

Micro, Small and Medium Enterprises' Activities, Income Level and Poverty Reduction in Ghana – A Synthesis of Related Literature

Daniel Agyapong

Department of Management Studies, School of Business

University of Cape Coast, Cape Coast, Ghana

Tel: 233-24-616-8010; 233-20-616-8010 E-mail: agyapongdan@yahoo.com

Abstract

The paper reviews the literature on the importance of MSMEs to economic development and poverty alleviation. Two divergent views of MSMEs, the pro-MSMEs and the anti-MSMEs, have been identified in the literature. Whereas the pro-MSMEs believe in the significant role played by small business in the economic prosperity of a country, the anti-MSMEs are of the view that larger organisations played relatively significant role than MSMEs. However, from the reviewed literature small businesses play key role in the creating job (especially female employment), contribute to tax, export and import revenues, facilitate the distribution of goods, contribute to human resource development and are the cradle of innovations and entrepreneurship. MSMEs in Ghana are found in the fields of farming, fishing, small scale mining, restaurants, food processing and other services. It was recommended to government and policymakers to institute viable credit support and non-financial business support services to help MSMEs grow.

Keywords: Micro Small Medium Enterprises, Income level, Poverty reduction

1. The Background to the Study

There has been a general realization that it is not only the big businesses that provide the foundations of the nations economies. MSMEs and entrepreneurs have boosted many economies like USA and UK, thus authorities have initiated strategic financial and counselling programmes to support them and that hub of the majority of world economies are based on the reliance on MSMEs, which accounts for a substantial amount of GDP and employment (Fredrick, 2005). According to the U.S. Census Bureau's (2002), 57.4 million of America's 115 million workers were employed at companies with fewer than 500 employees in 2001. Of those, 12,328,094 worked at businesses with fewer than ten employees; 20,602,635 at businesses with fewer than twenty employees; 40,973,082 at businesses with fewer than one hundred employees; and 57,383,449 at businesses with fewer than five hundred employees. In 2001 there were 2,697,839 American companies that employed fewer than four workers, contrasted with just 930 that employed more than 10,000 workers.

In Ghana, though the data on this group is not readily available, the little information available from the Registrar General indicates that 90% of firms registered are MSMEs (Mensah, 2004). Similarly, the Ministry of Trade and Industry, in 1998 estimated that the Ghanaian private sector (mainly dominated by MSMEs), consists of approximately 80,000 registered limited companies and 220,000 registered partnerships (Mensah, 2004). The statistics compared to other countries in the sub-region (e.g. South Africa and Nigeria) (Note 1) show that the Ghanaian experience of MSMEs and entrepreneurship has been bad. Although it is believed that they would have performed better if MSMEs had been fully integrated into the main stream of economic activity. Before the advent of the Economic Recovery Programme, support for these entities in the past was ad hoc, irregular and uncoordinated. The situation has still not changed as one finds no clear national policy and support for MSMEs. This is because as Page (1978) observe, little research had been done on specific policies on the small scale firms due mainly to their neglect by policy-makers. Meanwhile small businesses play key role in the creating job (especially female employment), contribute to tax revenue and export and import revenue, facilitate the distribution of goods and services when they serve as middlemen.

Although the greater portion of efforts, resources and government policies are all too often perceived to be primarily directed towards the larger corporations, one can still not deny the fact that the contribution of MSMEs in today's economy cannot be over-emphasised. They have been identified as the catalyst for the economic growth of a country as they are a major source of income and employment and consequently poverty reduction (Beck, Demirguc-Kunt & Levine, 2003), by contributing substantially to gross domestic product. Their contribution to gross domestic product is in the area of corporate taxes, export duties and import taxes flowing from their activities.

They also facilitate production and distribution of products; create jobs, source of industrial innovation and economy regeneration/growth (Snodgrass & Biggs, 1996).

Growth in MSMEs has been found to have a link with economic growth and poverty alleviation (Gebremariam, Gebremedhin & Jackson, 2004). Hence, it has been suggested by experts and international bodies as a strategy for reducing poverty in developing economies.

In order to generate enough income to help minimize the incidence of high level poverty in most developing economies, international funding bodies and economic growth analysts have suggested to policymakers in developing economies to make greater efforts at promoting private sector development with MSMEs being at the forefront (Snodgrass & Winkler, 2004). According to Beck, Demirguc-Kunt & Levine (2003), the World Bank approved more than \$10 billion in support for MSMEs development programs on grounds that it has the ability to promote economic growth and alleviate poverty. As noted by Hallberg (2001), the goal of MSMEs development programs is to harness the potential human capital and entrepreneurship that already exists in most economies because they account for a large share of firms and employment. Hallberg (2001), further argue that MSMEs are the emerging private sector in poor countries, and thus form the base for private sector-led growth required as an instrument of poverty alleviation.

1.1 The pro-MSMEs and anti-MSMEs Debate

Two schools of thought have emerged in the studies of MSMEs. They are the *pro-MSMEs* and *anti-MSMEs* perspectives. These donor countries and development agencies share the view of the *pro-MSMEs* that springing up of such entrepreneurial and innovative ventures help promote economic growth and help reduce the high poverty level in such developing economies (Beck & Demirguc-Kunt, 2004). The *pro-MSMEs* have argued that MSMEs enhance competition and entrepreneurship and thus have economy wide benefits in efficiency, innovation and productivity growth. Thus direct government support of MSMEs can help countries reap social benefits. Second, MSMEs are generally more productive than large firms but are impeded in their development by failures of financial markets and other institutions for capital and other non financial assistances. Thus, pending financial and institutional improvements, direct government support of MSMEs can boost economic growth and development. Finally, the growth of MSMEs boosts employment more than the growth of large firms because MSMEs are more labour intensive (Snodgrass & Biggs, 1996). So subsidizing MSMEs may help reduce poverty (Beck & Demirguc-Kunt, 2004).

However, the *anti-MSMEs* have questioned the efficacy of MSMEs in promoting growth and reducing poverty. First, they argue that large enterprises may exploit economies of scale and more easily undertake the fixed costs associated with research and development, boosting productivity. They argue further that some researchers found that small businesses are neither more labour intensive nor better at creating jobs than large firms (Thormi & Yankson, 1985). Moreover, they doubt the crucial role of small businesses and instead emphasize the importance of the business environment facing all firms, big and small. Small businesses create monopoly (Stokes, 1995). They are of the view that if there are low entry and exit barriers, well defined property rights, effective contract enforcement, and access to finance, it will work to promote conducive business environment for all firms and not only small firms.

Studies show that the smallest firms are the least efficient, and there is some evidence that both small and large firms are relatively inefficient compared to medium-scale firms (Little, Mazumdar, & Page, 1987). Also while small firms may bring innovations to the marketplace, the contribution of innovations to productivity often takes time and larger firms may have more resources to adopt and implement them (Acs, Morck, & Yeung, 1997). Therefore, MSEs do not possess a comparative advantage in technological innovation or in creating budding entrepreneurs (Biggs, 2004). Furthermore, the net job creation of MSEs is not necessarily higher and is frequently lower than for larger enterprises. The lion's share of job creation disproportionately resides in large enterprises. Larger employers offer better jobs in terms of wages, benefits, working conditions, opportunities for skill enhancement, and job security (Biggs, 2002; Hallberg, 2001).

The divergent views by researchers indicate that there is no consensus among researchers on this important phenomenon. The varied opinions expressed by the different groups may be due to the different settings, the economic environment where studies were carried out and the different methodological approaches employed. So the question is, do MSMEs' activities in an economy generate income and reduces poverty? This paper aims at assessing the level of validity of the two opposing views in the Ghanaian context. The rest of the paper is divided into four parts – the conceptual framework, key roles of MSMEs, deduction from the study and policy recommendation

2. Conceptual Framework

There is no universally accepted definition of MSMEs. Different regions or countries have defined MSMEs based on local operations and conditions. It should be noted therefore that certain definitions may not be applicable in certain regions or settings. For instance the features and mode of operation of small businesses in Ghana makes the paper to adopt the definition by the NBSSI. The NBSSI (1998) provided an operational definition of SME to include the following: Small business is any business that employs up to 29 people. And small business is divided into: the micro and small and medium enterprises. The micro enterprises employ up to 5 employees with fixed assets (excluding land and building) not exceeding the value of \$10,000; small enterprises are those employing between 6 and 29 employees or having fixed assets excluding land and building not exceeding \$100,000 and; a medium enterprises employ between 30 and 99 employees with fixed assets of up to \$1m.

According to Mensah (2004) MSMEs are dominated by one person, with the owner/manager taking all major decisions. The entrepreneur may possess limited formal education, access to and use of new technology, market information, and access to credit from the banking sector is severely limited; they have weak management skills, thus inhibiting the development of a strategic plan for sustainable growth; they experience extreme working capital volatility; and lack of technical know-how and inability to acquire skills and modern technology impede growth opportunities.

The link between micro, small & medium enterprises, entrepreneurship and economic wellbeing dates back to the time of Cantillon (1725), Say (1803) and Schumpeter (1934). Schumpeter (1934) established a link between entrepreneurial ventures and economic development. These earlier works set the foundations for later empirical and theoretical development. In the UK, the Bolton Report (1971) helped define the importance of small business within the UK economy. Similar exercise was undertaken by the Committee for Economic Development in the US. As posited by Storey (1994), international comparisons of statistics on small firm are very difficult because of lack of common definitions and data sources. Notwithstanding this, the increase in employment in small firms tends to have been a common feature of the economies of many an industrialised country in the 1980s. According to a report by Sengerberger et al (1990), small firms of less than 200 employees had increased their overall share of total employment in France, Germany, Italy, Japan, the UK and the USA, which 'signifies the reversal of a substantial downward trend in the employment shares of small units that had prevailed for many decades', although the rate of increase had varied by country and industrial sector.

As shown in figure 1.1, MSMEs have a link with poverty reduction in a society. Mukras (2003) posited that poverty can be reduced through the strengthening MSMEs. Behind most small firms are entrepreneurs who are propelled by innovative ideas as an opportunity to satisfy a target market. So as indicated in figure 1.1, MSMEs activities sped off innovations. Meanwhile converting this idea into a workable product requires the use of skills, which in most circumstances requires more than just the skill of the entrepreneurs but additional staff. Thus presence and improvement in the capability of MSMEs promotes employment as their activities create more jobs. Additionally, as more jobs are created, it will result in more innovations and creativity.

Meanwhile, as would be pointed out later on, one of the avenues for human resources development (HRD) especially in the case of Ghana is through MSMEs. A bulk of the informal training (usually on-the-job) and skills is acquired through apprenticeship and coaching. People have used this medium to acquire valuable knowledge and ability and have gone on to establish business venture of their own. The multiplicity effect of innovations, job creation and human resources development as a result of MSMEs' activities is that the income levels of the people engaged in any of these activities is made better. Perhaps, those who did not have any will now enjoy some level and form of income. As people enjoy some form of income, they will be able to afford (relatively) some basic necessities of life (food, cloth, shelter and health care). Thus MSMEs aid in poverty alleviation (Jain, 2006). According to Okpukpara (2009), in most African countries, small and medium enterprises (SME) account for a significant share of production and employment and are therefore directly influencing poverty alleviation.

—INSERT FIGURE 1.1 HERE—

3. The Key Roles of Micro, Small and Medium Enterprises

Micro, small and medium enterprises play key role in the economic wellbeing of developing countries. They have been identified to play key roles in a society including contributing to jobs through innovations and creativity as well as aiding human resources development. The immediate and the long run effect is that they affect levels of income and ultimately contributing to poverty alleviation.

3.1 *Micro, Small & Medium Enterprises and Innovations and Inventions*

Innovation capability of Ghanaian MSMEs is not only in developing new goods or services but also in stimulating investment interest in new ventures being created. Although Ghanaian firms have been criticised for not being innovative, MSMEs have attempted to change this phenomenon. Unlike some years ago, the activities of MSMEs have resulted in for instance the processing of fruits and vegetables for the local and international markets; they are often at the forefront of the production of the most of the non traditional export commodities such as textiles, packaged dry fish fresh fruits. MSMEs are engaged in shoe making, rubber processing, designing African wears, manufacturing medicine (under licensing), computer, car and bus assembling. Nonetheless, the development of innovation and its commercialization through entrepreneurial activity has helped generate enough incomes for those involved to alleviate their poverty levels as well as to promote economic growth.

According Levy & Powell (2005) SMEs are thought to be flexible and innovative organizations that are able to respond quickly to customer and market demands (flexibility). Contrary to what happens in large firms. The production technologies of many manufacturing SMEs may inhibit flexibility (Gupta & Cawthorn, 1996), while Carrie *et al.* (1994) believe that it is people rather than technology that provide flexibility.

MSMEs and entrepreneurs are bedrocks of new goods and services, new methods of production, the opening up of an economy by setting or opening up of new markets, introduction of new sources of supply as well as industrial re-organisation (Kruger, 2004; Jennings, 1994). So the innovativeness of these ventures is their capability to create a paradigm shift by altering the conventional ways in the terms of available technology, strategy, skills and styles (Jun & Deschoolmeester, 2003). So that in Ghana for instance, these MSMEs are engaged in the collection and recycling of the plastic waste that is engulfing the cities and towns. Some entrepreneurs are also into Grasscutter, Snail and Mushroom farming, thus reducing how people are depleting these natural resources. Table 1.1 indicates the classification of the informal sector activities in Ghana (Baah-Nuakoh, 2003).

—INSERT TABLE 1.1 HERE—

3.2 *Micro, Small & Medium Enterprises and Human Resources Development*

Several of the informal training (apprenticeship) and on the job training occur in MSMEs in Ghana. Areas where such entrepreneurial training typically takes place include:

- mechanic shops (*fitting*);
- seamstresses and tailoring shops;
- hairdressing and barbering;
- traditional catering (*chop bars*)
- electrical repairs (radio, television, fridges etc)
- furniture designs and carpentry
- plumbing and masonry
- merchandising and retail trade

The human resource development comes through an active participation of the trainee on the job. The MSME owner usually supervises the trainee to develop his or her skill, experience, knowledge and abilities over a period of time. The apprentice upon the completion of his or her period of training is ready to set up his or her business to additionally employ and train more people. Thus the present of MSMEs activities has a rippling effect on human resource development and skills acquisition in a society.

3.3 *Micro, Small & Medium Enterprises and Levels of Income*

The role of MSMEs and entrepreneurship in economic growth and development involves more than just increasing per capita output and income; it involves initiating and constituting change in the structure of business and society (Hisrich, Peters & Shepherd, 2008). This change is accompanied by growth and increased output, which allows more wealth to be divided by the various participants. Change and development is facilitated according to one economic growth theory that is by innovation (Hisrich *et al.*, 2008). Innovation is not only key in developing new products or processes but also in stimulating investment interest in new ventures being created. This new investment works on both the demand and supply sides of the growth equation; the new capital created expands the capacity for growth (supply side), and the resultant new spending utilizes the new capacity and output (demand side). According to these writers, the development of innovation and its commercialization through entrepreneurial activity, help stimulate generate enough incomes that promote economic growth.

Similarly, small entrepreneurial ventures have been found to have a relationship with economic prosperity as they serve as sources of government tax revenue, contribute to gross domestic product, providing of employment, facilitating the distribution of goods and services, providing of flexible specialized goods and services as well as

serving as the source of industrial innovation (Buame, 2004). The World Bank as reported in Beck, Demirguc-Kunt & Levine (2003) supports MMSEs development programs based on the argument that MSMEs make special contributions to developing economies by generating the needed income necessary for alleviating poverty.

In his review of MSMEs sector contributions to the growth and development of East Asian economies, Harvie (2004) notes the sectors' increasing importance to the region's recovery of sustained economic growth, employment, trade, investment, and the development of globally competitive economies. Beck et al (2003) found that there is a robust, positive relationship between the relative size of the MSMEs sector and economic growth, even when controlling for other determinants of economic growth. However, the causal relationship between the size of the MSE sector and economic growth is not robust after controlling for simultaneity bias.

At an aggregate level, MSMEs are believed to demonstrate impressive growth, especially when compared with larger firms. However, many individual MSMEs grow slowly or not at all – in some cases, due to a conscious decision on the part of the business owner (Nichter & Goldmark, 2005). In this sense, the growth theories discussed here relate to efforts to increase wealth in poor countries such that welfare is improved concurrently.

As Baumol, (2007) quite frankly pointed out, economic growth of the past two centuries, in which entrepreneurs arguably played a critical role, can be estimated to have increased real U.S. per-capita income by an astonishing 2,000 per cent or even more. Undoubtedly, the presence of the Microsofts, Apples and the Disneys together helped build the U.S economy. Similarly, the Blue Skies, the Despites, Antracks, the Sikkens2, have helped improve the economy of Ghana.

The informal sector is undoubtedly the main income provider for majority of Ghanaians. This is because the available formal sector only employs a limited number of the economically active labour force³ (most importantly is female and rural employment). Majority of jobs are created by MSMEs. In some rural areas and regions in Ghana (e.g. the central, upper east and west regions), MSMEs are the only main sources of employment and hence only source of income. Thus MSMEs in Ghana helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs.

In Ghana, available data from the Registrar General indicates that 90% of companies registered are micro, small and medium enterprises. This target group has been identified as the catalyst for the economic growth of the country as they are a major source of income and employment (Mensah, 2004). Data from the Social Security & National Insurance Trust (SSNIT) reflects that, by size classifications, the Ghanaian private sector is highly skewed, with 90% of companies employing less than 20 persons, and a small number of large-scale enterprises.

3.4 Micro, Small & Medium Enterprises Job Creation and Poverty Reduction

Todaro & Smith (2009) refers to poverty as where a population or section of a population is, at most, able to meet only its bare subsistence essentials of food, clothing, and shelter to maintain minimum levels of living. An international poverty line represents a real income measure, usually expressed in constant dollars (e.g. \$1 per day), used as a basis for estimating the proportion of the world's population that exists at bare levels of subsistence. International poverty levels are determined by bodies such as the United Nations. Ghana has a relatively high level of poverty in the regions, with the Upper East top on the list, followed by the Upper West and the Central Region making the list of the first three topmost poverty stricken areas. Aryeetey & McKay (2004) submit that the depth of poverty is seen as outcome of the absence of effort to change the structure of the economy over several decades. The national poverty at the moment stands at 28.5% (GLSS, 2008). As suggested by Boeh-Ocansey, Agyeman & Apau (2009), the MSMEs would play a critical role to the development of the Ghanaian economy with its current support by government, donor partners and trade associations.

The data on employment status of the currently employed indicates that 55 per cent of the adults are own account workers (Table 1.2). Another 20.4 percent are contributing family workers while 17.6 per cent are employees. There are larger proportions of males in all categories except in the cases of contributing family workers and own account workers. In particular, the proportion of male employees is about three times that of female employees. Apprentices form only 2.3 per cent of the employed population (GSS, Ghana Living Standard Survey, 2008).

—INSERT TABLE 1.2 HERE—

In urban areas, employees (34.8%) constitute the second largest category after own account workers (47.2%), whereas in rural areas, contributing family workers (27.5%) are the second most populous group after own account workers (59.4%). In addition, the proportion of employees in urban areas is higher (about four times) than in rural areas. In contrast, the proportion of contributing family workers in urban areas (7.6%) is much lower than that in

rural areas (27.5%). In urban areas the proportion of female own account workers is much higher (60.3%) than their male counterparts (33.8%). But in rural areas, it is the reverse (64.3% for males and 55.0% for females) (GSS, Ghana Living Standard Survey, 2008).

According to Mukras (2003), the attraction of the MSMEs as an alternative employment generator derives from the very nature and characteristics which have made the enterprises relatively more accessible to the poor, the less skilled and the less sophisticated. Moreover, whereas the severe economic stress has resulted in larger firms losing steam and consequently collapsing, the MSMEs have often survived and maintained their competitiveness (McPherson, 1996). Also their labour absorptive capacity is higher than the larger formal sector enterprises, and, in addition, their average capital cost per job created is considerably smaller (Mlambo, 2001). In addition, the attraction and accessibility of the MSMEs to the poor, is derived from the fact that the enterprises are characterised by high labour intensity, ease of entry and exit, small start-up and operating capital, low labour skill requirements, and they give impetus for entrepreneurial and indigenous technological development (Mlambo, 2001; Ikiara, 2001).

While many entrepreneurs might want to see their businesses grow, achieving and maintaining a steady source of income is sufficient enough for many, contributing to at least some level of prosperity for the poor and guarding against economic or household shocks (IRIS, 2006). Money earned by microenterprises is not a salary, but it often is the only income they and their households have (Eversole, 2003). Income from MSMEs serves to cover consumption needs, and when favourable, is put towards reinvestment for expanding the business; such investments can not only sustain consumption needs in the short term but can earn resources for the long term (IRIS, 2006).

Just as MSMEs can comprise heterogeneous sectors, the poverty rates of MSMEs owners and employees are just as varied. Orlando & Pollack (2000) found that rural workers, the young, and women were often the most vulnerable to poverty. Poverty rates for microenterprise workers were also found to be twice as high as those who did not work in the microenterprise sector during the 1990s; the poverty gap between these sectors increased during this decade (Orlando & Pollack, 2000). Workers in the informal, microenterprise sector are also less likely to enjoy non-salary benefits found in formal employment such as employers' contributions to health insurance, on-site meals, bonuses, pension funds, and emergency funds. In addition to a steady income, employees noted their appreciation for these non-wage benefits, especially health insurance, which most would not receive if they were unemployed or self-employed (SEAF, 2004).

The OECD (2004a) indicated that MSMEs contribute to over 55 per cent of GDP and over 65 per cent of total employment in high income countries. MSMEs and informal enterprises account for over 60 per cent of GDP and over 70 per cent of total employment in low income countries, while they contribute over 95 per cent of total employment and about 70 per cent of GDP in middle income countries. The situation in Ghana is that data is not readily available to easily determine the contribution of MSMEs to employment and GDP. However, information available from the Registrar General indicates that 90% of firms registered are MSMEs (Mensah, 2004).

Measuring the relationship between MSMEs and poverty reduction has proved very difficult due the unavailability of data on such ventures, differences in definition of the key variables (MSMEs, and Poverty). In view of this, most researches of their relationship has been theoretical without empirical tests. Few others have used econometric model to establish the relationship among MSMEs, economic growth and poverty reduction. For instance, (Gebremariam, et al (2004), used an Ordinary Least Square and the Two-Stage Least Squares technique to establish the relationship between MSMEs, economic growth and poverty reduction. Similarly, Beck & Demirguc-Kunt (2004) used an econometric analysis to find the relationship between MSMEs, growth and poverty reduction. The only methodological problems reported by these two works were the choice of indicators in the measurement of the key variables.

4. Deductions from the Research

MSME's from the perspective of the anti-SMEs are destructive than productive and contribute less to employment compared to large organizations. But especially in the context of Ghana, the assertion by the anti-SMEs would not hold. Because for majority of its towns and rural areas, it is the activities of small firms mainly peasant farmers, fishermen and fishmongers, market women, seamstresses, tailors, and the like that help alleviates poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care and empowering people to make the choices that best serve their needs.

MSME's have attempted to change the notion that Ghanaian firms are not innovative. With the increasing number of MSME's that have emerged over the years, that notion has been changed. Through the activities of MSMEs, Ghana now produces several of the medicines, simple agricultural tools like the hole and the cutlass used on the

farm. Several small firms in the cities of Accra and Kumasi³ are going into the assembling of computers and other electronics such as mobile phones. MSMEs in the town of Kumasi in Ghana manufacture leather shoes and sandals. The effect being creation of jobs which help people generate income thus helping reduce poverty.

Governments' revenue is boosted through the activities of MSME's by way taxes. Governments can influence their revenue if they are able to assist more people to engage in those activities. The more MSME's there are in the society, the more revenues that the government could generate through taxes. People will also be able to generate income thereby reducing poverty levels in the country.

MSME's have been able to contribute to the development of human resource through active participation of trainees in on-the-job activities. MSME's like fitting, hairdressing and barbering, plumbing and masonry have all helped to develop our human resource. More MSME's can also help reduce government expenditure on human resource development. If more MSME's are assisted more people can be trained and the net effect being the development of the nation's human resource base.

MSME's create jobs. If one person sets up a canteen, it will have to be run by more than one person. These persons that the person may employ to help him/her work will receive wages. Such person are able to get some work to do and will also receive wages that will enable them to afford certain basic amenities. This in the long will help reduce poverty and improve the living standards of the people. Governments and donor partners should channel their assistance to these MSME's so as to help generate employment and improve the living standards of the people.

In effect MSMEs contribution to the economy and employment is significant as they provide the stimulus to economic growth, fosters backward and forward linkages, develops human assets and develops entrepreneurial skills in the society.

5. Policy Recommendations

The presence and the activities of MSMEs have played a significant role in the economy of Ghana. However, they are normally constrained financially and non-financially. In view of these the following policy recommendations have been made:

First, government and donor partners should pay more attention to these MSME's as more attention devoted to these MSME's mean reducing poverty and improving living standards of many Ghanaians. This means present and successive governments put in place viable policy frameworks in support of MSMEs. This also means revamping and resourcing existing bodies responsible for MSMEs (e.g. National Board for Small Scale Industries, Ghana (NBSSI)). The NBSSI should be to provide the business development services it was set up to provide.

Additionally, government and the public sector should work to put in place favourable regulatory framework to provide conducive business environment. This include working to reduce corporate taxes and granting tax relief for MSMEs; reducing the barricades in registration of business (in recent times takes up to ten working days); dealing with the most important but the less considered issue of protection of intellectual property rights and regulation of interest rates and inflation in the country.

Also, the public sector should develop strategies to make capital accessible by making financial markets more competitive. Government through the NBSSI can pursue a credit guarantee scheme for MSMEs as well as to persuade lenders to serve MSMEs.

The consuming public should also be encouraged to support MSMEs by patronising products from such businesses if they to help provide the job for the unemployed and contribute to poverty reduction in the country

Second, MSMEs should network and possibly establish a mutual fund to be run and manage by the owners of these MSMEs. Such a fund would help provide some relief capital usually required by these firms. Financial constraint has impeded the growth prospect of many small firms in Ghana, and such an alliance would help deal with such a problem.

Third, existing and to be small business owners need to form partnership by way pooling talents, skills and money. A missing point and reason for several unviable small firms scattered in towns and villages in most part of Ghana is the inability to team up and carry on business activities. It therefore appropriate for these to be or existing owners to foster and merge to help increase the capacity and productivity so as to expand and provide work jobs for the people. This would also require the support of institutions such as NBSSI, the Private Enterprises Foundations (PEF) and the Ministry of Trade and Industry of Ghana.

Since MSMEs have been found to create jobs, schools and colleges in both the private and the public sector should review their curricula to incorporate entrepreneurship and innovations management as these entrepreneurs would set up MSMEs that would help create employment as a way to tackle poverty. It recommended further that training

in entrepreneurship and innovations should begin from the senior high school. As a policy, entrepreneurship training should be made a compulsory course in all schools in the country.

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Notes

Note 1. According to the Nepad Business and Investment Guide (2009), MSMEs contributed about 40% to GDP in South Africa. Nmachi (2007) posit that about 90% of the total enterprises in Nigeria are small-scale helping to alleviate poverty in different dimensions.

Note 2. Blue Skies, the Despites, Antracks, the Sikkens are some of the renowned small businesses in Ghana

Note 3. According to the 2000 population and Housing census of Ghana, over 80% of the working population is found in the private informal sector.

Note 4. Kumasi and Accra are the two most active commercial towns in Ghana. Accra is the capital town of Ghana and located at the Southern part along the Atlantic Ocean

Appendix

Table 1.1. Classification of Informal Sector Activities in Ghana

Services	Food Vendors, Restaurants	Wood Processing & Handicrafts	Construction, Metal Fabrication
<ul style="list-style-type: none"> • Television, Watch repairs • Regeneration Repairs • Radio Repairs • Newspaper vending • Car Washing • Barbering shops • Photographing • Traditional Medicine • Laundry services • Shoe repairs • Hawking • Hair dressing 	<ul style="list-style-type: none"> • Bakery and Pastries • Fruit processing • Roasting of yam, plantain, meat and fish • Fast food joints • Pastries • Drinking spots • Traditional catering 	<ul style="list-style-type: none"> • Plumbing • Carpentry • Timber works • Furniture works • Pottery • Batik tie & dye • Traditional carvings • Kente weaving 	<ul style="list-style-type: none"> • Brick, block making and laying • Stone Quarrying • Digging wells • Fencing • Electrical wiring • Masonry • Blacksmithing • Sales of Iron rods • Welding and soldering • Iron gates and doors • Building houses
Transport and Garages			
<ul style="list-style-type: none"> • Mechanic and Fitting Shops • Bicycle and motor repairs • Taxi and <i>Trotro</i> operators • Coach services 			

Source: Baah-Nuakoh (2003)

Table 1.2. Employment status of the currently employed population (15 years and older)

Employment Status	Urban			Rural			Ghana		
	Male	Female	All	Male	Female	All	Male	Female	All
Employee	49.7	20.1	34.8	13.8	2.8	8.0	27.0	8.9	17.6
Employer	7.4	5.5	6.4	4.2	2.7	3.5	5.4	3.7	4.5
Own account worker	33.8	60.3	47.2	64.3	55.0	59.4	53.1	56.9	55.0
Contributing family worker	4.1	11.0	7.6	16.2	37.9	27.5	11.7	28.5	20.4
Apprentice	4.7	3.0	3.8	1.5	1.5	1.5	2.7	2.0	2.3
Other	0.3	0.1	0.2	0.1	0.0	0.0	0.2	0.1	0.1
All	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: GSS, Ghana Living Standard Survey, 2008

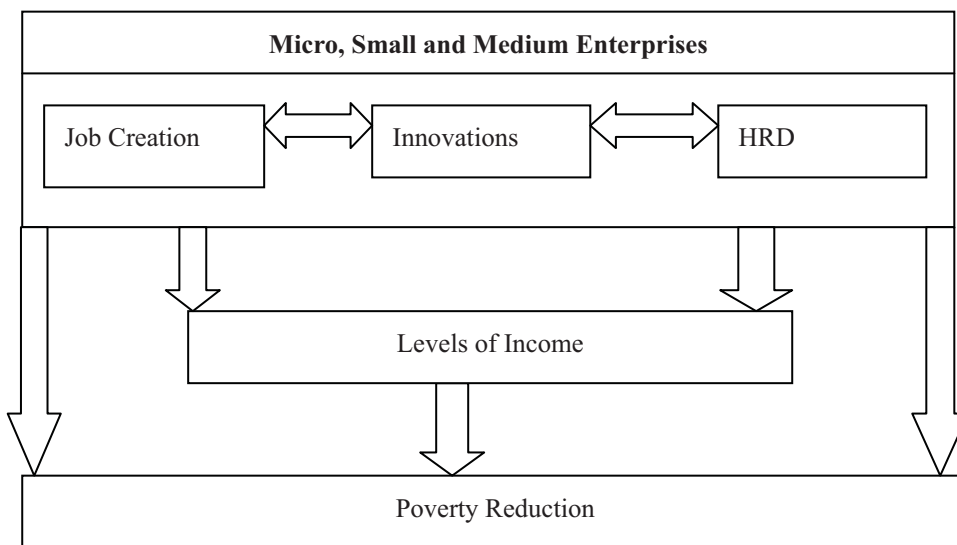


Figure 1.1. Conceptual Framework

Author's Construct