INSTITUTE FOR LIBERTY AND POLICY INNOVATION

TISO RESEARCH REPORT- 2026

WHEN RULES BECOME ROADBLOCKS

IMPACT OF GHANA'S BUSINESS REGULATORY BURDEN ON ENTERPRISES

INSTITUTE FOR LIBERTY AND POLICY INNOVATION (ILAPI)

The Institute for Liberty and Policy Innovation (ILAPI) is an award-winning Free Enterprise Public Policy Research think tank that won the 2017 Think Tank Shark Tank Award in South Africa and was a Finalist in the 2019 edition held in Kenya.

IMPACT OF GHANA'S BUSINESS REGULATORY BURDEN ON ENTERPRISES
A -2026 Business Regulatory Report, Ghana.

AUTHORS:
Peter Bismark Kwofie
CEO, Institute For Liberty And Policy Innovation (ILAPI)
Stephen Dansu
Research and Senior Policy Analyst
Institute for Liberty and Policy Innovation (ILAPI)

PUBLISHED BY:
Institute for Liberty and Policy Innovation (ILAPI)
Tema, Ghana
info@ilapi.org
https://ilapi.org
Tel :0244169361

FUNDING SUPPORT:
Atlas Network
4075 Wilson BLVD #310
Arlington, Virginia 22203
USA.

FOREWORD

Ghana's economic destiny hinges on the ambition, resilience, and ingenuity of its micro, small, and medium enterprises (MSMEs). Yet, for many Ghanaian entrepreneurs, the journey from idea to sustainable growth remains obstructed by an unnecessarily complex legal administrative terrain. This is even hard for lawyers as these processes sometime become a drain to precious time that could be used for other productive activities. We are unable to give a fair prediction of how the systems will respond to the laws when advising our clients who wish to set up businesses in Ghana.

In this vital publication, Removing Business Regulatory Barriers for Economic Prosperity in Ghana, the Institute for Liberty and Policy Innovation (ILAPI) delivers a timely, evidence-based assessment of the structural hurdles confronting our private sector. Drawing from empirical data across 600 MSMEs in key sectors, the report presents a clear diagnosis: opaque fees, administrative delays, duplicate institutional mandates, and systemic reliance on informal intermediaries create a prohibitive tax on entrepreneurship. These frictions do not merely stall individual businesses; they trap millions in the informal economy, constrict government tax revenues, and stifle our national competitiveness.

What makes this work essential is its focus on actionable solutions. ILAPI does not simply highlight systemic inefficiencies; it charts a pragmatic path forward. Through clear proposals, such as establishing unified digital licensing platforms, harmonizing overlapping agency mandates, decentralizing routine approvals, and building sector-specific one-stop shops, this report outlines a modern regulatory model capable of driving inclusive growth.

As Ghana positions itself for sustainable development and deeper regional trade integration, removing these regulatory barriers is no longer optional, but it is an imperative. This document serves as an urgent call to action for policymakers, industry leaders, regulatory bodies, and civil society partners to collaborate in building a streamlined, transparent, and business-friendly ecosystem.

By modernizing our regulatory framework and empowering our entrepreneurs to transition from micro-ventures into scaling enterprises, Ghana can unlock true economic freedom and shared prosperity for all Ghanaians.

Mr. Richard Nii Amarh Esq.
Private Legal Practitioner
Centre for Legitimacy and Rule of Law

TABLE OF CONTENTS

FOREWORD.. ii
ACKNOWLEDGEMENT.. i
STRUCTURE OF THE RESEARCH REPORT.. ii
EXECUTIVE SUMMARY.. iv
CHAPTER 1. 1
1.0 Introduction. 1
1.1 Project Background... 2
1.2 Objectives. 4
1.2.1 Ultimate Goal of the Project 4
1.2.2 Specific Project Objectives... 4
1.3 Definition of Term.. 5
CHAPTER 2 - Study Methodology... 6
2.0 Introduction. 6
2.1 Research Philosophy. 6
2.2 Unit of Enquiry. 7
2.3 Study Areas/Coverage. 8
2.4 Population and Sample Size. 10
2.5 Margin of Error. 11
2.6 Sampling Technique.. 11
2.7 Source of Data and Data Collection... 11
2.8 Data Analysis.. 12
CHAPTER 3 – REVIEW.. 13
3.0 Introduction. 13
3.1 Brief Historical Trajectory of Business Development in Ghana..................................13
3.2 Mandatory Institutions for Business Regulation in Ghana. 16
3.2.1 Ghana Revenue Authority (GRA).. 16
3.2.2 Office of the Registrar of Companies (ORC)... 20
3.4 Major Regulatory Institution for the Hospitality Sector... 24
3.5 Major Regulatory Institutions for The Manufacturing Sector. 30
3.5.1 Food and Drugs Authority (FDA)...32
3.5.2 Ghana Standards Authority (GSA). 35
3.6 Major Regulatory Institutions for The Information Technology Sector..........................37
3.7 Regulatory Institutions for MSMEs..40
3.8 Major Laws and Regulations for MSMEs...41
3.9 Ghana's Easy of Doing Business Among Other Countries..42

3.10 Barriers to MSMEs Growth in Ghana. 47
3.10.1 Financial Barriers. 48
3.10.2 Operational Barriers.. 48
3.10.3 Regulatory Barriers... 49
3.11 Successful MSMEs Growth in Developed Countries: Case Studies for Business Growth in Ghana.. 54
3.11.1 Policy Frameworks and Institutional Support. 54
3.11.2 Access to Regulatory information. 56
3.11.4 Internationalization, Export Orientation and Digital Transformation....................... 57
3.12 Business Regulations and Libertarianism...58
CHAPTER 4:..61
RESULTS FROM SURVEY OF MSMES IN GHANA..61
4.0 Introduction...61
4.1 Background Information...61
4.1.1 Sex of Respondents...61
4.1.2 Educational Level of Respondents. 62
4.1.3 Level of Education and Sex of Respondents..64
4.1.4 Sex of Respondents and Sector of Respondents..64
4.1.5 Having License and the type of Business. 65
4.1.6 Type of Business (sectors) and Having Permit...66
4.1.7 Types of MSMEs Under Manufacturing, ICT, and Hospitality.....................................67
4.1.8 MSMEs Duration of Operation. 68
4.1.9 Number of Employees. 69
4.1.10.1 Which medium was used to register?...74
4.1.11 Years of Operating and Registration of Businesses. 75
4.2 Bureaucracy Assessment. 75
4.2.1 Duration of Registration. 76
4.2.2 Awareness of Cost of Registration. 79
4.2.3 Cost of Acquiring Business Entry Certificate. 80
4.2.3.1 Cost of Acquiring Permit. 81
4.2.3.2 Cost of Acquiring License. 82
4.2.4 Use of Middlemen "Goro boys"...83
4.2.4.2 Without Goro Boys and Duration of Acquiring Business Entry Certificate.............84
4.2.5 Renewal 85
4.2.6 Percentage Spent on Regulatory Compliance (e.g., taxes, permits, legal fees). 1
4.3 Complex Regulatory Landscape with Institutional Overlaps... 2
4.4 Institutional Findings: Thematic Analysis... 11

Red Tapes.. 11
Multi-Departmental and Institutional Collaboration in the issuance of certificates, licenses and permits. 11
Costs and Fee Structure. 12
Regulatory Timeliness and Delays. 12
Decentralization and Regional Issuance of Permits.. 13
Digitalization and Online Systems.. 13
Institutional Weaknesses and Challenges. 14
4.4 Discussion of Qualitative Findings. 17
4.4.1 Regulatory challenges hindering MSMEs and business growth. 17
4.5 Formalization Barriers and Bureaucratic Inefficiencies... 24
4.5.1 Digital Limitation to Registration.. 24
4.6 Comparison of Ghana's Business Readiness.. 26
CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS.
5.0 Introduction... 29
5.1 Summary of Findings... 29
5.1.1 Regulatory Challenges Hindering SMES And Business Growth in Ghana.................. 29
5.1.2 The Impact of The Regulatory Barriers on The Operational Efficiency and Profitability of SMES. 31
5.2 CONCLUSION.. 33
5.3 RECOMMENDATIONS... 33

ACKNOWLEDGEMENT

This report is the product of a collective effort, and the Institute for Liberty and Policy Innovation (ILAPI) wishes to extend its sincere gratitude to all who contributed to its successful completion.
We are deeply grateful to the 600 Micro, Small, and Medium Enterprise owners and operators across the ICT, Manufacturing, and Hospitality sectors who generously gave their time to participate in this survey. Their candid accounts of the regulatory challenges they face form the empirical backbone of this report.

We acknowledge, with appreciation, the officials of the Ghana Revenue Authority, the Office of the Registrar of Companies, the Ghana Tourism Authority, the Food and Drugs Authority, the Ghana Standards Authority, and the other regulatory institutions who engaged with our research team, and provided institutional insight into the processes examined in this study.

Our appreciation also goes to the ILAPI research and field survey team, led by Stephen Dansu. Again, we appreciate Anne Ethel of the Enterprise Bureau for her insight on business regulations.
ILAPI is particularly grateful to the Atlas Network for its generous support, which has enabled the institute to undertake this research. Atlas Network's support generated all these evidence-based policy recommendations, policymakers and stakeholder engagement, and public awareness about the effects of unnecessary and burdensome business regulations on entrepreneurs and enterprises.

Finally, we thank the ILAPI leadership, led by Mr. Peter Bismark Kwofie and the Board, for their continued support of independent, evidence-based policy research in pursuit of a freer and more prosperous business environment in Ghana.

WHY TISO

Tiso is a Ghanaian word, translating as reduce. We believe that when businesses face lower compliance costs, they have more resources available for investment and employment. Reducing unnecessary business regulations would allow Micro, Small, and Medium Enterprises (SMEs) to devote more of their limited resources to productive activities such as hiring workers, investing in equipment, expanding operations and developing new products. Every licence, permit, inspection, registration, renewal and reporting requirement creates direct or indirect costs. For a small business, these costs can represent a much larger share of revenue. A regulatory system that is simple, affordable and predictable gives informal businesses greater incentives to enter the formal economy. Formalization can subsequently improve access to finance, government contracts, larger markets and business support. Regulatory reform should therefore be a part of Ghana's broader strategy for addressing unemployment and poverty.

STRUCTURE OF THE RESEARCH REPORT

The research report is organised into Six chapters. Chapter one focuses on the introduction, background of the project, objectives of the project, and the definition of terms. The chapter two focuses on the methods employed to conduct the study. Chapter three review of relevant literature and policies underpinning the MSMEs in Ghana. Chapter four presents the major findings of the research in relation to the objective. Chapter five presents information on the ranking of Major MSMEs regulatory institutions in Ghana, and Chapter six presents' conclusions and policy recommendations.

ABBREVIATIONS:

FDA – Food and Drugs Authority

GSA – Ghana Standard Authority

GRA – Ghana Revenue Authority

MMDAs – Metropolitan, Municipal and Districts Assemblies

LUSPA – Land Use and Spatial Planning Authority

GGSA – Ghana Geological Survey Authority

PHA – Public Health Authority

GTA – Ghana Tourism Authority

GNFS- Ghana National Fire Service

ORC- Office of the Registrar of Companies

EPA- Environmental Protection Agencies

DFI- Department of Factory Inspectorate

ILAPI- Institute for Liberty and Policy Innovation

EXECUTIVE SUMMARY

Ghana's Micro, Small, and Medium Enterprises (MSMEs) are widely regarded as the backbone of the national economy, yet they continue to operate within a business regulatory environment that is costly, fragmented, and slow to navigate. This report, commissioned by the Institute for Liberty and Policy Innovation (ILAPI) under the TISO project, examines the red tape and regulatory barriers confronting MSMEs in the Information and Communications Technology (ICT), Manufacturing, and Hospitality sectors, and proposes evidence-based policy solutions to ease business entry, compliance, and growth.

The findings reveal a business regulatory regime that imposes significant bureaucratic and financial strain on entrepreneurs. A manufacturing business requires more than 13 separate regulatory certificates, permits, and licenses, each administered by different institutions with its own procedures and timelines. Only 42.7% of surveyed businesses held a valid operating license at the time of the study, and 57.3% were found to be operating without one, largely due to delays, cost, and procedural complexity rather than unwillingness to comply. The majority of businesses (40.8%) waited more than a month to receive the business entry certificate beyond the stipulated 14 working-day period, while a quarter spent between 5% and 10% of business revenue on regulatory compliance, and a significant number of MSMEs spent upward to 30%.

A particularly striking finding is the extent of reliance on informal intermediaries, or "Goro boys," used by 84% of respondents to navigate registration processes. This shows a clear signal that official channels are too slow, opaque, or costly to use directly. The study also identifies stark sectoral and gender disparities: women-owned businesses are concentrated in the Hospitality sector and are underrepresented in ICT and Manufacturing, while ICT businesses reported the lowest levels of licensing compliance among the three sectors studied.

Drawing on comparative lessons from the United States, China, and Germany, the report recommends comprehensive regulatory reform to streamline and harmonize licensing procedures, full digitization of registration and renewal systems to reduce reliance on middlemen, targeted support for MSME digital and financial literacy, and the development of crisis-responsive and export-promotion mechanisms tailored to Ghana's MSME sector. Collectively, these reforms are intended to reduce the cost and complexity of formal business compliance, curb informality, and unlock the job-creating potential of Ghana's entrepreneurial economy.

The key point, however, is that regulatory reform should not mean eliminating legitimate protections. Ghana needs regulations that protect consumers, workers, the environment and property rights. The objective should be to eliminate regulations that are duplicative, unnecessarily costly, outdated, disproportionate or unnecessarily restrictive.

CHAPTER 1

1.0 Introduction

In recent years, Ghana has witnessed a troubling surge in unemployment rates, a phenomenon largely associated with the collapse of numerous businesses across the country. In 2022, the world bank established that over 850,000 Ghanaians have been pushed into poverty. This trend has had far-reaching implications for the nation's economy, exacerbating poverty levels and undermining social stability. This implies that with the increase in unemployment rate more Ghanaian are likely to be pushed into poverty. Consequently, the increasing failure of businesses in Ghana as a result of the myriads of challenges, including stringent regulatory frameworks, bureaucratic red tape, and inadequate support for Micro, Small and Medium Enterprises (SMEs) cannot be disassociated from being part of the causes of increasing rate of poverty in Ghana. These obstacles not only stifle entrepreneurial growth but also lead to the premature demise of businesses, resulting in widespread job losses and increases the rate of poverty in Ghana.

The persistent institutional impediments to economic freedom are wrecking the entrepreneurial and business environment. Creating a prosperous society is when there are more businesses creating jobs, where business entry and growth are made easier. However, there exist a cumbersome business regulatory regime in Ghana. Over 13 Regulatory certificates (business operating permits/licenses) are needed to start a manufacturing business, and renewals, are slowing business transition, and burring innovations. Each of these regulatory institutions have different other institutions to engage with to obtain one of the permits to operate. As a result, start-ups and, Small and Medium Enterprises (SMEs) have to navigate through uncountable institutions and cumbersome administrative procedures and red tape to meet one regulatory requirement. Because Business regulatory fees are used as revenue mobilisation instead of business and trade facilitation, businesses that are unable to meet the requirements are shut down by state-sponsored task forces. This often leads to job loss, and pushes people into poverty.

As companies shut down, the ripple effect on employment is profound, with a significant portion of the workforce being rendered jobless. Addressing the root causes of business collapse, and business, and entrepreneurial environment are crucial to reversing the unemployment trend, promote a prosperous society, and fostering a more robust and resilient economic landscape in Ghana.

1.1 Project Background

In developing economies including Ghana, jobs are most often created by Micro, Small, and Medium Enterprises (MSMEs). This ranges from tech start-ups, agriculture and crafts, small to middle-range industrial companies, hospitality, and services. They play vital roles as immediate service providers; and contribute to industrial transition, employment opportunities, and poverty reduction. Despite their remarkable abilities to fuel economic prosperity, they face lots of illiberal hurdles along every stage of development to start and be sustainable as enterprises. It is therefore not surprising to see Ghana trailing on the Ease of Doing Business index by the World Bank, ranking 108th (58.82) in 2017, 120th (57.24) in 2018, and 114th (59.22) in 2019. The registration and legal procedures, renewals, and processes often take longer than expected. They can be a very long and cumbersome process, involving multiple government agencies, and often too complex for entrepreneurs and businessmen to comply. Red Tape and administrative burdens have become prevalent as entrepreneurs go through registrations, documentation, and legalization processes to legitimize their operations. However, these processes vary in their degree of simplicity and the number of bureaucratic procedures one must undergo in government establishments. The slow and long difficult processes of filing papers and waiting forever to complete regulatory processes and compliance, often have a great impact on the success and transition of businesses. This limits the freedom to innovate, compete, and scale up for prosperity. The complex tax system, business registration certificates, business permits, and licenses regime have slowed business transition while others eventually are closed down. For example, a manufacturing company could go through a lot of administrative requirements and various documentations to be able to operate in Ghana. These includes; following to start constructing: Building Permit Application Form – one (1) copy, Title Search - one (1) copy, Indenture or Deed of assignment or Land Title Certificate - one (1), Copy Building plans four (4) copies, Structural Drawings four (4) copies), Structural Calculation Report four (4) copies), Fire Report three (3) copies, Mechanical or Services Drawing four (4) copies, Geotechnical Report, Structural Integrity Report three (3) copies, Environmental Permit one (1) copy, Traffic Impact Assessment (T.I.A) (three (3) bound copies), Hydrological Services Report (if requested) (three (3) bound copies) among others.

The regulatory environment in Ghana, while intended to maintain order and standards, often imposes excessive burdens on businesses. Complex licensing procedures, inconsistent policy implementation, and bureaucratic inefficiencies coupled with external economic shocks and a volatile macroeconomic environment have compounded these internal challenges, create barriers that stifle entrepreneurial initiatives and hinder business sustainability, and eventually leading to their collapse. As a result, many businesses, especially SMEs, struggle to survive, leading to closures and subsequent job losses. The collapse of these businesses have cascading effect on the economy, reducing employment opportunities and increasing the unemployment rate. This situation is particularly dire for the youth, who face limited job prospects despite their educational qualifications. Addressing these regulatory barriers and creating a more conducive qualifications. Addressing these regulatory barriers and creating a more conducive environment for business growth is essential to mitigating unemployment and fostering economic prosperity in Ghana.

1.2 Objectives

1.2.1 Ultimate Goal of the Project

The overall objective is to investigate Red Tape and business regulatory barriers hindering MSMEs businesses and recommend policy solutions to for economic prosperity in the ICT, Manufacturing, and Tourism sectors.

1.2.2 Specific Project Objectives

The project specifically seeks to;

1. To identify the specific regulatory challenges hindering MSMEs and business growth in Ghana.
2. To evaluate the impact of these regulatory barriers on business transition.
3. To explore successful models from other countries that have effectively reduced business regulatory barriers.
4. To propose actionable solutions for MSMEs development and growth.

1.3 Definition of Term

The terms certificate, license, and permit all relate to regulatory authorization, but they have distinct meanings:

Permit	A document that grants permission to carry out specific activities under defined conditions. Permits are usually issued for safety, environmental, or regulatory compliance (e.g., a building permit or a health permit for a restaurant).
License	Official permission granted by a government or regulatory body that allows an individual or a company to legally operate within a specific industry or profession. Licenses often require periodic renewal and compliance with certain regulations (e.g., a business license or medical practice license).
Certificate	A document that verifies that an individual or business has met specific requirements or standards. It is often educational or professional in nature (e.g., a certificate of completion for a course or a business registration certificate).

CHAPTER 2 - Study Methodology

2.0 Introduction

The business regulatory research attempts to investigate the Micro, Small and Medium Enterprise operational requirements, and their contribution to business failure in Ghana. This chapter focuses on methods guiding the study. Ensuring the framework guiding the study, the exploratory research design was adopted using triangulation methods[1]. The exploratory research helped to connect ideas to understand the cause and effect of a phenomenon. It gave researchers the opportunity to explain why or how, as means to detail what is happening between two or multiple variables such as the MSMEs and regulatory institutions. Additionally, the utilization of the triangulation method gave the researchers the opportunity to explore multiple methods, theories, and datasets to address the research questions and objectives. Hence, data triangulation is a key characteristic of the design whose purpose is to provide a thick, rich, and contextual description using the mixed method approach[2] [3].

2.1 Research Philosophy

Research philosophy in any research explains how the research will be undertaken. This study adopted two philosophical assumptions. The Positivism and the Interpretivism approaches.

The positivism approach from the ontological stance was adopted for the study. Positivism claims that the social world exists externally and that its properties should be measured through objective measures, where the observer must be independent from what is being observed. Since the MSMEs and regulatory challenges are a reality, they can be expressed by variables and measured reliably and validly[4]. Positivism, as a research paradigm, seeks to solve major practical problems, search for law-like generalizations, and discover precise causal relationships through statistical analysis[5]. Therefore, the researchers focused on facts, located causality between variables, and formulated hypotheses (deductive approach). It also facilitates the operationalization of concepts that can be measured through the application of quantitative methods[6]. This approach is the best fit for the study because it explores and explains the causality between various variables and covers a wide range of situations, which adhere to factual knowledge gained through the research for further explanation, prediction, and problem solving within the business environment in Ghana. It also gives objectivity to the studied phenomenon.

---

[1] Bowen, Phillip W., Richard Rose, and Andrew Pilkington. "Mixed methods-theory and practice. Sequential, exploratory approach." International Journal of Quantitative and Qualitative Research Methods 5, no. 2 (2017): 10.
[2] Ibid, 10.
[3] Almeida, Fernando. "Strategies to perform a mixed methods study." European Journal of Education Studies (2018).
[4] Onwuegbuzie, Anthony J. "A Conceptual Framework for Assessing Legitimation in Qualitative Research." (2002).
[5] Rao, Anita G., Tae Kyun Kim, Efstathios Chronopoulos, and Edward G. McFarland. "Anatomical variants in the anterosuperior aspect of the glenoid labrum: a statistical analysis of seventy-three cases." JBJS 85, no. 4 (2003): 653-659.
[6] Easterby-Smith, Mark, Richard Thorpe, and Paul R. Jackson. Management research. Sage, 2012.

The interpretivism philosophical approach, on the other hand, allowed the collection of data from the individuals (MSMEs and Institutions) rather than from the measuring devices that provide more valuable data for the research. The reason behind choosing this research approach was that it helps to understand and interpret the reality more clearly from the respondents' or participants' perspective. In addition to this, this research philosophical approach supports a qualitative research design that the researchers followed.

2.2 Unit of Enquiry

The unit of analysis or enquiry consists of both MSMEs and Regulatory Institutions. The MSMEs includes; ICT (Tech-Startups), Hospitality Industry (Tourism), Manufacturing Companies, and the Regulatory Institutions Particularly, Office of the Registrar of Companies (ORC), Environmental Protection Agency (EPA), Food and Drugs Authority (FDA), Trade Union Congress (TUC) and other relevant associations and institutions were considered for the study. The rationale for selecting these units was to help collect relevant triangulated data in order to limit the biases in data collection and analysis.
Summary of MSMEs Definition in Ghana.

Enterprise Size	No. of Employees	Revenue (Including Fixed Assets and Machinery) in USD
Micro	1 6	⩽ 10,000
Small	7-29	⩽ 10,000
Medium	30-99	⩽ 100,000
Large	100 and above	⩽ 1,000,000

Source: Abor and Quartey, 2010.

The above definition is based on National Board for Small Scale Industry (NBSSI) classification, currently known as Ghana Enterprise Agency (GEA).

2.3 Study Areas/Coverage

The study was a national survey, taking into consideration all the 16 regions in Ghana. Figure 1 is the Map of Ghana showing all the targeted study areas.

Figure 1: Map of Ghana showing targeted study areas.

Source: Google Image

2.4 Population and Sample Size

According to the Ghana SME Sector Report 2023, by Strategy and Research Department, there are about 2.1 million businesses in the MSME sector of Ghana[7].

Sample is a finite part of a statistical population whose properties are studied to gain information about the whole. The Yamane's formula was used to calculate the sample size which is representative and suitable for the study. All things being equal, the formula helped to improve the accuracy level in determining the chunk of a population to sample at a reasonable margin of error. This sample formula is mostly used for Known population[8].

[7] Ghana SME Sector Report 2023. https://www.gcbbank.com.gh/research-reports/sector-industry-reports/361-sme-sector-in-ghana-2023-v1/file#:~:text=Out%20of%20the%20estimated%202.1,under%20the%20micro%20enterprise%20category.

[8] Yamane, T. "A simplified formula to calculate sample size." Google Scholar, California, CA, USA (1967).

Sample Size (n)= $N/(1+N(e)^2$.
Where;
n = sample size
N= the population
e= margin of error (With 95% confidence level, the margin of error is 5%; thus, 0.05)

$n = N/1+N(e)^2$.
$n = (2.1 \text{ million})/1+2.1 \text{ million } (0.05)^2$
n= 399.9

After calculated the sample size by substituting the numbers into the Cochran formula, the sample is 399.9. In order to obtain reliable data, and spread the sample among the three sectors equally, the researchers increased sample size to 600 MSMEs including Hospitality (Tourism), ICT, and Manufacturing companies.

2.5 Margin of Error

The study is a policy research and used a confidence level of 95% which is equal to 5% margin of error. Therefore, the z-score of 95% confidence level is 1.96. Hence, the range around a sample result within which the true population value is likely to fall, with a specified level of confidence at 5%.

2.6 Sampling Technique

Sampling is a process of choosing a sub-section of a population that represents the entire population in order to acquire information regarding the phenomenon of interest [9]. In regards, the Cluster and the purposive sampling technique was used for the for the study. The Cluster sampling technique makes it easier and economically friendly to collect data from a population that is spread across a wide geographic area like Ghana which is divided into 16 regions. The purposive sampling technique helps to intentionally select participants based on their characteristics, knowledge, and experiences under the study.

2.7 Source of Data and Data Collection

The study considers multiple sources of data which helped in promoting data triangulation. Both the primary and the secondary data source was utilized for the study. The Primary data in the context of this study refer to all field data that assembled through questionnaire, interviews

[9] Khan, Habib Zaman, and Md Rashidozzaman Khan. "Sampling and sampling procedures in corporate social responsibility research." *In Handbook of Research Methods in corporate social Responsibility*, pp. 139-158. Edward Elgar Publishing, 2017.

and observations. The secondary data constitute books, articles, journals and any other archival publication that was used to support the findings of the study. The primary data was acquiredfrom MSMEs and business regulatory agencies such as the EPA, FDA among other relevant agencies using the questionnaire and semi-structured interview guide respectively. The data collection process adopted the purposive techniquewhich helped to select the right respondents for the study.

2.8 Data Analysis

For Policy implication and understanding, the descriptive statistics (graphical techniques and numerical summaries), independence tests (Chi-square test), and regressions analysis were employed to highlight the perception between the different groups of actors. The analysis of the qualitative data applied the Lichtman's 3C's concept (Code, Categories and Concepts). The quantitative analysis took into consideration univariate, bivariate and multivariate analysis.

CHAPTER 3 – REVIEW

3.0 Introduction

The foundation of any research lies in understanding the existing body of knowledge, identifying gaps, and drawing insights that can guide further research. This chapter reviews the literature on the historical trajectory of businesses in Ghana and mandatory regulatory institutions including the ICT, Hospitality, and Manufacturing sectors in Ghana. It also reviewed the barriers to business growth and case studies that highlight strategies and success stories of business development. The chapter delves into the multifaceted barriers that hinder business growth, ranging from institutional inefficiencies, bureaucratic red tape, limited access to financing, and infrastructure deficits. The study contextualized the structural hurdles that impede business expansion, particularly for micro, small, and medium enterprises (MSMEs). It also explored case studies from different regions and industries, shedding light on innovative strategies that have successfully addressed these barriers and fostered growth.

3.1 Brief Historical Trajectory of Business Development in Ghana

The evolution of business in Ghana has been shaped by historical, economic, and political transformations. From pre-colonial trade networks to post-independence industrialization, and contemporary business reforms, Ghana's business landscape reflects broader socio-economic dynamics. In order to understand the business trajectory in Ghana, it is crucial to take into consideration the historical antecedents.

During the pre-colonial era, trade and indigenous business networks flourished. Studies highlight the significance of the trans-Saharan trade, where Ghanaian merchants exchanged gold, kola nuts, and slaves for salt, textiles, and other goods from North Africa[10]. Local markets were organized along kinship lines, with women playing a crucial role in commerce[11]. The extensive trade networks contributed to the development of indigenous economic systems and early urbanization.

The colonial era brought into existence formal business enterprises. The advent of European colonialism significantly altered Ghana’s business environment. The British colonial administration introduced cash crops such as cocoa, which became the backbone of Ghana’s economy[12]. Scholars argue that colonial policies favored European firms, leading to the marginalization of indigenous businesses.[13] The establishment of trading companies like the United Africa Company (UAC) and John Holt & Co. monopolized key sectors, limiting the opportunities for local entrepreneurs.[14]

---

[10]Wilks, Ivor. Asante in the Nineteenth Century: The Structure and Evolution of a Political Order. Cambridge University Press, 1975.
[11]Clark, Gracia. African Market Women: Seven Life Stories from Ghana. Indiana University Press, 2010
[13]Killick, Tony. Development Economics in Action: A Study of Economic Policies in Ghana. Heinemann, 1978.
[14]Hopkins, A. G. An Economic History of West Africa. Routledge, 2014

During independence and post-independence, industrialization and state intervention began to take place. Thus, after gaining independence in 1957, Ghana's first president, Kwame Nkrumah, pursued state-led industrialization as part of a broader vision for economic self-sufficiency.[15] The government established several state-owned enterprises (SOEs) in manufacturing, mining, and agriculture. However, inefficiencies and mismanagement plagued these ventures, leading to their decline in the 1970s.[16] It was suggested that excessive state control stifled private sector growth, although some scholars clearly argued that these efforts laid the foundation for future industrialization.[17]

In the 1970s, the economic crisis of the late 1970s and early 1980s led Ghana to adopt the Structural Adjustment Program (SAP) under the guidance of the International Monetary Fund (IMF) and World Bank.[18] These reforms prioritized privatization, deregulation, and market liberalization, enabling the resurgence of private enterprise.[19] While some scholars praise SAP for revitalizing the business environment, others critique it for exacerbating income inequality and limiting indigenous entrepreneurship.[20]

However, the contemporary business environment and challenges have evolved. Ghana's current business landscape is characterized by a dynamic mix of multinational corporations, small and medium-sized enterprises (SMEs), and a growing digital economy.[21] The government has implemented various initiatives, such as the Ghana Investment Promotion Centre (GIPC) Act, to attract foreign direct investment (FDI).[22] Despite these improvements, challenges such as bureaucratic inefficiencies, corruption, and access to finance remain significant barriers to business development.[23]

The history of business in Ghana is marked by significant transformations, from indigenous trade networks to colonial monopolies, state-led industrialization, and contemporary market liberalization.

---

15 Nkrumah, Kwame. Africa Must Unite. Panaf Books, 1963.

16 Hutchful, Eboe. Ghana's Adjustment Experience: The Paradox of Reform. UN Research Institute for Social Development, 2002.

17 Osei, Baffour. "The Legacy of Nkrumah's Industrial Policies." Journal of African Economic History, vol. 37, 2010, pp. 67-89.

18 Aryeetey, Ernest, and Ravi Kanbur. The Economy of Ghana Sixty Years after Independence. Oxford University Press, 2017.

19 Mensah, Sam. Structural Adjustment and Ghana's Economic Recovery. Praeger, 2001.

20 Konadu-Agyemang, Kwadwo. IMF and World Bank Sponsored Structural Adjustment Programs in Africa. Routledge, 2001.

21 Abor, Joshua, and Nicholas Biekpe. "SMEs and Access to Finance in Ghana: Challenges and Determinants." African Finance Journal, vol. 9, no. 2, 2007, pp. 38-52.

22 Ghana Investment Promotion Centre (GIPC). Annual Report, 2022.

23 Amoako, Isaac Oduro. Trust and Business in a Global Economy: The Case of Ghana. Palgrave Macmillan, 2019.

3.2 Mandatory Institutions for Business Regulation in Ghana

This section focuses on mandatory institutions that regulate MSMEs or businesses in Ghana. The review highlights regulatory institutions based on the Hospitality, ICT, and Manufacturing sectors. It focuses on the various processes involved in accessing their respective services for business registration certificates, licenses, and permits.

3.2.1 Ghana Revenue Authority (GRA)

The Ghana Revenue Authority (GRA) Which was founded in 2009, and was merged with three revenue agencies, namely the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value-Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) in accordance with the Ghana Revenue Authority Act 2009, (Act 791). GRA's core mandate is to ensure a maximum compliance with all relevant tax laws for sustainable revenue stream for government, trade facilitation, and a controlled and safe flow of goods across the country's borders.

3.2.1.1 GRA Registration Process for Businesses

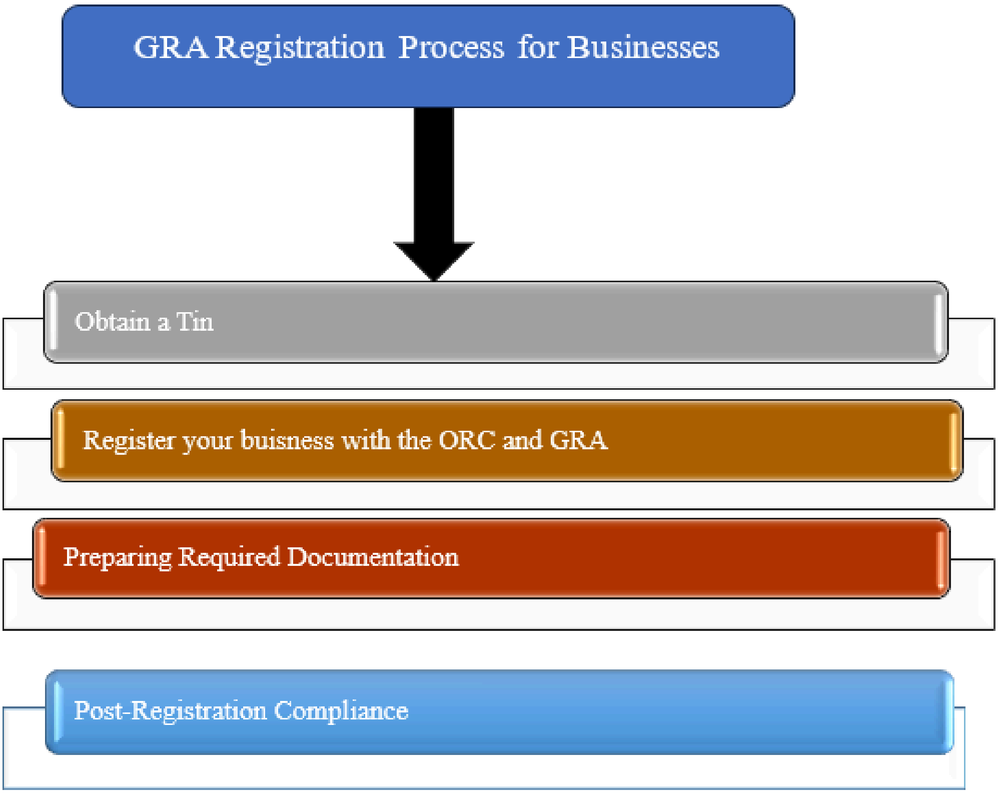
To legally operate in Ghana, businesses must undergo a structured registration process with the GRA. This begins with securing a Taxpayer Identification Number (TIN), a mandatory requirement for all businesses and individuals engaging in tax-related activities followed by obtaining business entry registration documents from the ORC [24]. Once the TIN is acquired, businesses must complete and submit GRA registration forms, including their certificates of incorporation and company regulations[25].

---

[24] Registrar General's Department, "Business Registration Guidelines," 2022.
[25] Ghana Revenue Authority, "Taxpayer Registration Requirements," 2021

Depending on the type of business, obtaining a Tax Clearance Certificate (TCC) may also be required before full operational status is granted [26]. Additionally, businesses with an annual turnover exceeding the Value-Added Tax (VAT) threshold (VAT registration is compulsory for any person who makes or expects to make a taxable supply of goods or services that exceeds GH₵ 200,000 over a 12-month period or GH₵ 50,000 over a three-month period) must register for VAT alongside other applicable taxes such as Corporate Income Tax and Pay-As-You-Earn (PAYE) for employees[27]. Following the registration, businesses must adhere to tax compliance obligations, including periodic filing of returns and timely payment of assessed taxes[28].

The diagram below is a simple approach:



Although it seems simple, getting the required documents for the application need collaboration from other agencies and departments, making the process stressful.

[26] Ghana Revenue Authority, "Tax Clearance Certificate Application Process," 2020.
[27] Ministry of Finance, "Ghana's Taxation System and VAT Regulations," 2019
[28] Ghana Revenue Authority, "Tax Compliance Guidelines for Businesses," 2022.

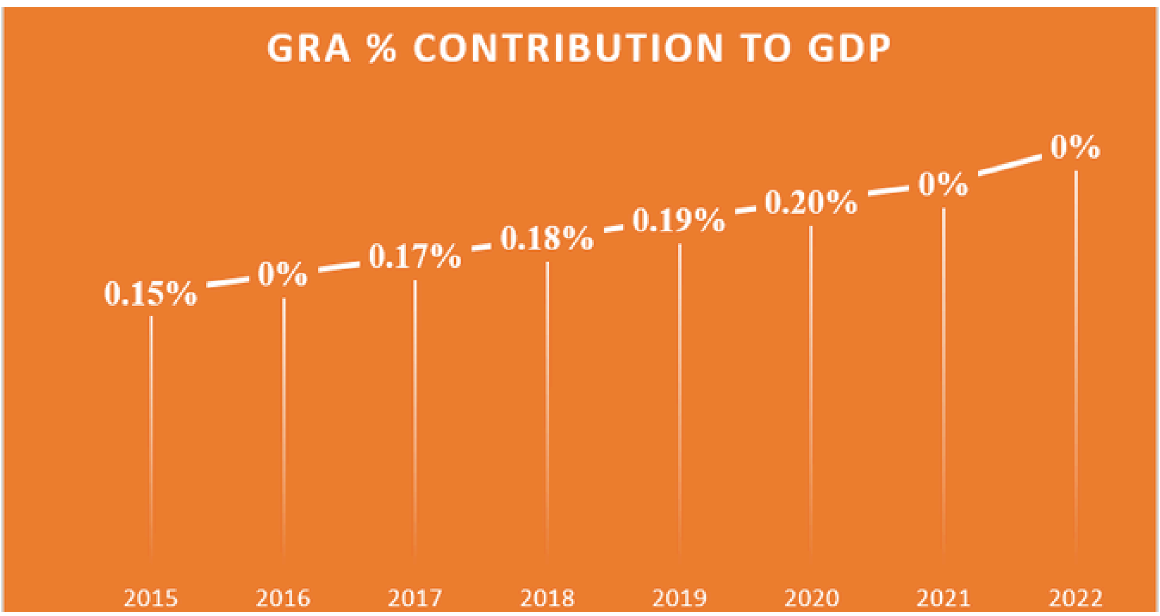
3.2.1.2 Challenges Businesses Faced with GRA

Despite the structured nature of the registration process, many businesses face significant challenges. One major issue is the lengthy and bureaucratic procedures involved, which often result in delays in obtaining TINs and tax registration approvals [29]. Additionally, limited public awareness and tax education contribute to non-compliance among small and medium enterprises (SMEs), as many business owners are unaware of tax obligations and regulatory requirements [30]. Another concern is the prevalence of corruption and unofficial fees, where some businesses encounter demands for facilitation payments to expedite their registration processes [31]. Furthermore, frequent changes in tax policies create confusion and compliance difficulties, making it harder for businesses to stay updated with new regulations [32]. Lastly, limited digitalization of services has hindered efficiency, as technical challenges and inadequate digital literacy among business owners pose obstacles to seamless online tax registration [33].

3.2.1.3 Ghana Revenue Authority's Contribution to Ghana's GDP

The Ghana Revenue Authority (GRA) plays a pivotal role in mobilizing revenue for the nation's development. The figure below is summary tax revenue as a percentage of Gross Domestic Product (GDP) from 2015 to 2022.

Figure 1: Ghana Revenue Authority's Contribution to Ghana's GDP



Source: Statista, OECD.

[29] World Bank, "Ease of Doing Business in Ghana: Challenges and Progress," 2021.
[30] Ghana Statistical Service, "SMEs and Tax Compliance Trends in Ghana," 2020.
[31] Transparency International, "Corruption Perception Index: Ghana's Tax Sector," 2022.
[32] IMF, "Tax Policy Changes and Their Economic Implications in Ghana," 2021
[33] Ghana Revenue Authority, "Digitalization and Tax Administration in Ghana," 2023.

3.2.2 Office of the Registrar of Companies (ORC)

The ORC formally known as the Registrar General's Department (RGD) operates as Ghana's principal government institution responsible for the registration of businesses, marriages, trademarks, industrial designs, and intellectual property. The department is mandated under the Registration of Business Names Act, 1962 (Act 151), the Companies Act, 2019 (Act 992), and other subsidiary legislations. These legal instruments provide the regulatory framework for business incorporation, registration, and compliance.

The Companies Act, 2019 (Act 992), in particular, governs the formation, regulation, and dissolution of companies in Ghana. This Act replaced the Companies Code, 1963 (Act 179) to modernize business operations and enhance regulatory oversight. The Registration of Business Names Act, 1962 (Act 151) regulates the registration of sole proprietorships and partnerships, ensuring that businesses comply with statutory requirements. The ORC plays a crucial role in Ghana's economic and legal environment by performing the following functions:

- Business Registration and Regulation: Ensures that businesses operate legally and comply with relevant corporate laws.
- Protection of Intellectual Property: Registers trademarks, patents, and copyrights, protecting innovators and businesses.
- Marriages and Estates Administration: Registers marriages, processes wills, and administers deceased estates.
- Data Collection and Policy Support: Provides statistical data on registered businesses to aid government policy formulation and economic planning.

3.3.1.1 ORC Business Registration Processes

The ORC provides an elaborate licensing and registration process for businesses in Ghana. This involves:

3.3.1.2 ORC Contribution to GDP

The ORC significantly contributes to Ghana's GDP through revenue generation from business registration fees, penalties, and regulatory services. Over the years, its financial contribution has steadily increased as more businesses formalize their operations.

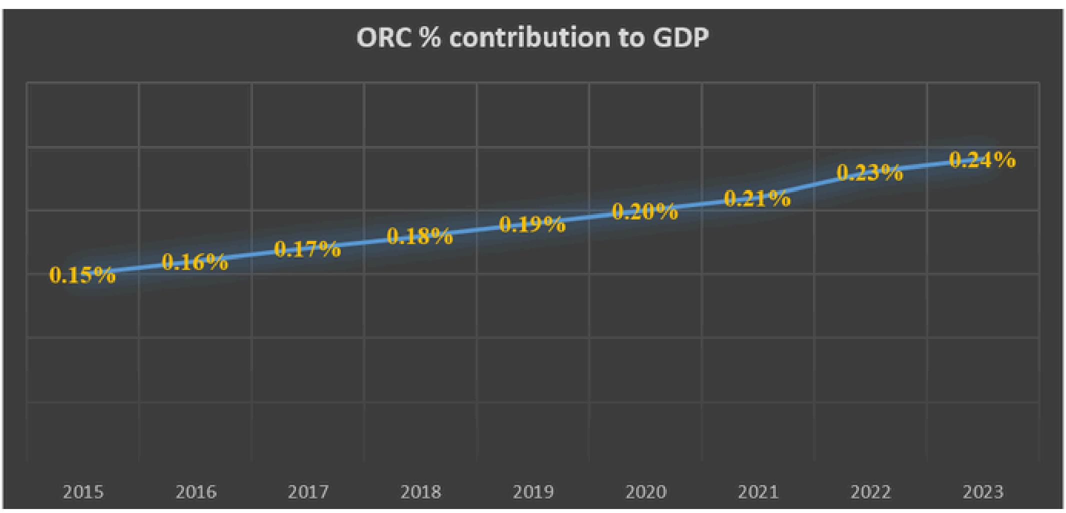
In 2015, the ORC generated GHS 120 million, representing 0.15% of Ghana's GDP. This amount increased to GHS 135 million (0.16%) in 2016 and GHS 150 million (0.17%) in 2017, reflecting a growing interest in business registration and compliance. By 2018, the revenue rose to GHS 165 million (0.18%), and in 2019, it further increased to GHS 180 million (0.19%).

The office's contribution continued to rise in the following years, reaching GHS 200 million (0.20%) in 2020 and GHS 220 million (0.21%) in 2021. In 2022, the ORC recorded GHS 250 million, contributing 0.23% to GDP. The latest data for 2023 indicates that the department generated GHS 280 million, accounting for 0.25% of the country's GDP [34].

This steady increase highlights the importance of the ORC in fostering economic growth by formalizing businesses, ensuring compliance with corporate laws, and promoting entrepreneurship. However, challenges such as bureaucratic delays and low awareness of the benefits of formal business registration still need to be addressed to further enhance its economic impact.

Below is a figure representation of GDP contribution in monetary terms from 2015 to 2023:

Figure 2: ORC % contribution to GDP



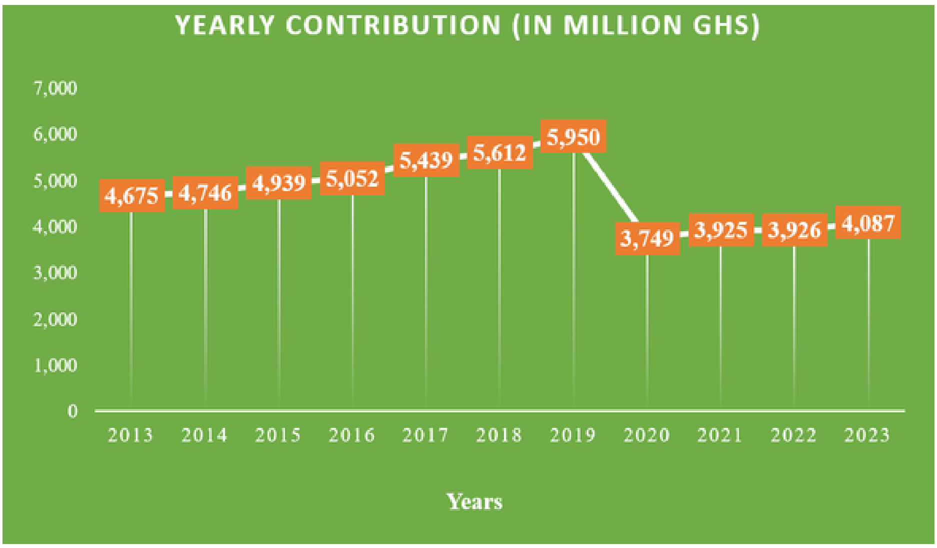
Source: Statista, 2024

[34] GSS, Annual Report, 2015-2023

3.4 Major Regulatory Institution for the Hospitality Sector

The hospitality sector in Ghana encompasses a wide range of businesses and services including, tourists, travelers, and local patrons. These include hotels, guesthouses, restaurants, bars, resorts, tour operators, and event management services. The sector plays a crucial role in Ghana's economy, contributing significantly to employment and GDP growth. It is regulated by primary institutions such as the Ghana Tourism Authority (GTA). The sector has shown notable contributions to the country's Gross Domestic Product (GDP) over the past decade. According to data from the Ghana Statistical Service, as reported by Statista, the sector's contributions from 2013 to 2023 (in million Ghanaian cedis) are presented in the info graph below:

Figure 3: Annual contributions of hotels and restaurants to GDP in Ghana 2013-2023



Source: Statista, 2025.

The data indicates a steady increase in contributions from 2013, peaking in 2019 at 5,950 million GHS. However, there was a significant decline in 2020, likely due to the global COVID-19 pandemic, with contributions dropping to 3,749 million GHS. The sector has been gradually recovering since then, reaching 4,087 million GHS in 2023.[35]

In regards to the challenges, the ORC experiences similar challenges as the GRA; where there is lack of public education on business registration, limited digital service, bureaucracy, and unofficial fees and corruption among staffs.

[35] Statista. Annual contributions of hotels and restaurants to GDP in Ghana 2013-2023, 2025.

3.4.1 Ghana Tourism Authority (GTA)

GTA oversees licensing and compliance with hospitality standards in Ghana.[36] It collaborates with other institutions to ensure the qualifications for the license to operate within the sector. GTA was established under the Tourism Act 2011 (Act 817), with a primary responsibility for ensuring the growth and sustainability of Ghana's tourism industry. The GTA operates with a clear mission and vision that guide its regulatory and promotional activities. It seeks to create an enabling environment for sustainable tourism development through effective policy implementation, regulation, and promotion of Ghana as a competitive tourism destination. [37] In 2021, the sector contributed around GH₵3.9b (approximately US$640b) to the country's GDP. Some key laws and regulations apply to Small and Medium-sized Enterprises (SMEs) in the tourism sector in Ghana. *See section 3.8 and figure 3.8…*

However, there are laws and regulations which are important in supervising the tourism sector in Ghana. Among is the Hotels Act, 1964 (Act 230) which governs hotel licensing and standards. The Gaming Act, 2006 (Act 721) regulates casinos and gaming, requiring licenses and fair practices. The Environmental Protection Agency Act, 1994 (Act 490) mandates environmental standards and levies. The Labour Act, 2003 (Act 651) ensures fair labor practices, including wages and leave. The Immigration Act, 2000 (Act 573) controls the entry and employment of foreigners. The Customs Act, 2015 (Act 891) oversees the import/export of tourism-related goods. The VAT Act, 2013 (Act 870) imposes VAT on tourism services. The Ghana Tourism Authority Act, 2019 (Act 1004) is also an important law that regulates the tourism sector in Ghana. This law establishes the Ghana Tourism Authority as the regulator of the tourism industry in Ghana, and requires SMEs in the tourism sector to register with the Authority. The law also provides for the establishment of a tourism development fund, which is used to support the development of tourism infrastructure and promote tourism in Ghana. See *figure 3.8* for the laws and regulations governing the Tourism Sector.

3.4.1.1 Licensing and Classification

The GTA mandates that all hospitality businesses operating in Ghana must be licensed. This ensures that establishments meet essential safety, hygiene, and operational standards. The classification system helps maintain service quality and categorizes facilities based on their level of comfort and service provision.[38]

[36] Ghana Tourism Authority. (2023). Hospitality Industry Regulations and Standards in Ghana. Accra, Ghana: GTA Publications
[37] Ghana Tourism Authority, "Our Mission and Vision," accessed January 2025.
[38] Tourism Act 2011 (Act 817), Ghana.

In 2022, the GTA undertook a nationwide inspection and classification exercise, leading to the closure of several unlicensed hotels and guesthouses that failed to meet operational standards as far as licensing was concerned.[39]

3.4.1.2 Inspections and Compliance

Regular inspections are conducted to ensure that hospitality businesses adhere to the stipulated regulatory requirements. These inspections assess facilities, customer service, food safety, and adherence to international hospitality standards.[40] Most often, the GTA collaborates with the Food and Drugs Authority (FDA) to inspect restaurants and hotels, ensuring compliance with hygiene and food safety regulations. Failure to comply with the health protocols leads to sanctions, which could eventually lead to the closure of the facility.[41]

3.4.1.3 Quality Assurance and Customer Service Improvement

The GTA provides training and certification programs for hospitality service providers. These programs aim to enhance service delivery and maintain high customer satisfaction standards.[42] Recently, in 2023, the GTA launched a customer service excellence program targeting hotel and restaurant employees. This initiative sought to improve the overall hospitality experience for tourists visiting Ghana.[43]

3.4.1.4 Challenges in Regulating the Hospitality Sector

Despite its regulatory role, the GTA faces challenges, including struggling with inadequate resources for comprehensive inspections and enforcement. Additionally, some businesses operate without proper licensing, evading regulatory oversight.[44] These are likely associated with the numerous institutions one needs to collaborate with or acquire the needed documents from.

Quality inconsistencies is another challenge due to the disparities in service quality across different regions, affecting the overall tourism experience.[45]

Although it is arguably clear that the Ghana Tourism Authority plays a vital role in regulating hospitality businesses to ensure quality service delivery and promote tourism growth in Ghana, there is a need to increase collaboration with industry stakeholders to ensure that technological integration can improve efficiency and the registration process. This will limit the frustrations and stress one has to go through to obtain all the required documents from each of the other regulatory agencies.

---

39 GTA Annual Report 2022.
40 Ghana Tourism Authority, "Hospitality Standards," accessed January 2025.
41 Food and Drugs Authority Report 2023.
42 Ghana Tourism Authority Training Manual, 2023.
43 Ibid, 2023
44 GTA Compliance Report 2023.
45 World Bank Report on Tourism in Ghana, 2023.

3.5 Major Regulatory Institutions for The Manufacturing Sector

In Ghana, several regulatory institutions oversee the manufacturing sector to ensure compliance with standards, safety, environmental sustainability, structural integrity, and business regulations. The laws and regulations are numerous, making it difficult for businesses to comply and operate. The Investment Promotion Centre Act, 2013 (Act 865) regulates investments in Ghana, including foreign investments in the manufacturing sector. This law provides a framework for the promotion and protection of investments in Ghana, and SMEs in the manufacturing sector must comply with its provisions. Additionally, the Free Zones Act, 1995 (Act 503) regulates the establishment and operation of free zones in Ghana, including manufacturing enterprises. Free zones are designated areas where businesses can operate with minimal regulatory requirements.

The Customs Act, 2015 (Act 891) regulates the importation and exportation of goods in Ghana, including raw materials and finished goods for the manufacturing sector. SMEs in the manufacturing sector must comply with the provisions of this law, including the payment of duties and taxes on imported goods. The Value-Added Tax Act, 2013 (Act 870) imposes value-added tax (VAT) on goods and services, including manufacturing activities. SMEs in the manufacturing sector must register for VAT and charge VAT on their products and services.

The National Board for Small Scale Industries Act, 1981 (Act 434) regulates the development and promotion of small-scale industries in Ghana, including manufacturing SMEs. This law provides a framework for the support and development of small-scale industries, including access to finance, training, and technology. The Factories, Offices and Shops Act, 1970 (Act 328) regulates the health, safety, and welfare of workers in factories, offices, and shops in Ghana, including manufacturing enterprises. SMEs in the manufacturing sector must comply with the provisions of this law, including the provision of safe working conditions and the payment of minimum wages. The Environmental Protection Agency Act, 1994 (Act 490) regulates environmental protection in Ghana, including the management of waste and pollution in the manufacturing sector. SMEs in the manufacturing sector must comply with the provisions of this law, including the implementation of environmental management systems and the payment of environmental levies. The Labour Act, 2003 (Act 651) regulates employment relationships in Ghana, including those in the manufacturing sector. SMEs in the manufacturing sector comply with the provisions of this law, including the payment of minimum wages, the provision of safe working conditions, and the protection of workers' rights.

In addition to these laws, MSMEs in the manufacturing sector in Ghana must also comply with various regulations and standards. The Ghana Standards Authority (GSA) has developed standards for various aspects of the manufacturing sector, including product standards, quality management, and environmental management.

The International Organization for Standardization (ISO) has also developed standards for various aspects of the manufacturing sector, including quality management and environmental management. Many SMEs in the manufacturing sector in Ghana obtain ISO certification to demonstrate their commitment to quality and environmental management.

MSMEs in the manufacturing sector comply with these laws and regulations to operate effectively and efficiently in Ghana. Additionally, SMEs can obtain certification from the GSA and ISO to demonstrate their compliance with various standards and to enhance their competitiveness in the global market. Examples of such companies are Twillium Ghana Limited and Premium Food Limited. By complying with these laws and regulations, SMEs in the manufacturing sector in Ghana can contribute to the country's economic development and growth, while also protecting the environment and promoting social responsibility.

Notwithstanding, the major regulatory institutions overseeing the manufacturing sector includes: Food and Drugs Authority (FDA), Ghana Standards Authority (GSA), Environmental Protection Agency (EPA), among others.

3.5.1 Food and Drugs Authority (FDA)

The Food and Drugs Authority (FDA) of Ghana plays a critical regulatory role in ensuring the safety, quality, and efficacy of food, drugs, cosmetics, and medical devices. Established under the Public Health Act, 2012 (Act 851), the FDA enforces regulations to safeguard public health while fostering industrial compliance. FDA ensures that businesses produce high-quality products, which enhances their credibility both locally and internationally. Compliance with FDA standards enables companies to access export markets, especially under international trade agreements [46]. By ensuring food and drug safety, the FDA helps build consumer trust, leading to increased demand for regulated products. This, in turn, fosters business growth and sustains economic activities in the manufacturing and pharmaceutical industries[47]. Also, Manufacturers who comply with FDA regulations often benefit from government incentives such as tax breaks, funding support, and inclusion in national and regional trade policies[48].

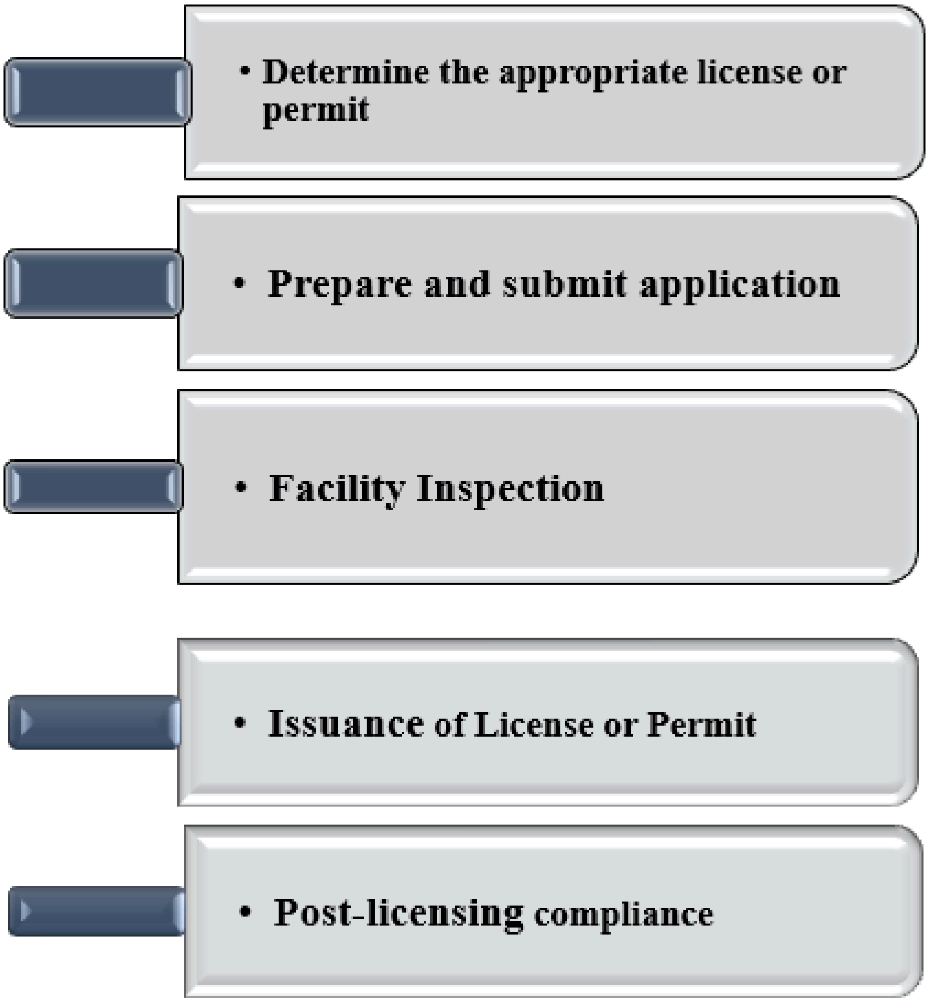
Notwithstanding, the FDA regulations impose financial burdens on businesses due to licensing fees, product testing costs, and compliance inspections. Small and medium enterprises (SMEs) often struggle with these costs, limiting their market entry and growth[49].

Another demerit Businesses often experience is significant delays in obtaining FDA certification due to lengthy administrative processes. These delays can hinder time-sensitive product launches and reduce profitability[50]. Some businesses also face difficulties in importing raw materials or manufacturing certain products due to stringent FDA regulations, which can limit innovation and competition in the market[51].

[46] Small Business Association of Ghana (2021). Challenges Facing SMEs in FDA Compliance.
[47] Ministry of Trade and Industry (2022). Compliance with FDA and Export Market Access.
[48] World Bank (2021). Food Safety Regulations and Consumer Confidence in Ghana.
[49] Ghana Investment Promotion Centre (2022). Regulatory Incentives for Manufacturers.
[50] Ghana Pharmaceutical Association (2022). Regulatory Barriers in the Drug Industry.
[51] UNCTAD (2020). Trade Regulations and Market Restrictions in West Africa.

3.5.1.1 FDA Permit Process

To operate legally within these sectors, businesses must obtain the necessary licenses and permits from the FDA. Below is the process to follow ;



Source: FDA

During the process, one has to rely on other institutions to get the various documents and certificates in order to fully pass through successfully. This contributes to the bureaucracy of the process.

3.5.2 Ghana Standards Authority (GSA)

The Ghana Standards Authority (GSA) plays a pivotal role in ensuring the quality and safety of products and services within the country. Established in August 1967, the GSA is the national statutory body esponsible for managing Ghana's quality infrastructure, encompassing standardization, metrology, and conformity assessment. The GSA significantly influences businesses by setting and enforcing standards that ensure product quality and safety.

Compliance with these standards enhances the competitiveness of Ghanaian products in both local and international markets, fostering consumer trust and expanding market access. Moreover, adherence to GSA standards helps businesses avoid regulatory penalties and reduces the risk of product recalls, contributing to operational efficiency and profitability.[52] The roles of GSA are broadly classified into 3; Standardization, Metrology, and Conformity Assessment.

3.5.2.1 Process for Obtaining a GSA License or Permit

Businesses seeking certification or permits from the GSA equally follow a process which is also bureaucratic in nature, taking into consideration, timeframe, the number of other institutions to collaborate with during the process, and the amount. Theoretically, below is the process to follow;

1. Application Submission: Submit a formal application to the GSA, detailing the specific product or service for which certification is sought.
2. Documentation Review: Provide necessary documents, including business registration certificates, product specifications, and quality management system manuals.
3. Product Testing and Evaluation: The GSA conducts thorough testing and evaluation of the product to ensure it meets the required standards.
4. Factory Inspection: An inspection of the manufacturing facility is carried out to assess compliance with Good Manufacturing Practices (GMP).
5. Issuance of License: Upon successful evaluation and inspection, the GSA issues a license or permit, authorizing the use of the GSA Standard Mark on the product.

3.6 Major Regulatory Institutions for The Information Technology Sector

Ghana's Information and Communication Technology (ICT) sector is a burgeoning sector contributing significantly to economic growth, attracting investment, and creating job opportunities. Ghana's ICT sector remains a significant contributor to overall economic development. The thriving IT startup ecosystem, with many incubators, accelerators, and co working spaces in Ghana is supporting the growth of new businesses. Some notable startups include Hubtel, Zeepay. The sector contributes around 3% to Ghana's GDP, making it one of the fastest-growing sectors in the country. As of 2022, the sector was valued around $1bn, and it has maintained its growth and is expected to expand to $5bn by 2030, despite the fiscal constraints and currency depreciation being experienced by the broader economy.[53] Ghana as an emerging hub for IT and digital innovation needs simple clear and supportive ICT policies and regulations which are essential to foster innovation and investment in the sector, avoidance of ambiguities and bureaucratic administrative procedures. Nevertheless, there are already existing laws and regulations governing the sector.

[52] https://www.gbcghanaonline.com/news/business/ghana-standards-authority/2024
[53]https://oxfordbusinessgroup.com/explore-market research/africa/ghana/ict/#:~:text=Ghana's%20ICT%20sector%20remains%20a,experienced%20by%20the%20broader%20economy.

One of the key laws that regulate the IT sector in Ghana is the Electronic Transactions Act, 2011 (Act 772). This law provides a framework for the use of electronic transactions in Ghana, including the use of digital signatures, electronic contracts, and online payments. SMEs in the IT in the space must comply with the provisions of this law, including the requirement to obtain a license from the National Information Technology Agency (NITA) to provide electronic transaction services. Also, the Data Protection Act, 2012 (Act 843) is another vital law that regulates the collection, use, and disclosure of personal data in Ghana, including the data of customers and employees.

The National Information Technology Agency Act, 2008 (Act 771) regulates the IT sector in Ghana. This law establishes the National Information Technology Agency (NITA) as the regulator of the IT industry in Ghana, and requires professionals, SMEs in the IT to register with the agency. The law also provides for the development of a national IT policy, and requires NITA to promote the development of the IT industry in Ghana.

Another law worth looking at in the IT sector is the Copyright Act, 2005 (Act 690). This law protects the intellectual property rights of IT developers, including the rights to software, music, and other digital content. SMEs in the IT sector must comply with the provisions of this law, including the requirement to obtain the permission of the copyright owner before using or distributing copyrighted material.

The Electronic Communications Act, 2008 (Act 775) is also an important law that regulates the IT sector in Ghana. This law regulates the provision of electronic communications services in Ghana, including the services of internet service providers, mobile network operators, and other telecommunications companies.

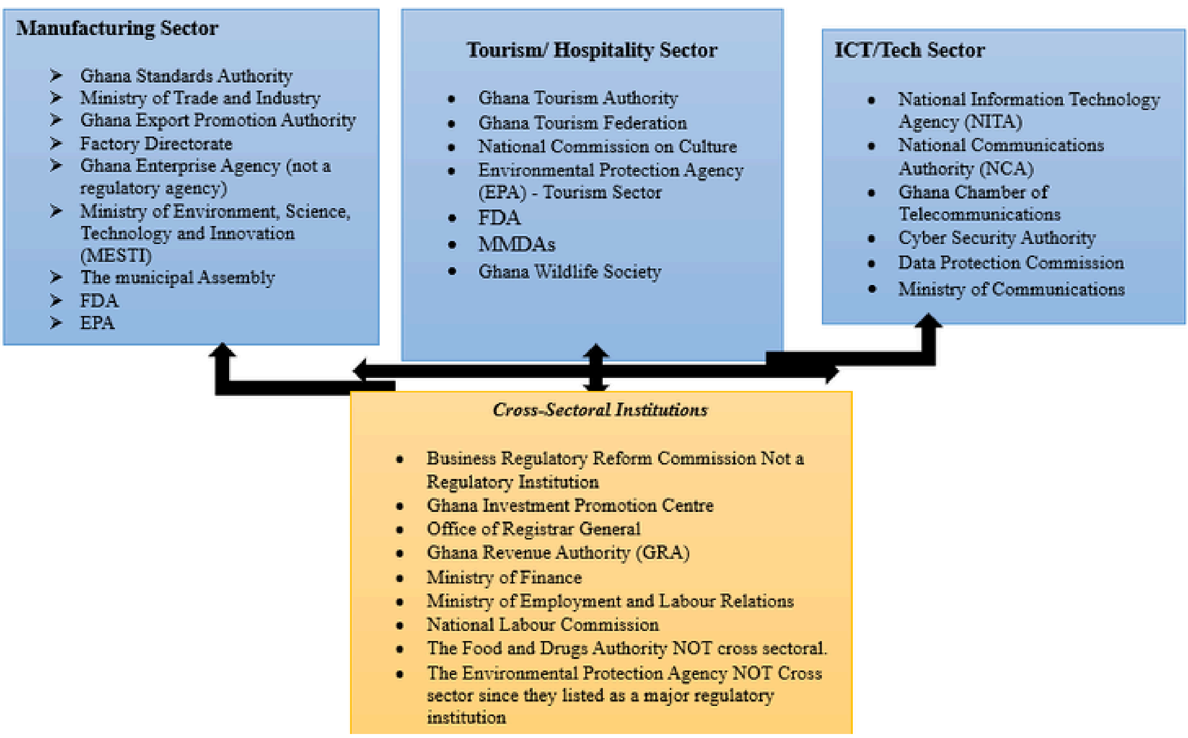
The National Communications Authority Act, 2008 (Act 769) is an additional law that regulates the IT sector in Ghana. It establishes the National Communications Authority (NCA) as the regulator of the communications industry in Ghana, and requires SMEs in the IT sector to comply with the provisions of the law. The law also offers for the development of a national communications policy, and requires NCA to promote the development of the communications industry in Ghana. The Cybersecurity Act, 2020 (Act 1038) is a relatively new law that regulates the IT sector in Ghana. This law provides a framework for the protection of computer systems and electronic communications networks in Ghana, and requires SMEs in the IT sector to implement measures to prevent and respond to cyber threats. It also establishes the Cyber Security Authority as the regulator of cybersecurity in Ghana, and requires SMEs in the IT sector to register with the authority.

The Ghana Standards Authority has also developed standards for the IT industry in Ghana, including standards for software development, IT services, and electronic communications. Furthermore, the Ghana Revenue Authority (GRA) has regulations and guidelines that apply to SMEs in the IT sector in Ghana. The GRA requires SMEs in the IT sector to register for tax purposes, and to comply with the provisions of the Income Tax Act, 2015 (Act 896) and the Value Added Tax Act, 2013 (Act 870). SMEs in the IT sector must also comply with the provisions of the National Pensions Act, 2008 (Act 766), which requires employers to contribute to the pension fund of their employees.

3.7 **Regulatory Institutions for MSMEs**

In Ghana, there are various regulatory institutions governing businesses in the IT, Manufacturing, and Hospitality sectors. See below Figure 3.7

Figure 3.7: Major Regulatory Institutions of MSMEs



3.8 Major Laws and Regulations for MSMEs

Ghana has various laws and regulations governing businesses in the IT, Manufacturing, and Hospitality Sector. See below figure 3.8

Figure 3.8: Major Laws and Regulations for MSMEs

Manufacturing Sector

- Environmental Protection Agency Act, 1994 (Act 490)
- National Board for Small Scale Industries Act, 1981 (Act 434)
- Manufacturing Industries Act, 1971 (Act 356)
- Manufacturing Industries Regulations, 1972 (L.I. 795)
- The Factories, Offices and Shops Act, 1970 (Act 328)
- Standards Authority Act, 1973 (N.R.C.D. 173)
- Ghana Standards Authority Act, 2022 (Act 1078
- Income Tax Act, 2015 (Act 896)
- Value Added Tax Act, 2013 (Act 870)
- Customs Act, 2015 (Act 891)
- Labour Act, 2003 (Act 651)
- Industrial Designs Act, 2003 (Act 660) … etc
- FDA: add the law
- FACTORY DIRECTORATE: add the law
- FIRE SERVICE: Add the law
- Local Government: Add the law

Tourism/ Hospitality Sector

- Tourism Act, 2011 (Act 817)
- Hotels Act, 1964 (Act 230)
- Gaming Act, 2006 (Act 721)
- Public Health Act, 2012 (Act 851)
- Environmental Protection Agency Act, 1994 (Act 490)
- Labour Act, 2003 (Act 651)
- Immigration Act, 2000 (Act 573)
- Customs Act, 2015 (Act 891)
- Ghana Tourism Authority Act, 2019 (Act 1004)
- Income Tax Act, 2015 (Act 896)
- Value Added Tax Act, 2013 (Act 870) … etc
- FIRE SERVICE
- Local government

ICT/Tech Sector

- Electronic Transactions Act, 2011 (Act 772)
- Data Protection Act, 2012 (Act 843)
- National Information Technology Agency Act, 2008 (Act 771)
- Electronic Communications Act, 2008 (Act 775)
- National Communications Authority Act, 2008 (Act 769)
- Cybersecurity Act, 2020 (Act 1038)
- Income Tax Act, 2015 (Act 896)
- Value Added Tax Act, 2013 (Act 870)
- Environmental Protection Agency Act, 1994 (Act 490)
- Labour Act, 2003 (Act 651) … etc
- Local governmeent

3.9 Ghana's Easy of Doing Business Among Other Countries.

The ease of doing business has emerged as a crucial indicator of economic competitiveness and attractiveness for investment. A favorable business environment encourages entrepreneurial activities, fosters innovation, and stimulates economic growth. However, numerous developing countries, including Ghana, continue to face significant challenges in improving their ease of doing business rankings. Ghana, being a nation with a burgeoning economy, has demonstrated a commitment to enhancing its business environment through regulatory reforms and policy initiatives. Despite these efforts, Ghana's ease of doing business rankings fluctuate, indicating persistent obstacles that hinder business operations and investments. Factors contributing to these challenges range from bureaucratic inefficiencies and regulatory complexities to infrastructure deficiencies and governance issues.[54] This hinders the promotion of business and economic prosperity within the country. Despite a commendable score of 60 points in the ease of doing business, Ghana faces bureaucratic systemic issues that demand targeted interventions to unleash the full potential of its business landscape.

According to the World Bank Doing Business Report in 2020, countries like Georgia and New Zealand have the lowest number of procedures required for starting a business, whereas Rwanda and Slovenia have the lowest cost (0.0). Australia, Colombia, and 118 other economies have no paid-in minimum capital requirement. As of 2020, the best African country to possess facilities to accommodate businesses was Mauritius, whose score for facilitating business enterprises stood at 81.5 percent. Rwanda, Morocco, and Kenya followed, exceeding 73 percent. Mauritius is actually the 13th-best country in the world in terms of opening and facilitating business enterprises. The majority of the rest of the African countries scored between 50 and 60 percent in that regard. Less business-supportive countries were the Republic of the Congo, Chad, the Democratic Republic of the Congo, Central Africa, South Sudan, and Libya, as those countries' scores did not exceed 40 percent. This made them rather unsuitable environments for conducting businesses, as most essential requirements were missing to carry out businesses easily. Somalia and Eritrea scored 20 percent and 21.6 percent, respectively, making them the least African countries to facilitate businesses in Africa as well as worldwide.[55]

Notwithstanding, Ghana scored 60 points in the ease of doing business index, projecting the country as one of the most favorable business environments in West Africa as of 2020. Specifically, Ghana's attractiveness was high in terms of starting a business and getting electricity, which obtained a score of 85 and 77 index points, respectively. Yet, resolving insolvency was the main challenge for enterprises operating in Ghana. Also, currently, the number of procedures required for starting a business and the processes involved in getting certifications from various stakeholders are cumbersome in terms of cost, time, and the number of institutions to engage, making it difficult for citizens and investors who have great ideas to start-up businesses in the country.

Ibid. See the table below showing comparation of 5 years easy of doing business rank for Ghana…
Ghana Easy of Doing Business Rank from 2016 to 2020

[54] World Bank Group. (2020). Doing Business 2020: Comparing Business Regulation in 190 Economies. Washington, DC: World Bank
[55] Ibid, 2020

Year	Rank	Score	Total Countries
2016	144	57.87	190
2017	108	58.82	190
2018	120	57.24	190
2019	114	59.22	190
2020	118	59.96	190

Source: World Bank Easy of Doing Business (2016;2020)

Except from having a remarkable business idea, there are few steps one would need to take to set-up and successfully launch a business in Ghana. These include: developing a business plan from your ideas or goals; getting your tax identification number (TIN); Register your business at the office of the office of the registrar of companies, open a business bank account; apply for a business operating permit from the Metropolitan /Municipal/ District Assembly, Register for Social Security, among others.

Before the acquisition of all these documents, there is a need to meet and provide some administrative requirements. For example, to open a Business Bank Account, the following will be required: Company regulations, Certificate of incorporation, Certificate to commence business, Signatures of the authorized company representatives, Reference from Auditors, Proof of residence of Authorized Signatories, completed account opening forms, 2 passport-size photographs of Signatories, ID's and TIN of Directors/Signatories, Company TIN.

Prior to the operationalization of the business, it is incumbent to apply for a business operating permit from the Metropolitan /Municipal / District Assembly within which the business will be operating. And the requirements for registration include: purchase application forms from the cash offices of the various sub-metros, Complete the application form in full and submit it to the Revenue Mobilization Officer (RMO) at the Assembly's main office. Must have registered with the Office of the registrar of Companies and have been issued a business registration certificate, a registration certificate from other recognized bodies as may be applicable, if necessary, such as the Environmental Protection Agency (EPA), and a tax clearance certificate from the Internal Revenue Service (IRS).

All these processes come with challenges to start businesses in Ghana, unlike in New Zealand, Australia, Singapore, Hong Kong, Rwanda, and Belarus..., where only one or a few start-up procedures are needed to be undertaken to register a business. For instance, ccountries like New Zealand and Singapore top the ease of doing business rankings because they allow online business registration that can be completed in a single day with minimal paperwork. New Zealand requires just one procedure and no minimum capital, making it incredibly fast and accessible. Singapore integrates multiple registrations into a single digital platform, cutting down time and bureaucracy. Rwanda and Belarus have also streamlined their systems through government reforms that reduce costs, eliminate redundant steps, and promote transparency.

Moreover, the Economic Freedom Index of Ghana is below the world average. Currently, Ghana's economic freedom score is 58.0, making its economy the 99th freest in the 2023 Index. Its score is 1.8 points lower than last year. Ghana is ranked 10th out of 47 countries in the Sub-Saharan Africa region, and its overall score is below the world average.[56] This shows how relatively difficult it is for the businesses to strive in Ghana. See below a pictorial explanation

Figure 3.8 Ghana Easy of Doing Business

Source: World Bank (2020)

[56] The Heritage Foundation. (2020). Index of Economic Freedom: Promoting Economic Opportunity and Prosperity. Retrieved from: https://www.heritage.org/index/

3.10 Barriers to MSMEs Growth in Ghana

MSMEs contributes to the economic growth and development of a country. Studies have shown that MSMEs are positively linked with economic growth, per capita income, and improvement of living conditions in low-income countries and regions[57]. Small and Medium Enterprises (SMEs) are the backbone of Ghana's economy, contributing considerably to employment creation, poverty alleviation, and general economic growth[58]. Furthermore, small and medium enterprise provides 85 percent of manufacturing employment and contributes 70 percent to the national GDP (SME Sector in Ghana 2023 v1.Pdf). Again, these MSMEs contribute to the finance of government business through the taxes the pay which in turns contribute to the total development of the country. It is evident that MSMEs have numerous advantages, despite these advantages MSMEs faces a lot of challenges in the line of business. According to Prakash et al. (2021), there are twelve major obstacles or barriers faced by MSMEs in Bihar, India: poor quality of roads, high electricity charges, lack of public transport, inadequate power supply, poor quality of drainage system, high transport cost, poor marketing strategy, delay in payments from creditors, shortage of working capital, lack of finance for raw materials, market recession/lack of demand, and absenteeism. These problems are not faced by MSMEs in India only but in Ghana[59]. These challenges emanate from several sources including heavy regulations, inadequate Government policy to protect local businesses, globalization and entry of multinational firms, lack of finance in terms of credit facilities to SMEs, the inadequate use and availability of technology, low Research and Development (R&D) capability levels and others[60].

3.10.1 Financial Barriers

As indicated in the previous paragraphs, Micro, Small, and Medium Enterprises (MSMEs) are critical drivers of economic growth, innovation, and employment in both developed and developing economies. However, their growth potential is often hindered by significant financial barriers. One of the most significant barriers to SME development in Ghana is access to finance. Traditional banks and private equity funds often do not adequately serve SMEs due to stringent collateral requirements, high-interest rates, and the need for established track records.[61] In a study by Owusu (2019), "Financing challenges faced by SMEs in Ghana", the study showed that the major problems facing SMEs financing in Ghana are; access to short term credit, transaction costs and information asymmetry in that order.[62] These barriers limit their ability to scale operations, invest in technology, and compete effectively in the market. Below are some of the key financial barriers faced by MSMEs especially in Ghana: limited access to credit and high-interest rates, challenges in securing government or private funding, and the impact of collateral requirements on MSME financing.

[57] Tekola, H., & Gidey, Y. (2019). Contributions of micro, small and medium enterprises (MSMEs) to income generation, employment and GDP: Case study Ethiopia. Journal of Sustainable Development, 12(3), 46–81.

[58] Bamfo, D. (2024). Small and Medium Enterprises Failure in Ghana: Causes, Effects, and Solutions. International Journal of Research and Innovation in Social Science.

[59] Ocloo, E. K., Devakumar, G., & Asiedu, E. (2022). Assessment of Financial Regulatory Constraints and Its Effects on Business Performances Leading to Consequent Failure of MSMEs in Tema, Greater Accra Region of Ghana. American Journal of Industrial and Business Management, 12(03), 390–404. https://doi.org/10.4236/ajibm.2022.123022

[60] SME Sector in Ghana 2023 v1.pdf. (n.d.).

[61] https://farrellymitchell.com/institutional-development/sme-development-in-ghana/

[62] https://www.bii.co.uk/en/news-insight/news/british-international-investment-launches-pioneering-investment-platform-to-boost-funding-for-smes-in-ghana

3.10.2 Operational Barriers

The availability of essential infrastructure, including access roads, reliable power supply, water, sewerage, and telecommunication, has been a significant challenge hindering the growth and development of SMEs[63]. The presence of essential infrastructure, including power, communication, water, and transportation, is a crucial factor influencing both the selection of SME opportunities and their operational scale. The efficiency of production and distribution largely depends on the availability and reliability of these physical infrastructure facilities. The inadequate business support infrastructure in Ghana, including office spaces, roads, cold storage facilities, warehouses, electricity, water supply, industrial parks, and telecommunications, negatively impacts the growth and development of MSME. Even where these services are available, the supply of it is unreliable and costly. Serviced land or business premises are in short supply in most of the cities and towns, especially for industrial use. This has been an obstacle in the promotion of MSMEs especially in rural areas.

3.10.3 Regulatory Barriers

Regulatory constraints pose serious challenges to smallholders and SMEs. High start-up costs, complex licensing and registration procedures, and lengthy legal processes can impose unnecessary burdens on businesses. In particular, many smallholders struggle to navigate regulatory challenges related to land ownership, food safety standards, and export regulations, as they often lack the resources to comply with all requirements. Micro Small and medium Enterprises (MSMEs) are more likely to be limited by regulations due to the fact that their strengths are derived from their flexibility[64]. The bureaucratic level is very high in Ghana when it comes to these things. It takes more than 126 days before an entrepreneur who qualifies to register a business can do so[65]. The extended waiting period is excessively long, significantly cutting into the startup phase for many MSMEs. This delay often leads to frustration, discouraging some from pursuing their business ventures altogether. The compliance cost in Ghana with legislation is high and considered or seen being a threat to entrepreneurs. Also, there is a high start-up cost involved in properly registering a business in Ghana, meaning that MSMEs generally find it difficult to formalize their operations.

[63]Adjei, D. S. (2012). MICRO, SMALL AND MEDIUM SCALE ENTERPRISES IN GHANA: CHALLENGES AND PROSPECTS. A CASE STUDY OF SEKONDITAKORADI METROPOLIS. Kwame Nkrumah University of Science and Technology.
[64] Ocloo, E. K., Devakumar, G., & Asiedu, E. (2022a). Assessment of Financial Regulatory Constraints and Its Effects on Business Performances Leading to Consequent Failure of MSMEs in Tema, Greater Accra Region of Ghana. American Journal of Industrial and Business Management, 12(03), 390–404. https://doi.org/10.4236/ajibm.2022.12302
[65]Ibid, 2022b

· **Bureaucratic delays in obtaining licenses and permits**

According to Abor et al. (2010), Ghana's SME sector faces numerous regulatory and legal restrictions. Despite earlier attempts by governments and other interested parties, registering a business in the SME sector is still far from ideal. Processing the paperwork needed to register a small business in Ghana comes with hefty legal bills. The operations of SMEs are negatively impacted by fees including licensing, registration requirements, costly legal claims, and court ruling delays[66]. The licensing process for the operation of MSMEs is often prolonged, creating a significant barrier that discourages businesses from completing the registration process. Additionally, the regulatory framework requires the payment of various fees for obtaining licenses and permits, which many MSMEs struggle to afford due to limited financial resources. These challenges contribute to a lower rate of formalization among MSMEs, thereby restricting their access to legal protections, financial support, and market opportunities[67].

Policy interventions aimed at enhancing the business environment, Ghana's legal and regulatory framework remains bureaucratic, costly, and highly centralized. These structural inefficiencies create challenges for businesses of all sizes; however, Micro, Small, and Medium Enterprises (MSMEs) face disproportionate constraints due to their limited financial and operational capacity. Consequently, many micro-enterprises struggle to transition into small and medium-sized enterprises, limiting their potential for growth and sustainability. Furthermore, Ghana’s taxation regime presents additional barriers to MSME development. The existence of multiple taxation lines, administered by various authorities including the Ghana Revenue Authority and local government bodies creates a complex and fragmented tax structure[68]. Many entrepreneurs lack adequate knowledge of tax administration procedures, and the cost of compliance is perceived as excessively high. While taxation is essential for national economic development, the current tax framework places a disproportionate financial burden on MSMEs, potentially discouraging business formalization and expansion. Addressing these regulatory and tax-related constraints is crucial for fostering a more inclusive and supportive environment for MSME growth in Ghana[69].

Again, Aryeetey and Ahene (2005) posits that small businesses face significant initial costs, including licensing and registration requirements, which create unnecessary and excessive burdens for SMEs. Surveys frequently highlight the complex and time-consuming process of business registration and startup as a major challenge[70].

The findings showed that bureaucratic registration processes would have to go through several legal processes which approximately last for 126 days in Ghana before any business can be registered[71]. In terms of bureaucratic registration processes, some MSME businesses find it difficult to register their business due to these tough requirements causing some of them to fail to commence business from the onset. One of these requirements is business registration and processing fees.

[66] Avevor, E. (2016). Challenges faced by SMEs when accessing fund from financial institutions in Ghana.
[67] Sane, A. (2019). The Effect of Implementing the Business Permit Policy as a Formalized Business for Small Micro Enterprises in Districts of Indonesia.
68Prichard, W. (2009). The politics of taxation and implications for accountability in Ghana 1981–2008. IDS Working Papers, 2009(330), 01–44.
[69] Ministry of Trade and Industry. (2019). National Micro, Small and Medium Enterprises (MSMEs policy). Government of Ghana.
[70] Aryeetey, E., & Ahene, A. A. (2005). Changing regulatory environment for small-medium size enterprises and their performance in Ghana.

- **Overlapping and conflicting regulatory requirements**

The increase in government-run institutions and the tendency of most Ministries to intervene in their respective sectors by offering Business Development Services to the MSME sector has resulted in overlapping efforts and rivalry among government entities for resources. In 1981, the Government of Ghana's attempt to promote the Micro, Small and Medium Enterprises in Ghana led to the establishment of National Board for Small Scale Industries (NBSSI) to coordinate through the Minister responsible for Trade and Industry the efforts of all Agencies.[72.]

At present, alongside NBSSI, there are several other stakeholders and institutions that contribute in various ways to support the MSME sector in Ghana. These institutions include some Ministries and government-affiliated organizations, Ghana Enterprise Agency (GEA), Local Government, Environmental Protection Agency (EPA) etc. However, despite the obvious overlaps, most of these institutions operate in silos without much coordination. Thus, the full potential of their impact is not unlocked and, in some cases, targeted beneficiaries are confused or in extreme cases experience 'Support Fatigue'. Consequently, a more concerted effort to improve coordination will unlock significant synergies and deliver even more impact than what has been achieved to date.

· **Lack of regulatory support for informal MSMEs transitioning to the formal sector**

Transitioning to the formal sector can provide access to financial services, government support, and broader markets, but the lack of adequate regulatory support poses a major barrier to this process. One of the primary challenges is the cumbersome and costly procedures involved in formalization[73]. Many informal MSMEs lack the financial capacity or technical expertise to navigate complex registration processes, tax systems, and compliance requirements. Without simplified procedures or targeted assistance, these businesses often remain in the informal sector, missing out on opportunities for growth and sustainability. Additionally, the fear of high taxation and stringent regulations discourages many from formalizing their operations, perpetuating informality[74].

Another issue is the lack of awareness and guidance. Many informal entrepreneurs are unaware of the benefits of formalization or the steps required to achieve it. Governments and regulatory bodies often fail to provide adequate outreach programs, training, or resources to educate these businesses about the advantages of transitioning to the formal economy[75.] This knowledge gap leaves many MSMEs hesitant to take the leap, fearing the unknown or potential risks.

[72] Ibid, 2022c

[73] Trombetta, M., Calvo, M. L., & Casadio, P. (2017). Microfinance Institutions and Micro & Small Enterprises in Ghana: The Potential of the Missing Middle.

[74] Spiegel, S. (2012). Formalisation Policies, Informal Resource Sectors and the De-/Re-Centralisation of Power: Georgraphies of Inequality in Africa and Asia.

[75] Ali, E. B., Anufriev, V. P., & Amfo, B. (2021). Green economy implementation in Ghana as a road map for a sustainable development drive: A review. Scientific African, 12, e00

Furthermore, the absence of tailored support mechanisms intensifies the problem. Informal MSMEs often operate with limited resources and infrastructure, making it difficult for them to meet formal sector standards. Without targeted financial incentives, such as tax breaks, grants, or low-interest loans, or technical assistance to improve their operations, the transition becomes an insurmountable challenge. This lack of support not only hinders individual businesses but also limits the overall economic potential of the MSME sector.

3.11 Successful MSMEs Growth in Developed Countries: Case Studies for Business Growth in Ghana.

In Countries like USA, China, and Germany MSMEs are pivotal to economic development, providing employment opportunities, fostering innovation, and contributing significantly to Gross Domestic Product (GDP). Germany's MSME sector, often referred to as the "Mittelstand," serves as a global benchmark for MSME success due to its resilience, innovation, transition and integration into global supply chains. Some of the best practices and case studies are as follows;

3.11.1 Policy Frameworks and Institutional Support

The developed countries make sure the MSME success is underpinned by robust policy frameworks and institutional support. The Small Business Administration (SBA) in USA plays a central role by providing loans, grants, and technical assistance to small businesses (U.S. Small Business Administration 2021). The Paycheck Protection Program (PPP), introduced during the COVID-19 pandemic, provided crucial financial relief, preventing widespread closures (Bartik et al. 2020). The German government has also established various programs and initiatives to foster entrepreneurship and MSME growth. For instance, the Chinese government has implemented comprehensive policies to foster MSME growth. The "Made in China 2025" initiative encourages innovation and modernization among small businesses, emphasizing sectors such as technology, renewable energy, and advanced manufacturing.[76] Additionally, the Ministry of Industry and Information Technology (MIIT) has launched several programs to support MSMEs, including funding and technical assistance. Similarly, the German Federal Ministry for Economic Affairs and Energy (BMWi) provides funding through the "Central Innovation Program for SMEs (ZIM)," which supports innovation-driven MSMEs[77]. This initiative has been credited with enhancing R&D capabilities, leading to increased competitiveness in international markets.

[76] Zhang, Y., et al.. "Made in China 2025: Implications for MSME Innovation." Research Policy 49, 8. (2020): 104030.
[77] BMWi. "Central Innovation Program for SMEs (ZIM)." (2020).

Local governments play a significant role in MSME development. For example, the city of Shenzhen has established special economic zones (SEZs) that provide tax incentives, streamlined regulations, and access to infrastructure for MSMEs[78]. These SEZs have become hubs for innovation and entrepreneurship, attracting both domestic and international MSMEs. Similarly, the Fraunhofer-Gesellschaft, Europe's largest applied research organization, collaborates with MSMEs to develop innovative solutions and access cutting-edge technology[79]. Such partnerships bridge the gap between academic research and industrial application, facilitating technological advancements among MSMEs.

3.11.2 Access to Regulatory Information

Access to regulatory information is a critical enabler of MSME's growth and development. They contribute significantly to employment creation, innovation, and poverty reduction. It facilitates legal formalization by helping entrepreneurs understand business registration, licensing, taxation, and sector-specific requirements, which reduces the risk of operating informally. According to De Soto (2000) and the World Bank (2019), limited access to regulatory clarity deters MSMEs from entering the formal economy, thus excluding them from credit, contracts, and legal protection.[80][81]

Moreover, access to accurate and simplified regulations reduces transaction costs. In the year 2002, Djankov et al. noted that complex bureaucracies increase the cost of doing business, while accessible information helps MSMEs avoid legal mistakes, save time, and lower operational risks.[82] It also improves competitiveness by enabling small businesses to participate in public procurement and international trade, as supported by UNCTAD.[83]

Additionally, transparency in regulatory information fosters trust between MSMEs and government institutions. Etymologically, North emphasized that clear rules enhance institutional credibility, which encourages compliance and civic engagement.[84]

Therefore, to support MSME growth, governments must invest in making regulatory frameworks transparent, digitized, and easy to access. Doing so will unlock formalization, reduce business risks, and empower MSMEs to contribute meaningfully to national development.

[80] De Soto, H. (2000). The mystery of capital: Why capitalism triumphs in the West and fails everywhere else. New York: Basic Books

[81] World Bank. (2019). Doing Business 2020: Comparing business regulation in 190 economies. Washington, DC: World Bank. https://www.doingbusiness.org

[82] Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2002). The regulation of entry. The Quarterly Journal of Economics, 117(1), 1–37. https://doi.org/10.1162/003355302753399436

[83] UNCTAD. (2018). Promoting investment in the Sustainable Development Goals. United Nations Conference on Trade and Development. Retrieved from https://unctad.org

[84] North, D. C. (1990). Institutions, institutional change and economic performance. Cambridge University Press. https://doi.org/10.1017/CBO9780511808678

3.11.4 Internationalization, Export Orientation and Digital Transformation.

All the developed nations are renowned for their internationalization strategies, which have enabled them to penetrate global markets. The existence of fewer regulation have attracted more investment, business, job creation and prosperity.

Developed nations have successfully harnessed internationalization and export orientation as engines of growth, underpinned by regulatory simplicity and digital transformation. A critical enabler in this success has been the deliberate reduction and simplification of business regulations, which has attracted foreign direct investment (FDI), spurred entrepreneurship, and expanded job creation. Singapore, for instance, is often cited as a global model of pro-business regulation. The country consistently ranks at the top of the World Bank's Ease of Doing Business Index due to its streamlined procedures for business registration, tax compliance, and cross-border trade. These policies have not only attracted multinational corporations but have also enabled local firms to scale and export efficiently[85].

Similarly, Estonia's digital transformation has been closely tied to regulatory efficiency. Through its e-Residency program and paperless government systems, Estonia has removed much of the administrative burden from business operations, fostering a thriving digital economy and robust export sector[86].

In contrast, countries with complex and burdensome regulations tend to struggle with informal economies, limited FDI, and constrained innovation. Regulatory overreach deters entry into formal markets and restricts international competitiveness.

Thus, internationalization and export-led growth flourish in environments where governments have reduced unnecessary red tape. Simplified regulatory systems lower entry barriers, build investor confidence, and provide a fertile ground for digital innovation and job creation hallmarks of modern prosperity.

3.12 Business Regulations and Libertarianism

Libertarianism is a philosophical assumption related to the problems of free will. They argue that man is born free and should not be limited by laws. The principle of libertarianism is generally known for the idea of individual freedom, responsibility/self-ownership, and free choice.[87] This means that in every country like Ghana, the government should have less control over the lives of its citizens and should let them be responsible for themselves without government's strict involvement.

[85]World Bank. Doing Business 2020: Comparing Business Regulation in 190 Economies. Washington, DC: World Bank, 2020.

[86] European Commission. Digital Economy and Society Index (DESI) 2019

[87]Strawson, Galen (1998, 2004). Free will (section 2) Archived 2009-09-23 at the Wayback Machine. In E. Craig (Ed.), Routledge Encyclopedia of Philosophy. London: Routledge. Retrieved July 31, 2009. "[Libertarians] hold (1) that we do have free will, (2) that free will is incompatible with determinism, and (3) that determinism is therefore false."

Therefore, there should be a smaller government; one that is limited to protecting individuals from coercion and violence, and not the one that impose bureaucracy and taxes on its citizens. This is to ensure that humanity is not restrict, but there should be tolerance of diverse lifestyles, support the free market, and defend civil liberties.[88] This assertion was further expiscated by Tom Palmer in His Book, " Why Liberty: Your Life, Your Choices, Your Future", that, mentally, it is vital to understand what it means for people to have rights, and how rights create the foundation for peaceful social cooperation, and how voluntary societies work. This equips individuals to stand up, not only for their own freedom, but for the freedom of other people.[89]

In regards to businesses, libertarians are not against regulations neither are they for zero regulations. The government is free to make reasonable laws to avoid violence but not numerous laws the bureaucratically restrict citizen from freely operating businesses in order to attain economic prosperity and freedom. For it is argued by Milton Friedman that, "The government solution to a problem is usually as bad as the problem." This assertion reflects the skepticism of government solutions, especially in economic affairs. He argues that state-imposed regulations often create inefficiencies, distort incentives, and hinder the spontaneous order of markets. As a Libertarian he argued and advocate for minimal government intervention, believing that free markets regulate themselves are more effective through supply, demand, and consumer choice.

In the business environment, excessive regulation is seen as a form of state overreach that impedes growth, inflates costs, and fosters corruption or favoritism. Deregulation, therefore, is seen as a path to economic liberty and entrepreneurship[90].

Notwithstanding, any form of regulations should be able to allow interactions between individuals and companies on a reasonably good faith basis. Society works and advances because we can freely trade and interact with people we don't personally know, but still in the reasonable belief that we are treated fairly.

However, numerous and duplicate regulations that oppose, restrict, and object to free operation of businesses and business growth, are regulations that try to force individuals to make a particular choice or go a particular direction without room for free choice. This approach leads to business failure when compliance becomes difficult task for businesses. This is similar to the situation Ghana find itself, looking at the aforementioned laws and institutions to work with in section 3.6 and 3.7 as far as operating business within the Manufacturing, ICT, and Hospitality sector in Ghana is concerned. There are several laws and regulations governing businesses in Ghana, making the business environment very difficult to operate in. This makes a lot of MSMEs to collapse and/or failed to grow after some years of operating.

[88]Watts, Duncan (2006). Understanding American government and politics: a guide for A2 politics students (2nd Revised ed.). Manchester University Press. p. 246. ISBN 978-0-7190-7327-4.
[89]Tom G. Palmer (2013). Why Liberty: Your Life, Your Choices, Your Future
[90]Friedman, Milton. Free to Choose: A Personal Statement. Harcourt, 1980.

CHAPTER 4:
RESULTS FROM SURVEY ON MSMES IN GHANA.

4.0 Introduction

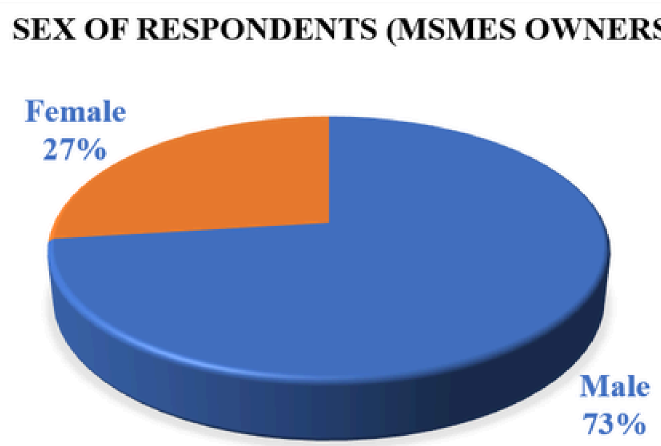
The previous chapter review brief literature on some major regulatory institutions regulating the MSMEs within the ICT, Hospitality, and the Manufacturing Sector in Ghana. Progressively, this chapter focuses on the results from the data gathered from 600 MSMEs across the country. The analysis and the presentation of the data took into consideration the various objectives of the study. It also presents some additional findings, serving as a benchmark for policy recommendations to make the business environment in Ghana friendly for businesses and economic prosperity.

4.1 Background Information

4.1.1 Sex of Respondents

From the survey, it was revealed that majority of the respondents were male representing 73% whiles females represent 27%. Comparatively, this implies that most MSMEs in Ghana are owned by males. See figure 4.1.1

Figure 4.1.1: Sex of Respondents

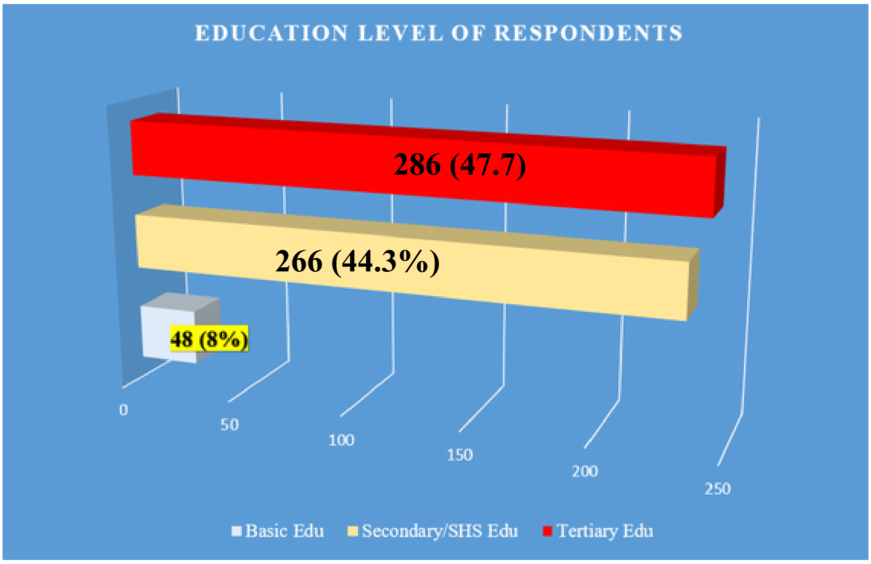


Source: ILAPI's Survey (2024)

4.1.2 Educational Level of Respondents

From the survey, information on the educational level of respondents revealed that out of the 600 sampled MSMEs, majority representing 47.7% had Tertiary education followed by 44.3% who had Secondary education. The rest 8% had only Basic education. This is likely to be a result of the sectors studied and the technical proficiency needed to run the sectors effectively. *See figure 4.1.2*

Figure 4.1.2: Educational Level of Respondents



Source: ILAPI's Survey (2024)

4.1.3 Level of Education and Sex of Respondents

The study shows an association between Level of education and sex of respondents. It shows that out of the 162 who are females, 11 of them had basic education, 76 had secondary education and 75 had tertiary education. On the other hand, out of the 438 who are males, 37 had basic education, 190 had secondary education and 211 had tertiary education This implies that majority both sexes had tertiary education.

Table 4.1.3: Level of Education and Sex of Respondents

		Sex of Respondents		
		Female	Male	**Total**
Level of education	Basic	11	37	48 (8%)
	Secondary	68	198	266 (22.3%)
	Tertiary	75	211	286 (47.7%)
Total		**162 (27%)**	**438 (73%)**	**600**

Source: ILAPI's Survey (2024)

4.1.4 Sex of Respondents and Sector of Respondents

The study shows an association between sex of respondents and Sector under which they operate. It denotes that out of the 162 who are females, majority being 108 of them operate within the hospitability sector, followed by 51 who operate within Manufacturing sector. The rest 3 operate within the ICT sector. On the other hand, out of the 438 who are males, 197 operate within the ICT sector, followed by 149 who operate within Manufacturing sector. The rest 92 operate within the Hospitality sector.

Table 4.1.4: Sex of Respondents and Sector of Respondents

		Sectors			
		ICT	Hospitality	Manufacturing	**Total**
Sex	Female	3	108	51	162 (27%)
	Male	197	92	149	438 (73%)
Total		**200**	**200**	**200**	**600 (100%)**

Source: ILAPI's Survey (2024)

4.1.5 Having License and the type of Business

The bivariate analysis revealed that Out of the 600 sampled businesses, 94 out of the 200 manufacturing business had license. Also, 160 Hospitality business out of the 200 allocated sample had license. When it comes to ICT, none is having a license.

Table 4.1.5: Having License and the type of Business

Table 4.1.5: Having License and the type of Business

	Licenses		**Total**
	Yes	**No**	
Manufacturing	**94**	**106**	**200**
Hospitality	**160**	**40**	**200**
ICT	**-**	**200**	**200**
Total	**254 (42.7%)**	**346 (57.3%)**	**600 (100%)**

Source: ILAPI's Survey (2024)

4.1.6 Type of Business (sectors) and Having Permit

The bivariate analysis depicts out of the 600 sampled businesses, 111 out of the 200-manufacturing business had permits. Also, 197 Hospitality business out of the 200-sample had permits. The ICT had only 66 of them with permits.

Table 4.1.6: Having permit and the type of Business

	Permit		Total
	Yes	No	
Manufacturing	111	89	200
Hospitality	197	3	200
ICT	66	134	200
Total	374 (62.3)	226 (37.7%)	600 (100%)

Source: ILAPI's Survey (2024)

4.1.7 Types of MSMEs Under Manufacturing, ICT, and Hospitality

The three (3) Sector studied (Manufacturing, ICT, and Hospitality) disclosed various dominant MSMEs across Ghana. These are presented in the table below
Table 4.1.7: Types of MSMEs Under Manufacturing, ICT, and Hospitality

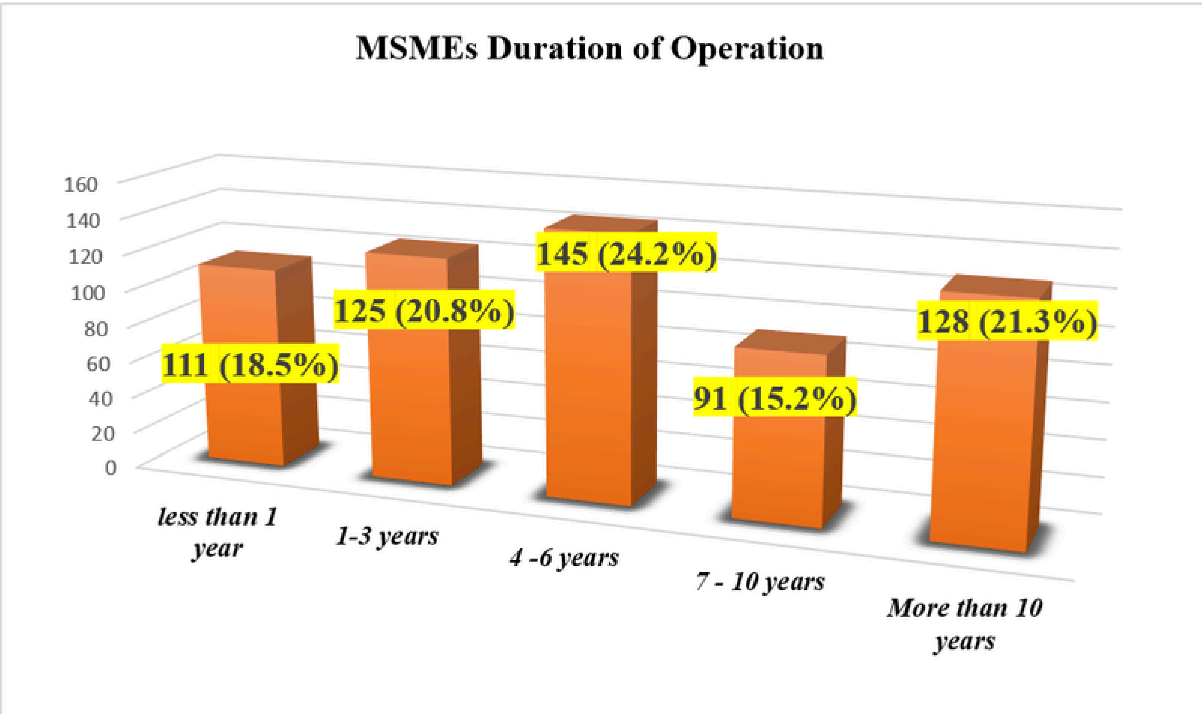
Manufacturing	ICT/ Tech	Hospitality/Tourism
Drinks	Printing Press	Bar and Lounge
Baking	ICT Training Center	Catering Service
Building Block	IT Service (Installation, networking...etc)	Hotels and Guesthouse
Plastics accessories	Graphic Design	
Pottery	Video/Photo Lab	Travel and Tour
Cloth/Dress Making (apparats)	Software Development IT Repairs and sale	Restaurant Betting
Cowbell		
Roofing		
Furniture Window/Door Glass		
Tissue (toiletries)		
Steel Work		
Sachet/ bottle Water		

Source: ILAPI's Survey (2024)

4.1.8 MSMEs Duration of Operation

The duration of operation of MSMEs who participated in the study were disclosed. The result indicated that 78.7% of MSMEs fall below 10 years, whiles 21.3% were in existence for over a decade. Specifically, 18.5% falls below 1 year, , and 15.2% falls between 7-10 years. This is associated with the red tapes, affecting the sustainability of businesses in Ghana.

Figure 4.1.8 MSMEs Duration of Operation



Source: ILAPI's Survey (2024)

4.1.9 Number of Employees

The number of employees largely contributes to the determination of the size of a business in Ghana. Therefore, from the 600 respondents who participated in the study, majority corresponding to 57.8% falls within the Micro enterprise, followed by 25.8% who falls within the small enterprise. 16.4% were within the medium-size enterprise. This denotes that majority of the businesses in Ghana falls within the Micro enterprise.

INSTITUTE FOR LIBERTY AND POLICY INNOVATION

4.1.9 Number of Employees			
Business Size		**Frequency**	**Percentage**
	Micro	347	57.8
	Small	155	25.8
	Medium	98	16.4
	Total	**600**	**100**

Source: ILAPI's Survey (2024)

4.1.9.1 Type of Business and Duration of Operating

The study shows an association between type of business and duration of operation. The bivariate analysis revealed that Out of the 347 (57.8%) who were micro businesses; 111 were in operation for less the 1 year, 125 were in operation for 1-3 years, 52 were in operation for 7-10 years, and 22 were in operation for more than 10 years. Also, out of the 155 (25.8%) small businesses; 93 were in operation for 4-6 years, 39 were in operation for 7-10 years, and 23 were in operation for more than 10 years.

Table 4.1.9.1 Type of Business and Duration of Operating

	Duration of Operating					Total
	Below 1 yr	**1-3yrs**	**4-6yrs**	**7-10yrs**	**Above 10yrs**	
Micro	111	125	52	37	22	**347**
Small	-	-	93	39	23	**155**
Medium	-	-	-	15	83	**98**
Total	**111**	**125**	**145**	**91**	**129**	**600**

Source: ILAPI's Survey (2024)

4.1.9.2 Transition Rate of Business

The transition of Micro, Small, and Medium Enterprises (MSMEs) from one size category to the next particularly from micro to small, and small to medium is crucial for several economic, social, and institutional indication. It shows how friendly the environment is to business growth as well as economic prosperity.

Transition rate

From 600 Businesses

Given:

- Micro enterprises: 57.8% of 600 = 347
- Small enterprises: 25.8% of 600 =155
- Medium enterprises: 16.4% of 600 =98

Transition Ratios from Micro to Small

To estimate how many micro enterprises transitioned to small, we treat the 155 small enterprises as having originated from the pool of 347 micro businesses.
Micro to Small Transition Rate= (155 /347) ×100 =44.64%

Transition Rate from Small to Medium
Similarly, we consider the 98 (medium enterprises) as those who have moved up from the 155 (small enterprises).
Small to Medium Transition Rate= (98/155) ×100=63.57%

Full Transition Rate from Micro to Medium
If the 98 (medium enterprise) as those who have moved up from the 347 (micro enterprise).
Then, full transition to medium from micro = (98/347) × 100 = 28.2%
These estimated rates indicate that:
Approximately, the study predicts that only 44.64% of micro businesses will transition into small. In other, words about 55% of micro businesses are likely not to transition into small business.Similarly, the study predicts that 63.57% of small businesses will transition into medium. In other, words about 36% of small businesses are likely not to transition into medium business.

This also implies that micro business in Ghana has 44.64% of becoming a small business, and has only 28.2% of becoming or reaching medium business or enterprise, being a full transition from micro to medium.

With regards to the time of transition, it is clear when we infer from the previous analysis on the MSMEs duration of operating in table 4.1.9.1. The analysis shows that small businesses were in operation for more than 3 years small, approximately, between 4 to 12 years. This implies that on average it well takes 8 years to transition from micro to small enterprise in Ghana. Correspondingly, none of the medium enterprise were in operation less than 6 years. Approximately, they were in business between 7 to 12. Thus, it will take on an average about 9 to 10 years for businesses to have a full transition from micro to medium enterprise.

This indicates that the most significant drop-off in scaling occurs at the micro to small stage, potentially due to structural, financial, or regulatory barriers. This aligns with studies indicating that micro enterprises often face greater hurdles in scaling due to limited access to capital, weak managerial capacity, and regulatory overload.[91] However, the higher transition rate from small to medium suggests that once enterprises break out of the micro stage, they are more likely to gain access to better resources, technical support, and formal networks that facilitate growth. This echoes arguments in the literature that scaling up becomes more achievable after reaching a certain threshold of business maturity and institutional access.[92]

4.1.10 Is your Business Registered

Table 4.1.6 disclosed that from the 600 sampled MSMEs, 94.5% had registered for business entry certificate whiles 5.5% were in the processes at the time of the study. This attest to the fact that most of the business who participated in the study had gone through the process of registering a business and can vividly express the challenges associated with the various processes in acquiring, a certificate, license, and/or permit to operate in Ghana.

[91] Liedholm, Carl. "Small Firm Dynamics: Evidence from Africa and Latin America." Small Business Economics 18, no. 1–3 (2002): 227–242
[92] Mead, Donald C., and Carl Liedholm. "The Dynamics of Micro and Small Enterprises in Developing Countries." World Development 26, no. 1 (1998): 61–74.

Table 4.1.10: Is your business registered

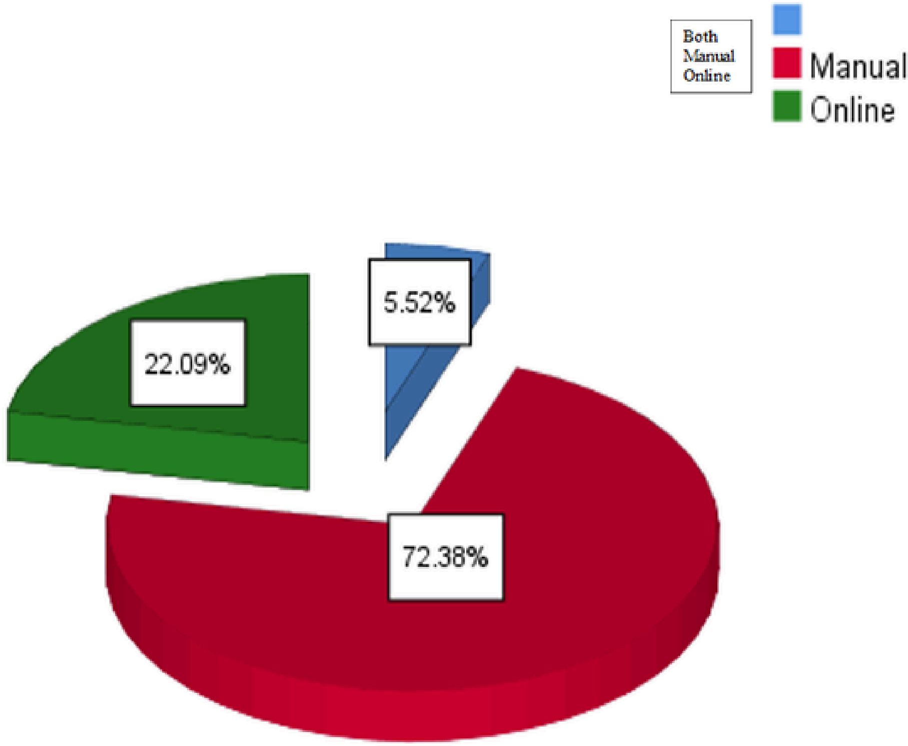
		Frequency	Percentage
	No	33	5.5
	Yes	567	94.5
	Total	**600**	**100**

Source: ILAPI's Survey (2024)

4.1.10.1 Which medium was used to register?

The survey revealed that out of the 94.5% who attested that they have registered their business, about 72% stated that they used the manual method whiles 22% indicated that they utilized the online system to register. 5.52% stated that they used both manual and online. This implies that majority of the participants are familiar with the manual method and therefore used it to register their business. See figure 4.1.6.1

Figure 4.1.10.1: Which medium was used to register?



Source: ILAPI's Survey (2024)

4.1.11 Years of Operating and Registration of Businesses

The study shows that out of the 33 businesses who were in process of registering the business, 18 of them were established less than a year and the rest 15 falls between 1-3 years of being established. The rest 94.5% representing 567 businesses who registered were above 3 years of establishment. This implies that only fewer businesses are able to register within the first 3 years operation.

Table 4.1.11: Years of Operating and Registration of Businesses

		Registration of Businesses		
		No	Yes	**Total**
How long has your business been operating?	Less than 1 year	18	93	111
	1-3 years	15	110	125
	4-6 years	0	145	145
	7-10 years	0	91	91
	More than 10 years	0	128	128
Total		**33**	**567**	**600**

Source: ILAPI's Survey (2024)

4.2 Bureaucracy Assessment

This section focuses on identifying the bureaucracy making business registration and growth a challenge in Ghana. To critically identify the bureaucratic nature of the business environment in Ghana, the survey ascertains the duration (time) of registration, the cost involved and the number of institutions to interact with during the process of registration.

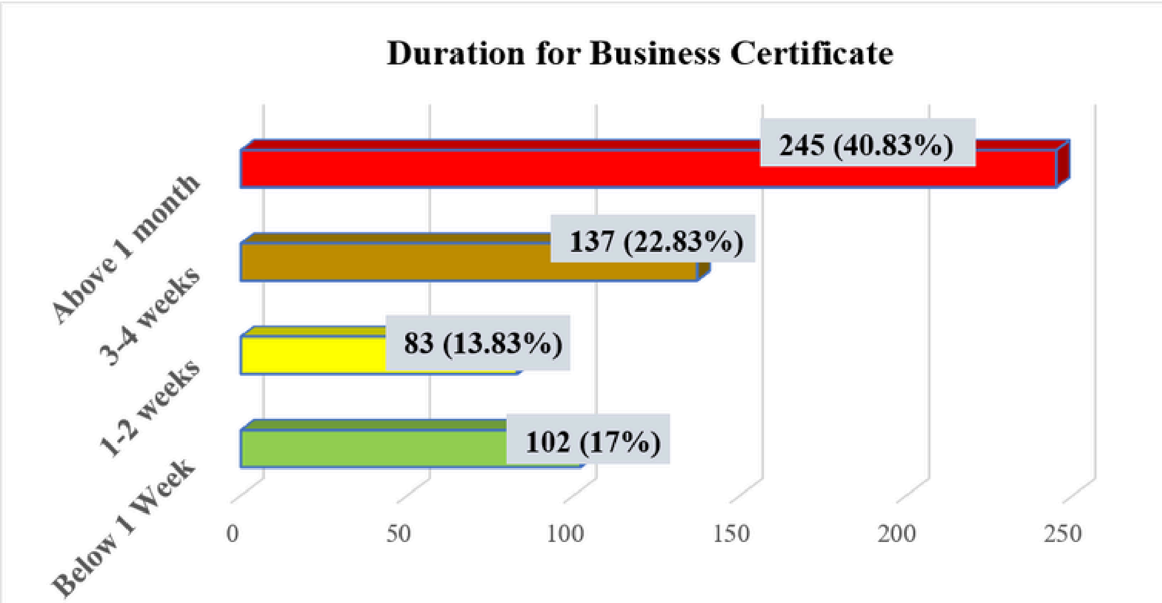
4.2.1 Duration of Registration

One of the prerequisites for identifying bureaucracy in business registration is the duration or time involved in registering and receiving the certificate, permit, and licenses. This section disclosed the duration of acquiring the certificate, permit, and licenses.

4.2.1.1 Duration of Acquiring Business Entry Certificate

The data revealed that majority of the MSMEs received the business certificate more than a month 40.83%, followed by 22.8% who received theirs between 3-4 weeks. 13.83% received theirs between 1 -2 weeks and the rest 17% had theirs less than a week. This shows that most of the MSMEs could not get the business certificate within the stipulated 14 working days period. *See figure 4.2.1.1*

Figure 4.2.1.1 Duration of Acquiring Business Certificates

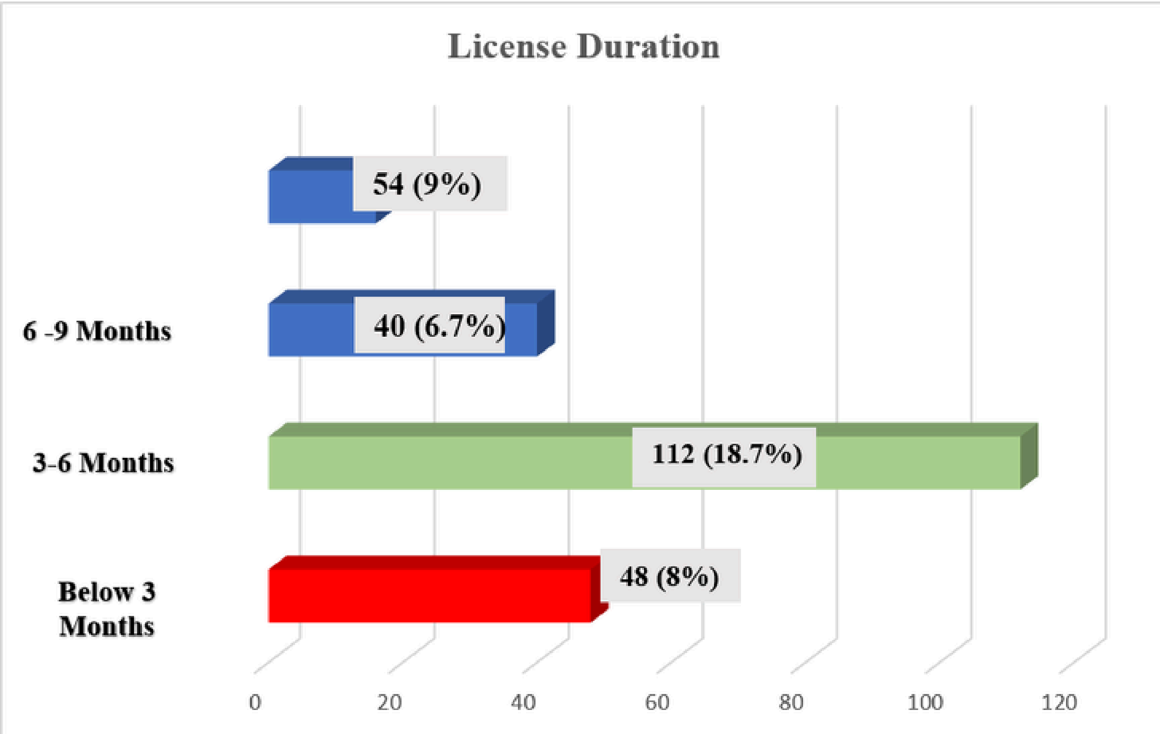


Source: ILAPI's Survey (2024)

4.2.1.2 License Registration Duration

From the survey, it was revealed that, it took majority of the MSMEs between 3-6 months to received their license representing 18.7%, followed by 8% who received theirs within 3 months. 6.7% received their license between 6 -9 months and the rest 9% had theirs above 9 months, totaling to 42.4%. This shows that, at the time of the study most of the MSMEs representing 57.3% were operating without their respective licenses. This cannot be disassociated with the challenges business go through in acquiring the licenses, leading to most not having the license at the time of the study. See figure 4.2.1.2

Figure 4.2.1.2: License Registration Duration

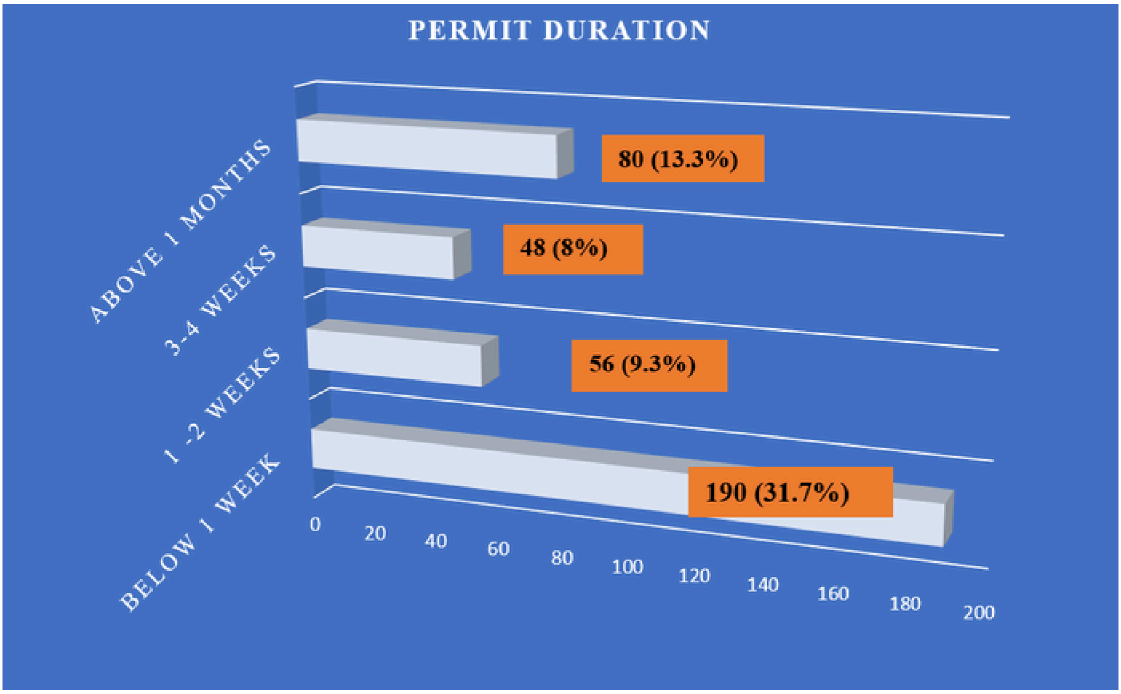


Source: ILAPI's Survey (2024)

4.2.1.3 Duration of Business Permit Acquisition

The survey disclosed that it took majority of the MSMEs below a week to received their permit representing 31.7%, followed by 13.3% who received theirs after 1 months. 9.3% received theirs between 1 to 2 weeks and the rest 8% had theirs between 3- 4 weeks, totaling to 62.3%. This shows that majority of the MSMEs were able to received their permit within a month. See figure 4.2.1.3

Figure 4.2.1.3: Duration of Business Permit Acquisition

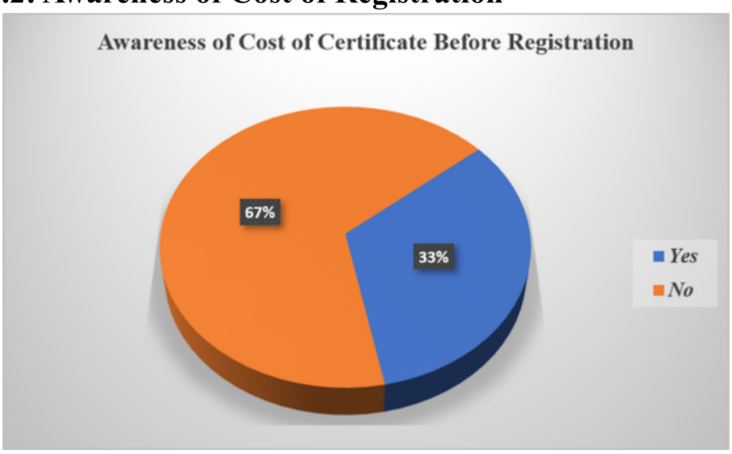


Source: ILAPI's Survey (2024)

4.2.2 Awareness of Cost of Registration

From the survey, it was revealed that majority of the respondents were not aware of the cost of certificate before registration representing 67%. This implies that most MSMEs in Ghana were not privy to the cost before registering for a certificate and this can lead to extortion. However, the other 33% who were privy to the cost access it from the website of the institutions, or from friends and family. See figure 4.2.2.

Figure 4.2.2: Awareness of Cost of Registration



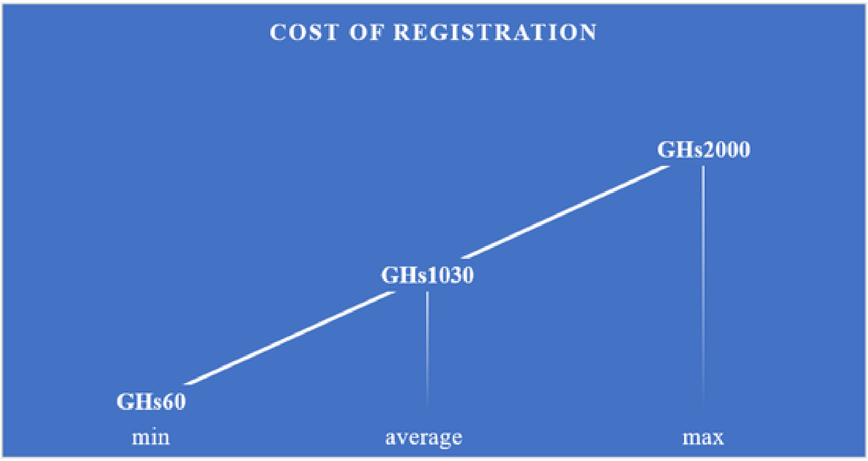
Source: ILAPI's Survey (2024)

4.2.3 Cost of Acquiring Business Entry Certificate

Another criterion used to assess the bureaucracy involved in the of registration of business is the cost involved in the process.

From the survey, it was revealed that the minimum amounts participants spent to register a business was GHs60 and the maximum cost spent was GHs2000. This implies that it cost an average of GHs1030 to register a business in Ghana. This could be as a result of the used of middlemen "Goro Boys".

Figure 4.2.3: Cost of Business Entry Registration

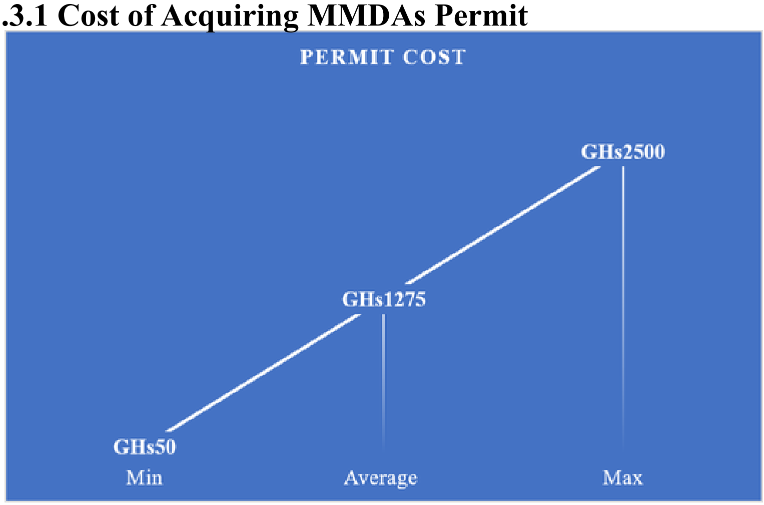


Source: ILAPI's Survey (2024)

4.2.3.1 Cost of Acquiring Permit

The survey also inquired the cost participants spent during the acquisition of permit. Accordingly, the data disclosed that the minimum cost spent during the process of acquiring MMDAs permit was GHs50, whiles the maximum amount spent during the process was GHs2500. This implies that participant spent an average of GHs1275 in acquiring a permit for business operation. This could also be associated with the used of middlemen. See figure 4.2.3.1

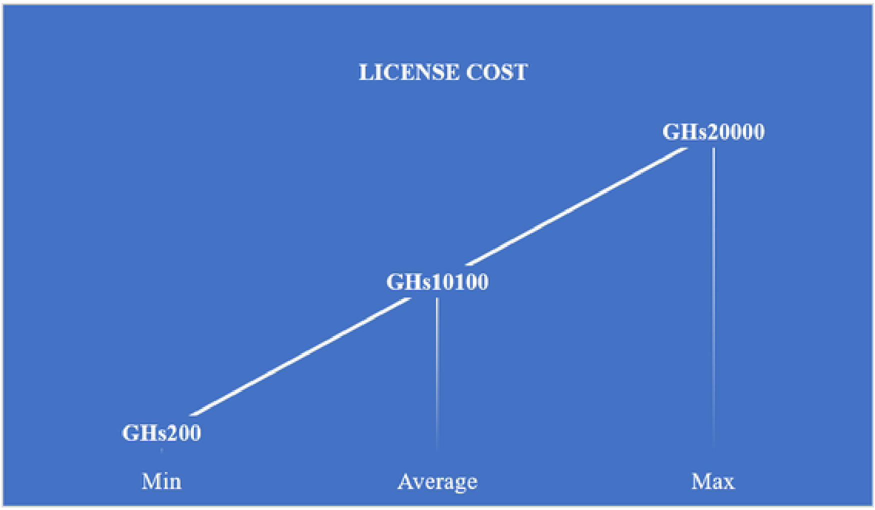
Figure 4.2.3.1 Cost of Acquiring MMDAs Permit



4.2.3.2 Cost of Acquiring License

The survey also inquired the cost participants spent during the acquisition of license. Accordingly, the data disclosed that the minimum cost spent during the process was GHs200, whiles the maximum amount spent during the process was GHs20000. This implies that participant spent an average of GHs10100 in acquiring a license for business operation. Similar to the certificate and permit, the amounts spent on license could be equally associated with the use of middlemen. See figure 4.2.3.2

Figure 4.2.3.2 Cost of Acquiring License

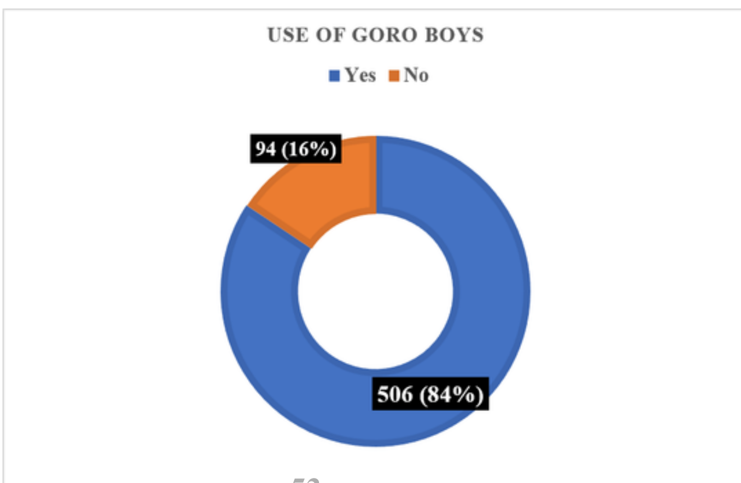


Source: ILAPI's Survey (2024)

4.2.4 Use of Middlemen "Goro boys"

From the survey, it has been revealed that out of the 600 respondents, 84% of the respondents indicated that they used "goro boys", whiles only 16% did not involve goro boys in the registration process. This implies that the increase cost spent in the process was as a result of the used of goro boys. See figure 4.2.4

Figure 4.2.4 Use of Middlemen



4.2.4.1 Without Goro Boys and Duration of Acquiring Business License

The study shows an association between the use of Goro boys and Duration of acquiring the Business entry Certificate. The bivariate analysis revealed that Out of the 94 (16%) who did not used the Goro boys in acquiring their certificate, majority being 80 of them acquire the certificate after 6 months, followed by 11 who had their certificate between 4-6 months. The rest 3 acquired the certificate between 1-3 months. This attested to the fact without the use of a middleman the acquisition of Business Certificate takes longer duration more than the stipulated 14 working days. Also, about 57.3% were operating without license per the study.

Table 4.2.4.1: Without Goro Boys and Duration of Acquiring Business license

		Duration				
		Below 3 months	**3-6 months**	**6- 9 months**	**Above 9 months**	**Total**
Goro Boys	**No**	0	0	40	54	94 (16%)
	Yes	48	112	0	0	160 (26.7%)
Total		**48**	**112**	**40**	**54**	**254 (42.7%)**

Source: ILAPI's Survey (2024)

4.2.4.2 Without Goro Boys and Duration of Acquiring Business Entry Certificate

The study shows an association between the use of Goro boys and Duration of acquiring the Business entry Certificate. The bivariate analysis revealed that Out of the 94 (16%) who did not used the Goro boys in acquiring their certificate, majority being 80 of them acquire the certificate after 6 months, followed by 11 who had their certificate between 4-6 months. The rest 3 acquired the certificate between 1-3 months. This attested to the fact without the use of a middleman the acquisition of Business Certificate takes longer duration more than the stipulated 14 working days.

Table 4.2.4.2: Without Goro Boys and Duration of Acquiring Business Entry Certificate

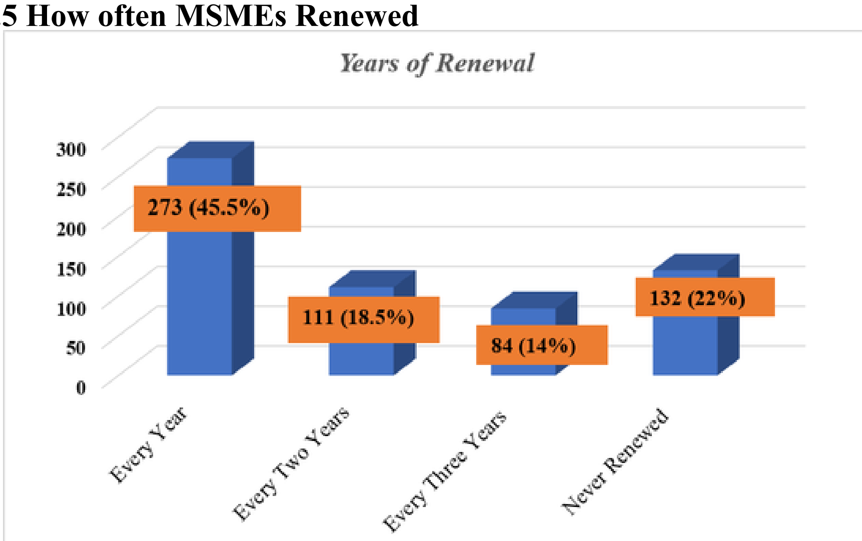
		Duration				
		Below 1 month	1-3 months	4-6 months	Above 6 months	Total
Goro Boys	No	0	3	11	80	94 (16%)
	Yes	322	187	0	0	506 (84%)
Total		322	187	11	80	600

Source: ILAPI's Survey (2024)

4.2.5 Renewal

Apart from the Business certificate that the MSMEs mandatorily renewed every year, most business owners attested that they equally renewed the license and permit annually representing 45.5%, followed by 22% who indicated that they never renewed their license and permit. 18.5% stated license and permit are renewed every two years whiles 14% disclosed renewals are done every three years. This variation in years of renewal is associated with the type of MSMEs one is operating; either Manufacturing, Hospitality/ Tourism, or ICT. See figure 4.2.5

Table 4.2.5 How often MSMEs Renewed



Source: ILAPI's Survey (2024)

4.2.5.1 Association between Type of MSMEs and How often they Renew

To find out the type of MSMEs and how often they renewed their respective license and permit, a bivariate analysis was done using the crosstab to ascertain the association between type of MSMEs and How often they Renew. From the survey, it was discovered out of the 45.5% who attested that they renew every year; majority representing 18.1% were Tourism/Hospitality MSMEs, followed by Technology/ICT representing 14.2%, and the rest 13.2% were Manufacturing MSMEs. In regards to 18.5% MSMEs who disclosed that they renew every two years; majority being 8.5% were Manufacturing MSMEs, followed by 5.8% being Technology, and the rest 4.2% were Tourism/Hospitality MSMEs. Similarly, out of the 14% MSMEs who unveiled that they renew every three years; majority being 5.8% were Manufacturing MSMEs, followed by 4.2% being Technology, and the rest 4% were Tourism/Hospitality MSMEs. On the other hand, out of the 22% who revealed that they never renewed; 9.2% were Technology MSMEs, 5.8% were Manufacturing MSMEs, and the rest 7% were Tourism/Hospitality MSMEs. See figure 4.2.5.1

Table 4.2.5.1 Association between Type of MSMEs and How often they Renew

		How often they Renew				
		Every Three Years	*Every Two Years*	*Every Year*	*Never Renewed*	*Total*
Type of business?	*Manufacturing*	35 (5.8%)	51 (8.5%)	79 (13.2%)	35 (5.8%)	200
	Technology/ICT	25 (4.2%)	35 (5.8%)	85 (14.2%)	55 (9.2%)	200
	Tourism/Hospitality	24 (4%)	25 (4.2%)	109 (18.1%)	42 (7%)	200
Total		84 (14%)	111 (18.5%)	273 (45.5%)	132(22%)	600 (100%)

Source: ILAPI's Survey (2024)

4.2.6 Percentage Spent on Regulatory Compliance (e.g., taxes, permits, legal fees)

From the survey, it was established that majority representing 23.5% of the MSMEs spent 5-10% of their revenue on regulatory compliance, followed by 21.5% who spent less than 5%. The rest 8.5% failed to disclosed the percentage spent on regulatory compliance. Failure to disclosed could be as a result of deliberate unwillingness anything related to the business revenue at the time of the survey. *See figure 4.2.5.*

Table 4.2.6 What percentage of your business's revenue is spent on regulatory compliance (e.g., taxes, permits, legal fees)?

		Frequency	Percent
		51	8.5
	11-15%	96	16
	16-20%	66	11
	21-25%	63	10.5
	5-10%	141	23.5
	Above 25%	54	9
	Less than 5%	129	21.5
	Total	600	100

Source: ILAPI's Survey (2024)

4.3 Complex Regulatory Landscape with Institutional Overlaps

Ghana's regulatory framework is highly fragmented. The study identified a web of laws and agencies across sectors. For manufacturing alone, at least 13 Acts and Regulations are relevant; from the EPA Act (1994), and Factories Act to VAT and Tax Acts, etc. Similarly, both tourism and ICT firms encounters their own long lists of sectoral laws (e.g., Tourism Act 2011, Data Protection Act 2012, NCA Act 2008, etc.).

Manufacturing Sector

- Environmental Protection Agency Act, 1994 (Act 490)
- National Board for Small Scale Industries Act, 1981 (Act 434)
- Manufacturing Industries Act, 1971 (Act 356)
- Manufacturing Industries Regulations, 1972 (L.I. 795)
- The Factories, Offices and Shops Act, 1970 (Act 328)
- Standards Authority Act, 1973 (N.R.C.D. 173)
- Ghana Standards Authority Act, 2022 (Act 1078
- Income Tax Act, 2015 (Act 896)
- Value Added Tax Act, 2013 (Act 870)
- Customs Act, 2015 (Act 891)
- Labour Act, 2003 (Act 651)
- Public Health Act, 2012 (Act 851)
- Industrial Designs Act, 2003 (Act 660)
- Ghana National Fire Service Act, 1997 (Act 537), and Regulations, 2003 (L.I. 1724).
- Local Government Act, 1993 (Act 462), and amended Local Government Act, 2016 (Act 936)
- Land Use and Spatial Planning Act, 2016 (Act 925), and Land Use and Spatial Planning Regulations, 2019 (L.I. 2384)
- Ghana Geological Survey Authority Act, 2016 (Act 928)
- Office of the Registrar of Companies (ORC), Companies Act, 2019 (Act 992)

Tourism/ Hospitality Sector

- Tourism Act, 2011 (Act 817)
- Hotels Act, 1964 (Act 230)
- Public Health Act, 2012 (Act 851)
- Environmental Protection Agency Act, 1994 (Act 490)
- Labour Act, 2003 (Act 651)
- Immigration Act, 2000 (Act 573)
- Customs Act, 2015 (Act 891)
- Ghana Tourism Authority Act, 2019 (Act 1004)
- Income Tax Act, 2015 (Act 896)
- Value Added Tax Act, 2013 (Act 870)
- Ghana National Fire Service Act, 1997 (Act 537), and Regulations, 2003 (L.I. 1724).
- Local Government Act, 1993 (Act 462), and Local Government Act, 2016 (Act 936)
- Land Use and Spatial Planning Act, 2016 (Act 925), and Land Use and Spatial Planning Regulations, 2019 (L.I. 2384)
- Office of the Registrar of Companies (ORC), Companies Act, 2019 (Act 992)

ICT/Tech Sector

- Electronic Transactions Act, 2011 (Act 772)
- Data Protection Act, 2012 (Act 843)
- National Information Technology Agency Act, 2008 (Act 771)
- Electronic Communications Act, 2008 (Act 775)
- National Communications Authority Act, 2008 (Act 769)
- Cybersecurity Act, 2020 (Act 1038)
- Income Tax Act, 2015 (Act 896)
- Value Added Tax Act, 2013 (Act 870)
- Environmental Protection Agency Act, 1994 (Act 490)
- Labour Act, 2003 (Act 651)
- Local Government Act, 1993 (Act 462), and Local Government Act, 2016 (Act 936)
- Ghana National Fire Service Act, 1997 (Act 537), and Regulations, 2003 (L.I. 1724).
- Office of the Registrar of Companies (ORC), Companies Act, 2019 (Act 992)

Source: ILAPI's Survey (2024)

Crucially, many of these regulations overlap in mandate (e.g., multiple environmental safety, advertisement, local government, and GTA and FDA approvals are required for both factories and hotels). The survey highlights the breadth of compliance obligations: manufacturing enterprises need about 13 separate certificates, including licenses and permits; ICT and tourism/hospitality firms, about 6 and 10, respectively

Table 4.3: Duplicate /Overlapping Institutions

Purpose	Institutions	Key regulations
For Standard (quality, safety)	Food and Drugs Authority Ghana Standard Authority	Public Health Act, 2012 (Act 851), part 6 Standards Authority Act, 1973 (NRCD 173)
For advertisement	Food and Drugs Authority MMDAs	Public Health Act, 2012 (Act 851), Part 7 (Sections 100 & 114) Local Governance Act, 2016 (Act 936) - MMDA Advertising/Signage By-laws (e.g., AMA Bye-laws
Operation	Registrar General (Now ORC) MMDAs (to operate in the MMDAs) MMDAs (Structure)	Companies Act, 2019 (Act 992) Local Governance (Permits and Notices) Regulations, 2020 (L.I. 2407) Physical Planning Act, 2016 (Act 925) - Building Regulations / MMDA Development Control By-laws

Source: ILAPI's Survey (2024)

Looking at the above illustration, the duplication of similar activities per the regulations arguably indicates that although Ghana's regulatory environment for businesses is designed to promote safety, quality, accountability, and formalisation of economic activities, the duplication of binding regulations for the same/similar activities poses a challenge to business compliance and survival.

These duplications of regulatory functions across multiple institutions, and overlap have far-reaching implications for business compliance, growth, and the broader national economy

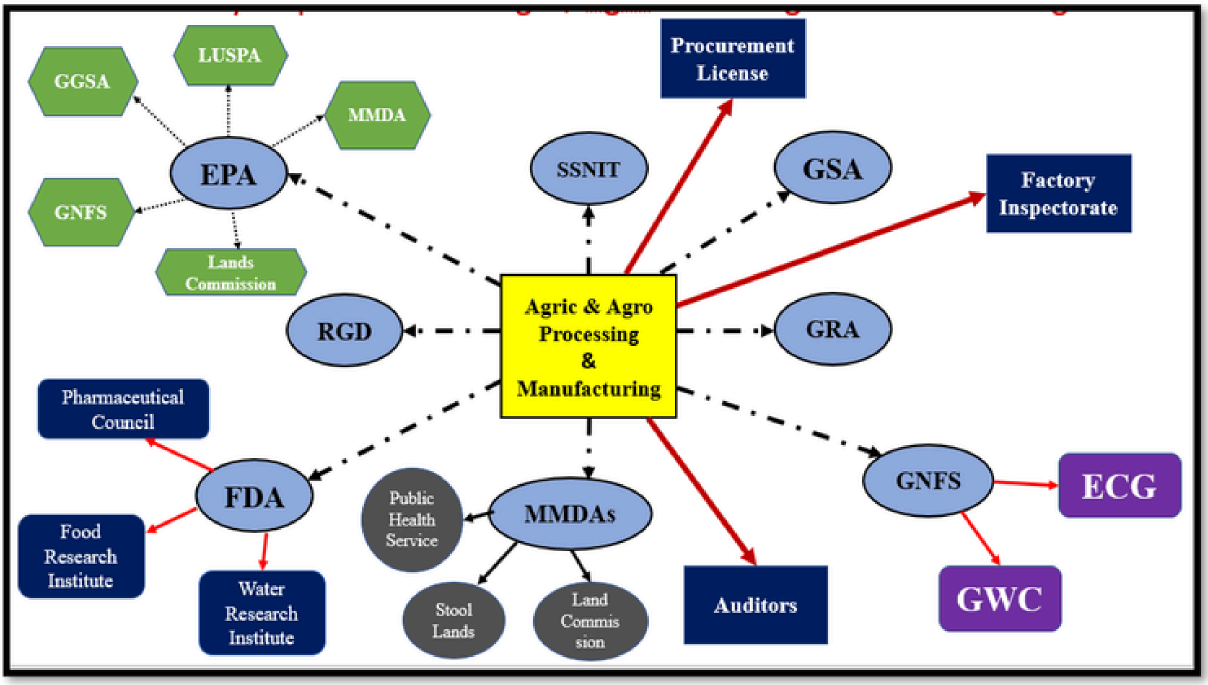
At the core of the problem is the fact that many regulatory agencies assess similar aspects of business operations but do so independently. For example, a manufacturing or food-processing business may be required to register with the Registrar of Companies, obtain product quality certification from the Ghana Standards Authority, secure environmental permits from the EPA, and, in some cases, also obtain additional approvals from municipal authorities and sector regulators. Although each institution operates under distinct legal mandates, the practical reality is that they often inspect, certify, and request documentation that overlap in purpose and content. This results in businesses undergoing multiple, sometimes repetitive, compliance procedures for what is essentially the same operational activity.

For small and medium-sized enterprises (SMEs), this duplication creates a heavy financial and administrative burden. SMEs are often required to pay multiple fees, undergo several inspections, and spend significant time navigating bureaucratic processes before they can even begin operations. These costs increase the overall expense of doing business, making it difficult for new enterprises to enter the formal economy. In many cases, entrepreneurs are forced to either pass these costs on to consumers through higher prices, absorb losses that threaten business survival, and eventually avoid formalization. Each of these outcomes has negative consequences for the economy. When businesses transfer compliance costs to consumers, it reduces affordability and puts more purchasing burden on the final consumer. Besides the pressure on the final consumer, prickly regulations lead to businesses collapse, amounting to jobs loss, innovation stifled, and decline in economic productivity. Over time, this situation places additional pressure on public finances because job losses and business failure increase dependency on government support systems while simultaneously reducing revenue collection.

Major Institutions to interact with and Overlaps

A key underlying issue is the lack of coordination among regulatory institutions. While each agency is mandated to regulate a specific aspect of business activity, there is limited integration of processes, data sharing, and mutual recognition of certifications. This results in businesses being repeatedly assessed for similar standards under different regulatory frameworks. The absence of a unified system not only increases inefficiency but also creates confusion and frustration among business owners, particularly SMEs with limited capacity to navigate complex regulatory environments. This proliferation of rules translates into duplication and confusion. Firms may need to submit similar information to multiple agencies or pay overlapping fees. For example, both the Ghana Standards Authority (GSA) and FDA might inspect the same product, or both the EPA and Public Health Authority inspect the same premises. Such overlaps waste entrepreneurs' time and resources. As the study bluntly notes, "the regulatory regime for business establishment is cumbersome…and serves as an impediment" to formalizing the informal sector. In practice, businesses must navigate stringent regulations (ORC, EPA, GRA, GNFS, LUSPA, DFI, GTA, MMDAs, GSA, FDA, GGSA, DFI etc) for a single venture. *See the figure*

Major Institutions to interact with and Overlaps

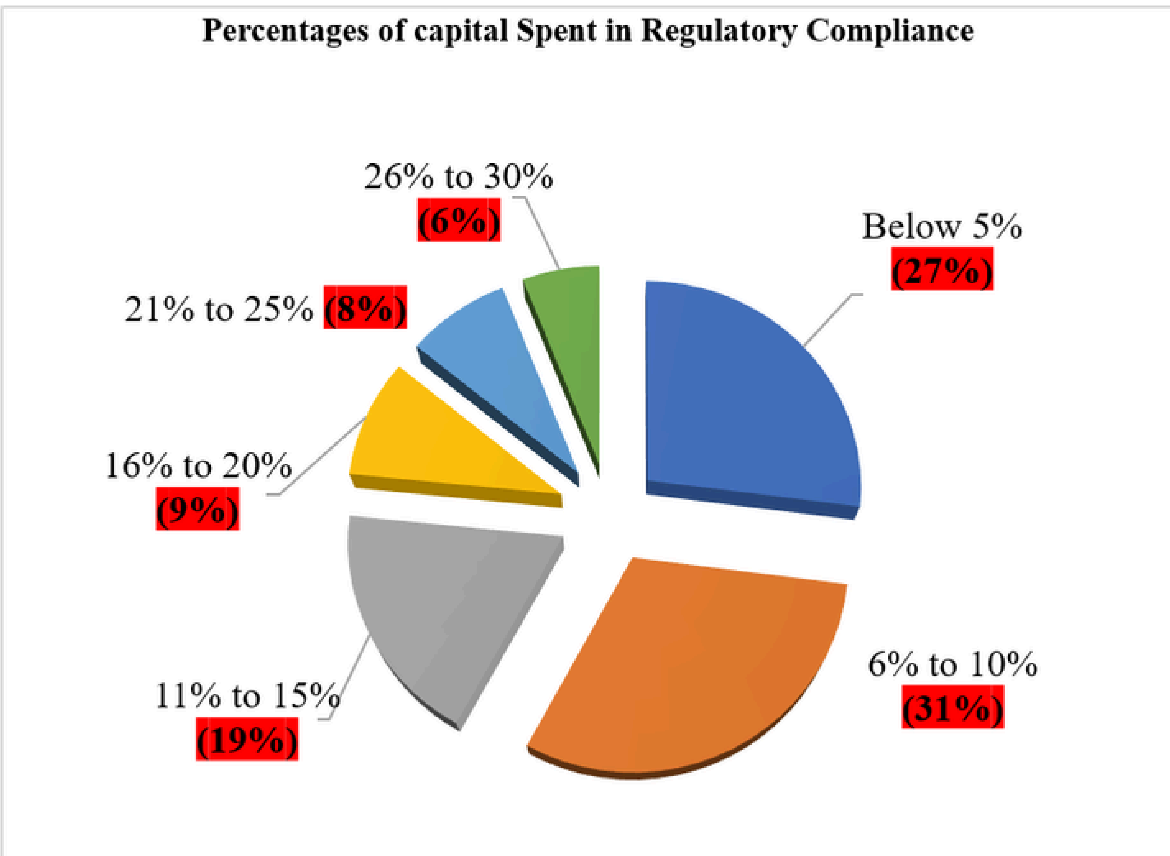


Source: ILAPI's Survey (2024)

All these agencies do not operate in isolation. There are diverse laws and regulations that spelt out their respective mandates, leading to inter-agency complexity which undermines regulatory efficiency. It leads to contradictions (one agency may demand documents that another's rules do not mention) and fosters bureaucratic delays (the firm must comply with multiple clearances sequentially). Interestingly, the bureaucratic environment does not only affect business expansion, job creation and employment rate but also affects government revenue. Nevertheless, businesses rely on Goro boys as mentioned earlier to acquire the certificate, permits and licenses. This contributes highly to businesses spending more on the acquisition of business certificate, licenses, and permits. To a large extent, this will have a trickle-down effect on employment, because if a startup or an already existing business is to spend 30% of its capital or profits on regulations each year, then obviously and averagely, about 3 or more people will not be employed or lose their jobs per each business. For instance; if you have about 1 million businesses and 3 people lose their jobs per each business because of regulatory compliance, a total of about 3 million people will be unemployed or pushed into poverty almost every year.

Businesses	Number of Job Loss of each business (30%)	Total number of Jobs Loss
1 million	3 individuals	3 million

In other perspectives, the youth would take years to borrow or save close to $10,000 and would prefer not to invest the sum in a business in Ghana but to travel overseas through connections and the dangerous Mediterranean Sea. Why? Because he is afraid to lose close to 30% of his capital to regulatory compliance alone. ***See the figure of the percentage of capital spent***



Source: ILAPI's Survey (2024)

4.4 Institutional Findings: Thematic Analysis

To find out the red tape and the challenges the institutions also faced, ILAPI interview some major regulatory institutions. This qualitative study analyzes responses from a representative of the various regulatory institutions such as the EPA, GEA, FID. The data was analyzed thematically to identify institutional collaboration, decentralization, digitalization challenges, cost implications, and among others. The findings reveal a complex yet evolving regulatory process, hindered by capacity limitations, procedural inconsistencies, and underutilized digital tools.

Red Tapes

Multi-Departmental and Institutional Collaboration in the issuance of certificates, licenses and permits.

From the interview, the representative argued that the EPA asserts its collaborative mandate in permit issuance, stating that:

"We work with all other institutions. Every institution... we are supposed to coordinate, collaborate." (EPA Representative)

Specifically, collaborations involve the Survey Department (site plans), Planning Unit (zoning letters), and architects (block plans). While this approach ensures compliance with broader urban and environmental planning standards, it also underscores bureaucratic interdependence that can complicate efficiency.

Similarly, the Ghana Enterprise Agency (GEA) collaborates with key institutions such as the Food and Drugs Authority (FDA), Ghana Standards Authority (GSA), Office of the Registrar of Companies (ORC), and Ghana Export Promotion Authority (GEPA) to support MSMEs in obtaining licenses and certifications.

Specifically, the GEA representative stated that;

"We work with FDA, GSA, and ORC...with GEPA for businesses with nice products...and with AGI for coaching and mentorship." (GEA Representative)

Also, the Factory Inspectorate (FI) actively collaborates with regulatory bodies such as the National Petroleum Authority (NPA), Environmental Protection Agency (EPA), Ghana Standards Authority, Petroleum Commission, and the Ghana Free Zones Authority. These collaborations ensure businesses meet overlapping regulatory standards.

Sectoral focus extends to manufacturing, fuel stations, water production, warehousing, shopping malls, and construction. Although no size-specific programs exist, the FID believes that occupational safety health (OSH) risks are consistent across business sizes in similar industries. However, customized training is available by sector.

Costs and Fee Structure

The proponent bears all application costs, including site visits and technical reviews. Fees are non-refundable, and cost varies by industry type:

"If you are doing recycling... it might be less. But if you are manufacturing, you pay more."

Innovative or eco-friendly processes such as solar installations attract lower fees, illustrating an incentive-based environmental regulation.

Regulatory Timeliness and Delays

Officially, MSME permits take 25 working days, while large-scale projects may take up to 90 days. However, delays often stem from applicants' slow documentation.

He posited that;

"The 25 working days are exclusive of days that the proponent is supposed to take action." (EPA Representative)

This underscores a shared responsibility model, where timely processing depends on both the applicant and the agency.

Decentralization and Regional Issuance of Permits

The EPA employs a tiered system where regional offices issue permits for low-impact activities such as small clinics, sachet water production, and low-rise apartment buildings:

Accordingly, the representative stipulated that;

"We decentralize some of the small-scale activities to the regions… but not the area offices." (EPA Representative).

This highlights the effort to localize services while maintaining quality assurance by centralizing complex or high-impact projects at the head office.

On the contrary, the factory inspectorate and other institutions like the GEA has only the national regional offices, which is far from various towns and districts. This makes it's difficult to access their services on time.

Digitalization and Online Systems

Despite early attempts to digitalize the permit application process, challenges persist.

Accordingly, the EPA representative established that;

"We have been having a lot of challenges with [the online system]... since then, we haven't gone back online again." (EPA Representative).

Submissions via online platforms were often incomplete, and the system lacked automation to reject invalid applications. Thus, the manual system remains predominant, though certain documents like application forms are accessible online.

Institutional Weaknesses and Challenges

When asked about permit statistics from 2017 to 2023, the representative acknowledged that:

"It's difficult for me to pull out any data for you or to mention any fair answer." (EPA Representative)

This indicates a serious limitation in EPA's data management systems, which affects transparency and policy evaluation.

Accordingly, most of the institutions argued that they don't have adequate resources, and personal, which sometimes affect and delay the service provided. Also, the system sometimes breaks down or encounter technical challenges.

One of the representatives argued that;

"The delay could sometimes be caused by the technical challenges or system failure" (EPA representative)

The FI despite offering critical services, experiences low visibility among MSMEs. Many small enterprises are unaware of the department's existence until compelled by regulatory requirements. This often leads to late registration, creating anxiety over the need to renew certificates shortly after first-time registration.

Challenges MSMEs face include:

- Poor access to relevant forms or procedures (although these are now online)
- Difficulty compiling required documents
- Delays in processing leading to compressed renewal timelines

Again, it was indicated that operational effectiveness is significantly constrained by low manpower and logistical challenges.

These limitations delay inspections and monitoring, affecting the department's ability to respond swiftly to registration requests. (FI Representative).

The manual nature of most processes (despite partial digitization through online form submission) exacerbates administrative delays.

The GEA further established that coordination with some institutions, especially the Office of the Registrar of Companies, is noted to be difficult, further slowing service delivery.

Red Tape identified

Themes
Multi-Departmental and Institutional Collaboration
Costs and Fee Structure
Regulatory Timeliness and Delays
Decentralization
Ineffective Digitalization and Online Systems
Institutional Weaknesses and Challenges

Source: ILAPI's Construct, 2025

4.4 Discussion of Qualitative Findings

The regulatory institutions ensure that business operations across the country conform to best fit practices. However, accessing their service can be cumbersome and frustrating, taking into considerations the red tape MSMEs faced. Below is the discussion of the findings based on objectives of the study.

4.4.1 Regulatory challenges hindering MSMEs and business growth

The study revealed various regulatory Challenges hindering the MSMEs growth in Ghana. These includes; Procedures and Conditions for Permit or license Issuance, Institutional collaboration, Charges or Fees, Timeline, and System or digital (technological) Challenges.

4.4.1.1 Procedures and Conditions for Permit or license Issuance

The process of acquiring a permit or license is very frustrating. For instance; the environmental permit for MSMEs is multi-layered and begins with acquiring land and associated documentation. Applicants must submit a site plan, zoning letter, block plan, and complete the Environmental Assessment Registration Form (EA1), available both in EPA offices and online. Once an application is submitted, EPA officers conduct a site inspection and stakeholder consultations to assess land-use compatibility and community acceptance.

After these preliminary evaluations, a technical review is conducted. If the proposal is deemed environmentally acceptable, the applicant is issued a draft permit outlining operational conditions. Upon approval, the final permit is granted after payment of the prescribed fees.

All these processes make it difficult to access the permit on time. This is because getting the document from one regulatory institution for proceeding to another can be very stressful. This makes people to rely on Goro Boys in order to easily get access to the permits, which obviously will increase the cost of acquiring the permit, license, or certificate. At long run, it became so expensive and most time either business turn to operate without acquiring the license or permit or eventually stop operating due to the sanctions that comes with not operating legally.

4.4.1.2 Institutional Collaborations

The findings indicated that just like other institutions, the EPA does not operate in isolation but rather within a network of institutional partnerships that underpin environmental governance in Ghana. The agency collaborates with the Survey Department, local planning units, and registered architects to ensure that proposed projects are consistent with both national spatial planning and environmental protection standards. Such collaborative governance reflects global best practices, where inter-agency coordination is considered essential for effective environmental regulation, particularly in developing economies where institutional capacities vary significantly.[93]

[93] United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Environmental Governance and Sustainable Development: Principles and Practice (Bangkok: UNESCAP, 2017).

The GEA has also institutionalized inter-agency collaboration to facilitate business registration and certification processes for MSMEs. These partnerships include engagements with the Food and Drugs Authority (FDA), the Ghana Standards Authority (GSA), the Ghana Export Promotion Authority (GEPA), and the Association of Ghana Industries (AGI). The literature underscores the importance of such collaborative arrangements, particularly in reducing the regulatory burdens on small businesses and fostering a more enabling environment for entrepreneurship[94]. Among these institutions, the FDA and GSA are identified as most effective due to their adaptability and active support for MSME development.[95]
FI department also faces operational limitations, including inadequate logistical support and low staffing levels, which significantly restrict the agency's capacity for timely inspections and regulatory enforcement. These constraints necessitate inter-agency collaboration with institutions such as the National Petroleum Authority, the EPA, the Ghana Standards Authority, and the Ghana Free Zones Authority, as well as engagements with certified engineering surveyors for technical inspections.[96] While such collaborative arrangements are crucial, their effectiveness is uneven. Osei-Assibey and Awuah argued that institutional collaboration remains stressed, similarly, the relationship between the FI and the Office of the Registrar of Companies (ORC), for instance, remains particularly strained, with bureaucratic delays and poor coordination impeding service delivery.[97] These findings echo literature on institutional fragmentation, where overlapping mandates and inter-agency tensions hinder regulatory coherence.

Again, the relationship between the GEA and the Office of the Registrar of Companies (ORC) is also often hindered by bureaucratic inefficiencies, transportation costs, and delayed issuance of registration certificates, as indicated in the findings. In order words, the inter-agency or department coordination mostly result in delay and duplication of documentation for MSMEs. This cause business owners to either rely on 3rd party known as the Goro boys or decline the process when it gets frustrating. Therefore, institutional collaboration is not without challenges but rather increases bureaucracy within the system, making the business environment less friendly for business growth.

[94] World Bank, Doing Business 2019: Training for Reform (Washington, DC: World Bank Group, 2019).
[95] Ernest Osei-Assibey and Lydia J. Awuah, "Improving the Business Environment for Small Enterprises in Ghana: The Role of Public Institutions," Journal of African Business 17, no. 1 (2016): 102–120.
[96] Ministry of Employment and Labour Relations (MELR), National Labour Inspection Strategy (Accra: Government of Ghana, 2019).
[97] Osei-Assibey, Ernest and Lydia J. Awuah, "Public Sector Coordination and Regulatory Burden: Evidence from Ghana's Business Environment," Journal of African Governance 6, no. 2 (2020): 45–61.

These systemic issues reflect broader concerns in governance literature about institutional inertia and administrative fragmentation, which can undermine policy implementation and service delivery.[98] To mitigate these challenges, the GEA occasionally subsidizes registration fees and facilitates access through introductory letters. For example, the cost of GSA certification, which can be prohibitive for many MSMEs, is often reduced by 40–60% with GEA's intervention, an example of how institutional brokerage can lower transaction costs for small enterprises.[99] Notwithstanding, it is also seen as doing the same thing other institutions are created to do. In other words, it creates duplication of institution and work.

4.4.1.3 Decentralization

Another interesting finding was the decentralization of service across the country. Although the EPA indicated that there are regional EPA offices mandated to handle permit issuance for small-scale enterprises including pharmacies, sachet water producers, and small clinics, they equally disclosed that complex or large-scale projects are referred to the head office. This decentralization strategy aligns with arguments in public administration literature that advocate for localized service delivery to enhance regulatory responsiveness and reduce administrative bottlenecks.[100] In the Ghanaian context, this approach facilitates improved access to environmental permits for Micro, Small, and Medium-sized Enterprises (MSMEs), many of which operate outside major urban centers. Nevertheless, other regulatory institutions have centralized system, making service access and delivery costly and frustrating to emerging businesses who are new to the processes.

4.4.1.4 Cost Structure

Although there is a cost structure for all type of business, there could be huge variance in the actual cost at the end of the process. For example; the EPA employs a categorization system to determine processing and permit fees based on the scale of impact:

- Micro Impact: GHS 250 processing; GHS 1,500 permit
- Minor Impact: GHS 500 processing; GHS 3,000 permit
- Small Scale: GHS 1,500 processing; GHS 7,500 permit
- Medium Scale: GHS 5,000 processing; GHS 10,000 permit
- Large Scale: GHS 7,500 processing; GHS 15,000 permit

These figures are derived from the Fees and Charges (Miscellaneous Provisions) Act, 2022 (Act 1080), with updated fees accessible on the EPA's website. It is crucial to note that the processing fee is non-refundable, and applicants bear all costs associated with permit acquisition.

[98] Merilee S. Grindle, Jobs for the Boys: Patronage and the State in Comparative Perspective (Cambridge, MA: Harvard University Press, 2012).
[99] Ghana Enterprises Agency (GEA), Annual Report on MSME Support Services (Accra: Ghana Enterprises Agency, 2021).
[100] Paul Smoke, "Decentralisation in Africa: Goals, Dimensions, Myths and Challenges," Public Administration and Development 23, no. 1 (2003): 7–16.

It is arguably clear that the fees are not the same but varies based on the type of business. Notwithstanding, discretionally, one's fees may increase or decrease based on the determination of the technical team. This is not peculiar to only EPA but the rest of the regulatory institutions.

Also, the cost of acquiring is likely to be more when one depends on Goro boys for the acquisition of the permit, license, or certificate as revealed by the study.

4.4.1.5 Timeline /Duration

The analysis reveals a disconnection between the EPA's stipulated timelines for permit issuance and actual practice. While the agency's operational guidelines allocate 25 working days for small-scale and 90 working days for large-scale environmental permit processing, delays are common. These discrepancies are often due to incomplete submissions from applicants or extended field assessments required for verification. Notably, the prescribed timelines refer solely to internal EPA processing and exclude periods during which applicants must respond or make corrections, as indicated by the respondents. Although this finding reflects broader administrative capacity within a developing country like Ghana, it also revealed weak institutional coordination and applicant-side delays as inefficiencies.[101]

4.4.1.6 System or Digital Challenges

From the findings, it has been noted that the implementation of technological or digital systems intended to streamline the procedure has also encountered systemic obstacles. For instance; EPA's attempt to digitize the permit application process, though a progressive step, has suffered setbacks due to incomplete digital submissions and platform limitations in detecting missing documentation or valid documents. Consequently, the agency has adopted a hybrid model, integrating manual processing with partial online capabilities, as revealed by the participant. Also, field observations suggest that despite this semi-digital transition, physical site inspections remain an irreplaceable component of the permitting process. This necessity arises from the complex nature of environmental assessment, which requires on-site validation of land use, ecological conditions, and potential community impacts. This aligns with existing scholarly study highlighting that digital solutions in regulatory governance are often constrained by infrastructural limitations and context-specific practicalities in the Global South.[102]

[101] Bwalya, Kelvin J. and Tanya B. Mutula, eds. E-Government: Implementation, Adoption and Synthesis in Developing Countries (Berlin: De Gruyter, 2016).

[102] Merilee S. Grindle, Good Enough Governance: Poverty Reduction and Reform in Developing Countries (Washington, DC: World Bank Institute, 2004)

Equally, these digital challenges are not limited to only the institutions but also associated with the low level of digital literacy among applicants, particularly MSMEs. According to the GEA, many applicants struggle with basic digital tools, including the use of Ghana's digital address system. In such cases, GEA field officers rely on alternative methods such as referencing physical landmarks or drawing on their local knowledge to gather spatial data and assist MSMEs to register.[103] This finding speaks to a persistent digital limitation that undermines the effectiveness of e-governance platforms in Ghana.[104] The inability of users to effectively engage with digital systems often forces regulatory bodies to revert to manual workarounds, negating potential efficiency gains and most time leading to mutual exploitation.

These findings further reinforce the argument that excessive bureaucratic procedures can suppress entrepreneurial initiative, particularly among micro and small enterprises. As observed in the regulatory environment of Ghana, delays in permit issuance, fragmented institutional coordination, and the burden of documentation all contribute to what Bozeman and Kingsley (1998) define as "red tape" rules, regulations, and procedures that cause inefficiencies without advancing legitimate organizational objectives.[105]
The inability of MSMEs to navigate complex regulatory demands, coupled with inconsistent service delivery, discourages proactive engagement with formal institutions supports Bozeman and Kingsley's empirical finding that increased levels of red tape correlate with a decreased willingness to take risks.[106] In this context, Ghanaian MSMEs already operating in resource-constrained environments may opt to remain informal or under-compliant rather than incur the administrative and financial risks associated with navigating a cumbersome regulatory process. Such behavior not only affects their growth and sustainability but also undermines national efforts toward formalization and regulatory compliance.

[103] Ghana Enterprises Agency (GEA), Annual Field Officers' Report on MSME Engagement (Accra: GEA, 2021).
[104] Heeks, Richard, Information and Communication Technology for Development (ICT4D) (New York: Routledge, 2017).
[105] Barry Bozeman and Gordon Kingsley, "Red Tape and Bureaucratic Dysfunction," Journal of Public Administration Research and Theory 8, no. 2 (1998): 273–302.
[106] Ibid; 273–302.

4.5 Formalization Barriers and Bureaucratic Inefficiencies

Another interesting finding is the existence of a large informal sector in Ghana, which is a direct consequence of regulatory burdens. Ghana Statistical Service found that an overwhelming 92.3% of businesses are informal. The informal sector is the backbone of Ghana's economy, accounting for about 70% of GDP and employing about 86.4% of the population. This attests to the study by ILAPI that, due to the delay, cost, and institutional overlaps, businesses failed to formalise and, to a large extent, expand to absorb the high labour force of the country. Again, the informal sector's large scale implies that many entrepreneurs have chosen to avoid regulations altogether. They operate without licenses or formal tax registration to escape the delays and costs detailed earlier. This perpetuates a vicious cycle: informal businesses cannot access credit or the government's stimulus package, and create jobs to end poverty. As a result, creating too large a regulatory hurdle for formalization keeps the MSMEs in the shadows, which affects revenue generation for the government.

4.5.1 Digital Limitation to Registration

As part of accessing how easy the process of registration of businesses in Ghana is, about ten (10) major key regulatory agencies namely; FDA, GTA, GRA, NITA, GSA, ORC, GNFS, AMA, EPA, and the Factory Inspectorate were examined on three practical measures of digital accessibility for entrepreneurs and businesses seeking certificates, licenses, or permits: (1) whether registration or licensing can be completed online, (2) whether fee and cost information is publicly published, and (3) whether application forms can be downloaded directly from the agency's website. Together, these three indicators offer a simple but revealing lens on how "business-friendly" and transparent each agency's digital presence actually is. *See the summary table below*

Summary Table

Agency	Online Registration/Lic	Cost/Fee Info Published?	Application Form	Duration (All not clearly
FDA	No	Yes	Yes	Up to 12 months
GTA	No	Yes	Yes	Not disclosed on website (*up*
GRA	Yes	Yes	Yes	TIN: instant online, or 1–14
NITA	No	No	No	Not disclosed on website (*Up*
GSA	No	Yes	Yes	Not disclosed on website
ORC	No	Yes	Yes	Not disclosed on website
GNFS	No	No	No	Not disclosed on Website
AMA	No	Yes	Yes	Not on website (*Temporary*
EPA	No	Yes	Yes	Up to 90 working days
Factory Inspectorate	No	No	No	Not publicly stated

Source: Agencies' Website (2025/2026)

Based on the table above, agencies with all three categories (Online Registration/License Application, Cost/Fee Info Published, Application Form Downloadable) are six (1) out of the ten (10). FDA, GTA, GRA, ORC, AMA, and EPA meet all categories for ensuring easy access to information.

Agencies that miss at least one of the categories are four (9) of the ten (10), including: FDA, GTA, GRA, ORC, AMA NITA, GNFS, EPA, and Factory Inspectorate. Among these, Factory Inspectorate failed all the categories.

Although Inspection-based-safety certifications such as fire and factory require some level of physical confirmation, the documentation services should be encouraged to be accessed remotely. The focus is not on agency size or importance, but on whether the core service can be completed digitally (remotely) without much frustration and bottlenecks. This will eventually create a more friendly business regulatory ecosystem in Ghana for start-ups and businesses to formalize and expand.

4.6 Comparison of Ghana's Business Readiness

To have a full understanding of the situation businesses face in Ghana, it is imperative to comparatively draw inspiration from other African countries as far as creating a suitable environment for doing business is concerned. *See the table below*

Table 4.6: Comparison of Business Readiness

Indicator	Ghana	Rwanda	Mauritius	Kenya
Global Position	Mid-tier (outside global top 50–60)	**Top 3 globally** (Rwanda Dispatch)	Top 5–10 globally (Africa top tier)	Upper-middle tier in Africa
Overall Score (Approx.)	56–57 (regional mid performer)	67–68 (Africa's highest) (Rwanda	63+ (consistently high Africa	58–62 (mixed performance across pillars)
Business Entry Efficiency	Moderate (slow but improving digital	**Very High (fastest in Africa)**	High (efficient and stable systems)	Moderate–High (strong eCitizen platform)
Regulatory Quality	Moderate (duplication of agencies,	Very High (clear and predictable rules)	Very High (strong investor protection	Moderate–High (improving but uneven
Public Services for Business	Moderate (digitisation improving but	**High (fully digital systems in many areas)**	High (efficient institutional delivery)	Moderate–High (strong digital services, weak
Operational Efficiency	Moderate (bureaucratic delays remain)	**Very High (globally ranked top 15–**	High (stable and predictable execution)	Medium (fast in cities, slower outside urban
Key Strength	Reform progress, growing digital	**World-class reform execution**	Strong legal/institutional environment	Digital innovation
Key Weakness	Regulatory duplication & bureaucracy	Small market size	High cost of compliance	Uneven enforcement across counties

Source: World Bank Business Readiness (2025)

The B-READY comparison table shows, Ghana is not fundamentally weak on business regulation; rather, it is held back by three operational bottlenecks: duplicate regulations, business entry inefficiency, and operational inefficiency. The evidence is that Ghana already has functioning digital systems, a stable democratic environment, and an established private sector. If these three bottlenecks are addressed, Ghana could reasonably close much of the gaps with Kenya and begin competing with Mauritius and Rwanda in business readiness.

The problem is coordination, not capability. Ghana's B-READY position reflects institutional fragmentation more than institutional absence. Multiple agencies often demand similar permits, inspections, registrations, and fees for the same business activity. This raises compliance costs without increasing public safety or consumer protection.

To many businesses, every duplicated step acts like an extra tax. Thus, when a manufacturer, hotel, or ICT firm must obtain overlapping approvals, the business pays twice: once in fees and again in time. For instance, a business may register with one agency, obtain a sector licence from another, undergo similar inspections by multiple bodies, and pay separate fees for overlapping functions. Firms end up spending excessive time dealing with inspections, renewals, customs procedures, and utility connections.

ILAPI believes strategically that these can be resolved if, as a nation create a single-business-permit architecture in which one lead agency coordinates approvals and shares data across regulators. This will not only statistically increase regulatory quality scores but will eventually impact businesses in terms of lower compliance costs and fewer delays. Again, both local and foreign investors would priorities Ghana in doing business for economic prosperity.

CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.0 Introduction

The previous chapter focuses on data analysis and interpretation and ranking of BRI. However, this chapter consists of the summary of findings, conclusion, and policy recommendation.

5.1 Summary of Findings

The summary of findings is based on various objectives of the study.

5.1.1 Regulatory Challenges Hindering SMES And Business Growth in Ghana

The findings from the study reveal significant bureaucratic and regulatory challenges that hinder the growth and sustainability of MSMEs in Ghana. The data highlight inefficiencies in the business registration, licensing, and permitting processes, as well as financial burdens imposed on entrepreneurs, which collectively contribute to the relatively short lifespan of many MSMEs when they are to go through similar processes each year to renew.

A closer look at the duration of operation among MSMEs shows that a substantial majority 78.7% have been in existence for less than ten years, with 18.5% operating for less than a year. This pattern suggests a high rate of business turnover and raises concerns about the sustainability of enterprises in Ghana's SME sector. These trends may be closely linked to the bureaucratic constraints that businesses face in their formative years, particularly in navigating the regulatory environment.

One of the most prominent challenges identified is the delay in issuance of business registration certificates and operational licenses. Although the stipulated period for issuing a business certificate in Ghana is approximately 14 working days, the study revealed that over 63% of MSMEs did not receive their certificates within this timeframe. Specifically, 40.83% received certificates after more than a month, and 22.8% waited 3 to 4 weeks. A similar trend was observed in the licensing process, where 36.1% of MSMEs waited from one to over four months to receive their licenses, while 63.9% were operating without licenses at the time of the survey. These delays indicate a systemic inefficiency in the regulatory institutions responsible for business documentation and licensing, which may erode the confidence of entrepreneurs in the formal regulatory system. Despite these inefficiencies, if businesses are caught operating without a license, the business will be closed and subjected to sanctions.

The permit acquisition process, however, appeared slightly more efficient, with 62.3% of businesses receiving permits within a month. Despite this relative improvement, the variability in processing times still reflects inconsistencies in bureaucratic operations and service delivery among the institutions involved.

In addition to delays, the costs associated with registration, licensing, and permits present significant financial barriers to MSMEs. The study found that the average cost of registering a business was GH₵1030, with expenditures ranging from GH₵60 to GH₵2000. Similarly, the cost of obtaining a permit averaged GH₵1275, while licenses cost an average of GH₵1600, with some businesses spending up to GH₵3000. These high costs can be attributed in part to the use of unofficial intermediaries or "Goro Boys," who exploit the complexity and inaccessibility of formal procedures. The presence of such middlemen does not only inflate the cost of compliance but also highlights the lack of transparency and inefficiency in the regulatory system.

Furthermore, the involvement of multiple institutions with overlapping responsibilities in the registration and licensing process exacerbates the challenges faced by MSMEs. Entrepreneurs are often required to navigate through various agencies, each with its own requirements, timelines, and fee structures. This fragmented institutional setup creates unnecessary duplication and increases the administrative burden on businesses, particularly those that are resource-constrained. Such a system can discourage formalization and compliance, leading many businesses to remain informal or withdraw from the process altogether.

5.1.2 The Impact of The Regulatory Barriers on The Operational Efficiency and Profitability of SMES.

The regulatory challenges highlighted in this study have significant implications for the operational efficiency and profitability of MSMEs in Ghana. Operational efficiency enables businesses to be able to deliver goods and services in a cost-effective, timely, and reliable manner. This is directly influenced by the regulatory environment in which businesses operate. When the processes required to legally establish and run a business are overly bureaucratic, time-consuming, and costly, SMEs are forced to divert vital resources from core operations to administrative compliance. This negatively affects both their performance and profitability.

Operational Delays and Inefficiencies

One of the most immediate impacts of regulatory barriers is operational delay. As shown in the study, the majority of MSMEs experienced substantial delays in acquiring business certificates and licenses, with over 63.9% operating without the appropriate licenses due to the length of the approval process. These delays limit the ability of businesses to function within legal boundaries and may prevent them from securing contracts, accessing formal credit, or entering into partnerships with larger organizations that require regulatory compliance. In effect, such delays reduce the speed at which MSMEs can enter the market, respond to demand, and expand their customer base.

…therefore, "delays in acquiring necessary documents for business operation is the cause for non-formularization of Businesses in Ghana", said by a participant.

… Once there is less formularization, revenue mobilization becomes a challenge and business growth is equally leads to restriction for fear of being sanctioned, said by a participant.

Also, the fragmented and complex registration process characterized by the involvement of multiple institutions, demands time and effort from entrepreneurs who could otherwise be focusing on business development and innovation.

Financial Stress and Profitability Constraints

The cost implications of registration, permitting, and licensing are another major constraint. The findings indicate that entrepreneurs spent an average of GH₵1030 to register a business, GH₵1275 to acquire a permit, and GH₵1600 to obtain a license. These expenditures, when considered against the backdrop of the limited capital typically available to MSMEs, constitute a heavy financial burden. And the use of middlemen or "Goro Boys" further inflates these costs, often without corresponding improvements in processing speed or service quality. These high upfront regulatory costs reduce the working capital available to businesses for inventory, marketing, staffing, and technological improvements, all of which are essential for achieving profitability. In many cases, businesses are likely be forced to operate informally or at reduced capacity, affecting expansion and growth from micro to large businesses which will eventually make them vulnerable to penalties and legal risks that further affect their financial stability.

Moreover, operating without the necessary licenses or permits can lead to temporary closures, legal sanctions, or loss of customer trust, each of which can result in direct revenue losses and long-term reputational damage. In this regard, the profitability of MSMEs is undermined not only by the initial financial expenditure but also by the operational risks associated with regulatory non-compliance.

Informalization and Limited Growth Potential

These regulatory barriers are likely to drive entrepreneurs to operate informally, avoiding the official processes altogether. While this may appear to offer short-term relief, it comes at the expense of long-term growth. Informal businesses often lack access to legal protection, credit facilities, government incentives, and formal market opportunities. As such, their ability to grow, attract investment, and scale operations is significantly diminished, making transition from small to large difficult, thereby reducing the ability to employ more workers solve the unemployment in Ghana.

Notwithstanding, several scholars such as Adjei (2012) argues that the nonavailability of essential infrastructure, including access roads, reliable power supply, water, sewerage, and stable internet has been a significant challenge hindering the growth and development of SMEs in Ghana as well.

5.2 CONCLUSION

For a country to developed economically, the MSMEs sector must be eco-friendly to grow and employ the citizens, whiles contributing revenue to government for developmental projects. However, the MSMEs environment in Ghana is not regulatory friendly, thereby pushing business to collapse, increasing unemployment and poverty. The findings empirically underscore the adverse impact of bureaucratic inefficiencies and regulatory complexity on MSME development in Ghana. The delays, high costs, and institutional fragmentation serve as structural barriers that hinder the growth, sustainability, and formalization of small businesses. They contribute to the informalization of the sector and undermine national efforts aimed at building a robust and inclusive entrepreneurial ecosystem. Furthermore, maintaining the momentum for reform will be vital to solidifying an entrepreneurial framework that can sustain long-term economic growth and further reduce poverty. Hence, persistent institutional impediments to economic freedom will continue to wreck the entrepreneurial and business environment. Despite progress, systematic bureaucracy and corruption remain deterrents to sustained and broad-based economic development in Ghana. This makes the business environment in Ghana a challenging one for investment.

5.3 RECOMMENDATIONS

Based on the findings, the study recommends the following;

- There is a need to address the bureaucratic challenges through comprehensive regulatory reform that streamlines the processes and minimizes institutional overlap. This will make the process transparent for Ghanaians and encourage business and economic growth thereafter.
- To avoid the interjection of Goro boys, the registration of the certificate, permit, and license must fully deploy the online system of registration. This will help businesses to even track each stage of the registration and reduce the payment of high costs since the payment will be done online as well.
- Also, Ghana should incorporate the models used by countries like the USA, China, and Germany.

For instance;

I. Crisis-Responsive Policies: The U.S. Paycheck Protection Program (PPP) protected MSMEs during the COVID-19 crisis. Ghana can build resilience by developing crisis relief mechanisms such as emergency loan facilities or tax relief schemes for MSMEs during economic shocks.

II. Decentralized Support through Local Government: Inspired by Shenzhen's Special Economic Zones (SEZs), Ghana can establish MSME-friendly zones in its regions where local governments streamline licensing procedures, offer tax incentives, and provide access to utilities and workspace.

III. Also, Promote Fintech-Based Lending: Drawing from Alipay and WeChat Pay, Ghana can support digital platforms that assess creditworthiness using transaction data, reducing MSMEs' dependency on collateral.

IV. Support Entrepreneurial Skills: Like Chinese e-commerce platforms, the Ghanaian government can collaborate with platforms such as Jumia or Tonaton to provide MSMEs with online training on digital marketing, financial literacy, and business management.

V. Launch Export Promotion Programs: Ghana can create initiatives similar to the U.S. Ex-Im Bank or Germany Trade & Invest, offering market entry assistance, export credit insurance, and trade fair support for Ghanaian MSMEs, and not monopolize the export avenue. This will help businesses grow and employ to reduce unemployment in Ghana.

- **Implement a Unified Digital Registration Platform**: There is a strong policy case for streamlining and harmonising regulatory processes. One important reform would be the establishment of a unified business licensing system, in which SMEs can obtain multiple regulatory approvals through a single, coordinated platform. In addition, regulatory agencies such as the GSA, FDA, EPA, and MMDAs could adopt mutual recognition agreements to reduce duplication in inspections and certifications. Joint inspection systems could also be introduced to allow multiple agencies to assess businesses simultaneously rather than separately, reducing time and cost burdens. Create an online "one-stop-shop" for business registration and licensing that links all relevant agencies. Automate procedures so that entrepreneurs can submit one application and receive all permits electronically. This eliminates redundant paperwork and prevents middlemen ("goro boys") for profiting from delays.
- **Decentralize Registration Services**: Empower local governments (MMDAs) to handle routine business registration and certification. By shifting approvals from Accra-centric offices to local municipal authorities, start-ups can obtain clearances more quickly and with less bureaucratic hurdles. This also spreads administrative capacity across the country, reducing regulatory bottlenecks.
- **Harmonize and Streamline Regulations:** Conduct a comprehensive audit of existing business laws and licenses to identify overlaps. Repeal outdated Acts and merge parallel permits. For instance, consolidate environmental approvals (EPA, Public Health) and safety inspections into a single certificate where feasible. This will promote legislation harmony and will reduce the ·difficulty associated with registration" and speed formalization. The FDA and MMDAs advertisement fees must be harmonized to avoid duplications. Again, establishing progressive compliance standards, where small enterprises face simplified rules could ease this transition. Removing duplicative inspections or merging tiers of certification would directly raise the transition rate. In sum, cutting administrative red tape is key to transforming a greater share of micro enterprises into job-creating medium firms.

ILAPI's Sectoral One-Stop Shops: Tailor reform to key industries:

1. **Manufacturing:** Establish an industry-specific portal where all required permits (e.g. manufacturing license, EPA clearance, factory inspection) are granted through a single coordinated process. Simplify the licensing regime by eliminating rarely used factory and industrial design permits, and ensure the Ghana Standards Authority coordinates with EPA, and FDA to avoid duplicate testing.
2. **ICT/Technology:** Streamline communications and data regulations. Merge related ICT licenses (e.g. electronic transactions, data protection, NCA telecom license) into a unified "tech start-up" registration. Provide expedited approvals for digital firms and waive non-critical fees, since the ICT sector drives innovation and high-value exports.

3. **Tourism and Hospitality**: Integrate tourism licensing under the Ghana Tourism Authority. For example, combine hotel and catering licenses with health and safety certifications into a single tourism enterprise permit. Simplify zoning and building approvals for guesthouses. This will encourage more tourism entrepreneurs to enter the formal sector.

Digitize Post-Registration Compliance: Beyond start-up, move annual filings and certifications online. For instance, allow tax and regulatory returns to be filed via mobile app or the websites. Continuous digital engagement with regulators reduces face-to-face interactions and speeds up the processes. When a business files its annual audit report to the GRA, it should automatically reflect with the ORC. There should be no need to file separately at both business entry regulatory institutions.

- **Websites should be effective and informative:** The websites of the various regulatory agencies should have registration information. This information should be visible and easy to get, including the fees to be charged. Also, an annual report on the number of MSMEs that had registered and renewed, and those yet to renew, should be displayed on the website. This will bridge the information gap between the regulators and businesses.
- Reduce the number of certificates and permits: The number of certificates and permits should be reduced to encourage MSMEs to formalize, transition, and create more jobs. For instance, if a micro-manufacturing business requires 13 certificates, permits, and licences to operate and takes approximately 10 years to transition from micro to small enterprise status, reducing the regulatory requirements from 13 to 7 would represent a reduction of nearly 50%. Such a reduction could significantly shorten the transition period, potentially reducing the time required for a business to grow from micro to small status from 10 years to approximately 5 years. This is because regulatory compliance is expensive, and if deliberately made less expensive, businesses would be able to invest in innovation and growth rather than excessive compliance.
- **Extend the business renewal period from one year to at least two or three years:** Government should consider increasing the validity period for business registrations, licences, and permits from annual renewal to a minimum of two years. This would reduce the frequency of administrative procedures, lower compliance costs, save businesses time, and allow entrepreneurs, particularly MSMEs, to focus more on productive activities and business growth rather than repetitive renewal processes. This is one of the major challenges that frustrates MSMEs every year in Ghana, and largely affects growth and transition. Therefore, instead of a business having to renew every year, it would renew once every two years or more, reducing the number of renewal procedures by half over the same period. This would reduce the excessive time and financial resources MSMEs spend on repetitive compliance procedures each year, allowing them to redirect these resources towards productive activities such as investment, expansion, technology, skills development, and employing workers.

- **Regulatory Exemptions and Growth Incentives.** Government should introduce targeted regulatory and tax exemptions for start-ups and growing businesses to make formalisation easier and encourage enterprises to expand and create employment. New businesses could be allowed to register through a simplified process with reduced or exemptions from selected regulatory requirements and fees during their early years of operation, while existing businesses that demonstrate measurable growth in turnover, investment, and employment could qualify for temporary tax relief or other regulatory incentives. Such a system would reduce the initial cost of formalisation, encourage more informal businesses to enter the formal economy, and provide firms with an motivation to grow rather than remain small to avoid regulatory and tax burdens. As more businesses expand and employ additional workers, they can absorb unemployed and underemployed young population and reduce the pressure on government to create jobs directly. Increased employment would also improve household incomes and enable more people to meet their basic living expenses through earned income, potentially reducing long-term dependence on social protection programmes such as LEAP and the School Feeding Programme. This approach would therefore use the private sector as a stronger engine for job creation, enterprise growth, and poverty reduction.

Each recommendation above follows the principle of minimal necessary regulation. By streamlining processes, eliminating duplicated requirements, making the administrative procedures transparent, Stronger coordination across all regulators, and leveraging technology to ensure interoperability in registration process will not only easy the frustration among businesses but the government can dramatically reduce the administrative load. These reforms supported by the ILAPI study's evidence will not only speed business formation but also foster a culture of formal and dynamic entrepreneurial ecosystem in Ghana.

ABOUT THE AUTHORS

Peter Bismark Kwofie

Peter Bismark Kwofie is the CEO/President of the Institute for Liberty and Policy Innovation (ILAPI), Ghana. He leads the Institute's policy research and advocacy work on economic freedom, limited government, and entrepreneurship across Africa, and has been a consistent public voice on regulatory reform, public financial management, and private-sector-led industrialisation in Ghana. His commentary and analysis on business regulation, government spending, and economic policy have been widely featured in the Ghanaian and foreign media. His research interests include Africa's economic prosperity, governance, and international conflict studies.

Stephen Dansu

Stephen Dansu is the Senior Research and Policy Analyst at the Institute for Liberty and Policy Innovation (ILAPI), where he leads the design and execution of the Institute's research projects, including national surveys on public policy issues. He has led ILAPI studies on government expenditure, access to unclaimed funds, and business regulatory barriers, and is skilled in public policy analysis, research methodology, data analysis, and report writing. He previously served as a Research Assistant at ILAPI and has gained experience as a research and teaching assistant from the Kwame Nkrumah University of Science and Technology (KNUST).

ILAPI INSTITUTE FOR LIBERTY AND POLICY INNOVATION

ATLAS NETWORK