

CHALLENGES FACING SMALL AND MEDIUM SCALE ENTERPRISES IN GHANA: A CASE STUDY OF THE TEXTILE INDUSTRY

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ABSTRACT

The study sought to find out the challenges facing small and medium scale enterprises in Ghana textile industry. The researcher aimed to find out the challenges facing the textile industry in Ghana and the impact of the challenges to the textile industry in Ghana. The methodology employed was the quantitative approach and descriptive survey design. Questionnaire and interview were the research instruments used for the collection of data for the study. Secondary data was collected from books, publications, catalogues, periodicals, brochures, journals, charts and the internet. Data collected from the various sources were assembled, synthesized, critically analysed and interpreted. The study revealed that 80% of the textile businesses are limited liability companies while 20% are partnership businesses. The study found out that marketing, financial, production and managerial obstacles delays business operations, 45 of the respondents agreed, 5 were neutral and none disagreed. 100% of the respondents agreed that the challenges may lead to collapse of business. It was recommended that the government should set up special initiative fund to boost the textile industry. Money lenders, banks and other financial institution should redesign a repayment of loan mode and reduce interest rate on loans to enable the firms survive. Secondly, the management of the textiles firms should undertake a proactive marketing strategy and create massive awareness of their products to the general public.

Keywords: Textile, Textile industry, Small and Medium Enterprises (SMEs).

INTRODUCTION

The Textile Industry in Ghana was once a very vibrant industry, which employed over 25000 workers (Quartey, 2005). Most of the companies in the industry produced high quality designs and textile brands, which had high patronage on the local, West African and international markets. Finished Textiles produced by these companies were in high demand on the Ghanaian market because they were predominantly used in the design and production of traditional apparels such as the Kaba and other exquisite wears. The Industry was not only a source of employment to many Ghanaians but also accounted for about 10% - 12% of the country's total Gross Domestic Product, (GDP) (M.O.T.I, 2004).

In seeking to consolidate the gains the nation had made, with regards to this industry at the time, the Government of Ghana proactively established academic institutions to train students in textiles, so as to take up different responsibilities in the industry. Fortunately, the academic institutions responded to this call with high intake with respect to student population. In recent times, the industry has gone through difficult moments resulting in shutting down of production of most of the companies in the industry and a lot of workers have been made

redundant as a result of these shut downs (Sackey, 2011). The researcher has observed that, that has adversely affected the employment of textile graduates in such companies whose establishments were tailored towards providing the needed manpower for the textile industry. In spite of the numerous benefits associated with the textile industry, there are a lot of challenges the industry is encountering. These challenges somehow differ from one firm to the other. However, there are common challenges the individual firms go through. These challenges have led to the collapse of some textile firms while others perform below standard.

Small and Medium Enterprises (SMEs) do boast of huge power on the lives of citizens of our economy. Information shows that SMEs comprise of about sixty percent of all businesses in rising economies. In recent years, various programs and workshops have been organized to enhance development and expansion of small business enterprises by government and non-government organizations (NGOs). So many business enterprises grow rapidly to a point and when there is a small change in the economy, it depresses them from their point. Ahmed (2006) explains that (SMEs) are now seen as a sub-sector of the industrial sector which is playing crucial roles in industrial development. This suggests that Small and Medium Scale Enterprises are very crucial in shaping the growth agenda of countries. Small and Medium Scale Enterprises (SMEs) as academically known over the years have had a great influence on the lives of individuals of the world's economy particularly, developing economies like Ghana. The Small and Medium Scale Enterprises market consist of many businesses in the country and in the course of the years, grown to the level of becoming business merchant and service supplier to very big businesses that involves international and intercontinental conglomerates. Allotey (2008) observed that inadequate credit supervision and monitoring have often led to the decline of funds as account for low loan recovery rates. Due to lack of security most small business entrepreneurs are not prepared to acquire bank loans because they cannot meet their requirements. Many small scale businessmen lack collateral security such as land, house, etc. which makes it difficult for them to have access to bank loans. Michael Lipton (2010) observed that borrowers would use projects they could pursue with family to seek credit, however if the credit is granted they them use it for consumption purposes. Also beneficiaries of funds from NGOs treat them as gifts since it emanates from outside the company. This study will concentrate on two local textile firms in Ghana, which are Ghana Textile Printing Co. Ltd, Tema and Akosombo Textile Limited, (ATL), Akosombo. The challenges that the textile firms face cannot be underestimated. If measures are not taken all the firms will collapse and Ghana will depend on foreign companies for its clothing and other printing items. The only surviving local textile company in the industry is Akosombo Textile Limited, (ATL) but the story doesn't look good for that either. (The Financial Times Limited 2007).

Statement of the Problem

The Textile Industry in Ghana over the past few years has been gradually receding in terms of growth and development. From over 20 large scale textile factories established in the mid-1960s that employed more than 25,000 Ghanaians, the country now has only four textile factories employing less than 2,500 workers. Available statistics indicate that the country's total industry output was peaked at 129 million yards in 1977. Unfortunately, the figure declined from 129 million to 44 million yards in 2009 and subsequently, 42 million in 2011. Apart from the consequent negative economic outcomes being experienced by the country, the education institutions that were established by the government of Ghana to provide the industry with the necessary skilled manpower also appears to be retrogressing concurrently with it. For instance, in 2007, the number of students admitted by Takoradi Polytechnic was

126, and reduced to 106 in 2008. In 2009, it subsequently reduced to 96 and in 2010, 63 (TDTD - Takoradi Polytechnic, 2011). At the University of Education, the intake was 68 in 2008, 54 in 2009, 43 in 2010 and drastically reduced to 16 in 2011 (Textiles Section - UEW, 2012). Official figures from the Tema Technical Institute (Textiles Department-TTI, 2011) and, KNUST, Kumasi (Textiles Department, 2012), also paint quite a disturbing picture of the situation. There is need therefore to conduct an in-depth investigation into the textile industry and identify the challenges facing the industry as well as make suggestions to address them.

Purpose of the Study

The study sought to find out the challenges facing small and medium scale enterprises especially the textile industry in Ghana.

The researcher was guided by the following specific objectives to:

1. Find out the challenges facing the textile industry in Ghana.
2. Find out the impact of the challenges to the textile industry in Ghana.
3. Make useful recommendations to address the challenges facing textile industry in Ghana.

Significance of the Study

This study will be useful to the textile firms in Ghana since it will provide them in depth understanding of the problems or challenges facing the textile sector. Problem identification and understanding is one of the decision making process and must be understood well before appropriate solution can be used to address it.

The study will make suggestions to address the challenges identified. Users of this work will get insight idea and opportunity to provide everlasting solutions to the problems facing the textile industry in Ghana.

A copy of the project work could be placed at a library and be used as a reference material for further studies.

The study will provide useful information to stakeholders of the textile industry and national policy planners to make policies that will protect and promote the textile firms in Ghana.

REVIEW OF LITERATURE

Theoretical Framework of the Textile Industry

The term 'Textiles' is often with the branch of industry that deals with the production of fabrics. In many dictionaries the word 'textile' is defined as the making of cloth or fabric, especially, one that has been woven (Mensah, 2007). Textiles is however quite broader than the above. Mensah, (2007) avows that the term textiles encapsulates the tapping of the natural and man-made raw materials such as plants, animals, minerals and chemicals as sources of fibres (for textiles), converting these raw materials into fibres, converting the fibres into yarns, threads, cords, ropes (spinning) and non-wovens (termed bonded fabrics), the manufacture of yarns and threads into fabrics to be woven or knitted, printed or dyed (termed textile design), the addition of colour through dyeing, printing, embroidery, appliqué etc, upholstery making, tapestry making, the sewing of the fabrics into garments, dresses, sheeting, curtains, etc. textiles in Mensah's view may, then, be defined as the sum total of all the processes involved in tapping the raw materials up to the final stage of cloth production.

Bittner (2004) opines that a textile is a material that has been fabricated by some type of weaving process. The root of the word stems from the Latin word 'texere', which means "to weave." The term textile according to Bittner can also be applied to materials manufactured by the interlacing of yarn-like materials, such as objects made by braiding, knitting and

lacing, as well as some non-yarn based materials, such as felts, in which the fibres have gained coherence by mechanical treatments or chemical processes. Bittner contends also that, in rare cases, pelts, hides and plastics may also be considered textiles, especially when they are used in the manufacture of clothing items. Sackey (2002) corroborates this assertion by stressing that, early definitions of textiles point to fabrics produced by weaving, because the word was derived from the Latin word “*texere*”, which means to weave. He further states that, over the years, the word has undergone different dynamic changes, resulting in a wider scope to embody development of different fibres, fabric manufacturing and improvement methods. Sackey therefore holds the view that ‘textiles’ is the art of producing, decorating, and improving the efficiency and value of fibres, yarns and fabrics to serve and satisfy the needs of man.

Taylor (2007) reiterating the stances of Bittner and Sackey argues that the word ‘textile’ originally meant ‘produced by weaving’ but its application has greatly broadened. Now, this term is used for a wide range of products made from fibres or filaments, including not only nonwoven, knitted and felted fabrics, but also lace, nets, yarns and cords. The varieties of these products and their uses are so numerous that textiles have applications as tailoring and dressmaking) as synonyms to textiles. However, there are subtle differences in these terms. Textile refers to any material made of interlacing fibres. Fabric refers to any material made through weaving, knitting, crocheting, or bonding. Cloth refers to a finished piece of fabric that can be used for purposes such as covering a bed. Kadolph (2007), however, is of the view that ‘textiles’ is a general term used to refer to fibres, yarns or fabrics or anything made from fibres, yarns or fabrics. According to Taylor (2007), the textile industry affects every aspect of the lives of people. Textiles play diverse roles; these include their usage as upholsteries in cars and sitting rooms, draperies, carpets in homes and offices and for clothing oneself.

History and Scope of the Textile Industry

The textile industry is obviously one of the oldest in the world. It deals with all those occupations concerned with all the operations required to produce textile articles from both natural and man-made sources. The textile industry is also a term given to businesses linked with the marketing, distribution and use of textiles.

Tortora (2010) contends that the Textile industry was and is one of the largest industries in the world. According to her, it has and continues to add huge amounts to various national economies. Tortora (2010) adds that apart from providing employment for larger percents of various populations, several ancillary industries such as chemical, dye and dyeing, lathe machinery, printing, processing and many others were sprouted directly or indirectly to support the main root of the textile industry. Since time immemorial, it is learnt from history that the primitive man, the hunter who lived in forests, wandered from one place to the other in search of food, protected his body with fleece, animal hides, leaves, tree barks, climbers and other similar natural materials. The hunters though far away from the civilization, expressed their flare for self-adornment using the forest vegetation, animal skin, bone, horn, teeth as a symbol of strength and bravery (Tortora, 2010).

In obvious support to Tortora’s story, Essalser (2011) asserts that with the passage of time, hunters became cultivators, who took up farming as their profession, grew food crops along with the plants of natural fibres; i.e. flax and cotton. Spinning, basketry, weaving and colouring with natural dyes gradually knitted in the beautiful life of mankind. Miller (2008) argues that the textile industry includes every business involved in growing or producing

fibres, such as sheep farmers and cotton growers; those who spin fibres into yarns; those who weave the yarns into fabrics; and those who dye, bleach and finish the different kinds of fabrics which are then appropriately finished. Yarns are also sold in that state or in different forms after finishing garment manufacturers, tyre makers and electrical insulator-makers for the manufacture of non-textile products. Sackey explains further that, the textile industry is very large and diverse in area. It has various sectors that are traditionally highly fragmented, although with an underlying integration of purpose. The traditional sectors of the industry include spinning and doubling of yarns, manufacture of man-made fibres and yarns; weaving; garment manufacture; hosiery and knitted goods; rope, twine and net production; synthetics and plastics; carpet manufacture; lace-making; felted goods manufacture; textile finishing, (including dyeing and printing). It also includes the highly skilled and unskilled technical and administrative staff who man the industry. These include technologists, engineers, scientists, technicians, supervisors, and managers. Levels and corresponding quality of training are very high throughout the industry.

Overview of the Ghana Textile Industry

Over the years, textile education in Ghana has been generally tailored towards preparing the required specialized educated and skilled technicians in the field of textiles (spinning, weaving, dyeing, printing, stitching, etc.) to fill various positions in the industry as well as educational sector.

Quartey (2006) argues that, Industrial development has been recognised as one of the surest means of ensuring higher and sustained growth in the world rates. Hence, Ghana pursued import substitution industrialization (ISI) in the 1960s and 1970s. The rationale was to move her economy from their agrarian (agriculturally driven) state to a modern industrialized economy. Policies to promote import substitution industrialization were accordingly pursued and this led to the establishment of light industries to produce goods locally and operate behind tariff barriers. Ghana's industrial approach was meant to reduce economic dependence; hence, manufacturing industries were established to produce items that were previously imported. As a result, industries manufacturing textiles, and other important commodities were established. However, during the initial stages, the textile sector was largely dominated by foreign owned firms. A shift of government policies in the mid-1970s however, led to increased state participation in the sub-sector. For over two decades after the ISI was started, the textile sub-sector dominated the manufacturing sector and contributed significantly to the livelihood of Ghanaians. It employed about 25,000 of the labour force, accounted for 27% of total manufacturing employment and operated at about 60% of plant capacity (MOTI, 2004). The textile sub-sector indeed became an important source of foreign exchange in Ghana. Key among some of the Textile Manufacturing companies that surfaced in Ghana included Juapong Textile Limited, Akosombo Textiles Limited, Tema Textiles Limited, Ghana Textiles Printing Company Limited, Ghana Textile Manufacturing Company, Freedom Textiles Industries Limited, Millet Textiles Corporation, Spintex Ghana Limited (Now Printex), Ghana Blanket Factory, Ghana Cotton Company, Kumasi Jute Factory, Tarpaulin and Polypropylene Industries Limited, Commodore Textile Milling Limited, Ghana Umbrella Factory and Garment Manufacturing Companies. Beside these medium to large scale textile factories, there were thousands of small scale textile setups scattered across the length and breadth of the country whose contributions to the state were phenomenal. The textile sub-sector was an important source of foreign exchange in Ghana from the early 1970s to the middle of the 1980s.

However, due to inconsistent government policies over the years, the production of textiles has considerably declined in Ghana. Since 1982, the textile sub-sector started operating at extremely low capacity. Consequently, more than half of the factories in the industry wound up and the situation deteriorated further under the 'Trade Liberalisation Policy', which formed part of Ghana Government's Structural Adjustment Programme pursued in the 1980s and 1990s. Employment declined from 7000 in 1995 to 5000 by 2000. The Trade Liberalisation reforms paved way for increased importation of textiles and other apparel, which hastened the demise of many textile factories in Ghana (Quartey 2006).

Strengths and Weaknesses of the Textile Sector

The Ghana textile industry has inherent strengths in terms of rich legacy of textile production, strong multi-fibre raw material base, large and expanding production capacities, very low import intensity, vast pool of skilled workers and technical and managerial personnel, flexible production systems, large and expanding domestic market, dynamic and vibrant entrepreneurship, etc. However, these strengths have been diluted to a great extent due to severe disadvantages suffered by the industry in certain other areas affecting its productivity, quality and cost competitiveness. Such factors are technological obsolescence, structural anomalies, poor productivity of labour and machine, lopsided fiscal policies, multiplicity of taxes and levies, high cost of capital, redundant and outdated controls and regulations, restrictive labour and industrial laws, lack of aggressive marketing, poor perception of Ghana products abroad, procedural problems in exporting, poor infrastructure relating to transport, communication and banking, high power tariff, etc.

The technological obsolescence which is pervading almost all the segments of the textile industry has placed it far behind its major competitors in the world textile economy, and is threatening its very existence. The reasons for technological obsolescence are structural anomalies created due to lopsided fiscal policies, high interest cost, excessive controls and regulations, and restrictive provisions in the Industrial Disputes Act relating to closure, retrenchment etc., denying the entrepreneurs their basic right to make decisions based on techno-economic norms, and also social obligations imposed on the organised sector in the form of hank yarn obligation, etc. All these factors have created negative environment stifling investment in technology upgradation. The consequential impact has been sickness and closure of mills on a large scale. Such adverse factors have led to the failure of the Ghana textile industry to exploit its distinctive advantage in terms of strong multi-fibre raw material base to the optimum level. The Ghana textile industry has a significant presence in the Ghana economy as well as in the international textile economy.

Similarly, our cotton is among the most contaminated in the world. With regard to man-made fibres or yarns, production of such fibres and yarns has spurred during the last five years to the extent that we are now the 5th largest producer in the world but in terms of quality, price competitiveness and innovative product range, we are nowhere in the picture. The man-made fibres or yarns are produced in the country as a 'commodity' and not as a 'product'.

Considering the significance of raw material to the finished textile product, be it spun yarn, fabric, garment or made-up, it is imperative to augment the availability of different varieties (from standard to specialised) of textile fibres or yarns of internationally acceptable quality at reasonable prices to provide the platform to the value added textile products to acquire 'world class' status. The emphasis has to be on building up necessary capabilities including R&D facilities for improvement of fibre quality and for development of 'specialised' fibres or yarns especially fibres or yarns required for manufacture of technical textiles. It may not be

possible or even necessary for Ghana to reach the consumption pattern of world which is heavily in favour of non-cotton fibres, due to the climatic conditions and cotton advantage that Ghana enjoys. It would be reasonable to provide additional thrust for consumption of non-cotton fibres, particularly in value added blended textiles and technical textiles, to release the demand pressure on cotton and make it more cost competitive. More importantly, it will release high value cotton for value added textile exports. In the final analysis, the market forces should determine the relative fibre balance.

Problems and Challenges Facing the Textile Industry

The in-house problems relate to inadequate infrastructure, obsolete machinery, and lack of trained manpower, decentralized and fragmented nature of the industry, besides the inflexible labour laws. Though a large number of policy measures have been undertaken by the Government in terms of making easy and subsidized credit available for modernization of technology, supporting the industry for cluster development and establishment of integrated textile parks, provision of duty drawbacks on exports, etc., the Ghana exports doesn't seem to have converted these benefits to their advantage. In addition to the challenges faced by the exporting community from the home front, they also face tariff and non-tariffs barriers from the major export destination countries of EU and the US.

Agyenim (2008, January 23), in his article "Old Technology Killing Textile Industry" published in *Daily Guide: Business and Finance Column*, argued following are the threats that have hindered the progress of the Ghanaian Textile Industry:

Influx of Textile Products

The findings of the study show that, competition in the textile industry in the distance past was just among the local companies but the equation has now changed. These companies now have to compete with influx of textile products from China, Pakistan and other countries. These products offer value for money and are affordable. To compete with these foreign products will mean the local producer reducing their retail prices. This will mean they will be underpricing their product and this will have dire consequences on their profit margins. Most of the interviewees engaged clearly opined that the threats to Ghana's textile industry stemmed from problems at the ECOWAS regional borders. Some ECOWAS countries, most notably Nigeria, have banned the importation of certain textile goods; and as a result, the entry of textile and apparel goods into the Ghanaian market through unofficial channels had also become a problem, depressing the market for locally produced yarn, fabrics, and clothing.

Evasion of Duty on Imported African Textile Prints

Another important finding from the study is the fact that, importers of African Textile Prints importers in most cases did not pay realistic duties in Ghana basically because they:

- a. Under-declared their imports (declaring lower quantities than was actually brought into the country. In some cases, out of ten containers imported duty was paid on only two containers and the same documents were, recycled to clear the other eight containers without payment of duty).
- b. Under invoiced their imports (thus, declaring lower values rather than the actual value in order to attract lower duties).
- c. Were not honest in their imports description (thus, fraudulently misrepresenting the actual type of textile fabric imported e.g. (fancy print instead of wax print which attracts higher duty).

Intellectual Dishonesty

Another worrying revelation from the findings of the study was the:

- i. Pirating of patented or registered designs belonging to local textile producing companies by foreign ones.
- ii. Imitation of original designs of local textile companies by foreign ones
- iii. Copying brand and selvedge markings of locally printed textiles by foreign ones

Exorbitant Utility Cost

In Ghana, one of the biggest problems faced by the manufacturing sector and for that matter, the textile industry is the exorbitant energy cost and that of water. In other countries such as China, Pakistan, and Egypt, water and electricity use for the manufacturing sector is highly subsidised by the government, whereas in Ghana, full costs of electricity and water are borne by local manufacturers.

Obsolete Machines in the Industry

It was found out that, most of the textile companies in Ghana make use of obsolete and out date machines; and that is why they are finding it very difficult to compete with the foreign textile products. Assuming this is true, what it means is their cost of production will increase due to loss of man-hours as a result of machine breakdowns and stoppages in production lines. This cost is likely going to be passed onto the consumer. Secondly, old machines are likely to be less efficient. This will lead to the companies not meeting their production targets for any given period. What this means is that, there will be delays in meeting orders and this could result in customer dissatisfaction.

Poor Attitude of Factory Workers

The attitudes of some unscrupulous workers in the Ghanaian textiles industry have largely contributed to the woes of the Sector. Issues such as under invoicing and over invoicing, theft, lack lustre attitude towards work, bad customer care practices, absenteeism and bureaucracy have combined to hasten the decline of many of the textile companies in Ghana.

Labour Unrest in Ghana

It was found out that, one major issue that has caused the down fall of the textile industry in Ghana is labour unrest. For the past 20 years, there has been a series of labour problems ranging from salaries, allowances, condition of service, welfare and safety.

History of the Small and Medium Scale Enterprises

Small business businesses are all over the country and even one cannot recall the time their establishment came into being. They have diversified the country's monetary base and provided it with occasion of responding to a diversity of market conditions. The contribution of SMEs has created jobs and hence reduced the rate of unemployment in the country. These businesses are typically accepted in Eastern Europe and the Soviet Union. This observation was supported by Burns (1996) by saying; "people apparently fall in line with small business enterprises". Burns continued „the small number of entrepreneurs who started up small firms, made them grow and perhaps became millionaires in the processes. The earliest form of business entity in the world is the small business enterprise. According to Barrow (1993), the first known writings about small business enterprises suggest that more economies are fed with products and provision of services through small business enterprises.

Overview of Small and Medium Enterprises (SMEs) in Ghana

Ahmed (2006), explains that (SMEs) to now seem the sub-sectors of the industrial sector which plays crucial roles in industrial development. This suggests that Small and Medium Scale Enterprises are very crucial in shaping the growth agenda of countries. Small and Medium Scale Enterprises (SMEs) as academically known over the years have had a great influence on the lives of individuals of the world's economy particularly, developing economies like Ghana. Primarily, they have added to increasing production, giving out value-added activities in the industrialized sector, providing jobs avenues particularly in the services sector, and helping to broaden Ghana's export base (Ghana Investment Promotion Centre, 2010).

Historically, the SMEs sector in Ghana has been in existence for a long time and there are lots of opportunities for this sector in the area of agriculture, tourism, information technology, services, energy, manufacturing etc. This is a view held by the majority of developing countries and Ghana is not exempted. The Ghana governments over the years have pledged to develop the private sector and also support the private sector to help drive the nation to a level of ease for all. In Ghana, the private sector is hugely constituted by the SMEs. However, the SMEs within this sector are saddled with series of challenges and difficulties. Most of the productive poor and unemployed Ghanaians are engaged in self-employment in order to better their living and that of their families. This action subsequently has made Entrepreneurship a fast and better option in Ghana thereby reducing the rate of unemployment. Currently, employment seeking in corporate entities by the Ghanaian youth is declining.

SMEs Defined

In countries such as the USA, UK and Canada, SMEs are explained in terms of what they earn as returns or turnover. (Gray & Cooley, 2010). For example, in Britain, SMEs industry is explained as one with yearly turnover of two million pounds or less and with some less two hundred workers. In Ghana, the body governing the operations of SMEs explains that there are series of terms used such as criteria of fixed assets and employment size to distinguish small-scale industries from medium and large-scale industries. SMEs is an enterprise having (29) or less employees and also plants and equipment of GH100,000 -Ernest (Aryeetey 1995). Joel and Lussien (1996) also define SMEs as a business that is separately owned and managed. In the Ghanaian economy, as more outputs and services are not dependable, SMEs can be defined by characteristics rather than by values of assets, volume of sales, number of employees though such information is needed. Therefore, small and medium business enterprises can be defined as small and medium, where the entrepreneur is involved in the production process as well as the administrative and commercial aspects of business. One of its features is that most at times, family members are involved.

However, for the reason of the research and due to data unavailability, the researcher classifies small business enterprises as used by Ghana Statistical Service. The Ghana Statistical Service defines small business enterprises as a firm with less than ten employees (1-10) without regards to the capital base.

Contributions of Smes Operations to Economic Development

There are no measurable contributing effort of SMEs to the economy but it can always be said that their contributions are enormous and visible though not in it peak as required or desired by the indigenes and the government at large. SMEs have been seen as the engines through which the growth pillars of developing countries can be attained (Stokes, 2010).

These roles, which serve as a major contribution factor in the economy can be seen in the area of job creation and employment, proceeds generation in many developing countries, reducing the problem of rural-urban drift, provision of utilities and more. In the united of states, research has shown that most jobs are created by small enterprises. One cannot precisely indicate the number of small business enterprises in Kumasi, from observation; the community has many small business enterprises. Small business provides a high contribution to economic activities in Kumasi area and even the nation as a whole. They provide a source of employment and daily bread to many people in the Ashanti Region.

In Ghana, small businesses are major sources of employment income and personal development for the rural and urban folks (Bani, 2003). It is estimated that about three-quarters of the Ghanaian population derive their livelihood from this sector (Ghana News Agency, 2006). The expansion of small business enterprises has attracted the provision of utilities such as electricity, water, improved communication and transport as well as the provision of other social amenities that has made the life in the rural areas more attractive. This has in turn motivated the young school leavers to stay in the rural areas, to contribute their quota to the resuscitation of the economy.

Moreover, SMEs operations can be started on a quite a low capital and at the same time on a part time base. SMEs also have the advantage of being quickly able to adapt to new customer demands. Proprietors of SMEs are closer to their clients, which makes them more accountable and leads to greater customer loyalty. This is particularly challenging for large firms due to their internal bureaucracies. With the evolution of the internet since the 1990s, SMEs have gained extra impetus in the area of internet marketing. (Stokes, 2010)

Empirical Review of Literature on the Challenges of Smes

SMEs in the economy have been constrained by a number of factors. Prominent among these are limited management and entrepreneurial skill of the owners/ managers, marketing problems due to quality of the products and poor market research, lack of adequate infrastructure and modern technology and lack of adequate access to credit.

Small Scale Enterprises (SSEs) produce largely for the domestic market although there are few of their products for export markets. Those producing for export are unable to identify the specific buyers in the export trade. In the early years 1930's, Senator Macmillan said that SMEs' growth showed that they were distressed with finance gap. Much pragmatic study revealed that SME were faced with not only equity gap but also debt gap.

In Ghana, initial capital is a blockade to entering most industrial activities. For example, Goze, (1990) in his study of small firms, stated that, few small firms start their projects with their own capital (personal savings) and with assistance from families and close associates. Parker et al, (1995) said that credit constraints pertaining to working capital and raw materials were cited by small business enterprises in Ghana. Aryeetey et al (1996) in their study of informal finance to SMEs in Ghana said that thirty eight percent of the SSEs interviewed said that loan as a limitation. It was deduced that SMEs have inadequate way to funds markets. This is so due to the fact the notion of high risk, information barricade plus high costs of intermediation for micro firms.

METHODOLOGY

The design for this study was traditional research that is survey to be specific. The term survey research means the collection and analysis of responses of large samples of people through polls and questionnaires designed to elicit their opinions, attitudes, and sentiments about a specific topic. In accordance with some scholar, Ghauri and Gronhaug (2005) have reputed surveys as very effective in attaining opinions, attitudes, and descriptions, as well as cause and effect relationships. As a common and popular strategy used in most research, Saunders et al. mentions that survey is used in answering the “who, what, where, how, much and how many questions in business and management research. Saunders et al. (2011) additionally posit that the survey strategy is frequently linked to the deductive approach, thus, explaining quantitative data as being analysed using descriptive and inferential statistics. It is using structured questionnaire to solicit students’ opinion about a topic. Surveys also require selecting populations for inclusion, pre-testing instruments, determining delivery methods, ensuring validity, and analyzing results.

Population

Population in research means the aggregate or totality of objects or individuals regarding inferences that are to be made in a study. It comprises all those people who are proposed to be covered under the scheme of study. Fraenkel and Wallen (2000) describes population as any group of individuals that have one or more characteristics in common that are of interest to the researcher. The study focused on the workers of the two local textile firms in Ghana, which are Ghana Textile Printing Co. Ltd and Akosombo Textile Limited, (ATL). The total population of these two firms were two hundred and fifty (250).

Sampling Size and Sampling Technique

Sample is the process whereby the population is limited to a relatively small portion. It promotes effective and efficient study. Based on the above elaboration, the researcher’s sample size was fifty (50). The respondents were selected from the two local firms under consideration which are Ghana Textile Printing Co. Ltd and Akosombo Textile Limited, (ATL) Purposive sampling technique was adopted because the researcher wants to involve the employees, employers, engineers and other important stakeholders within the firms to collect relevant information to make the study a fruitful.

Data Collection Instruments

Questionnaire and interview were used in collecting data for this study.

Questionnaire: A questionnaire is an instrument that shows different kinds of questions or statements known as items that are carefully planned and drafted to solicit responses. The validity and reliability of this technique is to a large extent guaranteed since respondents have enough time to think and supply responses.

Interview: An interview is a conversation where questions are asked and answers are given. In common parlance, the word "interview" refers to a one-on-one conversation with one person acting in the role of the interviewer and the other in the role of the interviewee. The interviewer asks questions, the interviewee responds, with participants taking turns talking. Interviews usually involve a transfer of information from interviewee to interviewer, which is usually the primary purpose of the interview, although information transfers can happen in both directions simultaneously. One can contrast an interview which involves bi-directional communication with a one-way flow of information, such as a speech or oration. Interviews usually take place face to face and in person, although modern communications technologies

such as the Internet have enabled conversations to happen in which parties are separated geographically, such as with video conferencing software, and of course telephone interviews can happen without visual contact.

Data Collection Procedure

Questionnaire and interview were the instruments used in collecting data for this study and the various procedures by which these instruments were used to obtain data for the study have been described. The questionnaire and the interview were carefully prepared, for workers in Ghana Textile Printing Co. Ltd, Akosombo Textile Limited, (ATL) and other stakeholders to collect relevant information for the study. The researcher sought the consent of the directors of the firms and arrange with the workers to administer the questionnaires and the interview.

Validity and Reliability

The validity of the instrument was established by making sure it contains items which were appropriate for measuring the attribute to be measured. The researcher carefully selected items that were only related to the challenges that the textiles firms encounter in Ghana. The reliability of the questionnaire was tested to ensure that when the researcher used the same questionnaire a different time, similar response will be given or will yield the same results. Cronbach's Alpha of 0.82 on thirty (30) question items was obtained using the SPSS. This means the items were highly reliable in measuring the internal consistency for items in the questionnaire.

Data Analysis

The analysis of data is the process where one is trying to gather and present the data in such way so it has a good structure and becomes easy to understand. In addition, data analysis is a process of bringing order, structure and meaning to the mass of collected data (Ghauri, 2015). SPSS was used to code data and analysis the data. The results were discussed using tables and percentages in accordance with the research questionnaires chronologically. The researcher based the analysis on this technique since it appears simple and requires no technical knowledge to interpret and understand results gathered.

RESULTS OF THE STUDY

The background information of the respondents relevant to the study were taken. This covers the gender of the respondents, their age and educational background. This will enable the researcher to more aware and be familiar with the respondents dealing with.

Table 4.1 Gender of Respondents

Gender	Frequency	Percentage
Male	35	70
Female	15	30
Total	50	100

Source: Researcher's Fieldwork, 2018.

Table 4.1 shows the gender of the respondents. The males were 35 representing 70% and the females were 15 representing 30% of the respondents.

Table 4.2 Age of Respondents

Age range	Frequency	Percentage
20- 30 years	10	20
31-40 years	25	50
41-50 years	10	20
51 -60 years	5	10
Total	50	100

Source: Researchers' fieldwork, 2018.

Table 4.2 shows the various age groups of the respondents. The highest age group of the respondents was recorded 50%. It was followed by 20% which range from twenty to thirty (20-30) and forty- one to fifty (41-50). Majority of the respondents were 31-40 years.

Table 4.3 Educational Level of Respondents

Level	Frequency	Percentage
Diploma in Nursing /Midwifery	20	40
Degree in Nursing/ Midwifery	15	30
Masters /Doctors	15	30
Total	50	100

Source: Researchers' fieldwork, 2018.

Table 4.3 indicates the level of education of which the respondents have attained. 30% of the respondents have degree qualification. 40% were diploma holders and 30% have masters' qualification and doctorate qualification.

Table 4.4 Type of Business

Type of business	Frequency	Percentage
Sole Proprietorship	0	0
Partnership	10	20
Limited liability company	40	80
Total	50	100

Source: Researcher's Fieldwork, 2018.

From Table 4.4, 80% of the respondents said most of the textile businesses are limited liability company whiles 20% are partnership businesses. None of the respondents said is a sole business.

Table 4.5: Years Business has been in Operation

Years of Operation	Frequency	Percentage
Below 5 years	0	0
6-10 years	0	0
11 years and above	50	100
Total	50	100

Source: Researcher's Fieldwork, 2018.

In table 4.5, the researcher identified that all the local textile firms have been in existence for over ten (10) years. This was supported by the respondents' 100% endorsement of 11 years and above of business operation.

Data on Research Objectives

The researcher used questionnaire to collect data from the respondents. The study sought to find out the challenges facing small and medium scale enterprises especially the textile industry in Ghana and examine the impact of the challenges to the textile industry. The information obtained from the respondents have been presented in accordance with the study objectives.

Table 4.6: Financial Challenge Facing Textile Industry

Challenges	Frequency	Percentage
High collateral required in accessing loan	10	20
Delay duration to receive funds after application	5	10
High interest rate on loans	10	20
Inadequate capital	20	40
Unfavourable repayment mode by banks	5	10
Total	50	100

Source: Researcher's Fieldwork, 2018.

Table 4.6 indicates the financial challenges the textile industry encounter. Inadequate capital is a major challenge and 20 of the respondents representing 40% made that assertion. High collateral requirement was 10 (20%), high interest rate 10 (20%), delay in receiving funds after application 5 (10%) and unfavourable repayment mode 5 (10%).

Table 4.7 Marketing Challenges Facing the Textile Industry

Marketing challenges	Frequency	Percentage
Restrictive labour and industrial law	10	20
Poor perception of Ghana products	25	50
Procedural problems in exporting	5	10
Inadequate advertisement and awareness	10	20
Total	50	100

Source: Researcher's Fieldwork, 2018.

Table 4.7 shows that the textile industry in Ghana faces a lot of marketing obstacles that hinder its growth and sustainability. Poor perception of Ghana textile products constitute 50% of the major marketing challenges in the country followed by restrictive labour and industrial law and inadequate advertisement and awareness of made in Ghana textile products were 20% each.

Table 4.8 Production and Materials Challenges Facing Textile Industry

Production and Materials	Frequency	Percentages
Poor infrastructure	15	30
High power tariff	10	20
Poor productivity of labour and machine	5	10
Technological obsolescence	20	40
Total	50	100

Source: Researcher's Fieldwork, 2018.

Table 4.8 shows the production and material challenges facing the textile industry in Ghana. Technological obsolescence affects all the production aspects and it was recorded 40% by the respondents. Poor infrastructural facilities used in production was 15 (30%) by the respondents, high power tariff 10 (20%) and poor productivity was 5 (10%).

Table 4.9 Managerial Challenges

Management challenges	Frequency	Percentage
Lopsided fiscal policy	15	30
Structural anomalies	10	20
Incompetent management	10	20
Bureaucracy	15	30
Total	50	100

Source: Researcher's Fieldwork, 2018.

Table 4.9 describes the managerial impediments face by the management of textile firms in Ghana. Lopsided fiscal policy was recorded 30%, structural anomalies 20%, incompetent management of organization 20% and bureaucratic managerial processes was 30%.

Table 4.2.1: The Impact of the Challenges to the Textile Industry

Effects of the Challenges	Agree	Neutral	Disagree
Reduces profit	45	5	0
Makes operational cost very high	40	10	0
Delays operations	45	5	0
Reduce growth and increase mistakes	42	2	6
Puts pressure on the business	40	10	0
Delays operations	44	6	0
May lead to collapse of business	50	0	0

Source: Researcher's Fieldwork, 2018.

Table 4.2.1 shows the effects of the challenges faced by the textile firms in Ghana. From the table, 45 of the respondents asserted that the numerous challenges reduce profit of the business while 5 of the respondents were neutral to this point. Increases operational cost, 40 agreed, 10 respondents remained neutral and none disagreed. Delays business operations, 45 of the respondents agreed, 5 were neutral and none disagreed. 40 respondents agreed that the challenges put pressure on business, 10 of the respondents were neutral and none disagreed. 50 of the respondents agreed that the challenges may lead to collapse of business.

DISCUSSION

The study sought to find out the challenges facing the textile firms in Ghana especially Ghana Textile Printing Co. Ltd and Akosombo Textile Limited, (ATL). 50 respondents were purposively selected for the study. The presentation of the results revealed that the males were 35 representing 70% and the females were 15 representing 30% of the respondents.

The study revealed that 80% of the textile businesses are limited liability companies while 20% are partnership businesses. The limited liability firms enjoy protection from their personal belongings at the event of the collapse of the business as enshrined in the Companies Act, 1963 (Act 179).

In table 4.5, the researcher identified that all the local textile firms have been in existence for over ten (10) years. This gives evidence of experience and surviving policies managers have implemented over the years. Ghana's textile industry according to Koomson, (2012), is in a very deplorable state. He explains that in 1975, the textile industry in Ghana constituted over 20 textile firms that employed more than 25,000 people. The performance of the textile firms barely 40 years ago was far better than as it is now.

The Ghana textile industry have over the years encountered a lot of challenges. Table 4.6 indicated the financial challenges the textile industry have encountered. Inadequate capital is a major challenge representing 40% in the table. Others were high collateral (20%), high interest rate 10 (20%), delay in receiving funds after application 5 (10%) and unfavourable repayment mode 5 (10%). Parker et al, (1995) said that credit constraints pertaining to working capital and raw materials were cited by small business enterprises in Ghana. Aryeetey et al (1996) in their study of informal finance to SMEs in Ghana said that thirty eight percent of the SSEs interviewed said that loan as a limitation. Some of the respondents said the banks require so much information which many times they do not have and therefore are not able to get funds from them. Sometimes, they get less than what they requested for. For the Susu operators, they are not able give the money when required by the SMEs. They also said very often, the waiting period is too long and discouraging. Allotey (2008) observed that inadequate credit supervision and monitoring have often led to the decline of funds as account for low loan recovery rates. Due to lack of security most small business entrepreneurs are not prepared to acquire bank loans because they cannot meet their requirements. Many small scale businessmen lack collateral security such as land, house, etc. which makes it difficult for them to have access to bank loans.

In table 4.7, poor perception of Ghana textile products constitute 50% of the major marketing challenges in the country followed by restrictive labour and industrial law and inadequate advertisement and awareness of made in Ghana textile products were 20% each.

Table 4.8 shows the production and material challenges facing the textile industry in Ghana. Technological obsolescence affects all the production aspects and it was recorded 40% by the respondents. Poor infrastructural facilities used in production was 15 (30%) by the respondents, high power tariff 10 (20%) and poor productivity was 5 (10%). However, due to inconsistent government policies over the years, the production of textiles has considerably declined in Ghana. Since 1982, the textile sub-sector started operating at extremely low capacity. Consequently, more than half of the factories in the industry wound up and the situation deteriorated further under the 'Trade Liberalisation Policy', which formed part of Ghana Government's Structural Adjustment Programme pursued in the 1980s and 1990s. Employment declined from 7000 in 1995 to 5000 by 2000. (Quartey, 2006). Comparably, the textile SMEs, located in identifiable clusters in India, face several common problems as published by the Office of the Economic Advisor, Ministry of Commerce & Industry, Government of India (2001)

- Lack of technology upgradation,
- Inadequate capacity to source the requisite raw materials,
- Marketing of products,
- Inability to avail institutional credit,
- Diversification and inadequacies in the area of infrastructure

According to the report, though modernization and technology upgradation will improve productivity, exporters also need the support of the government to tackle some problems. From the analysis and in an attempt to compare to other countries, the challenges facing Ghana textiles industry is very similar to India and Germany.

The numerous challenges have great impact on the textile industry in Ghana. All the challenges together affect the goals of the business in one way or the other. In Table 4.8 45 of the respondents asserted that the numerous challenges reduce profit of the business while 5 of the respondents were neutral to this point. Increases operational cost, 40 agreed, 10

respondents remained neutral and none disagreed. The marketing, financial, production and managerial obstacles delays business operations, 45 of the respondents agreed, 5 were neutral and none disagreed. 40 respondents agreed that the challenges put pressure on business, 10 of the respondents were neutral and none disagreed. 50 of the respondents agreed that the challenges may lead to collapse of business.

However, due to inconsistent government policies over the years, the production of textiles has considerably declined in Ghana. Abdallah (2010) gives a similar account that Ghana's Textile Industry, is gradually joining the league of other nations in the sub-region with collapsed textile and garment manufacturing sub-sector. From over 40 textile firms that employed more than 25,000 people in the last two decades, the country now has only four textile factories employing less than 4,000 Ghanaians. The country, according to Ghana's Revenue Agencies Governing Board (RAGB), is losing about 300 billion Ghanaian old cedis in potential revenue annually through smuggling of textile materials. Like the situation in Nigeria, Ghana's once thriving textile market is now flooded with the Chinese sub-standard textile products, thereby surging up the country's unemployment index. AGI (2010), however contends that the lack of will towards the enforcement of legislations to check the smuggling of counterfeit textile into the country partly accounts for the problem. In his support to the argument, Olarewaju (2001) states that, In Ghana, the textile industry continues to face challenges, amid growing competition from cheap imports from China. Findings reveal that by the mid-1970s about 16 large and four medium sized textile companies had been established in Ghana; while the garment industry also had some 138 medium and large-scale garment manufacturing companies. Inconsistent government policies over the years, according to experts, have contributed largely to the continuous decline in the sub-sector. Today, the four major companies that have survived the turbulence in the sub-sector are the Ghana Textile Manufacturing Company (GTMC), Akosombo Textile Limited (ATL), Ghana Textile Product (GTP), and Printex with GTP maintaining the lead in the industry, ISSER's report indicated.

CONCLUSION

From the main findings of the study, the following conclusions have been drawn: It can be expediently concluded that the textiles industry in Ghana is in a very deplorable state and therefore, calls for pragmatic policies that will lead to a rigorous restructuring of the industry. It asserts that perhaps availability of finance is not as much of a problem as repayment of it and the collateral requirement to secure the funds. The repayments of financial liabilities are stressful and discouraging due to low paying capacity and insignificant sales. Factors such as lack of knowledge, poor communication skills, shortage of labor and certain problems related to marketing and finance are given utmost importance.

RECOMMENDATIONS

Based on the findings and conclusions of the study, it is recommended that:

In order for the local textile industry to become competitive and vibrant, the Government of Ghana (GoG) should give investment support to the textiles industry as was done barely four decades ago. Investment in the Textile Sector started in the late 1960s or early 1970s. More investments are required in the sector by government, local and foreign investors. Access to financial support, by the textile industry is one high area which needs major government support. Transportation and information infrastructure needs immediate upgrading.

Electricity, water, fuel and transportation cost occupied a higher percentage in the total cost of production (approximately 25% of total cost) in the textile mills. With the provision of good transport system, information infrastructure and energy quotas by the Government of Ghana (GoG), the textile sector will be in a very good position to compete very well on both the local and international market.

The Government of Ghana should as a necessity within the framework the constitution of Ghana through Parliament put together the necessary laws to treat the smuggling of textile products into Ghana, the under-declaration of imports, wrong description of textile imports, and copying of brands, markings, tickets and labels including those of the Ghana Standards Authority.

The GoG through Ministry of Trade and Industry (MOTI) should help improve social dialogue on the future of the textiles and clothing industries, between governments, academia, businesses and organized labour at national, regional and continental levels.

The government should set up special initiative fund to boost the textile industry. Money lenders, banks and other financial institution should redesign a repayment of loan mode and reduce interest rate on loans to enable the firms survive.

The management of the textiles firms should undertake a proactive marketing strategy and create massive awareness of their products to the general public.

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