as a medium-scale enterprise, and above 20 employees as a large-scale enterprise. Similarly, the National Board for Small-Scale Industries (NBSSI) in Ghana defines a small-scale enterprise as one with not more than nine (9) workers (Kayanula and Quartey, 2000). Based on these definitions, it is clear that the maximum number of employees for small businesses in Ghana is nine (9), while medium enterprises employ more than nine (9) workers

Small and Medium Textile Enterprises in Ghana

Small and Medium Textile Enterprises (SMTEs) are an important part of the Ghanaian economy and are spread throughout the country. These enterprises specialize in different areas, such as designing, printing, dyeing, weaving, and embroidery, and they employ various technological innovations in their operations. However, there is a lack of proper documentation and comprehensive data on the activities of SMTEs in Ghana, which is a major challenge facing the industry (MOTI, 2019).

According to the Ministry of Trade and Industry, 92% of businesses registered in Ghana are micro, small, and medium enterprises. It is uncertain how many of these businesses are SMTEs. Moreover, the number of jobs created and the amount of revenue generated by the SMTEs is not accurately known due to the lack of comprehensive data (MOTI, 2019).

To address this challenge, it is crucial for the government to obtain comprehensive data and information on SMTEs. This information will enable the government to offer necessary support in terms of capacity building, identifying the core areas of specialization, and estimating the rate of employment generated by the sector. This knowledge will help the government to mobilize the necessary revenue from the SMTEs, which is essential for economic development (MOTI, 2019).

METHODOLOGY

This research made use of a quantitative research approach and descriptive design. Descriptive design was selected because it provides the opportunity to collect accurate data and afford a

clear picture of the phenomenon under study. In the view of Glass and Hopkins (1984), descriptive research involves gathering data that describe events and then organising, tabulating, depicting and describing the data collection.

Population

The accessible population for this study included all small and medium-scale textile manufacturers located in Greater Accra, Ashanti, Northern and Western Region. Preliminary enquiries showed that the four regions have a combined population of 99 Small and Medium Textile enterprises with a total of 870 workers.

Table 1. Regional Distribution of SMTEs in the selected regions

REGION	SMTEs	Number of Workers
Ashanti	25	213
Greater Accra	38	316
Western	16	180
Northern	20	161
Total	**99**	**870**

Sample Size determination

The sample size for the quantitative aspect of the study was computed using the following mathematical approach;

$$n = \frac{n}{(1+Ne^2)} \quad \text{where,}$$

n= sample size for employees
N= Population for respondents
e= level of precision (5% margin of error)

Sample size: $n = \frac{870}{(1+870x.05^2)}$ n=274 = 275app.

A non–response rate of 10% (27.5) was added → n=275+27.5=302.5

The actual sample size was approximated to be 300

Again, the same formula was used to determine the number of SMTEs sampled from each region.

Sample size: $n = \frac{99}{(1+99x.05^2)}$ n=79 approximated to 80 SMTEs selected from the four (4) earmarked regions.

Sample selection procedure

A multi-stage sampling procedure involving convenient, purposive and stratified sampling techniques was employed in this study. From the 90 SMTEs from the four regions, the researcher sought to conveniently select 80 SMTEs from the four regions. Stratified sampling was subsequently employed to determine the number of respondents to be drawn from each region. Based on the required sample size of 300 the number of respondents from each region was proportionately calculated using the formula: A/B X C, where A is the total number of SMTEs in the region, B is the total number of workers in region C is the determined sample size. For example, the sample size for the Ashanti Region was calculated using the above formula where A=213, B=870, C=300; thus, 213/870 x 300=73.

The same procedure was used to obtain the proportion of SMTEs in each of the selected regions and the summary is shown in Table 2.

Table 2. Sample Determination of SMTEs in the selected regions

REGION	SMTEs	Number of Workers	Sample (SMTEs)	Sample (Workers)
Ashanti	25	213	20	73
Greater Accra	38	316	31	109
Western	16	180	13	62
Northern	20	161	16	56
Total	**99**	**870**	**80**	**300**

Data Collection Instruments

A self-administered questionnaire was designed to gather data from the sample regarding the core attributes and specialisations of SMTEs in Ghana. The response format was based on a 5-point Likert-scale rating pattern with weightings of very frequently (SA) = 5, frequently (A) = 4, occasionally (NS) = 3, rarely =2, never (SD) = 1. The average of these points is 3.0 (5+4 + 3 + 2 + 1) = 3.0 thus 15/5. This was used in quantitative data analysis. Data were processed using Statistical Package for Social Sciences (SPSS).

Results and Discussion

This chapter presents and discusses the data analysis and research findings. Demographic and descriptive information on the Core Attributes and specialisations of SMTEs in Ghana are discussed in detail. The results of the data analysis were presented in the form of frequency and standard deviation tables. Of the 300 questionnaires distributed, 273 were considered valid for further analysis, with a 91% valid response rate. The remaining 27 questionnaires were partially responded to and some were barely readable.
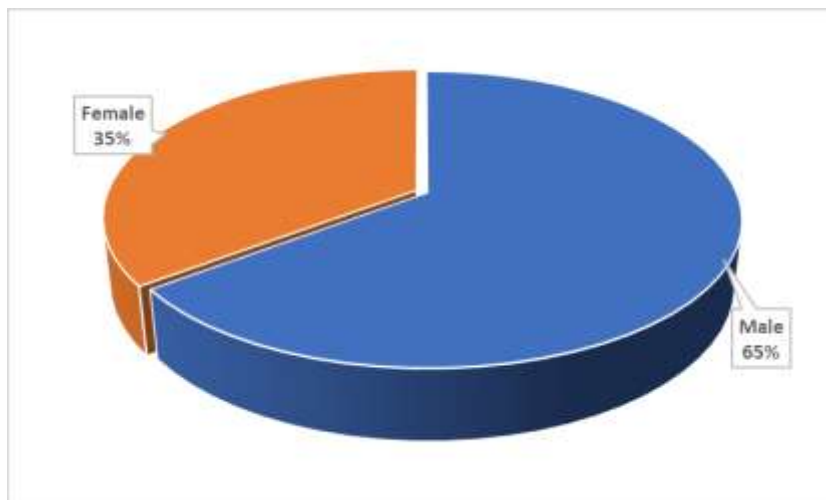
Gender distribution of respondents

Figure 1. Gender distribution of respondents

The demographic characteristics of the study participants are shown in Figure 1. In terms of gender distribution, the study found that more than half of the respondents (n=177, or 64.7%) were males, while 96 (35.3%) were females. This demonstrates that the textile manufacturing industry is dominated by men.

Tables 3. Age distribution of respondents

Age range	Frequency (*n*)	Percent (%)
< 25	25	13.2
25 – 34	107	56.3
35 – 44	38	20.0
45 – 54	14	7.4
55 – 64	4	2.1
65$^+$	2	1.1
Total	**273**	**100.0**

A summary of the responses in Table 3 shows that most of the respondents (n=107, 56.3%) were between the ages of 25 and 34, while 38, representing 20% of the respondents, were between the ages of 35 and 44. The results also revealed that 25% of the respondents were under the age of 25. The table also revealed that approximately 20% of the respondents were 45 years or older, accounting for 10.6% of the total respondents.

Tables 4. Highest level of education of respondents

Level of education	Frequency (n)	Percent (%)
No formal qualification	3	1.6
Basic/JHS	19	10.0
SHS	75	39.5
Diploma	39	20.5
Bachelors	45	23.7
Masters	9	4.7
Total	**273**	**100.0**

The results of the respondents' educational levels are presented in Table 4 According to the findings, more than a third of the respondents (n=75, 39%) had SHS as their highest level of education, while 45, or 23.7%, had a bachelor's degree. Meanwhile, 39 (20.5%) of the respondents held a diploma certificate, while 19 (10%) of the respondents had completed elementary school. Moreover, only about nine of the group had progressed to the Master's level. Because the majority of respondents had pre-tertiary educational training in the trade, it can be concluded that the level of formal education in the industry remains low.

Tables 5. Core Attributes of SMTEs in Ghana

Characteristic	Frequency (*n*)	Percent (%)
Regional Distribution of Businesses		
Accra	96	35.2
Ashanti	67	24.5
Northern	56	20.5
Western	54	19.8
Business Registration		
Yes	230	84.2
No	43	15.8
Age of Business (years)		
Less than 1	**10**	3.7
1 – 3	60	22.1
4 – 6	22	7.9
More than 6	181	66.3
The legal status of the business		
Limited Liability Company	17	6.3
Sole Proprietorship	256	93.7
Number of employees		
< 10 workers	167	61.1
10 – 29 workers	89	32.6
30 – 59 workers	13	4.7
60 - 99 workers	4	1.6
Average Monthly Revenue (Gh¢)		
< 1,000	78	28.4
1,000 – 2,999	63	23.2
3,000 – 4,999	11	4.2
5,000 – 6,999	6	2.1
7,000 – 8,999	34	12.6
9,000 and above	7	2.6
Not willing to say	73	26.8

The researcher attempted to assess the core attributes of SMTEs operating in Ghana in Table 5. First, the SMTEs in the study were distributed geographically across four major regions in Ghana. One-third of the responses (n=96, 35%) came from the Greater Accra region, while 56, 21%, came from the Northern region. In addition, the results revealed that 67 (25%) of the respondents were from the Ashanti region, while 54 (19%) were from the Western region.

The participants were asked if they had registered their businesses. According to the responses, the vast majority (n=230, 84%) indicated that their businesses were registered, while less than a quarter (n=43, 15.8%) of the businesses surveyed were not. The majority of textile manufacturing businesses in Ghana are fully registered, according to the trend.

Regarding the age of the businesses surveyed. The findings revealed that more than half of the businesses (n=181, 66%) have been in operation for more than six years, while 60 businesses (22%) have been in operation for one to three years. Furthermore, 22 businesses, or 7.9% of all businesses, have been in operation for four to six years. Those who operated for less than a year made up 3.7% (n=7) of the businesses surveyed. According to the findings, most SMTEs in Ghana have been operating for more than four years.

The amount of profit that can be retained and the tax implications that the business is legally allowed to bear are largely determined by the legal status of the company. Respondents were asked to specify their company's legal status. Table 5 shows that the vast majority of the businesses (n=256, 93.7%) are sole proprietorships, with only 17 (6.3%) registered as limited liability companies.

The respondents were then asked about the number of employees in their respective businesses as a follow-up question. According to the responses, more than half of the businesses surveyed (n=167, 61%) had fewer than ten employees, while 89 (33%) had between ten and twenty-nine employees. Meanwhile, 13 (4.7%) enterprises employed 30 to 59 people. It's worth noting that only about 2% of the businesses employed between 60 to 99 people. The findings show that the sample for this study was made up of small and medium-sized textile production enterprises.

On the subject of average monthly revenue earned by the enterprises, the majority (n=78, 28%) of the enterprises earn less than Gh¢1000 a month, whereas 63, representing 23% of the respondents, earn between Gh¢1000 – 2,999. Also, 34 represents 13% of the earned between Gh¢7,000 – 8,999 in a month. Nonetheless, 73, comprising 27% of the respondents, were unwilling to disclose how much the enterprise made in a month. Furthermore, the result showed that most SMTEs in Ghana earn Gh¢18,000 annually.
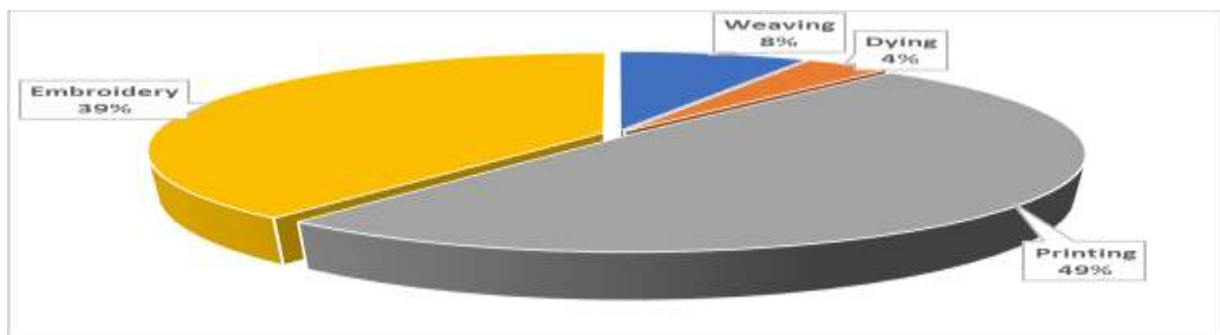
Enterprise Specialisation

Figure 2. Specialisation of SMTEs

In Figure 2, the respondents were asked to indicate their areas of specialisation. A summary of the responses in the figure shows that about 49% of the respondents were mainly into printing, whereas 39% indicated there were fully into the production of embroidery. More so, less than 15% of the respondents were specialists in Weaving and Dying.

The findings on the specialisation of the existing small and medium textile enterprises in Ghana showed that most of the small and medium textile enterprises operating in Ghana are mainly into printing and embroidery.

Concerning their core attributes, the study learned that most businesses were operating as registered businesses, with most enterprises being in operation for more than six years. The study also noted that the majority of the businesses were registered as sole proprietorship businesses. Furthermore, the bulk of the enterprises were micro and small businesses. Abor and Quartey (2010) established that the descriptions of SMEs are mainly based on the number of employees employed by the enterprises. In the case of this study, the finding relative to the stature of the enterprises based on employees is congruent with the findings of Aryeetey et al. (1994); Abor and Quartey (2010), who for all in their respective studies defined small and medium-sized enterprises as outfits with 1 to 99 employees with over 100 being considered as large enterprises. This is further affirmed by Selase et al. (2019), who observed that the textile industry in Africa is dominated by small and medium-sized firms with employees ranging from 6 to 99.

However, it is indicated in the literature that some proponents classify enterprises based on the valuation of their assets together with the number of employees (NBSSI, 1990). On that notion, the researcher took the position of Dalitso and Quartey (2000), who, in their study, argued that Ghana has a challenge with the valuation of fixed assets as well as the incessant instability of the local currency against the major currencies; thus, refrained from attempting to undertake any form of asset valuation as a basis for classification.

CONCLUSION

The findings of the study indicate that the Greater Accra region has the highest concentration of SMTEs in Ghana, followed by the Ashanti, Northern, and Western regions. Moreover, most SMTEs in Ghana are registered entities, primarily as sole proprietorship businesses, with a significant number of them having been in operation for more than six years. The majority of the enterprises have fewer than ten employees, indicating that they are small enterprises. Medium-sized enterprises comprised only a small fraction of the sample used. The study also revealed that most SMTEs in Ghana earn an average of Gh¢18,000 annually, with a specialization in embroidery and printing, while only a few focus on weaving and dying.

The results indicate that there is still room for improvement in terms of revenue generation by the SMTEs in Ghana. However, the fact that these enterprises earn an average of Gh¢18,000 annually implies their potential to contribute significantly to poverty reduction, which aligns with the first Millennium Development Goal (MDG 1) of ending extreme poverty and hunger. Therefore, it is essential for the government to provide valuable resources for the development

of the private sector, particularly the SMEs, financially and strategically, given the private sector's potential for economic growth in a developing country like Ghana

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