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# Editorial

## QUALITY EDUCATION: THE ESSENTIAL CATALYST FOR NATIONAL ECONOMIC DEVELOPMENT

**I**n January 2010, Bob Tortora of the Gallup poll organisation reported that sub-Saharan Africans were struggling financially even as their GDP was growing. He noted that: "across the countries Gallup surveyed, median GDP per capita increased from \$1,315 in 2007 to \$1,610 in 2010. However, even in some of the countries with healthy economic growth, such as Ghana, the percentage 'finding it very difficult' to live on present household income continued to increase. Ghanaians were three times more likely to report struggling this much in 2010 (34%) than they were in 2007(11%)". Ghana is indeed in need of significant economic growth.

How can this situation be explained, especially in a cocoa-rich and gold-rich developing country like Ghana, with its newly-found rich oil deposit?

What immediately comes to mind is that the country does not have the human capital that could compete successfully in a globalised world where so much depends on a nation's ability to operate in the current knowledge-based economy. The relevance of the question

stems from the fact that competitiveness in the global economy is about how a nation manages the totality of its resources and competences. Thus, attention is naturally drawn to a number of factors that might be responsible for the nation's weak economy.

In the absence of adequate or conclusive data from research, we can be excused to assume, with some reasonable degree of certainty, that education – and for that matter, quality education – is a key factor in any equation that could be proposed to explain our nation's meagre or declining economic prosperity. The growth of the economy of the West, from the industrial age until now and more recently the experience of the Asian tigers, give us a measure of confidence to make such an assertion. This is further strengthened when one refers to the policy initiatives outlined in the country's 2010 education budget. The content of that budget notes that despite improvements in access and participation at all levels of the educational system, "the biggest challenge is the quality of education and the widening disparity in the provision of public education, specifically basic education, across



the various districts in Ghana. A major concern with respect to basic education is the inadequacy of infrastructure as well as qualified teachers especially in the deprived schools”.

Like many, if not most of the other nations in Africa south of the Sahara, Ghana's educational system can boast of an education sector that includes basic education – that is, pre-school, primary, and junior high - and secondary and tertiary education institutions. All forms of education and training are provided, some formal and others non-formal, but in poorly resourced physical facilities. Books that deal with scientific and technological studies are hard to come by in the country. The content of the curriculum lacks innovations and approaches to creative ways of teaching and learning. Classrooms and physical science laboratories are poorly designed, resourced, and maintained. Student-teacher ratios in the classrooms are too high to allow for meaningful teaching and learning to be practised. Above all, adequately trained teachers in the education system as a whole are woefully inadequate. Even in the tertiary institutions, which demand teachers with high qualifications and research skills, Ghanaian institutions generally fall below the level needed to impact Ghana's economy.

How then can the Ghana Government claim to spend a large percentage of its budget on education year after year? In fact, according to available data, “actual education spending as a percentage of the total GDP has been on the rise since 2006. The 2008 figure is about 9.9%, which is in excess of three percentage points over the Education for All Initiative minimum”.

However, “education expenditure as a share of total payments as well as the total discretionary

payment has been on the decline since 2006, and the budgeted figures for 2009 and 2010 show a further decline” (Ghana's Education Sector Annual Review 2009, and National budgets, 2009 and 2010). In 2010, in particular, it was foreseen that 95% of the budget would be channelled to wages and salaries, service and administration would cost 2% and 2.6 % respectively, leaving only 0.3% for investment. Bearing in mind that in 2008, over 28% of all basic schools in the country were in need of repairs”, and “a total of 5,230 basic schools in the country have classes under trees, the above level of investment in “real” education makes it difficult for anyone to feel optimistic about the chances that Ghana might have to hope to realise in the improvement of the quality of education required to impact the economy significantly.

It is said that “quality in education is a concept which is rapidly evolving over time, but also has different emphasis according to different national, education sectors, cultures, and different players in the education system – students, teachers, policymakers, the business community, unions, etc”. Thus, education should not be regarded as a process of consumption, but as a larger process of interaction and collaboration that aims to give learners (including adults in continuing education) opportunities for personal development and the confidence to adapt to new situations as well as change them, whenever necessary.

It is easy for us to think that Ghana is so far behind its economic targets that we should make improvements in the quality of education by addressing such issues as the following:

- Which sector of education requires the highest injection of funding to make an

impact on the economy, if education requires substantial government subsidy?

- How much funding really goes into the materials required for teaching and learning at every level of the educational system?
- How much funding is being invested into the training of the teachers?
- What calibre of teachers are required for the various levels of the formal educational system?
- How much funding is being put into research activities at various levels of the educational system?
- What type of education and teaching methodology are needed to help develop the economy?
- What strategies should be put in place to achieve the right level of collaboration required between industry and educational institutions?

However, while the above challenges require immediate consideration, focusing mainly on them could be tantamount to making minor, incremental changes and improvements only. In reality we are so far behind our competitors in the economic race that we need to frog leap; we need to hack, "not at the branches, but at the root" of the weak economy. Together with the rest of the world, we have, whether we like it or not, arrived from the hunter and gatherer age to an era where an illiterate person is no longer the man who cannot read or write. We are all supposed to be in the knowledge worker epoch where the illiterate person is now the "person who cannot learn, relearn, or unlearn"! Hence, as the futurists tell us, there should be a new educational paradigm to train future leaders in all fields. This paradigm compels us to develop five minds for the future: disciplined, synthesising, creative, respectful, and ethical

minds. Howard Gardner explains the five minds thus: Apart from the need to be an expert in at least one area and being recognised as such, an educated and, or trained person needs to be able to gather information from disparate sources to put together in ways that can be communicated to other persons. Also, because of the role computers are playing in every human endeavour these days, there is need for a nation to produce leaders who are able to think, as it were, "outside the box". Moreover, because the world has become diverse, every person must learn to respect those who differ from him or her. Further, as citizens and as workers, everyone has to think beyond his/her own self-interest and do what is right under all circumstances.

Additionally, it should be underscored that since it is the human factor that will play the pivotal role in national competitiveness, the training of leaders who would shoulder responsibility for running educational institutions merits great attention. Indeed, the gurus of leadership/management are constantly reminding us that everything rises or falls with leadership. Thus every effort should be made to train and retain leaders of integrity and discipline, who are creative, able to synthesise ideas and facts from piles of information, human capital who respect diversity in a globalised world, and who are at the same time, ethical. Quality education must provide learners with this knowledge, skill, and attitude. Equally important, Ghana's education requires for its competitiveness leaders who, in the line of thinking of Robert Greenleaf, would promote Servant leadership as a business model. This should be the paradigm shift Ghana would need if quality education is to catalyse and sustain the country's economic development.



*Main*  
ARTICLES



## THE ROLE OF THE PROFESSIONAL ACCOUNTANT IN THE ECONOMIC DEVELOPMENT AND EMPOWERMENT OF THE NATION

*Kwame Boasiako Omane-Antwi*

### **ABSTRACT**

*There is certainly a growing need for professional accounting services. The economic growth of emerging economies like Ghana and the development of globalisation will keep on expanding the need for professional accounting services particularly assurance.*

*It is now widely believed that the future of the accounting profession lies in developments already under way and the profession's market's interaction with its evolving environment. Technological developments as well as environmental challenges have demonstrated a shift in financial reporting requirements and public expectations.*

*This paper will discuss the role of the professional accountant as a driver of change in the global business and in nation building, using Ghana as a reference point.*

*Key words: Professional accountants, empowerment accounting, corporate governance, expectation gap, forensic accounting, triple bottom line, sustainability reporting, climate change, corruption, money laundering.*

*NOTE: This paper was first presented at the PKF (Pannell Kerr Forster), Chartered Accountants International, 60<sup>th</sup> Anniversary Seminar in Accra, Ghana, 16<sup>th</sup> December, 2010.*

### **INTRODUCTION**

In terms of resource allocation, controlling and measuring business performance, accountancy is perhaps one of the most important, innovative, and challenging professions in the world economy today. The skills of a professional accountant are deeply rooted in history, beginning from 3,000 BC when the ancient Samaritans invented the

world's first written language through the 1494 AD when an Italian Monk, Luca de Pacioli, officially introduced "double entry" book keeping in his *Summa de Arithmetica*, a compendium of mathematical knowledge. The history of accountancy continued to 1854 AD when Scotland formally recognised the subject as a profession, under the designation Chartered Accountants. Following the step taken by Scotland, England, in 1880, also



recognised a Chartered Accountant as a professional. In 1896, New York State also officially recognised the profession under the license of Certified Public Accountant.

The accounting needs of Ghana became evident with the introduction of Income Tax in 1943 in the then Gold Coast. The production of accounts for tax purposes increased the demand for accountancy services, both internally in organisations and externally for auditing purposes. This led to the formation of Association of Accountants of Gold Coast in 1954. This eventually led to a landmark in the development of the accountancy profession in British West Africa, with the establishment of the Institute of Chartered Accountants, Ghana, in 1963.

Some people argue that accounting developed purely in response to the needs of the time, brought about by changes in the environment and societal demands. Others claim that the development of the science of accounting has itself led to the evolution of commerce since it was only through the use of more precise accounting methods that modern business was able to grow, flourish, and respond to the needs of its owners and the public. The history and development of accountancy confirm the adage that accountancy, and for that matter the professional accountant is indeed the priesthood of industry. Either way, the history of accounting throws a light on economic and business history generally, and may help us better understand and predict what is on the horizon as the pace of globalization of business escalates.

Truly, accounting calculus and ideologies have become a major influence on commercial and everyday life in most societies. Inter alia, accounting has developed as a means of

recording transactions and identifying, and thereby inhibiting, fraudulent activities. Professional accountants routinely trade upon their claims of rationality, professionalism, and "services of the public interest" to secure or extend their monopolies (e.g. external audits), privileges and status. In this way professional accountants have colonized both public and private sectors where their activities routinely inform decisions about the allocation of goods and services, including employment, health and education. Major advances continue to be made in illuminating the expansion of 'accounting think' in relation to the social, economic and political role of accounting and professional accountants.

At this point, let me quickly ask: who is a professional accountant? By a professional accountant, I am referring to any one who practices accounting on a professional level, i.e., a Chartered Accountant in good standing, as opposed to a strictly clerical or routine bookkeeping at the procedural level. I am mindful of the fact that professional accounting has always been considered synonymous with public accounting. So my definition includes work of internal accounting and auditing as well as the professional practice of the independent public accountant.

Undoubtedly, the professional accountant's role has become more important now, than at any other time in our history. Thus, its role cuts across corporate level and extends to national level and even more importantly, to the international level.

The following are some core questions. Reflecting on them, I believe, will contribute to a better understanding of the role of the professional accountant and how this role should evolve to keep pace with the changing



environment:

- (i) Are professional accountants crucial economic actors in the capital market economy?
- (ii) Is professional accounting an added-value function?
- (iii) What does the business community expect of professional accountants?
- (iv) With several areas of conflict of interest surrounding the professional accountant's function and his or her performance, how can his or her independence be assured?
- (v) How should professional accountants respond to continuing environmental changes?
- (vi) What changes, if any, should be made to improve the efficacy of professional accounting, particularly auditing?
- (vii) Will auditors need to move from an 'archival' approach, where the auditor comes in at the end of the year, examines financial statements and issues an opinion on the statements, to an approach based on the process during which the financial information is compiled?
- (viii) Will auditing need to move from an annual assurance to a continuous assurance?
- (ix) How should the audit profession respond to structural changes in the capital market economy?
- (x) How will professional accountants handle complex information systems which are linked with business processes?

As you ponder over these questions, let me

quickly and briefly discuss the hard facts surrounding the socio-economic environment of the 21<sup>st</sup> Century.

### **ECONOMIC GROWTH - CHALLENGES & EVOLVING ROLE OF PROFESSIONAL ACCOUNTANTS**

Economic growth can be put in proper perspective when we appreciate that all factors of production are engaged in the production of goods and services which, at the aggregate level, can be called the Gross Domestic Product (GDP). If this is expressed in monetary terms, we speak about Gross National Income (GNI). Any increase in the volume of goods and services over a given period of time can be described as economic growth.

Economic growth occurs when a nation's income increases over time, irrespective of how it was achieved. Unfortunately, if the gains from economic growth are inequitably distributed, civil unrest and political instability can arise. There are, however, hosts of factors that militate against rapid economic growth in a developing country, like Ghana:

- Colonial legacy
- Backward technology
- Poor social condition
- Ethnic and tribal divisions
- Deficient infrastructure
- Macroeconomic policy mistakes
- Dependency on primary commodity for export
- High illiteracy rate
- Low life expectancy
- High population growth
- Low incomes, low savings habit, and
- Absence of, or insignificant industrial activity

Given the above scenario, the challenge,



therefore, is to seek how best to acquire and deploy resources such that the NATIONAL MISERY INDEX (NMI) is minimised, and the standard of living of people in developing countries significantly improved on a sustained basis. The great divide between the developed and less developed countries has compelled poverty-stricken nations to seek ways of bridging the growing gap precipitated by the scourge of poverty, illiteracy, and disease so that significant advancement could be achieved.

Indeed, strategies to increase the quality and quantity of the wealth of nations are the thrust of economic growth, development and empowerment, and the real essence of the accountancy profession. The identifiable critical success factor no doubt is professionalism in corporate and public governance, and accountancy is a core factor in the "good corporate governance equation".

#### **THE PLACE OF PROFESSIONALISM (ACCOUNTANCY AS A PROFESSION)**

One of the key attributes of a professional organisation is the ability to self-regulate its members from a "macro" level, the accounting profession has a vested interest in protecting the public interest if they are to retain their credibility and public confidence. On a "micro" level, however, members of a profession may be motivated by economic gain to further their own interest at the expense of the public interest. The increasing legislative regulation of the activities of the accounting profession in the advanced countries has arisen largely because of the profession's inability to regulate its members. As a consequence, the accounting bodies have identified public interest responsibility as one of their key strategic issues and have established several

mechanisms to improve the actual and perceived ethical behaviour of members. The cornerstone of an association's ability to establish a culture of professionalism and trust has traditionally lain in the formation of a code of professional conduct or ethics.

A code of conduct enables an association to establish and guide the professional standards and core values of its members. It also signals to society the competence and integrity of its members and to discipline unacceptable behaviour. Professionalism, however, entails mastery of specialised skills, display of objectivity in the discharge of duties to society, and the strict adherence to sound ethical values. These attributes or qualities help the professional to be efficient and effective at all times as he or she strives to add value to economic results. Thus, because the accountant is empowered by expertise and quest for knowledge, he or she accommodates no red-tapism or bureaucratic bottlenecks in the decision-making process; hence the frequent calls for the use of professionals in doing government business.

The most relevant profession that permeates every sector of the economy is the accountancy profession. With the current global economic scenario depicted by advancement in information technology, rapid changes in production processes, fierce market competition, the unethical activities of multinational companies in the drive to survive the unpredictable, and complex business dynamics fuelled by the global economic meltdown, there is the need to evolve strategies that would increase and sustain growth in all regions of the developing world.

This, therefore, makes investment in knowledge industry the most strategic survival



strains of our time. It is in the light of this that the role of professionals, and, in particular, the accounting profession, especially at the professional level is considered important in generating economic growth and stability in the global economy. The need to develop appropriate framework to assist professional accountants adopt a public - interest responsibility to underpin their activities, operations and resource allocation will go a long way to improve their economic enhancing role. Australia has adopted a framework based on the balanced scorecard (BSC) concept which seeks to align the interest of the accountancy profession with aspirations and needs of a diverse group of individual members. Since Kaplan and Norton (1992) introduced the BSC as part of a performance management system, the model has become widely used by business and public sector management. All organisations, whatever their focus, are concerned with balancing their strategic directions against operational requirements.

The BSC model, as adapted from Rampersad (2003) and being considered in Australia, takes into account the ethical behaviour and needs of professional accounting bodies and their members; perhaps with support from the public, accounting firms, the Institute of Chartered Accountants, Ghana can also explore the BSC concept in Ghana by finalizing and encouraging research into improving public interest accountability and responsibility in the accounting profession.

As strong accountancy profession, as part of a strong financial infrastructure, can support trade and facilitate investment by both the private sector and development partner, thereby contributing to economic growth and to economic and social stability. Strengthening

the global profession so that we can address the challenge of contributing to, and most importantly, achieving economic growth and stability is by focusing on four critical areas:

- (i) emphasising the primacy of ethics in all that we do;
- (ii) developing high quality international standards and promoting convergence to these standards;
- (iii) supporting and participating in performance of all those involved in financial reporting; and
- (iv) forming strong alliances so that we can maximize the resources that will enable us to develop the profession, particularly in emerging economies.

## THE ROLE OF ACCOUNTING PROFESSION IN GENERATING ECONOMIC GROWTH AND STABILITY

### Role in the Public Sector

Accounting as a scientific process is about the provision of financial information needed to take decisions, particularly in respect of acquisition and use of scarce corporate resources as well as the elimination of waste in the wealth creation chain. Accountancy is a professional discipline that involves the systematic gathering, classification, recording, analysis, interpretation, and transmission of information based on data that are of monetary nature. Such data that provide financial information about the net resources (that is, the relationship between its assets and liabilities), productive activities and profitability of a business, are required by owners and managers alike in order to assess the health of the organisation and ascertain the changes in the stock of the wealth of shareholders.

A major phenomenon of less developed



countries is the dominant size and influence of the government sector in the whole economy. Pursuant to the increased volume of public sector activities and revenue accruing to various governments through the various taxes, there is the need not only to evolve taxes on enduring accounting framework but also to train accounting personnel for the sector. In fact, although government business appears basically routine in nature, the existing accounting framework in most jurisdictions in the less developed economies has proved inadequate to cope with the challenges of a burgeoning economy of these countries.

A direct relationship between accountancy and growth can be vividly seen in the government sector, and exists particularly between good accounting practices and good governance.

Government accounting practices are frequently characterized by lack of transparency, inconsistency, and incompleteness. These tend to lead to poor quality accounts and result in the inefficient use of public resources.

In the long run, poor quality accounting impacts adversely on the growth prospects and economic stability of a country. The nexus, therefore, is that the link between good accounting practices and good policy making is direct.

Government's cash-based accounting system and financial reporting in Ghana, for instance, derive their form and substance largely from accounting procedures introduced during the British colonial rule.

However, the cash-based system is not the most informative way of presenting accounts in a dynamic democracy like ours. It lacks

transparency and it provides a weak basis for informed judgements on the performance of Government in terms of economy, efficiency and effectiveness of its programmes.

Financial information has to be collated in parallel through the establishment of elaborate and sometimes expensive systems for centralized monitoring and evaluation of projects and programmes. These become ex-post exercises in the nature of audits because cash-based accounts by themselves fail to disclose full information for financial management.

There is therefore the need to reform Government Accounting System; may be migrating from cash to accrual, to reap the following benefits:

- Better information will be available about sustainability of government fiscal policies, and the bias in favour of short-term thinking will be corrected.
- A stronger basis for accountability will be established with internalized incentives for economy, efficiency, effectiveness and equity.
- At the organisational level, it will help devise better means for organisational efficiency. There would be better accounting for resources that government departments use.

Certainly, such a transition will not be easy, quick or cheap. This means professional accountants have to work collaboratively with the Institute of Chartered Accountants, Ghana, Accountant-Generals Department, Audit Service and all other stakeholders to achieve a successful transition to an appropriate accounting and budget system for Ghana, with the objective of achieving higher economic

growth that we all aspire to achieve.

### **Role of the Private Sector**

The professional accountant possesses the skills required to prepare feasibility and viability studies upon which investment decision can be based. Professional accountants can assist not only in sourcing for funds but also in their efficient management. He or she is able to render invaluable services in the areas of portfolio diversification, internal control management of cash and working capital, record keeping, and playing advisory roles in dividend payments, debts, and equity policies.

Tax administration and management are critical aspects of the accountant's job. Tax incentives and liabilities, play important roles in investment and financing activities. Therefore, professional accountants often assist clients to plan, compute tax liabilities and also ensure that these obligations are met. Hence, as tax experts, professional accountants help to establish confidence in the tax systems by ensuring the fair application of tax laws and overall efficiency of the tax system. The professional accountant's role in tax matters also helps to ensure the equitable distribution of wealth.

As management consultants, professional accountants have a responsibility towards public interest; they advocate sound management decision-making. These roles of the professional accountant in the area of management accounting ensure the growth and strength of corporate entities which are at the heart of successful economies. In 1987, Johnson and Kaplan challenged the management accounting profession by claiming that management accounting had lost its relevance. Their book entitled, *Relevance Lost: The Rise and Fall of Management*

*Accounting*, questioned the relevance of contemporary management accounting.

It may be important for us, as professional accountants to think about developing a management framework for the future. Any such framework must be suitable for organisations of varying sizes operating under different forms of ownership and in different industry sectors. Such a framework must also reflect the fact that management accounting is seen by many as having significant human behaviour connotations. Additionally, such a framework must cover four important factors:

First, it must identify the strategic role of management accounting. There is widespread acceptance that management accounting can play a vital and increasingly important role in strategic management. Second, it must be able to identify the critical success factors of the industry in which our organisation operates. These are the critical things which each organisation in the industry must be able to perform successfully, or risk not being able to compete successfully in that industry. Third, the framework needs to focus, not only on short term results as is typically done today, but also on the long-term results of an organisation. Focusing only on short-term objectives will encourage managers to maximize short-term results rather than long-term goals. The management accounting system must monitor those factors which will indicate whether or not the organisation is on target to meet its long-term goals as well as its short-term objectives. Finally, the management accounting system must be able to measure and report performance at a number of levels.

Top management may typically require measurement and reports on the performance of the firm as a whole, a division or a department, the management of a business



Unit, a product or product range, a market, a particular customer, or a particular competitor. It is my conviction that the public administration bureaucracy of this country has not understood the importance of the services of management accountants, for improving the performance of public enterprises. We must not forget the fact that almost 70 per cent of the funds of this country are owned by the state. Therefore, I believe that the general treasury of the Ministry of Finance needs lots of management accountants in order to improve the performance of the wider public sector in Ghana.

### **Empowerment Accounting**

The rapid changes and the intensity of competition in the global economy make new types of economic measurements necessary for national competitiveness and economic progress. The accounting profession needs to identify what those measurements will be, devise ways to capture the required information and report them reliably to interested parties. They must then link those measurements to the organisation's rewards system. Finally, they must train the employees and interested parties to understand the reports, and be motivated by them. This requires research into what the subject matter of accounting should be within an "informational-era" global economic paradigm, and how to extend and disseminate this subject-matter across the entire organisation in order to influence and empower its employees.

This need to have measures that have a 'motivational' impact is seen as the emerging 'influential' economic era. Here, we are talking about empowerment accounting methodology.

The inescapable logic of open-book

empowerment accounting is, therefore, that employees are likely to share organisational goals when they:

- understand the techniques used to measure how much value was created;
- are provided regularly with the scorecards that show value was enhanced (or lost);
- are empowered to act in a manner that will improve the value-creating capability of the organization; and
- share in the rewards when the organisation does well.

Accordingly, the key aspects of this open book empowerment accounting methodology are that it:

- shares a broad array of financial and other information with employees;
- trains employees to become more business literate
- empowers employees to use the information in their work, trusting them as partners; and
- rewards them when the company becomes successful.

Empowerment accounting, using an open book policy, is therefore, essential not only in teaching employees how to read organisational scorecards and enabling them to judge if their team is winning or not, but providing them with all of the information (financial or otherwise) and responsibility required to be a team player in the game of business.

In spite of the controversial issues observed by some researchers on the philosophies of empowerment accounting, it is my conviction that the accounting profession cannot remain committed to fine-tuning the debits and credits of this by-gone era; but work closely with technical departments of professional firms

scrutiny of the role of audit and the image of the accounting profession. The Professional accountants' responsibility, far from being that of an advocate, is still the gate keeper whose primary allegiance must be to the public. The auditing profession serves as the public protector of the integrity of financial statements, upon which rests public confidence in the financial markets. Most importantly, the accounting profession itself must recognise and expand its role, its responsibility, and its dedication to fulfill its mission to provide accurate and complete information to the investing public.

External auditors are required to anticipate and keep up with the changing needs of the public, as well as changes in financial markets, corporate structure and information and communication technologies. Thus, the audit profession should evolve to meet new market needs; taking into consideration regulators' measures regarding the types of services provided by auditors and the changes the standard-setters and regulators envisage in the areas of accounting and auditing standards.

#### **CORPORATE GOVERNANCE AND PROFESSIONAL LEADERSHIP**

Good corporate governance in a corporate set-up tends to maximize the shareholder's value legally, ethically, and on a sustainable basis, while ensuring equity and transparency to every stakeholder - the company's customers, employees, investors, the government, and the community. Corporate Governance is a must for ensuring the required values to different stakeholder groups. The question one would ask is, "what is the role of the professional accountant in this age of corporate governance, with its changing perceptions of the audit process and the new regulatory demands for company transparency?" The role of the

professional accountant is closely related to the subject matter of his endeavour, i.e., the financial report and the credibility that the audit provides. Professional Accountants, particularly external auditors, are called upon to uphold and develop professional standards that command public confidence. The external auditors ought to recognise that they must be perceived as experts regarding internal control and risk management and that this must be engrained as part of the service rendered, i.e., part of the value adding nature of an audit.

Today, financial audits are re-inforced with the conduct of strategic audit. A strategic audit is far different from the common perception of financial audits. It is a continuous evaluation of all the strategic functions of any success-seeking company. Due to such a wide scope, strategic audit issues are pertinent to management accountants, business analysts, audit directors, senior managers and executive-level management, as well as those aspiring to become someone who oversees audit, security, compliance and control functions.

Strategic audits should not only dwell on highly technical matters but also provide management and other stakeholders with a perspective on information systems and technology issues at the strategic level. This will, in turn, promote good corporate governance by enabling managers to make well-informed planning and resource allocation decisions that will ultimately enhance the value of the organisation. Value creation, a core objective of good corporate governance, creates wealth for the society, maintains and preserves the wealth efficiently, and shares the wealth with the stakeholders. Corporate governance with the professional accountant in the equation is the method by which the aforesaid objectives can be achieved.



## FORENSIC ACCOUNTING

Several instances of corporate scandals and failures in the recent past have given professional accountants a new perception that goes beyond statutory audit and, in some ways, even trend of corporate governance. Forensic accounting is the practice of utilizing accounting, auditing and investigative skills to uncover sophisticated corporate frauds. Today, it is vital that public accounting firms place greater emphasis than they have done before on developing forensic accounting skills.

Forensic accountants compliment the work of various agencies fighting corruption worldwide and help in reducing fraudulent activities by installing fraud-proof internal control systems in corporate organisations. So, it is beyond doubt that the role of forensic accountants will become very major in corporate fields, public accounting, and in all, awareness of government business in the days to come.

## SMEs AND BUSINESS EMPOWERMENT

Professional accountants have an opportunity to assist in the development and empowerment of SMEs. Numerous studies have shown that they provide the most frequent source of advice in addition to providing compliance services, in meeting such requirements as those contained in taxation and company legislation. Small and Medium Enterprises (SMEs) are an integral part of the economic lifeline of most countries around the world. They are a major source of ideas and employment, and they both sustain and stimulate the growth of national economies. Yet many, far too many, fail because of the inability to manage their finances, or because their aspirations fall short

of their capabilities. Many are blinded by their enthusiasm and the sheer love of what they do – the wellsprings of their strength and the value they create. Given the important contribution of SMEs to national economy, it is opportune for professional accountants to extend their practices to:

- provide 'emergency advice' dealing with different types of contingencies that could arise as an emergency for the SME;
- handle problems relating to industry specific and cultural issues;
- participate in the growth of clients being assisted so they become more able to operate without the party assisting the growth; and
- provide empowerment in the human learning processes that brings a number of added dimensions that are not fully involved in the traditional compliance audit work undertaken by professional accountants.

Finally, professional accountants when assuming the role of facilitating the empowerment of SME operations, need to use and develop skills beyond technical skills; their human relations skills are needed as they move into roles of advisor, mentor, and coach.

## PROFESSIONAL LEADERSHIP

The quality of leadership in a nation makes the difference in underdevelopment and accelerated development. Leadership must, therefore, be based on merit and track record of performance. From the training given to professional accountants, they can be said to be best suited to provide that creative and objective leadership that would lead to the attainment of the desired goal of economic growth and development. The effectiveness of governance is largely dependent upon the quality of leadership. Public governance is

made or broken by the quality of people in leadership. The skills acquired, knowledge attained, experience accumulated, and competence exhibited by the citizenry manifest in the quality of decisions, implementation strategies evolved, target attained and wealth created, and by extension, the standard of living of the citizenry. Therefore, to achieve the desired pace of development and quality life, professional accountants must take up employment in the public sector in order to influence decision-making and implementation processes.

### **ROLE IN ENVIRONMENTAL MATTERS**

The professional accountant's role in environmental matters has become more prominent than in the past. As a long-term strategy for building their brand, professional accountants encourage their clients, not only to be socially responsible but also to continually make contributions to the environments in which they have their operations. The publication of social and environmental reporting is a clear manifestation of the professional accountant's effort to make corporate entities assume responsibilities for the externalities created by their operations.

In 1994, John Elkington coined the term "triple bottom line". The term focuses companies and corporations on the economic, environmental and social value that they add or destroy. It is all about accountability and the three dimensions of the concept of sustainability. The sustainability concept or the triple bottom line concept is about having non-functional information in addition to the traditional financial information, which has always been discussed in annual financial statements.

Sustainability reporting is playing a major role in the change the audit profession is experiencing today as professional accountants are expected to provide support in

many environmental issues, including support for emission trading schemes.

Kenya is to launch a climate exchange platform to facilitate the trading of carbon credits and help tackle climate change. I stand to be corrected, but I understand that professional accountants in Kenya played a key role in the establishment of the first carbon exchange market in Africa. Experts indicate that the Kenya's government estimates that its largest forest, the Mau, would have the potential to earn the country close to US\$ 2 billion a year over the next 15 years. Professional accountants in Ghana should take a clue from their Kenyan colleagues.

Again, the postulates and philosophy of sustainability assurance should be properly researched by professional accountants. There is certainly a growing need for assurance services. The economic growth of emerging economies and the development of corporate sustainability reporting will keep on expanding the requirements for assurance, especially in environmental matters.

### **ROLE IN THE OIL AND GAS INDUSTRY**

The unprecedented boom in oil and gas investment in Africa over the past decade has underlined its growing importance in the world. The continent assumed even greater strategic importance when former US President, George W. Bush, pledged in 2006 to reduce America's reliance on Middle East oil by 75 per cent.

The increasing focus on the region, Ghana happily included, can also be attributed to the quality of its crude oil. Sweet and light oil requires little refining, while its strategic location between Europe and the US means low shipping costs. The continent has assumed



growing importance as a source of oil, with analysts predicting that Africa's share of global production will grow from 12 to 30 per cent by 2012. Ghana experienced the first flow of her oil aggregating 120,000 barrels per day by the end of December 2010.

I am convinced that the oil-find is a blessing and the blessings, will multiply if we prudently manage the oil revenue. Accountability and transparency from our political leaders would be the key. The professional accountant is bound to play a critical role in the proper financial administration of the oil revenue.

Ensuring transparency in the extractive sector should claim the urgent attention of professional accountants in Ghana. Professional accountants should take active interest in the discussion of:

- Production sharing agreements
- Petroleum Revenue Management Bill

Sadly, professional accountants in Ghana seemingly relegate their financial advisory responsibility to lawyers and economists. They are only playing second fiddle to other when it comes to financial advisory role to government in particular. Let me ask the question: Who is better skilled to advise on rules and procedures of funding and the publication of annual reports and other relevant financial information as enshrined in both Santiago and Edwin Truman Best Practices in Petroleum Revenue Management? What about the Production Sharing Agreements with oil drilling companies and the inherent computations and treatment for 'cost oil', 'profit oil' and attendant taxes? The answer is obviously professional accountants. Professional accountants should therefore play active roles in the oil and gas industry to ensure transparency by providing the exact tool that

could empower the people of Ghana to understand, and scrutinize how the oil and gas revenues will be used. Lack of transparency in the oil sector will encourage corruption and breed unnecessary mistrust that could in turn spark confusion, and the worst of it all, civil strife – May God forbid!

## **ROLE IN THE ANTI-CORRUPTION CRUSADE AND MONEY LAUNDERING**

In the upcoming era, the accountant's responsibilities cannot be expected to be primarily that of watchdogs against corruption or law enforcement officers. Instead, their strategic positions in business, coupled with their integrity, objectivity and determination to protect the public interest, would make them essential players in the efforts of society to reduce corruption. In fact, the society wants their franchise to include detection of fraud and exposure of all corrupt practices that are likely to harm the fortunes of corporate entities. They are now required to blow the whistle more than ever before.

This expectation prompted the International Federation of Accountants (IFAC), to issue a statement urging all its member bodies to stir up debates on corruption and fraudulent practices in their environment in order to highlight the evils of these practices. This crusade is the challenge of our time that is facing all accountants, but in particular, the external auditor who examines books of accounts of companies. As managers of corporate resources and custodians of financial information upon which depend all rational economic decisions, accountants have important roles to play in this noble crusade. Any accountant who fails to tow this line does so at great risk to his or her integrity and professional career.

Corruption is a universal human problem as it exists in every country of the world. However, there are countries where corruption is so pervasive that it makes impossible any effort at economic progress. For instance, a communiqué issued by the Christian Association of Nigeria at the end of its 6<sup>th</sup> National Assembly in 2004, summarises the problem of corruption in Nigeria, thus:

“Corruption today is still a deadly disease in Nigeria – corruption has been responsible for the collapse of educational and health sectors and other areas of life. Many Nigerians are yet to be free from it. The Christian Church in Nigeria cannot claim to be free from it. Where is corruption not present in Nigeria society? Is it in the Executive Arm of our Government, the Legislative – the Senate, House of Representatives, the State Assemblies, Local Governments – the Judiciary – courts, the uniformed establishments – Military, Police, Immigration Services, Customs, the Prison, the Civil and Administrative Services, the Education (Schools, Colleges) and Health Sectors and Private Sectors and Mercantile House, where? Unless we want to deceive ourselves, the whole nation is sick. Our roads are bad because of it, armed robbers, smugglers are everywhere by the grace of Corruption. The Church and all Nigerians must decide to eradicate corruption in Nigeria at all cost. But first the physician must heal himself. The Christian Church and her leaders must be alive to their responsibilities to her people”.

In spite of Ghana's 4.1 out of 10 rating in the corruption index of Transparency International 2010 Report, can you draw some parallels from the above quotation for Ghana and may be answer the question; whether Ghana is free from corruption today? Corruption is distinct from fraud as it does not

leave any telltale in the records of an organisation, and the auditors, who generally work with documents, find it difficult to play an effective role in fighting corruption. Corruption requires a multifaceted attack. It requires, for example, a set of regulations against corrupt practices, a code of conduct for employees and vendors, awareness – raising campaigns, training of staff, internal controls, sanctions and incentives, protection of whistleblowers and open approach towards information reporting.

Audit is only one such mechanism. The auditors can succeed only if the enabling environment exists for fighting corruption. Effective corruption control requires commitment and involvement of all agencies, employees, customers, external service providers; in brief, all citizens of the society.

Currently, auditors can adopt participatory auditing and apply corruption opportunity test to examine corruption activities. Participating auditing is a new idea currently used sparingly. Experienced auditors, who have sensed collusion quite often without being able to do much about it, have started considering the possibility of involving the clients or general public in ascertaining if there was a proper delivery of the public services funded from the public budgets. This is a major departure from the traditional auditing approach where the auditors are not supposed to go 'beyond the books'. It is a new 'empowerment auditing'; Germane to it are the tools of general public surveys or household surveys for determining user satisfaction from the services or facilities provided by a public sector organisation or government department.

Another audit option used in combating corruption is the role of national level watchdog agencies like Audit Service headed by the Auditor-General and the Internal Audit



Agency. Ghana has adopted the Westminster model, also known as the Anglo Saxon or Parliamentary model, used in the United Kingdom and most Commonwealth countries, as a national level watchdog agency. Key features of the model include a National Audit Office headed by an independent Auditor-General or equivalent, which submits audit reports to a Committee of Parliament (often the Public Accounts Committee) for public hearing of audit reports. Sadly, the Public Accounts Committee's work hardly serves any useful purpose as the public hearing covers outdated audit reports with its attendant low likelihood of punishment and evasion of punishment.

Professor E. Gyimah-Boadi reporting on "Confronting corruption in Ghana and Africa" said "Corruption has deep roots in contemporary African and Ghanaian society, culture, economy, and politics. The prevalence of corruption reflects a toxic combination of motive (reflecting material needs in a low income and non-living - wage economy, high dependency ratios, weak social insurance, and usual human greed) and opportunity provided by huge system of loopholes, laxities in legal and administrative systems, a culture of non-transparency compounded by wide discretionary powers at the disposal of public officials, low likelihood of detection of wrong doing and abuse of office, especially in those conditions of non-transparency, low likelihood of punishment and high likelihood of evasion of punishment in the context of a flawed and corrupt criminal justice system, weak enforcement of rules etc".

Confronting corruption in a sustained manner would require comprehensive and integrative approaches that combine preventive, public education, and punitive elements. It is in this regard that I would like to suggest the

incorporation of public (civil society) input into the public audit planning system as practised in South Korea. Under the Citizens' Audit Request System, set up by the South Korean Board of Audit and Inspection in 2001, citizens can request audits of public agencies on the grounds of perceived corruption or legal transgression. In addition, the Board's Open Audit System allows public input into the preparation and implementation of its audits. The South Korean model involving civil society in audit planning, culminates in an audit focus which better addresses corruption risks.

Similarly, a 2007 pilot project by the Tribunal Superior de Cuentas, the Supreme Audit Institution of Honduras, to increase public participation on its audit focus led to the investigation of a number of complaints against public agencies. Public input helped auditors to select which public agencies to examine and identify areas of concern; an assessment of the pilot audit concluded that many of their findings would not otherwise have been identified and reported. 'Live audit' of public agencies by incorporating public input about potential irregularities and malpractice seemingly is the answer in combating corruption especially in the oil economy Ghana has not started to experience, commencing December 2010. The model will ensure that our politicians and other managers of the economy are accountable to the citizenry during their tenure of office, not alter.

Today, the Auditor-General of Ghana is a Chartered Accountant. I hope future holders of the position will be Chartered Accountants who are clothed with the skill and integrity to prosecute the agenda of the Audit Service. The law of the land must be changed to reflect such status of the Auditor-General of Ghana.

Talking about public interest, let me turn my attention also to money laundering and the financing of terrorist activities. The rise of money laundering from a domestic issue to one of global concern highlighted by the appalling success of the 9/11 attacks in the USA, has given impetus to a series of initiatives among numerous nations (Ghana, not an exception) designed to curtail, if not eliminate, money laundering/terrorist financing activities worldwide.

The Basel Committee of the Bank of International Settlements and most of the major national financial institution regulators of the world have adopted fairly consistent models of risk-focused supervision. Four risk categories universal to most models, i.e., compliance, operational, reputational, and strategic risk apply squarely to money laundering and financing of terrorism. Accounting professionals, acting in various management capacities, particularly as chief finance officers, internal auditors, forensic accountants, public practitioners performing compliance audits, tax practitioners, and risk management professionals, are likely to encounter such evidence of money laundering.

Accounting professionals have an imposed professional obligation to help drive a crusade to combat money laundering. Such a role will serve the public interest, strengthen the accountancy profession worldwide, and contribute to the development of strong international economies.

#### **ROLE IN EDUCATION AND HEALTH**

In the past decade, the public as well as academia have appeared to have viewed with pessimism the role of professional accountants and their contribution to the creation and development of professional business

education. The suspicious views prevailed because the professional associations were perceived as special interest groups that could influence the political and economic systems negatively. However, in recent years, the unfavorable views held earlier are changing, and being replaced with more positive ones, both at international political levels as well as in academic circles. The reason is simple; there is new strong evidence that suggest that professional associations can make significant contributions to development, in general, and professional business education, in particular.

To increase relevance, or the perceptions of relevancy in their accounting programmes, and to fill faculty vacancies in the face of shortage of academically qualified business faculty, many schools of business (particularly in Ghana) are turning to members of professional associations (e.g. accounting practitioners) to teach business classes using the "clinical faculty" concept. The preeminent accreditation body for business schools in the USA, Association to Advance Collegiate Schools of Business (AACSB), now uses the term "clinical faculty" for business practitioners teaching concept. To be in line with the fast economic growth of the country, more accountants are needed to provide support for the growing business school and the growing business environment. The accounting profession, particularly the public accounting firms must collaborate with accounting educators in research and skills building dynamics.

Our accounting students, today need laboratory experience to help define and create environment for soft skills development in addition to the accounting theory and technical development accounting educators provide in the classroom. The laboratory experience creates environment to experience professional



motivation, emotional intelligence, soft skills development, career skills and time management. The laboratory experience has a dual focus i.e. satisfying the needs of accounting students and the accounting firms that employ them, by creating mature professionals able to maximize the contribution they make over their entire careers.

How well countries conquer their environment and overcome the challenges of development depend significantly on the quality of the human capital. Indeed, because of the inherent attributes of professionals, the survival and prosperity of any nation characterized by poverty, lack of finance, disease, misery, environmental degradation, prostrate infrastructural facilities, etc., are contingent on its predisposition to the cause of professionalism. In other words, the ability to adequately meet basic needs and conquer one's environment is facilitated, in the main, by the quantum of professionalism in existence. This clearly implies that investment in the knowledge industry (accounting education, in this context) is the most strategic survival option for our time. Without doubt, intellectual capital (not natural resources, machinery, or even financial capital) has become the one indispensable asset of corporations and nations.

## HEALTH CARE SECTOR

The health care sector is an organisation that provides medical care solutions and services to the public. The health care industry has historically viewed itself as being operationally different from all other businesses. Health care industry is a growing industry in Ghana. For the last century in all countries, the operational cost of health care has steadily risen, usually faster than the

consumer price index, absorbing a larger proportion of the Gross National Product (GNP) of each nation of the world. Research has proven that the role of professional accountants in the health care sector in terms of cost saving and improvement in quality management by an integrated information systems is huge. Accordingly, management accountants are being called upon to undertake a diagnostic investigation into the operations of the health care sector.

In a recent research conducted by some accounting professors in the USA (Seetharaman A. et al 2010) into the changing role of accounting in the health care industry, it was confirmed that cost can be lowered while at the same time maintaining and increasing the quality of service by focusing on four core areas of managing cost effectively:

- Information System
- Logistic Management
- Quality Management
- Electronic Health

A focus on supply chain management for stock replenishment system, fully utilises information systems to reduce unnecessary wastage and improve quality information within the internal and external organisation. Also, the use of electronic health helps to eliminate non-value adding processes and transaction errors, and leads to implementing total quality management in health care industry to improve the whole organisational quality, thereby reducing costs.

By looking at the four major issues that help to manage costs effectively, it is not difficult to notice that information technologies provide the common foundation to achieve successful implementation and outcome. However, the health care industry has been extremely slow to adopt technology that focuses on better

practice management and administration needs. The role of accountants in the health care industry is changing and so professional accountants in Ghana should rise up and meet the challenges of the changing role to save our health care sector, particularly the National Health Insurance System.

## CONCLUSION

In this presentation, I have considered the twin issues of economic growth and development and noted that where the benefits of economic growth are inequitably distributed, frustration, anger and violence will hold sway. I noted that in spite of the increase in growth rates recorded, the less developed countries of the world, including sub-Saharan Africa, Latin America, and the Caribbean countries, are still faced with the challenges of poverty. These challenges are attributed to high illiteracy rate, high population growth rate, poor technological know-how, and income inequality, etc. How well wealth is created and distributed, in my view, depends on the quality of leadership which, in itself is about trust. Where trust is firmly founded, the populace will be willing to make the desired sacrifices to achieve set targets. Such leadership must be accountable to the people. Government, as representative of the people, exercises control over the enormous resources of the state and must, of necessity, account for its usage at some point in time in order to continuously elicit the support and cooperation of the people as well as earn their trust. Given that all professions have their ethical codes of conduct, which emphasise integrity, situations in which public resources are converted to private ones will not arise when professionals play more visible roles in the affairs of the nation. The involvement of accountants in governance at all levels, in my view, would ensure that appropriate policy

decisions are taken and implemented, and that the government is accountable to the people. This would also ensure that wealth created is distributed equitably and that economic growth would lead directly to economic development.

In fact, professional accountants have an important role in society since investors, creditors, employers, governments, and other sectors of the business community rely on them for sound financial accounting and reporting, effective financial management, and competent advice on a variety of business matters. Above all, in pursuance of their responsibility to the public, accountants help to maintain the integrity and efficiency of the financial statements presented to financial institutions in partial support for credit facilities. Working as internal auditors, they provide assistance about a sound internal control system which enhances the reliability of the external financial information of the employer. Creating value is the heart of the matter for companies and their shareholders. The accounting profession plays an essential role both in making sure that appropriate systems and controls are in place to report accurate, timely performance information, and in providing sound advice that does not put reputation at risk for short-term gain.

In the 21<sup>st</sup> century, professional accountants will need to spend less time dealing with financial accounting, audit, and tax issues because of computerization. More of their time must hence be spent learning about product and process technology, operations systems, marketing strategy, and the behavioural and organisational issues relating to the implementation of new systems and processes. I am of the view that familiarity with the business, understanding the industry, interpersonal and leadership skills, business



proficiency, and speaking and presentation skills are essential requirements for the 'new' breed of professional accountants.

Again, to meet the ever-changing global economic demands, professional accountants should inculcate into their innate personal characteristics the core values of relationship, integrity and excellence. The ideas advanced in this paper are not revolutionary - they have been put forward by other individuals or promoted in other forums.

Professional accountants and the institutions of accountancy are subject to increasing public

scrutiny. Recent research suggests the typical strategy of response to criticism adheres more to the economic self-interest of accountants than their duty to protect the public interest. The explicit covenant to protect the public interest has to be taken seriously. At a time when the global economy and technological change are providing professional accountants with unparalleled economic opportunities, the need to protect the public interest must not be for salon forgotten or neglected.

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## THE EMOTIONAL INTELLIGENCE FACTOR TO SUCCESSFUL TEAM LEADERSHIP

*Angela Carmen Appiah (Mrs.)*

### **ABSTRACT**

*Team leadership is a very challenging process. Its dynamics must be appreciated especially in today's business environment where quality should be assured. To achieve and maintain a competitive edge in business, the adoption of varied leadership roles with particular reference to organisational tasks at hand is imperative. However, because of the diversity of circumstantial realities, leaders are challenged with appropriate role adoption.*

*Given the diversity of tasks within an organisation, successful leadership is to be*

*flexible enough to adopt suitable roles in the achievement of desired goals. This sensitivity in leadership has been termed "emotional intelligence".*

*Emotional intelligence (EI) is a leadership concept that has received a lot of attention in the 21<sup>st</sup> century. This concept has been defined by many authors to mean several things including common sense.*

*This paper reviews the essence of leadership dimensions of the concept. It also discusses the dynamics of team leadership.*

### **INTRODUCTION**

The concept of leadership has several meanings, depending on when and by whom it is being used and interpreted, and as such is very difficult to define. This notwithstanding, Grint (2005) defines leadership as a process whereby an individual influences a group of other individuals in the achievement of a

common goal. Some writers have explained the term team leadership (a construct of leadership), as a collective influence of members within a team on one another. This suggests that team leadership has both vertical and lateral relationships (Sivasubramaniam et al 2002). In view of this fact, leaders need a deep sense of awareness to chart a successful course.

Leading teams is a challenging process, whose dynamics will be discussed in this article. Marquis and Huston (2009) suggested that leaders need to adopt a variety of roles to ensure goals are met. Some customary leadership roles have been documented as decision maker, forecaster, coach, counsellor, teacher, mentor, advocate and visionary, to mention but a few. It is interesting to note that while it may not be necessary for any one leader to assume all these roles at any given time, the choice of a role or a combination thereof is necessary for team organizational success. Leadership roles may differ within and across organisational cultures, as a result. The inappropriate use of judgement in the exercise of leadership authority has been noted to be the downfall of many a great leader (Adair 2002).

The adoption of any one leadership role is therefore dependent on the nature of the task at hand, which in turn has a strong influence on the leadership traits to be adopted. Equally as diverse as circumstances, are the challenges leaders face in adopting appropriate roles. Given the diversity of tasks within an organisation, it is imperative for successful leadership to be flexible enough to adopt suitable roles to achieve desired goals. This sensitivity in leadership has been termed "*emotional intelligence*". It is usual to find in most organisations that as much as leadership roles differ in accordance with the tasks at hand, it seems so confusing that employees who find the inconsistency resulting from sudden role changes in a leader become uncomfortable. As a result, they mistakenly view it as a cause for mistrust. Goleman (2000) proffered that: to be successful, leaders need to be emotionally intelligent. He defined emotional intelligence as the ability of a leader to be aware of both self and environment in

addition to being able to manage these variables very effectively. An emotionally intelligent leader is one that effectively communicates both vertically and laterally.

## TEAM LEADERSHIP

A team may be said to be made up of two or more people who interact and share their activities, and work towards a particular goal achievement (Daft 2008). Team leadership is a very challenging role in today's business environment. It is a skill which must, of strict essence, be sufficiently acquired to realize meaningful developments (Thamhain 2004).

In their study, Sivasubramaniam et al (2002) defined team leadership as a collective influence of members within a team on each other. Successful team leadership is one that ensures team effectiveness, which yields benefits accruable not only to the organisation but to the individual workers as well. Evidence suggests that team leadership has the potential to either break or make teams (Day et al 2004).

An appreciation of task structures has been documented as essential for success in the work of teams (Sivasubramaniam et al 2002). A clear vision of the task at hand, including expectations and systems available, must be understood by each team member. This ensure the maximization of benefits and reduction of errors in order to achieve customer satisfaction.

Effective communication skills have been suggested by literature to be of prime importance, not only in conveying vision and expectations, but also in listening to concerns of team members. Fears, doubts and anxieties need to be taken into account, even if that is all the leader will do. A disregard of these could



develop into unhealthy work environments, eventually affecting productivity, quality and the possibility of growing into unhealthy work environments of mistrust and disappointment among staff. They could end up as drivers against desired change (Kotter 2007). Communication with specific reference to group capacity should be done rigorously through appropriate assignment of team membership.

The need to carefully assign team membership has been documented to reflect successful team performance (Weber 2002). One essential quality that is preferable in the selection of team members is experience. Even though experience is necessary to ensure success of the task at hand and minimise errors, the need for experienced workers may not necessarily be an issue if team cohesiveness is at play (Pettinger 2007). Members act as a check on one another where there is a good team spirit. Individual team members are rewarded for the adoption of team values and a group identity.

To foster team cohesiveness, careful reminders of team norms, and satisfaction of emotional needs of team members is imperative. It must be seriously considered to enhance a contingency approach and creation of "group-think" (Dirks. 2000). Where group members are of heterogeneous origin in particular, he recommended the need to spell out exact roles to ensure smooth discharge of duties. This is where an appreciation of the dynamics of teamwork acts as an important factor contributing to successful team leadership.

## TEAMWORK AND DYNAMICS

The concept of teamwork dates as far back to biblical times. Literature suggests that there

are different types of teams. Some examples given include functional, cross-functional, self-managed, self-defining and virtual teams (Yukl 2003).

The benefits of teamwork have equally been documented in several studies, the most famous being the Hawthorne study of the 1920s, which provided a great deal of insight into the workings of groups and group behaviour (Thamhain 2004). In this study the workings of teams and team dynamics were demonstrated by motivation - a leadership concept that may be explained to mean what makes people do what they end up doing. In the Hawthorne experiments, the influence of the presence of supervisors in working environments was measured. Whenever workers perceived that they were being cared for or made center of focus, they pulled their weight and gave their best, which led to increase in productivity and vice-versa. It was concluded that workers actually needed to be motivated positively to assure productivity.

In related studies, Sivasubramaniam et al (2002) remarked that the benefits of teamwork include a clear central focus of group members who are willing to make sacrifices for the good of the team's mission and focus. They argued, however that, the ability of the team to deliver is heavily dependent on its leadership. Leadership styles that adopt transformational approaches have been noted to yield better results. In these situation, the followers of the leader are challenged by the sense of purpose and dedication of their leader. These attributes yield positive results, including motivation, efficiency, and performance.

Cross-functional teams are noted to be the best models for organisations. Weber (2002) explains that because they bring together

several individuals from different backgrounds to focus on an activity, there is synergy. This principle states that there is more to be gained from the whole (the team) than the sum of its individual parts. By the very nature of the functional diversity of team members, there are challenges with such cross-functional teams. Much as they have been noted to be unique in function, it is necessary to be wary of the divergent backgrounds of team members, which should be steered carefully towards the chief end of the objective at hand. Pearce (2004) suggests that adopting a strategy for creating interdependence and shared relationships within the team could well lead to higher productivity. Participatory leadership, he suggested, could be adopted for the creation of team cohesiveness.

Multiple representative responsibilities have been mentioned in the literature to be an issue of cross-functional teams that need careful management. By the very nature of their composition, members of these teams have other reporting relations with functional managers and, as a result, the likelihood of conflict is relatively high (Sivasubramaniam et al 2002). To successfully lead teams, an application of firm but fair leadership principles needs to be adopted, as opposed to passive leadership or the laissez-faire approach of leadership, which avoids tackling issues of poor performance or handling conflicts.

In his study, Weber (2002) explained how good team spirit impacts positively on performance. It has been documented to produce outputs of job satisfaction, control of absenteeism, and high levels of productivity. Cross-functional teams have so much to offer organisations that are under pressure to do so many things faster, cheaper and better.

## EMOTIONAL INTELLIGENCE

Emotional intelligence (EI) is a leadership concept that has received a lot of attention in the 21<sup>st</sup> century. This concept has been defined by many authors to mean several things including *leadership with a heart, common sense and gifted leadership*. In his definition, the proponents of this leadership concept explained emotional intelligence as gifted leadership in which heart, head, feeling, and thought meet (Goleman 2000). In explaining the dimensions of EI, Goleman concluded that awareness and management play a critical role.

Irrespective of the preferred leadership style, a leader should be emotionally intelligent in order to chart a desirable pathway. An emotionally intelligent leader, he explained, is one that is self-aware, is socially aware, can manage self, and can also manage relationships.

Organisations could benefit greatly from the adoption of emotional intelligence, which Ashkanasy and Daus (2001) suggest is very peculiar to transformational leadership styles. They argued that charismatic leadership has a strength in itself of being able to attract a lot of devotion in followers. However, transformational leadership does better at not gaining trust from followers. It is also better able to sustain commitment in followers, who perceive genuine commitment to the process in their leader, the epitome of exactly what is preached. An emotionally intelligent leader is one who preaches virtue and also practices it.

Where norms are made and rules are prescribed for team members, leaders should be the first to honour them. When, on the other hand, there is a need for concessions to be



made, the reason(s) for this should be made known to all team members. The leader who is emotionally intelligent could then be said to be trustworthy on the grounds of fairness, transparency, and compassion (Dirks, 2000).

Trust is a central phenomenon to the success of any team. In his study, Dirks (2000) indicated relationships between the issues of trust and team performance. He demonstrated that where there is a display of trust within any team, the actions and words of individual members are not misconstrued. There is sound evidence of trust even when one party seems at a disadvantage against the other. Trust, he concluded, leads to high levels of performance, as there usually is no cause for suspicion or misinterpretation.

Day et al (2004) supported this fact in their study, in which they prove that because the nature of teams are cyclical, mutual performance and monitoring is of essence to assure performance. This performance, they concluded, is on-going in teams that demonstrate trust in themselves. They are better able to adapt when there is a need to do so and are also flexible enough in re-adjusting to achieve goals in the face of deviations from set targets.

Team members have been documented to have the ability to influence one another as much as individual leaders are able to influence followers (Sivasubramaniam et al, 2002). This ability challenges leaders to adopt strategies that ensures that attention is paid more to lateral, instead of vertical, relationships which have a greater impact on performance (Pearce 2004). Emotionally intelligent leadership strives to maintain group cohesiveness through group processes, which are manifested in a collective model of behaviour.

In this model, there is usually a focus on the group rather than individual consensus.

The essence of EI, therefore, is to achieve an appreciable degree of emotionally intelligent resonance within teams. Just as dissonance portrays a lack of harmony, emotionally intelligent resonance can produce harmony manifested through cheerfulness, laughter, and joy (Goleman 2000).

In particularly volatile environments, the benefits of EI can help break the hold of transactional management – a leadership approach which focuses on mistakes and correction of staff rather than developing potential (Sivasubramaniam et al 2002). Careful management of teams is essential for quality assurance and target realisation. Where this is the expectation, leadership styles with the aim of resonance building are recommended against pacesetter or commanding styles (Goleman 2000).

## CONCLUSION

It is now agreed that, much as team leadership seems to be a challenge, the adoption of transparent processes in the discharge of leadership authority yields a lot of benefits, including team support and trust. Team members, themselves co-leaders of the process, share leadership authority and thus help the process.

Although cross-functional teams may have unique characteristics in being able to deliver, this ability is heavily tied to trust which is seen in team cohesiveness and group think. To effectively lead teams, Beer and Eisenstat (2000) suggest that leadership drives must be influenced by strategy, which must include a careful analysis of the silent killers of

organisations, including laissez-faire management style, poor lateral communication, unclear vision and mission, and conflicting priorities. Even though there are other restraining factors that challenge team leadership, multiple representations, careful address of issues and especially the specific prescription to terms of reference need to be handled tactfully to realise goals.

Where leadership exercises referent power, its locus of control is considered to be externally located, thereby infringing on the independence of leadership drives Daft (2008) argued that, in a fast-paced world and in the light of unprecedented technological advancements, the need to embrace some change without the often constraining factors of bureaucracy is of essence, if leadership must be successful.

Irrespective of the cultural dimensions of leadership, the choice of roles needs to be done carefully to suit specific tasks. Much as cross-functional teams have been heralded within organisations to be the best in achieving targets, these teams cannot be productive without some form of appropriate leadership

interventions. Despite the capacity of any team, there would be no meaningful realization of goals should emotionally intelligent interventions be disregarded.

To attain and then maintain a competitive edge therefore, organisations must consider seriously investing in sound strategy, appropriate structure realignment, systems, leadership behaviours, human resource, policies, and culture.

Even though evidence suggests that there is a strong correlation between transformational leadership and teamwork, a neglect of input and processes will affect outputs negatively if there is no trust in organisations that work under pressure to realise goals.

An appreciation of emotionally intelligent resonance must be highly valued. Dissonance that comes with the stress of any work must be diffused and in its place, team spirit which is far more enduring is built, fostered and sustained. Individual personas are as a matter of course then substituted by team-think and team spirit, translating into much more room for productivity.



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## A SYSTEMATIC REVIEW OF THE EFFECTIVENESS OF 'LIVE' PARTICIPATORY DRAMA IN CHANGING HIV/AIDS RELATED BEHAVIOURS IN DEVELOPING COUNTRIES

*John Kwadwo Obeng Apea*

### **Abstract**

*Although a huge sums of money and resources have been utilised in the fight against HIV/AIDS worldwide, the pandemic continues to pose a serious threat to the global population. The case is especially severe in developing countries that report a disproportionate burden of HIV incidence and prevalence. In recent years, Entertainment-Education (EE) strategies (the strategic placement of educational content within entertainment messages such as theatre or drama) have been used to promote HIV/AIDS prevention in many countries, including India, Philippines, Tanzania, Nepal, and Peru.*

*This review is aimed at assessing the effectiveness of HIV / AIDS themed 'live' participatory theatre (EE) in changing HIV - related behaviours in the developing world.*

*Electronic databases were searched; reference lists were checked; experts and organisations, government bodies and*

*charities were also contacted in a quest to locate relevant research.*

*Inclusion in the study was limited to randomised controlled designs, which satisfied all of the following criteria: (1) present a form of theatre in which the audience interact with the actors through dialogue or debate during the performance; (2) present an intervention where the beneficiaries are in 'control' of the construction and acting out of the play, and (3) present an HIV intervention which is face-to-face, rather than 'broadcast' (i.e. radio, TV, internet). Both published and unpublished studies were eligible for inclusion in this review. Studies had to present data from a developing country, and study participants had to be 13 years or older.*

*In summary, studies are urgently needed to evaluate the effectiveness of 'live', participatory drama in changing HIV-related behaviour(s).*



## BACKGROUND

Acquired Immune Deficiency Syndrome (AIDS) was first recognised in 1981. The causative virus, Human Immunodeficiency Virus (HIV) was isolated in 1983. There are two types of HIV: HIV-1 and HIV-2. Both types appear to cause clinically indistinguishable AIDS (UNAIDS 2010). HIV causes AIDS by infecting the CD4 cells of the immune system and either destroying or impairing their function. This most commonly occurs during unprotected sexual intercourse (vaginal, anal or oral), through the sharing of needles between injecting drug users (IDU), or from a pregnant mother to her unborn child (ibid).

### Prevalence and incidence of HIV/AIDS

In 2007 alone, UNAIDS (2009) reports suggested that globally, there were 2.7 million new infections and an estimated 33 million [30 million – 36 million] people living with HIV. Globally, 2.0 million [1.8 million – 2.3 million] people died due to AIDS in 2007, compared to an estimated 1.7 million [1.5 million – 2.3 million] in 2001(ibid). In virtually all regions outside sub-Saharan Africa, evidence suggests that HIV disproportionately affects IDU, men who have sex with men (MSM), and commercial sex workers (ibid).

Overall, women account for half of all people living with HIV worldwide (at 50%), and nearly 60% of HIV infections in sub-Saharan Africa (ibid). While the global proportion of women among people living with HIV has remained stable in earlier years, recent evidence suggests that the opposite is now the case in many regions of the world (ibid).

Young people aged 15-24 accounted for an estimated 45% of new HIV infections worldwide in 2007 (ibid). Globally, the number of children younger than 15 years (<15) living

with HIV increased from 1.6 million [1.4 million–2.1 million] in 2001, to 2.0 million [1.9 million–2.3 million] in 2007(ibid). Of this number, an estimated 370 000 [330 000–410 000] became infected with HIV in 2007 alone (ibid).

The developing world bears a disproportionate share of the global burden of HIV; research reveals that since the beginning of the epidemic, Sub-Saharan Africa in particular, although representing nine percent of the global population, constitutes approximately 70% of the total HIV-infected cases worldwide and 84% of HIV/AIDS deaths (ibid). In recent years however, there have been disturbing increases in HIV incidence in populous countries in other regions, such as Indonesia, the Russian Federation, and other high-income countries (ibid). While HIV transmission in developing countries is largely through heterosexual sex, other modes of transmission such as IDU, and MSM seem to be the primary drivers of infection within these other regions (ibid).

### Description of the intervention

The use of Entertainment-Education (EE) strategies, defined as the strategic placement of educational content within entertainment messages such as theatre or drama, has been described as “the Viagra of health communication” (Piotrow quoted in NEEF and JHU/CCP 2001:2). It has been used to promote HIV and AIDS prevention, family planning, and gender equity in many countries, including India, Mexico, Philippines, Tanzania, Gambia, Nepal and Peru (Singhal & Rogers, 1999, 2001, 2002). The first examples of EE can be traced to a radio show, *The Archers* (in 1951), and a television show, *Simplemente Maria* (in 1969). Although communication scholars were not involved in

the design or the evaluation of the effects of these shows, this soon followed (Singhal et al, 1994). Subsequent to the broadcast of *Simplemente Maria* in particular, Miguel Sabido attempted to deconstruct this telenovela in order to determine its theoretical basis (Singhal and Rogers, 2002). This led to the creation of a series of six EE television programs whose impacts were closely evaluated (Singhal and Rogers, 1999).

In recent years, critics of broadcast EE drama interventions have questioned its effectiveness and sustainability, pointing to its use of a traditional one-way flow model in which campaign beneficiaries are unable to participate (Dutta, 2006; Beltran, 1975, 1980). Participatory 'live' drama, defined in this paper as face-to-face themed community drama, in which the target community participates at each level of the production - i.e. from the acting out of the play to decision-making - has been used to address the above criticism (Storey and Jacobson, 2004). Its proponents argue that it is effective in (1) facilitating a horizontal, lateral communication between participants; (2) promulgating democratic participation, collective empowerment, and sustainability of particular initiatives, and (3) can be tailored to be community specific in terms of content, language and culture (Dagron, 2001, cited in Singhal, 2004:380; Uphoff, 1985; Tufte, 2001; Obregon and Mosquera, 2005:179).

#### **How the intervention might work**

Behaviour change interventions have been heralded as being able to successfully reduce HIV risk behaviour (Kelly et al, 1993; Choi and Coates, 1994). Although there are several theories and models which underpin it, e.g., health belief model (Janz & Becker, 1984; Rosenstock et al., 1994); theory of reasoned

action (Fishbein & Ajzen, 1975; Fishbein et al, 1994; Vanlandingham et al, 1995), to name but a few, word limit constraints mean that this study will concentrate on the two models which are most closely linked to Entertainment - Education strategies - Bandura's *Social learning theory* (1986), and Kincaid's *Drama theory* (2002).

#### **Social Learning theory**

It appears that contemporary theories of cognition can be used to explain the ability of HIV-themed drama, to increase awareness and facilitate behaviour change. Bandura's social cognitive theory states that most behaviour is learned through modelling or watching the actions of people considered to be role models (1986, 2002a). Within this context, the actors of the dramatic performances become role models, with their actions on stage facilitating behaviour change and providing 'primers' that provide the basis for audiences to discuss and diagnose their socio-cultural and health situations (Bandura, 1986 cited in Panford et al, 2001; 1560). This then enables them to take steps to find solutions to those problems (ibid). However, Bandura argues that modelling or behavioural change through imitation is insufficient on its own, in promulgating change. Rather, he argues that behaviour change through modelling hinges on personal efficacy (Bandura, 1997; 2000; 2006) - "belief in one's capabilities to organise and execute the course of action required to producing given attainments (Bandura, 1997: 3)". This emphasis on human agency is one noted by Smith et al (2007:135) who, citing Bandura (1986) argue that "at its core, social cognitive theory presumes human agency; that people intentionally plan, regulate, and examine their own functioning". More specifically, Bandura states "whatever factors serve as guides and motivators, they are rooted in the core belie



that one has the power to produce desired effects by one's actions, otherwise one has little incentive to act or to persevere" (2002b:270).

### **Drama Theory**

Drama theory is postulated by Kincaid to explain the role of drama techniques in facilitating behavioural adoption. From this perspective, the drama which is successful in facilitating behavioural change, is one which "balances between two equally plausible outcomes: what the audience hopes will happen and what it fears might happen (2002: 138)". This inherent tension, he argues, acts as a catalyst for emotional involvement and identification with characters (Boal, 1979). In turn, this increases the likelihood that the actions promulgated by the character in the drama would be mimicked or adopted by the audience member (ibid). This point is reiterated by Smith et al who note that emotional involvement and identification means that the audience member "correspondingly reframes the problem depicted in the drama and resolves it in the same ways as the drama's characters (2007:136)". This process shares commonalities with the work of Boal (1979) who coined the term 'spect-actor' to describe the "activated spectator, the audience member who takes part in the action (Boal, 1979 cited Singhal, 2004:384)". Similarly, correlations can be made with the work of Green et al (2004 cited in Smith et al, 2007:136) on transportation, where "in a melding of attention, imagery, and feelings, people are transported into a narrative," losing track of time, ignoring their surroundings, exploring feelings and "even a vicarious sense of catharsis (ibid)".

### **Why it is important to do this review**

Although a huge sums of money and resources have been utilised in the fight against HIV/AIDS worldwide, the pandemic

continues to outstrip the efforts being made to contain it – especially in the developed world setting. Citing the "success" of reductions in HIV incidence and prevalence in Uganda and Thailand (Hogle, 2002; Ainsworth et al, 2003), commentators have posited participatory communication paradigms, where 'teacher becomes learner' (Freire & Faundez, 1989), and vice versa, as the panacea to combating the pandemic. Similarly, citing behaviour theories such as social learning (cognitive) theory and drama theory (Kincaid, 2002), proponents of themed drama interventions have heralded it as an effective HIV prevention strategy which is able to permeate the cognitive mindset of publics who are primarily listeners and speakers rather than readers and writers (Ong, 1982). Yet, there have been no systematic reviews that evaluate the effectiveness of HIV-themed 'live' participatory drama – an intervention that combines both participatory paradigms and EE strategies.

In recent months, the adoption of new comprehensive HIV/AIDS strategies by WHO, Global Fund, UNAIDS and the United States of America, provide strong evidence that fighting the scourge of HIV/AIDS is still a huge global policy concern. However, prevention efforts are at greater risk than ever in the current climate of fiscal stringency. This calls for the effective use of finite resources to support interventions that are based on evidence of 'what works'. Thus, it is important to critically and systematically evaluate the effectiveness of participatory or 'bottom-up' HIV-themed drama interventions, which treat the targeted beneficiaries as "agents of change, rather than objects of change (Panos, 2003:19)".

### **OBJECTIVES**

To assess the effectiveness of HIV/AIDS themed 'live' participatory theatre [EE] in

changing HIV related behaviours in the developing world.

## METHODS

A systematic review's objective is to comprehensively identify and synthesise research on a particular question or topic, using procedures which are organised, transparent and replicable, at every step of the process (Littell et al, 2008:1). It does this by following a protocol (i.e. a detailed plan) in advance, that specifies (1) explicit objectives and eligibility criteria; (2) search methods which reduce bias; (3) data collection and analysis of quantitative data, where appropriate, from eligible studies, and (4) documents procedures and results (Littell et al, 2008; Moher et al, 1999; Sutton et al, 1998). In the sections below, criteria that were used in the selection of studies, search strategy, methods of data collection and synthesis will be discussed.

### **Inclusion and exclusion criteria**

#### *Types of studies*

Certain designs are said to be superior to others depending on the particular question being asked or answered (Higgins and Green, 2006). Randomised controlled trials (RCTs) are considered to be the 'gold standard' for assessing the effects of interventions because they control most threats to internal validity (Shadish, Cook and Campbell, 2002). This explains their usage in most systematic reviews.

For this review, the following types of studies were deemed eligible for inclusion:

RCTs (including cluster randomised trials) that compared participatory theatre with a control were eligible for inclusion. This was imperative if groups were to be comparable

and if treatment effects were to be differentiated from other factors.

Controlled clinical trials (CCTs) that compared participatory theatre with a control were also eligible for inclusion, provided that the intervention and control group were matched on relevant characteristics.

Quasi - experimental designs, such as Interrupted time series (ITS) analysis (i.e. studies in which there are a minimum of three points of data collection before and after the intervention), were eligible for inclusion, provided that a control group was included. Although they are less robust and raise a plethora of validity issues not found in RCTs, ITS analysis allows the assessment of the long-term effects of an intervention, as well as its immediate impact (Cook and Campbell, 1979). This thesis is corroborated by Kalichman et al (1996) who found that intervention effects diminished across studies as time from intervention to follow up increased from 1 to 6 months.

Uncontrolled before-and-after studies will be excluded.

McLeod and Weiss (2004) write that published studies are not necessarily of higher quality than unpublished studies. Dickersin (2005) and Song et al (2000) reiterate this thesis arguing that published literature is often biased toward higher effect sizes. In an effort to reduce these publication and dissemination biases, both published and unpublished studies were eligible for inclusion in this review.

Additionally, only studies that presented data from a developing country (a country whose economy is designated as low income, lowe



middle income or upper middle income, by the World Bank), were eligible for inclusion (World Bank, 2010). Emphasis on these regions are necessary in terms of (1) the disproportionate burden of HIV/AIDS incidence and prevalence (UNAIDS 2009); (2) the significance of oral and storytelling tradition (Ong, 1982), and (3) the lack of access to healthcare information and services (WHO, 2009).

#### *Types of participants*

Evidence (on mean age at first sex) gleaned from demographic and health surveys, provided cogent evidence to include studies in which participants were 13 years or older (WHO, 2002; 2006).

#### *Types of intervention*

To be eligible for inclusion, the intervention had to satisfy all of the following criteria. It had to be participatory in approach, i.e. (1) present a form of theatre in which the audience interact with the actors or performers through dialogue or debate, during the performance (Boal, 1979); (2) present an intervention where the beneficiaries are in 'real control' of the construction and acting out of the play (Arnstein, 1969), and (3) present an HIV intervention which is face- to- face, rather than 'broadcast' (i.e. radio, TV, internet).

Studies in which 'participatory' theatre was implemented simultaneously with 'broadcast' interventions were not included in the review. This is because it would have made it virtually impossible to isolate the effects of either intervention.

#### *Types of outcome measures*

To be eligible for inclusion, studies had to measure some or all of the following outcomes:

#### *Primary*

- HIV-1 or HIV-2 infection (incidence), based on laboratory results.

#### *Secondary*

- perceived risk of contracting HIV/AIDS
- self-efficacy to negotiate condom use or protect oneself against infection
- reduction in high-risk sexual behaviour
- condom use
- delayed sexual debut

The outcomes were to be assessed at time points common to all trials.

#### *Search*

The inclusion and exclusion criteria were used to initiate a broad search of databases for published and unpublished literature. The following databases were searched: MEDLINE, ERIC, LILACS, PsychINFO, Sociological Abstract, Cochrane central Register of Controlled Trials (CENTRAL), EMBASE, Dissertation Abstracts International, Database of Abstracts of Reviews of Effect (DARE), Global Health.

All the searches were conducted with a language restriction (i.e. English) but without a time restriction.

Additionally, the reference sections of included papers were searched for additional citations. If new citations were acquired, they were subsequently appraised to determine whether they satisfied the inclusion criteria. If they were eligible for inclusion in the review, their reference sections were searched once again, for additional citations. This process was iterated until no new papers could be identified.

Hopewell et al (2006) and Higgins and Green (2006) advise hand searching in order to supplement computer database searches and find relevant studies that might not be properly indexed or included in electronic databases. To this end, a hand search of relevant journals was conducted, with the hope of discovering further eligible citations. In addition, experts in the field were contacted to identify ongoing research as well as previous research that had not been gleaned from the computer and hand searches.

ClinicalTrials.gov(<http://clinicaltrials.gov/>) and Current Controlled Trials ([www.controlledtrials.com/](http://www.controlledtrials.com/)) were also searched to identify any ongoing trials.

Other relevant websites, in particular, those concerned with HIV/AIDS prevention (UNAIDS, WHO, CDC) were also searched for eligible citations. The results from all searches were subsequently downloaded into a database system.

The following search terms were used to locate the relevant studies: 'live drama' or 'live theatre' or 'live theatre' or 'interactive drama' or 'interactive theatre' or 'interactive theatre' or 'participatory drama' or 'participatory theatre' or 'participatory theatre';entertainment-education; edutainment; enter-educate; or/1-5; HIV\*; AIDS\*; or/6-7;5 and 8.

Slight modifications of this strategy were used across all databases.

#### **Data collection and analysis**

The Project Principal Investigator (JA) independently reviewed the titles, abstracts, and descriptor terms of all studies. Subsequently, JA decided which trials, if any, satisfied the inclusion criteria. Irrelevant

reports and studies were discarded. Where there was uncertainty as to the relevance of a particular study, the full text was obtained. In the event that there was further uncertainty regarding an aspect of the data, the study's authors were contacted for further clarification.

#### **Data extraction and management**

No studies were identified for this review. Proposed methods of extraction and management have been archived for future reviews. See appendix 1.

#### **Assessment of the risk of bias in included studies**

See appendix 1.

#### **Measures of treatment effect**

See appendix 1.

#### **Heterogeneity and subgroup analyses**

See appendix 1.

#### **Sensitivity analyses**

See appendix 1.

## **RESULTS**

### **Description of studies**

#### **Included studies**

No eligible studies were found. If relevant studies are located in the future, the methods prescribed in appendix 1 will be used to analyse findings.

Subsequent to removing duplicates electronically, 73 citations were retrieved for this review. Based on their titles or abstracts JA eliminated most citations. Full texts were reviewed for 7 citations identified through electronic databases. Additionally, JA contacted by email in April 2010, DramAid (Drama in AIDS Education), a South Africa



based organisation that has achieved both national and international recognition for its work in the field of HIV/AIDS education, research and social development. Additionally, experts and practitioners in the field of drama and education were contacted (see appendix 3). No responses were received. A flowchart of the process of trial selection was made in accordance with the QUOROM statement (Moher, 1999). This is evident below.

#### Risk of bias in included studies

No studies were found that met the inclusion criteria of the review.

#### Effects of interventions

No studies were found that met the inclusion criteria of the review

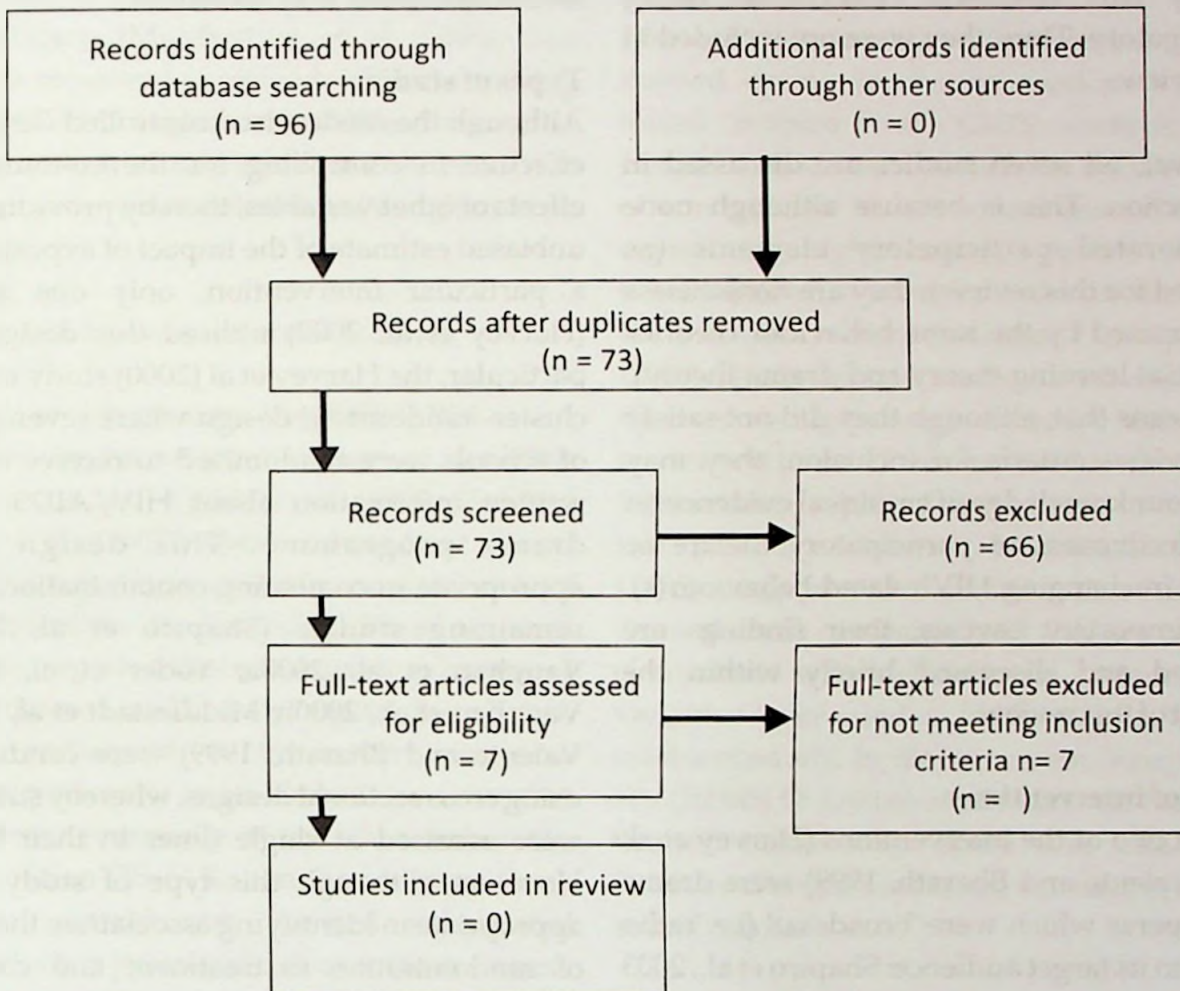


Figure 1: Flow chart of study selection

### **Excluded studies**

Out of the seven full text articles assessed for eligibility, none met the inclusion criteria for the review. Two studies in particular (Harvey et al, 2000; Valente & Bharath, 1999) were initially deemed as includable because they described interventions which were 'live' or occurred face-to-face in the community. However, after making unsuccessful attempts at contacting the authors of the study, as well as reading the text carefully, it was concluded that the approaches utilised in these studies did not satisfy this review's criteria of being participatory. Thus, they were not included in this review.

However, all seven studies are discussed in this section. This is because although none incorporated participatory elements (as required for this review), they are nonetheless underpinned by the same behaviour theories (i.e. social learning theory and drama theory). This means that, although they did not satisfy this reviews criteria for inclusion, they may add to our knowledge of empirical evidence on the effectiveness of participatory theatre or drama in changing HIV related behaviour(s). With important caveats, their findings are reported and discussed briefly within the context of this review.

### **Types of interventions**

All but two of the interventions (Harvey et al, 2000; Valente and Bharath, 1999) were drama soap operas which were 'broadcast' (i.e. radio or TV) to its target audience: Shapiro et al., 2003 (television); Vaughan et al., 2000a (radio); Yoder et al., 1996 (radio); Vaughan et al., 2000b (radio); Middlestadt et al., 1995 (radio). Four of the studies were conducted in Sub-Saharan Africa (Shapiro et al, 2003; Vaughan et al, 2000a; Yoder et al, 1996; Harvey et al, 2000); two in the Caribbean (Middlestadt et al, 1995;

Vaughan et al., 2000b), and one in Asia (Valente and Bharath, 1999). Duration of the interventions ranged from 2 months to 79 months. None of the studies met the review's criteria of being participatory, i.e: (1) it must present a form of theatre in which the audience interact with the actors or performers through dialogue or debate, during the performance; (2) it must present an intervention where the beneficiaries are in 'control' of the planning, construction and acting out of the play, and (3) it must present an HIV intervention which is face to face rather than broadcast.

### **Types of studies**

Although the randomised controlled design is effective in controlling for the co-founding effects of other variables, thereby providing an unbiased estimate of the impact of exposure to a particular intervention, only one study (Harvey et al, 2000) utilised this design. In particular, the Harvey et al (2000) study used a cluster-randomised design where seven pairs of schools were randomised to receive either written information about HIV/AIDS or a drama programme. This design was appropriate in combating contamination. The remaining studies (Shapiro et al, 2003; Vaughan et al, 2000a; Yoder et al, 1996; Vaughan et al., 2000b; Middlestadt et al, 1995; Valente and Bharath, 1999) were conducted using cross sectional designs, whereby subjects were accessed at single times in their lives. However, although this type of study was appropriate in identifying association, the lack of randomisation to treatment and control groups meant that establishing cause and effect was more difficult. All but one of the studies (Harvey et al, 2000) used 'no treatment' rather than an alternative intervention as a control.



A detailed list of the excluded studies (detailing settings, target, duration and frequency, sample size and reasons for exclusion) can be found in appendix 2.

### Types of outcome measures

Although none of the seven evaluations measured the primary outcome - HIV incidence - they included outcomes which are of interest to this review. Four studies measured condom use (Shapiro et al, 2003; Harvey et al, 2000; Middlestaat et al, 1995; Vaughan et al, 2000b); one study measured self-efficacy (Middlestaat et al, 1995); two studies measured perceived risk of contracting HIV/AIDS (Vaughan et al, 2000a; Yoder et al, 1996), and one study measured the reduction in high risk sexual behaviour (Vaughan et al, 2000a).

The results by outcome are as follows.

### *Perceived risk of contracting HIV/AIDS*

Studies conducted by Vaughan et al., 2000a (Tanzania) and Yoder et al. 1996 (Zambia) suggest that HIV-themed broadcast drama interventions increase the perceived risk of HIV infection. In particular, Vaughan et al (2000a) reported that subsequent to 2 years of HIV themed radio soap opera broadcasts, study participants in the intervention arm were significantly more likely to perceive that they were personally at risk than before the intervention (55-61%). On the contrary, those in the control arm showed substantial reductions in perceived risk over the same time period (72-55%). Similarly, Yoder et al (1996) reported that those exposed to a radio drama displayed significantly higher perceived risk of contracting HIV/AIDS in comparison to those who were not exposed (30% versus 21%).

### *Self-efficacy*

Middlestadt et al's (1995) study suggested that subsequent to being exposed to an HIV themed radio drama, there were increases in having the confidence to protect oneself from getting infected with HIV/AIDS. In particular, those who were exposed to the intervention were more likely to believe that they could protect themselves from HIV acquisition (97.7%), than those who were not exposed (86.2%),  $2(1, N=297) = 13.54, p < 0.001$ .

### *Condom use*

The evidence on the effectiveness of HIV themed drama to change condom use was mixed. Shapiro et al's (2003) study in Ivory Coast, West Africa, reported that the likelihood of condom use at last sexual encounter was significantly higher amongst publics who had been exposed to more episodes of the 'SIDA dans la Cite' television drama. Harvey et al's (2000) South African study corroborated this thesis, showing that sexually active high school students who had been exposed to the drama intervention, reported an increase in condom use ( $p < 0.001$ ). However, Middlestadt et al's (1995) study provided evidence that their HIV themed radio campaign in St Vincent and the Grenadines was ineffective in changing the variables 'ever used a condom' and 'always used a condom'. In the same vein, Vaughan et al's (2000b) St Lucian study showed that HIV themed radio soap opera was unable to facilitate changes in condom use among men in sexual unions.

### *Reduction in high-risk sexual behaviour*

Vaughan et al's study (2000a) provided evidence that exposure to HIV themed radio soap opera was effective in producing small but significant reductions in the number of sexual partners by both men (0.7%) and women (0.7%) in the previous year.

### Potential risk of bias

In summary, the results from related programs provide some evidence of the positive impacts of HIV themed drama in changing some of the secondary outcomes which are of interest to this review. Nonetheless, it is imperative that outcomes are interpreted cautiously. This can be attributed to (1) the low volume of studies available, and more importantly (2) the lack of rigorous research designs used within the studies. This means that there is a high likelihood that their results are likely to overestimate the treatment effect. With the exception of Harvey et al., 2000 (which used a randomised controlled design), all the other studies employed relatively weaker designs which may have introduced bias and affected the validity of the results. For example, Yoder et al's (1996) study in Bemba speaking Zambia found that a radio serial drama had positive impacts on knowledge, attitudes and behaviours. However, a serious contamination of the control group may have introduced bias which will have affected the validity of the results. Similarly, Middlestadt et al's (1995) St Vincent study found that radio advertising increased (1) self efficacy with respect to preventing the acquisition of HIV infection; (2) interpersonal communication regarding condom use, and (3) normative beliefs concerning condom use among peers. However, this retrospective study may have suffered a threat to validity because of its use of a small sample size. The lack of rigorous evaluations, such as RCTs within these studies can be attributed to the fact that the interventions were 'broadcast'. As such, it was not feasible to assign subjects randomly to treatment or control groups. On the contrary, Harvey et al's study (2000) was successful in utilising a strong research design (i.e. cluster randomised trial) because the intervention was 'live' or face - to - face, rather than broadcast.

However, the approach utilised was not deemed to be participatory (according to the criteria of this review). Also, this study suffered a few threats to its validity. For instance, as the questionnaires specifically excluded personal identifies which ensured anonymity (but probably facilitated the high response rates), it was impossible to link pre and post intervention data at the individual level. Also, bias may have been introduced to the study through the high attrition rate and use of outcome measures relying exclusively on self reporting.

Thus, caution is also necessary because all the outcomes of the studies relied exclusively on the indirect measures of self reporting. Evidence suggests that the sensitivity surrounding sexual acts and behaviour usually mean that there is a propensity (conscious or unconscious) to overstate or understate results (MAPC, 2000; NCHADS, 2002 cited in WHO, 2006). Although in recent years, techniques such as carefully designed questionnaires have been developed to optimise the validity of self-reports, questions still remain about the validity of results gleaned exclusively from self reported behaviours. To this end, biological measures such as HIV incidence (which was the primary outcome of this review) might seem more appropriate if a stronger evidence of the effect on behaviour is to be obtained. For example, a study in Tanzania found significant differences in behaviour, utilising different methods of evaluation (MAPC, 2000 cited in WHO, 2006). During structured interviews or on self-completed questionnaires, most women denied having engaged in any form of sexual activity. However, many displayed markers of sexual activity, such as pregnancy or a sexually transmitted infection (STI). In subsequent in depth interviews, most admitted to having being engaged in sexual



activity. None of the studies measured this HIV incidence as an outcome. However, measuring HIV incidence as a primary endpoint or as a complement to other outcomes is essential, if stronger evidence of the effect on behaviour is to be obtained.

Finally, outcomes must be interpreted with caveats because most of the behavioural outcomes were not measured consistently across the studies. For instance, condom use is measured as "ever, always, never used", "condom use at last sex with non-commercial partner", "condom use at last sex with commercial partner", "always used a condom over last 12 months", "likelihood of condom use at last encounter", to name but a few. In order to be certain that like outcomes have been pooled, behavioural outcomes have to be operationalised across studies (WHO, 2006).

#### CHAPTER 4: DISCUSSION

No RCT, CCT or quasi-randomised trials were found. Consequently, no studies could be included in this review. This means that there is no reliable evidence concerning the effectiveness of participatory drama to changing HIV related behaviour(s) in the developing world.

##### **Strengths of the review**

This is the first systematic review conducted which assesses the effectiveness of participatory drama in changing HIV related behaviour(s). A definite strength of this review can be attributed to its systematic nature, whereby the objective is to comprehensively identify and synthesise available research using procedures which are organised, transparent and replicable, at every step of the process (Littell et al, 2008:1). This means that there is transparency concerning how studies

are selected, assessed and integrated (*ibid*). Littell et al (2008) note that, systematic reviews appear at the apex of the hierarchy of evidence that informs evidence based practice. Thus, when well conducted, systematic reviews are able to provide the same rigour in secondary research as is expected from primary research (*ibid*). This means that it provides the best possible estimate of any true effect and/or elucidates areas of research where there is a paucity of evidence. This review also benefited from a highly sensitive literature search. This could be attributed to the spectrum of 'type of studies' which were made eligible for inclusion, ranging from RCTs to CCTs and quasi experimental designs. Furthermore, attempts were made to minimise or eliminate publication bias. This was achieved by employing a comprehensive search strategy which extended inclusion eligibility to relevant published and unpublished evidence.

##### **Limitations of the review**

An obvious limitation of this review can be attributed to the lack of studies found. However, this provides cogent evidence of a paucity of rigorous studies which assess the effectiveness of participatory drama to changing HIV related behaviours.

##### **Recommendations for future research**

The lack of eligible studies for inclusion in this review means that the recommendations for future research might be the most valuable aspect of this investigation. It is hoped that the following suggestions, based on reflections from this review, will help guide future research.

##### **Short-term**

A RCT is generally regarded as the strongest of all research designs when a cause and effect relationship needs to be established (Jadad and Enkin, 2007). However, they are generally

expensive and complex undertakings. Thus, although in this respect (i.e. internal validity or cause and effect assessment), a non experiment is generally perceived as the weakest of research designs, it is appropriate if (1) the objective is to gather evidence, and (2) there are monetary constraints. Thus, in the short - term, it might be advisable to conduct the simplest form of non-experiment, such as the one shot survey design. The survey instrument will measure personal characteristics, HIV/AIDS information sources, knowledge about HIV/AIDS, and the practice of HIV/AIDS preventative behaviours. Psychosocial factors such as self- efficacy in protecting oneself from HIV/AIDS and the perceived risk of HIV/AIDS acquisition will also be measured. Changes in these psychosocial factors are generally perceived to influence sexual behaviours such as abstinence, a reduction in sexual partners and condom use (Piotrow et al, 1997). Eligible respondents would be those who are sexually active.

However, although surveys might be appropriate - in terms of cost-effectiveness - making inferences at the cause and effect level is virtually impossible (Bryman, 2008). Thus, experimental or quasi- experimental research which transcends exploratory evidence is needed.

#### **Long-term**

**Promote randomised controlled trials which evaluate the effects of HIV themed participatory drama in changing HIV related behaviours.**

This review constitutes the most sensitive and extensive search to date which evaluates the effectiveness of HIV themed participatory drama to changing HIV related behaviour(s). Surprisingly however, not even one randomised trial was identified.

It is unclear as to whether this paucity of evidence reflects a broad assumption that HIV themed participatory drama is ineffective in changing HIV related behaviour and /or whether it is attributable to a scarcity of resources which are necessary for high quality evaluations. Whatever the reasons may be, there is a general consensus that RCTs are the 'gold standard' for assessing the causal relationships between interventions and their outcomes because they control most threats to internal validity (Shadish, Cook and Campbell, 2002). Thus, in the long-term, randomised designs (preferably) are needed to evaluate the impact of HIV themed participatory drama on HIV related behaviour(s). Similarly, the Cluster randomised trials (CRT) might be more appropriate in situations where the unit of randomisation is at the group or 'cluster' level. This would avoid contamination effects (Torgersen, 2001). In the absence of procuring funding to conduct RCTs, CCTs and/or quasi-experimental designs will suffice, in the short term.

#### **Extend follow - up data collection**

Many studies do not collect data beyond the immediate end of the intervention. This flawed practice may mean that trials are at the risk of committing a type II error, i.e. the program is deemed as being ineffective when in fact more time was needed to procure or ascertain certain effects. It is imperative that studies allow the assessment of the long-term effects of an intervention, as well as its immediate impact (Cook and Campbell, 1979). This idea is reiterated by Panos (2003:32) who state:

The most effective strategies against HIV/AIDS are often those where results only emerge over long periods of time. Funding in the past has generally focussed on those strategies where short-term impact can be



easily measured. Strategies where results can be measured in the short term are not those which will necessarily have the greatest long-term impact.

Alternatively, collecting data beyond the immediate end of a program is imperative if program effects which are not able to be sustained overtime are to be identified. This thesis is corroborated by Kalichman et al (1996) who found that intervention effects diminished across studies as time from intervention to follow up increased from 1 to 6 months.

Despite the obvious benefits (as stated above) of extending follow-up data, implementation is impeded by some challenges. The most common among them concerns wait list control groups. This is because once a control group enters an intervention, there is a loss of the counterfactual, meaning that the experimental evaluation is then discontinued. Although the appropriateness or need for wait-list control group can not be denied in many circumstances, it is imperative that when possible, they are avoided. If this is not possible or feasible, for whatever reason, then extending the time before the wait-list control group participates might be the best alternative.

### **Conduct implementation fidelity alongside HIV evaluations**

Implementation fidelity is often referred to as adherence or integrity. Despite this diverse nomenclature, its meaning remains the same: the degree of fit between the developer-defined elements of an intervention and its actual implementation in a given community setting (CASP, 2001). The significant role in which fidelity plays in providing positive outcomes is acknowledged by many authors (Kumpfer et al, 2002; Elliot and Milhalic, 2004;

Backer, 2001; Tobler and Statton, 1997; Dane and Schneider, 1998). Elliot and Milhalic (2004:51) argue that "fidelity is related to effectiveness and bargaining away of fidelity will most likely decrease program effectiveness". Backer (citing Jason et al, 1984) echoes this sentiment, arguing:

The ultimate goal is to maintain the basic integrity of a program model while matching the innovation to the unique features of the setting and preferences /reactions of the relevant setting (2001:43)'.

This thesis is also reiterated in one of the largest meta-analyses of school based substance abuse prevention programs (Tobler and Stratton, 1997) where the authors write:

The large decreases in effectiveness experienced when delivered on a large scale suggests factors other than statistical levelling of effect sizes .....Implementation factors provide a more probable explanation and can be a crucial mediating factor in determining success (p114).

Conducting implementation fidelity studies alongside evaluations of HIV themed participatory are necessary if one is to ascertain whether an outcome is caused by an intervention or poor implementation of the intervention model (Dane and Schneider, 1998). This is more so in the case of HIV themed participatory drama where variability is easily possible in terms of **exposure** (i.e. number, length or frequency of sessions), **quality of program delivery** (i.e. the manner of delivery of program) and **participant responsiveness** (i.e. the extent to which participants are involved in the activities and content).

### **Avoid, identify and measure contamination effects**

Contamination (i.e. 'spillover' or 'diffusion') effects occur when members of the control group are exposed to the treatment intervention and/or vice versa, either by direct exposure or indirect exposure (Hayes, 2009; Torgerson, 2001). Direct contamination occurs when the control group actually receives the treatment or intervention (ibid). On the contrary, indirect contamination generally occurs when control group participants are influenced by contact with the intervention group (ibid). Thus, interventions that are delivered at institutions or small geographic units where subjects of different arms are in close proximity and information is shared are more prone to contamination (ibid). For instance, in a RCT where secondary school students are randomly allocated to receive individual counselling to help them quit smoking or to a control group, students in the intervention group may talk to friends in the control group, thereby influencing the behaviour of the control group. This will likely dilute the difference between the different groups' outcome and bias the statistical estimates. (Hayes et al, 2009). Also in medical practice trials, contamination can occur during the delivery of the intervention. This occurs particularly when blinding is not feasible; health practitioners may have difficulty turning on and off the treatment intervention and this may dilute the study results.

Contamination of control participants may reduce the point estimate of an intervention's effectiveness (Torgerson, 2001:355). This apparent reduction may lead to a type II error, whereby an effective intervention is rejected as being ineffective because the observed size was neither statistically nor clinically significant (ibid).

Avoidance or circumvention of contamination effects, a problem in many individually-randomised trials, is achievable if randomisation is conducted at the 'group' or 'cluster' level (i.e. schools, classes, or neighbourhood committees). The caveat, however, is that because CRTs are designed and randomised at the group level, member of clusters cannot be treated as statistically independent (Torgerson, 2001). This violates the traditional assumption of RCTs - that all individuals are independent- and leads to a need to increase its sample size. This is because, for any given sample size, the intra-cluster correlation will reduce the overall power of the study (Torgerson, 2001; Hayes et al, 2009; Elley et al., 2004). Furthermore, cluster trials can often be susceptible to selection bias. This is because in CRT's the researchers often know the allocation of treatment and control groups prior to the recruitment of subjects. Knowledge about this allocation beforehand has a likelihood of influencing who is selected into the trial in each group. This may introduce selection bias, and can affect the internal and external validity of a study. (Elley et al, 2004).

Thus, it is imperative that investigators take the necessary steps to avoid contamination effects. If this cannot be achieved, it is essential that contamination effects which occur in trials are identified, measured, and reported.

### **Improve study reporting**

Many authors were contacted to clarify missing methodological information (e.g. missing information concerning the randomization process, whether allocation concealment was achieved etc). Clarification was also needed where there was missing data (e.g. duration and /or frequency of intervention; whether the effects were negative or positive and/or significant or non significant). To aid comparability across



studies, it is imperative that future drama interventions include detailed descriptions of the intervention under study (e.g. story content), duration, reach, frequency and underlying theoretical principles. It is also essential that there is a convergence towards a common list of outcomes and behaviours.

Similarly, many study titles and abstracts did not index components of the trial (e.g. nature of intervention, target population, sample size or study design) correctly or accurately. This increases the likelihood that potentially relevant studies might be overlooked when conducting systematic reviews.

To rectify these flawed practices, investigators should be advised to consult resources such as the Critical Appraisal Skills Program tools (CASP, 2001) or the CONSORT statement for reporting experimental trials (Schulz et al, 2010).

#### **Conduct interventions which are culturally or locally appropriate**

Given the important role of oral tradition and storytelling in the developing world context, HIV themed community drama can be perceived as a culturally appropriate tool in changing HIV-related behaviour(s). Culture is defined by Hall as the general system of values, norms, practices, ways of life, and worldviews shared by a group of people, which is learned and transmitted through participation in group life (1980). The integral role it plays in the life of an individual is succinctly described by Bower (1984:36), who states:

the authority that culture exercises over us... are internalized in such a way that the person under its sway experiences it as part of the natural order of things.

Bronfenbrenner's (1979) ecological systems theory corroborates this thesis. From this

perspective, culturally appropriate interventions are those which are successful in moving beyond *surface structure* (changing the ethnicity or the appearance of role models), to *deep structure*, by addressing the core values, beliefs, norms, and other more significant aspects of the cultural group's world views and lifestyles (Resnikow *et al*, 2000). This results in higher recruitment and retention rates (Sue, 1998; Cunnigham et al, 2000) and improves engagement and understanding of intervention (Lau, 2006). Griner and Smith's (2006) meta-analytic review of 76 culturally adapted mental health interventions substantiates this thesis. It found that the random effects weighted average effect size was  $d = 0.45$ , indicating a moderately strong benefit of culturally adapted interventions.

#### **Incorporate participatory strategies in HIV/AIDS prevention**

No RCTs, CCTs or quasi-randomised trials which assessed the effectiveness of HIV themed drama/theatre in changing HIV limiting behaviour(s) were found. Consequently, no studies could be included in this review. However, a number of excluded studies which assessed the role of HIV themed drama to changing HIV limiting behaviour(s) were of particular relevance to this review. The caveat, however, was that the studies assessed HIV themed 'broadcast' drama (i.e. broadcast over radio, television or the internet), rather than participatory drama. The latter have the propensity to be face to face, interactive and community based. Furthermore, it involves the local beneficiaries.

Critics of the EE thesis attribute this relative abundance of 'broadcast' EE interventions (in comparison the dearth of participatory EE studies) to the covert objectives of most funding agencies (Dutta, 2006). In particular, critics posit that whilst the overt objectives (e.g.

reduction in HIV incidence and prevalence) of agencies such as USAID are well stated in the literature, their broader interests (i.e. to serve as channels which advertise or introduce the commercial logic in the developing world setting), are well hidden (ibid; Dutta-Bergman, 2004). Dutta reiterates this thesis stating:

EE programs serve as the tools of globalization and transnational capitalism that impose a monolithic set of core values on other parts of the world and that open up the doors of countries suffering from starvation and poverty to commercial products of the free market economy (2006:224).

Refutation of this thesis which is promulgated by EE critics, hinges on the ability of future EE programs to be 'bottom - up' or participatory, thereby challenging the elitist or expert led approaches which construct knowledge and praxis from the top. Participatory in this sense is the antithesis of Schein's (1961) concept of coercive control, whereby participation acts as a tool which changes rather than raises consciousness. Looking at Arnstein's ladder of participation (Figure 2) below, participation in this sense, also means more than manipulation or therapy (rungs 1&2) or informing, consultation or placation (rungs 3,4,5), which typify previous and existing expert-led HIV/AIDS campaigns (Panos, 2003). Rather, 'real' participation pertains to placing local stakeholders and beneficiaries inside the realm of universal knowledge production and control (rungs 6,7&8).

In summary, participatory approaches in HIV/AIDS prevention are needed. This is because they refrain from viewing local stakeholders as docile bodies without agency (Escobar, 1995; Seckinelgin, 2002:123). In this sense, participatory approaches allow local stakeholders to become 'agents of change

rather than objects of change (Panos, 2003)'. This approach offers an important portal for alternative conceptualizations for HIV/AIDS prevention. Storey and Jacobson echo this thesis noting:

Participatory communication is both a means to behaviour change as well as a desired end-state of its own... people are better able to make decisions that affect their lives (2004: 430).

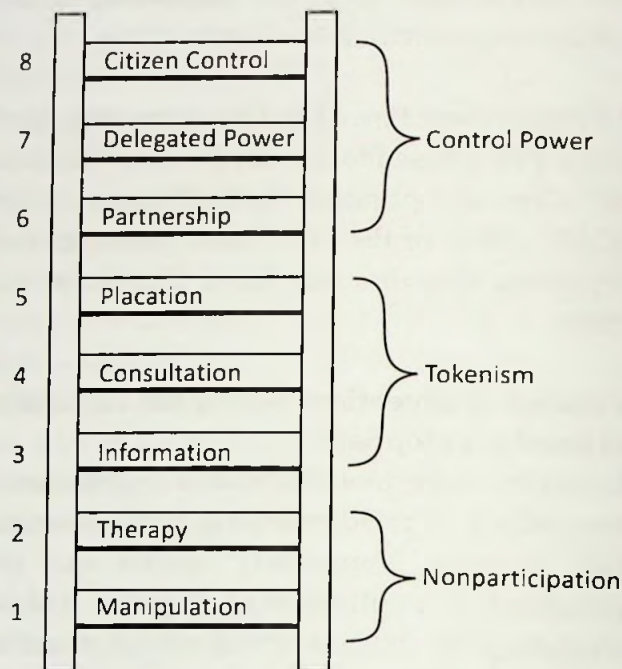


Figure 2: Arnstein's ladder of participation  
Source: Arnstein 1969:217

## AUTHORS CONCLUSIONS

### Implications for practice

The primary objective of this study was to report the state of evidence on the effectiveness of HIV themed participatory drama or theatre to changing HIV related behaviour(s). However, no RCTs, CCTs or quasi-randomised trials which assessed the effects of HIV themed participatory drama or theatre to



changing HIV related behaviour(s) were found. Consequently, no studies could be included in this review. Thus, in so far as policy and practice is based on evidence of 'what works', this review finds no robust or causal evidence which supports or refutes the thesis that HIV themed participatory drama or theatre is successful in changing HIV related behaviour(s).

However, the fact remains that beside a few notable successes (e.g. Uganda and Thailand) the HIV/AIDS epidemic continues to be propagated across countries and continents at an alarmingly rapid rate (Ainsworth et al, 2003; Hogle, 2002). In 2007 alone, UNAIDS (2009) reports suggested that globally, there were 2.7 million new infections and an estimated 33 million [30 million – 36 million] people living with HIV. In light of these dismal figures, I believe there is a need to reassess current HIV/AIDS prevention strategies, especially in the developing world – an area which bears the brunt of the pandemic. In particular, it is important to acknowledge that the few “successes” in Uganda and Thailand were attributable to approaches which promulgated a sense of ownership by being participatory, and as such, rooted within local contexts (Ainsworth et al, 2003; Hogle, 2002; Panos, 2003). Thus, despite the dearth of evidence to support the participatory thesis in changing HIV-limiting behaviour, it is important to recognise that inclusion of beneficiaries at all levels of decision-making is a fundamental democratic right. In this sense, participatory approaches are an 'end in itself' (Hanchett, 1997). This means that policy needs to do more to allow the views of the beneficiaries to be articulated within policy discussions which shape their societies and its inherent problems. Hanchett echoes this need for participation and ownership, stating: “responsibility for

planning inspires personal commitment to the outcome....such commitment is often spoken of as ownership” (1997:278/79). The assumption here is that seeing a project from a perspective that is 'ours' rather than 'theirs' (Awa, 1994:3), then facilitates positive action (Hanchett, 1997; Kuper, 1997), and this might lead to the adoption of positive sexual behaviour, acquisition of HIV/AIDS knowledge or a reduction in behaviour which stigmatises HIV/AIDS infected persons. Similarly, Sarvaes and Malikhao note:

There is possibly a valid reason why we have two ears, but only one mouth. Communication between people thrives not on the ability to talk fast but the ability to listen well; participation, which necessitates listening and moreover trust, will help reduce the social distance between communicators and receivers, between teachers and learners, between leaders and followers as well as facilitate a more equitable exchange of ideas, knowledge, and experience (2005:91).

Furthermore, HIV themed 'live' or participatory drama as an educational medium in particular, has many advantages. This include: (1) its ability to retain the immediacy of interpersonal contact, (2) its ability to be understood by publics with high illiteracy rates or low levels of formal schooling; (3) its ability to be cost effective in terms of one performance reaching a group of people, and (4) its ability (unlike broadcast interventions) to reach populations without access to electricity or mediums of telecommunication. Also, given the significance of oral tradition within the developing world, with audiences who are mainly listeners and speakers, rather than readers and writers (Ong, 1982), the ability of drama to be culture and community specific and yet context sensitive cannot be

undervalued. In this sense, participatory drama interventions can be used alone, or as part of an armamentarium of prevention strategies which include condom distribution and voluntary counselling and testing programs.

### Implications for research

In Panos (2003), the authors note:

there is a real fear that if the current mobilization against HIV/AIDS fails, then humanity will, as it has done in the past, turn its back on one of the gravest public health crises in humanity history (2003:1).

Before the horse bolts, however, it is imperative that the public health community gets back into the saddle. This review addresses an important question for HIV/AIDS program managers, donor agency staff, HIV/AIDS researchers and others: to what extent do participatory paradigms such as participatory drama impact HIV/AIDS

related behaviours? Rigorous and robust interventions are urgently needed to answer this question. However, it is imperative that the interventions which are conducted depart from previous models which place emphasis on simple indicators and short-term results. Rather, future studies should place emphasis on long-term results and long-term change (Panos, 2003). This is more so at a time of fiscal stringency where there is an urgent and practical imperative that as much "bang for the buck" (i.e lowest cost per person reached or outcome influenced) is procured, coupled with an ethical imperative that interventions are doing more good than harm (ibid). However, it is essential that this sense of urgency is not misconstrued as a need for emergency responses which will bring immediate results. This is because HIV/AIDS is a long-term and complex problem; its characteristics - caused by a virus which takes up to 10 years between infection and the presentation of symptoms - provide evidence of this fact.

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# APPENDICES

## APPENDIX 1. Data extraction and management

Data will be extracted by JA. A standardised data extraction form will be used to achieve this objective. The following characteristics will be extracted from each included study.

### *Details of study*

- study design
- Method(s) of recruitment
- Number of participants assessed for eligibility (number excluded, enrolled, and analysed)
- Geographic location of the study
- background HIV prevalence in the general population
- number of participants

### *Characteristics of participants*

- age
- education
- occupation
- socio-economic status
- marital status
- number of sexual partners
- condom use
- contact with sex workers

### *Details of the intervention*

- duration of intervention
- type of performers (human or puppets)

### *Details of outcomes*

- incidence of HIV infection: HIV-1, HIV-2, both, or unclear
- types of tests used to determine or confirm HIV status
- when data were collected: baseline, post-tx, or other
- whether data collected in same manner

for intervention and control groups

### *Details of analysis*

- type of statistical analysis
- time intervals included in analysis
- type of effect measure with confidence interval (CI)

### *Details of study ethics*

- informed consent procured for participation
- type of consent (i.e. oral or written)
- details of ethics approving institution

### *Administrative details*

- author(s)
- year in which study was conducted
- year of publication
- details of other relevant papers cited

For ITS, if outcomes over time are only reported graphically in the original paper, data will be extracted by scanning the figures into a computer and measuring each data point. This approach was previously adopted in Cochrane reviews (Vidanapathirana et al, 2009; Grilli, 2002).

### **Assessment of the risk of bias**

JA will examine the risk of bias within individual components in each included study using a standard form. The form will include information on blinding (i.e. participant or investigator), allocation concealment, sequence generation, incomplete outcome data, selective outcome reporting, and other sources of bias (e.g. performance, attrition etc). As per guidelines from the Cochrane Handbook of Systematic Reviews of Interventions (Higgins and Green, 2009), the methodological components of the included studies will be

appraised and categorised as *adequate*, *inadequate*, or *unclear*, as seen below:

#### *Sequence generation*

**Adequate:** Investigators explicitly describe a random component in the sequence generation process (e.g. shuffling of cards/envelopes, coin tossing, table of random numbers etc)

**Inadequate:** Investigators state the use of a non-random component in the sequence generation process (e.g. odd or even date of birth, clinic record number etc)

**Unclear:** Investigators provide insufficient information regarding the sequence generation process

#### *Allocation concealment*

**Adequate:** Study participants and investigators involved in their enrolment are unable to foresee assignment in respective groups (e.g. sequentially numbered, opaque, sealed envelopes etc)

**Inadequate:** Study participants and investigators involved in their enrolment can foresee prospective assignment (e.g. non-sequentially numbered, unsealed, non-opaque envelopes)

**Unclear:** Investigators provide insufficient information regarding allocation concealment process

#### *Blinding*

**Adequate:** secure blinding/masking of study participants, outcome assessor, investigators and other key personnel; a case or situation where a lack of blinding is unlikely to introduce bias.

**Inadequate:** no blinding, incomplete blinding or the likelihood that blinding could have been broken; likelihood that the outcome might be influenced by the lack of blinding.

**Unclear:** investigators provide insufficient information regarding the blinding process.

The nature of participatory drama interventions make it impossible to blind the personnel delivering the intervention (i.e. the performers) or the study participants. However, it will be possible to blind the assessors. As such, the categorisation of adequate, inadequate, or unclear will be confined to the blinding of assessors.

#### *Selective reporting*

**Adequate:** The availability of a protocol which explicitly describes the primary outcome as the same as in the final trial report.

**Inadequate:** The primary outcome in the protocol and final trial report is incongruent.

**Unclear:** Insufficient reporting to determine whether selective reporting is present or lack of trial protocol.

#### *Incomplete outcome data*

**Adequate:** No missing outcome data; number of missing outcome data balanced across groups; no correlation between reasons for missing data and true outcome.

**Inadequate:** Likely correlation between reasons for missing outcome data and true outcome; number or reasons for missing data imbalanced across groups.

**Unclear:** Insufficient reporting of attrition or exclusion.

#### *Other forms of bias*

**Adequate:** No evidence of bias from other sources.

**Inadequate:** There is potential bias present from other sources (e.g. excessive baseline imbalance, early stopping of trial etc).

**Unclear:** Insufficient reporting of whether other forms of bias exist.

#### *Data analysis*

##### Measures of treatment effect

The primary outcome, HIV incidence (i.e. HIV-1 or HIV-2), will be expressed using survival estimates that include the time until study participants were (1) diagnosed with HIV infection; (2) the time until they were lost to



follow up, or (3) the time they were free from infection. The incidence risk ratio (hazard ratio), calculated from the trial report data, will be used in determining the measure of treatment effects. An intention-to-treat analysis will be used.

For the secondary outcomes, a calculation of the relative risk as the effect measure for dichotomous data will be employed.

For ITS, the calculation of effect sizes will be achieved by extracting and reanalyzing data from original studies using a segmented time series regression analysis (Ramsay et al, 2001).

#### *Heterogeneity and subgroup analyses*

Homogeneity in the study results will be evaluated using the Chi-square test for heterogeneity, with a 10% level of significance being used as the endpoint. The  $I^2$  statistic will be used to calculate the impact of statistical

heterogeneity (Higgins and Thompson, 2002; Higgins et al, 2003). Randomised trials and non-randomised trials will be analyzed separately. A meta-analysis will be conducted if the included studies are sufficiently homogenous. This will be achieved by combining the incidence risk ratios (hazard ratios), using RevMan's (Version 5.0. Copenhagen: The Nordic Cochrane Centre, The Cochrane Collaboration, 2008) generic inverse variance function. Relative risks will be combined by using a random effects inverse variance method.

#### *Sensitivity analysis*

Sensitivity analysis will be conducted to assess the impact of the quality of included studies on the synthesized outcomes. The quality of studies will be evaluated by allocation concealment, intention to treat etc.

## APPENDIX 2. Excluded studies

	Shapiro et al, 2003
Settings/target	Abidjan Boudepe and N'Douci, Ivory Coast. General population with electricity
Overview	'SIDA dans la cite' is a weekly TV soap opera which describes the life of a family touched by HIV/ AIDS
Primary objectives	To educate public about HIV aetiology
Results	Women and men who had seen 10 or more episodes were significantly more likely, 1.4 x and 2.7 x respectively, to use condoms
Duration of campaign	Five months
Frequency	Once a week for 5 months
Reason for exclusion	Decisive: Broadcast intervention & non-participatory approach
Description of evaluation	Cross sectional study design comparing individuals exposed to intervention versus those not exposed to intervention
Sample characteristics	Size: 2150 Sex: 47.4% (male) 52.6% (female)

<b>Middlestadt et al, 1995</b>	
<b>Settings/target</b>	St Vincent and The Grenadines in the Caribbean. Targeted at parents of teens, teens and other adults
<b>Overview</b>	Radio campaign targeted at parents of teens. Tagline 'when you can't protect them anymore, condoms can'
<b>Primary objectives</b>	Promote interpersonal communication between parents and teens about safe sex and condom use
<b>Results</b>	Increased self-efficacy to protect oneself from HIV acquisition; no evidence of effectiveness in increasing condom use
<b>Duration of campaign</b>	2 months
<b>Frequency</b>	NR
<b>Reason for exclusion</b>	Decisive: Broadcast intervention & non-participatory approach
<b>Description of evaluation</b>	Cross sectional design which compares study participants exposed to the intervention (intervention arm) to those who were not exposed (comparison arm).
<b>Sample characteristics</b>	Size: 297 Sex (I) = 50.7% (female) 49.3% (male) Sex (C) = 57.2% (female) 42.8% (male)  Age: (I) ~ 15-19 = 39.6% 20-29 = 25.4% 30-44 = 26.2% 45-54 = 8.8%  (C) 15-19 = 38.1% 20-29 = 25.0% 30-44 = 20.2% 45-54 = 16.7%



**Vaughan et al, 2000b**

<b>Settings/target</b>	St Lucia, Caribbean. General population.
<b>Overview</b>	Radio soap opera called 'Apwe Plezi' which contained positive, negative and transitional role models.
<b>Primary objectives</b>	Promote family planning; prevent HIV and other STI's; promote gender equity
<b>Results</b>	Reduced HIV/AIDS misconceptions; improved HIV/AIDS attitudes; no evidence of being effective in increasing condom use
<b>Duration of campaign</b>	Feb 1996 – May 97 <i>phase 1</i> July 1997 – Sept 1998 <i>phase 2</i> Sept. 1998 – Sept. 2000 <i>phase 3</i>
<b>Frequency</b>	260 15-minute episodes shown 5X a wk ( <i>phase 1</i> ) 105 15-minute episodes 3X a week ( <i>phase 2</i> ) 21 street theatre performances ( <i>phase 3</i> )
<b>Reason for exclusion</b>	Decisive: Broadcast intervention & non-participatory approach
<b>Description of evaluation</b>	Pre=post interventional trial. Serial cross sectional assessment comparing before to after data with the two follow up surveys. Probability selection of study participants.
<b>Sample characteristics</b>	Baseline size: 753 First follow-up: 741 Second follow up: 497  Age: 15+ (mean age 29.3) Sex: 52% (female) 48% (male)

**Vaughan et al, 2000a**

<b>Settings/target</b>	Tanzania. General public
<b>Overview</b>	Radio soap opera which educates people about HIV/AIDS
<b>Primary objectives</b>	To promote interpersonal communication about HIV/AIDS using role models
<b>Results</b>	Reduced high-risk sexual behaviour; increased the perceived risk of HIV/AIDS acquisition
<b>Duration of campaign</b>	79 months
<b>Frequency</b>	30 minute shows 2 x per week
<b>Reason for exclusion</b>	Decisive: Broadcast intervention & non-participatory approach
<b>Description of evaluation</b>	Non- randomised pre/post intervention trial serial cross sectional assessment comparing : (I) intervention versus control (ii) intervention versus control controlling for eight independent variables and radio ownership
<b>Sample characteristics</b>	Sample size : Year ~ 1993 (I) 1793 (c) 859 ~ 1994 (follow up) (I) 1924 (c) 861 ~ 1995 (I) 1940 (c) 861



**Yoder et al, 1996**

<b>Settings/target</b>	Northern Zambia, Bemba speaking Zambians
<b>Overview</b>	Radio drama performed in Bemba language. Portrayed 2 families living in Lusaka and follows their everyday lives as they make and maintain friendships, work and learn about HIV/AIDS
<b>Primary objectives</b>	To create awareness about HIV risks, prevention and transmission
<b>Results</b>	Improved HIV/AIDS knowledge and perceived risk of HIV infection
<b>Duration of campaign</b>	9 months
<b>Frequency</b>	39 30-minute drama episodes broadcast weekly
<b>Reason for exclusion</b>	Decisive: Broadcast intervention & non-participatory approach
<b>Description of evaluation</b>	Pre/post intervention serial cross-sectional trial comparing (i) the sample before and after the intervention (ii) changes over time among study participants most likely to have listened to radio intervention (intervention arm was high access group; control arm was low access group)
<b>Sample characteristics</b>	Baseline: 1613 (949 low access; 664 high access) Follow up: 1682 (997 low access; 685 high access)  Age: Mean age @ baseline: 25.9 yrs Mean age @ follow-up: 26.9 yrs Sex: 50% (male); 50% (female)

**Valente and Bharath, 1999**

<b>Settings/target</b>	Tamil Nadu State, India. Target group was people living in inner city slums.
<b>Overview</b>	Three drama performances on HIV/AIDS performed by community theatre group called Nalamdana (Are you well in Tamil)
<b>Primary objectives</b>	To create awareness about HIV prevention and transmission
<b>Results</b>	Decreased HIV/AIDS misconceptions; improved HIV/AIDS attitudes
<b>Duration of campaign</b>	24 months
<b>Frequency</b>	120 -1 to 2 hour shows performed with an average attendance of 1000 people
<b>Reason for exclusion</b>	Decisive: Non-participatory approach
<b>Description of evaluation</b>	Pre /post intervention randomised control trial comparing (i) intervention and control group before and after intervention, (ii) after intervention only.
<b>Sample characteristics</b>	Size (I) 93 (C) 99 Age: age reported by subgroups only Sex (I) 23.4 % (male) 76.3% (female) Sex (C) : 44.9% (male) 55.1% (female)



**Harvey et al, 2000**

<b>Settings/target</b>	KwaZulu Natal, South Africa. Targeted at standard (grade) 8
<b>Overview</b>	Community intervention trial where seven pairs of schools were randomised to receive either written information about HIV/AIDS or the drama programme
<b>Primary objectives</b>	To evaluate the effectiveness of high schools drama education programme
<b>Results</b>	Increased condom use ; HIV knowledge and attitudes
<b>Duration of campaign</b>	2years
<b>Frequency</b>	NR
<b>Reason for exclusion</b>	Decisive: Non-participatory approach
<b>Description of evaluation</b>	Cluster randomised controlled trial with 7 pairs of schools randomised to receive either written information about HIV/AIDS or a drama programme. Questionnaire surveys of knowledge, attitudes and behaviour compared before and 6 months after interventions.
<b>Sample characteristics</b>	<b>Size:</b> Pre/post: 1500Post only: 699 <b>Age:</b> 15-18 ~ 26.1 % 19-25 ~ 45.6% 26-35 ~ 13.0% 36-45 ~ 15.4% <b>Sex :</b> Male : 76.3%

**About the Author**

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## TOWARDS A MORE INCLUSIVE LEADERSHIP FRAMEWORK

*Charles K. Marful*

### **ABSTRACT**

*Leadership is a topic that has attracted much deserved attention over the centuries. Some have held the view that leaders are born not made. Several conceptual frameworks have been provided to explain this phenomenon starting with the "Great Man" theory which has its origin in the trait school of thought. Behavioural and contingency theorists have also provided additional dimensions to the concept of leadership. Modern theorists focus on many dimensions of leadership and how effective leadership can be developed. The recent financial crisis and failure of large corporations such as Enron have heightened the interest in this subject. This topic is of great importance in Africa where the right leadership can have significant impact on*

*societies and countries. About a decade ago, a workshop was held in Ghana where this subject was discussed. Participants came up with a framework for leadership that addresses many of the gaps of earlier theories and provides a more context relevant approach to understanding and fostering leadership development in Africa. It starts with values and ends with renewal which addresses the ability of the leader to adapt his or her style to elements of the model which change over time. This model should be used to assess leaders and should also be validated through research. If research substantiates its efficacy, it can be seen as holistic approach and adopted to foster leadership growth in Africa. This Article critically reviews the essential dimensions of this leadership framework.*

### **INTRODUCTION**

Recently, I was interviewed by a few students about my thoughts on leadership and whether I believe that leaders are born or developed and what should excellent leadership characteristics look like. It was an interesting discussion which took me back to 2002 when I attended a workshop on "Developing an Indigenous Leadership Model" by the Kwaku

Hutchful Foundation in Ghana. In the lead up to the workshop, several people were interviewed to capture their opinions on sustainable development as well as leadership. The workshop that followed these interviews came up with interesting consensus on prescriptions for economic development for a country like Ghana and equally important, a conceptual framework for leadership. Mintzberg, (2010)



discussed the challenges associated with the concepts of "developing countries" and "leadership development". In this brief paper, I will use the framework discussed at the workshop as the lens through which leadership can be viewed. It is an integrated framework that takes into account the various elements that constitute leadership. It does not limit itself to the trait school of thought, nor does it dwell solely on either behavioural or situational viewpoints of leadership. It is a consolidation of all these schools. In addition, it articulates that leadership outcomes result from a renewable dynamic process that might begin at childhood through parental nurturing and impartation of values, centred on the context of the individual and influenced by his or her engagement style, the expectations of the group being led and the mindsets of both the individual and the group.

Leadership is an important phenomenon which has attracted a lot of attention from business schools, corporations, and organizational theorists. Each issue of *The Economist* magazine has a session devoted to leadership in the economy, of countries, in politics or on issues. *The Harvard Business Review* has many articles on this subject. The quest for good leaders and the characteristics that define leadership started a long time ago. In times of economic or social difficulties, people tend to seek a leader who can help meet the challenges of the day. In the book of Samuel, we see how Israel asked for a King like all the nations in spite of the fact that God was their leader and Samuel the judge provided human leadership (1 Samuel. 8:19-22). Saul, the tall handsome man from the tribe of Benjamin was chosen as their leader. We know from that story that Saul started well but later fell short of what was required and expected of a leader. Though human leaders are not perfect, there is always a

desire to seek a leader who can capture the aspirations of people and bring them to their desired state without demonstrating the natural flaws of men. This desire to have leaders who model our expected values and who lead people to a desired destination could be the reason why people seek charismatic and heroic leaders. Khurana (2002) discusses how corporations in an irrational manner search for charismatic CEOs. This need for charismatic leaders or heroic leaders has also been emphasized by many other scholars and the business press is full of stories of such leaders (Mintzberg, 2010). Whether we look back to 4,000 years ago or today, people seem to be obsessed with a single leader and what that leader can do as if the leader single-handedly drives behaviour towards goal accomplishment. This is not to say that leaders are not important. What must be looked at is the very view of leadership, and what fosters leadership growth. The framework that will be discussed here is only one view point which came from the deliberations of many individuals from different disciplines and sectors. It does not try to propose a single effective style or approach but offers a lens that magnifies the elements that impact leadership. Further research to validate whether these elements and the interaction between them result in good or poor leadership should be undertaken. Most importantly, the effect or contribution of these elements to leadership must be studied.

### **Leadership theory**

A brief review of various strands of leadership theory will precede a discussion of the conceptual framework developed at the Accra workshop. It is not surprising that **traits** feature prominently in leadership theory. Personal characteristics, ability, skill and values have been considered in selecting leaders for years. Stogdill (1948) discusses the physical charac-

teristics and personal attributes of leaders. He identifies dependability, cooperativeness, high energy, assertiveness, dominance, stress tolerance and self confidence as some of the unique traits of a leader (Stogdill, 1974). As we all know, not all who possess these attributes are leaders and these attributes themselves may be valued differently in different environments or societies. Certain traits are heightened or diminished in certain cultures and this conceptualization of leadership fails to recognize this difference. Even within the same culture, the emphasis may change from generation to generation or in different circumstances. The limitations of the trait theory influenced the search for alternative theories to explain leadership.

**Behavioural theorists** starting with Lewin, Lippitt and White (1939) have focused on the styles and actions of leaders. They focus on democratic, autocratic, and laissez-faire leadership styles and when such approaches can be used. These theorists consider the leader's task orientation or people orientation. Task orientation focuses on the organizational structures, rules and elements that affect how goals are accomplished. The people orientation addresses the interaction, interpersonal and people oriented aspects of goal accomplishment. Katz and Khan (1960) further built on this approach by categorizing leadership styles and actions into production orientation and employee orientation. These theories were still based on the attributes and traits of the leader and how they are combined by the leader to influence subordinates. Although they went further to include other elements such as the experience level of the group being led and their orientation, they are also limited since they did not address cultural and situational variations.

**Contingency theorists** on the other hand, recognize the importance of context and the impact of situational variations as they relate to leadership actions and styles and conceptualize leadership from this viewpoint. They recognize that the leader has many tools to employ in his or her craft depending on the situation. Fieldler (1964) emphasized the importance of context and articulated that the favourableness of the situation to the leader will influence the leadership style that is employed. Fieldler's approach ascertains the degree of fit between the leader's style and the receptivity of the co-worker who least prefers the leader's style in the situation. He uses the Least Preferred Co-worker Scale (LPC) to predict the style that will be used in a situation. This offers a path-goal theory that focuses on the situation as the determinant of the style that has to be employed. Generally, the leader's style is based on either task orientation or people orientation. These can be categorized into directive, supportive, participative or achievement oriented styles (House, 1971). Vroom and Yetton, (1973) and Vroom & Jargo (1988) build on this contingency approach focusing on the participation style of the leader in decision making as well as task complexity. Emphasis is placed on the leader's participation style (consultative, autocratic or democratic) in this model. Although contingency theories are excellent in recognizing that personal attributes and situations require varying leadership approaches, they still limit contextual factors to units and subordinates excluding the fuller organizational and cultural context. They are further limited when they are applied to more integrated organizational environments where people manage across geographies and cultures.

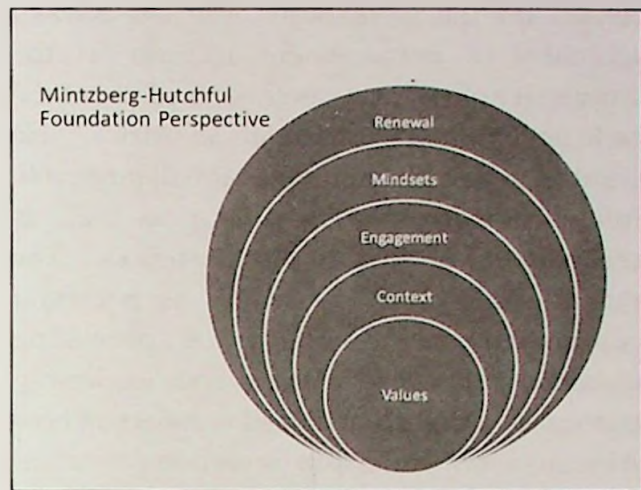
Recent theories like the **Leadership Member Exchange** examine the relationship between



the leader and members of the group led. For examples, Graen, Linden and Hoel (1982) predict that where the leader is more similar to group members, it is more likely that the leader will provide them with more responsibility, recognition and rewards. Where they are different, it is likely the leader will manage through more formalized rules and structures. This is highly significant in today's environment where work places are multicultural and reporting lines cross regions, countries and cultures. Other theorists have focused more on **engaging leadership** in an environment where heroic and charismatic leadership seem to be on the rise (Khurana, 2002; Mintzberg, 2010). Other leadership theories are emerging focusing on network leadership and emotional intelligence of leaders. The purpose of outlining some of the theories on leadership is not to discuss them but to recognize that leadership can be viewed from many different perspectives and that some of the perspectives are more limited in their application.

So what should we make of all these theories and how should leadership be viewed? None of the above theories can fully answer the question. How can leaders be developed or trained if we did not have a model that explains leadership. Leadership can be examined on its own and applied in different contexts or situations. This is regarded as an "inside out" approach. Here is where trait and behavioural theories can be seen. On the other hand, leadership can be viewed in the context of many factors. This is framed as "outside in". Here, leadership is viewed from the standpoint of its context. The limitations of earlier theories suggest that we should interpret leadership by taking an all inclusive approach. This all inclusive approach will consider both "inside out" and "outside in" approaches. The "outside in" approach looks at the context and the

elements in the environment and how they influence a leader's style while the "inside out" approach emphasizes the leader's own attributes, traits, capabilities as well as how these elements work together.



### A New Leadership Perspective

One of the people interviewed before the workshop in Accra was conducted was the late Dr. Bediako, then Director of The Akrofi Christaller Institute of Theology in Aburi, near Accra. He responded to Mintzberg's question about the models they use to teach leadership by saying "they didn't use any models but that "they show it". By this he meant, they assigned various tasks to groups of students and after the groups had worked together for a while, each group was asked to point out the leader and explain why that person was considered a leader. They discussed the qualities of those leaders and how they related to other group members through their de-briefing sessions. Values and engagement styles played significant roles in their construct of leadership. Similarly, the group that had gathered for the workshop who had been drawn from several sectors also formed a consensus on the elements to focus on to foster leadership. These elements included values, context, engagement, mindsets and renewal.

These were placed in the conceptual framework illustrated above.

### Values

Values play a key role in the type of leadership that is experienced. "Values" was the very first reason for the workshop. The late Kwaku Hutchful, a management lecturer at the University of Ghana was concerned about the lack of legitimate leadership in Africa. He wanted to develop a model that will positively influence leadership behaviour as well as recognize local African circumstances. The model should include values as a central component and highlight the prevailing disconnect between values and leadership outcomes. There was a need to reflect on how Africans view leadership as well as the values that underpin the behaviour of leaders. These values at the individual level included integrity, honesty, fair play, respect, humility, and many other values. Some values may be unique to an organization or group. Most private and public companies articulate their values to their employees and evaluate their staff on the extent to which they demonstrate their values.

The current concern over executive pay, failure of the stock market in 2008, Enron and many other corporate failures can be traced back to the type of values espoused, rewarded or omitted by leaders of various organizations. There are, of course, national values that drive the behaviour of certain nations. For example, dominance is an important leadership trait in the United States and that posture is seen by many countries although some Americans might not see this because they operate within a system that makes that value a naturally intuitive concept. A comparable value in Canada will be balance. All through Canadian history, leaders have sought to create balance between opposing views so while that will be

obvious to non Canadians, some Canadians who live in that value system intuitively act to accomplish balance without recognizing that as an important value. This will therefore be reflected in the leadership styles of most Canadians.

Why is it important to understand cherished values in relation to leadership? The financial crisis has taught us the importance of not taking this for granted. Business schools are beginning to focus on ethics and values. However, it is not certain that if certain basic values are not taught earlier either through families, churches, mosques, etc. they can be effectively imbibed at a later stage. The courage for governments to act is also affected by the extent to which those who are governed perceive their leaders reflecting the cherished values of society. Legitimacy for leaders and their ability to influence is highly influenced by the extent to which those being led consider the leaders to demonstrate their values. Formal authority alone does not guarantee legitimacy.

In assessing leaders on national or organizational level, it is important to identify and assess the congruence between a leader's values in action in relation to what is cherished by the group or citizens. While dominance is a trait that may be valued in the United States and in many US organizations, it may not be equally recognized in many societies. For example, humility in a chief or a leader and the ability to obtain consensus is what most Akans will respect from a leader. Mintzberg (2010) discusses the style of Kofi Annan at the United Nations and references the fact that his approach is more African. So where do we go from here? Organizations must assess their values and the extent to which their leaders demonstrate them. In fostering leadership development, values must become central to the discussion.



## Context

Context has been highlighted by many organizational theorists. It must not be ignored in leadership discussions. A leader who fully understands his or her context is able to effectively influence his or her team. Often, in global organizations, edicts are issued from headquarters with little understanding of how those who receive these edicts in distant lands perceive them. They therefore fail to achieve their objectives. People may have different sensibilities towards certain things which people from the headquarters organization may cherish. The size of a country, its history and culture are factors that must not be taken for granted. The leader in a country that is communitarian by nature will act differently from one in a society that cherishes independence. Consequently, issuing edicts from head office and assuming they will work everywhere else is not only naïve but undermines social legitimacy of those who issue the edicts and the credibility of local leaders.

A good leader must understand his or her context even beyond the local situation in order to achieve significant impact. Again, leaders who understand their context lead by adapting their style to meet the task at hand. Joseph provides a perfect example when he discusses what he was going to tell Pharaoh about the occupation of his family who had arrived in Egypt from Canaan (Genesis 46:31-34).

## Engagement

This refers to how a leader engages his or her people. The theories around people orientation come into play here. Each culture has its own engagement protocol. It is important for the leader to figure out the proper protocol. Again, here is where leaders fail in a more integrated world. People transport engagement protocols across cultures and situations assuming that whatever their frame of refer-

ence is will be fine. Such unconscious incompetence in engagement is not easily forgiven and it goes against legitimacy. It also impacts values as some may be viewed as disrespectful behaviour.

Effective leaders look for the relevant signals and adapt in different situations to engage properly. Communication is a key element of engagement. Communication effectiveness must be addressed in leadership development programs. This is not only referring to cultural norms and practices but also substantive communication styles that inspire or annoy those being led. Leaders must learn to listen differently as well as speak differently in order to have the most effective impact on their teams. The ability of a leader to be flexible in the way he or she engages strengthens the leader's credibility and improves the degree of favourableness in the situation. For example, among the Akans of Ghana, the position of a linguist is a very important role that provides a buffer between the chief and those who communicate with him. The linguist ensures that improper language or protocol is not carried to the chief. In much the same way a chief who does not reflect and speaks inappropriately is saved the embarrassment through the translation of the linguist to the people. This shows the degree of importance that is placed on communication. The linguist therefore plays a lot more important role than a traditional spokesperson in politics.

Engagement is further influenced by institutions and organizational structures. Thus, context and engagement interact to determine the communication style of a leader. Misreading the impact of context as it relates to engagement can have disastrous impact. While the British assumed the Anglo-Fante Alliance of the mid 1800s to mean a contractual arrangement, providing them with

powers over the Fante states in the coast, the Fantes, who are part of the Akan group, only saw that as a relationship that met their needs not a contract that transferred their power to the British. The colonial administrator at Cape Coast castle in contrast considered the demands of King Aggrey in 1865 and 1866 to be annoying and undermining to the British authority. Mr. Conran, the colonial administrator of the castle failed to appreciate that the Fantes had no contract to surrender their sovereignty to the British in the western sense. The need for freedom and independence motivated the Akans from the Old Ghana Empire to migrate to Bono Manso and later southwards as far as the coast. They were determined to resist the Islamization process that was occurring around them. Consequently, they were not going to easily surrender their sovereignty. The exile of King Aggrey of Cape Coast did not eliminate Fante resistance. The Fante Confederation introduced a more formalized opposition to British rule after the king was exiled. This continued further through clashes with the Asante culminating in the 1900 resistance led by Yaa Asantewaa (the Queenmother of Edjusu). Ghana's current national anthem is filled with words to depict the need for "freedom and right". The Cromantine Negroes (slaves) taken from Ghana exhibited similar tendencies in the new world. Had the British understood the interaction between engagement protocols, value of independence to the people, the context and history of the people, a different type of engagement could have evolved with less heart ache to both parties.

### **Renewal**

None of the elements discussed above is static. They interact and influence leadership behaviour. Different combinations of the elements may provide different outcomes. Individuals and their context may change. Values some-

times change as well. The renewal element captures the changing elements in the model and results in a new framing of leadership from the original state. It reflects the dynamism of the model and the changing context of leadership.

### **Conclusion**

Whether leaders are born with special qualities or situations give rise to the concept that leaders are important considerations. However, the model discussed above provides another lens with which the concept of leadership can be viewed. This is particularly relevant at a time where the world is highly integrated and many people work across cultures and countries. The old arguments that focused on attributes to the exclusion of situational issues or the situational approach that limited itself to narrow organizational context cannot be sustained. A fresh look at all the attributes and situational factors combines into an inclusive view that has been outlined above. The leader must wisely demonstrate shared values comprehend the essential elements of his or her context and be adaptive in the way s/he engages, while reflecting more broadly about the issue at hand and how members of the group can be influenced to achieve goals. Prudently balancing these elements will earn what can be considered to be effective leadership. What is required is further research to validate the efficacy of this viewpoint on leadership and an assessment of leadership styles and approaches based on these elements.



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## GHANAIAN WOMEN AND ENTREPRENEURSHIP

*Smile Dzisi*

### ABSTRACT

*Little is known about the factors which influence women entrepreneurs in developing countries (especially Ghana) to go into business even though majority of women in these countries are entrepreneurs. The 'Push and Pull' factor theory is used as a theoretical framework to study the motivations of women entrepreneurs in Ghana and to find out whether these motivations are similar to those of women entrepreneurs in developed countries. Interviews with 150 Ghanaian women entrepreneurs reveal that the major motivations for business ownership by Ghanaian women entrepreneurs are financial and the need for flexible hours to suit family life. The study further finds that while some of*

*the motivational factors for women entrepreneurs in Ghana are similar to the motivations of their counterparts in developed countries, the 'push' motivational factors for the women in Africa are 'pull' factors for their counterparts in developed countries and vice versa. This paper therefore suggests that research findings regarding women entrepreneurs in developed countries need to be carefully examined before being applied to developing countries.*

**Key Words:** *Motivational factors; Women Entrepreneurs; Small and Medium Enterprises; 'Push and Pull' Factor Theory*

### INTRODUCTION

**R**esearch in female entrepreneurship, mostly in developed countries, shows the growth in the number of women in Small and Medium Enterprises (SMEs). Studies have confirmed that female entrepreneurship in these countries represents an economic strength that is able to generate

both revenue and employment for the women themselves and for others (Brush et al. 2006; Coughlin 2002; Jalbert 2000). Despite such information on small business formation and the economic contribution of women in developed countries, very little is known about the motivations for job creation and business ownership among women entrepreneurs in developing countries (ILO 2000; Saffu and



Takyiwaa Manu 2004; Still and Timms 1999). Economic returns remain a major motivation factor for women to go into business (Coughlin 2002; Fielden and Davidson 2005). In the ancient days, men were the sole breadwinners, but with modernization coupled with economic hardships, the number of female headed households has increased as a result of divorce, unemployed husbands, or women having children outside marriage.

Ghana is one such developing economy in Africa where women seek self-employment as a means to participating in the economy. The majority (85% percent) of the Ghanaian female labour is in self-employment (Ghana Statistical Service 2002). Britwum, Ghartey and Agbesinyale (2006) found that in addition to the Ghanaian women's traditional responsibilities of performing household chores and looking after the family, they engage in various productive ventures which contribute to economic growth. Other studies also identified that although most of these Ghanaian women contribute greatly to the nation's economic growth through entrepreneurial activities in diverse ways, there is little information available on them (Buame 2000; Chamlee-Wright 1997; Saffu and Takyiwaa Manu 2004).

Using the 'Push and Pull' factor theory as a theoretical framework, this study explores the factors which influence women in Ghana to go into business. This study specifically focuses on women entrepreneurs in SME in Ghana. The study also attempts to find out whether the reasons for business ownerships by women entrepreneurs in developed countries as highlighted in the literature are similar to the motivations of their counterparts in developing countries.

### **Motivations for Business Ownership**

One of the key pillars of successful entrepreneurship, which is frequently researched, is the motivations for business ownership. Many previous studies (Bennet and Dann 2000; Brush 1992; Fielden and Davidson 2005; Moore 2000; Moore and Buttner 1997) indicate that a combination or range of factors, rather than any single factor alone, provides the impetus for entrepreneurs to create their own business ventures. For instance, psychological motivations such as achievement, independence, and locus of control have been widely investigated with regard to their influence on business start-up (Lerner et al. 1997). Economic motivators include economic necessity, a path to material independence and greater control over the products of labour (Bennet and Dann 2000; Carter 2000). In addition, dissatisfaction with circumstances can describe a combination of factors including disillusionment with career, perceived lack of career opportunities, the glass ceiling, flexible work patterns and the challenge of business ownership (Carter et al. 1997; Hisrich and Brush 1983). Female entrepreneurship scholars (Bennet and Dann 2000; Brush et al. 2006) normally explain women's motivations for business ownership in two thematic dimensions: extrinsic motives including dissatisfaction over employment, and intrinsic motives involving desire for independence and ability to balance work commitments with family responsibilities. Kjeldsen and Nielsen (2000) also found that women primarily tend to choose to become self-employed primarily for intrinsic reasons.

In theorizing why women venture into enterprise formation, a number of researchers have found it more useful to explain motivations under the categories of 'push and pull' factors (Coughlin 2002; Fielden and

Davidson 2005; Soutar and Still 2000). These findings rest on the premise that personal and external circumstances, both positive and negative, may impact on a woman's decision to create her own enterprise. According to these scholars (Fielden and Davidson 2005; Franco and Winqvist 2002; Kjeldsen and Nielsen 2000), negative factors push women to consider entrepreneurship while positive factors pull or attract them. These researchers argue that 'push' factors include economic necessity, lack of childcare facilities, unacceptable working conditions, rigid hours, the wage gap between women and men, occupational segregation, job frustration such as the 'glass ceiling' blocking advancement, and hostile corporate environments or disillusionment with traditional employer/employee relationships. Positive factors 'pulling' women into entrepreneurship include market opportunity, ambition, experience, an interest in a particular area of activity, social objectives, contacts, a need for flexible hours, greater income and financial independence, a desire for autonomy, personal growth and increased job satisfaction.

However, an extensive review of the literature indicates that the determinants of the triggers that push and pull are not always clear. For instance, 'push' factors are classified as those positions where a woman has little choice: she is 'pushed' into a decision or situation of owning and operating a business, whether by herself or with family or others. 'Pull' factors on the other hand are considered attractive options for women: they are drawn to brighter prospects and generally have control over their decisions to establish a business. These 'push and pull' factors have been found to be the major motivations for women entrepreneurs all over the world and recommended for the study of the motivations of women

entrepreneurs (Coughlin 2002; Fielden and Davidson 2005; Moore 2000; Starcher 1999).

### *'Push' Factors*

According to the 'push and pull' factor theory, one of the universal motivations 'pushing' women into starting their own business ventures is financial: economic necessity and the need to generate income. Coughlin (2002) observed that in all countries women are at an economic disadvantage compared with men. Societal norms still discount women as the primary breadwinners in the family. But, with the increase in divorce and women heading single-parent households, in many cases they are the primary breadwinners. Coughlin's observation is particularly valid in the developing world context, where it is common for one man to father numerous children without providing economic support to any of the offspring. Coughlin (2002) further identified in the context of developing countries that decreasing opportunities for men to earn a family wage have made many women less able to depend on customary forms of male support. In many cases male expectations that women will contribute to the family income pool have increased.

Also, women in developed countries, as in the rest of the world, are pushed by economic motivation to start business ventures (Fielden and Davidson 2005). Many women are 'pushed' into whatever market economic activity they can take up. The changing nature of government programmes, coupled with the lack of opportunity for entry-level work in developed countries, has led many women to view entrepreneurship as the best way out of the permanent cycle of poverty. Although the economies of the United States and Western Europe have created millions of new jobs in recent years, women have found that entry-



level positions often do not pay enough to provide the basic necessities. As a result, many women have rejected government assistance, started a new job, and at the same time, launched a new business (Coughlin 2002). In some countries that are undergoing transition, researchers (Fielden and Davidson 2005; Moore 2000) found that unemployment and the lack of other economic options is the major factor that 'pushed' women into business ownership. Statistical data broken down by gender are scarce in the transition economies, but evidence there suggests that women, who are particularly affected by the privatization of state-owned industries and the structural unemployment resulting from the transition to market economies, are increasingly turning to entrepreneurship. One can conclude from the 'push and pull' theoretical perspective that the economic motivation for women to start businesses has grown out of financial conditions that have 'pushed' or forced women to find alternative methods for generating income.

Also, other motivational factors such as unacceptable working conditions, wage gap between men and women, job frustration and dissatisfaction in previous employment have all been labelled by researchers as 'push' factors which move women into business ownership (Carter, Anderson, and Shaw 2001; Wirth 2001). Moore and Buttner (1997) argued that a possible 'push' factor which influence women to leave their previous employment and pursue a business venture was slow career progression. Female entrepreneurship literature has suggested that most formal workplaces are male dominated and characterized by 'invisible barriers' and 'glass ceilings', which limit female advancement in the corporate world (Moore 2000; Moore and Buttner 1997).

### *'Pull' Factors*

The motivators embedded in the 'push and pull' factor theory which are classified as 'pull' factors are the need for flexible hours, lack of childcare facilities, market opportunity, personal growth and increased job satisfaction. (Coughlin 2002; Moore 2000). Coughlin (2002) pointed out that before the Industrial Revolution, families generally lived and worked in the same place. Men and women worked together in the family farm and they operated as a unit. Families were physically close, and so they had a built-in support mechanism in the case of sick children, an ageing parent, or family crises. The schedule that is imposed on working mothers makes it nearly impossible to respond to the personal needs of a family. By starting their own businesses, women are creating an environment where they are in control of where they work, how they work, and when they work. Although they often work as many hours or more than they did when employed, they are more in control of their time and they can work their businesses around the needs of their families instead of the other way around. Coughlin's interview of some women entrepreneurs in the United States reflects the sentiment of millions of women entrepreneurs who are starting businesses because of their desire to find balance between work and home. Frustrated by their need to work, but unwilling to accept the terms of employment, many women have struck out on their own (Moore 2000).

Researchers (Coughlin 2002; Fielden and Davidson 2005) in Australia as well as in the US, Canada and the UK also confirmed that women balance family responsibilities with productive employment by starting their own businesses or engaging in family businesses which allow them a degree of flexibility for

their other responsibilities. Family responsibilities invariably refer to children and unpaid domestic work, and for many African women the lines between business and home duties are blurred. Earlier, Evans (1984) found that married women are more likely to be entrepreneurs and those with children are more likely to start their own businesses because self-employment gives them time flexibility. In addition to time flexibility, another study indicated that many Asian women started up business ventures because of time flexibility as they wished to balance productive work with family responsibilities (Ip and Lever-Tracy 1992).

Another category of motivators classified as 'pull' factors or 'pulling' women into entrepreneurship are desire for autonomy, to control one's destiny and the need to be personally fulfilled (Franco and Winqvist 2002; Kjeldsen and Nielsen 2000; Sotitar and Still 2000). Many women entrepreneurs start their businesses to achieve self-fulfillment and the desire to be in control of their destiny. Often self-fulfillment will keep women entrepreneurs in business even when they would gain more economic benefit working for someone else. The desire for self-fulfillment is particularly strong for women; since many societies give women little respect for their accomplishments and abilities, women crave an opportunity to create their own self-respect (Brush et al. 2006; OECD 2004). Extensive research into the characteristics of women entrepreneurs has established that those women high in need for achievement are thought to have a general orientation toward certain types of goals, entrepreneurial activity being one. Also, personal growth and self-determination- not attaining great wealth and building large operations always rank high as motivating factors among women who have

started their own businesses (Moore 2000; Starcher 1999).

In conclusion, it is evident in the literature that no single factor motivates a woman to become an entrepreneur. A woman entrepreneur's reasons depend upon several personal and external circumstances. Reasons also vary from country to country, which emphasizes that female entrepreneurship is cultural or context bound, though some of the reasons overlap among countries.

## METHOD

For the purpose of this study Moore and Buttner's (1997: 13) definition of women entrepreneurs was used. They defined a female or a woman entrepreneur as '**a woman, who has initiated a business, is actively involved in managing it, owns at least 50 percent of the firm, and has been in operation one year or longer**'. The OECD (2004) endorsed this definition, and it was successfully used in women's entrepreneurship studies (Butler 2003). In this study, all the participants had businesses that were more than one year old and younger than ten years old at the time of the interview, in order to minimize the effects of retrospective recall difficulties.

Because there is very little research on understanding and explaining why women in Ghana go into business, a qualitative research method was extensively used. The cluster sampling technique was used to obtain a sample size of 150 Ghanaian women entrepreneurs. Each of the ten regions in Ghana represented a cluster. A simple random sample of five (5) regions was selected out of the ten (10) regions. A total sample size of 150 women entrepreneurs (30 from each region) were obtained for the research from the five regions: Brong Ahafo, Greater Accra, Eastern, Volta and



Central using simple random sampling. The sample was selected primarily from the database of women entrepreneurs from the Regional offices of the National Board for Small Scale Industries (NBSSI) in the five selected regions. The NBSSI is Ghana's governmental body in charge of Small and Medium Enterprises (SMEs).

While there are various methods for collecting data in qualitative research, interviews, in their various forms, is the most widely used method (Neuman 2006). The purpose of a qualitative research interview has been defined by Kvale (1996) as attempting to understand a topic from the subject's viewpoint, and to unfold the meaning of people's experiences, to uncover their world. Semi-structured interviews were conducted because they are considered to be a good method of gaining people's perceptions (Neuman 2006).

150 interviews were conducted in various locations in major business cities in the five selected regions in Ghana. All interviews were conducted face-to-face by the author. An interview schedule was altered as factors that were important to the participants emerged and these revisions were included in subsequent interviews. The adjustment of interview schedules enabled a 'better understanding of the setting' (Huberman and Miles 1994: 431). The questions were designed to gauge individual opinions and therefore were broad and open-ended. Interviews ranged in time from 50 minutes to over three hours. Most interviews lasted approximately 90 minutes and questions were mainly framed around the women's reasons for creating their own business ventures.

Some of the questions asked related to the satisfaction of the women in their prior

employments, and whether the need for flexible working hours and the lack of childcare facilities in previous employment are possible factors which 'pull' women entrepreneurs in Ghana to create their own business ventures. A series of questions was asked to explore the financial and personal reasons for the women creating their own ventures. All interviews were tape-recorded and transcribed, and the resulting transcripts were coded according to themes.

The basic tool or means selected for the qualitative data analysis in the interpretative framework was content analysis. According to Titscher et al. (2000: 55), content analysis is 'the longest established method of text analysis among the set of empirical methods of social investigation.' According to Babbie (2001: 309), content analysis is the study of recorded human communications; it is 'essentially a coding operation' with coding being 'the process of transforming raw data into a standardized form'. Content analysis is especially important when a study seeks to generalize results, as was the case in this study. It has also been proved in literature that qualitative content analysis is a useful tool for analyzing interview data material (Yin 2003). The benefits and relevance of its usage were also identified by Kohlbacher (2005). One of the strengths of qualitative content analysis is its openness and ability to deal with complexity. Qualitative content analysis takes a holistic and comprehensive approach towards analyzing data in a step-by-step process. The procedures of summary, explication and step-by-step structuring reduce complexity and filter out the main points of analysis in an iterative process. Also, content analysis ensures theory-guided analysis, as was the case in this research. Theory-guided analysis offers the chance to compare and complement the primary data

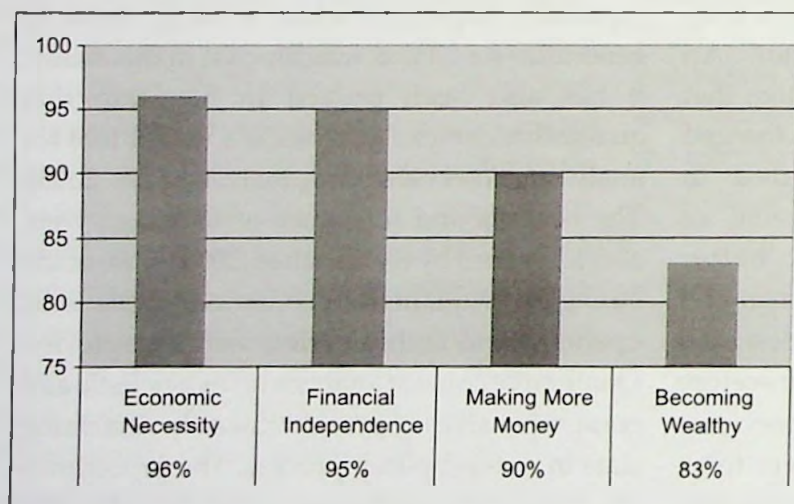
collected within the research project with secondary data collected from literature. Content analysis enabled the findings in this study to be compared with existing theories and past studies of women entrepreneurs' motivations for business ownerships.

## RESULTS

### *Financial Motivations for Business Ownership*

Economic motivations were very significant in the Ghanaian women entrepreneurs' decisions to create their own ventures. As shown in figure 1, financial drivers such as economic necessity (96%); financial independence (95%), making more money than otherwise likely (90%); and becoming wealthy (83%) were crucial factors to the women and were ranked as the most important reasons for business ownership.

**Fig. 1 Financial Motivations for Business Ownership**



The interviews revealed that most of the women were pushed into business to generate income to provide for themselves and their families, especially their children's education. As one of the interviewees explained:

*Because I want my children to attend the best school in the city and reach the highest pinnacle, I have to create my own venture to earn more money.*

*My husband is a teacher and his salary alone cannot cater for us.*

Another unanimous explanation of the financial reason given for venture creation by all the interviewees was that self-employment is far more lucrative than paid employment. Their observations of society showed that entrepreneurs are far richer than those in paid employment, hence, the high rating (90%) of the financial reason 'to make more money than otherwise likely'. Also, some (40%) of the women interviewed were affected by redeployment and redundancy programmes. Financial reasons were extremely important to this group of women who chose the path of entrepreneurship to generate income. These findings were not very surprising since one of the universal motivations for women business ownership, particularly in developing countries as cited in literature, is the need to generate income (Coughlin 2002).

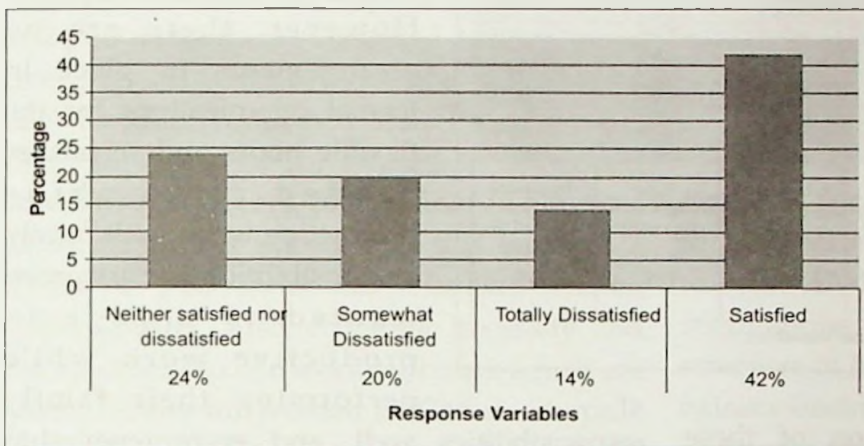
### *Dissatisfaction in Prior Employment*

Dissatisfaction in previous employment has been suggested by many earlier researchers (Carter, Anderson, and Shaw 2001; Wirth 2001) as a 'push' factor that moves women into business ownership. Hence, questions relating to satisfaction of the women in their prior employment were asked. The result as presented in figure 2 indicated that the majority (24%) of the women entrepreneurs were neither satisfied nor dissatisfied with their previous employment. Whilst some (20%) said they were somewhat



satisfied in their previous employment, few of the respondents (14%) were definite that they were totally dissatisfied. Thus, whilst dissatisfaction in previous employment is a contributing factor for some women to engage in their own businesses, this study found that it is only a minor factor in pursuing entrepreneurship by Ghanaian women. These findings on dissatisfaction in previous employment contrast with those findings of similar studies on women entrepreneurs in developed countries (Hisrich and Brush 1986; Moore and Buttner 1997; Wirth 2001).

**Fig. 2 Dissatisfaction in Prior Employment**



**Business Motivations for Business Ownership**

This study also found that business reasons were highly significant to these Ghanaian women entrepreneurs in their decisions to create ventures. Apart from the personal reasons outlined above, these women entrepreneurs' motivations for business ownership were to create the best business (89%), to do the kind of work they preferred (87%), to take advantage of an opportunity (85%), to be able to use their skills (85%), to be recognized for their skills (75%), and to provide a unique product or services (64%) as shown in figure 4. This result implies that these women purposefully create innovative business

ventures from identification of market opportunity and out of sheer ambition.

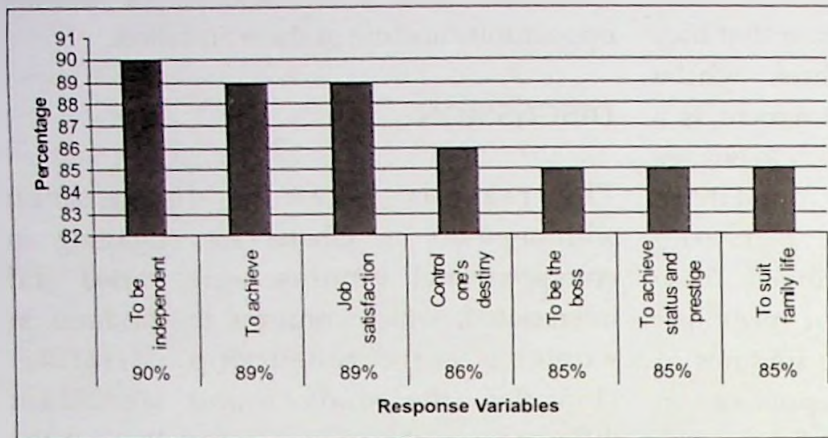
**DISCUSSION**

The reasons given by the women entrepreneurs in Ghana for engaging in entrepreneurial ventures were varied and interrelated, which confirms the findings in women's entrepreneurship literature. However, the study found significant differences in the trigger factors that set the Ghanaian women entrepreneurs on the path of entrepreneurship. The key reason why these Ghanaian women entrepreneurs went into

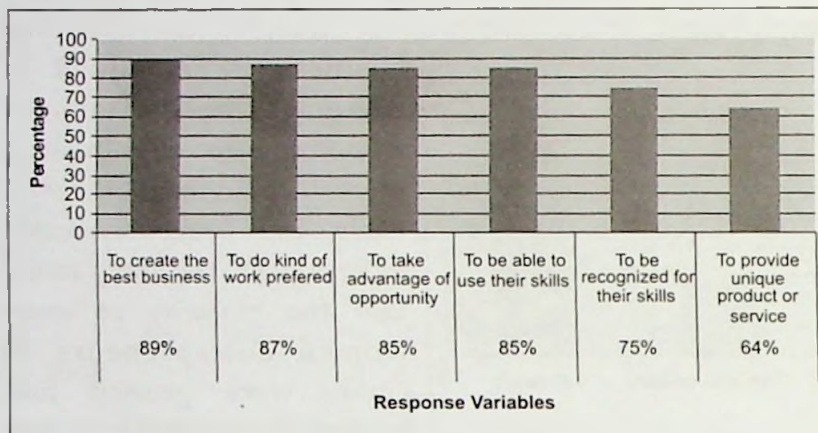
business is embedded in financial motivations of economic necessity, making more money than otherwise likely and being financially independent. The study found that the majority of these women entrepreneurs in Ghana were 'pushed' into business as a result of economic necessity to supplement family income by providing resources to sustain themselves and their

families, especially their children's education. The women pointed out during the interviews that decreasing opportunities for men to earn enough to support the family, coupled with the high cost of living and education in Ghana, amongst other reasons, have made many women in Ghana less able to depend on the customary forms of male support. Also, evidence from the study suggests that even where these women's partners or spouses earned enough to take care of the family, some women pursued self-employment to gain financial independence from their spouses or parents in order to have their own money to spend.

**Fig.3 Personal Motivation for Business Ownership**



**Fig. 4 Business Motivation for Business Ownership**



Another unanimous explanation of these Ghanaian women entrepreneurs' financial motivations for venture creation was their perception of self-employment as being more financially lucrative than paid employment. Financial reasons were also extremely important to women who were affected by redeployment and redundancy programmes in their former workplaces, and had to choose the path of entrepreneurship in order to generate income to cater for themselves and their families.

No evidence suggests that women entrepreneurs in Ghana face any discrimination in the labour market, but, rigid organizational regulations (which do not have

any flexible allowance for catering for family responsibilities by women) and advanced educational qualifications (which is a major criterion for promotion and career progression in Ghana) were factors for some women in leaving paid mainstream employment and pursuing business ownership. Family responsibilities, which include care of children and domestic duties, are the primary responsibilities of women in Ghanaian society. However, there are no arrangements in place in formal organizations for the flexible hours and schedules needed to combine productive work with family responsibilities. These women wanted to engage in productive work while performing their family

responsibilities well, and entrepreneurship gave them the opportunity to do this. Engagement in their own businesses allowed them the freedom and flexibility to meet their family responsibilities and work on their businesses without any rigid regulations or time restrictions.

Personal fulfillment and self-worth were also seen as very important in their decision to start a business. The overriding factors that emerged were a combination of the need to be independent, to achieve, job satisfaction, to control one's destiny, to be the boss, to achieve status and prestige. Additionally, the study identifies that apart from financial and personal reasons, the women entrepreneurs in



Ghana created their own ventures in order to satisfy their entrepreneurial spirit, which is to do the kind of work they prefer or cherish, to be able to express their innovative skills and to be recognized for these skills.

It is clear from the findings that many varied and interrelated reasons were given by the women entrepreneurs in Ghana for engaging in entrepreneurial ventures. However, the common motivational themes that emerged can be classified into four broad categories in order of importance: financial, compatibility with family life, personal, and the opportunity to engage in one's own business. It was observed that while the exponents of the 'push and pull' factor theory classified dissatisfaction over previous employment as a 'push' factor and findings confirmed that it is a major motivational factor for women in developed countries (Brush et al. 2006; Moore and Buttner 1997), this study shows that this factor is a minor or 'pull' factor for Ghanaian women entrepreneurs. Also, economic necessity and the need for flexible working hours which are 'push' factors for women in Ghana are 'pull' factors for women in developed countries. These differences partly reflect the fact that economic development and social structure vary widely in different economies, and for Ghana, as a low income country, it is not surprising that the women's priority is to generate an income. However, it is apparent from the literature and this study that women entrepreneurs worldwide have a common motivation, which is self-fulfillment and economic empowerment that comes with gaining control over their lives, being in charge of their own fate and having freedom and flexibility. These reasons appear to be a hallmark of successful entrepreneurship.

As with any research, there are limitations that

should be noted. In this study, the sample size may be considered by researchers in the positivist tradition to be a potential limitation. In studies with a larger sample size more comparisons could be made between groups (such as age and educational background of participants, number of children). In qualitative research of this nature, data reduction is a necessary yet difficult task. In this study, while every effort is made to voice the participants' views, it is rather the researcher's own interpretation of what appeared important to participants that elicited ultimate discussions in this paper.

## CONCLUSION AND RECOMMENDATIONS

The findings from this study show that it is no single factor, but rather a combination of financial, personal, business and social factors that motivate Ghanaian women entrepreneurs to create their business ventures. And, these motivations are embedded in the social structure of family relations creating a need to balance business, self and the rest of the family and home responsibilities while generating an income to ensure the well-being of the family. This study suggests that women in developing countries are taking their economic future into their own hands and are no longer dependent on the customary forms of male support. Support for improving and strengthening the Ghanaian women entrepreneurs' labour and human resource management will be needed as these women grow their businesses. Other areas of future policy interest should include encouraging and supporting women entrepreneurs to access mainstream business training and identifying special areas of training that they need. Also, to improve on the economic contributions these women make to the country, illiterate women entrepreneurs

should attend evening classes in at least basic education to be able to read newspapers and other business journals to understand how the market works. With such knowledge, they will be proactive in what they do and be able to compete fairly with their counterparts. Otherwise, we will be leaving behind a significant proportion of potential business labour force, which will have adverse consequences on the economy. Research is needed not only to understand the training needs of women entrepreneurs, but also to take into consideration easier and more convenient access to training given their time constraints and family responsibilities. In addition, training and support of women entrepreneurs in SMEs who are engaging or intending to engage in international trade and globalization is another area that needs the attention of policy makers and training institutions.

Motivators that have been found to be 'push' factors for women entrepreneurs in developing countries appear to be 'pull' factors for women entrepreneurs from developed

countries. For instance, in developed countries such as USA and Australia, independence, self-fulfillment, achievement and desire for recognition by others ranked higher or was prioritized as the primary motivation for going into entrepreneurship (Moore 2000; Saxon 2003), whereas in transitional and developing countries economic reasons ranked higher. It is, therefore, suggested that research findings regarding women entrepreneurs in developed countries need to be carefully examined before being applied to developing countries. As noted in the literature review, there is limited research on women entrepreneurs in developing countries motivations for business ownerships. This research therefore provides many worthwhile avenues for further research. While some studies have been conducted, these have not focused on the background of women entrepreneurs in Africa and the resources available to them. It is suggested that more could be done in these areas to provide more insight and gain understanding of female entrepreneurship in Africa.



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## FINANCIAL MARKET EFFICIENCY UNDER THE INTEREST RATE REFORM POLICY IN GHANA: THEORY, MODEL & EMPIRICAL ANALYSIS

*Anthony K. Ahiawodzi*

### *Abstract*

*This paper sets out to evaluate the level of financial market efficiency under the interest rate reform policy (interest rate liberalization policy) in Ghana from 1988 to 2004. In line with this objective, a model has been specified and estimated. The results of the study revealed that the interest rate liberalisation policy has not yet succeeded in correcting the financial market inefficiency or distortion in the country*

*between 1988 and 2004, even though there has been a fair improvement as compared to the pre-reform period. There is therefore the need to intensify efforts to significantly reduce the inflation rate for a corresponding reduction in the interest rate, in order to minimize or eliminate the level of financial market inefficiency, which is necessary for efficient mobilization and allocation of financial resources in the country.*

### INTRODUCTION

The Ghanaian financial sector like the real sector of the economy suffered from the distorted macroeconomic policies that prevailed in the 1970s and early 1980s, and deteriorated immensely. Cheap credit was directed to the favoured borrowers, mostly the public sector itself at the expense of economic efficiency and productive investment. As a result, financial intermediation (the main function of the financial system) in the

economy declined as people abandoned banking system deposits that yielded negative real rates of return.

Money supply increased very fast during the period 1970 to early 1980s. For example, in 1972 broad money rose by over 41 percent (from 473.9 million Cedis in 1971 to 666.2 million Cedis in 1972, and between 1972 and 1978, the average rise was about 41 percent with a peak of 68 percent in 1975 and 50 percent in 1981 (ISSER 1993: 27). Since money supply was

increasing and quite out of hand, monetary/financial policy at the time was geared towards achieving economic stability, achievement of financial mobilisation and allocation. Credit and interest rate policies were used to achieve these objectives. The prevailing interest rates were administered. The Central Bank (Bank of Ghana) set both the lending and deposit rates based on the Bank of Ghana discount rate. These rates were rarely adjusted and kept down low (interest rate repression) apparently to stimulate investment in accordance with Keynesian and Neoclassical theories of investment, and also possibly to reduce the cost of interest rate payment to the financial institutions and the private sector by the government. Deposit rates varied between 3.5 to 17.58 percent and, lending rates from 10 to 25.5 percent from 1970 to 1987 (see Table 1a).

Another factor that adversely affected the efficiency of the prevailing interest rates was rising inflation rates. As the adjustments of the nominal interest rates lagged behind changes in the expected inflation rate, the real interest rates remained persistently negative. For example in 1971, real deposit rate was 0.5, -109 in 1977 and 113 in 1983, while the corresponding real lending rates for these years were 6.5, -104.0 and 103.8 respectively. Consequently, financial resources flowed into inflation hedges and holding of foreign currency and assets. Thus, financial deepening of the economy which was as high as 29.8 percent in 1976 declined remarkably to 13.2 percent in 1983, and shot up a little to 17.8 percent in 1987.

In order to address the distressed or distorted financial market that prevailed in the 1970s through early 1980's, the interest rate liberalisation (deregulation) policy was

launched in September, 1987 as one of the major components of the Economic Recovery Programme (ERP) started in 1983 (Aryeetey et al. 2000). The interest rate reform policy was meant to permit interest rates to move closer to the market-clearing rates, in order to eliminate the level of financial market distortion (inefficiency).

Ever since the launching of the interest rate liberalisation policy, both nominal and real interest rates for both deposit and lending rates have been fluctuating widely and causes concern.

The main objective of the research therefore, is to evaluate the efficiency of the financial market under the interest rate liberalisation policy in Ghana from 1988 to 2004. The specific objectives are to:

- Determine the level of financial market efficiency during the pre-interest rate liberalization period (1970-1987);
- Determine the level of financial market efficiency during the interest rate liberalization period;
- Compare the pre- and post interest rate reform levels of financial market efficiency and
- Analyse the policy implications.

The paper is divided into six sections. After the introduction, we examine briefly the elements of the interest rate policy reform in Ghana in section two. Section three addresses both theoretical and empirical literature on the topic. The methodology for the study is taken up in section four. It includes portions on model specification, econometric techniques



and sources of data. Section five presents the empirical results and their interpretation, while section six deals with conclusions and policy implications of the study.

Table 1a. Selected Financial Market Indicators in Ghana, 1970 to 1987

YEAR	NDR	NLR	FR	RDR	RLR	DLRS%*	FD
1970	3.5	10.0	3.0	0.5	7.0	187.7	18.8
1971	7.5	14.5	8.0	-0.5	6.5	93.33	18.9
1972	7.5	14.5	10.8	-3.3	3.7	93.33	23.6
1973	5.0	10.0	17.1	-12.1	-7.1	100.0	22.7
1974	5.0	10.0	18.8	-13.8	-8.8	100.0	21.8
1975	7.5	12.5	29.8	-22.3	-17.3	66.7	26.8
1976	7.5	12.5	55.4	-47.9	-42.9	66.7	29.8
1977	7.5	12.5	116.5	-109.0	-104.0	66.7	27.2
1978	11.5	19.0	73.1	-61.6	-54.1	65.22	24.3
1979	11.5	19.0	54.5	-43.0	-35.5	65.22	20.9
1980	11.5	19.0	50.1	-38.6	-31.1	65.22	20.4
1981	11.5	19.0	116.5	-105.0	-97.5	65.22	18.8
1982	11.5	19.0	22.3	-10.8	-3.3	65.22	19.8
1983	11.5	19.0	122.8	-111.3	-103.8	65.22	13.2
1984	15.5	21.17	39.0	-23.5	-17.83	36.58	12.5
1985	15.75	21.17	10.4	5.35	10.77	34.41	16.0
1986	17.0	20.0	24.6	-7.6	-4.6	17.65	16.5
1987	17.58	25.5	39.8	-22.22	-14.3	45.05	17.8

Sources: International Financial Statistics (various issues);  
The State of the Ghanaian Economy (various issues);

#### Author's Calculations

$$* DLRS\% = \left( \frac{NLR - NDR}{NDR} \right) 100$$

NDR = Nominal deposit rate

NLR = Nominal lending rate

RDR = Real deposit rate

FR = Inflation rate

RLR = Real lending rate

DLRS = Deposit-lending rate spread

FD = Financial deepening (see Appendix 1 for definition of the variables)

## INTEREST RATE LIBERALISATION POLICY

The Ghanaian financial system like that of most developing countries is fragmented. There exist both formal (organised) and informal (unregulated) markets giving rise to what is called "credit dualism". The informal sector comprises susu groups, money lenders and petty traders, providing financial or credit services to the people.

In the formal sector, we have the Central Bank (Bank of Ghana) as the apex bank overseeing monetary and financial transactions of the units in the sector. The sector includes; Commercial banks, Development banks, Merchant banks and rural/community banks. Also found in the formal financial sector is the non-bank financial institutions (NBFIs) which include the Stock Exchange, Leasing Companies, Credit Unions, Building Societies among others.

Even though the need to introduce some flexibility into the determination of the prevailing interest rates in Ghana was realised in 1983, the actual reform policy started in 1988. The interest rate liberalisation policy involved the deregulation of interest rates (both deposit and lending

rates) in order to reduce the high level of the financial market distortion, and to encourage competition among the banks. Consequently, financial intermediation would improve, leading to increased mobilisation and allocation of resources in the financial sector in particular and in the economy as a whole. Thus, the prescription of Commercial banks' borrowing and lending rate ceased, except for savings deposit rate which was temporarily maintained at 21.5 percent. By March 1989, the commercial banks were given the full authority to determine their own rates and display them in their banking halls. Furthermore, in November 1990 the 20 percent mandatory lending to agriculture was abolished, and by the beginning of 1991, the Ghanaian financial sector was highly liberalised.

As a result, the nominal deposit rate increased from 16.5 percent in 1988 to 33.50 percent in 1997, and there after has continued to decrease reaching 10.35 percent in 2004. The nominal lending rate also shot up from 25.58 percent in 1988 to 47.0 percent in 1997, and fell to 28.75 percent in 2004. The corresponding real deposit rates were 14.9 percent in 1988, 5.7 percent in 1997 and 2.25 percent in 2004. While the real lending rates were 5.82 percent in 1988, and 16.15 percent in 2004 (see Table 1b).

Financial deepening unlike the pre-FINSAP period, has fairly assumed an increasing trend during the FINSAP period (1988-2004), despite the fluctuating rates as we see in Table 1b.

Table 1b. Selected Financial Market Indicators in Ghana, 1988 to 2004

YEAR	NDR	NLR	FR	RDR	RLR	DLRS%*	FD
1988	16.5	25.58	31.4	-14.9	-5.82	55.03	14.7
1989	16.0	30.25	25.2	-9.2	5.05	89.06	16.9
1990	19.0	30.3	37.1	-18.1	-6.8	59.47	13.4
1991	21.32	31.5	18.0	3.32	13.5	47.75	13.4
1992	16.32	29.0	10.1	6.22	18.9	77.70	19.2
1993	23.63	34.5	25.0	-1.37	9.5	46.00	16.9
1994	23.15	35.0	24.9	-1.75	10.1	51.19	18.6
1995	28.73	36.0	59.5	-30.77	-23.5	25.30	17.6
1996	32.28	41.5	46.6	-14.32	-5.10	28.00	19.4
1997	33.50	43.0	27.8	5.70	15.20	28.00	18.0
1998	23.30	38.50	14.6	8.70	23.90	65.00	22.7
1999	17.11	36.50	12.43	4.68	24.07	113.00	22.0
2000	27.61	47.00	25.6	2.01	21.40	70.00	23.3
2001	18.22	43.75	32.9	-14.68	10.85	140.00	20.7
2002	13.38	36.36	14.8	-1.42	21.56	171.00	24.7
2003	12.45	32.75	26.7	-14.25	6.05	163.00	25.1
2004	10.35	28.75	12.6	-2.25	16.15	177.00	26.3

Sources: International Financial Statistics (various issues); The State of the Ghanaian Economy (various issues);

Author's Calculations

$$** DLRS\% = \left( \frac{NLR - NDR}{NDR} \right) 100$$

NDR = Nominal deposit rate

NLR = Nominal lending rate

RDR = Real deposit rate

FR = Inflation rate

RLR = Real lending rate

DLRS = Deposit-lending rate spread

FD = Financial deepening (see Appendix 1 for definition of the variables)



## LITERATURE REVIEW

### Theoretical Literature

#### The Neoclassical and Keynesian Theories

Until 1970s, the mainstream theoretical literature on interest rates, savings and investment was underpinned by Neoclassical and Keynesian schools. The Neoclassical school was founded in the 1870s, by Leon Walras, Kenneth Arrow and David Starret, and the Keynesian school was powered by John Maynard Keynes in 1939. These two schools advanced the argument that interest rate and investment vary indirectly, based on the implicit assumption that the cost of capital and not the availability of loanable fund is the binding constraint for capital accumulation. In line with this, the policy of low interest rates was implemented by most developing countries in order to accumulate sufficient capital, via productive investment for rapid economic growth. It is in this respect that Raj (1948) reiterated that, since investment is a desideratum in the LDCs it needs be promoted by reducing interest rates.

#### The Repressionist School

McKinnon (1973) and Shaw (1973) provided theoretical models to criticise the supposed wisdom of keeping interest rates very low in countries, especially LDCs and hence the repressionist school. The McKinnon and Shaw (1973) hypothesis suggests that the level of financial intermediation should be closely related to the prevailing level of real interest rates, because the level of real interest rate, when held below their normal competitive levels, indicates the level of interest rate or financial repression (Gregorio and Guidoli 1995). Financial repression especially under inflationary conditions stimulates demand for physical wealth as well as capital flight. According to this repressionist view a positive real interest rate stimulates financial savings

and financial intermediation, thereby increasing the supply of credit to the private sector. This in turn stimulates investment and economic growth. Thus, positive real interest rates that are consistent with the equilibrium interest rates make the allocation of investible funds more efficient, thereby providing positive effect on economic growth. This school therefore favours interest rate liberalisation within an economy, and so largely underlies the interest rate reform policy in Ghana. Among the supporters of the 'Repressionist' school in slightly modified forms (see Fry 1988) include; Kapur (1976a), Galbis (1977), Fry (1980a, 1980b), Mathieson (1980b), Romer (1986, 1990), Lucas (1988), De Gregorio (1993), and Levine (1993).

#### The Neostructuralist School

The Neostructuralist school was formulated in the early 1980s. Prominent economists in this school include Wijnbergen (1982, 1983a, 1983b), Taylor (1983), Kohsaka (1984), and Buffie (1984), who launched attack on the McKinnon-Shaw (1973) school of thought for failing to recognise the negative impact of the high real interest rates on costs. They maintain that increasing interest rates would lead to a cost-push inflation, and become counter productive. According to them, the nominal interest rate which is determined in the curb or informal market, adjusts to equate demand for and supply of money and credit. Income then adjusts to equilibrate the demand for and supply in the goods market.

They maintain further that funds flow freely between the banking system and the curb market; savers and investors can use either market at least to some extent. Thus, the relevant interest rate in the Structuralist models is the curb market rate (Fry 1995). Hence their models provide an intellectual justification for financial repression.

### **Market Failure or Imperfect Information School**

This is a slightly different kind of school from the neostructuralist theory, which runs counter to the McKinnon-Shaw (1973) model. The Market Failure or Imperfect Information School spear-headed by Stiglitz in the early 1980s, emphasises market failures as a principal cause of poor financial markets (Stiglitz and Weiss, 1981; Stiglitz, 1989; Stiglitz, 1994). It goes to emphasise that high transactions costs due to imperfect information and difficult contract enforcement lie at the root of these market failures, inhibiting the ability of interest rates to achieve market equilibrium. There is therefore the need for governmental intervention for a smooth running of the financial market.

Thus, Stiglitz (1994) suggests that "there exist forms of government intervention that will not only make the markets function better but will also improve the performance of the economy".

### **Empirical Literature**

The main stream empirical literature attests to the fact that the level of financial market inefficiency reduces as the persistently negative real interest rate turns positive during the process of interest rate deregulation. Generally, the empirical works on the effectiveness of interest rate liberalisation policy in a nation are methodologically based on negative and positive real interest rates. All these works maintain that the level of financial market inefficiency reduces as the persistently negative real interest rates turn positive during the liberalisation period. Consequently, an interest rate reform process may stimulate savings, investment and economic growth. We note some of these studies as follows:

Vogel and Buser (1976) tested the repressionist hypothesis for 16 Latin American countries using pooled time-series data for the period 1950 to 1971. As proxies for financial deepening, they used three indicators, namely, currency in circulation, demand deposits and time deposits, each expressed as a ratio of GDP. They developed two regression equations. In one, the independent variables were the current and one-period lagged values of the actual rate of inflation and real GDP. In other, a simple average of the two period values of the independent variables were used. Their findings were that, inflation had a consistently significant and negative effect on financial deepening and moreover, the low elasticities for currency in circulation and demand deposits strongly supported the McKinnon and Shaw (1973) view that financial repression may proceed to the point where the willingness to hold those assets that are used for transaction are no longer very responsive to inflation because of the high cost of reversion to barter.

Lanyi and Saracoglu (1983) in a sample of 21 developing countries between 1970 and 1980, using regression analysis have shown that liberalised financial (specifically interest rate) policies have led to positive real interest rates. As a result, financial savings have significantly improved.

World Bank (1983) employed the methodology of negative and real interest rates to classify a sample of 31 countries according to their degree of distortions in the financial markets. The degree of distortions is defined as being high when the real interest rates during the 1970s were less than minus 5 percent, low when real interest rates were positive and medium when they were in the zero to minus 5 percent range.



De Melo and Tybout (1986) analysed the effects of financial liberalisation on savings and investment for Uruguay during the period 1974 to 1983. They specified separate single equation models for savings and investment variables with the interest rate as a proxy for financial liberalisation. The estimation technique was the ordinary least squares method. They observed that even though the real interest rates improved positively, there was no significant improvement in the savings and investment levels of Uruguay during the period.

Cole and Slade (1988) reviewed the Indonesian experience of financial liberalisation for the period mid-1960s and late 1980s using simple statistical techniques of observing the trends ratios of the variables concerned. The financial reform programme involved the removal of interest rate controls and credit ceilings, which was preceded by a major devaluation and fiscal retrenchment. Consequently, the prevailing real interest rates improved and led to a rapid growth of the banking system. However, it exposed the economy to sudden shocks emanating from large falls in foreign exchange reserves.

Oshikoya (1992) undertook a study on the effect of financial liberalisation (interest rate liberalisation) on savings and economic growth among others for Kenya between 1980 and 1999. The methodology involved computation of ratios and averages of some key financial indicators. He noted that as might be expected, the real rate of interest on the average became positive in the liberalisation regime. However, he observed that the computed statistics did not support the view that domestic savings rate rose in response to interest liberalisation. According to him, gross domestic savings rate remained virtually

stagnant at 20.1 percent during the reform period, and even the gross domestic product growth declined remarkably from 7.3 percent to 4.2 percent.

Khan and Hassan (1998) have examined the effect of financial liberalisation on saving and economic growth in Pakistan using a simultaneous equation model, in an error correction fashion. The period of study was 1960 to 1995. The results suggest that financial liberalisation policies pursued in Pakistan were likely to result in financial deepening. An increase in the real interest rate (by increasing the nominal interest rate or by reducing the inflation rate) would lead to the accumulation of money balances (financial assets) which would enhance the availability of loanable funds for investment activities and hence economic growth.

This study, unlike the earlier ones employs a different methodology based on the observed nominal and estimated equilibrium interest rates to evaluate the effectiveness of the interest rate liberalisation policy in Ghana and the related policy implications. An important and useful advantage of this new approach is its ability to track quantitatively the magnitude of a financial market efficiency or otherwise during a period of time.

## METHODOLOGY

### Deviations Model

In order to effectively address the stated objectives of this research, we use a model called the "Deviations Model". This model seeks to make a comparison between the observed nominal interest rates and those that would prevail in a perfectly functioning financial market. This implies that the various equilibrium nominal interest rates from 1988 to

2004 would be estimated. The deviations of the actual or observed nominal interest rates from the equilibrium ones would then be compared and hence, the name "Deviations Model".

The deviations may assume any of the following forms:

- (i) all deviations being positive,
- (ii) all deviations being negative, and deviations made up of both positive
- (iii) and negative values

It is the sum of all deviations that would be meaningful for the analysis. The sum of deviations of the observed nominal interest rates from the equilibrium nominal interest rates can either be positive, negative or zero. Symbolically, we state the Deviations model as follows:

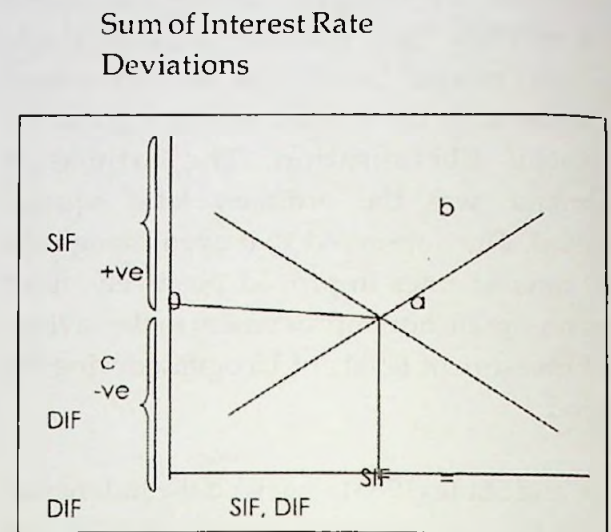
$$\sum_{t=1}^n (NIR_t - ENIR_t) \leq / > 0$$

Where:

- (1)
- $NIR$  = Nominal interest rate (actual)  
 $ENIR$  = Equilibrium nominal interest rate  
 $t = 1, 2, 3, \dots, n$  (i.e; 1988 to 2004)  
 $n$  = number of observations.

There is an upward distortion of the financial market if the sum of the deviations is positive, meaning that the prevailing interest rates are above the market equilibrium rates in aggregate. The model points to a downward distortion of the financial market if the sum of the deviations is negative, meaning the prevailing interest rates have fallen below the market equilibrium rates on the average. A situation, in which the sum of the deviations is zero on the average, indicates an absence of distortion in the financial market, meaning an optimally functioning of the financial market. Figure 1 is a diagrammatic illustration of the Deviations model.

**Figure 1. Graphical Illustration of the Deviations Model**



- SIF = Supply of investible funds  
DIF = Demand for investible funds  
a = Equilibrium point  
o = Zero deviation (no distortion)  
b = Positive deviations (upward distortion)  
c = Negative deviations (downward distortion)

In order to have a firm basis for conclusion, the Deviations model has to be subjected to a statistical test of significance of which the Chi-square goodness of fit test is the most appropriate here.

### Estimation of the Equilibrium Nominal Interest Rate

An important requirement of the Deviations model is estimation of the equilibrium nominal interest rate. In this research we base our estimation on the Fisherian (1907) theoretical formulation of the interest rate and the work of Khan and Edwards (1985) as follows:

Specification (2) states that the nominal interest rate at any time is the sum of the real interest rate plus the expected inflation rate. The real interest rate (RIR) is also specified as follows:



$$NIR_t = RIR_t + RF_t^e \quad (2)$$

Where:

NIR = Nominal interest rate

RIR = Real interest rate or short-run real interest rate (SRRIR)

$RF^e$  = Expected inflation rate

$$RIR_t = LRRIR - h(SRMB_t - DRMB_t) + e_{1t} \quad (3)$$

In the long-run, when the money market is in equilibrium, and demand and supply of real money balances are equal, the excess supply of real money balances ( $SRMB_t - DRMB_t$ ) is zero, and equation (4) collapses to:

Where:

LRRIR = Long-run real interest rate

SRMB = Supply of real money balances

DRMB = Demand for real money balances

h = Speed of adjustment between zero and one

According to equation (3), the real interest rate (RIR) which is the same as short-run real interest rate (SRIR) deviates from its long-run value (LRRIR) if there is a monetary disequilibrium in the economy. An excess demand for real money balances such that  $(SRMB_t - DRMB_t) < 0$ , will yield a temporarily higher real interest rate; and an excess supply of real supply of real money balances such that  $(SRMB_t - DRMB_t) > 0$ , will yield a temporarily lower real interest rate.

Combining specification (2) and (3), we have:

$$NIR_t = LRRIR - h(SRMB_t - DRMB_t) + RF_t^e + e_{1t} \quad (4)$$

In the long-run, when the money market is in equilibrium, and demand and supply of real money balances are equal, the excess supply of real money balances ( $SRMB_t - DRMB_t$ ) is zero, and equation (4) collapses to:

$$NIR_t = LRRIR + RF_t^e + e_{1t} \quad (5)$$

Specification (5) states that in the long-run when the financial market is in equilibrium, the nominal interest rate is the sum of the long-run real interest rate (LRRIR) and the expected rate of inflation. In this specification (5), the expected inflation rate term is a variable, whose coefficient is unity.

The argument is that in the long-run a proportionate change in the expected inflation rate leads to an equal proportionate change in the nominal interest rate, since the long-run real interest rate (LRRIR) is a constant (Khan and Edwards 1985; Dornbusch and Fischer 1994). (The reason why we have such a strong inflation-nominal interest rate link is that in the long-run, the real interest rate is not affected by monetary disturbances which do affect the inflation rate). This therefore implies that, in a perfectly functioning financial market, the coefficient of the expected inflation rate is equal to unity. Thus specification (5) is an equilibrium function with two variables nominal interest rate (NIR) and expected inflation rate. The long-run real interest rate (LRRIR) is a constant term.

In order to estimate the constant long-run real interest rate (LRRIR) we linearize equilibrium specification (5) by introducing a parameter  $\beta_1$  as a coefficient of the expected rate of inflation as follows:

$$ENIR_t = LRRIR + \beta_1 RF_t^e \quad (6)$$

Where:

$\beta_1$  is a parameter.

By regressing the nominal interest rate on the expected inflation rate, as in equation (6), we

get a constant which is equivalent to our desired long-run constant real interest rate and a value for 1 the coefficient of the expected inflation rate. A value of 1 which is not equal to unity implies an ill-functioning of the financial in the computation. The equilibrium nominal interest rate is then the estimated regression constant (long-run real interest rate) plus the value of 1 equals unity, times the expected inflation rate. This amounts to adding the full value of the expected inflation rate to the long-run interest rate to obtain the equilibrium nominal interest rate, that is:

$$ENIR_t = LRRIR + \beta_1 RF_t^e \quad (7)$$

Where:

ENIR = Equilibrium nominal interest rate

LRRIR = Long-run real interest rate

$\beta_1 = 1$

This implies:

$$ENIR_t = LRRIR + RF_t^e \quad (8)$$

A comparison would then be made between the actual (observed) nominal interest rates and equilibrium interest rates for the relevant decision to taken. The Chi-square goodness of fit test will be employed to determine the significance or otherwise of the deviations of the estimated equilibrium nominal interest rates from the observed ones.

#### Econometric Techniques

First and foremost, time series properties (such as stationarity and cointegration tests etc;) of the variables were explored to avoid the spurious regression problem. The Ordinary least squares technique was used in estimating the specified model. The necessary statistical techniques such as the R- bar squared, t-test, F-test were used in determining the plausibility of the estimates. The Chi-square goodness of test was also conducted.

#### 4.3 Sources of Data

The time series data for the study were obtained from the following sources:

- (i) Bank of Ghana Bulletins (various issues)
- (ii) The State of the Ghanaian Economy, published by ISSER (Various issues)
- (iii) Quarterly Digest of Statistics, published by the Statistical Service
- (iv) International Financial Statistics, published by the IMF

#### 5. EMPIRICAL ANALYSIS

The empirical results are given in Tables 2 to 4:

Table 2a. Stationarity Test (Augmented Dickey-Fuller, 1981 Test) Results: 1970 to 1987

Variable	Lag length	LM statistic	Test statistic	Critical Value	Order of Intergration
NIR	1	0.3373(.561)	-3.7534	-3.08.9	I(1)
FR	2	0.3762(.540)	-4.0145	-3.7612	I(1)

Table 2b. Stationarity Test (Augmented Dickey-Fuller 1981 Test) Results: 1988 to 2000

Variable	Lag length	LM statistic	Test statistic	Critical Value	Order of Intergration
NIR	1	0.0824(.774)	-4.2681	-3.7921	I(1)
FR	1	0.1031(.748)	-4.0990	-3.1004	I(1)

From Tables 2a and 2b we see that all the variables are non-stationary (dependent on time). All of them are I(1) and have to be differenced once to achieve stationarity. The variables are however cointegrated, implying that there is a stable long-run equilibrium relationship between them.

Table 3a. Ordinary Least Squares Regression Results of the Nominal Interest Rate Function, 1970 to 1987



Dependent variable is NIR

Regressor	Coefficient	Standard Error	T - Ratio (Probability)
CONSANTANT	12.5559	1.6275	7.7144 (.000)
FR	0.019805	0.027695	0.71509 (.485)

F-Statistic (1,16) 0.511361 (.485)

DW-Statistic 0.36600

Cointegration Statistic-4.2550140(-3.7612)\*

\* 5 percent critical value in brackets

**Table 3b. Ordinary Least Squares Regression Results of the Nominal Interest Rate Function, 1988 to 2000.**

Dependent variable is NIR

Regressor	Coefficient	Standard Error	T - Ratio (Probability)
CONSANTANT	22.9993	3.02220	7.61061 (.000)
FR	0.19224	0.10402	1.8482(.084)

R-Squared 0.18548

R-Bar-Squared 0.13118

F-Statistic (1,15) 3.4157(.084)

DW-Statistic 0.75882

Cointegration Statistic-5.8445(-4.1109)\*

\* 5 percent critical value in brackets

The regression results of Table 3a and 3b indicate that our estimated long-run real interest rates for the pre and interest reform periods are 12.56 and 23.00 respectively. (It

must be pointed out that in this study, our concern in estimating the interest rate function is to get an estimate for the regression constant which is our long-run real interest rate. We are not using the model for prediction (forecasting) or any other analysis. Even though the R-Squared and F-statistic values are very low, they do not affect the precision and reliability of our constant parameter estimates. The Durbin-Watson statistics are also very low, indicating the presence of positive autocorrelation. However, in the presence of positive autocorrelation, the Ordinary Least Squares (OLS) estimators are still linear, unbiased and consistent (see Gujarati, 1988 p. 363). Furthermore, the variables are cointegrated as indicated by the significant cointegration statistics.)

The next step is to compute the various equilibrium nominal interest rates in order to get the corresponding deviations from the actual rates for both periods. Columns 5, 6 and 7 of Tables 4a and 4b show the computed equilibrium nominal interest rate (ENIR), the magnitude of the deviations (NIR-ENIR) and the associated Chi-square statistic respectively.

**Table 4a. Computation of Equilibrium Interest Rates and Level of Financial Market Efficiency 1970 to 1987**

YEAR	NIR	LRRIR	FR	ENIR	NIR-ENIR	$(\text{NIR-ENIR})^2 / \text{ENIR}$
1970	6.5	12.56	3.0	15.56	-8.81	4.99
1971	11.0	12.56	8.0	20.56	-9.56	4.45
1972	11.0	12.56	10.8	23.36	-12.36	6.54
1973	7.5	12.56	17.1	29.66	-22.16	16.56
1974	7.5	12.56	18.8	31.36	-23.86	18.15
1975	10.0	12.56	29.8	42.36	-32.36	24.72
1976	10.0	12.56	55.4	67.96	-57.96	49.43
1977	10.0	12.56	116.5	129.06	-106.5	87.88
1978	15.25	12.56	73.1	85.66	-70.41	57.87
1979	15.25	12.56	54.5	67.06	-51.81	40.03
1980	15.25	12.56	50.1	62.66	-47.41	35.87
1981	15.25	12.56	116.5	129.06	-113.81	100.36
1982	15.25	12.56	22.5	34.86	-19.61	11.03
1983	15.25	12.56	122.8	135.36	-120.11	106.56
1984	18.34	12.56	39.0	51.56	-33.22	21.40
1985	18.46	12.56	10.4	22.96	-4.5	.88
1986	18.5	12.56	24.6	37.16	-18.66	9.37
1987	21.54	12.56	39.8	52.36	-30.82	18.14
					<b>-783.93</b>	<b>614.25</b>

Degrees of freedom (n-1) = 17

The critical values at 0.05 and 0.01 levels of significance are 27.59 and 33.42 respectively.

It is quite evident from Table 4a that the financial market was grossly inefficient (distorted downwards) with a magnitude of negative 783.93 and a Chi-square value of 614.25 in the pre-reform period (1970-1987). During the interest rate liberalisation period (1988-2004), we still see a low level of financial

market efficiency (downward distortion); with a magnitude of negative 439.62 and a Chi-square value of 245.1 (see Table 4b). However, there has been a fair improvement in the level of financial market efficiency by 43.98 percent. This is because the magnitude the pre-reform level of financial market inefficiency or distortion which stood at negative 783.93 has fallen to negative 439.62 (a decrease of negative 344.73; that is 43.98 percent).



**Table 4b. Computation of Equilibrium Interest Rates and Level of Financial Market Efficiency 1988 to 2004**

YEAR ENIR	NIR	LRRIR	FR	ENIR	NIR-ENIR	(NIR-ENIR) <sup>2</sup>
1988	21.04	23.00	31.4	54.4	-33.36	20.46
1989	23.13	23.00	25.2	48.2	-25.07	13.04
1990	24.65	23.00	37.1	60.1	-35.45	20.91
1991	26.41	23.00	18.0	41.0	-14.59	5.19
1992	22.66	23.00	10.1	33.1	-10.44	3.29
1993	29.07	23.00	25.0	48.0	-18.93	7.47
1994	29.08	23.00	24.9	47.9	-18.82	7.39
1995	32.37	23.00	59.5	82.5	-50.13	30.46
1996	32.28	23.00	46.6	69.6	-37.32	20.01
1997	33.50	23.00	27.8	50.8	-17.30	5.89
1998	23.30	23.00	14.6	37.6	-14.30	5.44
1999	17.11	23.00	12.43	35.43	-18.32	9.47
2000	27.61	23.00	25.6	48.6	-20.99	9.07
2001	18.22	23.00	32.9	55.9	-37.68	25.40
2002	13.38	23.00	14.8	37.8	-24.42	15.78
2003	12.45	23.00	26.7	49.7	-37.25	27.92
2004	10.35	23.00	12.6	35.6	-25.25	17.91
					<b>-439.62</b>	<b>245.1</b>

Degrees of freedom (n-1) = 16;

The critical values at 0.05 and 0.01 levels of significance are 26.30 and 32.00 respectively.

## 6.0 CONCLUSIONS AND POLICY IMPLICATIONS

The results of the study have revealed that the interest liberalisation policy has not yet succeeded in correcting the financial market inefficiency or distortion in the country, even though the level of the inefficiency in the country has fairly improved by 43.98 percent as compared to the pre-reform period (1970-1987).

The policy implications are that there is the need to intensify efforts to significantly reduce the inflation rate for a corresponding reduction in the nominal interest rate, in order to minimise or eliminate the level of financial market inefficiency in the country. Reduction of high risks associated with lending and

borrowing, high bank transaction and other related costs would also help in reducing the high level of the prevailing interest rates (the inflation rate and the interest rates are crucial variables in this regard).

### Future Research Direction

A further research may be necessary to examine the extent to which the interest rate reform policy has promoted external integration of the Ghanaian financial market as this may help in formulating policies to prevent any implied capital flight from the country.

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**Appendix**  
**Variables and Their Definitions**

- NIR = Nominal interest rate (it is the average of nominal deposit rate and nominal lending rate).
- FR = Inflation Rate. Calculated as the percentage change in the annual consumer price index (CPI), with 1995 as the base year.
- FD = Financial deepening (M2/GDP)
- RIR = Real interest rate. Computed as the difference between nominal interest rate and the inflation rate.
- SRRIR = Short-run real interest rate. This is equivalent to real interest rate (RIR).
- LRRIR = Long-run real interest rate
- ENIR = Equilibrium nominal interest rate
- NDR = Nominal deposit rate. This is the average of annual savings and time deposit rates
- RDR = Real deposit rate. Computed as the difference between nominal deposit rate and the inflation rate.
- NLR = Nominal lending rate. Calculated as the average of annual lending rates to various sectors
- RLR = Real Lending rate. Computed as the difference between nominal lending rate and the inflation rate.
- DLRS = Deposit-Lending rate spread. Calculated as the difference between nominal lending rate and the deposit rate.

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## THE STATE OF THE GHANAIAN ECONOMY IN 2010

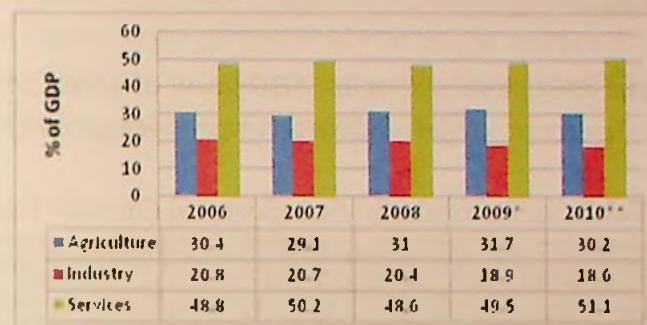
The total size of Ghana's economy in 2010 has been estimated at GH¢43.3 billion after the rebasing<sup>1</sup>. The rebasing has reflected in a significant increase in Ghana's GDP, growth rates, and the structure of the economy in terms of sectoral composition in aggregate economic activity. Under the rebasing, the economy in 2010 grew by 7.7 percent compared to 4 percent in the previous year. The relatively high increase in real GDP growth in 2010 also translated into high real per capita GDP growth rate of 5.4 percent as against 2.1 percent in 2009. Monetary policy achieved an end-of-year inflation of 8.6 percent in 2010 compared to the target rate of 9.2 percent and the government budget recorded overall deficit representing 9.6 percent of GDP.

### Sectoral Performance

The rebasing of the GDP shows that the structure of the economy has changed and the economic growth is engineered mostly by the services sector rather than the agricultural sector. The services sector's contribution now forms the largest share of GDP (about 51.0 percent of GDP in 2010), followed by the agricultural sector (30 percent), and industry is still trailing (19 percent) – see Figure 1.

<sup>1</sup> In November 2010, the Ghana Statistical Service announced the rebasing of the national accounts estimates from the year 1993 to 2006. The main ingredients for the revision are: a change in the base year from 1993 to 2006, improvements in the compilation

**Figure 1: Sectoral Contributions to National Output, 2006 - 2010, (% of Total; 2006 Constant Price)**



\* Revised

\*\* Provisional

Source: Ghana Statistical Service

Overall growth of the agricultural sector was 4.8 percent in 2010 compared to 7.6 percent in 2009 and well below the target growth of 6.0 percent envisaged. As in 2009, the major driving force of the growth of the agricultural sector in 2010 was the performance of the crops/livestock (7.0 percent) and fisheries (5.0 percent) sub-sectors. The performance of the cocoa sub-sector (4.0 percent) fell below that of 2009 (5.0 percent) while the forestry/logging sub-sector decreased from 3.5 percent in 2009 to 3.0 percent in 2010.

The services sector is currently the engine of growth, contributing about half of GDP in the country. The sector grew from 6.8 percent in 2009 to 8.2 percent in 2010, indicating 1.3

percentage points increase over the projected rate for the year (Table 1). The major contributing sub-sector to the growth of the sector in 2010 was the information and communication sub-sector which grew at 19.6 percent in 2010 as against 14.9 percent in 2009. Many other sub-sectors experienced increases in their growth rates. The largest growth spurt was recorded in the business and other service activities sub-sectors, increasing by about 11 percentage points from 2009 to 2010. There was, however, a fall in the growth in public services including health, education and social work.

The industrial sector in 2010 grew at a rate of 6.0 percent, which shows an improvement over

its 2009 rate of 4.5 percent, but lower than the projected target growth rate of 6.6 percent. With the exception of construction subsector, all the other subsectors performed better in 2010 than in 2009. The electricity and water sub-sector grew at 9.3 percent (up from 7.6 percent in 2009), the mining and quarrying sub-sector grew at 11.2 percent in 2010 compared with 6.8 percent in 2009, and the manufacturing sub-sector grew at 2.1 percent in 2010 from minus 1.3 percent in 2009. The growth in these sub-sectors helped to cushion the industrial sector from the impact of the dismal growth rate of construction subsector which recorded 1.4 percentage point fall in growth.

**Table 1: Sectoral and Sub-Sectoral Growth Rates**

Sectors	2009*	2010	2010**	Difference (C3-C1)	Difference (C3-C2)
	Actual C1	Target C2	Actual C3		
<b>AGRICULTURE</b>	7.6	6.0	4.8	-2.8	-1.2
Crops and Livestock	7.3	6.5	7.0	-0.3	0.5
Cocoa Production and Marketing	5.0	3.5	4.0	-1.0	0.5
Forestry and Logging	3.5	3.5	3.0	-0.5	-0.5
Fishing	-5.7	5.0	5.0	10.7	0.0
<b>INDUSTRY</b>	4.5	6.6	6.0	1.5	-0.6
Mining and Quarrying	6.8	6.0	11.2	4.4	5.2
Manufacturing	-1.3	4.0	2.1	3.4	-1.9
Electricity and Water	7.6	10.0	9.3	1.7	-0.8
Construction	9.3	8.0	7.9	-1.4	-0.1
<b>SERVICES</b>	6.8	6.9	8.2	1.4	1.3
Trade; Repair of Vehicles, Household Goods	2.3	-	9.1	6.8	-
Hotels and Restaurants	6.1	-	11.3	5.2	-
Transport and Storage	4.4	-	4.9	0.5	-
Information and Communication	14.9	-	19.6	4.7	-
Financial Intermediation	9.3	-	13.3	4.0	-
Real Estate services	2.4	-	2.4	0.0	-
Business and other service activities	-1.6	-	9.7	11.3	-
Public Administration and Defense; Social Sec.	11.7	-	7.6	-4.1	-
Education	12.4	-	7.1	-5.3	-
Health And Social Work	15.2	-	8.2	-7.0	-
Other Community, Social and Personal Service	7.5	-	4.7	-2.8	-

\* Revised \*\* Provisional

Source: Ghana Statistical Service



## Fiscal Developments

The Government's fiscal policy for the year 2010 was to sustain the progress in fiscal consolidation in order to ensure macroeconomic stability. The objective was to target a further reduction in the fiscal deficit to 7.5 percent of GDP. However, for the fiscal year 2010, the overall budget balance (including divestiture receipts) was in a deficit of about GH¢2,514.3 million, representing 9.6 percent of GDP. With the rebased GDP, the overall budget deficit reduces to 5.6 percent which is relatively small. However, we observe significant increase (about 13 percent) in the nominal value of the deficit between 2009 and 2010.

Government's revenue as a percentage of GDP increased from 26.23 percent for 2009 to 29.27

percent for 2010, the rebased figures being 15.39 percent for 2009 and 17.09 percent for 2010 (Table 2). The trend in government revenue from 2000 to 2010 has generally been upward. However, actual government revenue excluding grants in 2010 fell short by about 7 percent of the budget estimate of GH¢8,264 million. Tax revenue rose from GH¢4,658 million in 2009 to GH¢6,103 in 2010, representing a 31 percent increase over the period. Tax revenue in the year under review represented 23.33 percent of GDP (rebased figure of 13.62 percent) compared to non-tax revenue of 5.28 percent (rebased figure of 3.08 percent). Revenue from grants was the major contributory factor to non-tax revenue forming about 85 percent of non-tax revenue in 2010.

**Table 2: Selected Government Fiscal Indicators, 2004 - 2010 (% GDP)**

INDICATOR	2004	2005	2006*	2007*	2008*	2009*	2010**
<b>Total Receipts</b>	36.01	36.77	23.16	26.26	31.61	25.22	26.48
<b>Total Revenue</b>	23.81	23.87	13.67	15.77	15.91	15.39	17.09
<b>Tax Revenue</b>	21.81	20.76	12.44	14.31	14.25	12.63	13.62
Direct Taxes	6.7	6.82	3.84	4.06	4.15	4.66	5.31
Indirect Taxes	10.34	9.71	5.7	5.65	5.08	4.34	4.41
International Trade Taxes	4.77	4.24	2.9	2.49	2.38	2.07	2.46
<b>Non-Tax Revenue</b>	1.42	1.91	0.49	1.46	1.44	2.36	3.08
Grants	6.19	5.26	3.39	3.70	2.72	2.99	2.62
Other Receipts	6.45	4.53	6.09	6.79	11.45	6.84	7.63
<b>Total Payments</b>	36.01	36.77	23.16	26.26	31.61	25.22	26.48
Statutory Payments	11.22	12.59	6.67	7.48	7.81	6.69	5.48
Discretionary Payments	24.78	24.18	16.48	18.78	23.80	18.52	21.00
<b>Overall Budget Balance</b>	-3.2	-2	-6.05	-4.89	6.57	-5.58	-5.61
<b>Primary Budget Balance</b>	0.7	3.4	-4.61	-3.72	-5.88	0.33	-0.81

Source: ISSER, SGER (2010), Ghana Statistical Service (2010) and Government of Ghana 2011 Budget Statement

\*- Figures are based on rebased GDP

In 2010, discretionary expenditure increased to GH¢9,407 million from GH¢6,829.1 million in 2009, higher than the 2008 amount of GH¢7,181 million and higher than the budget estimate by GH¢1,162 million. With respect to the components of discretionary expenditure, personal emoluments and total investment were the largest items. Personal emoluments have been consistently rising since 2008. Total investment expenditure increased from 2009 to 2010 by GH¢991 million which represents a rise of about 52 percent. Comparatively, total investment expenditure amounted to 2.3 percent more than the budget estimate of GH¢ 2,839 million.

Statutory payments have however remained fairly stable over the years. The 2010 figure for total statutory payments was GH¢2,455 million which was even lower than the figure in 2009 by about 0.5 percent.

#### **Monetary and Financial Developments**

Year-end inflation rate for 2010 was 8.6 percent as against a target of 9.2 percent. The average inflation rate for 2010 was 10.7 percent, an increase by 1.5 percentage points over the target of 9.2 percent set for the year. In spite of this positive inflationary trend, Deposit Money Bank (DMB) rates were unresponsive, with lending rates remaining rigid throughout the year.

Broad money supply (M2+) which includes foreign currency deposits grew by 27.2 percent by the end of December 2010 compared to 26.94 percent growth recorded in 2009 (Figure 1.10). The growth of M2+ was driven almost equally by increased accumulation of Net Foreign Assets (NFA) and expansion of Net Domestic Assets (NDA) of the banking system. Reserve money grew by 34.18 percent in 2010 compared to 36.3 percent recorded in 2009.

Currency outside the bank rose by 22.7 percent while savings and time deposits rose by 14.7 percent. However, demand deposits decreased by 4.1 percent.

The extent of financial deepening in the economy as measured by the money supply to GDP ratio recorded a minimal percentage point increase of 0.06 percent over the 2009 figure while there was no change in the ratio of credit to the private sector as a share of GDP.

The year 2010 recorded a downward trend in interest rates with the Monetary Policy Committee (MPC) maintaining the policy rate at 13.5 percent compared to the relatively high policy rate of about 18 percent in 2009. The interest rate on 91-day Treasury bills declined from 21.33 percent in 2009 to 11.89 percent in 2010 while demand deposits rate fell marginally from 3.63 percent in 2009 to 3.38 percent in 2010. Interest on savings deposits on the other hand fell drastically by 4.1 percent from the year 2009 to 2010. Following the downward inflationary pressures and the significant reduction in the prime rate, average lending rates declined by about 5.12 percentage points from 32.75 percent in 2009 to 27.63 percent in 2010 (Table 3).



**Table 3: Money Market Instrument (Real and Nominal Rates), 2008 - 2010**

<i>Instruments</i>	<i>Nominal Rates</i>			<i>Real Rates</i>		
	2008	2009	2010	2008	2009	2010
91-day	24.67	21.33	11.89	0.06	6.60	3.31
182-day	26.18	22.46	11.91	1.08	9.40	3.33
1-year	20	20.00	20.00	-1.33	5.10	11.42
2-year fixed	21.0	23.50	12.70	-0.76	5.10	4.12
3-year fixed	5.68	0.00	13.30	-12.42	-15.90	4.72
Savings Rates	9	10.00	5.88	-12.3	-6.40	-2.70
Lending Rates	27.25	32.75	27.63	13.65	16.85	19.05

Source: ISSER, SGER (2010), Bank of Ghana

Exchange rate developments were characterized by rapid movement of the cedi against the major currencies such as the U.S. dollar, pound sterling and the euro. Between January and December 2010, the cumulative depreciations were 3.17 percent against the US dollar, 6.57 percent against the pound and 4.35 percent against the euro. The instability in the foreign exchange market was also worsened by increased demand for foreign currency towards the last quarter of the year.

#### External Sector Developments

The global recovery and subsequent strengthening of commodity prices were expected to improve the country's balance of

payment position through higher export earnings, a recovery of private current transfers, and stronger capital inflows. The overall balance showed significant improvement in 2010 with the surplus rising by 26.2 percent from US\$1,158.8 million in 2009 to US\$1,462.5 million in 2010. This improvement occurred because gains made in the capital and financial account overrode the worsening current account deficit. Oil imports increased from US\$1,488.9 million in 2009 to US\$ 2,016.8 million in 2010 whilst non-oil imports also increased during 2010 with a total amount of US\$8,686.18 million, compared to US\$ 6,557.3 million in 2009.

**Table 4: Summary of External Sector Performance**

<i>Indicator</i>	2008	2009	2010*
<b>External Sector Indicators (US\$ million)</b>			
Merchandise Exports	5,269.73	5,839.70	7,896.25
Merchandise Imports	-10,268.50	-8,046.26	-10,702.96
Trade Balance	-4,998.77	-2,206.56	-2,806.71
Current Account	-3,543.12	-1,200	
Balance of Payments	-940.75	1,158.78	1,462.47
Gross International Reserves (GIR)	2,036.20	3,200	3,973
GIR in Months of Imports (Goods and Services)	2.1	3.0	3.2

\*\* Provisional

Source: ISSER, SGER (2010) and Bank of Ghana

Merchandise export receipts also increased by 35.2 percent, from US\$5,839.7 million in 2009 to US\$7,896.3 million in 2010. This was largely attributed to export revenue from gold and cocoa which represented 77 percent of the total. Increases in commodity prices on the world market for cocoa and gold ensured an increase in the total value of cocoa exports by 22 percent from US\$1,866.0 million in 2009 to US\$2,285.2 million in 2010 and an increase in gold exports by 49 percent from US\$2,551.4 million in 2009 to US\$3,803.5 million in 2010. Mechanise imports grew at 33.0 percent, rising from US\$8,046.3 million to US\$10,703.0 million. The year 2010 recorded a relatively higher balance of trade deficit of US\$2,806.71 million against US\$2,206.56 million deficit recorded in 2009.

The current account deficit increased by 62 percent in 2010, and reached US\$2,593.7 million. This was due to the fact that the balances on merchandise trade, services and income all worsened, with the balance on transfers registering only a slight improvement. The capital and financial account, on the other hand, fuelled by increased investments, rose by 37.3 percent to US\$4,210.89 million, leading to an overall improvement in the country's balance of payment position. There was also an improvement in the accumulation of Gross International Reserves (GIR) from US\$3,200

million in 2009 to US\$3,973million in 2010, equivalent to 3.2 months of imports cover, compared with 3.0 months of imports cover registered at the end of 2009.

#### **Outlook**

Global economic recovery was expected to persist in 2011. However current trends suggest that this recovery is slower than anticipated. Some of the key risks that are holding the recovery back in the advanced economies include persistent unemployment, sovereign debt problems, exchange rate volatility and unrest in North Africa and the Middle East.

At the local level one of the biggest challenges will be meeting the fiscal targets for 2011, particularly with the pressures being exerted on the wage bill from the implementation of the single spine salary structure. This is being done at great cost and so unsurprisingly there have been a slowdown in the rate of implementation. There are important trade-offs that will have to be made to enable full migration to the single spine. This could be the sacrificing of the fiscal deficit target set or drawing from capital spending. Given the rigidities in government recurrent spending, the probability is high that capital expenditure will be sacrifice or debt financing will be used.



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