

SMALL BUSINESS, BIG IMPACT

THE STATE OF ENTREPRENEURSHIP IN GHANA

1,000+ SMALL BUSINESSES SURVEYED



FIDO



Dear Valued Partners and Stakeholders,

It is with great pleasure that we bring to you the inaugural copy of Fido's State of Entrepreneurship in Ghana Report. As part of this inaugural report, we surveyed over a thousand small businesses, highlighted some of the challenges they face, and attempted to aggregate suggested solutions to these challenges. For Fido, this is part of our journey towards building a more sustainable and impactful future, whilst highlighting the progress we've made and the collective efforts we continue to invest towards driving positive change in the communities and environments we serve.

Fido's mission is to empower individuals and businesses in Africa to capture opportunities. At the core of this mission is our firm belief that businesses can be, and must be a force for good. As such, sustainability is no longer a choice—it's an imperative.

We are therefore committed to making a tangible difference by integrating impact and sustainability principles into every aspect of our operations, and we are focused on aligning our business strategies with long-term sustainability goals.

On behalf of our founders, executives and employees, I want to take this opportunity to express my gratitude to each of you for your ongoing support.

To our partners, including Other Financial Institutions Supervision Department of the Bank of Ghana (OFISD), Stanbic Bank Ghana LTD, Growth Investment Partners (GIP) and Access Bank Ghana PLC, we couldn't have come this far without your continuous support. Together, we are not only making a difference today but also ensuring a better tomorrow. We look forward to continuing to work hand-in-hand, as we move toward a future where sustainability, inclusivity, and ethical responsibility are the cornerstones of business success.

Thank you for being part of this exciting journey.

Warm regards,

Sebastian Quansah
CEO, Fido Ghana





S U M M A R Y :

UNLOCKING GROWTH FOR GHANA'S SMALL BUSINESSES

Ghana's micro and small businesses are the backbone of the economy, yet many face persistent barriers that limit their growth and financial stability. This report explores the key challenges entrepreneurs encounter—ranging from limited access to capital and formalization hurdles to operational constraints and financial literacy gaps.

Through extensive research, including surveys of over 1,000 small business owners, the report uncovers the systemic obstacles preventing microenterprises from scaling. It highlights how innovative financial solutions, strategic partnerships, and capacity-building initiatives can unlock opportunities for entrepreneurs, fostering sustainable economic development.

Key insights from the report demonstrate the transformative impact of accessible financing. Entrepreneurs who secure funding are able to invest in better equipment, expand their operations, hire employees, and strengthen local supply chains—creating a ripple effect that benefits entire communities.

By bridging the financing gap and providing tools for long-term resilience, stakeholders—including financial institutions, policymakers, and development partners—can play a pivotal role in catalyzing inclusive economic growth. This report aims to serve as a resource for fostering collaboration and shaping solutions that empower Ghana's entrepreneurs to thrive.



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Small businesses drive economic growth, create jobs, & uplift communities, cementing their importance to the nation's progress.

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Entrepreneurs face chronic hurdles such as limited access to capital and informality, restricting their ability to scale and innovate.

3. Unlocking Potential: Benefits of Access to Capital

Access to funding helps businesses address cash flow issues, expand operations, and adopt innovative practices.

4. The Way Forward: Empowering Business Growth

Hands-on tailored funding opportunities, education, and inclusive policies are vital to enabling entrepreneurs to thrive.





Chapter 1

SMALL BUSINESSES – THE BACKBONE OF GHANA’S ECONOMY



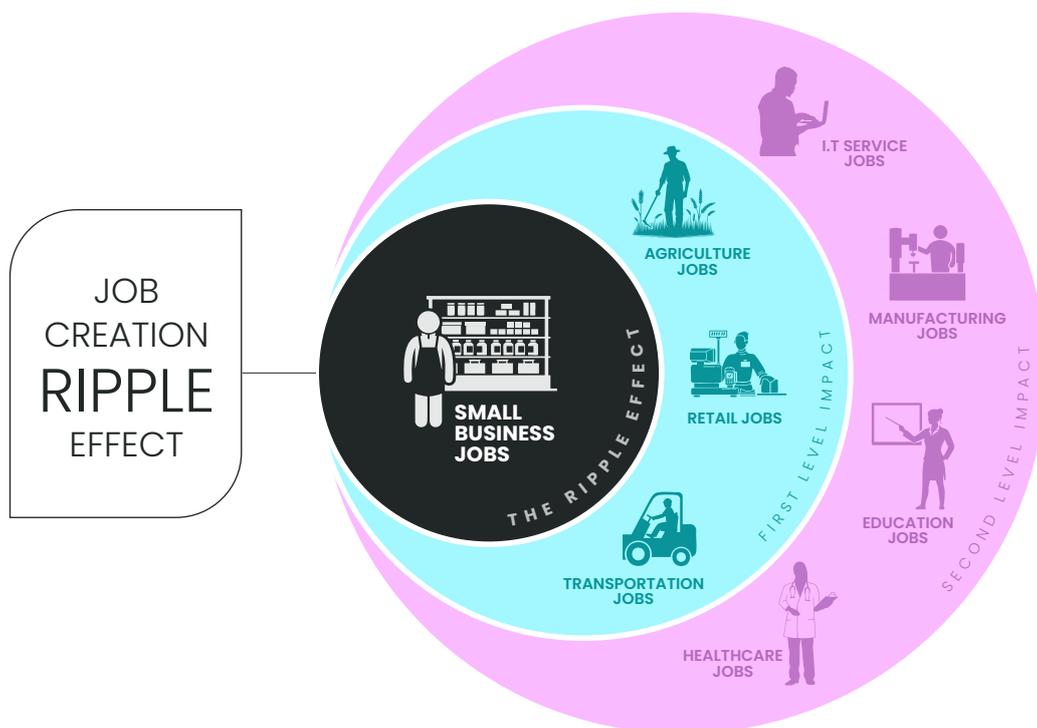
Micro Enterprises in Ghana are the backbone of the nation's economy, playing a pivotal role in driving GDP, creating jobs, and fostering community resilience.¹ These businesses encompass a diverse range of entrepreneurial ventures, from solo-run operations that include barbershops and food stalls to slightly larger setups, such as tailoring shops and small-scale traders.

Typically employing up to 5 workers, these enterprises operate in sectors like retail, agriculture, and informal services, filling essential gaps in goods and service delivery across urban and rural areas.

Collectively, these micro enterprises contribute an estimated **70% to Ghana's GDP**,² dominating key sectors and ensuring the circulation of money within grassroots economies. By providing employment opportunities and bolstering financial stability, they empower individuals and uplift entire communities.

For example, a barbershop in Accra or a pineapple stand in Kumasi not only generates revenue for its owner but also supports related industries such as suppliers and transporters, contributing to broader economic activity and industry growth.

Small businesses create a ripple effect in Ghana's economy. For every 1 job in this sector, an additional **2.5 jobs are indirectly supported across industries such as agriculture, retail, and transportation.**³



¹ Enhancing MSMEs: Enhancing MSMEs: An Economic Development Imperative. Business & Financial Times, February 12, 2024.

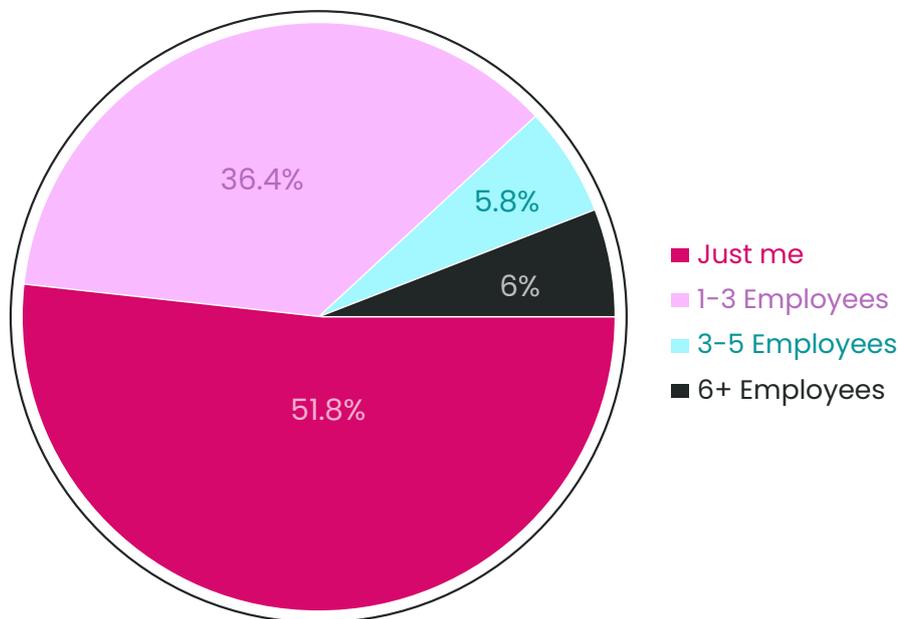
² Data based on the Employment Multiplier methodology (ILO, 2020)

³ Gyimah, P., & Boachie, W. K. (2018). Effect of microfinance products on small business growth: Emerging economy perspective. Journal of Entrepreneurship and Business Innovation, 5(1), 59-71.A

Small Businesses: A Gateway to the Employment Market

Beyond economic growth, small businesses are significant job creators, providing employment opportunities for **82% of Ghana's workforce**.^{4,5} These businesses are particularly important for youth employment, addressing a critical challenge in Ghana's development.

ENTREPRENEURSHIP AND JOB CREATION⁶



Fido's recent survey revealed that **26% of businesses that used their loans for growth expanded their workforce after receiving financial support**. Many of these businesses focused on hiring young people, addressing critical barriers to formal employment within their communities.⁷ For example, a food vendor in Tamale shared how she hired two assistants to meet growing demand after receiving a microloan.

*"The loan allowed me to grow my business and help others find work. We're all benefiting together."
(Food Vendor – Tamale).*

This employment extends beyond financial benefits, offering young workers an opportunity to gain skills and experience that contribute to long-term economic inclusion.

⁴ Ghana Statistical Service's Integrated Business Establishment Survey II (IBES II, 2016)

⁵ Ghana Chamber of SMEs. (2023, December 15). Economic contribution of Small and Medium-sized Enterprises (SMEs) in Ghana as of 2023, by category

⁶ Source: Fido small business survey. See methodology on the last page.

⁷ Global Communities. (2018). Barriers and Solutions to Youth Employment in the Ghanaian Construction Sector"



Small Businesses: Strengthening Communities

The impact of small businesses goes beyond job creation and GDP contributions. These businesses act as social stabilizers within their communities. Increased profits often enable owners to reinvest in education, healthcare, and other family needs.

For example, a retail shop owner in Kumasi shared that the extra revenue helped cover school fees and home improvements. Another respondent, a farmer, noted that income from his expanded operations allowed him to provide training opportunities for other farmers in his area.

The impact of small businesses extends beyond individual business success, transforming families, neighborhoods, and entire communities. These enterprises often act as engines of social stability, reinvesting their profits into local infrastructure, education, and livelihoods.

For instance, our survey data revealed that 85% of respondents reported their business growth directly benefited their families or communities. A retail shop owner in Kumasi shared: “The additional revenue helped pay for my children’s school fees and improve our living conditions.” Another respondent, a farmer, described using profits from expanded operations to provide training opportunities for other farmers, boosting local agricultural productivity.

A global MIT study⁸ on local economies notes that reinvested profits in small businesses are highly correlated with infrastructure improvements and improved civic engagement. For example, small businesses trading within a community often circulate income locally up to 60%, amplifying economic benefits for everyone involved. Similarly, in Ghana, informal markets supported by small businesses provide critical goods and services, reinforcing the economic fabric of local neighborhoods.

“When I grow, my family grows – and so does my community. It’s not just about money; it’s about building something bigger.” – Alice



Chapter 2

OVERCOMING BARRIERS: CHALLENGES FOR SMALL ENTREPRENEURS





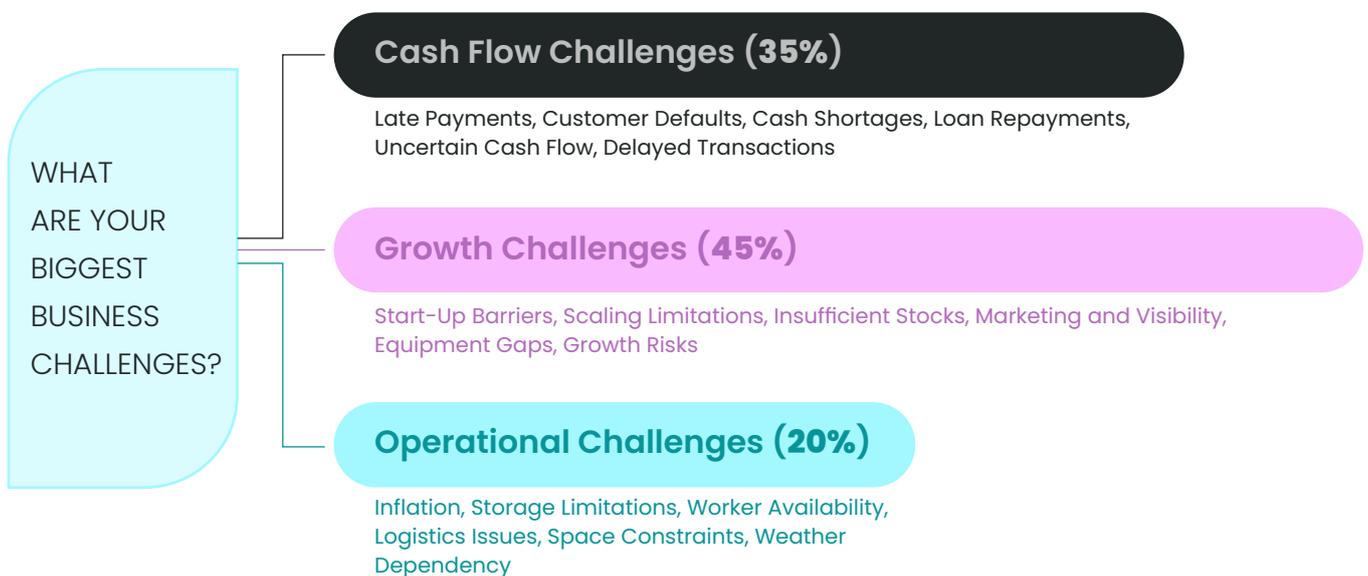
Limited Access to Capital

One of the most significant barriers small entrepreneurs face is access to funding. Our survey data reveals that 87% of respondents identified insufficient capital as the primary obstacle to expanding their businesses.

Entrepreneurs often struggle to secure loans due to lack of collateral or the absence of a formal credit history. For instance, a logistics operator highlighted how financial constraints delayed critical equipment upgrades, impacting operational efficiency.



CHALLENGES SMALL BUSINESSES FACE⁹



⁹ Source: Fido small business survey. See methodology on the last page.



Financial Strain: Liquidity & Rising Costs

For small businesses, maintaining steady cash flow is a persistent struggle. Many entrepreneurs face liquidity challenges, where inconsistent revenue makes it difficult to cover daily expenses, pay workers, and reinvest in their businesses.

This issue is compounded by rising operational costs driven by inflation and fluctuating input prices. Survey respondents highlighted how price instability affects their ability to maintain inventory and meet customer demands. A small-scale farmer explained how soaring agro-input costs limited crop production, while a trader cited unpredictable rent hikes as a constant financial strain.

Without reliable access to working capital, these businesses are forced to make tough decisions—delaying restocking, reducing staff, or cutting essential expenses—all of which threaten long-term stability and growth. Addressing these financial pressures requires greater access to flexible funding solutions that help entrepreneurs manage cash flow and adapt to changing market conditions.

Growth Challenges: The Struggle to Scale

For many small businesses, growth represents both a dream and a significant challenge. While they aspire to scale and expand, they often encounter a glass ceiling that limits their progress.

Survey data highlights how entrepreneurs use loan funds to drive growth in tangible ways, such as expanding to new locations, purchasing essential equipment, and hiring additional workers. For example, a tailoring shop used its loan to purchase fabric directly from a supplier in bulk, cutting out middlemen and reducing costs. This not only improved profit margins but also enabled the launch of a new clothing line that attracted a wider customer base.

Additionally, many entrepreneurs use loans to hire staff, allowing them to increase capacity and take on larger projects. Others invest in equipment to enhance efficiency and meet rising demand. These practical steps showcase how access to capital can break the glass ceiling for small businesses, unlocking their ability to scale and compete in broader markets.

Tailored financial solutions are essential to help entrepreneurs overcome these growth barriers, empowering them to innovate and achieve sustainable success.



Informality & Compliance: A Growth Hurdle

Many small businesses in Ghana remain unregistered due to the high costs and complexity of compliance. This limits their access to financial services, government support, and formal markets. Without proper documentation, entrepreneurs struggle to secure credit, scale their operations, or qualify for business incentives.

Financial institutions like Fido help address this by using technology to assess creditworthiness without requiring extensive paperwork.

Keeping Talent: Workforce Struggles

High employee attrition disrupts operations, raises hiring costs, and affects service quality. Many businesses invest in training, only to face sudden staff departures without notice. The lack of structured contracts worsens the issue, making it hard to enforce notice periods.

To address this, businesses can implement contracts requiring advance notice or compensation, ensuring continuity and protecting workforce investments.

Support Needs: Bridging the Gap

Despite their contributions, small businesses face systemic challenges, with limited access to financial services topping the list. A lack of credit often forces small businesses to operate below capacity, stalling growth and innovation.

Loans have emerged as a game-changer, bridging the financial gap for small businesses and empowering them to expand, innovate, and create lasting impacts. By addressing these challenges through targeted financial solutions, Ghana can unlock even greater potential from its small business ecosystem.

Barriers Ripple Out: Impact Beyond Business

These challenges have broader implications, impacting not only the entrepreneurs but also their families and communities. Businesses unable to scale often struggle to create jobs or invest in community development, reinforcing cycles of economic stagnation.

To address these barriers, targeted interventions such as tailored financial products, streamlined registration processes, and support for cost-effective operations are crucial. These measures can help entrepreneurs overcome existing hurdles, unlocking their potential to drive growth and innovation.



Chapter 3

UNLOCKING POTENTIAL: BENEFITS OF ACCESS TO CAPITAL





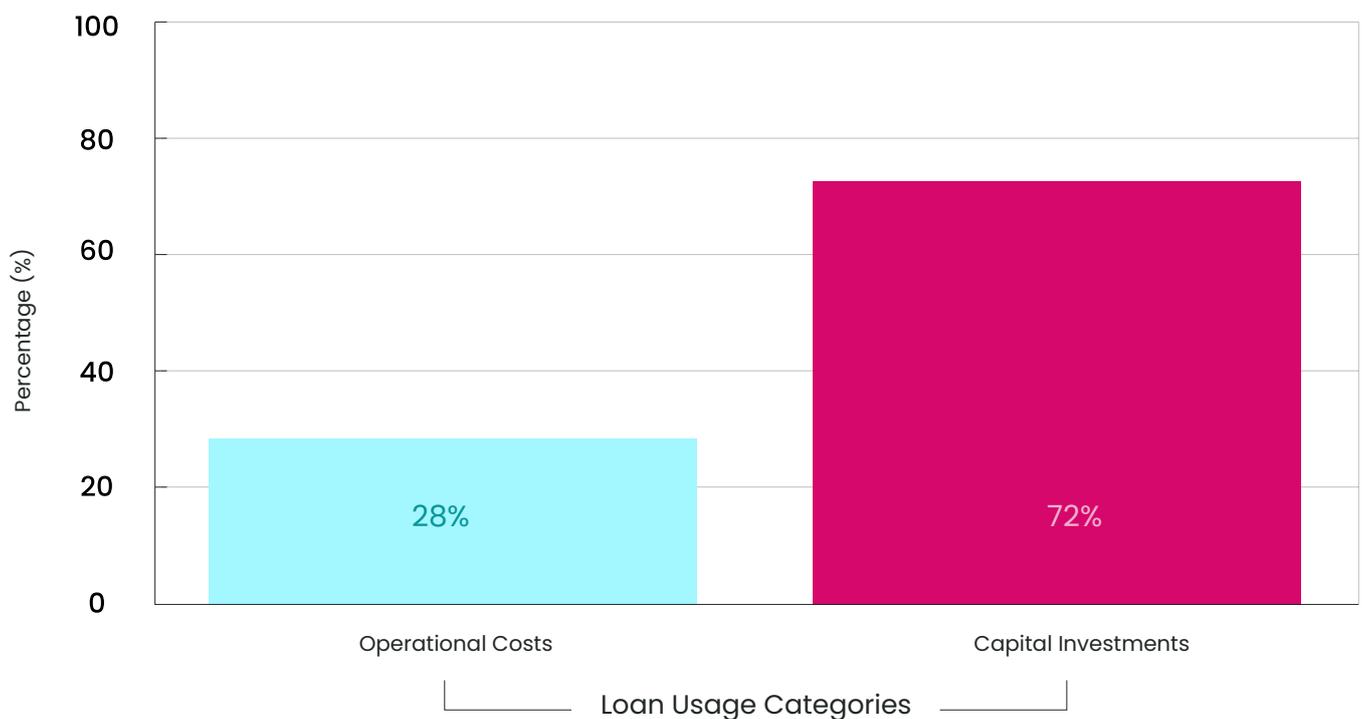
Defying Expectations: From Liquidity Relief to Growth Opportunities

When analyzing the impact of business loans, we initially expected the majority to be used for addressing liquidity challenges like paying bills, utilities, or settling debts. Indeed, 28% of respondents confirmed using their loans for these immediate financial needs. As one borrower shared, “The loan was a lifesaver—without it, I wouldn’t have been able to pay my rent or keep the lights on.”

However, to our surprise, a significant 72% of respondents used their loans as a catalyst for growth. These businesses reinvested in restocking inventory, expanding operations, or purchasing equipment to scale their activities. For instance, one entrepreneur noted, **“I used the funds to buy new equipment, which allowed me to take on larger projects.”**

This unexpected trend highlights the transformative potential of business loans, turning them into tools for growth rather than just a means of survival, enabling businesses to achieve progress and long-term prosperity.

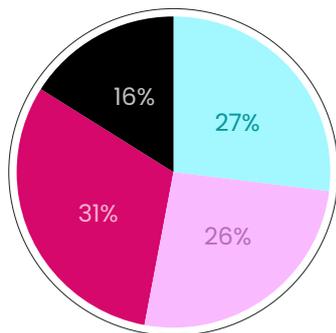
MICROLOAN USAGE SPLIT: OPERATIONAL VS CAPITAL INVESTMENTS¹⁰



¹⁰ Source: Fido small business survey. See methodology on the last page.

Building Resilience: Overcoming Liquidity Challenges

DID THE LOAN KEEP YOUR BUSINESS GOING?



■ A few months ■ A few days
■ A few weeks ■ No it didn't

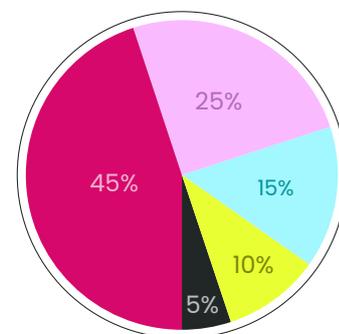
For small entrepreneurs, the ability to maintain operations during times of financial strain is crucial. Many business owners in our survey highlighted how access to loans helped them navigate challenges such as delayed customer payments, unexpected maintenance costs, or rising utility bills.

Approximately 28% of loans were reported used to manage liquidity issues, with a significant proportion emphasizing that without these funds, their businesses would have faced closure. One respondent stated:

“The loan helped me pay my overdue rent and clear some debts, keeping my shop open.” Another shared, “I was able to restock during a slow season, which prevented me from losing loyal customers.”

These stories illustrate the transformative impact of loans on financial stability. A key takeaway is that these loans don't just prevent short-term disruptions; they allow entrepreneurs to think strategically. When businesses are no longer in survival mode, they can focus on building toward long-term success.

WHAT DID THE LOAN HELP YOU DO?



■ Pay Bills & Utilities ■ Personal or Family Needs
■ Settle Debts ■ Other
■ Emergency Expenses



Fueling Growth: Opportunities for Expansion

Growth is a primary aspiration for most entrepreneurs, yet a lack of funds often stalls progress. Survey data shows that **72% of respondents used loans for expansion-related purposes, such as increasing inventory, upgrading equipment, or opening new locations.** One respondent shared:

“With the loan, I was able to buy stock in bulk, reducing costs and improving profit margins.”

Another business owner detailed how loans helped them scale operations:

“I used the funds to hire two workers, which allowed me to serve more customers and take on bigger projects.” These investments not only boost revenue but also create a positive economic ripple effect, as businesses generate more jobs and spend more on local goods and services.

Interestingly, growth isn't limited to financial gains. Many entrepreneurs used their loans to enhance customer satisfaction. As one owner explained:

“By offering new products, I attracted more customers and improved my reputation in the community.”

BUSINESS GROWTH DRIVERS¹¹



¹¹ Source: Fido small business survey. See methodology on the last page.



Entrepreneur Spotlight: Rosemary's Journey

Rosemary, a skilled cosmetic formulator, turned her passion for natural skincare into a thriving business. What started as a small operation quickly gained momentum as demand for her handmade soaps, creams, and cleansers grew. However, managing increasing orders while maintaining cash flow became a challenge. She needed financial support to stock essential ingredients, fulfill customer requests, and keep operations running smoothly.

"The loan allowed me to expand production, fulfill customer orders on time, and keep my business running without interruption."





Rosemary's Journey Cont'd

With increased working capital, Rosemary scaled production by 30–40%, ensuring a steady flow of revenue and greater financial security. The growth also had a ripple effect—creating employment opportunities within her community, beginning with hiring her sister to assist with marketing and distribution.

“Beyond growing my business, I was able to provide employment, which is something I never imagined when I first started.”

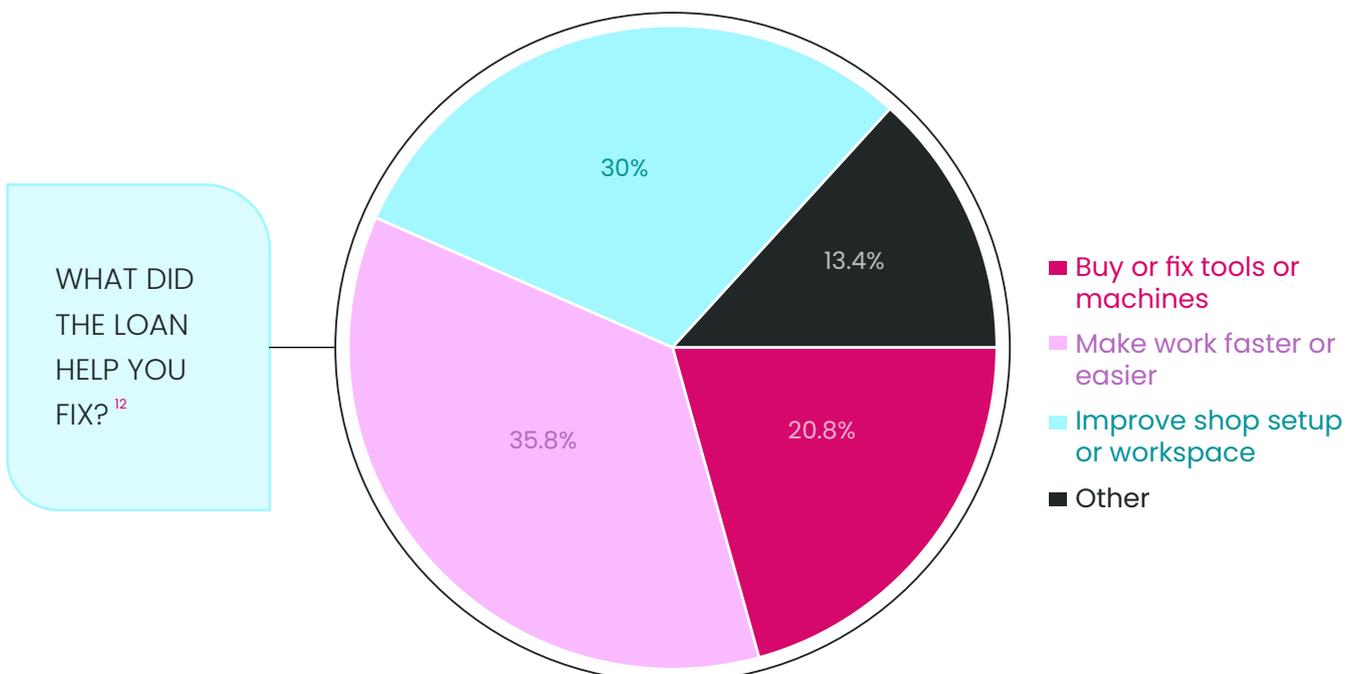
Her journey highlights how access to the right financial tools can empower entrepreneurs to scale, create jobs, and uplift their communities.

Efficiency & Innovation: Tools for Transformation

Loans also enable entrepreneurs to make operational improvements, introducing efficiency and fostering innovation. Approximately 19% of respondents who used loans for growth used them to purchase tools or technology that streamlined their processes. For instance, one entrepreneur noted:

“With better equipment, I reduced production time by 50%, allowing me to fulfill more orders.”

Innovation was another recurring theme. Entrepreneurs reported testing new product lines or exploring digital tools to reach broader audiences. These initiatives not only increased profitability but also positioned businesses as adaptable and forward-thinking.



¹² Source: Fido small business survey. See methodology on the last page.

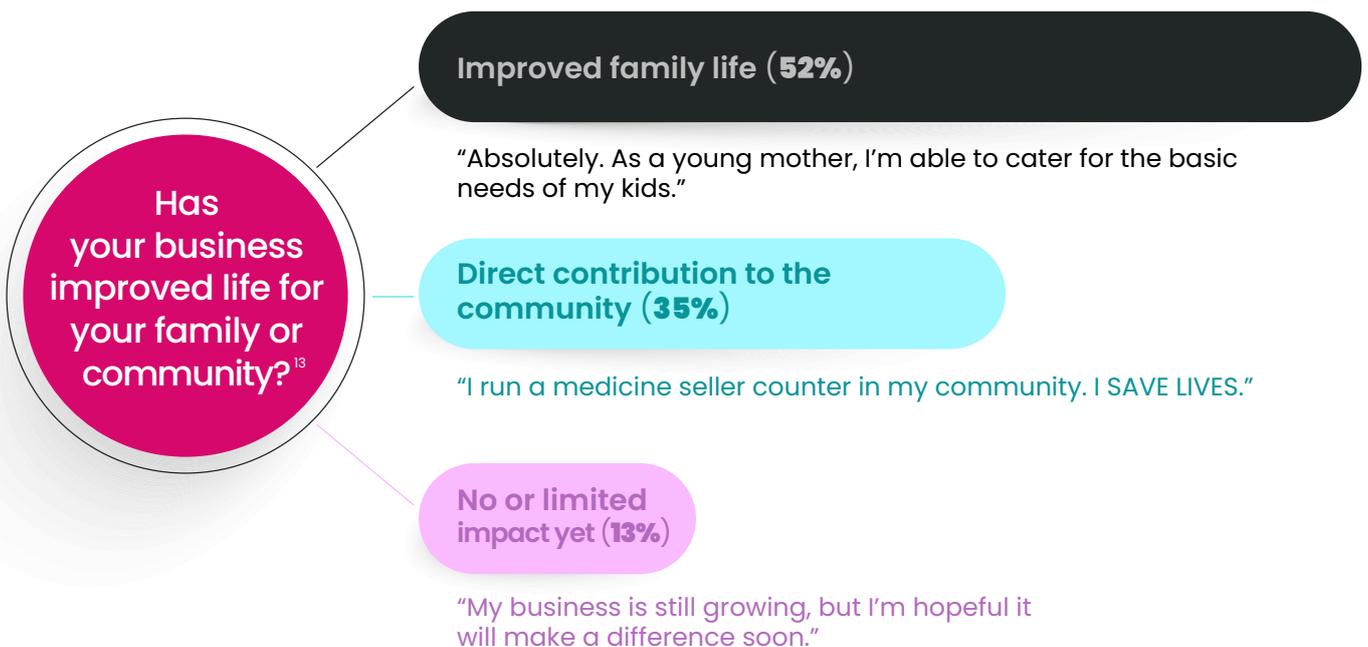


The Bigger Picture: Transforming Communities

Access to capital doesn't just benefit individual businesses; it uplifts entire communities. Survey data indicates that 85% of respondents believe their business growth has positively impacted their families and local neighborhoods.

"The loan allowed me to hire people in my community and provide a stable income for them," said one respondent. Another remarked, "With the additional revenue, I've been able to contribute to my children's education and support local suppliers."

Loans play a pivotal role in fostering resilience, driving growth, and transforming communities. By empowering small entrepreneurs to thrive, these financial tools spark a ripple effect, creating shared prosperity that extends to families, local suppliers, and broader economic ecosystems.



¹³ Source: Fido small business survey. See methodology on the last page.



Chapter 4

**THE WAY FORWARD:
EMPOWERING BUSINESS GROWTH**





Small businesses need more than loans – they need multi-faceted support to overcome barriers and achieve lasting impact. This chapter explores systemic solutions, from financial education to collaborative policies, that can help create a resilient ecosystem for them in Ghana.

Financial Education: A Path Forward

The importance of financial literacy cannot be overstated. Entrepreneurs who understand budgeting, investing, and credit management are better equipped to navigate challenges and maximize growth opportunities. Our survey revealed that 46% of respondents expressed interest in financial education programs to enhance their business operations. Globally, programs such as the International Finance Corporation's (IFC) SME Finance Forum have demonstrated the transformative power of financial literacy. By providing accessible tools and resources, such programs enable small entrepreneurs to make informed decisions and strengthen their financial resilience.

Locally, there's an opportunity to tailor these efforts to Ghana's specific needs. Fido has initiated steps in this direction through educational initiatives, including events, webinars, blogs, and newsletters. These efforts focus on topics like cash flow management, saving for growth, and responsible borrowing.

By pairing access to credit with tools for long-term financial planning, entrepreneurs can achieve greater stability and growth.

Simplifying Formalization: Breaking Barriers

The high prevalence of informality among micro-enterprises in Ghana creates barriers to accessing larger opportunities, including government support and expanded financial services. **A World Bank study highlights that simplifying business registration processes is critical for fostering formalization in developing economies.**¹⁴ Programs such as Ghana's MSME classifications are already paving the way, but more can be done to address these systemic barriers.

Survey respondents echoed this challenge, with one noting, *"I don't have a business certificate to access larger loans. Simplifying this would help me grow."* Fido's inclusive approach—providing access to loans without requiring formal registration—offers a practical solution to this hurdle. By leveraging digital credit scoring and mobile technology, Fido eliminates traditional bottlenecks, empowering entrepreneurs to thrive in informal setups while incentivizing them to formalize over time.

Empowering Women: Driving Gender Inclusion

Women-owned businesses make up 40% of Fido's customers. This aligns with broader trends that highlight women's growing participation in entrepreneurship, yet also underscores the unique challenges they face. These include risk aversion, limited access to resources, and cultural norms that can inhibit scaling their ventures. Globally, initiatives like the African Development Bank's Affirmative Finance Action for Women in Africa (AFAWA) have made strides in bridging the gender gap by offering tailored financial products and capacity-building programs.

Fido is committed to contributing to this progress. Survey feedback shows that women entrepreneurs benefit significantly from financial inclusion. One respondent shared:

"The loan gave me the confidence to grow my business and support my family better. I feel more secure and empowered in making financial choices."

By introducing programs that combine microloans with financial literacy initiatives targeting women, institutions can drive both economic and social transformation.

¹⁴ Entry Regulation and the Formalization of Microenterprises in Developing Countries



A Word from Our Partner: Growth Investment Partners (GIP)'s Collective Impact

The ripple effects of an underfunded small business is affecting families, communities, and the economy. At GIP Ghana, we catalyze inclusive growth by investing in SMEs that create jobs, strengthen supply chains, and drive economic resilience.

Our financing model unlocks the potential of businesses fueling Ghana's economy. Partnering with tech-driven institutions like Fido extends financial access to underserved microenterprises, helping them scale and sustain operations.

With improved capital access, entrepreneurs invest in equipment, expand customer bases, and hire employees—fueling supply chains, fostering entrepreneurship, and promoting self-sufficiency. Through strategic partnerships, we're reshaping Ghana's economic landscape for sustainable growth

Building the Path Ahead: A Vision for Sustainable Growth

Empowering Ghana's micro-entrepreneurs requires a multifaceted approach. By boosting financial literacy, simplifying formalization, promoting gender inclusion, and fostering collaboration, we can address systemic barriers and unlock the full potential of small businesses. The integration of savings products alongside loans helps entrepreneurs not only survive but thrive, building resilience and sustainability. Mary, a seamstress in Kumasi, shared how access to a microloan changed her trajectory. Struggling with delayed customer payments and rising material costs, she secured a loan to restock her inventory. "I was able to buy fabric in bulk, which lowered my costs and allowed me to fulfill more orders," she explained.

The additional revenue enabled her to hire an apprentice, expanding her capacity to meet demand. Mary's story is a powerful example of how financial tools can transform individual lives, uplift families, and create a ripple effect in the broader community. These stories and insights remind us that loans are not just financial **transactions — they are instruments of change**. By combining access to credit with innovative solutions and strategic partnerships, Ghana can foster a resilient, inclusive entrepreneurial ecosystem that drives economic growth and prosperity.



Small Businesses Landscape



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This report is based on anonymous surveys of 1,000+ small business owners in Ghana, including both Fido customers and non-customers. Responses were qualified based on business ownership to ensure diverse insights on financial challenges, growth, and access to credit.

CONTRIBUTED TO THIS REPORT



EMPOWERING INDIVIDUALS
AND ENTREPRENEURS TO
CAPTURE OPPORTUNITIES

FIDO