

# Assessment of Financial Regulatory Constraints and Its Effects on Business Performances Leading to Consequent Failure of MSMEs in Tema, Greater Accra Region of Ghana

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## Abstract

**Purpose:** The study seeks to assess financial regulatory constraints and their effects on performances leading to consequent failure of selected entrepreneurial businesses in Tema of greater Accra region of Ghana. The banks in Ghana, as well as NGO and the state itself, use to provide them with financial assistance for their businesses but yet most of them fail in their businesses for unknown reasons. **Design/Methodology:** The research has employed a descriptive research design since it portrays accurate responses from MSMEs and owners. Structured questionnaires were used to collect primary data through direct interviews of entrepreneurs. However, the entire population targeted for this study was 295. Slovin's formula was utilized to compute 200 sample size. 200 respondents were sampled using a random sampling technique which assisted in proper flow of information required for the success of the research. The collected data was analyzed using Statistical Package for Social Sciences (SPSS) and Microsoft Excel. **Findings:** Results of the research showed that all these economic challenges place burdens on sources of funding for MSMEs. **Research Limitations/Implications:** because of the low level educational status of some of the MSMEs, they were assisted by research assistance to complete some part of the questionnaires. **Practical Consequence:** The research explained the various effects established by some of the financial regulatory constraints. **Originality/Value:** The study would assist MSMEs to know and prepare for some of the financial regulatory constraints that serve as worrying situations to their businesses.

## Keywords

MSMEs, SPSS, Financial Regulatory Constraints, Model

## 1. Introduction

MSMEs businesses are considered the most vibrant entrepreneurial business activities that assist economy of the country to grow. Most of the MSMEs can only function when supported financially as well as given the right techniques to work with. These days the country's economy is in recession as a result of low Gross Domestic Product (GDP) for the fact that most of the items being used in the country are imported, which can even be produced in the country. The study seeks to assess financial regulatory constraints and their effects on performances leading to consequent failure of selected entrepreneurial businesses in greater Accra region of Ghana (Aryeetey et al., 1994).

However, numerous entrepreneurial businesses in the country have failed in their businesses with the exception of just few ones that are running. As such, the government put in place a regulatory body that regulates the financial sector of MSMEs.

The study would assist entrepreneurs to identify the various financial regulatory constraints for business decision making. The limitation of the study is that some of the respondents were asking for money to release information. In addition, selected MSMEs could not read and understand and have to be assisted by the research assistance to answer some of the questionnaires.

The article is organized as follows: Introduction, literature review, data and methodology, findings and analysis, recommendations and conclusions.

The literature gap, in this case, is the limited resolutions to the effects of financial regulatory constraints on MSMEs. This study is distinct from others because it has demonstrated the main or actual effects a lot. However, the identified gap would be resolved by proving measures to prevent impact of profitability of entrepreneurial businesses.

### 1.1. Problem Statement

MSMEs businesses are considered the most vibrant entrepreneurial business activities that assist economy of a country to grow. Most of the MSMEs can only function when supported financially as well as given the right techniques, required tools and the needed assistance in terms of government supports.

Currently, researchers have indicated that, less than half of newly created MSMEs survive beyond five (5) years whiles the rest are discontinued (Autio & Ranniko, 2015). The idea of failure of the business seems to happen when the company has closed down for the fact that it would not be able to function and achieve its dreams due to some specific reasons which are not supposed to be responsible for failures.

Cecchetti et al. (2011) indicated that, Government enacts financial regulations to assist in regulating the activities of MSMEs for better business activities in order to boost economic performance of the country. However, the advantages beard by the financial regulations at times tends to prevent growth of MSMEs due to some added laws or regulations that are not business friendly. This ac-

tually put selected businesses at a disadvantage due to inability to meet financial regulations in place. As a result, they end up folding or terminating their businesses (Coad et al., 2013).

## 1.2. Objectives

The objective of this research is to develop and authenticate or validate a model for the successful transitioning of start-up entrepreneurs from planning stage to operationalization (Stefanovic et al., 2010).

- To detect or identify and develop a model for the successful transitioning of start-up entrepreneurs from planning stage to operationalization.
- To examine the factors of a model for the successful transitioning of start-up entrepreneurs from planning to operationalization.
- To develop and trial or test the model for the successful transitioning of entrepreneurs from planning stage to operationalization.
- To authenticate or validate a model for the successful transitioning of start-up entrepreneurs from planning stage to operationalization.

## 2. Literature Review

Timms (2011) suggested common challenges due to specific financial regulatory constraints of MSMEs. In order for national developments to be achieved, MSMEs become very necessary engines. Some of national developments, in this case, are alleviation of poverty, economic growth as well as creation of employment. The rests are democratization and economic participation strengthening the local production structure and industrial base.

However, the ability of entrepreneurs to realize these indicated objectives solely depends on regulatory and policies of the environment in which they operate or function (ILO, 2000). More often than not, regulatory most of the time intends to develop other sectors of the economy that have not intended to make any positive impact on MSMEs. For instance, liberalization of trade plans to up lift export revenue most of the time stifles local production because of the way and manner more products are imported to substitute for the local produce.

Some laws or regulations could also deliberately favor MSMEs (numerous regulations exclude the small companies), generally, the adverse impact of regulation on MSMEs could be harmful particularly. This is as a result of MSMEs being less equipped in order to deal with constraints emanating from regulations so long as they have a little capacity as compared to large companies to navigate via the difficulties of regulatory bureaucratic interconnections. Micro Small and medium Enterprises (MSMEs) are likely more to be crippled by regulations due to the fact that their strengths emanated from their flexibility. Some of the regulations have been created in order to prevent market entry by dynamic MSMEs are detrimental particularly (UNDP, 2003).

However, in order to access the effects of regulations on MSMEs, it is crucial to identify that the effect or impact would vary in respect of the company's size.

In order to perform the rules of administration and compliance of regulation, a business person would not have simply the resources to do so (White & Rajjapatirana, 1999). Even when it occurs that the resources are available to them, the size of the structure could move them to a disadvantage position. Adding to that, to meet the obligations of regulatory requirements may escalate costs transaction of entrepreneurs and leads them to negative or disadvantage positions if juxtaposed to traditional or domestic firms as well as foreign companies that could not be working under heavily restricted regulatory regimes.

In a regime like that costs of transaction are high and for small enterprises, they create or form lion share of entire costs for a business, the reasons or need of utilizing an accountant externally in order to satisfy requirements and time spent dealing with regulatory authorities are very costly with regards to per unit costs of production for entrepreneurs. Even, any time they are efficient technically, the real or actual costs taken into consideration are transaction costs that may not be much competitive.

Yaqub & Hussaine (2010) were of the view that, entrepreneurs have crucial and special needs. In numerous circumstances, policies in terms of development weigh in favor of big organizations and at times foreign-owned companies undermining MSMEs in vulnerable and distressed status or positions. As a matter of fact, this has therefore called for a review of the various regulatory frameworks guiding MSMEs in general as well as their effects on the sectors of MSMEs.

Regulation/regulatory reforms have the advantage of bringing down business costs with regards to private sector in general but precisely MSMEs. Regulation undoubtedly affects adversely the companies in particular MSMEs. Actually, MSMEs are being affected disproportionately by regulation in the sense that the regulatory compliance costs and inertia do not increase when the company's size increases. Regulatory compliance takes into consideration time and money, which will establish costs significantly on entrepreneurs (Wadhwa et al., 2009).

In addition to regulatory compliance costs, as well as inertia, payment of direct costs like fees for licensing, represents a cost of doing business significantly.

Sobokta & Locklin (1998) argued that payment made in order to avoid non-compliance or pay off to the state officials represents operational costs in informal sector.

Regulatory of MSMEs take distinct forms. It is regulations of business commencement as well as regulations in terms of business activities, labour issue practices regulation changes of payroll, health and safety standards taxation and of course foreign trade. These can be categorized into three (3) sections such as economic, social and administrative. The three all affect MSMEs to development and growth (Autio & Ranniko, 2017).

#### **Economic or structural regulation**

In this case, government actually utilizes it to influence resource allocation with the intension to improve markets efficiency in delivery of goods and services; it includes:

### **Restriction on entry and exit to market**

#### **Requirement of registration and procedures**

The laws with regards to permits and licensing, laws and regulations on selecting the business activities, business form, location, choice of production process and machinery. These policies most of the time turn or become very restrictive and therefore stop development of MSMEs. For instance, entrepreneurs face commencement or start-up cost associated with license requirement and registration, dispute settling cost is also high as well as claims and excessive and unnecessary delays in court proceedings. At times the volumes in terms of administrative work included in registration and licensing are just great (White, 1999).

Another policy device that has an effect on sectors of MSMEs is exchange rate and capital controls. When the exchange control becomes excessive reduces the size of risk diversification and separates domestic financial system from growing or developing in foreign markets. Control of exchange excessively has limited the diversification risk scope and separated the finance in terms of domestic systems from developing in international markets. For instance; the control of capital in Ghana prevents foreign financial institutions as well as deposit insurance firms from going into domestic markets as such, stifled competition and inhibited innovation.

These restrictive policies have been established mostly in order not to encourage capital flight and repetition of crises. In terms of liberalized regimes of exchange rate have been experiencing rapid depreciation in their exchange and this would have unintended outcome on imports specifically raw materials required by the traditional or domestic sector of the industry. Irrigam & Oduro (2000) explain that devaluation of exchange rate makes it difficult for SMEs in Ghana as a whole to borrow sufficient local currency to buy foreign exchange in the auction market and to buy capital goods that have been imported.

A lot of developing countries including Ghana have been attempting to control inflation by applying credit policies that are restrictive, that is, ceilings on bank lending or borrowing. Furthermore, the ceiling globally on credit mandatory borrowing to some specific sectors of priority of certain developing nations exists. In terms of credit allocation to priority sectors, widespread regulation is on them at interest rates often less than the rate of market equilibrium. This policy has implication that is widespread on financial institutions severely to perform intermediation role from the time this mandatory borrowing is done often at interest rates far less than market rates.

#### **Regulation of trade**

The procedures of export and import in developing countries most of the time increases the cost of transaction of entrepreneurs. The volume of paper work and other bureaucratic processes and bribes as well as delays often absorbs the resources of entrepreneurs, those particularly dependent on international trade either for imported raw materials as well as capital goods, or those that have been

exporting their products. Most of the time, regulation costs are reduced. However, regulation challenges medium exports as well as MSMEs that want to grow via exports. Holden et al. (1998) add that although regional integration, as well as trade harmonization, have brought down trade barriers, as well as customs and port have often been cumbersome by international standards.

### **Definitions of Components of Financial Regulatory Constraints**

Weißberger et al. (2016) were of the view that, external environment of the business is the immediate environment in which the company operates which constitutes some factors that inform business shape, its operation, consumption of products and services and ability to mobilize the main resources and circulation. There are numerous factors that affect the success of entrepreneurial business which in the end affects the survival of the entrepreneur and MSMEs development and eventually lead MSMEs to fail. The following represent some of the financial regulatory challenges of MSME businesses:

- **Collateral requirement and security**

These are International Standard Organizations (ISO) restrictive policies that prevent development of MSMEs. So long as the MSME sector has been considered generally as risky, financial cooperation or institutions request for a backup or collateral from entrepreneurs most of the time in the form of landed property before the facility is granted. This is one way or other serves as a form of security to the institutions, it actually hinders or prevents seriously entrepreneurs from getting funds to commence their businesses for working purposes or expansion.

- **Bureaucratic registration processes**

Bureaucracy, corruption as well as red tape could make the cost of businesses go up and time spent negotiating with corrupt employees make products and services not competitive in the market place. 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. The long waiting period is just too much which goes a long way to eat into the start-up period of some the MSMEs. Some are even frustrated which eventually prevent them from venturing into the business.

- **Compliance cost**

A lot of entrepreneurs feel they do not have the capacity in order to deal with requirements of government or state in general (Parker et al., 1995). The compliance cost in Ghana with legislation is high and considered or seen being a threat to entrepreneurs sector as well as entrepreneurship).

- **Taxation**

One of the main factors preventing development and growth of MSME is taxation (Robertson et al, 2003). When the tax rate is high, it reduces the incentives of returns drastically (Levine, 2005).

Levy (1993) explained that, in Ghana, value added tax is high. The way the tax system is difficult further raises the cost of under taxing business, as a lot of

MSMEs do not have the ability and capacity to administer tax returns and in this way needs to contact experts for a fee to enable them meet this legal requirement (Kayanula & Quartey, 2000).

### 3. Methodology

A lot of study techniques have been applied in this research in order to make this study successful. Before that, the various roles and essence of Small and Medium Scale Enterprises (MSMEs) to the economy were discussed. Among the various techniques and methods utilized in this research were research design, population, sampling techniques, and sample selection, determination of sample size, data collection, instrument used for data collection as well as data analysis and limitations of study.

Numerous research designs available have been employed by researchers for their study in social science but to select one to use depends largely on the type of research that is to be investigated. In view of this research, which determines to investigate the effect and failure of some MSMEs as a result of financial regulatory constraints. The research design has covered the required MSMEs ranging from dressmakers, hair dressers, shoe makers, carpenters, masons as well as tie and dye, etc. who have assisted in providing the rationale behind the effects and failure of selected MSMEs as a result of existing financial regulatory constraints (Jaramillo & Schiantarelli, 1996).

#### Population

The study population contains all the MSME selected for this research. The population in this case takes into consideration of MSME in services and manufacturing sectors. Among them are shoe makers, hair dressers, tie and dye, carpenters, as well as masons and seamstresses. The above mentioned entrepreneurs were the population targeted for this study but not limited to the above (Robb et al., 2009).

However, the entire population targeted for this study was 295 from whom sampling was done to assist in proper flow of information required for the success of the research.

#### Sample size selection

As such, Slovin's formula was used to select the 200 sample size out of the total population of 295. 200 respondents were selected out of the 295 population using random technique. This method was employed because everyone has an equal opportunity to be selected (He & Matvos, 2013). Therefore, the computation is as follows:

$$S = \frac{N}{1 + Ne^2}$$

where:

$S$  = Sample size;

$N$  = Population size;

$e$  = Margin of Error.



$$S = \frac{295}{1 + 295 \times 0.04^2}$$

$$S = \frac{295}{1 + 295 \times 0.0016}$$

$$S = 200.4$$

$S = 200$  was used for the MSMEs.

200 sample size was determined out of the total population of 295 and used in order to make inferences about the populations. The samples size was used to collect the data because it is easier, convenient manageable as well as malleable and however represented the entire population of the MSMEs targeted. It is also cost effective than using the entire population.

#### **Data and data sources**

The main data utilized for this study were both primary and secondary. The primary data was obtained through the distribution of both closed and opened type of questionnaires to respondents from whom responses were taken (Harrigan & Oduro, 2000) The secondary data was obtained from internet sources, achieves of companies research papers and articles, etc. Examples of the quantitative data obtained in this study were ages of respondents and years of experience obtained from business registration and commencement documents.

With respect to data collection of this study, both qualitative and quantitative methods were applied. The qualitative technique was used more due to the nature of study. Aside from the questionnaire distribution, the researcher had group-level discussions which enabled him to lay hands on some vital information aside from those answered in the questionnaires. The quantitative technique assisted in finding or determining the right measures converting the collected data into percentages and assisted pie and bar charts to be created which clearly established the fact provided by responses of respondents.

#### **Data cleaning/editing**

Holden et al. (1998) indicated that, the collected data was edited and transformed in order to have clear analysis. During editing of the data, some of the errors encountered were mistakes in terms of unclear statements and blur looking of some of the responses entered.

#### **Data analysis**

Descriptive statistics such as Statistical Package for Social Sciences (SPSS) was applied in analyzing the data.

## **4. Results and Analysis**

### **Summary of Demographic Characteristics of Gender of respondents**

**Table 1** below represents the gender demography, it could be observed that there were more female MSME respondents (representing 59% of the entire sample) than males (representing 41% of the sample). The reason why more women than men were obtained for this study stems from the fact that research conducted by (Asare et al., 2015) on the characteristics of Micro, Small and Me-



dium enterprises in Ghana identified that women make up the greater force in terms of numbers among owners of MSME's in Ghana.

### Age of Respondents

Summary of Demographic Characteristics of Respondents—Age (N = 200).

**Table 2** below represents the age of demography, it could be observed that the respondents had diverse age orientations spanning from 18 through 58 years and above. However, 9 of the respondents in their age brackets of 18-27 representing 4.5% as well as 37 in their age brackets of 28-37. It is particularly noteworthy that majority of the MSME respondents are within their young adulthood years of within 38 to 47 years numbering 67 respondents (representing 33.5%) as well as. This dynamics was also identified by [Raravi et al. \(2013\)](#) who pointed that the youthful nature of persons engaged in MSMEs offers a prospect for successful long-term interventions for MSMEs.

Also, some respondents numbering 71 were in their age brackets of 48-57 representing 35.5%.

### Educational Background of Participants

Summary of Demographic Characteristics of Respondents—Education (N = 200)

**Table 3** below represents the educational background of demographic characteristics of participants as obtained for the research. As such, some of the MSMEs with only primary education represented 4.5% It could be observed that majority of the participants obtained had their Junior High School Education (comprising 36.5%) and SHS/Technical/Vocational education (comprising 33.5%). Some few (representing 7.5%) have no formal education. This suggests that, the fair sampling based on educational background would allow for a fair analyses of the

**Table 1.** Demographic characteristics.

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	82	41.0	41.0	41.0
Valid Female	118	59.0	59.0	
Total	200	100.0	100.0	100

**Table 2.** Demographic characteristics.

Year	Frequency	Percent	Valid Percent	Cumulative Percent
18 - 27 years	9	4.5	4.5	4.5
28 - 37 years	37	18.5	18.5	23.0
38 - 47 years	67	33.5	33.5	56.5
48 - 57 years	71	35.5	35.5	92.0
58 and above	16	8.0	8.0	
Total	200	100.0	100.0	100

underlying effects of sources of financing and financial regulatory constraints on MSMEs in Ghana based on education. It also suggests that, most of the participants obtained for this study could at least read and understand the questionnaires before answering them, thus, enhancing the validity and reliability of the findings emanating from this study.

#### Summary of years of experience of respondents on the job

In **Table 4** shown below, 200 MSME respondents were asked to assess the most critical financial regulatory constraints on the operations of MSME respondents. Below is the discussion of inferential statistic representing a summary of the findings in that regards. There are numerous kinds of challenges especially with

**Table 3.** Educational background of participants.

Highest Level of Education	Frequency	Percent	Valid Percent	Cumulative Percent
Primary Education	9	4.5	4.5	4.5
Junior High School (JHS)	73	36.5	36.5	41.0
SHS/Technical/Vocational	67	33.5	33.5	74.5
1 <sup>st</sup> Degree	51	25.5	25.5	
Total	200	100.0	100.0	100

Source: Micro Small & Medium Scale Enterprises in Ghana 2018 (N = 200).

**Table 4.** Working experience.

Year	Frequency	Percent	Valid Percent	Cumulative Percent
18 - 27 years	14	7.0	7.0	7.0
28 - 37 years	43	21.5	21.5	28.5
38 - 47 years	69	34.5	34.5	63
48 - 57 years	60	30	30	93
58 and above	14	7	7	
Total	200	100.0	100.0	100

**Table 5.** Descriptive statistics.

Financial regulatory constraints	Min	Max	N	Mean	SD
Requirement of business registration	1	5	200	3.90	1.02
The cost of commencement	1	5	200	3.99	1.70
Lack of market information (foreign markets)	1	5	200	4.08	1.66
Bureaucratic registration processes	1	5	200	4.09	1.70
High settlement off legal claims in court	1	5	200	4.09	1.70
Taxation	1	5	200	4.09	1.70
Collateral requirement and security	1	5	200	4.13	1.68
Valid N (listwise)			200		

financial regulatory constraints identified that have an effect on MSMEs during the applications of law pertaining to regulations by Government of Ghana.

Based on the statistical analysis and ascending order of arrangement of the **Table 5** above, on average, in terms of assessing the various constraints, the most critical financial regulatory constraints on MSMEs in Ghana is collateral requirement and security ( $M = 4.13$ ,  $SD = 1.68$ ). Collateral requirement and security are International Standard Organizations (ISO) restrictive policies that prevent development of MSMEs. Collateral requirement and security of the banks and other financial institutions is the most crucial requirement before a loan facility can be granted to an MSME. This is because most of the MSMEs are highly classified as businesses that default of bank loans. As such, the collateral placement would serve as a guarantee that the loan given out would be paid for during maturity. In case of default, the collateral could be sold and use the money to defray for any default of payment.

However, tax, high settlement of legal claims and bureaucratic registration processes in court produced the same result ( $M = 4.09$ ,  $SD = 1.70$ ). This shows that they are constraints that exhibit almost similar challenges on MSMEs. Tax is considered as main field of government or state function that has an obvious impact on entrepreneurs. Policies with regards to taxation include tax incentives and investment, application of taxation to business commencement and operation, capital based and income-based taxes. As a matter of fact, tax is used to boost one economic function area (via tax incentives) or limit another area (duties of import to limit foreign competition). The rate to comply with tax regulations most of the time makes them a major or principal regulatory problem to entrepreneurs in developing nations.

High settlement of legal claims in court between two parties creates numerous challenges to MSMEs. For instance, entrepreneurs face commencement or start-up cost associated with license requirement and registration, dispute settling cost is also high as well as claims and excessive and unnecessary delays in court proceedings. At times the volumes in terms of administrative work included in registration and licensing are just great. The laws with regards to permits and licensing, laws and regulation on selecting the business activities, business form, location, choice of production process and machinery. These policies most of the time turn or become very restrictive and therefore stop development of MSMEs.

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. In terms of bureaucratic registration processes, the findings showed that 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. If the entrepreneur does not have this colossal amount, there is no way he or she would register the business the first place.

With respect to lack of market information (foreign) ( $M = 4.08$ ,  $SD = 1.66$ ) entrepreneurs find it difficult to know the kind of products needed by those in international market and available information as to how to go about it. However, information related to obstacle with the MSME accessibility in getting information while expanding the business, no information about the market opportunities, places MSMEs at a disadvantage in their businesses.

The commencement costs presented ( $M = 3.99$ ,  $SD = 1.70$ ). The findings showed that cost involved in order to fully commence business has also not been spared. This actually requires adequate capital for a start-up such as business set up which involves site to set-up, infrastructures as well as raw materials, labor, etc.

However, the findings depicted that, businesses registration requirement on average presented ( $M = 3.90$ ,  $SD = 1.02$ ) is also an issue that serves as an obstacle for MSME registration. Levies are charged by government prior to registration. Some colossal amount of money has to be paid to the registrar general to enable entrepreneurs register.

#### **Analysis of Effect of Financial Regulatory Constraints on MSMEs in Ghana**

Ho: There is no significant impact of Financial Regulatory Constraints on MSMEs.

Ha: There is a significant impact of Financial Regulatory Constraints on MSMEs.

## **5. Discussion**

A multiple regression was run to predict MSMEs from tax, bureaucratic requirement, commencement cost, legal claims, market information, collateral requirement and business risk. Some of these variables statistically significantly predicted MSMEs.

According to **Table 6** shown below, Some of these variables/key among these

**Table 6.** Regression analysis.

Financial regulatory constraints	Unstandardized Coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.342	0.253		17.181	0.000*
Taxation	-0.119	0.024	-0.313	-4.875	0.000*
Bureaucratic requirement	0.020	0.022	0.057	0.885	0.377
Commencement cost	-0.026	0.023	-0.074	-1.123	0.263
Legal claims cost	0.039	0.032	0.080	1.220	0.224
Market information	0.087	0.028	0.209	3.063	0.002*
Collateral requirement	0.080	0.030	0.171	2.654	0.009*
Risk	0.000	0.026	0.000	0.004	0.997

Significance @ 0.05 significance level ( $R = 0.630^a$ ;  $R^2 = 0.580$ ;  $P = 0.000^b$ ).

variables statistically significantly predicted MSMEs. However,  $P/\text{sig}$  value = 0.000 and  $r = 0.630 = 63.0\%$  since only four (4) variables added statistically significantly to the prediction,  $P$  value  $< 0.05$ , constant (sig. value = 0.000, tax on business (sig. value = 0.000, market information (sig. value = 0.002, collateral requirement (sig. value = 0.009). It is concluded to say that all these variables (4) predicted 58% of MSMEs.

NB: R—represents the quality of the prediction of the dependent variables. It also indicates a good level of prediction. The value is 0.630 (63.0%).

R<sup>2</sup> also called the coefficient of determination. Is the proportion of variation in the dependent variable that can be explained by the independent variables. Technically, it is the proportion of variation accounted for by the regression model when all the independent variables are considered as a group.

#### Estimated Model Coefficients

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + \dots$$

$b_1, b_2$  a  $b_3$ —represent the coefficients;

$x_1, x_2$  a  $x_3$ —represent the independent variables.

The only statistically significant variables were included in the model.

The general form of the equation to predict MSME's from tax, legal claims, market information collateral requirement, commencement cost, bureaucratic registration and requirement registration is:

$$\begin{aligned} \text{MSME's} = & 4.342 - (0.119 \times \text{tax}) + (0.087 \times \text{market information}) \\ & + (0.080 \times \text{collateral requirement}) \end{aligned}$$

#### Final model/Equation

$$\text{MSME's} = 4.342 - 0.119\text{TX} + 0.087\text{MI} + 0.080\text{CR}.$$

#### Interpretation

This means for each 1% increase in tax on business, there is a decrease in MSME's activities by 0.119 (i.e. negative influence/effect).

Also, a unit increase in market information (i.e. share of information) will increase MSME's activities/operations by 0.087 (i.e. any information that has a good impact on business), e.g. Government. In the same way, a unit increase in the independent variable (collateral requirement) will increase the dependent variable (MSMEs) by 0.080.

## 6. Limitations of Study and Suggestions for Future Research

For the fact that most of the MSMEs in this study have not had higher knowledge in education, they find it difficult to understand some aspect of the qualitative information or data and therefore have to be assisted by a research assistance.

It is also time consuming, due to the nature and contributions of this topic.

It is required to be extended or replicated in another Region of Ghana to enable other entrepreneurs to practically benefit from it.

## 7. Conclusion

In the study, financial regulatory constraints identified that impact selected entrepreneurial businesses are taxation, market information and collateral requirements. However, the constant ensures the outcome is accurate. The rest of the variables such as registration requirements, bureaucratic registration processes, legal claims and cost of commencement though have some relationships among themselves but could not prove if financial regulatory constraints really have effects on MSMEs. The findings indicated that some financial regulatory constraints establish some levels of effects on the entrepreneurial businesses though are there to serve as checks and balances.

## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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