

# Internationalization of Micro, Small, and Medium Enterprises and Start-Ups in Ghana: Challenges and Drivers

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## Abstract

The contribution of SME's towards the macroeconomics growth and development of the Ghanaian economy is of no doubt significant. At the microlevel, MSME's help reduce household level poverty, unemployment and boost entrepreneurial activities. Despite this, the growth of MSMEs in Ghana has been significantly low, with majority unable to enter the international market or dying with the owner. This study investigated the drivers of SME's and start-ups growth in Ghana and the factors influencing their internationalization. More specifically, the study examines the motives, challenges and inhibiting factors responsible for the internationalization of MSMEs and start-ups in Ghana. Using the cross-sectional data gathered from a sample of 500 entrepreneurs across all the districts in the greater Accra region of Ghana, the descriptive statistics and logit regression analysis was performed. Results from the descriptive statistics shows that frequent power fluctuation and outages, the lack of access to finance, government policies and the risk preferences of the business owner are major drivers of MSMEs and start-up growth in Ghana. The logit regression analysis shows that apart from socioeconomic characteristics, the inability of Ghanaian firms to adopt advance technology, high cost of production, risk preference of the owner, poor quality of the product produce, inadequate capital and the international regulations and competition were the main factors obstructing Ghanaian MSME's from entering into the international market. The study recommends that for MSME's to thrive in Ghana and dare to enter the international market there is the need for policies favouring internalisation, sustainable energy supply, cultural and attitudinal change and better government regulation.

*Keywords:* Risk Preference, Internationalization, logit regression

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## 1. Introduction

Micro, Small and Medium Enterprises (MSMEs) have been documented in the empirical literature as important drivers of job creation, Gross Domestic Product (GDP) and economic development and growth in most developing countries (Fowowe, 2017; International Trade Centre, 2016; Liñán, Paul, & Fayolle, 2019). The MSMEs sector is one of the fastest growing sectors in developing countries. However, the fast pace of growth of global markets have arouse competition and intensified the interdependence of national economies (Knight, 2000), pushing governments to espouse market-oriented policies, both internationally and domestically (Liñán, Paul, & Fayolle, 2019; Acs & Preston, 1997). As a result, MSMEs are progressively becoming international in nature in developing countries. Generally, the decision of firms to

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