



## GHANA CENTER FOR DEMOCRATIC DEVELOPMENT

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# PRESS RELEASE

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## Highlights of Findings from a study on MSMEs' Access to Justice and Public Services in Ghana

### Background

Micro, Small, and Medium Enterprises (MSMEs) occupy a dominant place in Ghana's economy. They constitute 99.8% of enterprises in the country, account for at least 70% of GDP, and create about 81% of the new jobs. Despite its immense contribution and potential, the MSMEs sector faces many problems. Previous studies have documented the challenges that hamper the growth and survival of MSMEs. However, the unique challenges, experiences, and concerns of MSMEs, mainly those in the "micro" and "small" sub-sectors, concerning public authorities, especially the regulatory and judicial authorities of the State, have not been sufficiently documented to inform policies toward these sub-sectors.

The Ghana Center for Democratic Development (CDD-Ghana), with support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, undertook this study to understand and document the experiences of MSMEs in accessing justice and other public services. Through this study, the Center aims to update existing knowledge on the nature of the business environment for MSMEs and develop options on how the State can improve the policy, legislative and regulatory environment for MSMEs, particularly women entrepreneurs.

### Methodology

The study adopted both qualitative and quantitative research approaches. A survey was conducted with 780 MSMEs in three regions – Greater Accra, Ashanti and Northern – across three geographical zones. Forty (40) in-depth interviews were conducted with policymakers, policy support/implementing

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units and service providers between August – October 2020.

## Highlights of the Findings

### **Business Registration and Regulatory Procedures**

- Majority of MSMEs owners/caretakers are aware of the mandatory requirement to obtain business registration certificate (83%) from the Registrar General's Department and business operating permit (91%) from the local government authority to operate business in Ghana.
- Awareness and compliance levels are comparatively higher for male-owned than female-owned businesses.
- The chief reasons for non-compliance among MSMEs, without business registration certification or operating permit, are lack of knowledge on mandate and where to obtain certificate or permit.
- MSMEs mostly rely on family and friends, rather than relevant agencies, for information on regulatory procedures such as processes involved in complying with requirements, fees payable, and the length of time it takes to complete the processes.

### **Taxation, Levies and Fees**

- MSMEs owners/caretakers accept the legal mandate of the tax authority to demand tax (82%).
- A majority (75%) of MSMEs owners/caretakers with registered businesses are aware that they are expected by law to submit their annual returns to the Registrar General Department, with 81% reporting that they have submitted their tax returns.
- Most MSMEs owners/caretakers think it is not easy to access information on taxes and fees they are expected to pay (78%), how revenues from fees/levies are utilized by MMDAs (87%), and how government uses tax revenues (81%).
- Majority (62%) of MSMEs owners/caretakers are unwilling to pay more taxes even if it means more government services, and MSMEs are still equally split in their opinion on the willingness to pay more taxes even if they knew how the government spends tax revenues. (I wish I could see the question and responses used here).
- Significant minorities of MSME owners/caretakers are largely dissatisfied with services they receive in return for tax payments they make (between 29% and 47%).
- Female-owned businesses are more likely than male-owned businesses to be highly dissatisfied with services received in return for paying VAT, income tax, and property rate

### Access to Justice Services

- Less than one-fifth of MSMEs owners/caretakers use the formal justice system to resolve business-related disputes with either clients/customers, creditors who supply business with inputs, family members, utility companies, MMDAs, employees' /business partners, and tax authority.
- Lack of trust in the system (87%); length of time taken by courts to resolve cases (10%); and the demand for money, gift, or favour by police officers (3%) before acting on cases are reasons MSMEs owners/caretakers cite for not accessing formal justice service.
- MSME owners who accessed the formal justice system to resolve business-related disputes, cited loss of business productive hours (50%), reduction in business operating capital (44%), and damage to business reputation (39%) as the three major impacts of the court cases on their businesses.
- Comparatively, male-owned and male/female-owned businesses suffered the negative effects of the court settlement of disputes more than female-owned businesses.

### Growth; Access to Fund and Challenges of MSMEs Experience

- Most MSMEs tend not to grow geographically, i.e. create more branches; business activities or add more products to their current products.
- MSMEs use personal funds to start and maintain business, while only a few (10%) invest profits back into the business.
- Providing collateral, preparing and submitting various documents, and loan approval time are the top three challenges with loan applications for MSMEs. These challenges are faced more by male-owned businesses (100%, compared to 40%-60% of female owned businesses).
- The top three challenges MSMEs experience with loan repayments are unfavourable repayment schedule (50%), high interest rate (50%) and poor business earnings (33%). More female-owned businesses (40% to 60%) compared to male-owned businesses (20% to 50%) encounter all top three challenges with loan repayment. Half (50% each) of male/female-owned businesses also encounter these challenges.
- Most MSMEs owners/caretakers (53%) rent their premises while a significant minority (39%) own their business premises/store.
- The top three challenges frequently faced by MSMEs owners/caretakers are lack of capital, rising cost of inputs, and high fees and taxes.

### MSMEs Policy Priority and Government Interventions Accessed by MSMEs

- Though majority of MSMEs owners/caretakers interviewed (between 52% and 86%) are aware of the government support interventions for MSMEs, only about one-third are aware of the Business Center in their districts.
- NBSSI COVID-19 Alleviation Program Business Support Scheme (CAP-BuSS) is the most accessed government intervention by a few (22%) MSMEs, while a significant majority have not accessed any of government's MSMEs interventions.
- Provision of incentives for banks to reduce interest rate, provision of capacity building on growing business, and provision of capacity building on financial management are the top three interventions MSMEs want from government.

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### About CDD-Ghana

With a mission to promote and deepen democratic consolidation, good governance, and inclusive growth and development, the Ghana Center for Democratic Development (CDD-Ghana) works to support and promote a free, peaceful, and a well-governed democracy in Ghana and in other parts of Africa. The Center has over two decades of experience, expansive reach, and a robust network of partners at the national, continental and global levels. CDD-Ghana has cultivated an enduring reputation as a leader in the field of democracy and governance, which enables the adoption and implementation of targeted strategies aimed at addressing the fundamental issues hindering citizens from enjoying the full benefits democracy and good governance has to offer.

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