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The growth of SMEs amid the COVID-19 pandemic in Ghana

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Abstract
Purpose: This study aimed to determine how Ghana's small and medium-sized businesses (SMEs) performed in terms of growth during the COVID-19 pandemic.
Research Methodology: This study adopted a quantitative research method, alongside descriptive and explanatory research designs. Primary data were gathered from 400 SMEs in the general trading and manufacturing industries. Descriptive statistical analyses and Pearson multiple regression analyses were performed using the Statistical Package for Social Sciences (SPSvs.26) and XL Stats.
Results: The most critical challenges faced by SMEs during the COVID-19 pandemic include a decrease in sales revenue, followed by the inability of SMEs to pay staff, retrenchment of workers, shortages of raw materials, halted operations, difficulty in supplying goods and services, inability to repay loans, insufficient capital, cash flow shortages, accounting deficiencies, and the least critical challenge associated with a lack of advanced technology. The next major finding was that lockdowns, movement restrictions, social distancing, and market closures had significant negative effects on SMEs' growth.
Limitations: Varied responses from SMEs in other regions and industries in the country were not gathered. Furthermore, the research instrument ignored the direct views of SME owners and managers regarding the challenges they encountered.
Contributions: The findings are important for entrepreneurs and managers of SMEs, financial institutions, government, and other stakeholders for decision-making purposes.
Novelty: The effect of the pandemic has mostly been linked to financial performance. No study in the Ghanaian context has investigated the effect of the COVID-19 pandemic on the growth of trading and manufacturing SMEs.
Keywords: *Covid-19 pandemic, Entrepreneurship, SMEs, SMEs' Growth*
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1. Introduction

Wuhan, Hubei Province, China, is believed to be the place where the COVID-19 virus was originally reported on December 31st, 2019 (WHO, 2020). The COVID-19 pandemic, officially declared by the World Health Organization (WHO) (WHO, 2020), has resulted in significant human casualties and has had a profound impact on businesses, particularly small and medium-sized enterprises (SMEs) worldwide. According to Muhammed, Adenike, and Salahudeen (2020), the magnitude of the economic consequences of the COVID-19 pandemic on food security, poverty, and various economic activities defies quantification. The African economy was particularly affected by this crisis. In light of this, the World Bank Group announced a $14 billion emergency aid package (Centre, 2020) to help

developing nations strengthen their responses to the COVID-19 epidemic and accelerate their recovery. The World Bank allocated $100 million for short, medium, and long-term financial support for developing nations, of which $35 million was allocated for emergency support and $65 million was allocated to support crucial operations (Centre, 2020).

Two cases of COVID-19 were confirmed in Ghana on March 12, 2020, and they were thought to be linked to travelers returning from Turkey and Norway (IMF, 2021). Prior to this, SMEs started experiencing an economic impact because some countries had already closed their borders. The aftermath of this confirmation was Ghanaian border closures and lockdowns, which generated a myriad of complaints, especially from Ghanaian entrepreneurs. Ghanaian entrepreneurs across all sectors, particularly those in general trade and manufacturing industries, were complaining bitterly about poor sales and shortages of supplies. Owing to the unpredictability of the COVID-19 virus, business owners in Ghana have increased levels of fear and trepidation. The demand for products and services sold by entrepreneurs and managers of SMEs has dropped precipitously, with some notable exceptions (Fening, Agyei, & Bruce, 2022). Overall, a lack of available workers makes it difficult, if not impossible, for SMEs to launch new projects or increase their output (Kwaah, Adu-Yeboah, Amuah, Essilfie, & Somuah, 2022). Narula (2020) argues that the unemployed, self-employed, casual and gig workers, and small-scale entrepreneurs and businesses—those who do not fit neatly into the category of the "informal sector"—have seen the most direct impact of the COVID-19 crisis in industrialized countries. Notwithstanding the challenges posed by the COVID-19 pandemic, the majority of SMEs have encountered obstacles in their efforts to sustain operations in the prevailing environment (Narula, 2020).

With the above situation in Ghana, the Ghanaian government has implemented a range of health and economic measures aimed at mitigating the impact of the pandemic on the growth of SMEs since the initial outbreak. This corroborates the suggestion of Anoke, Ngozi, Uchechukwu, and Joyce, (2022) that given the significant impact of the COVID-19 pandemic on both the economy and the general population, it is crucial for policymakers to prioritize the support and attention given to SMEs.This is the case because SMEs have been acknowledged by the government as catalysts for economic expansion and employment generation and have exhibited consistent growth over the past few decades (Kwaah et al., 2022). The measures implemented by the government of Ghana include a reduction in the key interest rate from 16% to 14.5%, which marks an 8-year low (Amponsah & Frimpong, 2020). Additionally, the reserve requirements for lenders have been lowered from 10% to 8% to provide liquidity support to critical sectors (MTI, 2020). Furthermore, banks' conservation buffers have decreased from 3% to 1.5%, resulting in a reduction in the capital adequacy ratio from 13% to 11.5% (MTI, 2020). The COVID-19 Alleviation Fund was initiated by the government of Ghana to generate financial resources for the purpose of addressing the pandemic, which encompasses providing aid to businesses and implementing various social interventions (IMF, 2021).

The safeguarding of small businesses has become increasingly crucial in light of the global economic impact of COVID-19. This is attributed to the fact that SMEs are currently facing concerns regarding their prospective growth trajectories because of the varying impacts of the COVID-19 pandemic on different industries and nations. The pursuit of competitive advantage, both at the individual firm and macroeconomic levels, has led to growing interest in the phenomenon of firm growth (Gupta, Guha, & Krishnaswami, 2013). Consequently, research in this area has gained prominence, with the primary objective of offering guidance to firm management and economic policymakers on the risks and challenges associated with achieving expansion. Based on the aforementioned, this study posits that significant emphasis should be placed on the impact of the COVID-19 pandemic on enterprises as well as the obstacles presented by the pandemic across diverse economic sectors. Therefore, this study argues that to the extent that SMEs in Ghana were encountering myriad challenges prior to the COVID-19 pandemic, growth may vary.

The importance of this study lies in the role of SMEs in the Ghanaian economy and economies worldwide. According to the World Trade Organization, SMEs represent over 90% of the business

population, 60–70% of employment, and 55% of GDP in developed economies (Mensah, Fobih, & Adom, 2019). In the developing world, the informal sector accounts for more than two billion people, 60% of jobs, and 80% of businesses making the effect of the COVID-19 pandemic a considerably more pervasive issue (ILO, 2020). According to data provided by the Registrar General of Companies in Ghana, the majority of businesses (90%) registered in Ghana are classified as micro, small, or medium-sized firms (Kissi et al., 2022), implying that SMEs constitute the backbone of the Ghanaian economy. The collapse of SMEs will impact the Ghanaian economy. In light of this, the government of Ghana has long supported and financed small enterprises in Ghana. This study contributes to the existing literature. It addresses the gap identified in the literature and serves as a basis for further research. It also enriches the knowledge of entrepreneurs, managers, financial institutions, other financiers of SMEs, development organizations and NGOs, and the government by sensitizing them to the practical challenges resulting from the COVID-19 pandemic and the way forward. This study raises awareness as to how SMEs have survived the COVID-19 pandemic.

The literature focuses on different aspects of SMEs and entrepreneurship. The main aspects that have received much attention in the literature include SME financing and innovation (for example, Hervás-Oliver, Parrilli, Rodríguez-Pose, and Sempere-Ripoll (2021)) and entrepreneurial development and challenges (for example, Kusi, Opata, and Narh (2015); Mensah et al. (2019)). The challenges posed by the COVID-19 pandemic have been examined in several studies (for example, Aladejebi (2020); Omar, Ishak, and Jusoh (2020); Al-Fadly (2020); Iqbal et al. (2020); and Nasar, Akram, Safdar, and Akbar (2022)). The impact of the COVID-19 pandemic on businesses (mostly on financial performance) has also been examined by researchers (for example, Bularafa and Adamu (2021); Fairlie and Fossen (2021); Ohanyere (2022); and Fening et al. (2022). However, the state of the growth of SMEs in Ghana amid the COVID-19 pandemic remains unclear. Although developed countries, such as the US, the UK, Canada, and China, have been working extremely hard to address the economic impact of COVID-19, there is insufficient academic research linking the impact of COVID-19 with SME growth. This is especially the case when it comes to the Ghanaian economy. The study of the growth of enterprises amid the COVID-19 pandemic, to the best of the researcher's knowledge, is new in the Ghanaian context. Depending on the differences in industries and countries, studies have found mixed findings, suggesting that the effect of the COVID-19 pandemic on SMEs and the challenges posed by the pandemic differ across industries and countries. For instance, while studies such as Fening et al. (2022) and Fairlie and Fossen (2021) found a negative effect of the COVID-19 pandemic on businesses, Bularafa and Adamu (2021) found a positive effect of the pandemic (measured in terms of lockdown, movement restriction, and market closures) but no effect of the pandemic (measured in terms of social distancing) on the performance of SMEs. Furthermore, Atayah, Dhiaf, Najaf, and Frederico (2022) examined the effect of the COVID-19 pandemic on the financial performance of G-20 countries. They found a positive effect of the pandemic on the financial performance of logistics firms in 14 countries and a negative effect of the pandemic on the financial performance of listed logistics firms in six countries. This inconsistency in research results calls for a study on the effect of the COVID-19 pandemic on SME growth in the general trading and manufacturing sectors in Ghana.

The researcher is particularly motivated by the fact that no empirical study in the Ghanaian context has focused on the effect of the COVID-19 pandemic on the growth of SMEs in the trading and manufacturing sectors. To chart a way forward for the post-COVID-19 economic recovery in Ghana, the present study argues that it is important to make a shift by developing a thorough theoretical foundation for the impact of the COVID-19 pandemic on SMEs and the challenges faced by SMEs during the pandemic. It is against this backdrop that this study sought to assess the state of growth of Ghanaian SMEs amid the COVID-19 pandemic, with a focus on the Kumasi and Accra metropolitan areas. This study has two objectives. First, to evaluate the challenges that militated against SME growth during the COVID-19 pandemic, and second, to determine the extent to which the COVID-19 pandemic affected the growth of SMEs in Ghana. The remainder of this paper is organized as follows. First, a conceptual, theoretical, and empirical literature review is conducted. Next is the methodology

of the study, followed by the analysis and discussion of the findings, limitations and further research, and conclusions and recommendations.

2. Literature Review

2.1. Theoretical Framework

The present study is underpinned by the Resource-Based Theory of entrepreneurship. This is attributed to the fact that entrepreneurs are hungry for financial resources to stimulate growth (Ifionu & Akinpelumi, 2017). The underlying idea is that a competitive advantage emanates from the effective utilization of tangible and intangible resources. According to the resource-based theory of entrepreneurship, entrepreneurs' access to resources is a key factor in predicting opportunity-based entrepreneurship and the emergence of new business growth (Alvarez & Busenitz, 2001). The importance of this theory is rooted in entrepreneurial opportunity, which can be articulated as an entrepreneur's awareness of the value of resources (or financial opportunities) that firms (SMEs) may not yet possess. The emphasis is on striving for uniqueness through specialization. Access to resources enhances an entrepreneur's ability to detect and act upon discovered opportunities (Davidsson & Honig, 2003) and on emerging challenges. The relevance of this theory to the study is seen in how SMEs are affected differently by the COVID-19 pandemic because of the resources they have and how they effectively use these resources. The challenges encountered by entrepreneurs are reflections of their resources and the effective utilization of these resources.

Another important theory that elucidates this study is the Human Capital Theory. Academic discourse indicates that the original idea of human capital was credited to Adam Smith in the 18th century, and the popular acceptance of this theory was prompted by Gary Becker. This theory is anchored on the premise that acquired knowledge augments the cognitive abilities of both nascent and existing entrepreneurs, culminating in increased efficiency and productivity. The repertoire of knowledge embodied in an entrepreneur is referred to as human capital. Therefore, if beneficial opportunities exist in relation to new businesses, people with quality human capital are better able to perceive them (Davidsson & Honig, 2003). Ucbasaran, Westhead, and Wright (2008) identified an entrepreneur's general human capital as education and work experience and specific human capital as business ownership experience and capabilities. Entrepreneurs' general and specific human capital are strong predictors of success in periods of economic shocks or challenges. This theory is relevant to the study because SME growth is linked to the knowledge level of the entrepreneur. Therefore, the effect of the COVID-19 pandemic on SMEs' growth and the challenges SMEs encountered are reflections of the human capital of entrepreneurs.

2.2. The concept of Entrepreneurship, SME and SME Growth

The pursuit of entrepreneurial objectives may involve the adoption of contemporary fashion trends, coupled with a strong belief in one's own commercial capabilities (Akter & Rahman, 2020). Welter (2011) highlights the significance of context in comprehending entrepreneurship, including its timing, methodology, rationale as well as the participants involved. Burns, Barney, Angus, and Herrick (2016) associate entrepreneurship with risk-taking and uncertainty. According to Sonkar and Sarkar (2020), an entrepreneur engages in the establishment or management of a new or pre-existing business within a business ecosystem, which can serve as both a source of inspiration and a challenge throughout the process of becoming a nascent entrepreneur. In line with this view, Mensah et al. (2019) conceptualize an entrepreneur as an individual who formulates a comprehensive business plan, procures the essential tangible and intangible resources to initiate a novel enterprise, and executes it while assuming accountability for its ultimate outcome. The process of entrepreneurship development commences with the establishment of a new firm, thus necessitating an understanding of the individuals who initiate such ventures (Sonkar & Sarkar, 2020). Drawing on this, this study defines entrepreneurship as the process of taking risks and facing uncertainty to establish and develop a business with the aim of generating profit. Gupta et al. (2013) argue that the growth of SMEs is a key predictor of entrepreneurial success. Therefore, entrepreneurs' understanding of SMEs and their growth is significant for them to make good investments.

There is currently no universally accepted definition of small and medium-sized businesses because academics define the topic based on their personal perspectives at the moment (Anoke, Onu, and Agagbo, 2022). The absence of a universally accepted definition of SMEs is attributed to the fact that various countries have employed diverse criteria in defining their SMEs. Nevertheless, a significant characteristic is the presence of well-defined parameters and categorizations for small and medium-sized enterprises (SMEs) across nearly all nations within their respective economic systems (Smith, 2020). According to Gupta et al. (2013), the United Kingdom defines a small enterprise as one with a turnover of £5.6 million and approximately 50 employees, whereas a medium-sized enterprise is characterized by a turnover of £22.8 million. According to Kusi et al. (2015), the classification of small and medium enterprises in China is based on the number of employees, with small enterprises being defined as those employing 50 to 100 individuals and medium enterprises being defined as those employing 100 to 150 individuals. Various definitions of SMEs have been presented by researchers in Ghana. The most frequently utilized criterion pertains to the number of employees engaged in an organization. According to the Service (2014), small-scale businesses have a workforce of fewer than 10 employees, while medium and large enterprises have a workforce of more than 10 employees. The National Board for Small-Scale Industries (NBSSI) in Ghana established two criteria for defining small businesses. First, the total value of its fixed assets, excluding land, buildings, and vehicles, must not exceed 1000 Ghana cedis. Second, the enterprise must have a workforce of nine employees or fewer. This study adopts Quaye, Abrokwah, Sarbah, and Osei (2014) categorization of SMEs, which classifies them into three groups based on the number of employees: very small enterprises with 6 to 9 workers, small businesses with 10 to 29 workers, and medium businesses with 29 to 50 workers.

SME growth is a prominent theme in various fields of study, including entrepreneurship, strategic management, and industrial organizations (Quaye et al., 2014). The growth of an entrepreneurial firm can serve as an indication of an entrepreneur's investment return and personal fulfillment. The growth of a business is crucial for its survival, particularly for small and emerging enterprises. Research indicates that businesses that experience growth are less susceptible to failure compared to those that do not undergo such expansion (Anoke, Ngozi, Uchechukwu, & Joyce, 2022). SME growth can be defined as an increase in the financial indicators of SMEs.

The literature on SMEs suggests that all SMEs go through different stages of growth, also commonly called life cycles (Gupta et al., 2013). Growth can be characterized in terms of generated income, added value, and increasing the size of a business (Gupta et al., 2013). Mensah et al. (2019) argue that to promote the growth of SMEs, new company start-ups, and entrepreneurship, the government must reexamine current policies and initiatives and revamp those that are effective. Growth-oriented SMEs make their most tangible contributions to economic growth and job creation when they grow from very small to medium-sized enterprises (Quaye et al., 2014). In order to ensure the growth, survival, and sustainability of SMEs, it is essential to address the challenges they face through continuous innovation, product development, process evaluation, and the adoption of effective strategies (Anoke et al., 2022). For most firms, especially small enterprises, growth occurs because of an increase in sales and market share. Several metrics can be used to quantify the growth. The list of potential growth indicators compiled by the authors includes sales, market share, assets, profits, physical output, employment, and business resources (Anoke et al., 2022). Thus, the growth of SMEs is linked to better performance, especially in terms of growth in production, sales, market share, profitability, number of employees, and value of assets. This study adopts these variables as proxies for SME growth.

2.3. Conceptual Framework

The conceptual framework of this study is shown in Figure 1. Figure 1 highlights the relationship between the COVID-19 pandemic and the growth of SMEs in Ghana. This study employs the COVID-19 pandemic as an independent variable measured in terms of lockdowns, movement restrictions, social distancing, and market closures. The dependent variable has to do with SME growth measured in terms of growth in sales, production, market share, profitability, and asset value.

This study also controls for the age of SMEs and owner-manager innovation. It is clear that the COVID-19 pandemic may result in changes in SME growth.

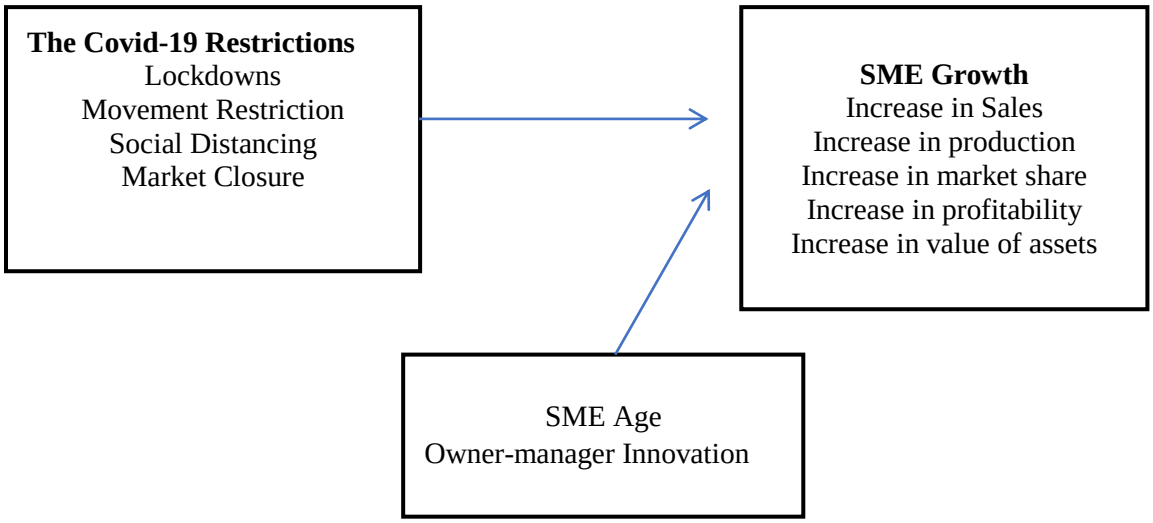

Figure 1. Conceptual Framework
Source: author's development (2022)

2.4. Challenges Encountered By SMEs during the Covid-19 Pandemic

During the lockdown, craftsmen who received daily or weekly wages were prohibited from working. As a result of the extended lockdown period, businesses were confronted with a range of challenges, including reduced sales, excess inventory, and outstanding debts (Iqbal et al., 2020). SMEs encounter a range of challenges, such as limited access to credit, inadequate capital, deficiencies in accounting practices, insufficient technological capabilities, financing and supply chain disruptions, and a significant decline in demand, resulting in a substantial reduction in sales and profits (Nasar et al., 2022). According to Al-Fadly (2020), the hospitality and tourism industries in Kuwait have experienced a reduction in the number of workers, resulting in reduced production and revenue. The COVID-19 pandemic has resulted in a state of uncertainty in the employment sector and a decline in demand for products within trading and manufacturing enterprises in Africa. According to Omar et al. (2020), the COVID-19 pandemic has resulted in cash flow challenges, operational disruptions, and a reduction in the workforce for SMEs. These challenges have led to the depletion of equity reserves, thereby hindering SMEs' ability to secure internal and external financing from banks and other lending institutions. Aladejebi (2020) conducted a study in Nigeria and discovered that small and medium-sized enterprises encountered notable challenges amid the COVID-19 pandemic, including the incapacity to settle outstanding debts, rent, and employee remuneration. The COVID-19 pandemic has presented a range of obstacles for SMEs worldwide. These include reduced sales, difficulties in meeting payroll obligations, restricted access to credit, scarcity of raw materials, and suspension of operations.

2.5. The Covid-19 Pandemic and SMEs' Growth

Fening et al. (2022) offered empirical evidence of the effect of COVID-19 on the current situation of the traditional gold jewelry business in Ghana. The information requested from the questionnaire was analyzed using descriptive statistical tools such as frequency and percentage. The study's overall findings indicate that most conventional gold jewelry manufacturers struggle to survive in the post-COVID era, with 86% reporting decreased demand for their goods. Although this study was conducted in Ghana, it focused only on gold jewelry. Furthermore, the study is restricted to only descriptive statistical tools.

The study on the impact of COVID-19 on the operations of SMEs in the state of Anambra was examined by Ohanyere (2022). A cross-sectional survey research method was employed as the

research strategy for this investigation. The study's findings showed that the performance of small and medium-sized businesses in the state of Anambra was significantly affected by the lockout. Moving restrictions significantly affect the functioning of small and medium-sized businesses in the state of Anambra. This study was conducted in Anambra State, Nigeria, and focused on SMEs in general. Its findings may not apply to trading and manufacturing SMEs in Ghana because of the different country contexts.

The study of Fairlie and Fossen (2021) focused on the effect of the COVID-19 pandemic on sales in California. The study employed the quantitative research method and used administrative data from the California Department of Revenue and Fee Administration. The study discovered that businesses subjected to mandated lockdowns suffered the greatest sales losses, losing 91% of their revenue, while Internet sales increased by 180%. This study was conducted in California and focused on the impact of the pandemic on sales.

The goal of Bularafa and Adamu (2021) was to examine how the coronavirus pandemic affected SMEs in Yobe State, Nigeria. The research design of this study was survey-based. Using SPSS, descriptive and regression analyses were performed on the data. The results show that three variables (lockdown, movement restrictions, and market closures) had a positive effect on SME performance. Social distancing, however, had no significant impact on the performance of SMEs. This study was conducted in Yobe State, Nigeria, and focused on SMEs in general. Thus, the findings may not apply to trading and manufacturing SMEs in Ghana.

The study conducted by Atayah et al. (2022) investigated the effect of the COVID-19 pandemic on the financial performance of logistics firms that are publicly listed. Additionally, this study aimed to compare the financial performance of logistics firms in G-20 countries during the pandemic period. A confirmatory data analysis was performed. Specifically, the financial performance of 14 of the 20 logistics firms examined experienced a notable increase during the pandemic. This study identified the negative financial performance of logistics companies across six nations (Germany, Korea, Russia, Mexico, Saudi Arabia, and the UK) during the COVID-19 pandemic. This study focused on logistics firms in G-20 countries and compared the financial performance of these countries using confirmatory analysis, unlike the present study, which focused on the growth of trading and manufacturing SMEs in Ghana.

Amoah, Bamfo-Agyei, and Simpeh (2022) focused on how COVID-19 affected small enterprises in Ghana. In this study, a qualitative research methodology was used. Thirty interview questions were examined using thematic content analysis. The results showed that small construction companies had financial difficulties; as a result, they were unable to win contracts or manage the site effectively. This had a negative impact on their cash flow and payments for completed work. The efficiency of employees decreased, which caused an increase in project costs and completion times. These consequences have a significant impact on the ability of these small construction companies to survive. Although this study was conducted in Ghana, it relied on a qualitative approach, unlike the present study, which uses a quantitative approach.

The goal of Rababah, Al-Haddad, Sial, Chunmei, and Cherian (2020) was to examine how the COVID-19 epidemic affected the financial performance of Chinese listed enterprises. Pooled ordinary least squares (OLS) regression was used as a baseline methodology. The study showed that areas and industries that were most severely affected by COVID-19 experienced a sharper decline in financial performance when compared to other industries. They discovered that small and medium-sized businesses were the ones most affected by this pandemic. This study focused on Chinese-listed enterprises, and COVID-19 was measured using dummy variables for the degree of the pandemic impact.

It is clear from the above empirical review that the COVID-19 pandemic has caused considerable harm to many enterprises in different countries. What is not clear is the outcome of the pandemic on

enterprises in Ghana. Variables such as lockdowns, market closures, movement restrictions, and social distancing have been used as proxies for the COVID-19 pandemic. Other studies have measured the COVID-19 pandemic as a dummy variable. It is, therefore, hypothesized as follows:
H_1: the Covid-19 pandemic contributes negatively to SMEs' growth in Ghana.
H_{1a}: lockdown contributes negatively to SMEs' growth in Ghana
H_{2b}: Movement restriction contributes negatively to SMEs' growth in Ghana.
H_{3c}: Market closure contributes negatively to SMEs' growth in Ghana.
H_{4d}: Social distancing contributes negatively to SMEs' growth in Ghana.

3. Research Methodology

3.1. Population and Sampling

The study population included all the entrepreneurs and managers of SMEs in Ghana. Over 1.7 million of the projected 2.1 million businesses in Ghana's MSME sector now fall into the microenterprise category; small businesses account for 15% of all SMEs, with roughly 320,000 businesses, and medium-sized businesses account for about 85,000 of all SMEs, representing 4% (MTI, 2020). This provided a population of 405,000 for this study. Drawing on this population size, this study employed the formula provided by Miller and Brewer (2003), which, in their view, gives a 95% confidence interval. The formula is presented as follows:

$$n = N / 1 + N (a)^2$$

Where
n= the sample size,
N= the population (405, 000)
α= the margin of error (0.05)
This implies that

$$n = 405, 000 / 1 + 405, 000 (0.05)^2$$
$$= 405, 000 / 20\ 751$$
$$= 399.61 = 400$$

From the above, the sample size for this study was estimated to be 400 SMEs. The researcher ensured that 400 questionnaires were retrieved from 400 selected SMEs in the general trading and manufacturing industries using the convenience sampling technique. The questionnaires were deemed accurate for analysis. In all, the researcher achieved a 100% response rate. The sampling frame encompassed owners and managers of SMEs in the Kumasi and Accra metropolitan areas. Kumasi and Accra were chosen because COVID-19 restrictions were imposed primarily on these metropolises. Additionally, these two metropolitan areas have the highest number of SMEs in Ghana (Service, 2014). The purposive sampling technique was also employed because the study sought to select only managers and owners of SMEs deemed to possess very good knowledge about the topic under consideration. The primary consideration in purposive sampling is the researcher's judgment as to who can provide the best information to achieve the objectives of the study (Kuma, 2011).

3.2. Type of Research

The study employed the quantitative method. The justification for employing the quantitative research method is based on the utilization of a numerical system to measure the study variables, the application of multiple regression analysis to analyze these measurements, and the presentation of the relationship between the growth of SMEs and the COVID-19 pandemic. Quantitative data helped comprehend, describe, and forecast the nature of the challenges presented by the COVID-19 pandemic. The quantitative approach employs descriptive or inferential figures to describe problems in a particular study (Creswell, 2014).

This study also made use of descriptive and explanatory research designs. The descriptive research design had to do with the challenges encountered by SMEs, whereas the explanatory design was used in light of the relationship between the COVID-19 pandemic and the growth of SMEs. The descriptive design represents people, events, or situations the way they are (Saunders, 2012). The

explanatory research design, also known as the causal research design, was used because the researcher sought to investigate cause-and-effect relationships between the explanatory variables (lockdowns, movement restrictions, social distancing, and market closure) and the dependent variable (SME growth). Explanatory research is appropriate when it comes to the examination of cause-and-effect relationships (Creswell, 2014).

3.3. Data Source and Research Instrument

Primary data was obtained from the owners and managers of the selected SMEs. Structured questionnaires were used to collect primary data, in which each individual had to answer the same set of questions in a specified sequence. The structured questionnaire is also excellent for quantitative analysis as it contributes to objective statistical analysis (Saunders, 2012). All measuring items were based on substantial literature evaluations, of which a five-point Likert scale ranging from 1-strongly disagree to 5-strongly agree was used. Section A of the questionnaire focused on respondents' background information. Section B related to the constructs for the COVID-19 pandemic. Section C focused on SME growth measures. Section D touched on owner-manager innovative capability indicators. Section E has to do with the ages of SMEs.

3.4. Data Collection Procedure and Analysis

Data from a survey needs to be edited, sorted, coded, checked for mistakes and figured out mathematically (Opoku, Adams, & Aluko, 2021). The data were cleaned and screened to confirm their validity and reliability. Descriptive statistics, such as frequencies and percentages, were used to examine the background information of the respondents. Mean score ranking was used to examine the challenges encountered by SMEs, and Pearson multiple regression analysis was used to determine the relationship between the pandemic and SMEs' growth. Statistical Package for Social Sciences (version 27) and XL Stats were used as statistical software packages.

3.5. Model Specification

Pearson multiple linear regression was applied to model the influence of the COVID-19 pandemic on SME growth. The empirical model is presented below.

$$EG = \beta_0 + \beta_1 LD_1 + \beta_2 MR_2 + \beta_3 SD_3 + \beta_4 MC_4 + \beta_5 EA_5 + \beta_6 IC_6 + \varepsilon \quad (3.1)$$

Where,
EG represents SME growth, measured in terms of seven variables on a five-point Likert scale ranging from 1-strongly disagree to 5-strongly agree. LD represents lockdown restrictions measured in terms of four variables on a five-point Likert scale ranging from 1-strongly disagree to 5-strongly agree. MR stands for movement restrictions and is measured by seven variables on a five-point Likert scale ranging from 1-strongly disagree to 5-strongly agree. SD stands for social distancing, measured by seven variables on a five-point Likert scale ranging from 1-strongly disagree to 5-strongly agree. MC represents market closure, measured in terms of four variables on a five-point Likert scale ranging from 1-strongly disagree to 5-strongly agree. EA represents SME age, measured in terms of the number of years an SME has been in operation. IC represents owner-manager innovation capability as measured by eight variables on a five-point Likert scale ranging from 1-strongly disagree to 5-strongly agree.

4. Results and Discussions

4.1. Background Information of Respondents

To provide specific characteristics of the respondents in this study and to confirm their veracity, this section of the questionnaire was created to elicit basic information about the respondents. Gender, age, level of education, and work experience were the demographic variables on which data was gathered about the respondents. The descriptive statistics of the background information are presented in Table 1.

Table 1. Descriptive statistics of respondents' background information

Distribution	Category	Freq.	Percentage
1. Gender	Male	218	54.50
	Female	182	45.50
	Total	**400**	**100.00**
2. Age	18-30	48	12.00
	31-40	181	45.25
	41-50	112	28.00
	51-60	59	14.75
	Total	**400**	**100.00**
3. Educational Level	No Formal Education	34	8.50
	Primary/JHS	67	16.75
	SHS / O Level	91	22.75
	Bachelor's Degree	146	36.50
	Post Graduate Degree	62	15.50
	Total	**400**	**100.00**
4. Working Experience	1-5 years	59	14.75
	6-10 years	80	20.00
	11-15 years	101	25.25
	16-20 years	75	18.75
	Above 20 years	85	21.25
	Total	**400**	**100.00**

Source: field survey (2022)

The sex ratio was analyzed in terms of the following two variables: male (218) and female (182). Overall, the lowest frequency for gender is 182 (45.50%), representing females, while the highest frequency is 218 (54.50%), representing males. This produces a male-to-female ratio of 1:0.83, which does not necessarily indicate gender bias but rather the fact that more male managers or owners may dominate the operations of SMEs in Ghana. The ages of the respondents were divided into four categories for the purpose of this study: 18 to 30 years old (n=48), 31 to 40 years old (n=181), 41 to 50 years old (n=112), and 51 to 60 years old (n=59). The maximum frequency of 181 (45.25%) falls into the active age group (31 to 40 years), suggesting that more respondents are selected from the active age group. The minimum frequency of 48 (12%) falls within the age range of 18 to 30 years. An investigation into the ages of the respondents is conducted to ascertain their maturity level in terms of their ability to provide honest and trustworthy opinions on the COVID-19 pandemic effect.

Respondents' educational levels are broken down into five categories for the purpose of this study: no formal education (n=34), primary/JHS (n=67), SHS/O Level (n=91), bachelor's degree (n=146), and postgraduate degree (n=62). The lowest frequency is 34 (8.4 %) and the highest frequency is 146 (36.50 %). It is critical to evaluate the educational background of responders because doing so will assist in determining whether they are able to read and comprehend the questions. One might make the case that the educational levels of respondents tend to facilitate the reliability of the gathered data. The minimum and maximum frequencies suggest that educated people dominate SME management. The working experience of SME managers and owners is determined in terms of five variables:1-5 years (n=59), 6-10 years (n=80), 11-15 years (n=101), 16-20 years (n=75), and above 20 years (n=85). The minimum frequency of 59 (14.75 %) may suggest that owners and managers of SMEs have more working experience, and they are in a better position to express a true and fair view of the COVID-19 pandemic and SME growth. This is supported by the maximum frequency of 101 (25.25%) associated with work experience of 11 to 15 years.

4.2. Diagnostic Tests

4.2.1 Reliability Test

Cronbach's alpha reliability test was used to confirm the reliability of the research instrument. The commonly recognized cut-off point for alpha for a group of items to be designated a scale is 0.70 or higher since it assesses how strongly item responses collected at the same time correlate (Field, 2009). Table 2 presents the results of the reliability test.

Table 2. Reliability Statistics

Construct	**Number of items**	**Cronbach's Alpha**
Challenges of SMEs during the Covid-19 pandemic	14	0.8247
Lockdowns	4	0.8143
Movement Restrictions	7	0.7854
Social distancing	7	0.8112
Market closure	4	0.8710
SME growth	6	0.7416
Owner-Manager innovative capability	8	0.7850

Source: author's calculation (2022)

The computed Cronbach's alpha coefficient was more than 0.7 for all variables, indicating that the variables are internally consistent or responses are consistent between items.

4.2.2. Multicollinearity Test

Diverse techniques are often advocated for detecting multicollinearity issues. In the view of Gujarati (2004), collinearity exists among continuous variables when the variance inflation factor (VIF) is greater than 10 and the tolerance level is below 0.2 (Gujarati, 2004). This forms the basis for detecting multicollinearity in this study.

Table 3. Multicollinearity Test Results using VIF and Tolerance Level

Variable	**Collinearity statistics**	
	Tolerance	**VIF**
Lockdown	0.7082	1.4121
Movement restriction	0.6964	1.4360
Social distancing	0.8981	1.1134
Market closure	0.6948	1.4392

Source: author's calculations (2022)

Table 3 shows that the VIF (the coefficient of collinearity statistics) value is between 1 and 10, and the tolerance level is greater than 0.2. Consequently, it can be inferred that this regression model does not exhibit any indications of multicollinearity.

4.2.3 Heteroscedasticity Test

The researcher examined the heteroscedasticity issue by using the Breuch-Pagan and Cook-Weisberg tests. Error variances are tested using the Breusch-Pagan and Cook-Weisberg tests. Homoscedasticity is evident when the value of "Prob > Chi-squared" is greater than 0.05.

Table 4. Breusch-Pagan / Cook-Weisberg Test for Heteroscedasticity

Ho: Constant variance

Statistics	Df	Stat value	p-value

Chi-squared	4	3.7218	0.4316

Source: author's calculation (2022)

Table 4 shows that the constant variance (Chi^2 = 3.7218) is insignificant (P = 0.4316), indicating the absence of heteroscedasticity.

4.3. Challenges Encountered by SMEs during the Covid-19 Pandemic

Respondents were asked to express their views concerning the challenges encountered by SMEs in the Kumasi and Accra metropolitan areas on a five-point Likert scale. The mean score ranking of the various variables under each dimension is displayed in Table 5. The study adopts Alston and Miller (2001) interpretation of a five-point Likert scale question arranged in ascending order with the following criteria: 1-Strongly disagree (1.00-1.49), 2-disagree (1.50-2.49), 3-not sure (2.50-3.49), 4-agree (3.50-4.49), 5-Strongly agree (4.5-5.00).

Table 5. Ranking of Challenges

Challenges	**N**	**Mean**	**Std. Dev.**	**Rank**	**Agreement**
Decrease in sales revenue	400	4.6813	0.3234	1st	Strongly agree
Inability to pay staff	400	4.5987	0.4115	2nd	Strongly agree
Retrenchment of workers	400	4.5501	0.4657	3rd	Strongly agree
Raw material shortages	400	4.2213	0.5001	4th	Agree
Halted operations	400	3.9546	0.5562	5th	Agree
Difficulty in supplying goods and services	400	3.8245	0.7236	6th	Agree
Inability to repay loans	400	3.8004	0.7931	7th	Agree
Insufficient capital	400	3.7854	0.8459	8th	Agree
Cash flow shoratges	400	3.6314	1.0051	9th	Agree
Accounting deficiency	400	3.5925	1.4560	10th	Agree
Lack of advanced technology	400	3.5603	1.4927	11th	Agree
Low trust in supply chain partners	400	3.2002	1.5642	12th	Not sure
Exhaustion of equity reserves	400	2.5612	1.7152	13th	Not sure
Unavailabiity of credits	400	2.354	1.8804	14th	Disagree
Valid N (listwise)	400				

Source: author's calculation (2022)

Table 5 suggests that out of the fourteen (14) challenges identified, low trust in supply chain partners, exhaustion of equity reserves, and unavailability of credit were not part of the challenges encountered

by SMEs during the COVID-19 pandemic, as the mean scores fall within the 1.50-2.49 and 2.50-3.49 categories, according to Alston and Miller (2001) interpretation.

In terms of ranking, a decrease in sales is rated as the most critical challenge encountered by SMEs in the Kumasi and Accra metropolitan areas, with the highest mean score of 4.597 associated with a standard deviation of 0.3234. The second most critical problem had to do with SMEs' inability to pay staff, considering its second-highest mean score of 4.5987, associated with a standard deviation of 0.4115. The third most critical challenge had to do with the retrenchment of workers, considering its third-highest mean score of 4.5501, associated with a standard deviation of 0.4657. The next most critical challenge is raw material shortages (M = 4.2213, SD = 0.5001), followed by halted operations (M = 3.9546, SD = 0.5562), difficulty in supplying goods and services (M = 3.8245, SD = 0.7236), inability to repay loans (M = 3.8004, SD = 0.7931), insufficient capital (M = 3.7854, SD = 0.8459), cash flow shortages (M = 3.6314, SD = 1.051), and accounting deficiency (M = 3.5925, SD = 1.4560). The least critical challenge had to do with the lack of advanced technology, looking at its lowest mean score of 3.5603, associated with a standard deviation of 1.4927.

4.4. The Effect of the Covid-19 Pandemic on SMEs' Growth

The results of the regression analysis of the effect of the COVID-19 pandemic on SME growth are provided in Table 6.

Table 6. Regression Analysis of Household Income Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LD	-0.7685	0.2118	-3.6284	0.0361**
MR	-1.3230	0.3286	-4.0262	0.0235**
MC	-0.7385	0.1347	-5.4826	0.0054***
SD	-2.0149	0.2915	-6.9122	0.0032***
EA	1.1105	0.9142	1.2147	0.2119
IC	0.4346	0.1068	4.0693	0.0221**
C	0.3253	0.1206	2.6973	0.0433
R-squared	0.8885			
Adjusted R^2	0.7692			
F-statistic	4.2361			
Prob(F-statistic)	0.0005			

Source: Author's calculation (2022)

From Table 6, as a result of the COVID-19 pandemic, lockdowns, movement restrictions, market closures, and social distancing have had a negative effect on the growth of SMEs in the Kumasi and Accra metropolitan areas. This is supported by p-values of 0.0361, 0.0235, 0.0054, and 0.0032, respectively. In terms of the extent of the effect, social distancing impacted SMEs' growth the most, with the highest coefficient of 2.01. This was followed by movement restrictions, lockdowns, and market closures.

The lockdown had a negative relationship with SMEs' growth, with a coefficient of -0.77. The coefficient suggests that a 1% increase in lockdown results in about a 0.77% reduction in SME growth, all things being equal. The p-value of 0.04, associated with a t-statistic of -3.63, is less than the significant value of 0.05, implying that the negative relationship between lockdowns and SMEs' growth is significant at the 5% level. The alternative hypothesis that lockdowns contribute negatively to SMEs' growth is accepted. Movement restriction also reports a negative relationship with SME growth, considering the coefficient of -1.32. The coefficient implies that movement restrictions reduce SMEs' growth by approximately 1.32%. This effect is significant at the 5% level, with a p-value of 0.02.

Market closure reports a negative and significant relationship with SMEs' growth, which is evidenced by a co-efficient of -0.74 and a p-value of 0.01. All things being equal, the coefficient shows that closing a market slows the growth of SMEs by approximately 0.74%. Similarly, social distancing reports a negative and significant relationship with SMEs' growth, supported by a coefficient of -2.01 and a p-value of 0.00, implying that an increase in social distancing by SMEs as a result of government intervention policy reduced SME growth in the Kumasi and Accra metropolitan areas. Furthermore, while SME or enterprise age has little or no evidence of an effect on SMEs' growth because the p-value of 0.21 is insignificant, owner-manager innovation capability has evidence of a significant and positive effect on SMEs' growth.

As seen in Table 6, the R-squared value of 0.89 shows that the explanatory variables (lockdown, movement restriction, market closure, and social distancing) used in the study explain approximately 89% of the variations in the dependent variable (SME growth). The adjusted R-square of 0.77 suggests that any additional independent variable leads to about 77% variation in SME growth. Accordingly, this means that the estimated model has good predictive power. A p-value of 0.00, associated with the F-statistics, suggests that the overall results are significant.

4.5. Discussion of Results

From Table 5, it can be established that the critical challenges encountered by owners and managers of SMEs during the COVID-19 pandemic have to do with a decrease in sales revenue, an inability to pay staff, and retrenchment of workers. The decrease in sales of managers and owners of trading and manufacturing SMEs is not surprising, considering that many SMEs have many unsold products, as identified by (Iqbal et al., 2020). The decline in revenue among small and medium-sized enterprises (SMEs) engaged in trading and manufacturing may be attributed to manufacturing or delivery issues that led to a decrease in product availability. Additionally, changes in consumer preferences and reduced demand for certain traded and manufactured goods may have contributed to this decline. Many trading and manufacturing SMEs in Ghana are unable to pay their workers, and some workers complain about delayed or reduced payments. Many trading and manufacturing staff of SMEs were retrenched not only because of the government's lockdown and social distancing policies but also because some of these SMEs could not afford full salaries. These findings corroborate those of Iqbal et al. (2020), Al-Fadly (2020), Omar et al. (2020), and Aladejebi (2020) who found similar problems of reduced sales, inability to pay salaries, and staff retrenchment among SMEs on a global scale, in Kuwait, Malaysia and Nigeria respectively. The finding that insufficient capital, accounting deficiency, and lack of advanced technology constitute challenges encountered by SMEs is consistent with that of Nasar et al. (2022). Even though the aforementioned challenges are critical, managers and owners of trading and manufacturing SMEs in Ghana should also pay some attention to challenges such as raw material shortages, halted operations, difficulty in supplying goods and services to customers, inability to repay loans accessed from financial institutions, insufficient capital, cash flow shortages, accounting deficiency, and lack of advanced technology. The numerous challenges encountered by SMEs in the Kumasi and Accra Metropolis are a reflection of scarce of resources or the ineffective use of resources on the part of SMEs, as indicated by the Resource-Based Theory. This also suggests that many SMEs in Ghana lack human capital, as indicated by the Human Capital Theory.

From Table 6, lockdowns, movement restrictions, market closures, and social distancing have been found to have a significant negative effect on SMEs' growth. This implies that the government's increase in lockdowns, movement restrictions, market closures, and social distancing in the Kumasi and Accra metropolitan areas has resulted in a reduction in SMEs' growth. Based on these findings, the author argues that these COVID-19 measures could have been better organized to reduce the decline in the growth of SMEs. The extent of the effect of the COVID-19 pandemic constructs shown to be 89% is an indication of the low human capital possessed by Ghanaian entrepreneurs according to the Human Capital Theory. It is also an indication of the limited resources or the ineffective utilization of resources on the part of many SMEs in Ghana, as proposed by the Resource-Based

Theory. This finding in respect of lockdowns is consistent with that of Ohanyere (2022) and Fairlie and Fossen (2021), who found a negative influence of the COVID-19 pandemic on the financial performance of SMEs in Nigeria and California respectively. The finding in relation to movement restriction corroborates that of Ohanyere (2022) and Bularafa and Adamu (2021), who found a negative influence of the COVID-19 pandemic on the financial performance of SMEs in Nigeria. Therefore, it can be argued that, in terms of impact, the COVID-19 crisis is comparable to the OPEC oil price shock of 1973, the 1997 Asian financial crisis, the early 1980s recession, and the Global Financial Crisis (GFC) of 2007 to 2008, among others.

5. Conclusion

5.1. Conclusion

This study sought to investigate the state of growth of SMEs in Ghana amid the COVID-19 pandemic by focusing on the challenges SMEs encountered during the COVID-19 pandemic and the effect of the COVID-19 pandemic on SMEs' growth. Challenges encountered by SMEs in Ghana included a decrease in sales, SMEs' inability to pay staff, retrenchment of workers, shortages of raw materials, halted operations, difficulty in supplying goods and services, SMEs' inability to repay loans, insufficient capital, cash flow shortages, accounting deficiencies, and lack of advanced technology. Moreover, the COVID-19 pandemic is believed to have resulted in a reduction in SMEs' growth in Ghana. Social distancing impacted SMEs' growth the most, followed by movement restriction, lockdown, and market closure. All of the above may have economic implications for owners, managers, and workers of SMEs in Ghana. Overall, the COVID-19 pandemic has caused great damage to the growth of SMEs in Ghana. The fact remains that the COVID-19 pandemic has emphasized the extreme susceptibility of SMEs in Ghana to natural disasters and epidemics. It is obvious that the SME sector needs to develop a rigorous, sustainable recovery plan to help it get through the epidemic and beyond. Mensah et al. (2019) argue that governments in developing countries and their development partners must offer new, dynamic, and more aggressive private sector development policies, workable loan schemes, and management training programs to increase the financial and managerial capacity of SMEs to make them sustainable and, ultimately, increase their contribution to society as a whole.

5.2. Limitation

The study was restricted to general trading and manufacturing SMEs in the Kumasi and Accra metropolitan areas. Thus, varied responses from SMEs from other regions and industries in the country were not gathered. Future studies could consider responses from other regions and industries across the country. Furthermore, the research instrument used ignored the direct views of owners and managers of SMEs regarding the challenges they encountered. Direct opinions of owners and managers of SMEs are also important; hence, the qualitative or mixed research method is recommended. Future studies could also consider specific industry impacts.

5.3. Recommendations

Aligned with the findings, it is recommended that stakeholders come together to mount productive strategies that will curtail the challenges encountered by SMEs. Governments and development organizations have a substantial role to play in creating targeted economic relief packages, aid, and loan forgiveness (Nathan & Overman, 2020). Interim measures, such as intensive education about the nature of the virus and effective strategies to be employed by SMEs to withstand pressure, must be promoted by the government, various industry associations, and other stakeholders. Strong networking among SMEs is strongly encouraged if, in particular, smaller businesses can survive. In the aftermath of a pandemic, it is important to put in place measures such as pandemic shock, savings, and insurance for employees against worldwide pandemics, and there should be access to pension funds. Additionally, it is high time the government and other stakeholders planned post-survival and development measures to assist SMEs to survive the economic hardship the pandemic will leave behind and to accelerate their growth.

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