
Financing Ceramic Artists and Fashion Designers in Small and Medium Scale Enterprises (SMEs) in Sekondi-Takoradi, Ghana

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ABSTRACT: *Small and Medium Scale Enterprises (SMEs) face numerous financial challenges in their contribution towards the socio-economic development in Ghana. As a result, most ceramic artists and fashion designers in SMEs often are confronted with global economic crisis and are unable to grow their businesses to become big firms. The general objective of the study was to investigate the funding challenges facing Ceramic Artists and Fashion designers who owned small and medium scale enterprises in Ghana as well as examined what could be done to help mitigate these challenges. The study adopted purposive sampling technique to select forty (40) respondents comprising twenty (20) ceramic artists and twenty (20) fashion designers who owned SMEs within Sekondi -Takoradi Metropolis. Questionnaires and interview schedules were developed and used to collect data from the sampled ceramic and fashion enterprises. Statistical techniques such as mean and percentages were used to analyze the data collected while descriptive analysis was used to generate graphs, charts and tables. It was established that some of the financial challenges facing ceramic artists and fashion designers in Sekondi-Takoradi metropolis included financial constraints such as raising capital in starting the business, lack of collateral, the fear of taking risk, high cost of lending, the demand for collateral by banks and micro finance as well as the delay in the processing of loans to access credit. The study concluded by recommending among others that, loan acquisition processes could be shorter and simple. Additionally, low interest and financial training could be given to the ceramic artists and fashion designers to aid them in keeping proper financial records so as to sustain their art businesses.*

KEYWORDS: Ceramic artists, collateral, financial constraints, cost of lending, credit access, micro finance, fashion designers.

INTRODUCTION

Lack of planning, improper financing and poor management have been cited as the main cause of failure to small enterprises to obtain credit (Longenecker et al, 2006). This is yet to be evaluated in the context of financing ceramic artists and fashion designers in SMEs and self-employed environment. According to Burns et al (2011), regardless of size and organizational structure, every business or company including ceramic and fashion enterprises aims at making profits by providing customers with products and services they desire and need. Again, the existence of business enterprises no matter its organisational structure play a major role in national and global development; leading to the establishment of the World Trade Organisation (WTO) that deals with trade among nations, and a sole responsibility to ensure that trade flows as smoothly, predictably, and freely as possible (Kunz & Garner, 2011). Hence, the important roles that ceramic and fashion enterprises play in national and global economy.

Ceramic art is the process of using ceramic raw materials such as clay, quartz, feldspar, glazes and others to produce artefacts for domestic and aesthetic purposes (Sentence, 2004). Some of the artefacts include earthenware, stoneware and porcelain. The production capacity of ceramic artist normally depend on availability of basic raw materials within the artist's environment and proximity to market (Speight & Toki, 1999). Ceramic artists who usually engage in production and sales of artefacts contribute their quota to economic growth of the nation (Chester, 2003). Cumming et al (2017) define fashion as 'the process of making something, creating a particular shape or style'. Fashion is about expressing ones identity, showing someone who you are through your clothing choices and using your clothes to tell someone something about you. A fashion designer is someone who loves to study fashion trends, sketch designs, select materials, and have a part in all the production aspects of their designs (African Development Bank Group Report, 2012). They contribute to the creation of millions, if not billions of pieces of clothing and accessories purchased by consumers on a yearly basis.

Adamtey (2015) has outlined three (3) types of clothing production industries that fashion designers normally venture as small entrepreneurs in Ghana. These are; a) custom-made clothing – a garment made to order for an individual measurement; b) haute couture – high priced collections that are mass produced and sold to departments especially stores; and c) mass production – garments produced by mass production designers and termed as ready-to-wear. These clothing production methods if well executed generate income for fashion entrepreneurs (Adamtey, 2015)

Statement of the Problem

Though shortage of credit facility has been identified as one of the most serious constraints facing SMEs and hindering their development, SMEs constitute the dominant form of business organizations, accounting for over 95% of enterprises in Ghana (Quartey, 2001). Small and medium sized enterprises in both developing and developed countries play important roles in the process of industrialization and economic growth by significantly contributing to employment generation, income generation and catalyzing development in urban and rural

areas. Despite these important roles being played by SMEs, financing art businesses such as ceramic and fashion enterprises continue to suffer major setbacks leading to eventual folding up of such art businesses in Ghana. It is against these setbacks that the study seeks to find out how art enterprises like ceramics and fashion could be sustained to remain in active art businesses.

Objectives of the Study

1. To identify challenges faced by ceramic artists and fashion designers' enterprises within the Sekondi- Takoradi, Ghana .
2. To look into how the financing factor has been a challenge to ceramic artists and fashion designers in small and medium size enterprises.

Research Questions

1. What are the challenges faced by ceramic artists and fashion designers' enterprises within the Sekondi-Takoradi, Ghana?
2. How has the financing factor been a challenge to ceramic artists and fashion designers in small and medium size enterprise?

Importance of the Study

The study would be useful to potential business artists especially, those in the ceramic and fashion industries who want to set up their own enterprises.

Delimitation (scope of the study)

The proposed study would only be conducted within Sekondi-Takoradi, Ghana.

Small and Medium Scale Enterprises (SMEs) in Ghana

In Ghana successive governments have made diverse efforts through SMEs to reduce poverty and accelerate economic growth by increasing foreign direct investment, diversifying the economy, enacting policy frameworks which favour small business ownership and at most, initiating employment and entrepreneurship programmes (Laver, 2002). According to World Bank (2000), "enormous effort has been placed on SMEs capacity to address extreme poverty, create desperately needed jobs, halt the ongoing de-industrialization process and curtail any further ethnic unrest associated with bleak economic prospects and social collapse". Ghana remains a country with very high potential but an equally high inertia to develop. The country is blessed with abundant supply of enormous human and natural untapped resources (Senya, 2012). SMEs are vital for economic growth and development because they encourage entrepreneurship, generate employment, and reduce poverty (Abor & Quartey, 2010). One such area of potential but abandoned industry which needs the necessary focus is the art business which includes ceramic and fashion industries.

The Government of Ghana in 2004 launched the "National Friday Wear Programme", an initiative aimed at projecting a unique Ghanaian identity through the extensive use of local fabric and designs as business wear on at least one of the working days in the week which is Friday as well as patronizing other made-in-Ghana products including ceramic wares. It was

part of a comprehensive programme to promote made-in-Ghana goods and to revitalize the textile and garments, and ceramic industries. The programme was to be implemented by the private sector, the success of which could create another range of garments and ceramic artefacts that could be exported alongside those being exported under the African Growth and Opportunity Act (AGOA). A modern Clothing Technology and Training Centre (CTTC) has been established in Accra to train young men and women in indigenous designs and apparel. Again, various garments and ceramic enterprises had been set up within the Sekondi-Takoradi Metropolis to train young ceramic artists and fashion designers. This was to support the increasing demand for the local fabrics and garments as well as ceramic products in the near future. However, the apparent high patronage of local fabrics and ceramic decorative pieces in recent times does not seem to have engendered an overall boom in the garment and ceramic industries as expected. The individual ceramic art and fashion designing business are very slow in growth. The study therefore is to look into how the financing factor has been a challenge to ceramic artists and fashion designers in small and medium size enterprises.

Sources of Finance for Small and Medium Enterprises

According to Keiser and Garner (2012), the financial context of a business and for that matter, ceramic and fashion enterprises, heavily affects the day-to-day decisions made by product developers or owners. One way of categorizing the sources of finance for a start-up is to divide them into sources which are from within the business (internal) and from outside providers (external). The main internal sources of finance for a start-up are as follows:

(a) Personal Sources - These are the most important source of finance for a start-up. This can be personal savings or other cash balances that have been accumulated. It can be personal debt facilities which are made available to the business. In particular, savings and other "nest-eggs" are a form of savings where entrepreneurs will often invest personal cash balances into a start-up. This is a cheap form of finance and it is readily available. Often the decision to start a business is prompted by a change in the personal circumstance of the entrepreneurs e.g., redundancy or an inheritance. Investing personal savings maximizes the control the entrepreneurs keep over the business. It is also strong signal of commitment to outside investors or providers of finance. Re-mortgaging is the most popular way of raising loan related capital for a start-up. The way this works is simple. The entrepreneurs take out a second or large mortgage on private property then invest some or all of this money into the business. The use of mortgaging like this provides access to relatively low-cost finance, although the risk is that, if the business fails, then the property will be lost too.

(b) Borrowing from Family and Friends - Friends and family who are supportive of the business idea provide money either directly to the entrepreneur or into the business.

(c) Retained Profits - This is the cash that is generated by the business when it trades profitably-another important source of finance for any business, large or small. For example, a start-up sells the first batch of stock for say GH 12,000.00 cash which it had bought for GH¢10,000.00. This means that retained profits are GH¢2,000.00 which can be used to finance further expansion to pay for other trading cost and expenses.

(d) Share Capital Invested by the Entrepreneur - the founding entrepreneur may decide to invest in the share capital of a company, founded for the purpose of forming the start up. This is a common method of financing a start-up. The founder provides all the share capital of the company, retaining 100% control over the business. The entrepreneur may be using a variety of personal sources to invest in shares. Once the investment has been made, it is the company that owns the money provided. The shareholder obtains a return on this investment through dividends (payments out of profits) and/or the value of the business when it is eventually sold. This can be quicker and cheaper to arrange (certainly compared with a typical or standard bank loan) and the interest and repayment terms may be more flexible than a bank loan. However, borrowing in this way can add to the stressed face by the entrepreneur, particularly if the business faces difficulties.

(e) External Sources of Funds -The commonest form of external funds available to businesses is loan capital or debt. This can take several forms, but the most common are a bank loan or bank overdraft.

(f) A bank loan - provides a longer-term kind of finance or a start-up, with the bank stating the fixed period over which the loan is provided (e.g. 5 years), the rate of interest and the timing and amount of repayments. The bank will sensually require that the start-up provide some security for the loan although this security normally comes in the form of personal guarantees provided by the entrepreneurs Bank loans are good for financing investment in fixed sets and are general at a lower rate of interest than a bank overdraft However, they do not provide much flexibility. A bank overdraft is a shorter-term kind of finance which is also widely used by start-up and small businesses. An overdraft is really a loan facility the bank allows the businesses to withdraw more than they have at the bank in the form of a loan with interest. As a result, an overdraft is a flexible source of finance in the sense that it is only used when needed. Bank overdrafts are excellent for helping a business handle seasonal fluctuations in cash flow or when the business runs into short term cash flow problems (Adamptey, 2009).

(g) Business Angels - are the other main kind of external investor in a start-up company. Business angels are professional investors who typically invest several thousands of cash funds. They prefer to invest in businesses with high growth prospects. Angels tend to have made their money by setting up and selling their own business in other words they have proven entrepreneurial expertise. In addition to their money, angels often make their own skills, experience and contacts available to the company. Getting the backing of an angel can be a significant advantage to a start-up, although the entrepreneur needs to accept a loss of control over the business.

(h) Venture Capital-is a specific kind of share investment that is made by funds managed by professional investors. Venture capitalists rarely invest in genuine start-ups or small businesses. They prefer to invest in businesses which have established themselves. Another term you may hear is "private equity" - this is just another term for venture capital. A start-up is much more likely to receive investment from a business angel than a venture capitalist (Quartey, 2001).

MATERIALS AND METHODS

This study adopted mixed method (qualitative and quantitative) approach since it sought to find out the happenings, insights and questions about problems of financing SMEs in Sekondi-Takoradi of Ghana. The study also sought to describe events, situations and conclusions on data collected. The research tool used to obtain the data was a survey. A survey is a research strategy that involves the structured collection of data from a sizeable population. Although the term survey is often used to describe the collection of data using questionnaires, it includes other techniques such as structured observation and structured interviews (Saunders et al, 2007). This was chosen after a pre-study and an in-depth review of related literature as to how to research an area where both quantitative and qualitative analyses were to be made to get the right representation of the results. Thus, the use of both approaches in tandem so that the overall strength of a study is greater than either qualitative or quantitative research (Creswell & Plano Clark, 2007). The purposive sampling as non-probabilistic sampling technique was used to select respondents for the study. This is because people or locations are intentionally sought because they meet some criterion for inclusion in the study (Palys, 1997). Research includes collection of data and analysis of data.. In a submission made by Creswell (2009), there are three strategies for researchers to collect data for case studies namely: interviewing, observing, and analyzing documents. Since the study required an in-depth information, the questionnaire was adopted as the preferred means of data collection. Data was collected mainly through the administration of well-structured questions to ascertain the needed information in respect to the objectives of the research. Most of the questions were the closed-ended type designed for accurate responses and easier to fill. In all, the questionnaires were administered to randomly select Forty (40) respondents comprising twenty (20) ceramic artists and twenty (20) fashion designers who owned SMEs within Sekondi -Takoradi Metropolis.

RESULTS AND DISCUSSIONS

In trying to identify challenges faced by ceramic art and fashion enterprises, the following themes emerged from the art business owners sampled for interviews:

- i) high cost of raw materials – one respondent said ‘because the main purpose of an art business was to make money for the enterprise, it was logical that in order to remain in business, the enterprise must acquire its products being it ceramic artefact or clothing, for less than the price they finally charge their customers’. However, the acquisition of raw materials such as clay, clay bodies, glazes, paints, fabric and other accessories had not been easy leading to high cost of production.
- ii) High production cost – The interviewees were of the view that high production cost was a problem. At times the production run was small that is, few in number and as such the cost could escalate per item thereby affecting the sale of products.
- iii) High transportation cost – it was emerged that the high cost of transporting products from one place to another distant locations especially during ‘market days’ was becoming a problem. Drivers charge exorbitant prices making it difficult to break even after sales.

iv) Taxes on products - the respondents expressed their displeasure about the tax rates applied by Ghana Revenue Authority (GRA) and the Metropolitan Assembly. These taxes make the selling prices of items produced go up and therefore resulting in low patronage of ceramic artefacts and clothing items.

v) High cost of labour – another problem encountered by the ceramic and fashion enterprises was the high cost of labour. At times chief apprentices and apprentices demand high wages before they engaged in the production of ceramic wares and fashion dresses. This affects the overall sales of ceramic and fashion products.

Regarding the zeal in accessing loans/ finance to support and expand art enterprises, the following challenges were emerged from the respondents: i) provision of collateral and guarantors, ii) delays in the processing of the loan forms, iii) high interest rate charged by the financial institutions, and iv) long procedures for securing loans from financial institutions.

In analysing the questionnaire gathered, the educational background of the respondents were summarized in table 1.

Table 1: Educational Background of Respondents

Educational Level			Working Experience		
No school	10	25	Below 5 years	20	50.0
Junior to Senior Secondary schools	18	45	5-10 years	15	37.5
Tertiary	12	30	Above 10 years	5	12.5
Total	40	100	Total	40	100.0

From table 1, eighteen (18) of respondents representing 45% were educated up to secondary education level while twelve (12) representing 30% of them were educated to the tertiary level. The result indicates that majority of the respondents are knowledgeable in ceramic and fashion industries. Concerning the number of working experience, twenty (20) of the respondents representing 50% said they had below 5 years. However, fifteen (15) respondents representing 37.5% said they had a work experience from 5 to 10 years while five (5) of the respondents representing 20% had experience above 10 years. This means that art businesses were resourced with experienced work force. Thus, while majority had some level of education, there were still some sizeable illiterate business operators of 10 representing 25%. The illiteracy level could have an effect on the performance, management and financial management skill of the ceramic and fashion entrepreneurs and also the search for funding for their businesses.

Table 2: Socio-demographic characteristics of the selected SME art businesses

Characteristics	N=40	%	characteristics	N=40	%
Gender					
Male	22	55	1-15	40	100
Female	18	45	Above	0	-
Total	40	100	Total	40	100

The table 2 above provides the distribution of socio-demographic characteristics of the selected SME art businesses engaged in ceramic and fashion enterprises in Sekondi-Takoradi. From Table 2, out of the forty (40) respondents, twenty-two (22) were males representing 55%, and eighteen (18) were females representing 45%. Based on the figures, the dominated gender among the respondents was male. The collated questionnaires, showed that greater part of the population was composed of male respondents. This shows that contrary to the view in Ghana that ceramic and for that matter pottery making and sewing are women dominated, men were rather dominating in these businesses within the Sekondi-Takoradi Metropolis.

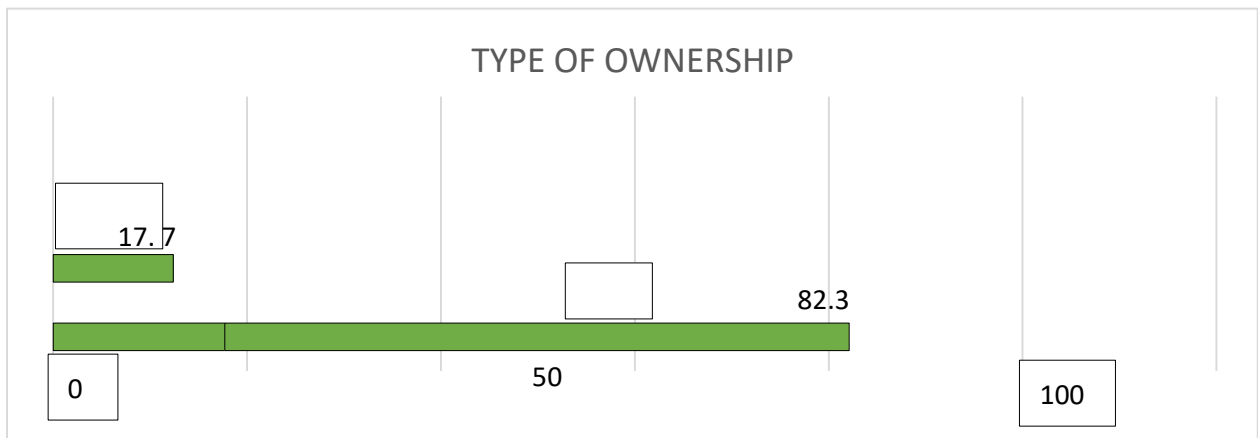


Figure 1: Type of ownership of art businesses.

From figure 1, approximately thirty-three (33) of the respondents representing 82.3% were having sole proprietorship ceramic and fashion enterprises. On the other hand, seven (7) of the respondents representing 17.7% were engaged in partnership for ceramic and fashion businesses. This result was typical of most SME in Ghana, where sole-proprietorship dominated. Few combined what they do with other things like ceramic decorative pieces, curtains, bedsheets, pillow, cases, Fashion merchandising, saloon and others.

A vast majority of thirty-two (32) indicating 80% of the respondents were into tile production, sanitary wares, and garment production other than beauty salon, stylist services, fashion merchandising and designing services. This implies that more attention in the form of financing was to be directed to the tile and garment production businesses. It also means that people were

recently patronizing local tiles and garment. This is because more people are moving into the tile and garment production which indicates a high demand in the tile and garment products. It was realised that greater number of thirty-five (35) representing 87.5% of the respondents did not have qualified professionals to manage their businesses. Keeping of proper records is of a great essence in the SMEs especially proper financial records. This implies the likelihood of financial mismanagement. Proper financial records are a guide to effective financial management.

It was also realised that as many as thirty-six (36) of the respondents denoting 90% did not have business plan. A significant requirement for many funding is a workable business plan. The absence of business plan makes it difficult to access certain funding. It came to light that thirty (30) of the respondents representing 75% did not have business bank account and their businesses not registered. A formal requirement for sourcing any funding is a registered business. Since most of the ceramic artists and fashion designers do not have their businesses registered, it becomes difficult to seek for funding or bid for any major contract.

Concerning accessibility of credit facilities, twenty-five (25) of the respondents representing 62.5% of the respondents were not willing to apply for credit due to two main factors namely: high interest rate and lack of collateral. As a result, many operators depended almost entirely on their own sources throughout the life span of the art businesses, which makes them show slowed growth and sometimes total collapse. However other sources of funding include savings and loans companies, Susu and NGOs.

The respondents were asked to indicate whether SMEs in the Sekondi -Takoradi were growing and expanding as expected. All the forty (40) respondents representing 100% answered "No" and provided the following as contributing to the poor performance of SMEs especially ceramic and fashion enterprises, in the Sekondi-Takoradi: a) low quality of service and product, b) low patronage of products and services by customers, c) lack of finance to expand their art businesses, d) lack of financial support from the financial institutions, government and other stakeholders, e) high interest rate on loans, f) high government taxes, h) lack of proper managerial skills, i) the resources to market their products and service well

CONCLUSION AND RECOMMENDATIONS

This study has been able to explore the various measures that needed to be implemented to sustain SMEs especially the ceramic and fashion industries in Ghana. The study makes the following suggestions as means of mitigating negative impact of these financial constraints faced by the ceramic and fashion enterprises:

- a. Financial institutions should monitor the SMEs especially ceramic and fashion enterprises they give loans to for improved performance.
- b. The process and procedures for acquisition of loans from financial institutions by SMEs with regard to ceramic and fashion entrepreneurs should be restructured for easy access.

- c. The ceramic and fashion enterprises in the SMEs should be able to manage their debtors and creditors period well.
- d. The SMEs especially the ceramic and fashion enterprises, should employ qualified personnel to monitor the cash flows of the organization.

Therefore, the following recommendations are also made:

- i) Government ought to devise means of improving the skill and competency base of the ceramic and fashion producers to make them efficient, experts, and the result oriented, and to be abreast with modern technology in ceramics and fashion. While doing this, the government must equip and develop the sub-sector to be viable by resourcing the independent ceramic and fashion producers financially to enable them acquire modern and efficient ceramic and fashion machinery so as to produce quality ceramic wares and garments to meet international standards.
- ii) There is a strong demand for the government to elaborate and implement policies and strategies for financing SMEs as well as for developing and improving financial institutions especially for ceramic and fashion design industries.
- iii) There is a great need for improving different aspects of financial services for SMEs such as seed money, leasing, venture capital, and investment funding. There is a lack of long-term loans; interest rates are still high, etc. The creation of a system of education and training on different aspects of SME activities for entrepreneurs is crucial to the development of the sector. SME's should be assisted to explore other sources of funding like the Savings and Loans. Other sources of credit, like government finance schemes where collateral security is not a major demand, should also be explored by SME's in the art businesses.
- iv) To minimize risk and loan default from SMEs, it is recommended that Savings and Loan Companies consider providing group lending to SMES who agree to do so, SME clients should improve their business management skills including basic record keeping, marketing etc

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