PROSPECTS AND CHALLENGES OF RURAL SMALL SCALE INDUSTRIES IN THE SUNYANI MUNICIPALITY OF GHANA

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ABSTRACT

Rural Small Scale Industries (RSSIs) contribute significantly to economic development. Despite their prospects, RSSIs in Ghana face many challenges that need timely planned interventions to propel them on the path of sustainable growth and development. This article is based on a study conducted in 2016 on the prospects and challenges of RSSIs in Ghana. Through a case study approach, both primary and secondary data were gathered to examine the prospects and challenges facing a sampled 200 RSSIs in the Sunyani Municipality of Ghana. Most of the RSSIs studied were in their first five years of operation. The research revealed that the three main challenges of promoting RSSIs are poor management skill, limited access to credit, and inadequate market. Another revelation of the research was that RSSIs which received training in capacity building and advisory services improved in their business operations and activities. And, this led to better output. The contrary was however the case for those RSSIs which were not provided with such capacity building and business advisory services. The study thus recommends timely provision of improved capacity building services, easy access to open and integrated market as well as to low-interest rate credits with flexible terms of payment to RSSIs to propel their sustainable growth.

Contribution/ Originality: This study contributes to the literature on the growth of rural small scale industries (RSSIs) in the developing country context with an analytical focus on Ghana. It is one of the few studies that have examined the potentials of and the distinctive problems to the sustainable growth of RSSIs in Ghana.

1. INTRODUCTION

Rural Small Scale Industries (RSSIs) have risen in popularity since the last three decades. Just like Small and Medium-Scale Enterprises, RSSIs have consistently enjoyed the support of a broad range of stakeholders such as governments, scholars, practitioners as well as international organisations. This is due to their potential to satisfy ostensibly the employment and revenue challenges of developing and emerging economies through stimulating innovation, creating jobs for the youth and women as well as advancing the achievement of sustainable development (World Bank, 2010; Musamali and Tarus, 2013). Due to this, both advanced and emerging economies are actively engaged in and continue to pursue logical approaches for improving the activities of RSSIs. The World Bank (2010) observes that micro, small and medium-sized industries and businesses form 99 percent of the approximately 19.3

million enterprises in the Euro zone, and thus directly provides about 65 million jobs which represent 67 percent of total employment.

In the developing world context, Small Scale Industries (SSIs) form a lesser part of industries as well as employ a small proportion of the population in Africa. For instance, Ojo (2003) argues that the activities and operations of Small Scale Industries are the drivers for Asia's economic success. In Ghana, Small Scale Industries play an important role in the economy (Addaney et al., 2016) by employing more than 60 percent of the labour force particularly in rural areas (Ghana Statistical Service, 2012). RSSIs are thus, sources for generating income and its redistribution, enhances the acquisition of capital, alleviate poverty and thus empowers people, particularly women and the youth. Anane et al. (2013) are also of the opinion that RSSIs facilitate the forming of a new group of small-scale entrepreneurs that is, expanding the middle class as well as a broader income distribution. Furthermore, RSSIs have the potential to serve unrecognised small and micro markets. Anane et al. (2013) further maintain that in rural communities, RSSIs have the potential to increase and diversify household incomes as well as minimise household poverty and vulnerableness. RSSIs therefore possess the ability to foster economic growth as well as to advance socio-economic development at the national and local levels.

Nevertheless, studies highlight inadequate and poor support services, limited access to credit as well as unfair market competition as some of the major challenges that impede their contribution to socio-economic development especially in the rural context (Anyanwu, 2003; Lawson, 2007). This is because financial markets and capacity building training services are mostly inadequate or non-existent in rural settings (Meijerink and Roza, 2007). This situation limits the opportunity of rural industries to access credit for their development and sustainable growth. Without an appropriate support system in place to promote RSSIs in Ghana, most of them will start up small and fold up without witnessing any form of expansion and growth in terms of output and profits. Watson and Everett (1999) opined that the capacity of RSSIs to marshal and acquire resources for productive operations is largely dependent on the existence of and accessibility to promotional support services including access to credit and capacity building services. This study examines the prospects and challenges of promoting Rural Small Scale Industries in the Sunyani Municipality of Ghana; and offers some recommendations to realise the prospects and address the challenges identified.

2. TOWARDS CREATING SUSTAINABLE RURAL LIVELIHOOD: DRIVING THE GROWTH OF RURAL SMALL SCALE INDUSTRIES

Over 3.3 billion people lived in rural areas in 2015 world-wide, with about 700 million people living in rural Africa (World Bank, 2016). It has been observed that about 67 percent of the world's poorest folks live in rural areas and are basically engaged in subsistence agricultural practices (United Nations, 2012). In Sub-Saharan Africa, the rural population constitutes about 65 percent of the total population. In Ghana, about 49 percent of the population lives in rural areas. Mukozho (2011) observes that much attention has been given to farming to the extent that the formal and/or non-formal activities which constitute the rural non-farm economy have been lowly recognised. RSSIs need to be promoted for they facilitate the utilisation of local raw materials, engender the development of traditional technologies, and boost local economies. Ghana has Over 90 percent of registered businesses being in the small and medium enterprises category (Acquah, 2015). This shows that the Small Scale Industries dominate and hence their contributions cannot be glossed over.

2.1. The concept of Rural Small Scale Industries

As far as scholarly literature is concerned, the definition of small scale businesses and/or RSSIs in Ghana is still not certain, hence, various organisations have attempted to provide different definitions. However, the number of employees and the value of fixed assets owned are the two main benchmarks which have been employed in defining RSSIs in Ghana (Abor and Quartey, 2010; Addaney et al., 2016). The Ghana Statistical Service (GSS) regards firms

which employ at most 10 people to be small scale businesses or industries. Kayanula and Quartey (2000) argues that this classification sometimes generates 'official confusion' since Ghana Statistical Service indicated in its national account that businesses which had up to 9 employees were Small and Medium Scale. Osei *et al.* (1993) classifies small-scale industries or enterprises as having 30 employees or less. According to them, small-scale industries are categorised into micro, very small and small with less than 6 employees, 6-9 employees and between 10 and 29 employees respectively. Also, Abor and Quartey (2010) categorise firms or industries as follows:

(i) micro, less than 5 employees;

(ii) small, 5-29 employees;

(iii)   medium, 30-99 employees; and

(iv) large, 100 and more employees.

On promotional support and services, the Government of Ghana established the National Board for Small Scale Industries (NBSSI) in 1981 by an Act of Parliament, Act 434 of 1981, to plan and programme small scale industries operations to create jobs and wealth for the people (Acquah, 2015). In its definition of what small businesses are in Ghana, the NBSSI combines fixed assets and number of employees. It regards small businesses as those with employees of not more than 29 and capital investment requirements of not more than $100,000. In addition, the NBSSI divides small businesses into two, namely: micro and small firms or industries. Micro industries employ up to five (5) people or have fixed assets excluding land and buildings not exceeding $10,000. On the other hand, small scale industries employ between 6-29 people or have fixed assets excluding land and buildings not exceeding $100,000 (National Board for Small Scale Industries (NBSSI), 2012).

The process of valuing fixed assets and/or the use of fixed assets in defining small firms or industries poses enormous challenges. This is reinforced by the continuous threat faced by the Ghanaian local currency considering its uninterrupted depreciation against the major trading currencies. This therefore makes the use of fixed assets in defining small businesses challenging (Kayanula and Quartey, 2000). Another categorisation strategy of small scale industries and firms in Ghana are urban and rural enterprises. The rural category is further divided into 'organised' and 'unorganised' firms or industries. The organised firms often use permanent paid staff with registered premises. These organised small industries have their industries registered with the Registrar of Companies in Ghana. The unorganised small industries sub-sector mainly comprises of artisans working in open spaces, temporary structures, or in their homes. Most of them have no salaried workers and more often employ temporary and/or few immediate family members (Abor and Quartey, 2010).

Most RSSIs engage in activities such as fabrics (locally known as tye and dye), clothing and tailoring, textile and leather, soap making, blacksmithing, ceramics, timber and mining, beverages, bakery, wood furniture, assembling of electronic gadgets, agro-processing, chemical-based products and auto mechanics (World Bank, 2010). It is evident that various bodies have different categorisations and definitions for what RSSIs are. Also the definitions were general for all small scale industries without clear distinctions of their geographic locations. The focus of this research however, is on RSSIs which falls under village industries. Village industries are small scale industries located in cottages or rural settlements that produces simple traditional products (Amjad, 1984).

2.2. The Promotion of Rural Small Scale Industries

To boost the growth and development of entrepreneurship, governments all over the world are instituting measures as part of their overall national development strategies (Ahlstrom and Bruton, 2006). Governments within the European Union offer seven diverse forms of support to relief individuals in starting their own businesses and to help them compete favourably. These include financing, labour, assistance with regulatory bureaucracy, start-up advice, development assistance, export advice and information sources (Peng, 2001; Michael and Pearce, 2009). For example, from 1970 to 1996, Ghana experienced harsh socioeconomic conditions, which resulted in the contraction of the economy; distortion and severe shortages of goods and services on the market. It

was the contribution of the RSSIs that filled the gap created by the malfunctioning of the medium and large-scale industries by creating jobs, fostering of entrepreneurial development and generating incomes for most people predominantly those in the rural areas (Edusah, 2014). Thus the RSSIs contribute immensely to poverty alleviation and play a major role in the socio-economic life of majority of people who dwell in the rural areas where agriculture is the dominant economic (Fida, 2009).

According to the GSS (2012) about 70 percent of enterprises are micro and small sized and that about 40 percent of Ghana's Gross National Income is contributed by the private sector which is dominated by SMEs. This buttresses the critical role being played by small scale industries in Ghana. Over the years, the government of Ghana has used agencies and programmes such as the National Board for Small Scale Industries (NBSSI), GRATIS Foundation, and the Rural Enterprise Project (REP) to promote the growth and development of RSSIs in the country. These agencies have over the years provided training and other services to enhance the capacity of RSSIs in Ghana. Despite these efforts, there are still some areas of business development that need serious government attention. Storey *et al.* (1988) for instance suggested three key areas that need attention - the qualities of the entrepreneur, characteristics of the firm, and strategies adopted to raise output and grow the business. With regards to RSSIs development in Ghana, specific areas requiring attention include the development of efficient and effective financial delivery systems, infrastructure support facilities, entrepreneurial education and training at all levels, adherence to effective marketing strategies and reliable business networking.

The sustainable growth and development of the economy of developing countries including Ghana, through industrialisation and the building of entrepreneurship capacity demand government's commitment (Ahlstrom and Bruton, 2010). Government's readiness to build entrepreneurial infrastructure and training programmes are very necessary. Acs and Szerb (2007) believe that one of such areas of support the government can offer is the development of favourable policies with specific focus on increasing human capital, labour market reform, upgrading technology availability and deregulation of financial markets. These interventions were intended to bring rural communities into mainstream economic activity.

Governments of most countries, seek to inspire the growth of small businesses which in the long run, will foster job creation. Significant growth of these businesses usually necessitates expansion of capital. Small businesses, as compared to larger firms, are usually faced with excessively low access to the capital they need for start-up, growth, and survival (Llisteri, 1997).

Subsequently, governments of developing countries have often intervened in financial markets through assuming the role of guarantor of credits that financial institutions advance to small businesses; since access to credit is not very easy in most emerging economies (Ahlstrom and Bruton, 2010). Most governments of developing or emerging economies extend loans to entrepreneurs and/or new ventures as a way of encouraging a pro-capitalist political ideology (Zahra *et al.*, 2000). Access to finance has been identified as a dominant constraint facing the Ghanaian SME sector (Abor and Biekpe, 2006).

So the Government of Ghana set up a partial credit guarantee scheme of $20 million in an attempt to provide easy access of credit facilities to small businesses which aimed at insuring banks against any losses in respect of lending to small businesses in the country. As part of the scheme, the International Finance Corporation was to make available a guarantee of 50 percent to banks on losses on their medium, small and micro enterprises (MSME) loan portfolios.

Though the government of Ghana is working hard to enhance access to credit by small businesses, little has been accomplished which is retarding the growth and development of RSSIs: because entrepreneurs and small business owners recoil from borrowing from the financial institutions due to their high costs of borrowing (Daily Graphic, 2010). Therefore, the Private Enterprise Foundation (PEF), which comprises key private sector players such as the Association of Ghana Industries (AGI) submitted proposals to the Government of Ghana to reduce the cost of borrowing in the country. Proposals which were brought forth to increase access to credit to SMEs and

covered tax rebates to banks that grant about 40 percent of their total advances to SMEs. The government was also advised to establish a special fund with revenue from oil to develop the country's SME sector (Business & Financial Times, 2013). Through effective deployment of national infrastructure, the government supports entrepreneurship development by providing the right environment for the growth and development of businesses. The availability of good roads, uninterrupted supply of energy resources, operative communication facilities and many others are very essential to the development of businesses (Okpara and Wynn, 2007). Unfortunately, these facilities are insufficient in developing countries such as Ghana. For example, rail network in Ghana which was effective in the colonial times and a little while after independence has now utterly deteriorated and sometimes, constant supply of energy such as electricity cannot be guaranteed as well as other utilities such as water (BFT, 2013). These challenges negatively affect the progress of entrepreneurship and thus, the involvement of the government becomes unavoidable (Kayanula and Quartey, 2000). Another area that Rural Small Scale Industries could be promoted is in the area of management practices and modern technology tools. According to El-Namaki (1987) the lack of managerial skills and fragile technological base has become evident in the tangible enterprise mortality rate. The government of Ghana in an attempt to address this has set up the Ghana Investment Promotion Centre (GIPC) with the mandate to improve the infrastructural level of energy, information and communication technology and transportation among others in the country (UNCTAD, 2001). But the importance of this centre is yet to be felt by RSSIs in Ghana since its activities have largely been focused on the needs of urban industries.

3. STUDY SETTING AND METHODOLOGY

This section describes the study area and discusses the methods of the study.

3.1. Description of the Study Area

The study focused on 16 rural communities within the Sunyani Municipality in the Brong-Ahafo region of Ghana. Specifically, the communities were Abesim, Adomako, Ahyiayem, Atronie, Asuakwaa, Atuahenekrom, Bonsu Nkwanta, Konsua No. 1 and 2, Kotokrom, Kuffour Camp, New Dormaa, Nsagobesa No. 2, Nwawansua, Nwowasu and Yawhimakrom. The Sunyani Municipality can be located between 7°20' N, 2°20'W, and 7°33'N 2°33'W at an altitude of between 229 to 376 m. It has a total land area of 2,488 km² with a population of 123,224 (GSS, 2012) and is mainly urban with more than 8 out of every 10 persons living in urban areas. The Municipality exhibits features of an urban, peri-urban and rural area. The economy of the municipality used to be primarily agrarian.
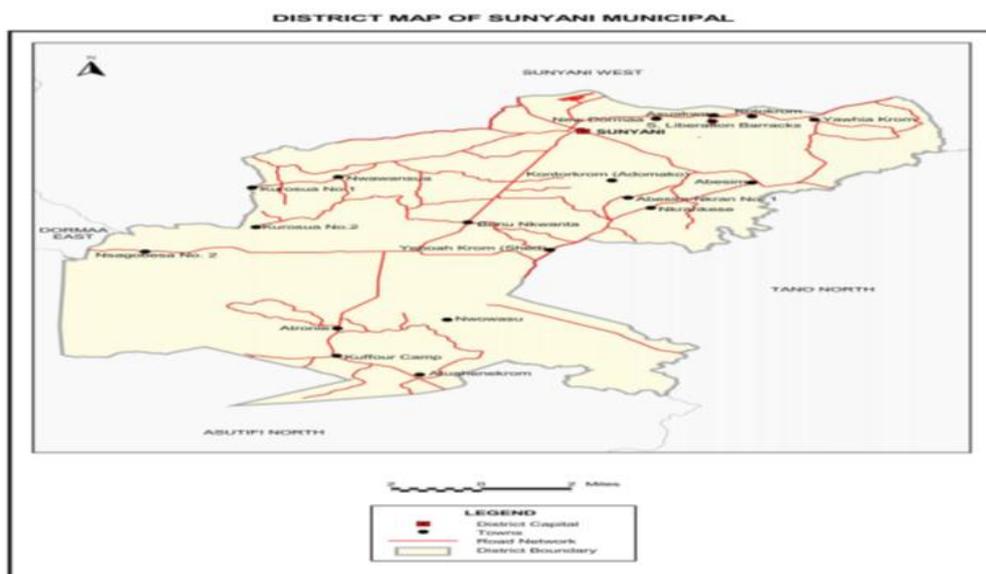

Figure-1. Map of the study area

Source: Field Survey, 2016

However, the rise in commercial, industrial and the service sectors portrays potential modification of the local economy. Currently, majority (58.3%) of the population in the Municipality are employed in the service sector (GSS, 2012). Contextually, the study focused on the promotional prospects and challenges of RSSIs in the Sunyani Municipality. It looks at the promotional mechanisms used by the various institutions and organisations supporting the growth and development of RSSIs. Below is the map of Sunyani municipality.

As part of efforts towards creating sustainable local economic development, suggestions have been made for both the local and national government to incorporate the rural industrial sector and non-farm activities in their medium-term development plans. This will help build an effective collaboration between agriculture and rural non-farm economic activities; a practice that will facilitate the growth of many RSSIs in the Sunyani Municipality.

3.2. Study Method

A Mixed methods research approach was adopted. This research approach utilised both quantitative and qualitative methods. Questionnaire administration and structured interviews were the main methods of data collection. RSSIs in the Sunyani Municipality constituted the cases for the study. The case study design was adopted because it relies on multiple sources of evidence (Yin, 2009). It also facilitates close contacts with the cases being studied. This allows for detailed assessment or discussion of the phenomena under investigation (Sarantakos, 1998). Questionnaires were used to gather primary data. Using questionnaires promised an extensive coverage because it provides an easier approach to respondents than other methods (Amadahe, 2002). The study started by the reviewing of relevant literature on the growth and development of RSSIs as well as associated supporting institutions and organisations working to facilitate such growth in both international and local contexts. The review of literature enabled a thorough understanding of the theoretical developments as well as the changing aspects of RSSIs, especially, in developing countries.

The Slovin's formula: $n = N/1+N (\alpha)2$, where n is the sample size, N is the total RSSIs (sample frame) and α is the margin of error (0.08) was used to select a sample of 200 rural small scale industries for the survey (see Table 1). Respondents were randomly selected among the RSSIs operators for the questionnaire administration. Three officials from the National Board for Small Scale Industries (NBSSI), Capital Rural Bank and the Department of Co-operatives were purposively selected for interviews. Questionnaires were the main instruments used to gather primary data. Using questionnaires promised an extensive coverage because it provides an easier approach to respondents than other methods (Amadahe, 2002). This ensured the collection of a wide range of data including the demographic characteristics of RSSIs operators, prospects and challenges, as well promotional activities for these enterprises in the Sunyani Municipality. The questionnaire administration was completed with structured interviews. Personnel from the NBSSI, Capital Rural Bank and the Department of Co-operatives, all in the Sunyani Municipality were interviewed.

Table-1. Respondents for the study

Type of Industry	Frequency	Percentage (%)
Carpentry and woodworks	62	31
Clothing, leather works and textiles	72	36
Cosmetics and soap making	16	8
Food and meat processing	32	16
Others	18	9
Total	200	100

Source: Field Survey, 2016

As shown in Table, majority of the respondents were drawn from the clothing, leather works and textiles sub-sector (36%). It reflects the prevalence of this trade in the rural areas of the Sunyani Municipality.

4. RESULTS AND DISCUSSION

This section presents and discusses the empirical findings of the study.

4.1. The Age and Gender Structure of Industry Owners

The table below (Table 2), shows the age and gender distribution of respondents. Majority of the respondents (74), representing 37 percent of the total numbers of respondents fall within the 26-36 age range. This is followed by the 37-47 age range, which recorded 51 respondents, forming 26 percent. 20 percent of the respondents fall in the age bracket 15-25. Only 1 percent of respondent are in the 70+ age bracket.

Table-2. Age and gender structure of industry owners

Age	Gender		Total	%
	Male	Female		
15-25	23	17	40	20
26-36	30	44	74	37
37-47	21	30	51	25.5
48-58	20	12	32	16
59-69	2	0	2	1
70+	1	0	1	0.5
Total	97(48.5)	103(51.5)	100	100

Source: Field Survey, 2016

More Males tend to own enterprises than Females in the 15-25 age range. However, the Females overtook their Male counterparts in the 26-36, and the 37-47 age groups with 44, and 30 respondents respectively. This result signifies the dominance of Females in the small scale industries. This however declines from 44 in age range 37-47 to 12 in age range 48-58; and no female owns business enterprises in the age ranges 59-69, and 70+. It shows that Females tend to own enterprises in their youthful age but are not able to sustain them as they advance in age. The survey validates the contention that RSSIs are major source of employment and empowerment for females (NBSSI, 1998). In other parts of Africa, specifically in Nigeria, it is confirmed that women dominate in the small manufacturing sector (Chete *et al.*, 2014). This finding contrasted the findings of Edusah (2014) in the central region of Ghana about male dominance of the RSSI sector. Generally, industry ownership declines as respondents' grow in age: that is the youths tend to own more enterprises than their older counterparts as shown in Table 2 above.

4.2. Level of Education of Industry Owners

The Pie Chart below (Figure 2) shows the level of formal education of industry owners. Industry owners with no formal education and primary education were each 43 percent and 9 percent had up to secondary level, and only 5 percent of the industry owners had attained tertiary education.
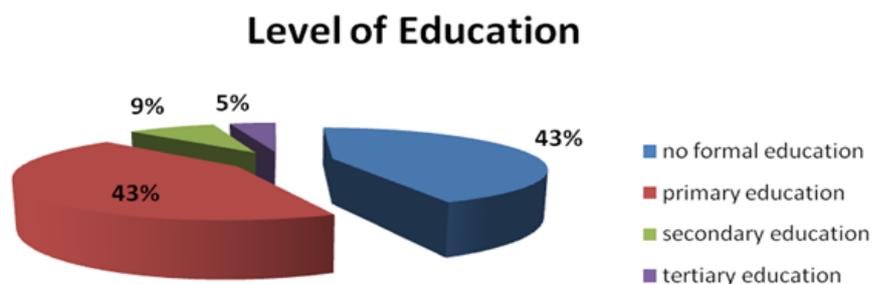

Figure-2. Level of education

Source: Survey Data, 2016

The level of education of entrepreneurs plays a crucial role in how they relate with customers, preparation of business plans as well as in managing operations and records. The results show that primary education constitutes the highest level of educational attainment for the majority (43 percent) of the respondents. Also 43 percent have no formal education at all. This was to be expected because prospects for higher education in the rural areas are limited. After primary education, some of the people who are unable to continue their education learn some trade by joining master craftsmen as apprentice. After few years of training, they eventually pass out and set up their own businesses. The consequence of this lack of formal education is that most entrepreneurs would not have the requisite managerial capacity demanded by financial institutions before granting bigger credit facilities. Edusah (2014) attributes this situation to the inability of such entrepreneurs to properly manage records as well as to prepare operational business plans. The limited level of educational attainment thus becomes a barrier to the growth of these entrepreneurs and their enterprises.

4.3. Characteristics and Operations of Rural Small Scale Industries

The RSSI sector in Ghana includes a broad range of activities such as pottery, straw work, gold and blacksmithing, woodwork, carpentry, dress making as well as leather work. Other activities include fish processing, food processing, oil extraction, powder making, brewing etc. Figure 3 reveals that the activities of RSSIs are dominated by clothing, leatherworks and textiles (36 percent), carpentry and woodworks (31), food and meat processing (16 percent). The cosmetics and soap making (8 percent) and the others (9 percent) sub-sector follow in order of dominance.
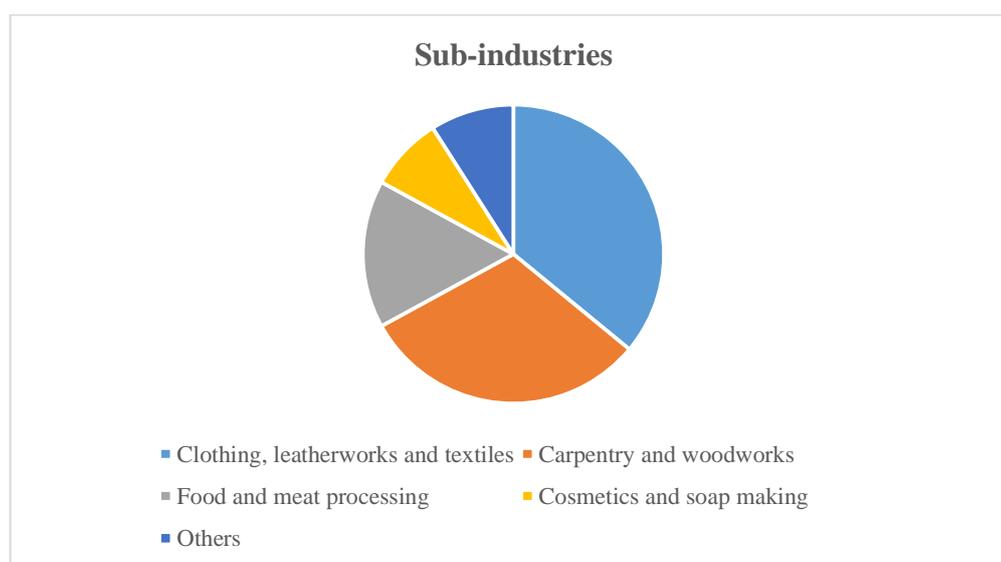

Figure-3. Sub-industries

Source: Survey Data, 2016

The dominance of the clothing, leatherworks and textiles sub-industry was surprising due to the economic activities of the Sunyani Municipality where majority of the population are engaged in agricultural production – farming. The relatively mild dominance of the carpentry and woodworks sub-industry was not also surprising since it serves as an option for most school dropouts in the rural areas.

4.4. Start-Up Capital Requirements and Source of Finance for RSSIs

From the survey, a large number of RSSIs started with very little capital. Approximately, half of all RSSIs indicated an investment of less than GH¢200 (US$ 50). A further 34 percent indicated a capital below GH¢400 (US$100). Generally, a vast majority of RSSIs (84 percent) started with very small capital of less than GH¢400

(US$100). This result reveals that the capital requirement for the RSSI sector was quite modest. The small investment amount reported was not unexpected as it is consistent with the results of the study by Edusah and Antoh (2014). A linear regression was run to find out if the owners' gender and education have any impact on the amount of capital for investment. Table 3 depicts the results of the survey. The source from which business owners generates his capital has an effect on the healthy development of the industrial enterprise. More than half (71 percent) of the respondents showed that they used their own savings to start their firms. About 24 percent of the respondents were assisted by their family members. It further emerged that bank assistance accounted for a paltry 5 percent. This result was expected as it was the usual characteristics of RSSIs and in agreement with similar studies as observed by Edusah and Antoh (2014) and Edusah (2011).

Table-3. Linear regression on sub–industry, gender and education

Coefficients[a]

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	2.541	.290		8.754	.000	1.969	3.114
SEX	.101	.121	.055	.832	.406	-.138	.340
education	-.041	.076	-.035	-.543	.588	-.190	.108
industry	-.507	.082	-.405	-6.178	.000	-.669	-.345

a. Dependent Variable: What was your initial capital for starting the business   R= .173

Source: Survey Data, 2016

From Table 3, the t-statistic = 0.832 for Sex (Gender) is statistically insignificant. This means that gender does not have an impact on start-up capital. Also, the Table shows the t-statistic for education as t = -0.0543 which is also statistically insignificant. This means that education does not have an impact on start-up capital. However, the t-statistic for industry which is t = -6.178 is statistically important. This implies that the type of industry has an impact on the start-up capital for the enterprise. This shows that it is only the type of industry that determines the start-up capital for the enterprise. However, F-statistic = 13.714 is statistically significant which means that putting gender, education and industry together has an overall impact on the start-up capital. But 17 percent of the variation in start-up capital can be explained by Gender, Education and Industry. In linking education and investment, it is also assumed that investment increases with increasing education, surprisingly; the results show that individually, gender and education does not have any impact on the level of investment. This implies that gender and education is no longer a barrier to ones level of investment as more females and the less educated are also likely to take risk in investment. This is in disagreement to the study done by Edusah (2014) where both gender and education has positive impact on the level of investment.

4.5. The Size of the RSSIs

The survey revealed that most of the RSSIs have initial workforce of 1 to 3. Followed by RSSIs with 4 to 6 workers, and the next were RSSIs with workforce between 7 to 9 workers. Only a few RSSIs have workforce of more than 9. The firm sizes reported was expected and typical of RSSIs and consistent with the results of other studies. The survey in the Central region of Ghana by Edusah (2011) had 84 percent of RSSIs with fewer than 10 workforce. Going by the definitions offered by the NBSSI, most of the rural small scale industries can be classified as micro enterprises.

4.6. Institutions Promoting RSSIs and the Support Programmes Offered

A number of agencies were identified to be offering support to RSSIs. Below is Table 4 showing the various institutions promoting RSSIs in Ghana and some of their programmes or activities. Below is Table 4 showing the various institutions promoting Rural Small Scale Industries in Ghana.

Table-4. Institutions promoting Rural Small-Scale Industries

RSSIs Support Institutions	Location	Activities	Focus Area
NBSSI	Within Municipal	Identification, formation, registration and training of entrepreneurs linking them to financial and support institutions, managerial backstopping, counseling and monitoring.	To reduce poverty in the municipality; Encourage self and wage employment; To create competitive rural micro and enterprises.
Capital Rural Bank	Within Municipal	Training and formation of groups Business advice; offering of credit facilities; monitoring of loans; Savings mobilization; monitoring of business progress.	To deliver effective and efficient micro credit service; Provide reliable and secured source of savings; Entrepreneurship capacity building.
MASLOC	Within Municipal	Business advisory services; training and capacity building for small and medium scale to provide them with the essential skills and understanding of running their industries competently and efficiently.	To reduce poverty, creating jobs and wealth. Disbursing micro and small loans to the identified poor in the various sectors of the Ghanaian economy.
DA (co-operatives and Department of Community Development	Within Municipal	Linking groups to financial and support institutions; Logistics to support REP Registration of business enterprises; Monitoring and supervision	To create enabling environment for the establishment of MSSIs; Regulatory legislation for businesses; Sustenance of existing enterprises.

Source: Survey Data, 2016

The study inquired about the forms of assistance the RSSIs receive from the support institutions and organisations. Majority (68 percent) of the RSSIs had received assistance from the support organisations. Only 32 percent had not received such assistance from the support institutions. The assistance that RSSI had had from the support organisations could be classified into financial and capacity building. The findings suggested that the RSSIs receive more of training support than financial. Offering training to entrepreneurs in Ghana to acquire managerial skills is imperative because small scale industries have failed due to both insufficient finance and managerial ineffectiveness (Tushabonwe-Kazooba, 2006). Majority (66 per cent) of the RSSIs had received training assistance than financial even though the main challenge faced by small scale industries in Ghana is insufficient finance as observed by Le et al. (2006). The study, however, was inconsistent with an earlier study by Bamfo (2013) in Ghana where small businesses had more financial support than training. Figure 4 shows the types of assistance from enterprise support organisations received by entrepreneurs.

Credible information is very essential to the survival of businesses and many businesses have failed in this regard just as some have failed in the mobilisation of financial resources (Mutula, 2010). The RSSIs owners were asked about their awareness of support programmes to enhance the development of their industries. Majority (62 percent) were not oblivious of the diverse forms of support services designed explicitly for RSSIs by the support organisations. This implies that since majority of them were aware of such programmes, it may help them to access the programmes for their benefit. However, others (38 percent) were not aware of the existence of some of the support programmes. This is a significant figure which implies that to achieve an optimum success, there is the need for further publicity on the promotional services of such institutions and organisations. Kotler and Keller (2009) argue that some of the enterprise support organisations have not done enough to reach out to the entrepreneurs due

to the challenges such as inadequate funding which has hampered the ability to promote their activities through the media.

4.7. Prospects of Rural Small Scale Industries

From Table 5 below, majority (52 percent) of them have experienced increased capital, followed by increased output (20 percent), and increased work force (15 percent). This implies that increased output contributed more to the growth of industries. This shows that there are prospects for the growth and expansion of rural small scale industries.

Table-5. Form of expansion and factors accounted for the expansion

Form of Expansion	Freq.	%	Factors Accounted for the Expansion	Freq.	%
Increased Work Force	29	14.5	Access to Funds	31	15.5
Increased Output	40	20.0	Increase in Demand	101	50.5
Increased Capital	104	52.0	Introduction of New Products	16	8.0
None	27	13.5	Acquisition of New Skills	18	9.0
		100.0	Access to More Raw Materials	7	3.5
			None	27	13.5
Total	200	100	Total	200	100

Source: Survey Data, 2016

Industry owners gave a number of reasons for the expansion that their industries have experienced. Access to funds was cited as the second essential element for the growth of the firms. The results are consistent with the findings of Edusah (2014). The study revealed a positive impact of the programmes and projects of the enterprise support organisations on the undertakings of entrepreneurs and their businesses. The impact has two scopes. The first is the impact on household and the second is the impact on enterprises.

4.8. Initial Capital and Average Profit

The study shows that most of the industry owners use their own funds to start these business ventures. The ability to raise or mobilise funds to start or expand small scale industries is a prospect for their development. The initial capital and the average profit of the firm were compared to show the size of capital to start an RSSI and the average profit these firms accrued monthly showing the income generated by the owners. In all, the study show that 50 percent of the industries started with a capital of GH¢100-GH ¢199 (US$ 25-50) whiles only 9 percent started with amounts that are much higher than GH ¢600 (US$150). It further shows that 69 percent of RSSIs generated an income of approximately GH¢1,000 (US$ 250) per annum. What is particularly striking about the result is the capability of 17 percent of the RSSIs to generate annual income of up to GH¢3,000 (US$ 750). The figures are noteworthy because they match favourably with earnings in most formal sector employment. Boachie-Mensah and Marfo-Yiadom (2007) has noted that the old-fashioned perception of the sector as a cradle of survival strategy is changing. This is because proceeds made in the sector are now analogous to incomes received by the middle income group in the formal sector. It implies that it would be wrong to characterise every RSSI activity as a comparatively low earning venture.

4.9. Challenges of Rural Small Scale Industries

There are a number of challenges that affect the growth of rural small scale industries in the Sunyani Municipality. For instance, as shown in Table 6, an average of 1.34 for access to capital, 1.06 for demand for managerial skills, 1.58 for provision of infrastructure and 1.48 for inadequate market.

Table-6. Capacity Needs of Entrepreneurs

Capacity Needs	Frequency	Mean	Std. Deviation
Access to Capital	200	1.34	.475
Demand for Managerial Skills	200	1.06	.229
Provision of Infrastructure	200	1.58	.495
Inadequate Market	200	1.48	.501

Source: Survey Data, 2016

This indicates that demand for managerial skills and access to capital are rated high for the industries covered in the survey. This implies they were of maximum challenge to the industries. However, inadequate market and provision of infrastructure were rated low as a challenge to the Rural Small-Scale Entrepreneurs. Provision of infrastructure was least of the challenges faced by these industries while access to capital was acclaimed the major challenge faced by the industries. Lighthelm and Cant (2002) were of the view that small businesses have failed not only as a result of inadequate finance but also, managerial incompetence. Given the right capacity building needed, the RSSIs will be able to grow their firms and contribute massively to the economic development of Ghana.

Table-7. Challenges of Rural Small Scale Industries

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	1.624	.227		7.140	.000	1.175	2.072
Lack of Capital	-.328	.132	-.154	-2.480	.014	-.589	-.067
Skilled labour	-.099	.075	-.086	-1.307	.193	-.247	.050
Lack of Managerial Skills	.249	.083	.243	2.991	.003	.085	.413
Lack of Infrastructure	.542	.091	.551	5.952	.000	.362	.721
Inadequate Market	-.617	.100	-.635	-6.189	.000	-.814	-.421

a. Dependent Variable: increased in work force R Square = 0.275

Source: Survey Data, 2016

The regression analysis in Table 7 confirms the results in Table 6 and also reveals other challenges. From the results of the Regression (see Table 7 below), given their respective t-statistic, lack of capital, lack of managerial skills, lack of infrastructure and inadequate market are individually statistically significant. This means that lack of capital, lack of managerial skills, lack of infrastructure and inadequate market individually has an impact on Growth (increase in workforce). Hence, these factors pose a challenge to growth (increase in workforce). However, skilled labour was statistically insignificant. This means skill does not have significant impact of growth (increase in workforce). Skilled labour is not a challenge to small scale industries, from the regression results.

The study dived into the challenges of RSSIs with respect to start-up, growth and sustainability. It revealed that the major challenge they faced was lack of capital. The problem of capital appears to be serious but not shocking given the small economic activities and the meagre household incomes in the rural areas. Attached to this is the fact that personal resources are the leading source of investment for the creation of small firms. This is in line with the findings of other studies who posited that getting access to credit in the developing world is a basic constraint (Edusah, 2014). Also the lack of managerial skills was the second most frequently cited problem. Inadequate market (lack of market outlets for production or lack of clients) was the third most frequently cited challenge. Employee lack of experienced and skilled labour and infrastructure were also cited as a challenge. A linear regression was run to examine the importance of these challenges on the development of firms. As presented

in **Table 7**, F = 14.727 is statistically significant. This means that all the variables put together has an impact on growth. The independent variables explain the 27.5 percent of the variation in growth (increase in workforce).

5. CONCLUSION

The study found that the Food and Meat processing (36 percent) sub-sectors dominate the RSSI activities, the Carpentry and Woodworks (31 percent) and the Clothing and Textiles sub-sectors (16 percent) and other subsectors followed in order of importance. This finding demonstrates the linkage between agricultural production and the RSSIs. It presupposes that an expanded and improved agriculture has a critical role in the sustenance of the RSSI sector since it relies heavily upon it for raw materials and other inputs. Also, the study discovered that the enterprise support organisations play vital roles in building the entrepreneurial capacity of rural firm owners in the Sunyani Municipality. Each of these support organisations performs diverse roles despite their interrelation since their roles are defined by their mandates. Their area of focus are; provision of training and education, financial support and the provision of information. Also, the study disclosed that RSSIs are constrained by several needs which hinder their development. Three main capacity needs were identify from the study. These are the demand for managerial skills in terms of management of business, record keeping and writing of business s and access to capital. Others are inadequate market and limited access to credit. The major challenge RSSIs faced was lack of capital (95 percent).

6. RECOMMENDATION

6.1. Education and Training (Improvement of Apprenticeship)

It was discovered that more than half of the industries' owners had no formal education (since primary level education is not enough), thus are faced with managerial, marketing and financial challenges. Majority of RSSI operators were trained through the traditional apprenticeship system: this is the basic means by which skills are imparted. This form of informal training does not incorporate any taught course in management and marketing skills and as such the apprentice goes through the training programme lacking the required understanding of marketing and management. Therefore, frequent entrepreneurial training programmes should be organised for operators of RSSIs. Also, it is imperative that the apprenticeship system is upgraded to a substantial level which offers a foundation for those who pass out of such training formats. Trainers should therefore be encouraged to integrate management and marketing education into their training activities.

6.2. Access to Open and Integrated Market

The local and national government, and all stakeholders should put things in place for the RSSIs to have access to integrated and open markets by giving entrepreneurs market information showing the options and choices for interacting with a wide range of different buyers and selling outlets, in order to maximise their returns, encouraging access by giving RSSIs intensified and improved market linkages. To achieve this, RSSIs owners should form associations, cooperatives, self-help groups, etc., allowing them, for example, to pull their resources for bulk buying of inputs at lower prices and new markets, to improve communication technology. Through this, RSSISs can exploit the opportunities in international markets when they have better access to market information and by promoting the interaction between market chain participants and developing a joint concept for value addition.

6.3. Provision of Effective and Efficient Support Services

Even though the NBSSI is armed with a business development services (BDSs), it is better suited to urban enterprises. Products and services of the NBSSI for RSSIs should therefore differ from those for the urban areas. High-quality business development services should be developed for RSSIs to overcome human capital and

information limitations and develop profitable activities. They also need services provided in a timely and efficient manner.

6.4. Access to Credit

Financial institutions should also design innovative, simple, affordable, and flexible credit products for RSSIs. The group-based credit scheme in which individuals in each group serve as the social collateral rather than material collateral should be encouraged because of its propensity to reduce default in debt repayment as well as promote constructive relationship amongst financial institutions and RSSIs.

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