

# Business support schemes in Ghana: An Assessment

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## **Abstract**

*Business support schemes are necessary for the growth of private enterprises. Ghana has had a number of initiatives under various regimes from independence to date, aimed at ensuring vibrant business support schemes but the country is far from reaching the goal. This is because there is lack of clear policy direction as well as weak collaboration among the few public and private business support organisations.*

*This paper highlights two prominent institutions, the National Board for Small Scale Industries and Empretec Ghana Foundation and establishes that the institutions need financial support and more qualified personnel to carry out their mandate. There is also the need to consolidate the fragmented support services especially in the private sector to avoid duplication.*

## **Introduction**

The proliferation of external business support initiatives in many sub-Saharan African countries (Mkandawire 1999; Manuh 1999) appears to suggest an increased interest by governments and other development partners in promoting the development and growth of small businesses. The change in the direction of policy in favour of small businesses could be explained from two main perspectives. Firstly, following the unsuccessful attempt by many sub-Saharan African countries to develop their economies through large scale import substitution industries immediately after independence in the 1950s and 1960s, the need to develop small scale industries became a major

priority for many countries in the 1970s (Rogerson 2001; McPherson 1996; McKenzie 1990). Secondly, the contribution of small and medium-sized businesses towards the transformation of the South-East Asian economies (Kim and Nugent, 1994) also created the awareness about the potential role that small businesses could play in terms of job creation and equitable distribution of income.

Despite the numerous initiatives and the huge amount of the taxpayers' money used to support the various schemes, academic research has lagged behind the amount of resources invested into these schemes (Storey, 2004) and the situation is worst in the African context. This paper, therefore, attempts to examine the origin of small business support schemes in Ghana, the nature of public and private support organisations in Ghana, and finally, a review of one Public Sector and one private sector support organisations.

## **The business support environment in Ghana.**

The role of small scale businesses as an absorber of the unemployed goes back as far as 1940 (Ninsin, 1989) although there was no major attempt by the colonial government (Britain) to develop the indigenous industry (Asamoah, 1996; Aryeetey and Ahene, 2004). Following the taking over of internal administration of Ghana by the Convention People Party (CPP) led by Dr. Kwame Nkrumah there was no change in the policy direction. The first ten-year development plan by the CPP government focused on the development of large-scale industries. The subsequent Seven-Year Development Plan (1963/64 to 1969/70) by the CPP government recognised that

the small-scale industrial enterprises employed about 53% of the Ghana industrial labour force. However, in spite of this recognition there was no concrete effort to support that sector during the seven-year period. The government policy on industrialisation was focused on the development of large scale import-substitution industries in order to meet the growing demand for the imported consumer goods by the Ghanaian consumer.

*'In order to correct this imbalance between domestic production and demand therefore the types of industries that will be promoted and the subsequent development plans will in general be on the larger scale than the types that have hitherto characterised industrial activity in Ghana'* (Ghana Seven-Year Development Plan [1963/64 to 1969/70] : 90). Clearly, the above statement indicates the lack of interest of the CPP government in promoting the small scale businesses as a strategy for the nations' industrialisation process. During the mid 1960s, the falling of the foreign exchange earnings from cocoa proceeds could not sustain the local industries which relied on imported raw materials and spare parts for their operations (Aryeetey and Ahene, 2004). The end result was the closure of most factories which led to mass unemployment. As Asante et al. (2000: 246) observed 'in Ghana the import substitution industry was deemed to have failed by mid to late sixties'.

#### **Small business development policy after CPP regime**

After the overthrow of the CPP government by the National Liberation Council (NLC), the NLC government enacted the Ghanaian Enterprise Decree (NLCD 323) in 1968. The main objective of the decree was to promote the development of indigenous industries. There was no major change in the fortunes of small businesses as a result of the enactment of the decree as the institutional structures to ensure implementation of this policy remained the same (Ninsin, 1989). However, in 1970 the United Party (UP) government led by Dr. Kofi Abrefa Busia highlighted the need to support small scale businesses in their One-year development plan [1970-1971] (Asamoah, 1996). In furtherance of this objective, the Ghanaian Business Promotion Act 1970 (Act 334) was passed and the setting up of the

Business Promotion Office followed (Ninsin, 1989; Asamoah, 1996). The main objective of the Act was to promote the development of small scale industries. The passage of the Act saw the establishment of the first Small Scale Business Loan Scheme, although there was not enough evidence to suggest that small scale businesses did benefit from the scheme as pointed out by Ninsin (1989: 266) *'indeed the whole orientation of public policy was so biased against small businesses that even small scale business scheme did not benefit them'*.

After the overthrow of the Busia government in 1972, the National Redemption Council (NRC) which assumed the internal administration of the country gave a great impetus to the small businesses in their Five-Year Development Plan (1975/76 to 1979/80). The Ghanaian Enterprise Development Decree 1975 (NRCD 330) and the Ghanaian Enterprise Development Commission (GEDC) was established to replace the Business Promotion Office. The GEDC was charged 'to draw up and implement a comprehensive programme, embracing financial, commercial and technical assistance schemes, aimed at the development of small-scale Ghanaian enterprises' according to the Seven-Year Development plan. There were three specific objectives of GEDC according to Ninsin (1989). Firstly, to provide credit facilities to small businesses. Secondly, to promote the technological development of small businesses through the provision of information on projects' viability, technical advice on inputs and output related issues, and equipment requirements. Thirdly, to provide services to small businesses in the form of advice on efficient management practices, training on basic record keeping and costing, and training on procurement management.

Surprisingly, there was no evidence to show that the commission was able to discharge its mandate of promoting the technological development of small businesses or the provision of extension services to small businesses (Ninsin, 1989). However, the GEDC was able to grant loans to Ghanaian businesses although the conditions attached to the loan applications disqualified most small businesses, hence, only a few small businesses benefited from



the scheme. It is important to note that the inability of the GEDC to fully discharge its mandate could be attributed to the lack of resources (human and material) and the poor institutional structures which existed at that time.

Apart from GEDC which acted as the government agency in promoting the development of small businesses in Ghana, there were other institutions which supported the development of small businesses through the provision of advisory and consulting services during the 1970s. For instance, the Technology Consulting Centre (TCC) was set up in 1972 at the University of Science and Technology to develop the appropriate technology and transfer to the small businesses. The National Investment Bank through their Development Service Institute also provided advisory and consultancy services to number of businesses although not many small businesses benefited from their services. The Ghana Export Promotion Council was also set up in 1969 by NLC Decree 396 with the main objectives of promotion and the development of non-traditional export (Ninsin 1989).

#### **Small business development policy since 1980**

Following the implementation of the Economic Recovery Programme (Steel and Webster, 1992) in 1983 and the near collapse of the economy, the Provisional National Defence Council (PNDC) government initiated a number of programmes designed to assist the development and growth of small businesses. The first major step taken by the government was the establishment of the National Board for Small Scale Industry (NBSSI, 2002) in 1985 although the Act 434 which gave the legal backing to the Board was passed by the Parliament of the Third Republic in 1981 (Ghana Integrated Industrial Policy for Increased Competitiveness (GICPIC) Pt. III, 2002: 18). The main objective of the board was to serve as the highest government body to 'assist the Ministry of Trade and Industry (MOTI) in the formulation, development, and implementation of national programmes aimed at accelerating the growth of small-scale industries in Ghana'. Considering the objectives of the Act 434 might probably imply the replacement of the GEDC which had served as the

main agency in promoting the development of the small scale businesses. Nevertheless, GEDC continued to operate after the passage of NBSSI Act until 1991 when the two organisations were merged and retained the name NBSSI.

Before the establishment of NBSSI, government support to small businesses had focused on the provision of credit facilities (such as, the Small Business Loan Scheme and Funds for Small and Medium Enterprise Development) with less emphasis on the development of the technical and managerial development of small businesses (Ninsin 1989). The subsequent years following the establishment of NBSSI have seen a number of public support organisations being set up by the government especially in the 1990s and these include: Ghana Regional Appropriate Technology Industrial Services (GRATIS), and Export Development and Investment Fund (EDIF). According to Aryeetey and Ahene (2004: 1) the main purpose of these public organisations is to develop an enhanced environment for the functioning of private enterprises, most of which are SMEs. Table 1 provides a summary of the various government schemes set up to provide external support to small businesses in Ghana. In recent years government policies such as the Ghana Poverty Reduction Strategy [GPRS] (2002) and the Ghana Integrated Industrial Policy for Increased Competitiveness [GIIPIC] Part III (2002) have not established any new initiatives from the NBSSI Act of 1981.

With regard to the private sector support organisations the Africa Project Development Facility (APDF) 2002 report documented about 48 donor support programmes in Ghana. There are other private sector small business support programmes which were not captured by the APDF (2002) report especially the Non-Governmental Organisations (NGOs). Some of the notable private sector support organisations include Empretec Ghana Foundation, TechnoServe, African Development Foundation, and African Project Development Facility. Table 2 provides a summary of some of the most important private sector support organisations in Ghana.

**Table 1 Types of Public Sources of Advice**

Schemes	NBSSI	GEPC	GRATIS	EDIF
Year of establishment	Board was established in 1985 due to the passage of Act 434 in 1981.	Established in 1969 by NLC Decree 396	Established in 1987	Established in 2000
Mission	To assist MOTI to formulate, develop, and implement national programme on small business growth.	Development and promotion of non-traditional exports	To develop an appropriate technology and transfer to small businesses.	To enhance economic growth of Ghana by providing funds on concessionary terms for the development and promotion of the
Sources of Funds	GOG and Bilateral donors (GTZ, CIDA)	Government of Ghana (GOG)	GOG and Bilateral donors (GTZ, CIDA, DFID)	Government of Ghana
Types of Services	1. Business advisory service 2. Credit facilitation	1. General export information service 2. Advisory service 3. Market development 4. Trade facilitation 5. Export incentives schemes 6. Export Financing	1. Technology transfer 2. Training and advisory services. 3. Hire purchase and working capital	1. Export development and promotion facility 2. Credit facility
Target businesses	Businesses in the service and manufacturing sectors with less than 29 workers.	Non-traditional exporters	Micro and small businesses	Businesses in the Export sector
Operational Coverage	Offices are located in all the regional capitals and about 63 districts	Head Office located at Accra and three regional offices at Kumasi, Takoradi and Bolgantanga	Offices are located in the regional capitals.	One office at Accra

Sources: Compiled from Ernst and Young (1997), Ninsin (1989), and Ghana Integrated Industrial Policy for Increased Competitiveness Pt. III (2002).

**Table 2 Summary of the notable private sector support organisations in Ghana**

Name	Empretec	ADF	TechnoServe	APDF	AGI	PEF
Year Established	1990 as a UNDP, Barclays Bank Gh. Ltd. and GOG project	US government agency which started operation in Ghana in 1985	Established in 1971	APDF has been operating in Ghana since 1987	Established in 1958 as the Federation of Ghana Industries	Founded in 1994 by the private sector organisations
Mission	To build high quality, growth oriented, internationally competitive entrepreneurs.	To support the development and increase the competitiveness and profitability of indigenous SMEs	To build business that creates jobs, income, opportunity, and economic growth in developing countries.	To support the development of competitive African SMEs, working mainly through local institutions and consultant.	To develop quality service to member companies	To service the development needs of the private sector by influencing government policies and regulations in order to create enabling environment for the private-sector led economic growth strategy and national development.
Sources of Funds:	UNDP, World Bank, GOG, DFID, SSNIT, Barclays Bank and other private organisations	GOG and USAID	USAID, Bilateral and Multilateral donors	IFC and donor governments	Members subscription, UNDP and donor governments	USAID, GOG, DANIDA and UNDP.
Types of Services	Training, consultancy and advisory services and financial services.	Focus on capacity building through training, interventions, Business planning, and provision of grants	1. Advisory services 2. Provision of finance 3. Business management training	1. Business advisory services. 2. Enterprise support services. 3. Skills development and capacity building.	Management training, export promotion service and organises trade fairs and trade delegations abroad, credit guarantee.	1. Institutional capacity development. 2. Training
Target businesses	Growth-oriented small businesses	SMEs with potential for growth	Small community-based enterprises	SMEs	Member of the association	PEF members and small scale businesses transitioning from the informal to formal sector.
Operational Coverage	National and Regional level.	National level.	It operates at the local level.	National level	National and regional level	National level



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Apart from these private sector support organisations there are other initiatives undertaken by the various industry and professional associations in terms of provision of advisory services to small businesses. Prominent among them are the Institute of Chartered Accountants Ghana (ICA) which provides training in book-keeping and costing to small businesses; Association of Ghana Industries which has established Business Development and Services Centre to service the technical and the managerial needs of their members; the Private Enterprise Foundation which services to members of the foundation include training and advisory. The role of bilateral donors such as German Technical Cooperation (GTZ), The Danish International Development Assistance (DANIDA), Department for International Development (DFID), Canadian International Development Agency (CIDA) and others are also significant. For instance, establishment of Support Programme for Enterprise Empowerment and Development is a joint initiative of the GTZ and DANIDA.

#### **The National Board for Small Scale Industries (NBSSI)**

The NBSSI is the main government institution set up to promote the development and growth of micro and small scale enterprises in Ghana. The board was established in 1985 by the Provisional National Defence Council (PNDC) government. The board was established as a result of the promulgation of a parliamentary Act 434 in 1981 by the parliament of the Third Republic under the People's National Party government (Ninsin 1989). According to the GIIPIC Pt III (2002: 18) document the main remit of the board was 'to assist the Ministry of Trade and Industry (MOTI) in the formulation, development and implementation of national programmes aimed at accelerating the growth of small scale industries in Ghana'.

Until the launching of the Entrepreneurship Development Programme in 1988 (Ninsin 1989) and the subsequent merger with the GEDC and the establishment of the Business Advisory Centre (BAC) in Cape Coast in 1991 (Ernst and Young, 1997), NBSSI seemed to have been dormant during their initial stages of existence. There were four main objectives of BAC and these were as follows:

1. Facilitate the improvement of the environment for small-scale business creation and growth.
2. Provide tailor-made entrepreneurial, managerial and technical training.
3. Provide advisory, counselling and extension services.
4. Promote group formation and strengthening micro and small businesses associations.

In recent years the Board has also established a credit unit which now manages other government credit lines for small businesses. The Board's activities are targeted at micro and small businesses that are in the manufacturing or service sectors of the economy. A micro business is defined as an enterprise which employed between 1-5 workers with a capital base of \$10,000 (excluding land and buildings) and small business employing between 6-29 workers with a capital base of \$100,000 (excluding land and buildings).

In terms of the operations of the Board, the Board works directly under the Ministry of Trade, Industry and President's Special Initiative and the highest decision making body of the board is the Board of Directors who are non-executive members of the organisation. With regard to the administration of the day-to-day activities of the organisation, the executive director is the head, followed by the deputy executive director and the departmental heads are next on the organisational ladder. The management committee also plays an important role in the management of the board. At the moment, NBSSI business advisory centres operate in all the 10 regional capitals and 66 districts capitals throughout Ghana (NBSSI News, 2003). NBSSI activities are mainly sponsored by the Government of Ghana, however, the board has collaborated with some organisations to undertake various projects as summarised in Table 3.

Table 3 demonstrates some of the achievements of the board and also the crucial role that it continues to play in terms of small business development in Ghana. NBSSI has played an important role in terms of small business development through the BACs and



the Finance Unit and also with the support of its collaborating agencies since its inception. For instance, the IFAD/Republic of Ghana Rural Enterprise Project (2000: 30) made the following observation about BAC 'the BAC SSE development and support component is the most successful in the

project'. NBSSI has a wealth of information on small business development in the country because of its numerous offices in all the regional capitals and most of the district capitals. In spite of these positive developments, NBSSI is plagued with a number of problems.

**Table 3 NBSSI Collaborative projects**

<b>Name of the project</b>	<b>*NBSSI/GTZ Promotion of small and micro enterprise project</b>	<b>*Agri Entrepreneurship Training Project</b>	<b>**Rural Enterprise Project</b>
<b>Collaboration organisation</b>	German Development cooperation (GTZ)	Nova Scotia Agriculture College, National Council on Women and Development, Tamale Polytechnic	International Fund for Agricultural Development (IFAD).
<b>Source of Funds</b>	GOG/German government	CIDA	IFAD and GOG
<b>Objectives of the project</b>	To contribute towards sustainable income and employment and a socially balance growth of the economy.	To train rural entrepreneurs in agro-processing to effectively manage their businesses and increase their income generating capabilities.	To increase the production base of businesses in the rural areas in order to increase income and employment.
<b>Target small businesses</b>	Micro and small businesses in the manufacturing and the service sectors.	Women in agro-processing businesses.	Small off-farm enterprises.
<b>Types of services</b>	Financial and business development services.	Training in book-keeping and costing, marketing, loan management and small business management.	Facilitating access to new technology through training and the provision of advisory and financial services. Supported the creation of new businesses.
<b>Project duration</b>	1998 to 2002	1997 to 2002	1997 to 2002
<b>Coverage</b>	NBSSI operation areas	Northern region (Savulugu/Nanton district).	Ashanti and Brong-Ahafo regions
<b>Results</b>	By December, 2002 an amount of ₵9.497 billion (£740,564.00) had been disbursed to 223 micro and small businesses.	Members of Women Weaving Association in Nanton district were trained in costing and pricing, marketing, small business management, finance and loan management.	BAC helped in the establishment of 1900 new businesses and also assisted over 4000 existing businesses as at 2000.
<b>Remarks</b>	Since 2003 the project had been administered by Support programme for enterprise empowerment and development (SPEED).	The project ended in 2002.	The original project ended in 2002.

Sources: \*NBSSI News Volume 1 No. 8 December, 2002; \*\* IFAD /Republic of Ghana Rural Enterprise Project, Interim Evaluation Report, 2000.

A study undertaken by Aryeetey and Ahene (2004:9) observed that, 'although NBSSI is established purposely to help develop and promote the sector, it is, like most of the ministries, departments, and agencies, not adequately resourced with funds, logistics and people to be effective'. The above observation sums up the problems faced by the board. A similar observation was also made by the IFAD project on rural enterprise when NBSSI could not implement some of the specific aspects of the project because of the lack of requisite personnel (IFAD/Republic of Ghana Rural Enterprise project report (2000).

### **Empretec Ghana Foundation (EGF)**

Empretec Ghana Foundation is an umbrella wing of Empretec, an international entrepreneurship and capacity building programme which is currently operating in Africa, Latin America and Asia. The Empretec scheme was initiated by UNCTAD in 1988 and it coordinates the activities across the globe. In Africa, the Empretec scheme is operated in Ghana, Ethiopia, Nigeria, Zimbabwe, Botswana, Namibia, Mozambique and South Africa. Empretec programmes focus on entrepreneurship training, workshops and targeted at high growth potential SMEs.

The EGF was established in 1990 and its mission was, 'to build a high quality, growth oriented, internationally competitive entrepreneurs through training, business advice and access to technology and finance' (Ernst and Young, 1997). In the early years of its operation EGF focused its activities around entrepreneurship workshops and management seminars with a limited number of consultancy and advisory services. From 1994 to 1997 EGF saw tremendous growth and changed from a development project into an independent foundation, hence, the EGF (Gibson, 1999). The target clients of the foundation include growth oriented small and medium-sized enterprises, local corporate organisations and international development agencies. The project activities focus on three core services - consultancy and advisory, finance, and training. Specifically, EGF focuses on growth-oriented enterprises in the manufacturing

and service sectors of the economy (EGF Corporate Profile). The activities of EGF are sponsored by the UNDP, the World Bank, the EU and the Department for International Development (DFID) of the UK, The SG SSB Ltd, the Agricultural Development Bank, Barclays Bank, and the Government of Ghana. Since 1994 the DFID has been the largest donor (Gibson, 1999).

Administratively, the highest decision making body of the foundation is the 14-member Governing Board who are drawn from mostly the private and the government representative. The administration staff is headed by the Chief Executive Officer who is assisted by the five divisional heads in the area of training; consultancy and extension; corporate relations, planning and research; information technology; and finance and administration (Gibson, 1999). EGF provides three main core services in the area of training, consultancy and advisory services and financial services. Table 4 summarises the main services provided by the EGF under the core services mentioned above.

The foundation has successfully managed some donor-funded projects on small business development in the country particularly, the DFID's Ghana Enterprise Development Project (GEDPRO) for nearly 8 years (EGF Corporate Profile). Other successful completed projects include the UNDP's Capacity Development and Utilisation Programme and the DANIDA's Private Sector Development Programme. In terms of the impact of EGF services on beneficially businesses, Gibson (1999) reported that businesses that used the services of EGF experienced a 12% growth rate in employment and a 25% growth in sales over a three-year period. Nevertheless, it is important to treat these figures cautiously since empirical studies on the subject have found it difficult to establish a link between the use of external advice and the performance of the business (Wren and Storey, 2002; Lambrecht and Pirnay, 2005). Furthermore, the success story of the EGF could also be debated in the context that EGF targets growth-oriented businesses and successful businesses, hence, the likelihood of these businesses experiencing higher growth rates than the normal businesses.



**Table 4** Types of services provided by EGF

<b>Training</b>	<b>Consultancy and advisory Services</b>	<b>Financial services</b>
Entrepreneurship development	Business diagnosis and Health checks	Loans
Business awareness	Business counselling	Credit facilitation
Managing your finance	Business plan preparation	Loan monitoring
Junior business seminars	Productivity improvement programme	Mutualistic Empretec Guarantee Association (MEGA)
Effective supervision	Foreign linkage and export development	Client accounting and book - keeping service (CABS)
Time management	Sub-contracting	
Customer care	Information technology awareness seminars	
Business growth	Empretec business network	
Customised management development seminars	Design and in stallation of information system	

Source: EGF Corporate Profile (Not dated)

**Conclusion**

The main rationale of the Ghanaian government policy towards the support of the small businesses had been based on the social related issues such as employment and poverty alleviation (Ninsin, 1989; GPRS, 2002).

On the review of the literature on the government policy of external support in Ghana, it is important to note that small businesses received a major policy attention in the 1970s when the United Party government passed the Ghanaian Business Promotion Act of 1970 (Act 334). This policy initiative became necessary as a result of the failure of the CPP government to develop the economy through the large-scale import-substitution

industries and the worsening economic condition thereafter. Subsequent years saw the setting up of the GEDC in 1975 and the NBSSI in 1985, respectively, and the merger of these organisations in 1991. A critical analysis of the government policies towards small businesses development since 1970s appears to reveal a social objective approach. The government policy objectives had focused on employment creation and the poverty alleviation (Ninsin, 1989; GIIPIC Pt III, 2002). However, studies on small business policies in Western Europe and the lessons from the experience of the South-East Asian countries on small business development appear to demonstrate that such strategy is less likely to achieve its desired results (Johnson et al., 2000). In recent years the UK

government policy on small businesses have moved from the social and employment issues in 1980s to economic growth and competitiveness issues (Johnson et al. 2000) and other European countries have adopted similar approach (Storey, 1994). In Ghana the need to rethink small business policy is more important because some studies found Ghanaian manufacturing companies to be less competitive on the international market (Soderbom and Teal, 2002) and a less educated workforce (Frazer, 2005).

With regard to Empretec Ghana Foundation and National Board for Small Scale Industries, lack of empirical studies on the schemes prevented a comprehensive assessment of the impact of the schemes on small business performance in the country. Nevertheless, like most public and private support organisations in Africa, there was enough evidence to suggest that their impact had not been significant in terms of the small businesses development in the country (Manuh 1999; van Bussel et al., 2001).

On the sources and the use of external advice, it was found that government sources were likely to be least sought (Ramsden and Bennett, 2005; Bennett and Robson, 1999). On the factors that influence the demand and the use of external advice, a review of the literature revealed that both the business and the owner-manager characteristics could influence the use of external advice. Specifically, factors such as the size, the sector, growth rate, and innovativeness of the business were found to be associated with the use of external advice. The characteristics of the owner-manager such as the educational background, gender, and the experience of the owner-manager were also correlated with the use of external advice.

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