

**SMALL AND MEDIUM SCALE ENTERPRISES AND GROWTH OF TOWNS IN**

**RURAL GHANA:**

**THE CASE OF ASUTIFI DISTRICT IN THE BRONG AHAFO REGION**

**KNUST**

**By**

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## DECLARATION

I hereby declare that this submission is the result of my own work towards the MSc. Development Planning and Management programme, and that to the best of my knowledge, this study contains no material previously published by another person nor submitted for the award of any other degree of the university, except where acknowledgement has been duly made in the text. Any opinion or view expressed and errors found in the work, however, entirely are my responsibility and do not necessarily represent the organizations or individuals who have been cited in this work.

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## **DEDICATION**

Dedicated to my beloved wife, Mrs. Anastasia Dombo, who has been very dear, supportive and wonderful to me throughout, and will continue to be as long as I live. You have in many ways enriched my life. Thank you for the thoughtfulness, the well wishes, loneliness and the prayers. I deeply and sincerely appreciate and love you.



## **ABSTRACT**

This study presents the relevance and emergence of Small and Medium Scale Enterprises and the Growth of Towns in Rural Ghana. It discusses the characteristics, contributions of SMEs to the growth of towns and development, and the obstacles to SME development in Ghana with particular reference to Asutifi District. SMEs in Ghana have been noted to provide about eighty-five percent (85) of manufacturing employment of Ghana. They are believed to contribute about seventy percent (70) to Ghana's GDP and account for about ninety-two per cent (92) of businesses in Ghana. SMEs development is largely constrained by a number of factors, such as lack of access to appropriate technology; limited access to international markets, inadequate regulations and rules; weak institutional capacity, lack of management skills and training, and insufficient finance. In spite of these obstacles, the SME sector continues to thrive in both rural and urban centres in Ghana.

Across the Asutifi District, population growth, combined with in-migration from rural to urban areas and increased urbanisation, has resulted in large pools of semi and unskilled workers, many of whom have come to settle in the mine take areas. Majority of them are engaged in illegal small scale mining to sustain life. The failure to provide this group with the appropriate skills, or support the upgrading of their existing ones, represents a loss of potential talent across a generation and could lead to urban decay and other social vices. Government, development partners and donors must ensure that these capacity constraints are addressed.

The study is most prudent to investigate the relationships between SMEs and the Growth of Towns in Asutifi District to ascertain the relevance of the sector and how it contributes in fighting the menace in the District.

The study identified the types of SMEs operating in the District and examined their roles and prospects. It further examined the SME sector and its contribution to local development and established some relations that exist between SMEs and the Growth of the selected communities under investigation.

The study also reviewed related literature on the topic and developed a conceptual framework. The Growth Pole theory is used as the theoretical underpinning for the research. The study particularly focused on agro processing (palm oil extraction, cocoa powder making etc), agriculture and forest products (food making enterprises, poultry farms, etc), service enterprises, (provision stores, hair dressing salons, and mechanic enterprises), primary fabrication (locally made shoe manufacturers, tie and die enterprises, etc) and traditional craft (clay/kaolin centres, and blacksmithing).

The study combined survey and case study methods of data collection and analysis. Questionnaires were particularly, administered to entrepreneurs and purposively selected institutions with specialised knowledge about SMEs and who were willing to assist in the success of the survey.

The sole ownership is the dominant business in Asutifi District. The DA, BAC and other NGO's in the District support the sector. There are High in-migration and high demand for SMEs products in the District with inadequate markets. The implications are discussed in the text and some recommendations made available for further investigations in the near future.

## TABLE OF CONTENTS

Contents	Page
DECLARATION.....	I
DEDICATION.....	ii
ABSTRACT.....	iii
TABLE OF CONTENTS.....	iv
LIST OF TABLES.....	V
LIST OF FIGURES.....	vi
LIST OF ABBREVIATIONS.....	vii
ACKNOWLEDGEMENT.....	viii

### CHAPTER ONE

#### INTRODUCTION

<b>1.1Background to the study</b>	<b>1</b>
<b>1.2 Problem Statement</b>	<b>2</b>
<b>1.3 Research Questions</b>	<b>5</b>
<b>1.4 Research Objectives</b>	<b>6</b>
1.4.1 General Objective	6
1.4.2 Specific Objectives	6

<b>1.5 Scope and Relevance of the Study</b>	<b>6</b>
<b>1.6 LIMITATIONS</b>	<b>8</b>
<b>1.7 Organisation of the Study</b>	<b>9</b>

## KNUST CHAPTER TWO

### THE RELATIONSHIPS BETWEEN SMES AND GROWTH OF TOWNS IN RURAL GHANA

<b>2.1 Concepts, Definitions, Characteristics and Roles of SMEs</b>	<b>10</b>
2.1.1 Introduction	10
2.1.2 Overview of SMEs	10
2.1.3 SMEs in Ghana	13
<b>2.2 Characteristics of SMEs</b>	<b>14</b>
<b>2.3 Types and Nature of Operations of SMEs in Ghana</b>	<b>15</b>
<b>2.4 The Roles and Prospects of SMEs in Ghana</b>	<b>16</b>
<b>2.5 Legal Framework of SMEs in Ghana</b>	<b>18</b>
2.5.1 Establishing Business in Ghana	18
2.5.2 Investment Climate	19

2.5.3 Setting up Business in Ghana	20
<b>2.6 Modern Approaches to SMEs Promotion in Ghana</b>	<b>20</b>
<b>2.7 Institutional Arrangement for SMEs Development in Ghana</b>	<b>21</b>
<b>2.8 Challenges of SMEs in Ghana</b>	<b>23</b>
<b>2.9 Theoretical Framework</b>	<b>24</b>
<b>2.10 The Growth Pole Theory</b>	<b>24</b>
<b>2.11 SMEs and Economic Growth</b>	<b>26</b>
<b>2.12 SMEs and Town/ Urban Growth</b>	<b>28</b>
<b>2.13 Towns in Ghana</b>	<b>29</b>
<b>2.14 Relationships between SMEs and the Growth of Towns</b>	<b>29</b>
<b>2.15 Conceptual Framework</b>	<b>33</b>

### **CHAPTER THREE**

#### **RESEARCH METHODOLOGY AND PROFILE OF ASUTIFI DISTRICT**

<b>3.1 Research Design</b>	<b>34</b>
<b>3.2 Sampling Design</b>	<b>37</b>



<b>3.2.1 Stratified Sampling</b>	<b>37</b>
<b>3.2.2 Purposive Sampling</b>	<b>38</b>
<b>3.2.3 Sample Selection</b>	<b>38</b>
<b>3.2.4 Sample Size and Distribution</b>	<b>39</b>
<b>3.2.5 Sample Frame</b>	<b>40</b>
<b>3.2.6 Simple Random Sampling</b>	<b>41</b>
<b>3.3 Research Tools</b>	<b>41</b>
3.3.1 Data Collection	42
3.3.2 Primary Tools	42
3.3.3 Secondary Source	43
<b>3.4 Data Processing</b>	<b>43</b>
<b>3.5 Data Analysis</b>	<b>44</b>
<b>3.6 Profile of Asutifi District</b>	<b>44</b>
3.6.1 Location and Size of Asutifi	45
3.6.2 Human Settlement of Asutifi	47
3.6.3 District Labour Force	48

3.6.4 Other Business Opportunities in Asutifi	48
3.6.5 Inter and Intra District Trade	49
3.6.6 Economic Resources	49
3.6.7 District Revenue Bases	50
3.6.8 Economic Infrastructure	50.
<b>3.7 Major Economic Activities in selected communities</b>	<b>50</b>
<b>3.8 The Impact of Illegal Mining (Galamsey) in Asutifi</b>	<b>51</b>

## **CHAPTER FOUR**

### **THE IMPACT OF SMEs ON THE GROWTH OF TOWNS IN THE ASUTIFI DISTRICT**

<b>4.1 Introduction</b>	<b>53</b>
<b>4.2 Characteristics of Respondents</b>	<b>54</b>
<b>4.3 Age and Sex Distribution of Entrepreneurs Interviewed</b>	<b>54</b>
<b>4.4 Nature of SMEs in Asutifi District</b>	<b>55</b>
<b>4.5 Educational Level of Respondents</b>	<b>56</b>
<b>4.6 Age of Enterprise</b>	<b>57</b>
<b>4.7 Business Ownership</b>	<b>59</b>

<b>4.8 Type of SMEs in Asutifi</b>	<b>59</b>
<b>4.9 Sources of start up capital</b>	<b>60</b>
<b>4.10 Access to Machinery/Equipment</b>	<b>61</b>
<b>4.11 Source of raw Materials</b>	<b>62</b>
<b>4.12 Access to Market in Asutifi</b>	<b>63</b>
<b>4.13 Major occupation of Respondents</b>	<b>64</b>
<b>4.14 Contribution of SMEs to local development</b>	<b>66</b>
<b>4.15 Other Factors contributing to town development</b>	<b>68</b>
<b>4.16 Estimated income of respondents</b>	<b>72</b>
<b>4.17 Challenges faced by Entrepreneurs</b>	<b>73</b>
<b>4.18 Support Institutions of SMEs in Asutifi</b>	<b>74</b>
4.18.1 District Assembly	74
4.18.2 Banks in Asutifi	75
4.18.3 Business Advisory Centre	76
4.18.4 GPRTU	76
<b>4.19 Training for Entrepreneurs</b>	<b>77</b>

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, RECOMMENDATIONS and CONCLUSSION**

<b>5.1 Introduction</b>	<b>78</b>
<b>5.2 Summary of findings</b>	<b>78</b>
5.2.1. Gender dimensions	78
5.2.2. Level of Education	78
5.2.3. Age of Enterprise	78
5.2.4. Ownership	79
5.2.5. Financial Assistance	79
5.2.6. High in-migration	79
5.2.7. Retail trading dominates SMEs sector	79
5.2.8. Level of machine use	80
5.2.9. Galamsay for growth of Asutifi	80
5.2.10. Trading	80
5.2.11. Contribution of SMEs to growth of towns	80
5.2.12. Contribution of SMEs to local development	80
<b>5.3 Challenges of SMEs</b>	<b>81</b>

<b>5.4 Recommendations</b>	<b>82</b>
5.4.1. Introduction	82
5.4.2 Access to credit	82
5.4.3. Provision of market	83
5.4.4. Training for entrepreneurs	83
5.4.5. Reduction in interest rate on loans	84
5.4.6. Reduce operational taxes	84
<b>5.5. Conclusion</b>	<b>84</b>
<b>REFERENCES</b>	<b>86</b>
<b>APPENDICES</b>	<b>89</b>



## LIST OF TABLES

<b>Table 3.1: Distribution of active enterprises by size/groups in selected communities</b>	<b>40</b>
<b>Table 3.2: Population by Settlements</b>	<b>47</b>
<b>Table 4.1 Age and sex distribution of entrepreneurs interviewed</b>	<b>54</b>
<b>Table 4.2: Educational level of Respondents</b>	<b>57</b>
<b>Table 4.3 Ownership of Small and Medium Scale Enterprises</b>	<b>59</b>
<b>Table 4.4 Type of SMEs in Asutifi</b>	<b>60</b>
<b>Table 4.5: Secondary Occupation of Respondents</b>	<b>65</b>
<b>Table 4.6 Factors contributing to town development</b>	<b>68</b>
<b>Table 4.7: Estimated income of respondents</b>	<b>72</b>

## LIST OF FIGURES

<b>Figure 3.1: Asutifi District Map</b>	<b>46</b>
<b>Figure 4.1: Nature of SMEs in Asutifi District</b>	<b>56</b>
<b>Figure 4.2: Age of Enterprise</b>	<b>58</b>
<b>Figure 4.3: Sources of start up capital</b>	<b>61</b>
<b>Figure 4.4: Access to Machinery/Equipment</b>	<b>62</b>
<b>Figure 4.5: Primary Occupation of Respondents</b>	<b>65</b>
<b>Figure 4.6: Contribution of SMEs to Local Development</b>	<b>67</b>
<b>Figure 4.7: The Relationships between SMEs and Growth of Towns in Asutifi District</b>	<b>70</b>
<b>Figure 4.8: Expenditure patterns</b>	<b>73</b>
<b>Figure 4.9: Ten top challenges of SMEs</b>	<b>74</b>
<b>Figure 4.10: Training for SMEs</b>	<b>77</b>

## LIST OF ABBREVIATIONS

ADB	Agricultural Development Bank
AGI	Association of Ghana Industries
AGOA	African Growth and Opportunity Act
BAC	Business Advisory Centre
DA	District Assembly
EC	European Commission
EDFIF	Export development and Investment Fund
FGD	Focus Group Discussions
GDP	Gross Domestic Product
GEPC	Ghana Exports Promotion Council
GIPC	Ghana Investment Promotion Council
GIPC	Ghana Investment Promotion Centre
GLSS	Ghana Living Standard Survey
GPRTU	Ghana Private Road Transport Union,
GSE	Ghana Stock Exchange
GSS	Ghana Statistical Service
GPHC	Ghana Population and Housing Census
KKSP	Korea knowledge Sharing programme
KM	Kilo Meters
MOFA	Ministry of Food and Agriculture



MSA	Microfinance Sector Assessment
NBSSI	National Board for small scale Industries
NGO	Non Governmental Organisations
NIB	National Investment Bank
NLC	National Liberation Council
PRA	Participatory Rural Appraisal
PROTOA	Private Road Transport Operators Association
REP	Rural enterprises project
SMEs	Medium Scale Enterprises
TUC	Trades Union Congress
UNIDO	United Nations Industrial Development Organization
US	United States
US\$	United States Dollar
VRA	Volta River Authority
IJFE	International Journal of Finance and Economics

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the study**

The importance of Small and Medium Scale Enterprises (SMEs) in advanced and developing countries has led and would continue to lead to a reconsideration of the role of SMEs in the economy of nations. The development of many countries is often measured by such indices as the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capita, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry.

The less researched area which contributes to growth and development of many countries today is the SMEs sector. SMEs are veritable engines for the development of entrepreneurial capabilities and indigenous technology which will generate employment in the country. SMEs in Ghana provide about eighty-five percent (85) of manufacturing employment. They contribute about seventy percent (70) to Ghana's GDP and account for about ninety-two per cent (92) of businesses in Ghana. (I.J.F.E., Issue 39, 2010).

For instance, at the early stages of industrialization, Japan's economy was characterized by traditional industries and a large number of small firms who as at that time drew their strength not from an abundant supply of capital, but from their vast supply of labour. So in Japan "during the interwar years (1919 - 1938) and after government policies accorded and continued to accord due priority to the country's small and medium scale enterprise (Carl Mosk, 2007).

SMEs physical access to the markets in small urban centres and the extent of these urban centres' connection to wider networks of regional, national and international urban centres are key influences on their development. Availability and affordability of transport is important not only in connecting SMEs areas to local urban centres but also in connecting local small and intermediate urban centres to other actual and potential markets. In many cases, urban centres located on road axes, along railways and rivers, or in coastal areas have better links with wider market networks. Indeed, national and regional urban systems always reflect the dominant transport system, although often also showing the influence of transport systems that have been superseded (for instance, the 'railway towns' and 'river ports',) even when road transport now predominates.

The promotion of such enterprises in developing economies is of paramount importance since it brings about a great distribution of income and wealth, economic self-dependence, entrepreneurial development, employment and a host of other positive, economic uplifting factors. The clustering of SMEs can influence governments and District Assemblies to provide social infrastructure in the form of potable water, roads, electricity for the cluster to facilitate increased productivity. With the provision of these services, human settlements emerge, grow and develop with time. A cluster allows SMEs to compete globally, thanks to better access to information and specialized resources, flexibility and rapid adoption of innovations. Other benefits to be derived as a result of SMEs clustering include; easy access to specialized suppliers, services and human resources, information spill over's and flexibility and fast change reaction due to extreme specialization.

In a country like Ghana with a relatively adverse Balance of Payment situation, the growing contribution of the Small Scale Enterprises sector in Ghanaian export portfolio goes a long way in generating foreign exchange and smoothening out the adverse Balance of payment situation. Thus, SMEs play an important role in the economy of Ghana, in accordance with their relative levels of development.

## **1.2 Problem Statement**

SMEs in Ghana have been recognized to face various obstacles in their growth and this is often linked to the absence of a clear vision of the roles in development and the lack of a reliable policy framework and distinct credible interventions to promote their growth and expansion (Aryeetey et. al, 1994).

Insufficient structural transformation of the Ghanaian economy has inhibited the expansion of fresh and improved employment opportunities and the exploitation of the workforce. Higher rates of growth have not enhanced employment for a large section of the workforce. The majority of employment opportunities persistently consist of low-income rural and informal activities.

According to the Korea knowledge Sharing programme, (2008), a study of the business conditions of SMEs in Ghana suggests that there are various bottlenecks that affect their operations. These are:

- Low level of entrepreneurship and managerial skills;
- Low level of technological capacity;
- Low level of national competitiveness in labour productivity and capitalization;
- Low market accessibility;
- Lack of vertical linkages and undeveloped clusters;
- Poor access to financing and
- A rigid labour market and low level of technical skills.

These obstacles prevent SMEs from attaining skills, flexibility, competitiveness, networking capacities and economies of scale, all of which are required to enhance SMEs development in Ghana, just like in Asutifi District. Sustained growth would depend on the District's success in reversing these drawbacks. (KKSP, September, 2008)

Ghana has a very large informal economy. If agriculture and non-agricultural activities are considered, the informal sector contributed almost 91 percent of the total employment in 1998-9. According to Ghana's Microfinance Sector Assessment, 52 percent were self employed in agriculture, 34.3 percent worked in the informal economy, and only 13.7 percent worked in formal public or private employment. Moreover, the number of formal public and private sector jobs has declined (MSA, 2008)

Due to their regional dispersion and their labour intensity, it is argued that, SMEs activities promote a more equitable distribution of income than large firms. They contributed about 6 percent to GDP in 2005. They improve the efficiency of household markets and create industrious use of limited resources, as such contributing to comprehensive economic growth.



Various efforts have been made by successive governments of Ghana to address the institutional, financial and technological needs of SMEs. Some of the measures taken in this direction are the revision of the investment code, adoption of trade liberalisation policy, restructuring of the financial sector and the upgrading of traditional technologies. An example of an effort made by the government of Ghana to meet the institutional and financial needs of this sector was the establishment of National Board for small scale Industries (NBSSI) in 1981 by Act 434 as apex body for the promotion and development of micro and small enterprises. Despite the attempts made to promote SMEs, there has been limited research done on SMEs sector and their contribution to growth of towns which is the focus of this study.

In order for SMEs to operate fully, they need to be established in locations where; they can easily obtain raw materials, energy, funds and are protected by laws so that they are not competed out by larger enterprises. The study underlined and examined the relevance of the emergence and growth of SMEs to urban or Town development in Ghana, using Asutifi district of the Brong Ahafo Region as a case with specific reference to Kenyasi 1 & 2, Hweddiem, Wamahenso and Nkeseim.

### **1.3 Research Questions**

The study addressed the following questions;

- What are the types and nature of operations of SMEs in Asutifi District?
- What are the roles and prospects of SMEs in urban and rural centres in Asutifi District?
- What relationship exists between SMEs and growth of towns in Asutifi District?
- How will SMEs further contribute to the growth of urban centres in Asutifi District?

## **1.4 Research Objectives**

### **1.4.1 General Objective**

The main objective of the study was to underline the emergence and growth of SMEs relevance to urban development in Ghana, focusing on the development of Asutifi in the Brong Ahafo Region with specific reference to Kenyasi 1 & 2, Hwidiem, Wamahenso and Nkeseim.

### **1.4.2 Specific Objectives**

- To examine the types and nature of operations of SMEs in the existing communities in Asutifi District,
- To assess the roles and prospects of SMEs in the urban and rural centres in Asutifi District,
- To establish the relationship that exists between SMEs and town development in Asutifi District and
- To recommend ways of enhancing the relationship between SMEs and growth of towns in Asutifi District.

## **1.5 Scope and Relevance of the Study**

Contextually, the study focused on the emergence and growth of SMEs relevance to urban development in Ghana, focusing on the development of Asutifi in the Brong Ahafo Region with specific reference to Kenyasi 1 & 2, Hwidiem, Wamahenso and Nkeseim. It centred on the operations of SMEs in Asutifi, roles and prospects as well as the relationship that exists between SMEs and town development in Ghana with reference to Asutifi District. Specifically,



palm oil extraction, soap-making, dress-making, batik tie and dye, blacksmithing, fitting, vulcanizing, hairdressing/barbering, carpentry, petty trading and local catering services were examined owing to their prominence in the District. These entrepreneurs were examined on five (5) key areas thus: service, traditional crafts, primary fabrications, agro-processing and agriculture and forest products. In addition, relevant institutions including the District Assembly, Business Advisory Centre, GPRTU, ECOBANK and Asutifi Community Rural Bank were captured under the institutional questionnaires.

Geographically, the study covered Asutifi which is one of the twenty-two (22) districts in Brong Ahafo Region. The district has four paramountcies, namely: Kenyasi No.1, Kenyasi No.2, Hwidiem and Acherensua. The district capital is Kenyasi which is about 50km from Sunyani, the regional capital of Brong Ahafo, through Atronie and Ntotroso. The population of the district was estimated to be 114,029 in the year 2010 with average household size lying between 6 and 7 persons per household (2006). About 50.4 percent of the estimated population is female and the rest 49.6 percent male. The district has both urban and rural attributes and the population is heterogeneous in ethnicity and religion. There are a number of public and private organisations operating in the district with the aim of improving and developing the economic situation of the people.

Successful industrialisation must have an indigenous base, and the development of the small and medium scale enterprise sector would aid develop entrepreneurial and managerial skills as basis for efficient indigenous investment in management of larger industries (Kilby, 1988). SMEs respond flexibly under difficult and changing conditions because they do not depend heavily on infrastructure, and because their typically low levels of technology allow product lines and inputs

to be changed at relatively low cost (Steel, 1977). Anderson, (1982) asserted that, even when large-scale industries dominate, many SMEs retain competitive advantage by serving dispersed local markets, providing differentiated products with low-scale economies for niche markets, or specialising as sub-contractors for larger firms. SMEs are labour-intensive and use low levels technology, strategy to expand the sector is likely to be consistent with employment and income distribution. It also allows for sustained productivity increases through improvements in technology (Stanley and Morse, 1965). The relevance of SMEs in the growth of settlements or towns cannot be under-estimated. The important roles SME play as discussed above, calls for thorough investigation into SME activities and contributions to growth of towns in rural Ghana with specific reference to Asutifi District. The findings of the research would therefore be used as relevant source of information for the development of the selected communities; it would be used by various stake holders such as governmental and non-governmental institutions, Civil Societies, the Media in the development of SMEs and also serve as a reference source of information in the University.

## **1.6 LIMITATIONS**

- The study could not cover the entire District due to financial and logistical constraints. The BAC operational areas in the District were therefore used as representative sample for the study. The simple random sampling method aided in arriving at the desired sample size for the study.
- The inability of interviewers to interpret the questionnaire in their local language (twi) accurately to respondents to appreciate and respond appropriately was some of the difficulties encountered as most respondents are largely illiterates and only appreciate

issues in their own mother tongue. Three native service personnel who speak twi fluently were trained on how to interpret and administer questionnaire from the Business Advisory Centres. The personnel then assisted in administering the questionnaire appropriately ensuring the validity and reliability of the study.

- Time is very important for any useful study. The duration for writing and submission of thesis was very short. Due to this reason, there was unnecessary pressure on both the researcher and the supervisor alike. The cooperation and dedication of the supervisor to work under the circumstance results to the success of the work. The problem of time was further resolved by hiring three motor bikes for the service personnel to aid in their movement from one community to another so as to speed up the work within the specified time frame.

### **1.7 Organisation of the Study**

The study is organised under five chapters. Chapter one presents the background to the problem, statement of the problem, research questions and research objectives. It also encompasses scope and relevance of the study as well as limitations of the study. Chapter two presents the conceptual framework which entails the concepts, review of related literature on SMEs and the Growth of Towns in Rural Ghana which is the main topic under investigation. Chapter three presents the research methodology used and the profile of the study District. Chapter four is the presentation of data gathered from the District and its relationship to the set objectives. Chapter five however focuses on the overall research findings, recommendation, suggestions and conclusions of the study.

## **CHAPTER TWO**

### **THE RELATIONSHIPS BETWEEN SMES AND GROWTH OF TOWNS IN RURAL GHANA**

#### **2.1 Concepts, Definitions, Characteristics and Roles of SMEs**

##### **2.1.1 Introduction**

SMEs have been variously defined by many institutions in the world and such definitions have regularly been revised from period to period. Each of these definitions has been defined on the basis of size of investment, annual turnover and number of employees.

##### **2.1.3 Overview of SMEs**

The Bolton Committee (1971) first formulated an “economic” and “statistical” definition of a small firm. Under the “economic” definition, a firm is said to be small if it meets the following three criteria:

- It has a relatively small share of their market place;
- It is managed by owners or part owners in a personalized way, and not through the medium of a formalized management structure;
- It is independent, in the sense of not forming part of a large enterprise. Under the “statistical” definition, the Committee proposed the following criteria:
  - The size of the small firm sector and its contribution to GDP, employment, exports, etc;
  - The extent to which the small firm sector’s economic contribution has changed over time;

The Bolton Committee defined firms in manufacturing, construction and mining in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), and those in the retail, services, wholesale, etc. in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have 5 or fewer vehicles.

Various criticisms of the Bolton definitions centre mainly on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach. The World Bank (1976) refers to firms with fixed assets (excluding land) less than US\$ 250,000 in value as Small-Scale Enterprises. Van der Wijst (1989) considers small and medium businesses as privately held firms with 1 –9 and 10 – 99 people employed, respectively. The European Commission (EC) defined SMEs largely in terms of the number of employees as follows;

- firms with 0 to 9 employees - micro enterprises;
- 10 to 99 employees - small enterprises;
- 100 to 499 employees - medium enterprises.

The SME sector is comprised of enterprises (except agriculture, hunting, forestry and fishing) which employ less than 500 workers. The EC definitions are based solely on employment rather than a multiplicity of criteria. The use of 100 employees as the small firm's upper limit is more appropriate, given the increase in productivity over the last two decades (Storey, 1994).

The EC definition did not assume the SME group is homogenous; that is, the definition makes a distinction between micro, small, and medium-sized enterprises. The EC definition cannot be

applied to a number of countries. Definitions for small firms should be appropriate to particular “target” group and relevant to the country of study. The UNIDO also defines SMEs in terms of number of employees by giving different classifications for industrialized and developing countries (see Elaian, 1996). The definition for industrialized countries is given as follows:

- Large - firms with 500 or more workers;
- Medium - firms with 100-499 workers;
- Small - firms with 99 or less workers.

The classification given for developing countries is as follows:

- Large - firms with 100 or more workers;
- Medium - firms with 20-99 workers;
- Small - firms with 5-19 workers;
- Micro - firms with less than 5 workers.

The USAID (1990) defines Small-Scale Enterprises as firms with less than 50 employees and at least half the output is sold. According to the British Department of Trade and Industry, the best description of a small firm remains that used by the Bolton Committee in its 1971 Report on Small Firms. This stated that a small firm is an independent business, managed by its owner or part-owners and having a small market share (Department of Trade and Industry, 2001). It is clear from the various definitions that there is no general consensus over what constitutes an SME. Definitions vary across industries and also across countries. As a result, an operational definition is required. The most commonly used criterion as observed from the various definitions is the number of employees of the enterprise.



SME definitions are ideally defined sector specific. The operational definition of the research is focused on the size cut-off point based on the Ghana Statistical Service (GSS) considerations that firms with less than 30 employees are Small Scale Enterprises (Kayanula, 2000). The employee criterion considered in this study is also similar to the definition of Small-Scale Enterprises adopted by the NBSSI and it fits well with the SMEs in Asutifi District.

### 2.1.3 SMEs in Ghana

In defining small-scale enterprises in Ghana, Steel and Webster (1991), and Osei et al (1993) used an employment cut-off point of 30 employees. Osei et al (1993), however, classified small-scale enterprises into three categories. These are: (i) micro - employing less than 6 people; (ii) very small employing 6-9 people; (iii) small - between 10 and 29 employees.

(Storey, 1994) asserted that, there is no any single uniformly acceptable definition of Small Firm. Small and Medium Sized Enterprises are different in their levels of employment, capital, sales and production. Any definition which measures size in terms of number of employees, turnover, net worth, profitability, among others; when applied to another sector may yield different results. There have been various definitions given for small-scale enterprises in Ghana but the most commonly used criterion is the number of employees of the enterprise (Kayanula and Quartey, 2000).

There is often uncertainty in the cut off points used by the various official sources. In its Industrial Statistics, the Ghana Statistical Service (GSS) considers firms with fewer than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as

medium and large-sized enterprises. Ironically, the GSS in its national accounts considered companies with up to 9 employees as SMEs (Kayanula and Quartey, 2000).

The value of fixed assets in the firm has also been used as an alternative criterion for defining SMEs. However, the National Board for Small Scale Industries (NBSSI) in Ghana applies both the “fixed asset and number of employees” criteria. It defines a small-scale enterprise as a firm with not more than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian Cedis.

Further, classifying businesses according to size can be done in more than one way, thus leading to situations where enterprises identified as small using one criterion are not necessarily small according to another. Although there is no universally accepted definition of what constitutes small scale enterprise, there is consensus that they are small scale, and operate outside registration, tax and social security frameworks, and health and safety rules for workers, with informal economic activity being defined by its adaptable nature. The research considers definitions of both the GSS and the NBSSI as appropriate and relevant to investigate the relationships between SMEs and the Growth of Towns.

## **2.2 Characteristics of SMEs**

Most studies worldwide indicate 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 enterprises (Little et al., 1987). SMEs are more labour intensive than larger firms and therefore have lower capital costs associated with job creation (Anheier and Seibel, 1987; Liedholm and Mead, 1987; Schmitz, 1995).



It is often argued that SMEs are more innovative than larger firms. Many small firms bring innovations to the market place, but the contribution of innovations to productivity often takes time, and larger firms may have more resources to adopt and implement them (Acs et al., 1999).

Fisher and Reuber (2000) enumerate a number of characteristics of SMEs in developing countries under the broad headings: labour characteristics, sectors of activity, gender of owner and efficiency.

Given that most SMEs are one-person businesses, the largest employment category is working proprietors. This group makes up more than half the SME workforce in most developing countries; their families, who tend to be unpaid but active in the enterprise, make up roughly another quarter. The remaining portion of the workforce is split between hired workers and trainees or apprentices. In terms of activity, they are mostly engaged in retailing, trading, or manufacturing (Fisher and Reuber, 2000). While it is a common perception that the majority of SMEs will fall into the first category, the proportion of SME activity that takes place in the retail sector varies considerably between countries, and between rural and urban regions within countries.

### **2.3 Types and Nature of Operations of SMEs in Ghana**

In Ghana however, SMEs are categorized into urban and rural enterprises. The former can be sub divided into “organized” and “unorganized” enterprises. The organized ones mostly have paid employees with a registered office, whereas the unorganized category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home, and employ few or in some cases no salaried workers (Kayanula and Quartey, 2000).

They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this sector include:- soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smithing, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical-based products and mechanics (Osei et al., 1993; Kayanula and Quartey, 2000). Majority of SMEs are female-owned businesses, which more often than not are home-based compared to those owned by males; they are operated from home and are mostly not considered in official statistics.

#### **2.4 The Roles and Prospects of SMEs in Ghana**

The preference for SMEs within the industrial sector is based on the following propositions that large-scale industry has not been an engine of growth and a good provider of employment. Large industry has already received massive support through general trade, finance, tax policy and direct subsidies. It is within this frame that promotion of SMEs which are viable instruments of economic development can play a crucial role in the local areas in Ghana.

In his assertions, Dinye (1991) outline the roles of small-scale industries as follows:

- Small-scale industries make use of the nations idle materials which otherwise would go to waste
- They offer a variety of activities which draw labour from the surplus rural labour force and tune it into the productive sector of the economy.

- They depend little on imports and therefore conserve foreign exchange.
- They provide a variety of goods and services to satisfy local needs.
- They provide outlets for the talents and energies of enterprising individuals because of their ease of entry and exit.
- They provide a seedbed for nursing entrepreneurial skills and testing ground for new industrial enterprises.
- They generate dynamism, initiative and competition within the economy making it more functional.
- They contribute to community stability, do less harm to the physical environment,
- Stimulate local resource mobilization for investment and generally raise the level of popular participation in the economy.
- They induce linkages within the industrial sector and between it and other sectors of the economy.

SMEs are seen to be characterized by dynamism with innovations, efficiency and their small size allows for faster decision making process. Additionally, SMEs serve as engine room for physical and economic development especially in growing economies and contribute largely to urban growth due to agglomeration of various activities. SMEs also provide employment generation capacity which often engages a high percentage of active working population and thus contributing massively to the national and global gross domestic product. It plays the critical role of principal safety for the bulk of the population in developing economies and its labour intensity structure accounts for its recognition as a job creation in rural and urban centres.

In terms of rural development, SMEs constitute major revenue and play a major role in income generation and participation in economic activities in the lower income and rural brackets of the rural communities in terms of agriculture, trading and other rural services. SMEs capacity to generate employment opportunities reduces rural-urban migration and allows for even development. SME development in any economy also enhances better utilization of resources by providing considerable low capital outlay for business set-up and consequently converting minimal resources into production ventures. The discussions above epitomize how SMEs reduce grass root poverty and enhance total productivity Oyisiku, (2002) thereby leading to the growth of towns.

## **2.5 Legal Framework of SMEs in Ghana**

The policy and legal environment within the Ghanaian context has been criticized for being too stringent, corrupt and full of unnecessary bureaucracies and red- tapes accounting for many SMEs remaining in the informal sector. This paper thus makes an assessment of how Business are established in Ghana, Ghana's investment climate, available modern approaches to SMEs promotion in Ghana, the various institutions that support SMES in Ghana and the challenges SMEs face, in order to make appropriate inferences and recommendations with specific reference to SMEs and Growth of Towns in rural Ghana thereof.

### **2.5.1 Establishing Business in Ghana**

The following Legal Instruments, The Companies Code 1963, The Partnership Act 1962, The Business Name Act 1962, The Ghana Investment Promotion Act (Act 478), The Free Zones Act

(Act 504), establish the general legal framework for the setting up of business, and for investing in Ghana.

### 2.5.2 Investment Climate

The amendments to Ghana's 1985 investment code have opened up a wide range of new business opportunities. The 1994 Ghana Investment Promotion Act guarantees the freedom for non-Ghanaians to establish and run enterprises in potentially lucrative areas such as natural gas, hydropower projects, fruits and vegetables farming, food processing including fish canning; production of agro-chemicals, pharmaceuticals and information technology.

The Ghana Investment Promotion Centre Act, 1994 (ACT 478), re-established the Ghana Investment Promotion Centre (GIPC) as an autonomous government agency is mandated to encourage, facilitate and promote domestic and foreign investment. Enterprises Wholly Reserved for Ghanaians according to the ACT includes the following:

- The sale of anything whatsoever in a market, petty trading, hawking or selling from a kiosk at any place.
- Operation of taxi service and car hire service. (A non-Ghanaian may undertake this service provided he has a minimum fleet of ten new vehicles).
- All aspects of pool betting business and lotteries, except football pools.
- Operation of beauty salons and barber shops.

#### 2.5.4 Setting up Business in Ghana

Streamlined investment procedures:

- Register a company or corporate entity at the Registrar General's Department {5 days}.
- Bring in your capital/machinery and equipment to establish the business
- Register your investment with GIPC to be accorded investor status if there is foreign participation i.e. 100% foreign owned enterprises or Ghanaian-foreign joint-venture enterprises {5 days}.
- The minimum equity capital that non-Ghanaians will have to invest in the country to be accorded investor status includes:
  - Joint ventures - US\$10,000
  - 100% foreign owned - US\$50,000
  - Trading {buy & sell} - US\$300,000 + 10

The outlined Acts and Legislative instruments apply to both indigenes and foreigners alike but often applicable to registered enterprises and ensure security and productivity for SMEs in the country.

#### 2.6 Modern Approaches to SMEs Promotion in Ghana

The promotion of SMEs is significant in many countries, including Ghana, because SMEs perform multiple functions for the society and economy of a country. SMEs represent a large weight of the economic activity of a country. SMEs in many countries account for an overwhelming number of business establishments and employees and are a major player in



economic activity. As a result of SMEs contribution to overall development of the society, it is important for every country including Ghana to consider the following factors for SMEs promotion:

- To formulate effective projects and policies, first try to identify the roles and functions of SMEs you are looking at.
- Cooperation on protection of the socially disadvantaged SMEs
- Cooperation with SMEs with growth potential leading to economic development
- Promotion of SME sector is universally high priority, with assistance provided from the perspective of reducing poverty

## **2.7 Institutional Arrangement for SMEs Development in Ghana**

These institutions include the following:

- National Board for Small Scale Industries
- Districts Assemblies
- Business Advisory Centre
- Rural Enterprise Project
- Civil Society organizations
- Ghana Exports Promotion Council (GEPC), which is an autonomous body established by NLC Decree 396 of 1967; it is the natural approaching point for export development and production, working under the aegis of the Ministry of Trade and Industry, to ensure that the national export diversification and promotion drive succeeds.

- Export development and Investment Fund (EDIF). This is to enhance the economic growth of Ghana by providing funds on concessionary terms for the development and promotion of the country's export trade.
- African Growth and Opportunity Act (AGOA) is a law passed by the US congress in May 2000 that allows duty free and quota free access to the US market of products from Sub-Saharan Africa.
- Ghana Export Free Zones (Export Processing Zone) which are a government initiative at promoting economic development. Under this Act, a free zone means an area or a building declared as a free zone by publication in the commercial and industrial bulletin. The term includes single factory zones, free seaports, free airports and free river or lake ports for exportation of goods such as fruits, vegetables etc.
- The Ghana Stock Exchange (GSE), one of the premier stock exchanges in Africa, commenced operations in November 1990. Over the years of GSE's operations, its market performance has been remarkable and has earned GSE international recognition. In 1994 and 1998 for instance, some international research groups named GSE "the best performing stock market among emerging markets".
- Ghana Investment Promotion Council (GIPC), an organisation to attract private, domestic and foreign investment to transform Ghana into a broad based industrial economy through aggressive investment and promotion activities.
- The Association of Ghana Industries (AGI) has also been launched in 2008 as an initiative to facilitate SME development, dubbed "The AGI SME Agenda"



## **2.8 Challenges of SMEs in Ghana**

In spite of the fact that SMEs play very vital role in contributing to growth and development of towns, they are bedevilled with several obstacles among which includes: SMEs face variety of constraints owing to the difficulty of absorbing large fixed costs, the absence of economies of scale and scope in key factors of production, and the higher unit costs of providing services to smaller firms (Schmitz, 1982; Liedholm & Mead, 1987; Liedholm, 1990; Steel & Webster, 1990)

Issues of non-financial problems relating to infrastructure development and an enabling environment linked to policy framework within which small enterprises operate. SMEs operate in low level and small markets that usually lack inter-industry linkages in the economy. At the macroeconomic policy level, small-scale enterprises face high tax burden and high cost of capital. Lack of access to electricity, water and good roads that exist in most rural areas of Ghana are among the infrastructure handicap facing the small enterprises in Ghana. Small enterprises in Ghana face severe problems in marketing due to their lack of access to market information and advice and the use of low levels of technology in production.

Lack of access to credit is the severest problem facing small-scale enterprises in Ghana. A study in 1993 by the World Bank showed that lack of credit had the most severity index of 3.80 followed by other problems with an index of 2.86. Lack of credit to small firms is caused at the firm level by low levels of management, inability to prepare business plans and lack of credit history (Dinye, 1991). At the bank level, lending to small enterprises is unattractive due to high transaction cost, the considerable levels of risk involved and limited range of financial instruments.

## **2.9 Theoretical Framework**

This section presents an analysis of theories of how towns evolve and grow to assume their current status. Specific references shall be made to the growth pole theory, how SMEs promote economic growth of towns and urban areas and the nature and scope of towns in Ghana. The section will conclude with an assessment of the relationships that exist between SMEs and the growth of towns in rural Ghana.

## **2.10 The Growth Pole Theory**

The growth pole concept of spatial development assumes that investing in capital-intensive industries in the largest urban centres; economic growth can be stimulated and spread to generate regional development. The proponent of this theory, François Perroux introduced the idea of economic Growth Poles in 1949. The underlying principle was the notion of growth poles, these poles he identified as either an industry or perhaps a group of firms within an industry. He, however, defined growth poles in terms of what he called abstract economic space. Such as an economic plan, a field of force or influences a homogeneous aggregate. As already pointed out, the growth pole concept was originally conceived within “economic space”, but later transposed into “geographical space”. By conceptualizing growth pole in spatial terms, economists sought for a link between growth pole theory and urban accumulation and concentration (Monsted, 1974; Parr, 1999; Bertenelli and Strobl, 2003). The assumption was that cities – with their accumulation and concentration of population and capital resources (agglomeration economies) - could become growth poles. That being the case, Penouli (1972) and Friedman (1966) have

treated growth poles as centres from which innovations and progress are diffused. For Perroux the aspect of dominance was important for growth poles. A firm or industry A is said to be dominant over B if the flow of goods and services from A to B is a greater proportion of A's output than the flow from B to A is of B's output. A large firm or industry that has a high degree of interaction with others and is dominant in that interaction is said to be propulsive. The process of development of a propulsive firm or industry is called polarization.

The concept assumes that the mutual exchange of manufactured goods between the growth pole and city or metropolitan centres and free operation of market forces would create “trickle-down” effects that would stimulate economic growth throughout the region and subsequently the country. Investment in industry at the growth pole would be the “engine of development” for agricultural and commercial activities.

The core obstacle of the growth poles theory is that economic development, or growth, is not uniform over an entire region, but instead takes place around a specific pole. This pole is often characterized by a key industry around which linked industries develop, mainly through direct and indirect effects. The expansion of this key industry implies the expansion of output, employment, related investments, as well as new technologies and new industrial sectors. Because of scale and agglomeration economies near the growth pole, regional development is unbalanced. Transportation, especially transport terminals, can play a significant role in such a process. The more dependant or related an activity is to transportation, the more likely and strong this relationship. At a later stage, the emergence of a secondary growth pole is possible, mainly if a secondary industrial sector emerges with its own linked industries.

Though the theory has its short comings, this research follows the theory's assumption and seeks to assess the roles and prospects of SMEs both in the urban and rural centres in contributing to growth of towns or urban centres. The findings may either agree or disagree with the growth pole theory on the basis of whether or not there is any relationship between investment in industries (SMEs) and development or urban growth.

### **2.11 SMEs and Economic Growth**

Economic growth over time may be viewed from perspective of an improvement in the performance of the given inputs/resources or increase in the economy's factor endowments or as a result of combination of both of these factors. Vaish (2002) as cited in Alege (2004) defined economic growth as the increase in the real national product or output overtime. Economic growth should increase as the increase in the real economic welfare of the people of a country, and should be accomplished by distribution of the national product in favour of the poor.

To Ekelund and Tollison (1994) economic growth may simply refer to increase in real GDP, the value of the annual output of final goods and services in the economy adjusted for inflation. While the measure certainly tells us whether overall economic performance has improved, it does not tell us much about whether the average citizen is better or worse off than the previous time. It is an increase in the real per capita income that can accurately capture or measure the economic growth of a nation. Per capita income/GDP measures the portion of the National output / GDP accruable to an average citizen of a given population. As such the work force of a population, (employment level) and its contribution constitute a major variable that affects economic growth.

Increase in population affects positively the overall level of demand and supply in an economy which consequently results in increase in national output. Population growth is therefore one of the necessary requirements for economic growth. On the contrary, increase in population may not lead to a commensurate growth in the economy. Economic development involves capital formation, improvement in entrepreneurial and labour skills and growth in economic productivity that causes rates of economic growth to rise (Ekelund and Tollison, 1994).

Ghanaian economy in recent times has been growing but still very far behind in terms of development.

Development is defined as “a combination of mental and social changes in population, which enables total production to grow, both cumulatively and permanently”. In other words, economic growth can be stimulated through cities as growth poles without being accompanied by development. Ghana presently experiences high level of unemployment, poverty and low standard of living. Thus a major panacea that can take Ghana out of this wood is robust SMEs. According to Kahar (2005) as cited in Beck et al (2005), SMEs proponents are of the view that SMEs enhance competition and entrepreneurship, and hence have external benefits on economy, wide-efficiency, innovation and aggregate productivity growth.

SMEs efficiencies, innovation and competitiveness usually lead to the agglomeration of various interactions of entrepreneurs which consequently bring about economic growth and urbanisation. SMEs advocates frequently claim that SMEs are more productive than large firms. Some are even of the opinion that SMEs have more employment. If this is true then these attributes associated with SMEs can bring about industrialization and the growth of towns. Most



economists are of the opinion that industrialization is synonymous with economic growth and development. And this can bring about the following advantages:

- Improvement in the balance of payment position;
- It could bring about greater economic diversification and stability;
- Higher material standard of living; and
- Stimulates growth in other sectors of the economy (Ahmed - Ogundipe, 1998)

## **2.12 SMEs and Town/ Urban Growth**

SMEs bring about expansion in productivity, increased employment, innovations, creativity, improved skill, larger output, improved technological development, and integration with larger enterprises. All these attributes could eventually lead to industrialization and urbanisation that engenders economic growth. Ogundipe (1988) as cited in Alege (2004) observes that industrialization has positive impact on economic growth and development; it results in increased productivity, high per capita income and international flow of resources, urbanization and high rate of structural transformation. Industrialization engenders economic diversification, improved balance of payment, rural transformation, greater elasticity and higher standard of living. This ultimately could help to reduce poverty level and bring about increase life expectancy, positive improvement in adult literacy, increase rate of unemployment and causes a more equitable distribution of income.

### **2.13 Towns in Ghana**

In Ghana, urban centres are officially defined as settlements with populations of 5000 or more. There is no official definition that exists for towns, and other categories such as medium and large towns. Based on the 1960, 1970 and 1984 population censuses, GSS (1995) defined small towns as centres with populations between 5000 and 19,999; medium-sized, 20,000-99,999 and large towns 100,000+. The research considers towns in the context of population. For the purpose of this research, any settlement with population of 5000 and above is considered a town or an urban settlement.

### **2.14 Relationships between SMEs and the Growth of Towns**

There are many positive elements to town or urban growth. Within lower-income nations, rapid increases in the proportion of people living in urban areas are usually a result of stronger, more diverse economies. The increase in the proportion of people living in urban centres worldwide has been fuelled by the expansion in the world's economy, most of which took place in industrial and service enterprises located in urban areas. Since most economic growth continues to be in urban-based enterprises, the trend towards increasing urban populations is likely to continue.

There is also an economic logic to the locations where rapid urbanization is taking place since it is mostly in towns or regions that are developing stronger, more robust economies. Cities have great economic importance in most nations, as the locations where much of the national economy is located, most tax revenues are generated and most economic growth has taken place.

The provision of markets for agricultural produce is vital for small-scale enterprises; however, access to markets and market information in itself is not sufficient. Small farmers also need to



have access to natural resources (land, water), financial resources (credit) and agricultural inputs if they are to benefit from demand from urban consumers. Related to this, it is important to underline the crucial role played by small and medium-scale traders in collecting and channelling produce from diverse and often geographically dispersed small farms. These traders are also frequently a major source of credit for small producers; however, they are vulnerable to losses due to lack or limited affordable transport and storage facilities. Usually urban areas become centres for the growth and consolidation of non-agricultural activities, either through the development of local small and medium enterprises or through the relocation of branches of large private and parastatal enterprises and or vice versa.

Easier commuting over longer distances and a growth in home-based working has enabled people to combine living in rural regions with gainful employment. This, together with an increase in demand for rural assets, including natural heritage, has attracted workers and investment into some rural areas. In terms of rural development, SMEs constitute major revenue and play a major role in income generation and participation in economic activities in the lower income and rural brackets of the rural communities in terms of agriculture, trading and other rural services. SMEs capacity to generate employment opportunities reduces rural-urban migration and allows for even development and subsequent growth of towns.

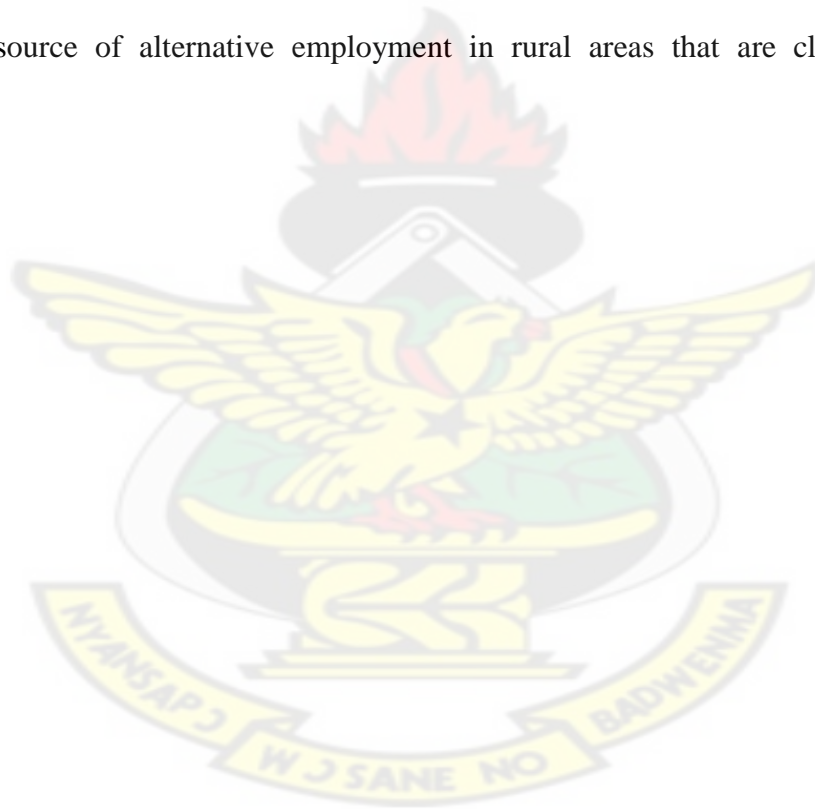
As a consequence, urban-rural contrasts do not always show rural areas to be disadvantaged in comparison with their urban counterparts, as far as entrepreneurship is concerned. There is often social cohesion and stability and the interrelations between and among factors of production leads to the growth of SMEs and rapid and stable urban growth.

Evidence suggests that the SMEs sector is very much a reality not only in developing countries but also in newly industrialized countries. Evidence also suggests that in times of economic distress this sector works as a buffer and provides a livelihood for the impoverished masses even if the level might be somewhat inadequate. In a sense, the sector itself works as a type of social safety net. In view of the role of the sector, leaving it unassisted in times of economic distress would be doing a grave injustice to a large section of poor people who, rather than depend on government support, are brave enough to fight their way forward when faced by an unfavourable economic environment.

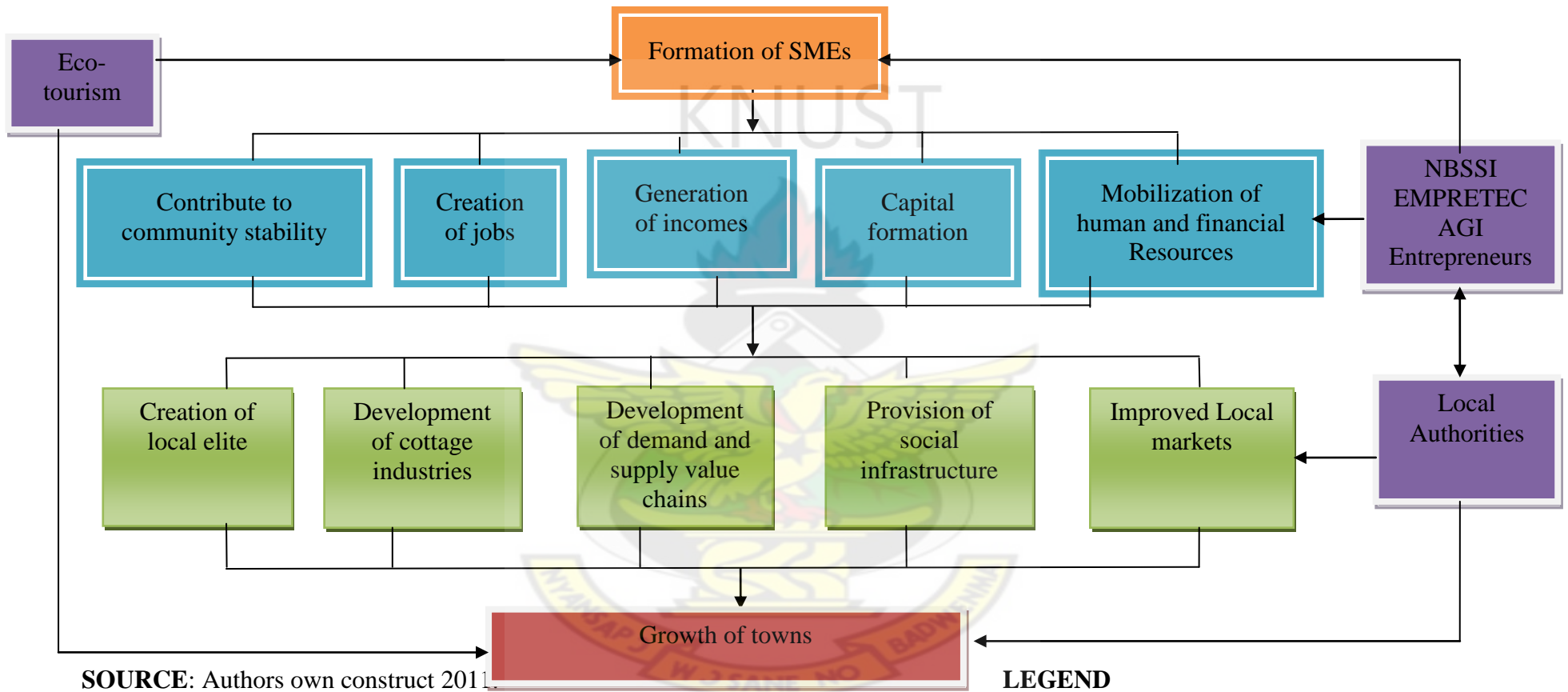
### **2.15 Conceptual Framework**

The growth of many towns in Ghana from a historical perspective is traceable to whether the towns were a major market centre, a major transit route or nodal town, had mineral deposits, had Military Prowess or had a centralized system of governance. Many of such towns attracted migrants from around the community and from distant areas to itself. The influx of migrants brought in its wake the creation and generation of alternative survival activities to meet the towns new shape it has taken. The creation of small scale cottage industries, trade ventures and retail business is in response to changing demand and supply needs of communities. Some towns that have grown out of this system include Techiman, a major market centre, Salaga a slave transit route, Yendi because of its Chieftaincy, Gbollu for its slave defensive ability and cape coast because of colonialism. In recent times, the growth of many small towns country wide is as a result of deliberate government policy such as the establishment of Districts and their district capitals or as a result of a newly discovered resource or their initiative of the community to propel its own development.

From figure 2.1 the creation of SMEs either because of training by NBSSI, EMPRETEC or the development of a tourist site, or indigenes taking advantage of available demand to set up their own business, leads to community stability, creation of jobs, income generation, capital formation and mobilization of human and financial resources. These in turn will propel the creation of local elite, the development of cottage industries, and the development of demand and supply value chains, the provision of social infrastructure and improved local markets that will culminate in the growth of any given town. The assumption behind this concept is that “SMEs are the major source of alternative employment in rural areas that are closed to external influences”



**Figure: 2.1: CONCEPTUAL FRAMEWORK OF SMALL & MEDIUM SCALE ENTERPRISES AND THE GROWTH OF TOWNS**



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY AND PROFILE OF ASUTIFI DISTRICT**

#### **3.1 Research Design**

This chapter discusses the various methods used in carrying out the research right from sampling of the study communities through to the collection, presentation of data and findings. The profile of Asutifi is also discussed in relations to issues relevant to the topic. The case study approach was used in the study. It relies on multiple sources of evidence and is used to generalize findings in other spheres of study based on theoretical propositions. It also allows for an empirical inquiry that investigates a phenomenon within its real-life context and it is based on an in-depth investigation of a single individual, group, or event.

Quantitative and qualitative approaches were used from planning and related institutions. These approaches helped in appreciating the usefulness of existing literature in the study and the relevant contribution they make in unveiling in-depth information from respondents in their own language and environment. The choice of sample design and how well it mimics the population had an impact on the results. The closer the sample design is to the population characteristics the more precise the estimate from the sample. The research therefore matched the calculation of the results from the sample to the design of the sample. The study relied on 90 percent confident interval to ensure that data gathered are reliable and valid.

### **3.2 Sampling Design**

Both probability and non-probability sampling techniques were used. Kish (1967) cited in Twumasi (2001) stresses that the first step in the selection of a sample is to consider sampling design. In sampling design, characteristics of the population are vividly indicated. The sampling design for this study comprises the employment of the stratified sampling, purposive sampling and sampling selection. This enables the researcher to have an idea about the existing social situation. An in-depth knowledge about the parameters of the population helps the investigator to determine the type of sampling design.

#### **3.2.1 Stratified Sampling**

Asutifi District has several entrepreneurs located in both rural and urban settlements. The stratified sampling is most suitable for selection and disaggregating variables for any useful study. Based on this, the unit of analysis was grouped into two strata according to the classification of the settlements as rural and urban. The selected settlements were then administered with entrepreneur questionnaires. According to Kumar (1999:158), the advantage of stratified sampling is that it enables you to reduce the variability and heterogeneity of the study population with respect to characteristics that have a strong correlation with what you are trying to ascertain and this enables the researcher to achieve accuracy. It also helped to improve upon the representativeness of the sample. From these strata simple random sampling was employed to give equal chances to all respondents in the sample frame selected and interviewed.



### 3.2.2 Purposive Sampling

Purposive sampling was used under the non-probability sampling to collect data from institutions that deal with SMEs. The rationale behind employing this judgmental sample type is to identify the various individuals and institutions that have specialised knowledge of SMEs and will be willing to share. Additionally, because, the issue of SMEs and the growth of towns have not been singled out for discussions, these institutions will be of utmost importance.

Key informants, such as market queens and the managers and directors of support institutions and from institutions such as the District Assembly, Business Advisory Centre, GPRTU, ECOBANK and the Asutifi Rural Bank were identified and structured questionnaires administered separately.

### 3.2.3 Sample Selection

The multi-stage sampling technique was adopted. Two stages were involved: the first involved the selection of settlements while the second was used in the selection of Small Scale Enterprises from the settlements. Five settlements were sampled: namely Kenyasi 1& 2 combined (Urban settlements), Hwediem, (urban settlement), Wamahenso, (rural settlement) and Nkeseim, (rural settlement). This selection procedure was used to aid the researcher to identify various SMEs in both urban and rural settlements so as to assess their contributions to the growth of such settlements. The second sampling stage involved the selection of enterprises from the five settlements, two urban settlements that possessed similar spatial characteristics and two rural settlements that also had similar that are spatial distanced from each other. The industrial units were selected from the list of registered firms with BAC in Asutifi. This information is summarised in table 3.1.



### 3.2.4 Sample Size and Distribution

The sample frame helped in the sample size determination. Alternatively, the sample size was determined using statistical or mathematical formulae.

$$n = \frac{N}{1 + N(\alpha)^2}$$

where n=sample size,

N=sample frame, (Total Number of Entrepreneur)

$\alpha$ =confidence interval.

Given that the number of entrepreneurs in the district is 259 (N=259), and using  $\alpha=0.1$  confidence interval (or 90% level of significance) the sample size n is determined to be 72.

In addition to the entrepreneurs, five institutions were interviewed increasing the sample size to 77. These include the Asutifi District Assembly, Department of Community Development, the Business Advisory Centre and some banks among which were Asutifi Community Rural Bank and ECOBANK. The institutions and banks were purposively chosen because they mostly deal directly with businesses and entrepreneurs. The choice of this methodology is to make the research more scientific, reliable and valid for the purpose of the study and further investigations.

The study focused on a sample size of 72 by the use of a mathematical formula as explained earlier in the discussion. Table 3.1 shows the distribution of enterprises by settlements and their population.

**Table 3.1: Distribution of active enterprises by size/groups in selected communities**

<b>Item No</b>	<b>Name of community</b>	<b>Number of SMEs</b>	<b>Number sampled</b>	<b>%</b>
<b>1.</b>	Kenyasi 1& 2	146	40	56
<b>2.</b>	Hwidiem	66	18	25
<b>3.</b>	Wamahinso	27	8	10
<b>4.</b>	Nkaseim	20	6	8
<b>Total</b>		<b>259</b>	<b>72</b>	<b>100</b>

Also, the five institutions as mentioned were each interviewed. The total sample size then became 77 instead of 72.

### 3.2.5 Sample Frame

A population is made up of sampling units. When we specify or describe all the sampling units constituting a population, we are specifying a sample frame for that universe. The sample Frame for this research relied on a list of all small and medium scale enterprises operating within the Asutifi district. The available data were gathered from Kenyasi 1 & 2, Hwidiem, Wamahinso, and Nkaseim. Additionally, institutions such as the Business Advisory Centre, the District Assembly, the Department of Community Development and banks such as the Asutifi Community Rural Bank and ECOBANK were some of the institutions contacted. It was difficult to gather sufficient data from these institutions due to their nature, but the constant revisits and reminders helped the researcher to arrive at the desired results. This method is quicker, easier and cheaper than other forms of random sampling. It does not require complete population information and it is very useful for face-to-face interviews.

### 3.2.6 Simple Random Sampling

Simple random sampling was employed to ensure that every unit is fairly selected for investigation. The District has 117 settlements. Out of these, 20 settlements were taken from the District BAC operation areas. The technique was then used to select entrepreneurs from each stratum (20 settlements) by use of random numbers. Random numbers were generated from the list of entrepreneurs registered with the BAC in Asutifi by the use of Excel spreadsheet. The list of entrepreneurs was inputted into a column in an Excel spreadsheet. Then, in the column right next to it, a function = RAND ( ) was inserted, which is Excel way of putting a random number between 0 and 1 in the cells. Later, both columns were sorted. This is the list of names and the random number by random numbers. This rearranged the list in random order from the lowest to the highest random number. In addition, a number of first names were taken from the sorted list corresponding to the number of the required entrepreneurs in each settlement selected, thus first 40, 18, 8, and 6 names from the sorted list of entrepreneurs representing Kenyasi 1& 2, Hwidiem, Wamahinso, and Nkaseim respectively.

### 3.3 Research Tools

The study employed structured and semi-structured interviews to gather primary data. The essence of this activity was to ascertain the world view of persons with regards the issue at hand. Responses from these interviews formed the bases for developing the entrepreneur questionnaire which was used subsequently as a semi-structured questionnaire to interview stakeholders in all selected communities. It combined both closed and open-ended questions. The tools are very relevant to the study because they helped in the gathering of in-depth information from qualitative data.

### 3.3.1 Data Collection

Data was collected from Kenyasi 1& 2, Hwidiem, Wamahinso, and Nkaseim respectively. The information was based on the number and history of SMEs in Asutifi. It considered policies that directly or indirectly affect the development and performance of SMEs in the district. The problems that hinder SMEs activities in Asutifi District and the available potentials for their expansion were also given considerable attention. See figure 3.1 for details.

### 3.3.2 Primary Tools

Participatory Rural Appraisal (PRA) tools in the form of triangulation were employed at different times, for different groups and purposes. These include direct observation and photography. Others were Focus Group Discussions (FGD), Key Informant Interviews and Entrepreneurs Questionnaire. The transect walk carried out through the selected communities under study enabled the research team to have direct visual impressions about SMEs existence and activities in such communities even before the actual interview began. The physical features of SMEs sites such as drinking bars, provision stores, fitting shops, gari and palm oil processing sites among others helped to shape our understanding on what actually goes on in the field. Some of these sites were also captured through photography. Women, children and men groups were interviewed in focus group discussions while institutions administered the institutional questionnaire. The information was on observation, the interview, and the questionnaire in the data gathering. This was done with reference to the socio-economic and demographic characteristics of the selected communities. Figure 3.1 is a sketch of Asutifi District Map showing settlements and their locations in the District. There are times when the method most appropriate to achieve the objectives of the study could not

be used because of difficulties such as lack of resources and required skills. The study therefore achieved its objectives based on resources management and use of skills available.

### 3.3.3 Secondary Source

Relevant information was extracted and refined from data already available that earlier on was collected on SMEs. This information was reviewed from government and semi-government publications, earlier researches, personal records, and the mass media. This however, took into consideration the reliability of such data, the inherent biases, and the availability of such data including the format used in gathering the data. This helped made the study's findings and recommendations relevant to the issue under investigation in Asutifi.

### 3.4 Data Processing

The information gathered from both Secondary and Primary sources was arranged, organized and examined in detail. The processes under this stage involve three things that are: Editing; errors in completed questionnaires were detected and eliminated to ensure completeness, accuracy and uniformity. This exercise ensured reliability and validity of the results. In order to classify answers to questions into meaningful categories so as to bring out essential patterns the coding method was used in the study. The various variables were categorised and defined to eliminate ambiguity. The data of the study was transformed into usable format, basically into tables, frequencies, percentages among other things to ensure easy analysis and clarity of the data.

### **3.5 Data Analysis**

Both statistical and descriptive techniques were employed in the data analysis. This is because the data for the research included qualitative and quantitative data. The research was based on two main units of analysis; the unit of analysis were the review of SMEs activities in the Asutifi district and their contributions to the development of the selected communities. The other unit of analysis investigated were the socio-economic environment, these included markets, labour, finance among others and how they affect SMEs in the development of the selected communities. The various variables were arranged in an ascending or descending order for easy analysis and were organized in paragraphs for detail examinations and further discussions. Also, combing was employed in the analysis to unearth existing evidence to address the objectives of the study.

### **3.6 Profile of Asutifi District**

The Asutifi District was created in 1988 out of the Colonial Ahafo Region and is classified by the Ministry of Local Government as deprived. The district economy is mostly agrarian and like a normal deprived district, Agriculture is in the hands of peasant farmers who still depend on rudimentary methods for production. As a result, output is low, soil is fast depleting and environmental degradation is setting in to disturb the once ecologically balanced semi-deciduous forest. Household incomes are generally low and poverty is widespread. With the upsurge of mining activities in the district, access to land is now limited in the Mining affected Communities compounding already existing poverty levels. This phenomenon is the results of the emergence of numeral SMEs activities in the district and as such contributing to the rapid urban growth and its accompanying urban decay and sprawl.



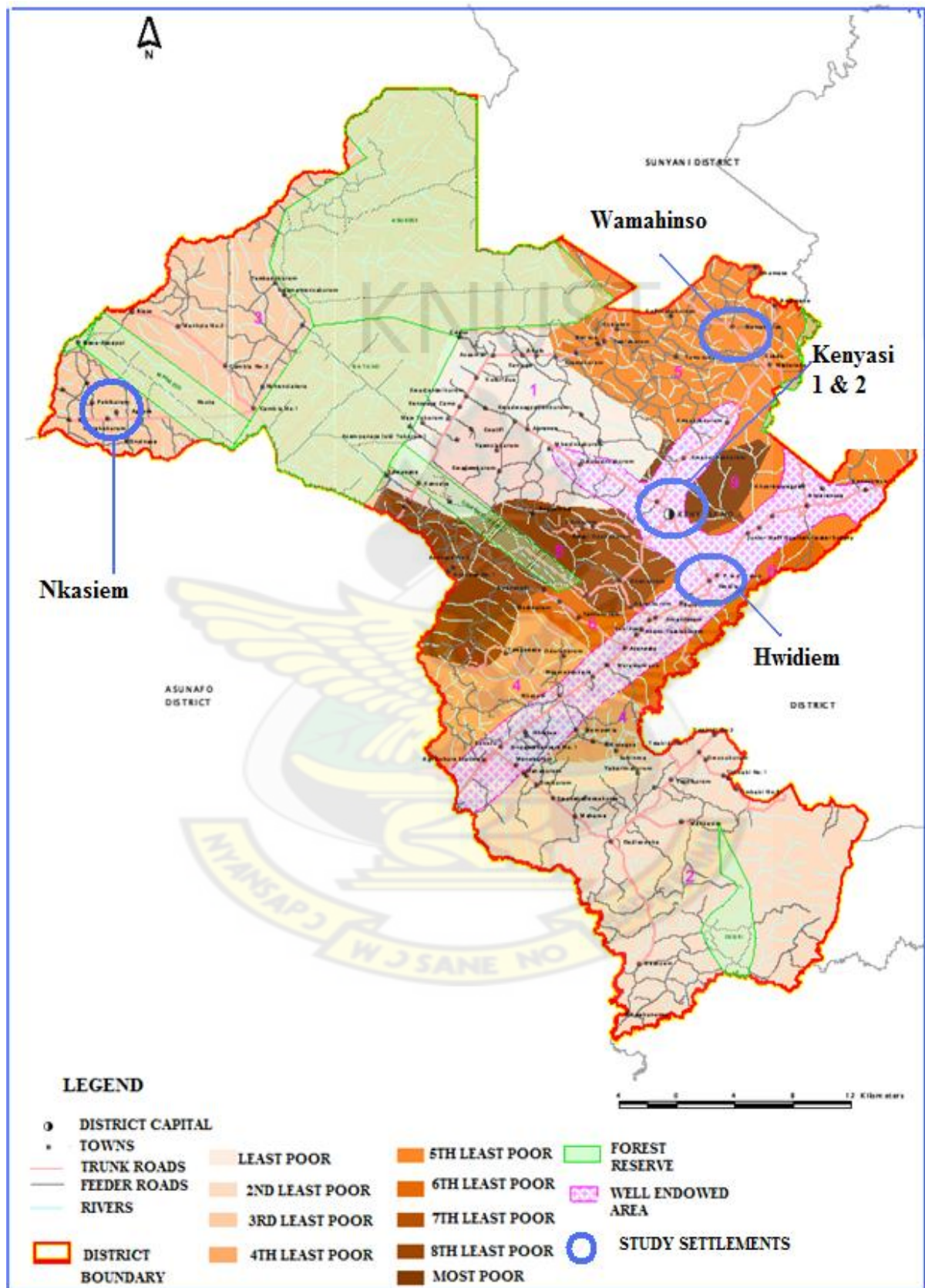
### 3.6.1 Location and Size of Asutifi

Asutifi District is one of the twenty-two (22) districts in Brong Ahafo. It is located between latitudes 6°40' and 7°15' North and Longitudes 2°15' and 2°45' West. It shares boundaries with Sunyani in the North, Tano South District to the North East, Dormaa District to North West, Asunafo North and South Districts in the South West and Ahafo Ano South and North Districts (Ashanti Region) in the South East. See figure 3.1 for District Map.





Figure 3.1: Asutifi District Map



Source: Asutifi District Assembly

With a total land surface area of 1500 sq.km, the district is one of the smallest in the Brong Ahafo Region. There are a total of 117 settlements in the district and four paramountcies, namely: Kenyasi No.1, Kenyasi No.2, Hwediem and Acherensua. The district capital is Kenyasi, which is about 50km from Sunyani, the regional capital of Brong Ahafo, through Atronie and Ntotroso.

### 3.6.2 Human Settlement of Asutifi

The Asutifi district continues to exhibit rural characteristics. Only two communities (Kenyasi No. 2 and Hwediem) were described as urban (i.e. population of 5000 or more) by the Population and Housing Census in 2000. Going by this same classification, three communities (Kenyasi No. 2, Hwediem and Acherensua) can be described as urban according to the 2006 population projections.

**Table 3.2: Population by Settlements**

NO.	SETTLEMENT	POPULATION				
		2000	2010	2011	2012	2013
1.	Kenyasi No. 2	7451	10058	10364	10680	11005
2.	Hwediem	5472	7386	7611	7843	8082
3.	Acherensua	4420	5966	6148	6335	6528
4.	Nkaseim	3657	4936	5087	5242	5401
5.	Kenyasi No. 1	3599	4858	5006	5159	5316
6.	Dadiesoaba	3596	4854	5002	5154	5311
7.	Gambia No. 2	2804	3785	3900	4019	4141
8.	Ntotroso	2643	3568	3676	3788	3904
9.	Mehame	2031	2742	2825	2911	3000
10.	Wamanhinso	1474	1990	2050	2113	2177

Source: Pop. & Housing Census, 2000 and DPCU projections-2010

However, current immigration trends to mining communities like Ntotroso and Kenyasi No 1 is likely to put them in the urban category. The above statistics depicts a rural-urban split of 79.5% rural and 20.5% urban. This situation poses a problem for the even distribution of services and functions as population thresholds needed to support them are not met.

### 3.6.3 District Labour Force

The total population of Asutifi District is estimated to be at 114029 as of 2010. The labour force constitutes 54.7% Of the population and this represents an absolute figure of 62374. The district suffers from a high unemployment rate of 21.1% due to the non availability of jobs. (P. H .C, 2000 and ADPCU projections-2010)

The growth of the SME sector therefore serves as a catalyst for the expansion of the district economy thereby creating jobs and reducing unemployment.

### 3.6.4 Other Business Opportunities in Asutifi

There are several opportunities for the creation of productive employment in Asutifi. The presence of financial institutions contribute to increase in access to financial services and credits, expansion of activities by business associations such as gari and palm oil processing and this aids in reducing unemployment in Asutifi. Financial institutions also extend services to remote parts of the district, link business associations to credit facilities of financial institutions and ensuring equitable distributions of essential services and thereby enhancing SMEs activities in the district.

The access to training and capacity building programmes usually organized by the BAC, the District Assembly and other private corporate bodies such as the Ahafo Linkages Programmes and Newmont Gold Ghana Limited for SMEs will contribute greatly to value

addition and rapid growth of the district. The presence of judicial systems such as the police and courts, department of fire service and insurance companies may contribute to security for businesses. Several businesses in the selected communities are registered and accordingly, are receiving support from the District Assembly and other corporate bodies.

### 3.6.5 Inter and Intra District Trade

Agricultural produce such as cassava, yams, maize among others are usually transported from rural areas to urban centres for trading purposes. Most endogenous products are sold in urban centres and the proceeds are in turn used in purchasing processed and refined goods for local consumption. Also some spare parts are bought for servicing of spoilt machines in rural settlements. Intra trade activities within settlements contribute to inter marriages and exchange of culture which leads to peaceful coexistence of people and there by leading to the growth of such settlements. The flow of goods, services and capital between the district and other urban settlements outside the district also contributes to growth of towns and SMEs. Key settlements in this regard are Kumasi, Techiman, Sunyani and Goaso. The activities of entrepreneurs attract people to their settlements and eventually contributing to the growth of such settlements.

### 3.6.6 Economic Resources

The economic resources within the district include; gold deposit, vast arable land, cocoa, oil palm and availability of labour force. The combined effect of these resources is a diversified district economy with large scale gold production thriving alongside buoyant SMEs sector. SMEs rely on the resource base of the district to produce local goods and artefacts such as soap, baskets, kente, pots, locally manufactured beads and sandals. The activities of SMEs help create jobs, incomes and revenues.



### 3.6.7 District Revenue Bases

The district relies on several internal sources of revenue. The most important revenue source to the district is royalties which come from Newmont and stool lands. Apart from these two major sources, the SME sector also makes substantial contributions to district revenue. Business registrations and renewals and as well taxes on the activities of SMEs are all important sources of revenue to the District Assembly.

### 3.6.8 Economic Infrastructure

This refers to the technical infrastructure base which supports productive economic activities. They include road infrastructure, telecommunication, water, market infrastructure and energy. Asutifi district has varying degree of this infrastructure. There are two markets facilities in the district located in Hwidiem and Acherensua. Also, telecommunication services are provided by private corporate bodies such as MTN, VODAFONE, and AIRTEL and TIGO at competitive rate to individuals and businesses. The main source of energy supply for commercial and household use is through the VRA. Conclusively the district has the support infrastructure to support business start ups and promote the growth of SMEs. These however, must be continually improved upon to maximise the efficiencies of businesses.

## 3.7 Major Economic Activities in selected communities

Agriculture is one of the major economic activities undertaken in the Asutifi District. some of the major food crops cultivated in the District include; maize, plantain, cocoyam, rice, yam, tomatoes, pepper, garden eggs, cabbage, citrus, pineapple, oil palm, cocoa and ginger among others. Some of these crops are cultivated on subsistence levels whereas others are cultivated as an income generating source.

Also, gold mining is a major activity being carried out in Asutifi. Gold mining therefore plays an essential role in the rapid growth and development of Asutifi. Small and Medium Scale mining popularly known as galamsay contributes significantly to the growth and development of Asutifi. It is the galamsay activities that are readily visible on one's arrival to Asutifi. Several thousands of immigrants both from within and afar occupy greater areas in the Asutifi District doing illegal mining as a means of livelihood. SMEs activities cannot be undermined as they contribute greatly to the Asutifi economy. Several SMEs that operate in the service sector, agro-processing, traditional crafts, agriculture and forest products and the primary fabrication sector aid in attracting lots of people to the district thereby contributing immensely to the growth and development of the district.

There are financial institutions such as the ECOBANK, National Investment Bank (NIB), Asutifi Rural Bank, Agricultural Development Bank (ADB) at Kenyasi No. 1, Ghana Commercial Bank at Hwidiem and Tano Rural Bank among other things whose activities impact greatly to the growth and development of Asutifi.

### **3.8 The Impact of Illegal Mining (Galamsey) in Asutifi**

Ghana is endowed with considerable mineral resources. Major minerals in Ghana include; Gold, Diamond, Manganese and Salt. The Ghanaian small-scale mining industry is well over 2,000 years old. It is both formal and informal industrial sector (galamsey). The informal sector is rudimentary, unmonitored and uncontrolled in nature. In Ghana, environmental problems caused by small-scale mining activities are; mercury pollution from gold processing and land degradation.

Asutifi has one of the Ghana's largest gold mining companies operating in Kenyasi and its environs known as Newmont Gold Ghana Limited. The presence of this company attract thousands of people both from Ghana and abroad who come into the District to trade for profit. Many visitors in Asutifi may settle in most of the mine take areas and eventually trade in illegal gold. Some become owners of illegal gold mining pits as experienced in Takwa and Obuasi. These people contribute in diverse ways to the growth of the area either negatively or positively. Some of the likely results include: Provision of employment for indigenous peoples, contributes to foreign-exchange earnings and recognized by government as multimillion dollar industrial sector.

In spite of their positive contributions to growth and development of towns, they also come with some challenges among which are; illegal miners sometimes set fire to cable lines to trip the mains, to enable them cut the cables. For example some companies have suffered huge losses as a result of fire that was set by illegal miners to a cable line near West Shaft water works in Obuasi, it caused fire outbreak which affected several people (source, Graphic Business April 3, 2009). Various dams of the mine take communities are usually polluted by the activities of the galamseyers which pose a threat to the surrounding communities as the very foundation of the dams are made unstable with slurry pipelines often cut to cause spillage. The sector will therefore be studied to ascertain its contribution to growth of Asutifi.



## **CHAPTER FOUR**

### **THE IMPACT OF SMEs ON THE GROWTH OF TOWNS IN THE ASUTIFI DISTRICT**

#### **4.1 Introduction**

This chapter attempts to examine the role and contributions of SMEs to the growth of urban or town development in Ghana by presenting the data collected from Asutifi District. Several factors contribute to the growth and development of any town worldwide. Some of these factors could be external, internal and or location. The growth of any rural setting could be as a result of the following; increased agriculture production, improved household income, income and occupational diversification and reduced rural-urban immigration.

Other factors that contribute to urban growth include expansion of economic activities, expansion of small and medium-scale enterprises, expansion of employment and reduced urban poverty. The serene economic stability and the available human resource in a settlement cannot be under estimated. Infrastructure such as roads, electricity, schools, health, water and general improved sanitation are among important factors that contribute greatly to growth and development of towns. All the issues raised above in broader sense are as a result of internal, external and or location. The chapter therefore discusses issues arising from the field in cognisance with the above factors. It also includes an overview of SMEs in the District, the types of activities engaged in and the contribution of SMEs to urban development.

## 4.2 Characteristics of Respondents

In all seventy-two questionnaires were administered on entrepreneurs representing ninety (90) percent of the sample size while five institutional questionnaires were purposively administered on selected institutions increasing the sample size to seventy-seven.

The percentage distribution of respondents in the various settlements selected is presented in Table 1. The fieldwork was carried out in four settlements, chosen as being representative as possible of the distribution of small and medium scale enterprise entrepreneurs in Asutifi District, particularly in Kenyasi 1 & 2, Hwidiem, Wamahiso and Nkeseim respectively.

## 4.3 Age and Sex Distribution of Entrepreneurs Interviewed

Age and sex distribution is very essential for any meaningful analysis. It differentiates the respondents into males and females and their ages in an ascending or descending order. At a glance it categorises people into groups such as man, woman, young, old, ages ranging from 16-25, 26-35 among other things. Table 3 depicts the Asutifi case.

**Table 4.1 Age and sex distribution of entrepreneurs interviewed**

Age of respondents	Males	%	Females	%	Both sexes	%
16 – 25	3	7	6	20	9	13
26 – 35	27	64	13	43	40	55
36-45	4	10	2	7	6	8
46-55	8	19	9	30	17	24
55+	0	0	0	0	0	0
Total	42	100	30	100	72	100

Source: Field Survey, February, 2011

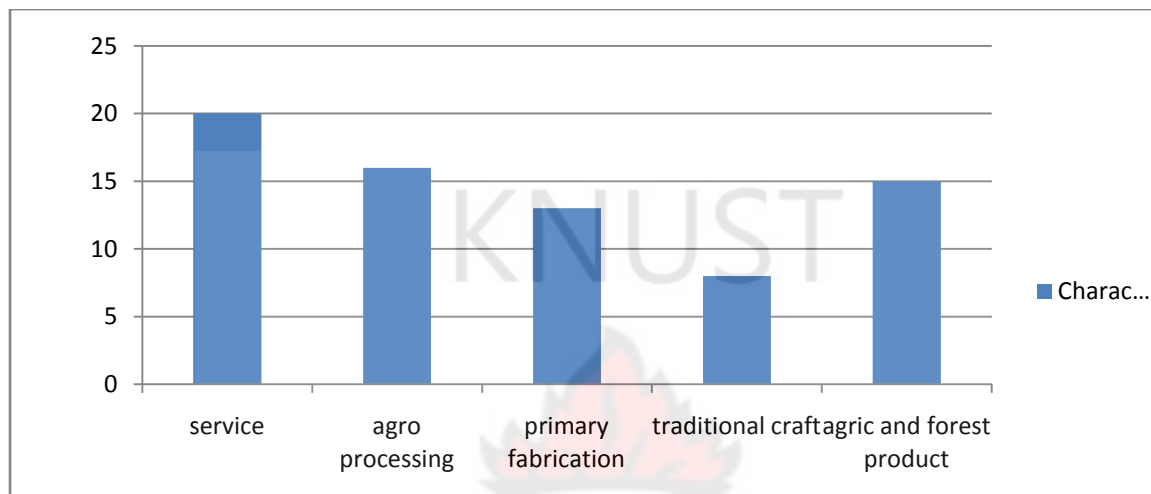
From table 4.1, it is evident that the males in the age cohort 26-35 are sixty-four (64) percent whilst the females constitute forty-three (43) percent. The possible explanation for the lesser proportion of females in comparison to males could be attributed to the numerous “galamsay” activities being carried out in the district. There is in-migration of young and energetic men into Asutifi who are engaged in illegal small scale mining (galamsay) and who also attract other people nationwide into Asutifi to buy and sell the precious minerals usually obtained. Galamsay which is a subset of the SME sector, therefore, contributes greatly to population growth of Asutifi. The resultant cheap labour it brings when put into good use will immensely contribute to economic and structural growth and development of the study district. Females are found more in enterprises such as clothing and textile, agro-processing, food and soap manufacturing which do not usually require physical and much force in operation.

#### **4.4 Nature of SMEs in Asutifi District**

The enterprises operating in Asutifi are highlighted to distinguish them from other enterprises that exist but may not be in the study area. The enterprises that were interviewed include twenty service enterprises, (3 provision stores, 2 hair dressing salons, 1 barbering shop, 4 drinking bars, 6 fitting and mechanic enterprises and 4 washing bays), sixteen agro processors (5 palm oil extractors, 4 coca producers, 4 gari processors, and 3 palm kernel extractors), thirteen primary fabrication (5 locally made shoe manufacturers, 4 tie and die making enterprises, and 4 kente weaving centres), eight traditional craft (4 clay/kaolin centres, 2 locally manufactured beads centres and 2 blacksmithing centres) and fifteen agriculture and forest products (6 food making enterprises, 4 poultry farms, 2 piggery and 2 carpenter and 1 wood or charcoal processor) The afore mentioned enterprises in Asutifi majority of which pay taxes, fees, market tolls among others augment other factors in the

growth and development of Asutifi district. Figure 3 shows the distribution of SMEs characteristics in Asutifi.

**Figure 4.1:Nature of SMEs in Asutifi District**



**Source: Field Survey, March, 2011**

#### **4.5 Educational Level of Respondents**

Education is the bed-rock for physical and socio-economic growth and development of nations worldwide. It is crucial to analyse the educational attainment of entrepreneurs in Asutifi to ascertain their level of understanding of issues and management of SMEs. This was done to examine the extent to which people who run SMEs have the capacity to manage their activities and as well contribute to the growth and development of Asutifi District. See table 3 below.

**Table 4.2: Educational level of Respondents**

Education background of respondents	Frequency	%
No education	12	17
Primary	6	8
Junior high	33	46
Senior high	13	18
Vocational	3	4
Tertiary	5	7
Total	72	100

Source: Field Survey, February, 2011

Table 4.2 clearly indicates that seventeen (17) percent of the respondents have no formal education, and as many as forty-six (46) percent have had Junior High School education. Only five (5) respondents representing seven (7) percent of the total have had some form of tertiary education. Indeed the seemingly low level of involvement of such people is obvious that they would have to contend with their official responsibilities at their various job places. This revelation is very significant for socio-economic growth of Asutifi since education is a necessary factor for any meaningful and sustained development.

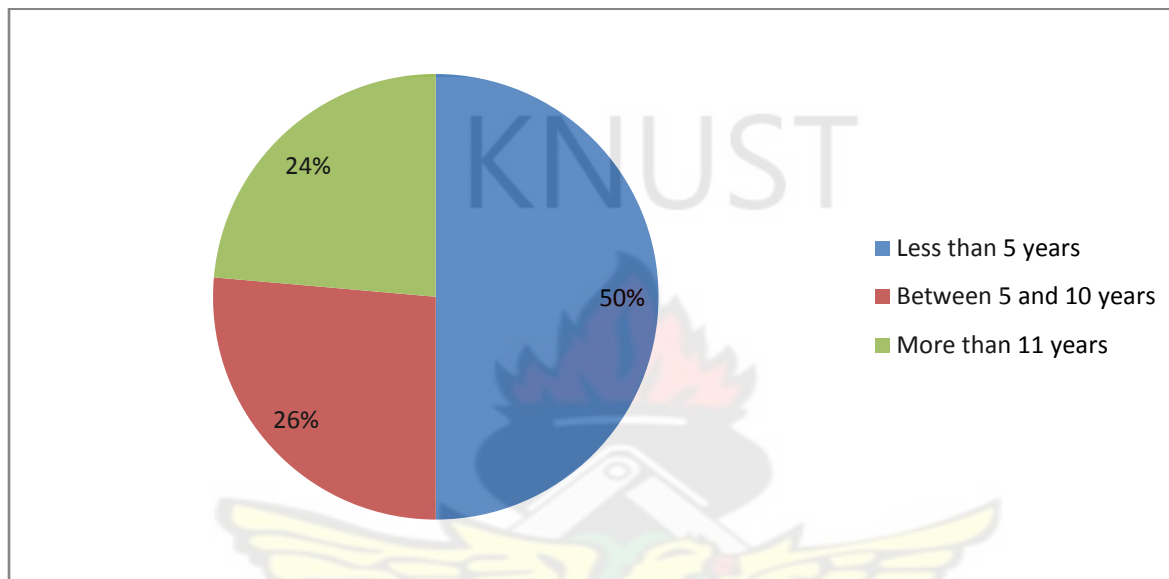
#### **4.6 Age of Enterprise**

The age of enterprise is very essential in this study because it highlights the presence of young and old enterprises that operate in the Asutifi District. Results from the research indicated that most enterprises were established between 2006 and 2011 while others in existence before this period were established between 1996 and 2006. From the results several enterprises are springing up on daily basis probably because the sector is increasingly

getting very lucrative and rewarding which is attributable to the growing levels of mining activities which is said to come with it some amount of purchasing power within the district.

Figure 4 shows the relative ages of enterprises within the SME sector of Asutifi District.

**Figure 4.2: Age of Enterprise**



Source: Field Survey, March, 2011

From figure 4, it is evident that fifty (50) percent of the enterprises are only about five (5) years old. This implies that enterprises sprung up in response to certain conditions important among which are the formal mining sector and the illegal mining (galamsey) and related activities. As observed in the field, several other uncompleted structures were awaiting new enterprises soon. The current trend of SMEs in the district indicates that there is more room for improvement in the sector to enable the sector function well.



#### 4.7 Business Ownership

There are several types of businesses that exist in Asutifi district as revealed by the field data.

Among these businesses include sole ownership, partnerships and others established by family members or also known as relative(s) businesses. Table 5 summarises the various types of businesses.

**Table 4.3 Ownership of Small and Medium Scale Enterprises**

Ownership type	Number	Percentage
<b>Sole proprietor</b>	65	90
<b>Partnership</b>	1	1
<b>Family</b>	6	8
<b>Total</b>	72	100

Source: Field Survey, March, 2011

Most of the enterprises interviewed were found out to be under sole proprietorship or ownership as indicated in table 5. Out of the seventy-two enterprises interviewed, as high as ninety (90) percent of them were sole ownership while partnership constituted only one (1) percent. The dominant ownership practice in Asutifi is sole proprietorship.

#### 4.8 Type of SMEs in Asutifi

Several types of SMEs operate in Asutifi District. These include among other things retail trading, wholesale trading, manufacturing, distribution, small scale illegal mining, and small scale farming activities. Table 6 indicates that as high as seventy-four (74) percent entrepreneurs are retail traders whilst distribution constituted the lowest with only one percent. It presupposes that many entrepreneurs in Asutifi resort to buying and selling goods

at exorbitant prices. In spite of the above difficulty, SMEs continued to strive and contribute to the growth and development of Asutifi.

**Table 4.4 Type of SMEs in Asutifi**

TYPE OF SME	FREQUENCY	%
Retail trading	53	74
Wholesale Trading	4	5
Manufacturing	9	13
Distributors	1	1
Other	5	7
<b>Total</b>	<b>72</b>	<b>100</b>

Source: Field Survey, February, 2011

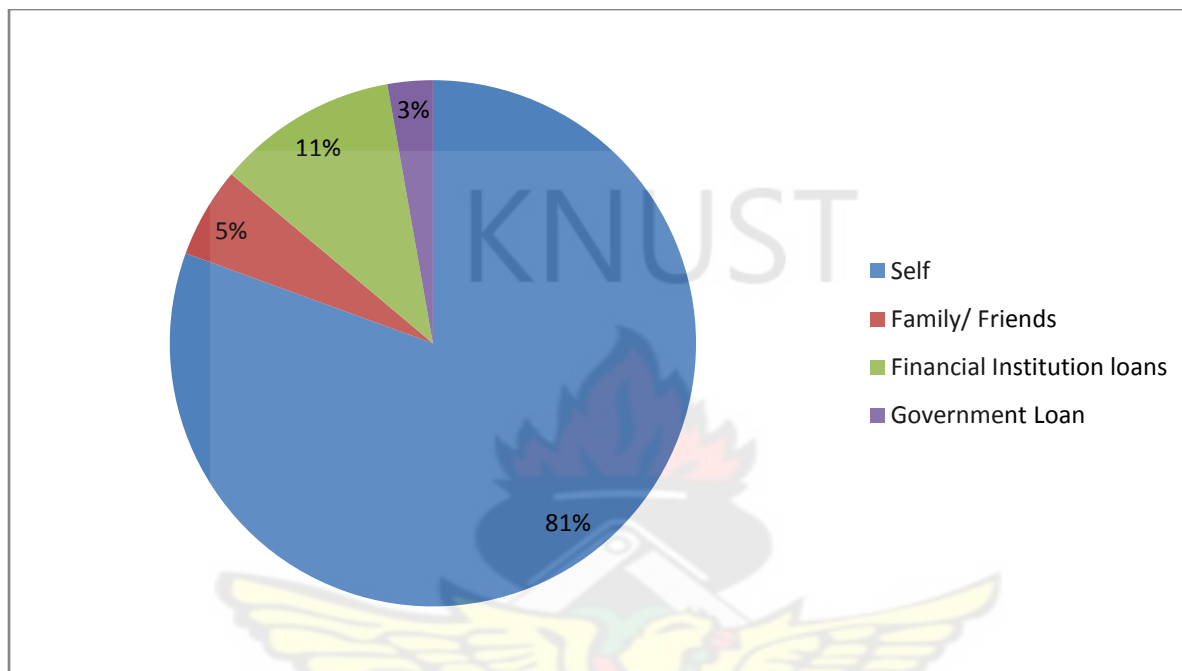
The implication of buy and sell could be low level of profits and difficulties in buying products in bulk since only nine percent (9) of the respondents are wholesale traders. It could also mean high prices of goods from wholesalers to retailers which consequently will lead to transfer of cost to the final consumer.

#### **4.9 Sources of start up capital**

Out of the seventy-two enterprises interviewed, as high as eighty-six (86) percent of the respondents had not benefited from any formal or informal source of financial assistance at the initial stages of their businesses. Most of them resorted to meagre personal savings and or aid from families and relations as well as friends as their source of initial capital. The remaining eighteen (18) percent indicated that they had some access to capital and funds in the form of loans from financial institutions such as the Asutifi Rural Bank and ECOBANK operating in the district. The SME sector though very viable in the development and growth of the district is not given much attention to enable the sector perform creditably well in

ensuring sustained growth and development in the district. Figure 6 below summarises the sources of start up capital for SMEs in Asutifi.

**Figure 4.3: Sources of start up capital**

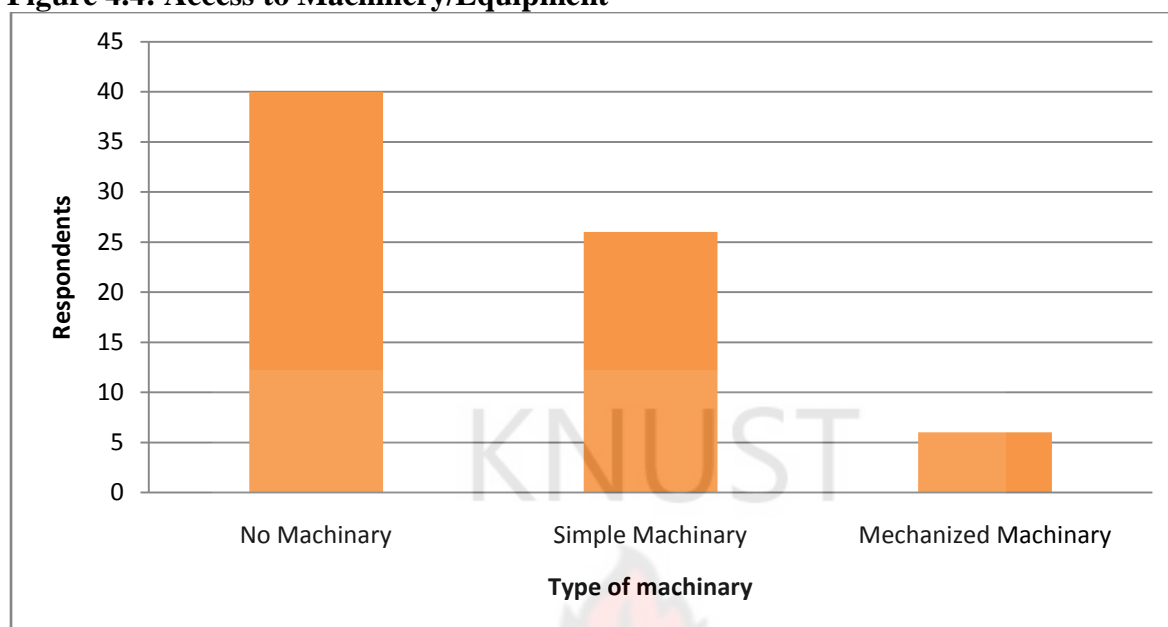


Source: Field Survey, March, 2011

#### **4.10 Access to Machinery/Equipment**

The study found out that some enterprises use some form of machinery and equipment in one way or another while the vast majority do not use any form of machinery at all. Enterprises whose activities rely heavily on machinery and equipment were those in the ceramics, agro-processing, shoe making, hair dressing/barbering salons, palm oil and kernel processing as well as gari extraction. At least forty-four (44) percent of the respondents use either simple or intermediary machinery many of whom complained of the high cost involved in purchasing and servicing the machines. See figure 7.

**Figure 4.4: Access to Machinery/Equipment**



Source: Field Survey, March, 2010

#### **4.11 Source of raw Materials**

The study found out that enterprises in Asutifi use raw materials both from within the district and outside the district. At least fifty-one (51) percent of the enterprises indicated that they use raw materials (cassava, maize, clay, palm nuts, unprocessed wood, etc) from within the district while the forty-nine (49) percent remaining said that their inputs such as plastics, used clothing, farm implements, store provision, footwear, textiles among others, come from outside the district. The cost element of raw materials from outside make entrepreneur's increase prices of their end product making life unbearable to the rural poor. However, the research indicates that most raw materials come from within the district and this is an indication that SMEs end products will be less costly since raw materials are readily available and may be cheaper. Huge sum of monies usually used in consuming similar products from outside the district will now be used within the district and this will aid in the growth and development of Asutifi in terms of increased investment and income.

#### **4.12 Access to Market in Asutifi**

Market is very important for the development of any economy. The role of market is therefore very crucial in the growth and development of Asutifi District. The main commercial activity in the district is buying and selling of agricultural and manufactured (industrial) goods and the proceeds therein is used for infrastructure development and subsequently propelling the entire growth of such economy. Other industrial goods that are traded in are farm implements, plastics, footwear, textiles, used clothing, provisions and other manufactured goods. These goods are brought into the market centres from places such as Kumasi, Goaso, Tepa, and Sunyani.

The study in investigating the market situation in Asutifi found out that the major marketing centres for SMEs outputs are within the district. Major marketing centres include Kenyasi, Hwidiem, Nkaseim and Dadiesoaba. As high as ninety-two (92) percent of SMEs outputs are sold within the district while only eight (8) percent of the output is sold outside the district. There is the likelihood of the existing market and facilities being over stretched. The current marketing situation in Asutifi suggests that the chunk of income from SMEs output remains in the district and this is very important since such income is usually used in developing the town.

From the study it was realised that in terms of population growth, the Asutifi district had only two urban centres in 2000 with population growth rate of 2.8%, but in less than twelve years, the district now boasts of six urban cities with the other two inclusive. This indicates that the district labour force has appreciably increased and contributes in propelling the growth and development of Asutifi. The population is an addition to expansion of the market base since many from different areas usually carry along with them some skills and expertise but soon

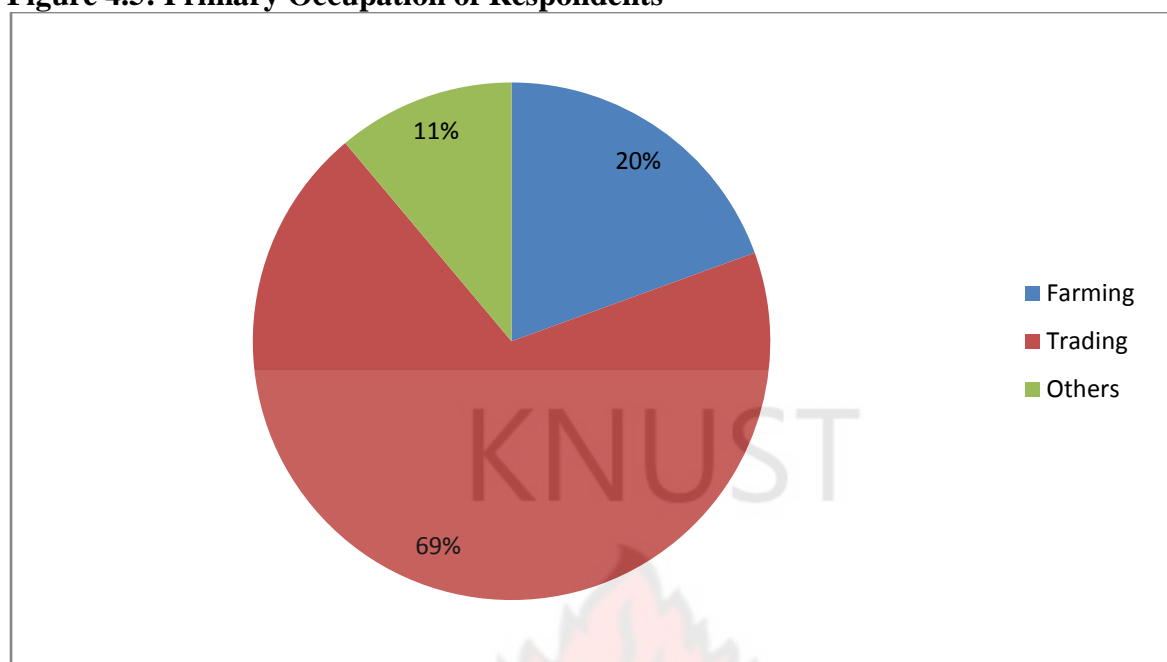
finds out they have no jobs hence the only option is to join the SME sector. The research also revealed that Kenyasi No. 2 and Hwidiem constituted the only urban settlements in 2000. However, the current situation on the ground indicates that Acherensua, Nkaseim and Dadiesoaba are urban settlements with population growth of 6148, 5087, 5006 and 5002 respectively. The increase in population implies that there will be pressure on the already skewed and inadequate infrastructure and other resources in the district and that will eventually make life uncomfortable for the inhabitants in the district since people scramble for the available resources. Population by itself is an important resource for development when it is managed well. The unskilled youth in the district when trained or given some skills in carpentry, locally manufactured sandals, rearing of animals among others will become self dependent and with little initial capital support perform wonders by transforming the economy of Asutifi.

#### **4.13 Major occupation of Respondents**

Majority of the respondents (69) percent indicated they were engaged in trading affirming the significance of small and medium scale enterprises in the district. Agricultural farming constituted twenty-two (22) percent as the second highest occupation being carried out in the district which until recently was the major occupation in the district. A moderate percentage (9 percent) was engaged in blacksmithing, galamsay, retail trading among others in order to support and sustain their businesses see figure 7. With regards to primary occupation, respondents who responded in the affirmative of undertaking extra activities were 47 while those who do one job were 23. Figure 4.5 shows other primary occupation undertaken in the district.



**Figure 4.5: Primary Occupation of Respondents**



Source: Field Survey, February, 2011

Aside the primary occupations (farming and trading) of respondents, forty-five of the respondents indicated that they had other added on activities they undertake.

**Table 4.5: Secondary Occupation of Respondents**

Activities	Number
Retail trade	7
Farming	29
Blacksmith	2
Driver	1
Mason	2
Galamsay operator	2
Others	2
<b>Total</b>	<b>45</b>

Source: Field Survey, February, 2011

The rationale behind undertaking these activities as per the respondents were:

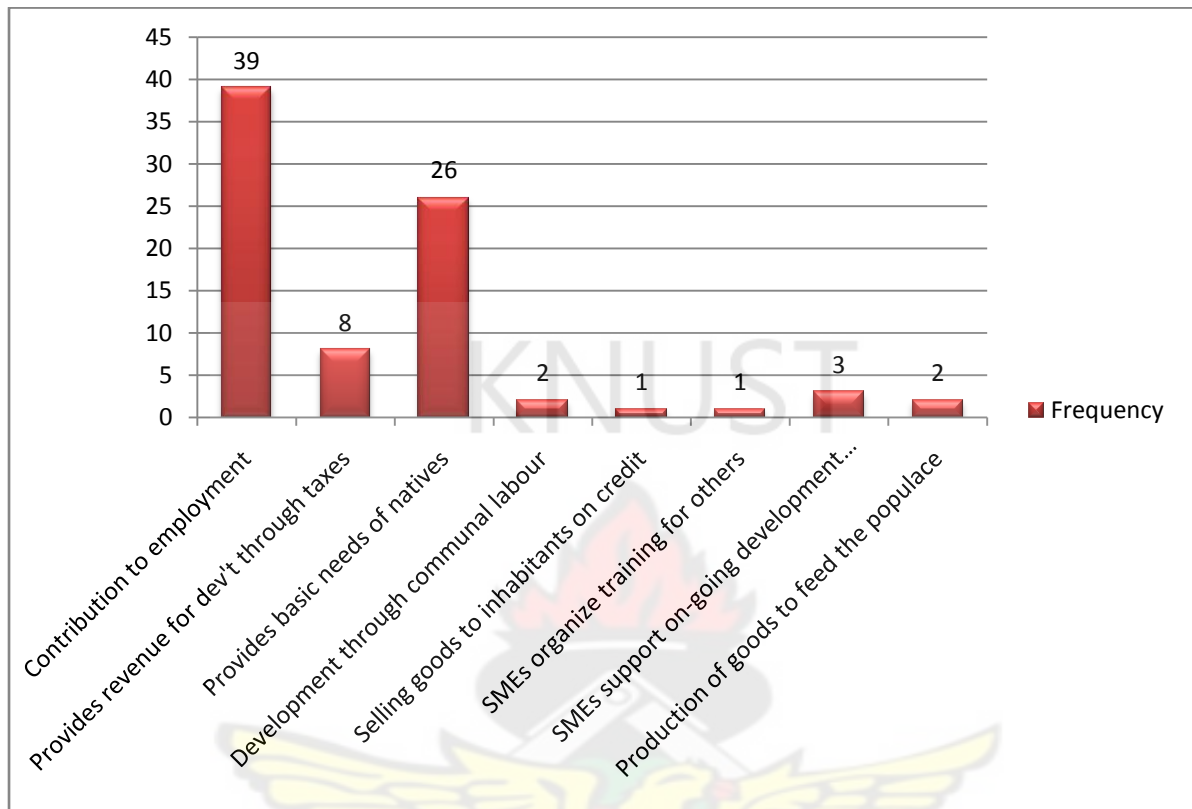
- To generate supplementary income for subsistence
- To support existing business; and
- For profit

#### **4.14 Contribution of SMEs to local development**

SMEs bring about expansion in productivity, increased employment, innovations, creativity, improved skill, larger output, improved technological development, and integration with larger enterprises. All these attributes could eventually lead to industrialization. Industrialization engenders economic growth and propels the growth of towns. These attributes of SMEs cannot be downplayed in any analysis and the necessity is crucial for this section.

With regards to the contribution of SMEs to local development, 79 percent of the respondents interviewed explained that SMEs have contributed significantly to the development and growth of towns such as Kenyasi 1&2, Hwidiem, Wamahinso and Nkeseim in the Asutifi District, while 21 percent responded in the negative relating the growth of such communities on factors such as galamsay activities and the presence of Newmont in Asutifi.

**Figure 4.6: Contribution of SMEs to Local Development**



Source: Field Survey, March, 2011

In a nutshell, the summation of the activities of unregistered small scale miners (galamsey operators) which is a sub set of small scale enterprises and that of the presence of small and medium scale enterprises in the form of trading units contribute in propelling the growth of the towns in the study area as indicated in figure 8.

From figure 4.6, SMEs contribution to employment and provision of basic needs of natives constituted eighty (80) percent of the total contributions in Asutifi. This affirms earlier assertions that the SME sector is very significant in its role of employment provision to the poor thereby propelling the growth and development of Asutifi.

#### **4.15 Other Factors contributing to town development**

**Table 4.6 Factors contributing to town development**

<b>NO</b>	<b>Factors</b>	<b>Number of responses</b>	<b>%</b>
<b>1</b>	Galamsey activities	42	27
<b>2</b>	Activities of Newmont Ghana	33	21
<b>3</b>	Provision of electricity	7	5
<b>4</b>	Creation of the District Assembly	2	1
<b>5</b>	Farming	5	3
<b>6</b>	Presence of SMEs	13	8
<b>7</b>	Presence of cheap labour	2	1
<b>8</b>	Presence of a Hospital	7	5
<b>9</b>	Provision of water	8	5
<b>10</b>	Presence of schools	11	7
<b>11</b>	Development partners	7	5
<b>12</b>	Timber workers	3	2
<b>13</b>	Availability of jobs	2	1
<b>14</b>	Availability of Markets	4	3
<b>15</b>	Others	10	6
<b>16</b>	Total	156	100

Field Survey, March, 2011

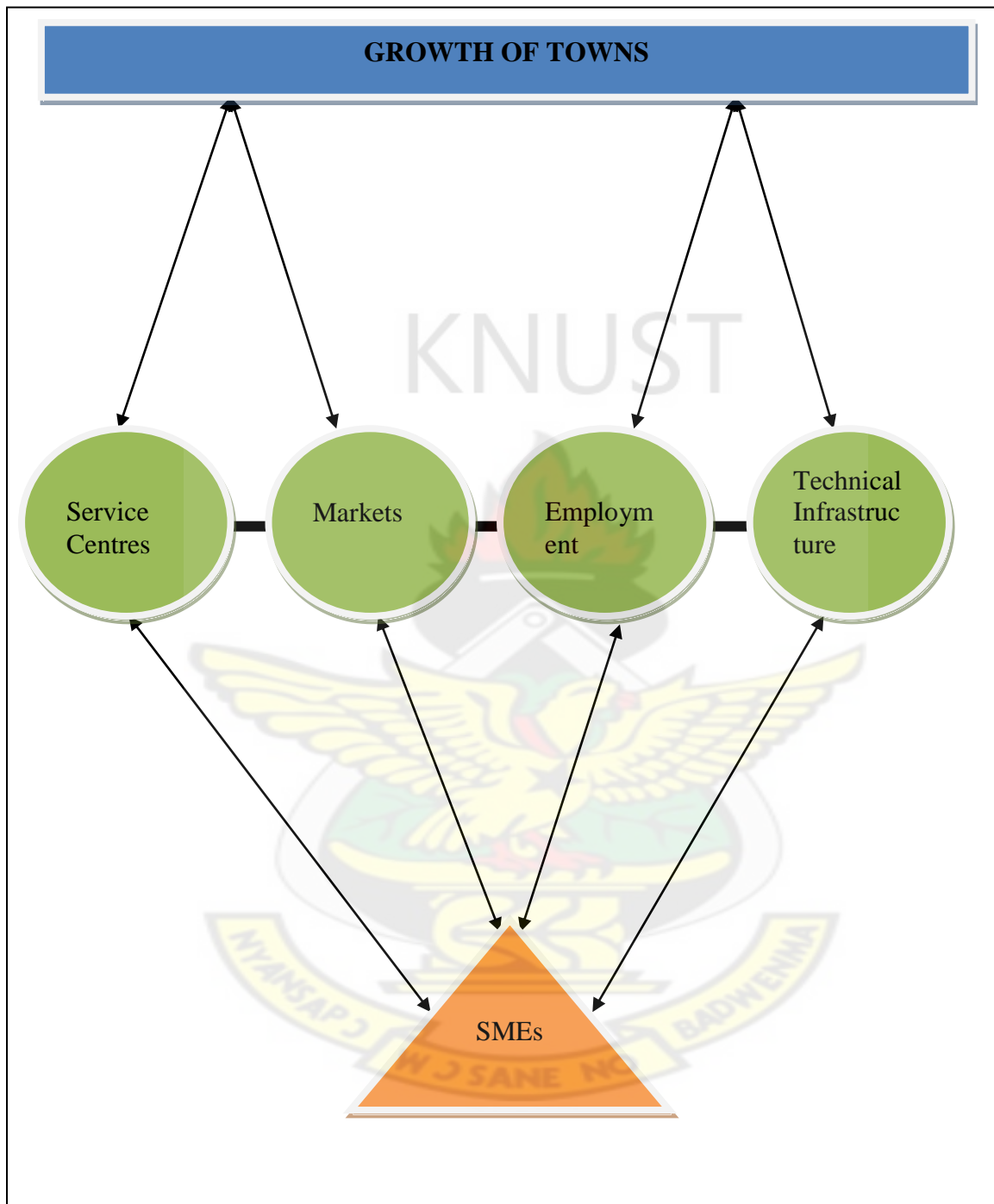
The development of the towns in the district were attributed to many factors, which include the activities of Newmont Ghana gold mines, education, activities of development partners, availability and access to social services such as electricity, water and health services. The activities of SMEs and galamsey operators were some of the factors that have contributed to the development of towns. Several thousands of indigenes and foreigners alike are engaged in illegal mining activities many of whom are Voltarians, (Volta Region) Northerners, (Northern, Upper East, Upper West Regions) and others from Central and Eastern Regions

respectively. Some respondents asserted that people from Ivory Coast and Burkinafaso own illegal gold pits and employed natives to work for meagre fees. Table 10 shows other important factors responsible for town development in Asutifi District.

From table 8, it is realized that, the activities of galamsay workers is stated as the highest contributor to the development of the towns in the district. Other SMEs apart from galamsey also contribute to the development of the area as 13 respondents indicated. This implies that with focus on harnessing the potentials of SMEs and incorporating galamsay activities into the main stream mining in the district, it will support the development of the district.



**Figure 4.7: The Relationships between SMEs and Growth of Towns in Asutifi District**



**SOURCE: Authors Construct. 2011**

Legend	
$\longleftrightarrow$	Inter related
—	Linkage



The study indicated that there are several factors that significantly contribute to the growth of towns and rural settlements in Asutifi District. The SME sector is one such factor that performs Source Author's construct

The study indicated that there are several factors that significantly contribute to the growth of towns and rural settlements in Asutifi District. The SME sector is one such factor that performs creditably well in its contribution to the growth and development of Kenyasi 1&2, Hwidiem, Wamahinso and Nkeseim, the communities under study as (69) percent of the respondents indicated they were engaged in trading affirming the significance of small and medium scale enterprises in the district. Figure 4.7 attempts to explain the relationships between SMEs and the growth of Asutifi district. SMEs process raw materials into finished consumable and non-consumable goods and services which are in turn sold in the market for revenue. The revenue obtained is taxed by Asutifi District Assembly for various development projects such as schools, hospitals, construction of roads, refurbishing of dilapidated toilets and water facilities. These contribute to growth and development. The presence of the aforementioned facilities attract different spheres of people into the district who perform various functions in the service sector, commerce, education among others thereby contributing to the growth and development of the district.

The SME sector contributes in expanding the markets of Asutifi District by their nature (buy and sell) and the expansion of the markets attract people into the district who come there with varied expertise to do business some of whom do not return to their original destinations thereby contributing greatly to the growth of the population and socio-economic development of Asutifi District. The sector provides employment for the inhabitants of the District. This role of the sector contributes in reducing poverty among the non-skilled and even some skilled people. The sector usually acts as a pull or pushes for the provision of services such as

energy (electricity, gas, kerosene) youth centres, good roads, schools, hospitals among others. The presence of these facilities serve as an avenue for employment, entertainment, education and other important intra and interaction of inhabitants and travellers which bring in its wake growth and development.

#### 4.16 Estimated income of respondents

From the survey, it was discovered that the average income of respondents ranges between GH¢0-50 where the predominant source of income was driven from farming and trading activities. From table 4.7, it can be deduced that 18 respondents earn GH¢50.00 from farming which is the highest income range of respondents.

**Table 4.7: Estimated income of respondents**

Estimated income source	Average household income levels in Ghana Cedis per season						
	0 - 50	51 - 100	101 -150	151- 200	201 - 250	251 - 300	300 +
<b>Farming</b>	18	3	1	3	0	3	3
<b>Trading</b>	16	1	2	5	4	7	6
<b>Total</b>	<b>34</b>	<b>4</b>	<b>3</b>	<b>8</b>	<b>4</b>	<b>10</b>	<b>9</b>

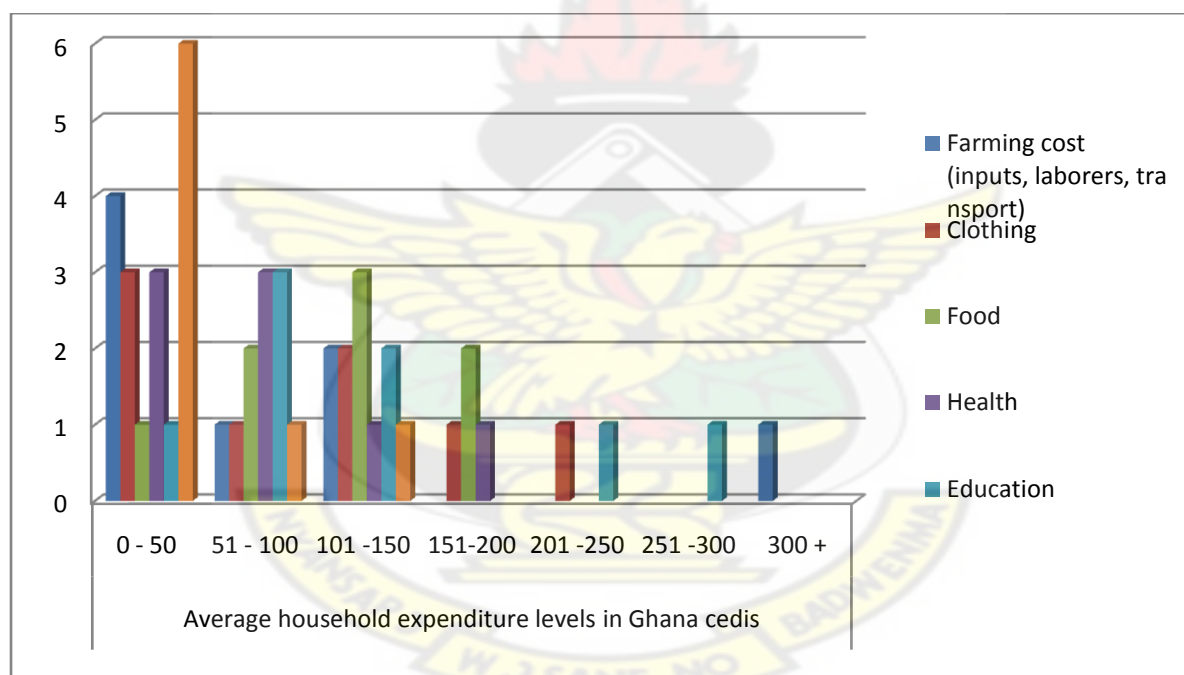
Source: Field Survey, March, 2011

These sources of income is used for various purposes in the household, and it revealed that the expenditure patterns of households range from feeding, education, health, farming purposes and utility bills (water and electricity). Some of the entrepreneurs also invest some of their profit into the business to expand their operations. Respondents that earn between 0-50 Ghana cedis constituted 47.2 percent of the respondents who spend their income on all the

discovered expenditure patterns. These individuals formed greater proportion of respondents in terms of income levels. However, 9 respondents who earn more than 300.00 spend most of their income on farming purposes in terms of inputs and labourers for the farm.

On that basis, it implies that those who earn more do not spend much on household needs whilst those who earn less have many responsibilities as they spend income on both household needs and economic needs. Figure 4.8 shows the expenditure patterns of respondents

**Figure 4.8: Expenditure patterns**



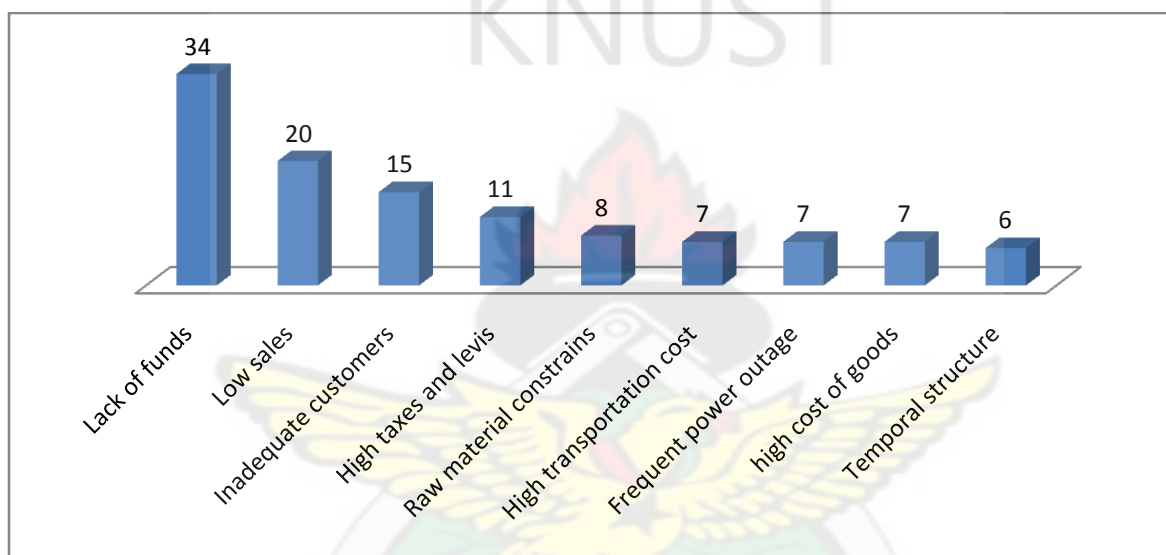
Source: Field survey 2011

#### 4.17 Challenges faced by Entrepreneurs

The research discovered various problems encountered by the SMEs in the operation of their businesses. Lack of funds was the major challenge faced by SMEs as they are unable to expand their enterprises as a result of inadequate funds for their business. Another challenge

faced them was the frequent low sales recorded by enterprises which results in losses which contribute to the inadequate funds available to effectively run the business. Other challenges such as high taxes, inadequate access to raw materials, high transportation costs and frequent outage of electricity, low agricultural yields and high cost of goods among others were the challenges faced by the enterprises. The ten top challenges are shown in figure 4.9.

**Figure 4.9: Ten top challenges of SMEs**



Field Survey, March, 2011

#### **4.18 Support Institutions of SMEs in Asutifi**

##### **4.18.1 District Assembly**

The Asutifi District Assembly was created in 1988 by the Local Government Act, 1994 (Act 462). It was created as a planning authority to plan, implement and manage development processes of the district. It has important roles to discharge on issues pertaining to the promotion of SMEs while on the other hand it benefits from the existence of a robust SME sector. Key roles of the ADA include;

- Registration of business establishments
- Keep database of all such establishments
- Provision of services such as market infrastructure, training and market information;  
and
- Collection of revenues

#### 4.18.2 Banks in Asutifi

There are several banks operating in the Asutifi District. These banks include EcoBank at Kenyasi No. 1, Agricultural Development Bank (ADB) at Kenyasi No. 1, Ghana Commercial Bank at Hwidiem, National Investment Bank at Ntotroso, Tano Rural Bank at Ntotroso (with branches at Kenyasi No. 1 & Gambia No. 2), Tano Agya Rural Bank at Kenyasi No. 2 and Dadiesoaba, Asutifi Rural Bank at Acherensua (with a branch at Kenyasi No. 2), and Ahafo Community Bank at Hwidiem and Kenyasi No. 1.

These banks were established in the district to help in solving the financial difficulties farmers and other inhabitants as well as businesses face in carrying out their day to day activities. Some of the crucial roles they play include;

- Provision of credit and overdrafts
- Short and medium term loans
- Training and capacity building
- Savings of funds and safe keeping of documents
- Keep database of all such establishments

Apart from the banking sector, which deals with monetary transactions, there are other institutions, which help the citizenry to mobilize funds and also to deal with their financial

needs in times of trouble. There are community based credit unions, insurance companies and susu collectors in the district. Most of these institutions offer loans and credit to their customers who feel more secured than the orthodox banking services who usually rely heavily on collateral and other sureties before they can offer any form of loan.

#### 4.18.3 Business Advisory Centre

The Business Advisory Centre (BAC) was carved out of the National Board of Small Scale Industries (NBSSI) by Act 434 in 1981 to ensure the promotion and development of SMEs in Ghana. However, the BAC was first introduced in Asutifi District in 2003 to spearhead in the advisory and training of SMEs. The BAC like the DA plays crucial roles in the development and promotion of SMEs in Asutifi, prominent among these are;

- Budgetary allocation to adequately develop and address the needs of SMEs
- Fostering the growth of the SME sector
- Registration of businesses
- Provision of business certificates
- Provision of business advice and
- Organisation of business management training and capacity building

#### 4.18.4 GPRTU

Public road transport services are provided by the Ghana Private Road Transport Union, (GPRTU) PROTOA, among other minor transportation groups of the Trades Union Congress (GPRTU of TUC). These Unions have branches scattered in major communities in the district. Their services are provided with cargo trucks, mini-trucks, mini-buses and Taxis. These institutions usually aid in conveying freights to and from market centres and other

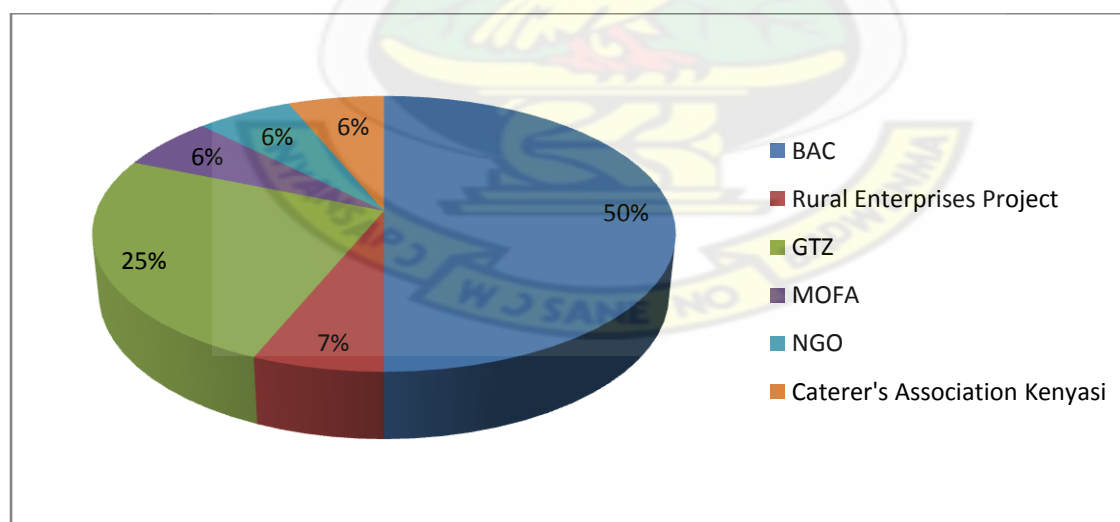


places in the district. Due to the poor nature of roads, road transport service providers complain of high vehicle operation costs due to regular breakdown of their vehicles. Part of the high cost is transferred to the passengers in the form of high transport fares especially on roads to remote areas like Goamu, Dadiesoaba and surroundings communities.

#### 4.19 Training for Entrepreneurs

Capacity building of SMEs is important for the development of their enterprises, in that regard, 22% of the respondents were said to have some kind of training while 78% have not had any training. The training of SMEs in the district is spearheaded by the business advisory centre as 50% of respondents attested to this fact. Rural enterprises project is one of the instrumental institutions that supports SMEs in training, other institutions that support in training SMEs are GTZ, MOFA, NGOs and caterer's association of Kenyasi. Figure 8 indicates the various responses

**Figure 4.10: Training for SMEs**



Field Survey, March, 2011

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, RECOMMENDATIONS and CONCLUSION**

#### **5.1 Introduction**

This section presents summarised findings of the research. It includes gender, level of education of entrepreneurs, the characteristics of entrepreneurs and enterprises studied and access to, availability of financial assistance for SMEs, in-migration and the general impact on establishing a business and the nature of the business among others.

#### **5.2 Summary of findings**

##### **5.2.1. Gender dimensions**

There is huge gender differentiation in terms of activities undertaken by the different gender groups. While men are engaged usually in strenuous activities such as galamsay, farming and auto mechanic works; women are confined to the relatively non-strenuous jobs like tailoring, pottery and hairdressing.

##### **5.2.2. Level of Education**

Majority of the entrepreneurs interviewed were literate and could take advantage of formal or informal training to enable them expand their businesses so as to contribute to the growth and development of Asutifi district.

##### **5.2.3. Age of Enterprise**

The research revealed that several new enterprises are continually springing up everyday indicating that businesses are either making abnormal profits or breaking even. It is

important for economic development since many of the businesses will expand and provide employment opportunities.

#### 5.2.4. Ownership

About 90 percent of business ownership is that of the sole proprietorship. Most enterprises are owned by indigenes. This is the dominant business enterprise in the District. The few enterprises with collaterals easily access loan for their operation. The implication is that majority of the businesses without collaterals will be constraint in accessing short and medium term credits for business expansion since most credit institutions usually grant credit facilities to associations and partnerships most of which possess collaterals.

#### 5.2.5. Financial Assistance

86% of enterprises do not benefit from any formal or informal financial assistance for their operations. Businesses are constrained in accessing loans from banks and other financial institutions. This makes it difficult for some of them to work to their full capacity.

#### 5.2.6. High in-migration

The existence of SMEs (galamsay) in the District has led to the influx of many people especially men into the District. These people are in search of economic opportunities to make a living and improve their socio-economic well being.

#### 5.2.7. Retail trading dominates SMEs sector

74 percent of SMEs are engaged in retailing and as low as 13 percent in Manufacturing. The major activity is buying and selling of agriculture goods in the District. This can be attributed to the agrarian nature of the economy in the District.

#### 5.2.8. Level of machine use

56 percent of enterprises do not use any form of machinery at all, which can be attributed to the low production base of SMEs which do not require the use of capital intensive machinery.

#### 5.2.9. Galamsay for growth of Asutifi

Galamsay activities and SMEs constituted the highest (35) contributing factors of growth and development of Asutifi District per the total number of the sampled entrepreneurs interviewed. This revelation indicates that there is a positive relation between SMEs and the growth of Towns in Asutifi District.

#### 5.2.10. Trading

Majority of the respondents (69) percent indicated they were engaged in trading affirming the significance of small and medium scale enterprises in the district.

#### 5.2.11. Contribution of SMEs to growth of towns

79 percent of the respondents interviewed explained that SMEs have contributed significantly to the development and growth of towns such as Kenyasi 1&2, Hwidiem, Wamahinso and Nkeseim in the Asutifi District by providing employment and income to both indigenes and migrants alike, contributing to GDP, generation of revenue and the provision of social and technical infrastructure.

#### 5.2.12. Contribution of SMEs to local development

- High demand for SMEs products in the District

As high as ninety-two (92) percent of SMEs outputs are sold within the district as there is high demand for the goods and services being produced in the District. This augurs well for the local economy as most of the raw materials needed for their operations are acquired

within the district. Very beneficial for the local economy also, is the creation of several demand and supply value chains which create in their wake employment avenues and production niches.

- SMEs contribution to employment
- Within the sampled population of this study, 48 percent are employed as operators of small scale enterprises. The dominant form of the SME sector is galamsay activities and retail trade.
- SME activities generate income for households which are used to provide and meet the basic needs of natives within the sampled entrepreneurs in Asutifi District.
- SMEs provide income in the form of tax revenue to the Asutifi District Assembly to embark on developmental projects.

### **5.3 Challenges of SMEs**

- Financial  
Lack of funds is the major challenge faced by SMEs as they are unable to expand their enterprises as a result of inadequate funds for their business.
- Production bottlenecks such as high cost of raw material, high taxes and levies charged by the district assembly and other revenue bodies, inadequate access to modern machinery the use of obsolete tools and frequent power outage were identified during data analysis.
- Marketing constraints such as; high transport cost inability of creditors to pay back for goods purchased on credit, low sales and the lack of advertisement were laid bare in the data.

## **5.4 Recommendations**

### **5.4.1. Introduction**

The major findings of the study have raised several issues about the emergence and growth of Small and Medium Scale Enterprises and Growth of towns in Rural Ghana and the need to address them. The findings also revealed very crucial and laudable measures which should be strengthened and implemented.

### **5.4.2 Access to credit**

One of the issues that emerged from the findings of the studies is that, generally access to credit and funds is a major impediment to SMEs in the Asutifi District. In spite of the relative improvements in interest rates and stability of the Ghanaian currency against the United States Dollar over the years, average lending rates at various commercial banks in Ghana continually remained very high (32%) making things almost impossible for businesses to borrow from the banks for business expansion and subsequent development. Several banks demand collaterals and other sureties ranging from houses and other highly valued properties as requirements for any form of short or medium term loans. Many entrepreneurs however, do not own such properties and are therefore not qualified for such loans. Entrepreneurs would expand and develop only when government and other NGOs intervened in ensuring that there are relatively low interest rates or tax free holidays on SMEs products. The research strongly recommends that commercial banks should be monitored and regulated so that they have the same interest rates on loans and credits so as to correct the kind of discrepancies that exist among them.



#### 5.4.3. Provision of market

Access to market is very crucial in developing and developed economies globally. The available market facilities in the study area is however very appalling. Several perishable agricultural products such as tomatoes, onions, pepper, yams among others usually go bad during bumper harvest due to inadequate storage facilities in the skewed and very limited markets in the District. This brings about very huge losses to entrepreneurs and sometimes leading to the collapse of businesses. The need to expand the few available markets in the district is strongly recommended. Also, two new and modern standard markets are recommended to be constructed in Kenyasi and Hwidiem respectively to augment the already over burdened markets in the district. It is also prudent for the government to protect the SMEs sector by limiting imports of similar products from other countries. The influx of Chinese cheap textiles and other processed goods which floods most of the Ghanaian markets is very worrying as they are competing out the locally manufactured products especially the textile industries. The exodus importation of processed birds into the country is fast killing the poultry industries. The government and concerned civil societies should help in putting stringent measures by banning some of these products to curb this situation. This will enhance the growth and development of the SME sector and the district as a whole.

#### 5.4.4. Training for entrepreneurs

From the study it became clear that only few entrepreneurs' had received any form of training on how to operate an enterprise denying them access to loans from banks and other financial institutions. This is because one of the basic requirements that enable an entrepreneur to qualify for medium and long term financial credit is the ability to demonstrate knowledge of book keeping and financial management. Additionally, because entrepreneurs lack training,

they are unable to separate their business activities from their normal day to day activities. Essential business capital is spent on such social activities as funerals, weddings and out-doorings rather than being re-invested in the business in order to expand and generate more profit. It is thus recommended that; the NBSSI, BAC and the District Assembly and its development partners, NGO's organize regular training on book keeping, business and financial management and leadership for entrepreneurs.

#### 5.4.5. Reduction in interest rate on loans

It is recommended that government takes steps to reduce the prime rate to make borrowing especially for investment attractive. This is because one of the major militating factors against loan repayment or default is the high interest on loans.

#### 5.4.6. Reduce operational taxes

The Asutifi District Assembly should take steps to widen its tax net and reduce its taxing units (items) rather than saddling the weight of its tax burden on existing tax payers. This is because majority of SMEs in the District that have not registered with the Asutifi District Assembly is because they want to evade taxes.

### 5.5. Conclusion

Several factors account for the growth, development and rapid urbanisation of towns in Ghana and the world over. Some of these factors include; population growth and expansion, industrialization, modernization, level of gainful and meaningful employment, markets, income per capital, and equitable distribution of income, welfare and quality of life enjoyed by inhabitants.

However, the role of SMEs in contributing to the development of towns has not been particularly noticeable either because it has not been researched into hitherto or because their contributions have been suppressed. This study has however provided evidence to prove and buttress the role of SMEs to nation building and particularly the growth of towns, using the Asutifi District as a case study. Evidence shows that SMEs such as small scale mining (galamsey operators) contributes 27% and other SMEs such as; service enterprises; provision stores, hair dressing salons, barbering shops, drinking bars, fitting and mechanic enterprises, washing bays, agro processors (palm oil extractors, coca producers, gari processors, and palm kernel extractors), primary fabrication ( local shoe manufacturers, tie and die making enterprises) and forest products enterprises with 8% have contributed significantly to the growth of Wamahinso, Kenyasi No.1 and 2, Nkaseim and Hwidiem. These contributions come in the form of creating employment for the youth, generating income to meet the basic needs of citizenry, avenues for the training and nurturing of entrepreneurs, capital formation, providing tax revenue for developmental projects and attracting the provision of social infrastructure such as potable water and electricity. Hence in considering development alternatives that can propel the growth and development of towns in Ghana, SME led-development approach (encouraging the development of SMEs as a catalyst to develop towns) because of the ability of SMEs to create employment, provide income to meet the basic needs of citizenry, create savings leading to capital formation, providing tax revenue for developmental projects and attracting the provision of social infrastructure at locations where SMEs cluster.

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KNUST





## Appendix 1: PICTURES SHOWING ENTREPRENEURS AND SHOPS

Plate 1 provision store with care taker



plate2 cloth displayed and seller



Source: Field Survey, March, 2011

**Plate 3 soap making Enterprise**   **plate 4 heap of uncracked palm nuts**   **plate5 palm oil processing machine**

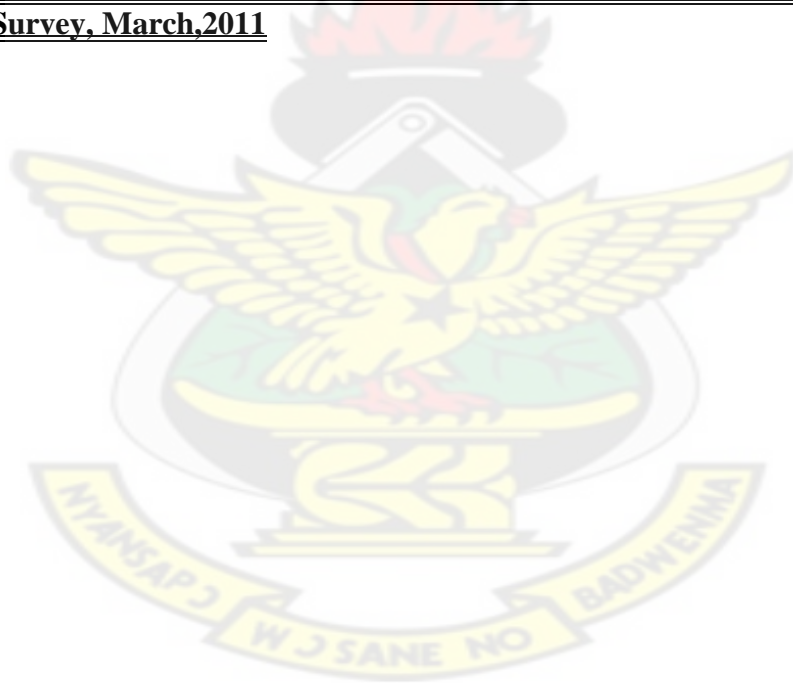


**Source: Field Survey, March, 2011**

**Plate 6 fresh palm fruits**      **plate7 women processing palm nuts**    **plate 8 palm nuts**  
**awaiting to be processed into palm oil**



**Source: Field Survey, March,2011**



## APPENDIX 2

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**COLLEGE OF ARCHITECTURE AND PLANNING**  
**FACULTY OF PLANNING AND LAND ECONOMY**  
***INSTITUTIONAL QUESTIONNAIRE***

Questionnaire No: -----Date: -----Time started: -----Time  
Ended -----

Name of institution: -----  
-----

My name is Mohammed Dombo, a student of Kwame Nkrumah University of Science and Technology, Kumasi, Ghana pursuing an MSC, Development Planning and Management on the topic: Small and Medium Scale Enterprises and growth of towns in rural Ghana: a case study of Asutifi District of the Brong Ahafo Region and will therefore be grateful if you could spare some few minutes of your time to respond to this questionnaire. Thank you.

**DEMOGRAPHIC CHARACTERISTICS OF RESPONDENT**

- a. First Name:-----
- b. Sex:-----
- c. Age:-----
- d. Educational background:-----
- e. Occupation:-----
- f. Religion:-----
- g. Marital status:-----

**SECTION A. LEGAL STATUS (REGISTRATION)**

- 1. Do most businesses have names?  
YES/NO
- 2. Are they registered with the District Assembly or any other body?  
YES/NO
  - a. If yes what challenges do they face during registration?  
-----  
-----  
-----
- 3. If no, why are they not registered? -----  
-----  
-----  
---
- 4. Do SMEs pay taxes to the District Assembly? YES/NO
- 5. What is the mode of payment?
  - a. Voluntary payment
  - b. Collected
  - c. Other (specify)



6. How are these taxes and levies used.....

#### **SECTION B. OWNERSHIP**

7. What is the predominant ownership type of SMEs in the District?
- a. Sole proprietor
  - b. Partnership
  - c. Relative
  - d. Non relative
  - e. Other(specify) -----

#### **SECTION C.MODE OF OPERATION (CHARACTERISTICS)**

- a. What are the main types of SMEs in the District?
- b. retail trading
  - c. wholesale Trading
  - d. Manufacturing
  - e. Distribution
8. What is the average staff strength of SMEs in the District?
- 1-5
  - 6-10
  - 11-15
  - 16-20
  - 20-30
  - 30+
9. Who are the majority of operators in the SME sector?
- Men/Women
10. Are workers in these enterprises paid?
- YES/NO
11. What in your opinion is the major source of finance for SMEs
- a. Self
  - b. Family/ friends
  - c. Gov't loan
  - d. Financial institution loan
  - f. Other (specify) -----
12. What are the challenges SMEs face in their operations?
- 
-

**SECTION D. CONTRIBUTIONS OF SMES TO LOCAL ECONOMIC DEVELOPMENT**

13. What are the factors responsible for the growth and development of this town?

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-----  
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-----a) In your opinion have SMEs contributed to the development of this town? YES/NO

b) If yes, in what ways did they contribute? -----

-----  
-----  
-----  
-----

14. Where is the major marketing centre for products from SMEs?

Within the district ☐

Outside the district ☐

15. If outside the district where? -----

16. What type of technology do you SMEs employ in their operations?

No machinery ☐

Simple machinery ☐

Mechanized machinery ☐

17. Where do SMEs operated from?

Own premises ☐

Rented premises ☐

18. Where does the majority of SMEs obtain their raw materials (inputs) from?

Within the district ☐

Outside the district ☐

If within the district from where?-----

19. Where is the major marketing centre for SMEs products/ output?

Within the community ☐

Within the district ☐

Outside the district ☐

20. What are the available opportunities in this community that can lead to the further development of SMEs-----  
-----  
-----  
-----

21. Are training programmes organized for proprietors and operators of SMEs the Asutifi District?  
[YES] [NO]

If yes, who organizes them-----  
-----

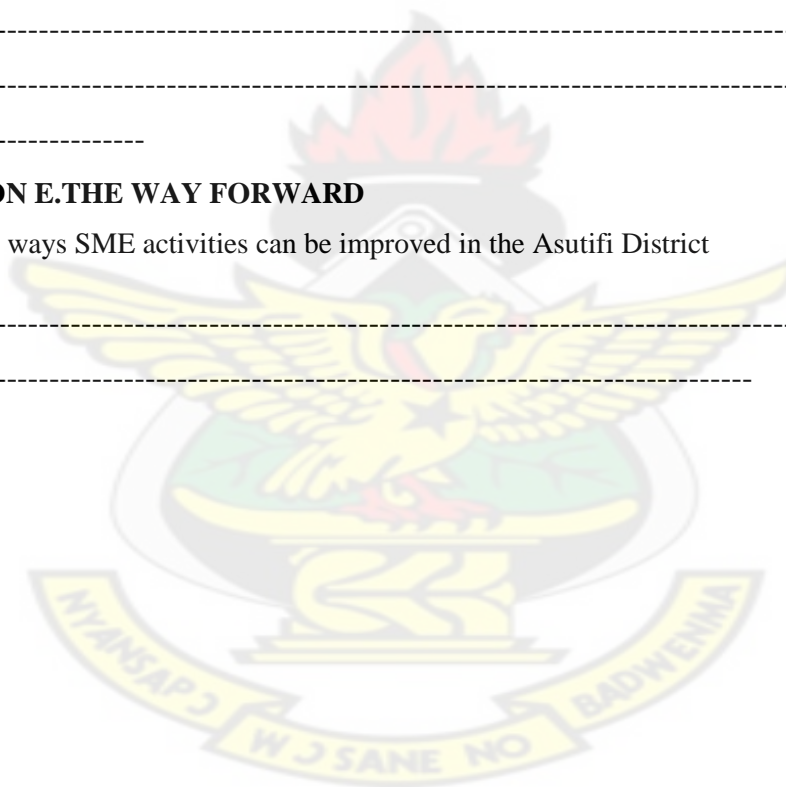
22. What are some of the areas these training programmes focus on?

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#### **SECTION E.THE WAY FORWARD**

23. Suggest ways SME activities can be improved in the Asutifi District

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### APPENDIX 3

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**COLLEGE OF ARCHITECTURE AND PLANNING**  
**FACULTY OF PLANNING AND LAND ECONOMY**  
**INDIVIDUAL/HOUSEHOLD QUESTIONNAIRE**

My name is Mohammed Dombo, a student of Kwame Nkrumah University of Science and Technology, Kumasi, Ghana pursuing an MSC, Development Planning and Management on the topic: Small and Medium Scale Enterprises and growth of towns in rural Ghana: a case study of Asutifi District of the Brong Ahafo Region and will therefore be grateful if you could spare some few minutes of your time to respond to this questionnaire. Thank you.

#### SECTION A. DEMOGRAPHIC CHARACTERISTICS OF RESPONDENT

Questionnaire number	Name of respondent	Sex Male <input type="checkbox"/> Female <input type="checkbox"/>	Name of community	Age of respondent	Date
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1) Marital status:

Single ☐

Married ☐

2) Education background of respondent

Nil ☐

Primary ☐

Junior high ☐

Senior high ☐

Vocational ☐

Tertiary ☐

3) What is your employment status?

Self-employed ☐

Paid employee ☐

4) If self-employed, who are you working with?

Employees ☐

Without employees ☐

5) If paid employee, who is your employer.....

6) What is/are your main occupation?

a. Farming ☐

b. Fishing ☐

c. Trading ☐

d. Others, specify .....

7) Are there other activities you are engaged in apart from those mentioned above

Yes ☐

No [ ]

8) If yes, mention these activities .....

9) Why are you engaged in these other activities .....

## SECTION B. LEGAL STATUS (REGISTRATION)

24. Does this business/ enterprise have a name?

[YES] [NO]

25. When was this enterprise set up? .....

26. Has it been registered with the District Assembly or any other body? [YES] [NO]

b. If yes what where the challenges/ bottlenecks faced during registration?

-----  
-----  
-----

27. If no, why were they no challenges/ bottlenecks? -----  
-----

28. Do you (enterprise) pay taxes to the District Assembly? [YES] [NO]

29. How much is paid per month/year -----

30. What is the mode of payment?

d. Voluntary payment

e. Collected

f. Other (specify) -----

-

31. If levies and taxes are paid, to whom do you pay to.....

32. . How are these taxes and levies used.....

## SECTION C. OWNERSHIP

33. Who owns this enterprise?

a. Sole proprietor [ ]

b. Partnership [ ]

c. Relative [ ]

d. Non relative [ ]

e. Other(specify) -----

## SECTION D MODE OF OPERATION (CHARACTERISTICS)

34. What type of business is this?

- f. retail trading [ ]
- g. wholesale Trading [ ]
- h. Manufacturing [ ]
- i. Distribution [ ]

35. How many people work in this enterprise?

- 1-5 [ ]
- 6-10 [ ]
- 11-15 [ ]
- 16-20 [ ]
- 20-30 [ ]
- 31+ [ ]

36. a. How many of them are female.....

c. How many of them are male.....

37. Are workers in this enterprise paid?

[YES] [NO]

38. How much are they paid per month

.....

39. How where funds to start this business obtained?

- e. Self [ ]
- f. Family/ friends [ ]
- g. Government loan [ ]
- h. Financial institution loan [ ]
- i. Other (specify) -----

40. Estimated income generated at the household

Income source	Average household income levels in Ghana Cedis per season						
	0 - 50	51 - 100	101 -150	151-200	201 -250	251 -300	300 +
a. Farming							
b. Trading, specify.....							
d. Others, specify							

41. Expenditure at the household

Type of expenditure*	Average household expenditure levels in Ghana cedis						
	0 - 50	51 - 100	101 -150	151-200	201 -250	251 -300	300 +
Farming cost (inputs, laborers, transport)							
Clothing							
Food							
Health							
Education							
Utilities (water, electricity)							
Others, specify							

42. Where is your major marketing centre?

Within the district [ ]

Outside the district [ ]

43. If outside the district where? -----

44. What type of technology do you use in your operations?

No machinery [ ]

Simple machinery [ ]

Mechanized machinery [ ]

45. Where is this business operated from?

Own premises [ ]

Rented premises [ ]

46. Where are raw materials (inputs) obtained from?

Within the district [ ]

Outside the district [ ]

If within the district from where?-----

47. Where do you mainly sell your output?

Within the community [ ]

Within the district [ ]

Outside the district [ ]

48. What challenges do you and your enterprise face in your operations?

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-----  
-----  
-----

#### **SECTION E. CONTRIBUTIONS OF SMES TO LOCAL ECONOMIC DEVELOPMENT**

49. What are the factors responsible for the growth and development of this town?

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-----  
-----

50. a) In your opinion do SMEs like yours contribute to the development of this town [YES]  
[NO]

b) If yes, in what ways do they contribute? -----  
-----  
-----

51. Have you received any formal training with regards to how to operate your enterprise?[YES]  
[NO]

b) If yes, who conducted the training and where? -----

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52. What are the available opportunities in this community that can lead to the further  
development of SMEs

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#### **SECTION F.THE WAY FORWARD**

53. Suggest ways SME activities can be improved in this town

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