

Effect of Rural Enterprises Programme on Livelihood and Empowerment of Micro and Small Enterprises in the Ashanti Region of Ghana

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ABSTRACT

Micro and Small Enterprises (MSEs) are usually the core drivers of economic growth, innovation and job creation in an economy. They are the backbone of developing countries and majorly contribute to their gross domestic product. Ghana's Rural Enterprises Program (REP), sponsored by the International Fund for Agricultural Development (IFAD), Africa Development Bank (AfDB) and the Government of Ghana (GoG), is part of the government's efforts to reduce poverty and improve living conditions in the rural areas. One of the major components of this programme is "Access to Business Development Services" (BDS).

This study focused on MSE beneficiaries of Business Development Services in the Atwima Mponua and Kwabre East districts of the Ashanti region of Ghana. The essence of the study is: to determine the effect that the BDS of the Rural Enterprises Program has had on the MSEs in terms of their livelihood as it pertains to income, asset acquisition and other aspects of their livelihood; to determine the level of empowerment of beneficiaries prior to and after the business

development interventions; and to examine the challenges they face.

Primary data was gathered through the administration of 366 structured questionnaires, key informant interviews, in-depth interviews and a focus group discussion. Descriptive and inferential statistics were used to analyse the data and the five Domains of Empowerment (5DE) sub-index of the Women in Agriculture Index (WEAI) were employed to determine the level of empowerment of beneficiaries of the BDS.

The results indicate that the BDS intervention improved the livelihoods of the MSE owners, led to job creation, improved the businesses of the MSEs, created a source of income for those who had none before the intervention, increased the income of those who had businesses prior to the intervention, led to empowerment of the MSE owners and has also empowered women more than men.

The study recommended that the government of Ghana, IFAD and AfDB should endeavour to continue this programme and work towards ensuring its sustainability.

Keywords: Micro and small enterprises, Business Development Services, Rural livelihood, Empowerment

Introduction

Micro and small enterprises (MSEs) are usually the core drivers of economic growth, innovation and job creation in an economy. They are the backbone of developing countries and majorly contribute to their gross domestic product. According to the National Board for Small Scale Industries (NBSSI) Ghana, micro and small enterprises (MSEs) are enterprises employing 29 or fewer workers. Micro enterprises are those that employ between 1 and 5 people with fixed assets not exceeding USD10,000, excluding land and buildings. Small enterprises employ between 6 and 29 employees and have fixed assets not exceeding USD100,000 excluding land and buildings.

Micro and small enterprises augment government efforts to achieve economic growth and poverty reduction in rural and urban areas (African Development Bank, 2005). According to Wangwe (1999), MSEs tend to ensure balanced economic growth since they are concentrated in different parts of a country.

In Ghana, about 70% of enterprises are micro to small sized and it is estimated that nearly 40% of Ghana's gross national income (GNI) is attributable to informal sector activity (Government of Ghana, 2002).

Unfortunately, MSEs usually, due to their size and structure, face peculiar challenges, which include financial constraints from lack of access to funds, poor access to market, lack of management and technological skills which make them inefficient, and also lack of basic infrastructure. It is therefore of great importance to ensure that these micro businesses get a firm footing and are well established in order to fulfill the purpose of contributing meaningfully to the GDP of the country.

In 1995, as part of the efforts of the Government of Ghana to reduce poverty and improve livelihoods, it birthed the Rural Enterprises Project. Phase I of the project was funded by the International Fund for Agricultural Development (IFAD) and the Government of Ghana (GoG); and Phase II by the GoG, IFAD and the African Development Bank (AfDB). The successes of Phases I & II of the project in 66 districts led to its transformation into the Rural Enterprises Programme (REP) which is now run in 161 rural districts all over Ghana. The programme aims to improve the livelihoods and increase the incomes of the rural poor micro and small entrepreneurs. Its development objective is to increase the number of rural MSEs that generate profit, growth and employment opportunities. It also aims to ensure that at least fifty percent of recipients or beneficiaries are women. It targets rural MSEs to achieve 4 main outcomes:

- Business Development Services
- Technology promotion and Skills Development
- Improved Financial Services
- Conducive environment and Institutional support for business startup and growth

The Business Development Services of the REP comprises Training, Counselling, Credit, Marketing Platform and Regularisation of Business.

Objectives of the Study

The main aim of the study is to assess the effect of upgrading or improving the technical and entrepreneurial skills of rural MSEs in the Kwabre East and Atwima Mponua districts of the Ashanti Region of Ghana by providing access to business development services.

The specific objectives of the study are to:

- determine effect of the Rural Enterprises Programme's Business Development Services on the livelihoods of the Micro and Small Enterprises.
- measure the empowerment level of the beneficiaries of the Rural Enterprises Programme.
- assess the challenges faced by the MSEs

Conceptual Framework for this Study

Based on research on literature reviewed, a conceptual framework was developed for the purpose of this study (see Figure 1). It is an adaptation from Haile's (2016) study, "The Impact of Business Development Service on Performance of Micro and Small Manufacturing Enterprises in Addis Ababa, Ethiopia". According to the framework, the application of the intervention of the Rural Enterprises Programme (REP) through the provision of Business Development Services leads to improved performance by the MSEs. This improvement leads to improved livelihood plus empowerment of the MSE owners.

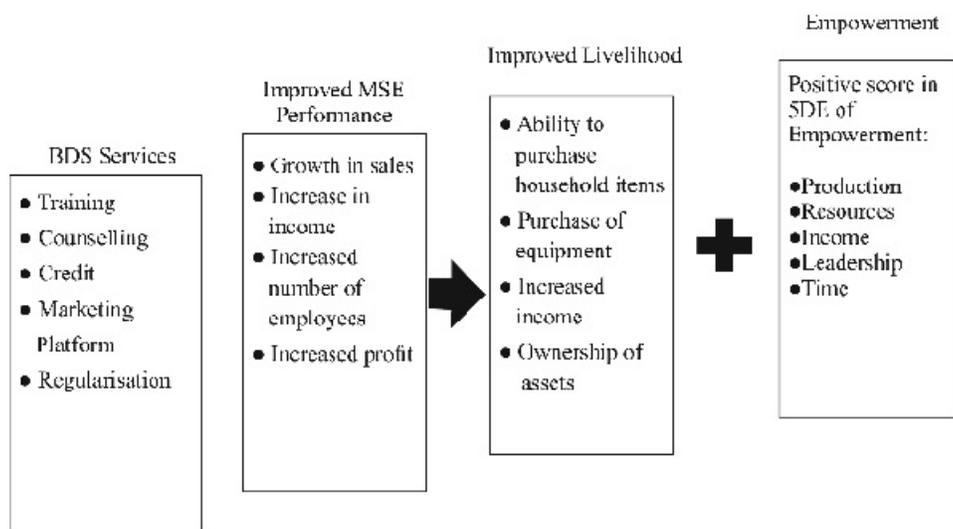


Figure 1: Conceptual framework.

Source: Field 2018.

Methodology

The study area was the Kwabre East and Atwima Mponua districts of the 27 districts in the Ashanti region of Ghana. These two districts have many MSEs operating in diverse business sectors and business types which include: hair dressing, dressmaking, bee keeping, kente weaving, poultry and animal keeping/rearing, mechanics and many more. As at the time of this study, a total of 764 MSEs were beneficiaries of the Rural Enterprises Programme’s (REP) Business Development Services in the two districts.

Both qualitative and quantitative data were collected during the course of this study. Key informants were selected from the beneficiaries and from the staff of both the REP and Business Advisory Centre (BAC) offices. The purposive sampling method was used to select Phase 3 of the REP programme from the 3 existing phases for the study while cluster sampling method was utilized for selecting the two districts from a total of 40 districts. The simple random sampling technique was employed to select 415 beneficiaries from the different business types which were purposively selected from the two selected districts. A total of 366 (which is the sample size for this study) questionnaires were recovered and analysed. In-depth

interviews were held to further determine the actual effect that the BDS intervention has had on the MSEs and to test the accuracy of the findings from the analysed data. Focus group discussions were also held with some beneficiaries of the BDS to further understand the concerns and challenges of the beneficiaries and how the BDS has made a difference in their lives and businesses.

Descriptive analysis which included frequency distribution, computation of mean, mode, median, standard deviation and also inferential statistics, whereby cross tabulation and 2 paired t-test was carried out to determine level of income and empowerment before and after the BDS intervention.

Five Domains of Empowerment

This study adopted the Women in Agriculture Index (WEAI) to measure empowerment levels of both men and women in the study area and to compare levels of empowerment between both gender. The indicators have therefore been adapted as follows:

1. **Decisions about agricultural production (“Production decision making”)**: Sole or joint decision making power over food or cash-crop farming, livestock, and fisheries, as well as autonomy in agricultural production. This has been adapted as production decision making on the MSE business or enterprise.
2. **Access to and decision making power over productive resources (“Access to productive resources”)**: Ownership of, access to, and decision making power over productive resources such as land, livestock, agricultural equipment, consumer durables, and credit. This is adapted as ownership of business premises and decision making over the MSE business or enterprise.
3. **Control over use of income**: Sole or joint control over income and expenditure.
4. **Leadership in the community (“Community leadership”)**: Membership in economic or social groups and being comfortable speaking in public.
5. **Time allocation**: Allocation of time to productive and domestic tasks, and satisfaction with the time available for leisure activities. (IFPRI, USAID and OPHI 2012)

These five domains are measured using 10 indicators; their corresponding weights are given in Table 1. Each indicator is given a value of 1 if the respondent has exceeded a given threshold for the indicator and a value of 0 if the respondent falls below the threshold. The sum of these 10 indices is the empowerment score or 5DE score of the individual. A person is defined as “empowered” if their score is 80 percent or higher.

Table 1: The five domains of empowerment

| Domain | Indicator | Weight |
|--------------------------------|---------------------------------------|--------|
| Production decision-making | Input in productive decisions | 1/10 |
| | Autonomy in production | 1/10 |
| Access to productive resources | Ownership of assets | 1/15 |
| | Purchase, sale, or transfer of assets | 1/15 |
| | Access to and decisions on credit | 1/15 |
| Control over use of income | Control over use of income | 1/5 |
| Community leadership | Group member | 1/10 |
| | Speaking in public | 1/10 |
| Time allocation | Workload | 1/10 |
| | Leisure | 1/10 |

Source: Alkire et al. (2013).

Findings

The study assessed the effect of the Business Development Services on some aspects of livelihood of the MSE owners with a major focus on changes in their financial income. These aspects of livelihood include: ability to have access to land or business premises from where they carry out business operations; ability to meet obligation in paying the mandatory district contributions (referred to here as tax); whether they personally own their businesses or the houses they live in, and if they have access to credit.

Access to credit in this study (except under computation for empowerment) is not limited to access to credit from financial institutions but includes opportunity to access funds from family, friends and other sources.

Comparison: Before and After Effect on Livelihood

Table 2 is a clear representation of the effect of the BDS on the selected parameters. Out of the 366 beneficiaries surveyed, 97.3% attested to the fact that in terms of finances their lives had changed for the better since the BDS intervention. There has been improvement in all the parameters measured such as “Access to credit”, which increased from 46.7% to 93.2%; “Decision on credit” from 51.1% to 95.4%; and “Personally own business premises” which increased from 36.1% to 48.9%.

Table 2: Comparison of before and after effect of BDS on livelihood

| Parameter | Before REP Intervention (%) | After REP Intervention% | % Improvement |
|---|--------------------------------|----------------------------|------------------|
| Access to land or shop | 73.2 | 93.7 | 20.5 |
| Personally own business premises | 36.1 | 48.9 | 12.8 |
| Personally own house you live in | 13.1 | 15.3 | 2.2 |
| Payment of taxes (District collections) | 80.6 | 92.1 | 11.5 |
| Access to credit | 46.7 | 93.2 | 46.5 |
| Decision on credit | 51.1 | 95.4 | 44.3 |

Comparison of Gross Income Before and After BDS by Business Sector

Out of the 366 beneficiaries examined, 11.5% of the total number of beneficiaries had no income before the BDS skills training because they did not have any business venture before the intervention, while 12.5% had an income of less than 100 GhC (\$4.4) per week before the intervention. All the beneficiaries had an increase in income after the intervention. Those who initially had no business venture started; those who were initially involved in some business venture experienced an increase in sales and income after the intervention, while some others even went on to start a second business after the intervention.

Empowerment Level of the Beneficiaries of the BDS

Relevant data that had to do with empowerment levels of the beneficiaries were gathered for the study. These had to do with levels of decision making over production and credit for the business, whether the

recipients belonged to any economic or social groups and their comfort level in speaking in public on different types of issues ranging from infrastructure in their communities, to speaking on behalf of others concerning proper payment of wages and also confronting or protesting misbehaviour of authorities or elected officers. Table 3 shows these empowerment levels, the highest of which was “Ability to take decisions on credit” (44.3%), followed by the “Ability to take decisions on their business” (28.4%) and “Methods of production” (28.4%).

Table 3: Empowerment level

| Parameter | Before REP intervention (%) | After REP intervention % | % Improvement |
|---|-----------------------------|--------------------------|---------------|
| Makes decisions on methods of production or techniques | 66.7 | 95.1 | 28.4 |
| Goes to the farm or work place every day | 51.6 | 68.6 | 17.0 |
| An active member of any economic or social group | 33.1 | 44.0 | 10.9 |
| Ability to take decisions on credit for their business | 51.1 | 95.4 | 44.3 |
| Takes decisions concerning use/control of income in their business | 98.6 | 100.0 | 1.4 |
| Ability to take decisions on business | 66.7 | 95.1 | 28.4 |
| Comfortable speaking in public on infrastructure | 80.6 | 91.7 | 11.1 |
| Comfortable speaking in public to ensure proper payment of wages for public works or other similar programmes | 81.7 | 90.8 | 9.1 |
| Comfortable speaking up in public to protest the misbehaviour of authorities or elected officers | 79.4 | 90.2 | 10.8 |

Source: Field 2018.

Empowerment According to the WEAI

Empowerment was also calculated based on the 10 indicators of the 5 domains of empowerment of the WEAI as highlighted in Table 1. Each of

the 10 indicators had a value of 1 (one) if the respondent scored or exceeded the criteria for the particular indicator and 0 (zero) if the respondent scored below the criteria. The weighted sum of these 10 indices is the empowerment score or 5DE score of the individual. A respondent is defined as “empowered” if his or her score is 80 percent or higher.

Comparison of Empowerment Before and After the Intervention

Using the WEAI, the empowerment levels of the beneficiaries before and after the BDS intervention were measured to determine if there was a difference.

Figure 3 shows that a total of 54 respondents were empowered before the BDS intervention as against 63 respondents after the intervention. It was noted that some of the beneficiaries became more engaged in their businesses after the intervention and scored low on workload and leisure indicators (which reduced their empowerment score) as a result of the long hours they put into their businesses after the intervention. This could be due to increases in production for those who had businesses prior to the intervention and the commencement of business for those that did not have any before the intervention.

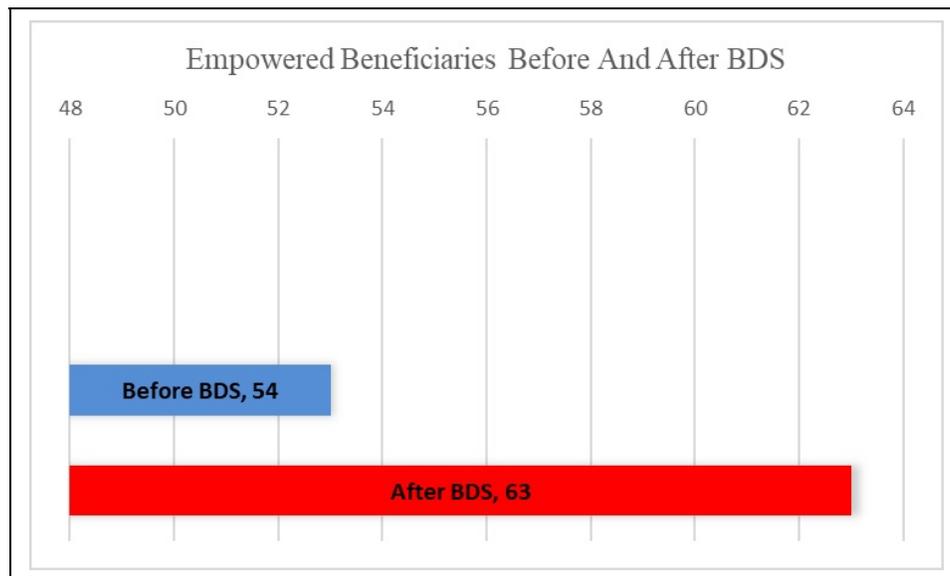


Figure 2: Empowered beneficiaries before and after BDS.

Hypothesis

The paired t-test result from Table 4 shows a coefficient of $t=-12.65$, $df=365$, $p<0.1$, which implies that p is significant at 0.00. This means there is significant difference in the income of beneficiaries before and after the REP BDS intervention. This implies that the BDS has led to a significant difference in the income of the beneficiaries. This was also attested to by beneficiaries during the focus group discussions.

Table 4: Paired sample t-test 1

| | Mean | Std. Deviation | Std. Error | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) |
|----------------------------|------------|----------------|------------|---|------------|---------|-----|-----------------|
| | | | | Lower | Upper | | | |
| Pair 1 GMIB4 - GMIAF | -696.70492 | 1053.91021 | 55.08877 | -805.03613 | -588.37370 | -12.647 | 365 | .000 |

Source: Field 2018.

Where GMIB4 is Gross monthly income before BDS intervention.

GMIAF is Gross monthly income after BDS intervention.

Similarly, the t-paired test from Table 5 where $t=-6.967$ P is significant at 0.00 ($t=-6.967$, $df=365$, $p<0.1$). This implies that there is significant difference in the Empowerment level of beneficiaries of the BDS before and after the BDS intervention. Hence the BDS has led to a significant difference in empowerment in the lives of the beneficiaries. The beneficiaries, during interviews and the focus group discussion in Kwabre East confirmed that they have become more empowered after the BDS intervention.

Table 5: Paired sample t-test 2

| | Mean | Std. Deviation | Std. Error | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) |
|--|----------|----------------|------------|---|----------|--------|-----|-----------------|
| | | | | Lower | Upper | | | |
| Pair 1 Empowerment Before- Empowerment After | -4.62628 | 12.74097 | .66598 | -5.93593 | -3.31664 | -6.947 | 365 | .000 |

Source: Field 2018.

Factors Responsible for Empowerment

Figure 2 shows the number of respondents who have attained the empowered level as well as those who have not, after the BDS intervention. Major factors responsible for this are as follows:

1. Access to credit and decision on credit, where it is a requirement that the individual should have been involved in accessing and making decisions on credit within the year of the assessment. Those who are empowered had a positive score in terms of making decisions as regards credit while the disempowered respondents mostly had a low or zero score in this indicator.
2. Group membership was also a major area where empowered respondents had positive scores accounting for 44% of the total number of respondents. The remaining respondents (56%) did not belong to any social or economic group, which reduced their score for empowerment. These respondents explained that they did not belong to any group because they do not have any association in their areas of residence.

These groups are usually trade or business sector/type associations and usually contribute to the empowerment of members in various ways, ranging from giving opportunities for expression and speaking in public, access to credit among group members from funds contributed by members or cooperatives instituted by the groups in some cases to emotional support in terms of encouraging group members to attain more in their businesses.

3. Leisure time – Most of the respondents had much fewer than 6 hours of leisure time as they work so many hours both at the workplace and at home, doing domestic work, and hardly have time for leisure or rest. However, 64.2% of the respondents expressed satisfaction with the amount of leisure time that they had. It is however worthy of note that the majority (83%) of the male respondents expressed satisfaction with the available leisure time. On the other hand, only slightly over half of the women (51.38%) expressed satisfaction with available leisure time as against 48.63% who were not satisfied. This is most likely largely due to the fact that a lot of the women engaged in cooking, care of children and the elderly and other domestic work at home after working on their businesses. The level of satisfaction increased the score for those

empowered while contributing to disempowerment for those who expressed dissatisfaction.

4. Workload - This was another indicator that contributed to empowerment level. Respondents who had a work load of 10 hours 30 minutes or less were considered to be empowered. Most of the respondents work well over 10 hours 30 minutes per day, both on their businesses and on other domestic chores when they get home leading to a low or zero score (since these tasks at home are usually not paid for) for that indicator, contributing to disempowerment.
5. On the average most respondents obtained relatively good scores in the area of decision making on production, resources and income. For the married respondents, the majority made decisions jointly with their respective spouses which increased their positive scores toward empowerment.

Profile of Challenges Faced by the Micro and Small Enterprises (MSEs)

The MSEs studied, like other MSEs all over the world are faced with different types of challenges. From data gathered, the means to finance their businesses seemed to be the greatest challenge for the majority (93.4%) of the respondents. For some of them, finance needed to increase their businesses by acquiring a business premises or expanding the current one was the major challenge. Unfortunately, many of the MSEs are yet to have in place the requirements that would enable them obtain credit facilities from the banks. Also, most of the MSEs are yet to be registered and therefore are unable to commence a banking relationship with the community or rural banks; instead, they patronize the small, and at times unregistered, thrift collectors, at great risk to them.

Staffing (24.6%) and business premises acquisition (23.2%) are the next most cited challenges experienced by the MSEs. One of the respondents during a focus group discussion noted that occasionally after acquisition of a business premises, government pulls down the structures because, to start with, they were not legally erected by the property owner from whom it was rented. This usually leaves the MSE owners with a loss and having to acquire another space and at extra expense, with a lot of inconvenience, which leads to loss of time and customers.

Exorbitant taxes, and especially the mode of collection of the district mandatory collections was also a major concern. The MSEs are billed a flat rate for the business space or container or shop which they use, irrespective of the sales made or the size of the business. However, this was not highlighted as a problem, rather it was the mode of collection of the taxes that was a cause for concern for the MSE owners as they complained about how the collectors sometimes do not come to take collections for over two years and suddenly show up when they were least expected, threatening to close down the business premises unless all outstanding dues were settled. This, the beneficiaries said is usually unsettling and not helpful.

Other challenges mentioned were specific to some particular sectors such as animal diseases by the rabbit farmers.

Conclusion

The Rural Enterprise Programme's Business Development Services intervention has had a positive effect on the livelihood of the beneficiaries. The income of all the beneficiaries has increased since the introduction of the intervention and this has led to improved livelihood. The intervention has also translated to empowerment for both men and women, though the percentage of women empowered is higher than the men, albeit a small difference. The project has therefore impacted slightly more on women than men.

There is an obvious need for more BDS services intervention. From the findings, only a negligible number of beneficiaries have been able to access three of the services, i.e. Credit, Marketing Platforms and Regularisation. It is worthy of note that the Rural Enterprises Programme is meant to be concluded by 2022. In the light of this, it is recommended that the Government of Ghana and the donor agencies, IFAD and the AfDB strive to either commence another phase of the programme after the current one or put in place strategies to ensure the long-term sustainability of the interventions.

Also, interventions need to go way beyond training and counselling. More effort needs to be made to get more MSEs to benefit from the other BDS services. From the findings, communities that are very far from the business advisory centres (BACs), where the services are accessed by the MSEs, are not well represented among current beneficiaries. This may be

due to the challenge with logistics in accessing some of these very remote locations. It is recommended that the BAC offices be given much more support in order to achieve this.

One of the major components that led to disempowerment among the beneficiaries was non membership of an economic or social group. It is recommended that the REP, through the BAC offices, intensify efforts to encourage and guide the MSEs to establish economic groups, especially among MSEs within the same business sectors.

There is a great need for strong government intervention on behalf of the MSEs to the banks in the area of credit. Many of the beneficiaries complained about the almost unattainable conditions they needed to meet to access credit facilities from the banks and when they do meet them, the interest rates are usually too high for the MSEs to afford. It is recommended that government goes a little further in helping to access funds for the MSEs. The Government of Ghana may take a cue from the Grameen lending model (McMillan and Hanley, 2003) where borrowers do not need any collateral to access loans. This will go a long way to assist the very poor MSEs that are not likely to be able to access the commercial loans in a very long time.

It is also recommended that the Government of Ghana make available cheaper sources of funds in order to develop those MSEs that do qualify for the commercial loans.

The late release of funds even when credit was awarded was also an issue for concern. It is recommended that the government in collaboration with the Rural Enterprises Programme should ensure timely release of funds when credit has been approved, especially the matching grant from the REP. This can be ensured through better and closer monitoring of the financial institutions.

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