



## THE DETERMINANTS OF FIRM GROWTH IN NORTHERN GHANA

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### Abstract

*The United Nations Economic Commission for Africa (2013) argues that in order to harness Africa's natural resources for structural transformation it is important to establish general framework conditions for structural transformation such as education, infrastructure and access to sufficiently large, regional market. This paper examines entrepreneurship in the Northern Savannah Zone of Ghana using the experience of 440 middle range entrepreneurs with focus on the factors that influence middle range entrepreneurs ability to grow. Results of in-depth interviews and regression analysis indicate that age of the entrepreneur, access to market and participation in capacity building training significantly explain the effectiveness of entrepreneurship in Northern Ghana. The paper concludes that access to market is critical in promoting entrepreneurial growth in the study area.*

**Key words: Entrepreneurship, Market, Northern Ghana.**

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### Background

Entrepreneurs are any country's best hope for endogenous development. Entrepreneurship is an innovative process where a prospective entrepreneur identifies and seizes an opportunity, organizes existing resources to convert those opportunities into marketable products or services through value addition in terms of time, efforts, money, or skills for the benefit of society (Buame, 1996). The first ever comprehensive entrepreneurship development program, the Entrepreneurial Development Program (EDP) was established in Ghana in 1987. The aim was to develop private sector entrepreneurship to become an engine of growth. The common thinking was that individual enterprise development promises better employment generation for a given capital investment. Other ideas were that entrepreneurship

can contribute to the spread of business and industrial activities in the country, optimizing the impact of linkages arising out of large scale projects and promoting the diffusion of economic ownership.

At independence the conditions were not appropriate for vigorous indigenous entrepreneurship in sub-Saharan Africa. The emphasis was on primary production. Buame (1996) explained that the country experienced economic decline in the late 1970s which manifested itself in several ways including non-availability of raw materials, non-availability of essential spare parts in the industrial sector, obsolescence of plant and machinery and lack of foreign exchange. The end result was low capacity utilization and widespread shortage of industrial products in the country. It was during this period of

economic stagnation that the full potential of the entrepreneurial and small-scale sector was realized as a sector that uses largely locally available raw materials and relatively small investment capital. The PNDC government announced what it called “New Strategy for Entrepreneurship Development” and this was immediately followed by the establishment of a National Board for Small-Scale Industries (NBSSI) in 1985 as the apex coordinating body. NBSSI was charged with responsibility of assisting the Ministry of Industries, Science and Technology in the initiation, formation, development and implementation of plans, programs and strategies for the success and accelerated growth of entrepreneurial activities (Buame, 1996). Another type of entrepreneurial development program was the Entrepreneurial Development Training Project (EMPRETEC). It was expected to promote an improved co-operation (networking) between national institutions: banks, established entrepreneurial firms, industrial association and transnational corporations on issues of joint-ventures, subcontracting, licensing agreements and technical expertise and to organize training workshops for “established” entrepreneurs. The experience of Ghana shows that the Northern Ghana lags behind in terms of socio-economic development as compared to the rest of the country. As cited in Al-hassan (2012), McKay (2006) has described economic growth in Northern Ghana as very slow compared to other regions while Sowa (2006) concluded that Northern Ghana consistently and persistently pick the bottom rankings in terms of key development areas involving food security, quality education, access to health, water and sanitation, income, etc.

Following the above, several policies and programmes have been designed by the government of Ghana to reduce poverty in Ghana so as to bridge the gap between the poor and the rich. Examples are the Economic Recovery Programme (ERP) & Structural Adjustment Programmes (SAPs), Livelihood Empowerment against Poverty (LEAP),

Ghana School Feeding Programme, National Health Insurance Scheme, Declaration of Maternal Mortality as a national emergency, Capitation Grant, National Social Protection Strategy (NSPS) and National Youth Employment Programme (NYEP). Recent report by the Ghana Statistical Service indicates that poverty has reduced across regions in the country. Despite, the experience of Northern Ghana shows that poverty rates are still alarming with majority of the people facing low income and food insecure conditions. Specifically, poverty rates are still high in the Upper West Region (71%), Upper East Region (44%) and Northern Region (50%) (GSS, 2014). Aside low incomes the food security situation in the region has not improved with majority of the people being severely food insecure. According to the World Food Programme those who suffer from severe food insecurity stand at 6.4% in the Upper East region followed by Northern Region (2%) and Upper West region (1.4%).

Access to market has remained one of the major challenges facing business enterprise owners in the NSZ. Indeed, the ability of owners of small businesses to provide quality services and be able to survive recent economic crisis in Ghana including high inflationary rate, fast depreciation of the Ghana Cedi, etc largely depend on market availability. Boone and Kurtz (2004) wrote that marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organizations, and events to create and maintain relationships that will satisfy individual and organizational objectives.

Structural transformation which is the process by which new, more productive activities arise and resources move from traditional activities to newer ones (The United Nations Economic Commission for Africa, 2013) is crucial for understanding the benefits of entrepreneurship. Under structural transformation, a higher proportion of labour is moved from low-productivity to high-productivity sectors. In Africa, the evidence suggests that

structural transformation is in its formative stage in most countries and has not yet put down deep roots. As a result, the pace of poverty reduction has not kept pace with the relatively rapid growth attained in many countries.

The United Nations Economic Commission for Africa (2013) argues that in order to harness Africa's natural resources for structural transformation it is important to establish general framework conditions for structural transformation such as education, infrastructure and more so access to sufficiently large, regional market. Many entrepreneurs have not received the required training and yet women face constraints at almost every stage of their business operation (start-up, survival, diversification, growth). While some of the constraints are also experienced by male entrepreneurs, women have additional, gender specific constraints. This paper examines the effect of marketing on entrepreneurship development in the Northern Savannah Zone of Ghana. The paper attempts to answer two critical research questions. These are: *Is marketing important for entrepreneurship development? If yes, what marketing strategies are being used by microentrepreneurs in NSZ and do these strategies impact their growth?*

## **Methodology**

The study adopts a mixed methodology. It utilizes cross-sectional data obtained from 440 business owners (entrepreneurs). An in-depth analysis of benchmarks and dynamics of issues such as entrepreneurs' capacity for competitive productivity and best practice were considered. The paper also investigated the policies and the socioeconomic environment that shape the development of entrepreneurship and human capital in Northern Ghana. A thorough literature review was followed by a situational analysis of entrepreneurs with emphasis on their strengths, weaknesses, opportunities and threats in the production and marketing of products. Desk studies were carried

out which involved a review of firms' accounting records (e.g., income and expenditure), annual reports of firms, publications and brochures. Focus group discussions were held with firm owners and employees. In all, a total number of eight (8) focus group discussions were organized across the three regions. The results of the group discussions were used to triangulate the findings from the structured interviews and findings from literature. The field visits involved visits to traditional and non-traditional markets to inspect the type of products and services provided. Questionnaires were administered to 440 business owners (entrepreneurs) comprising 56% male. Fifty two percent (52%) of respondents were obtained from Northern region followed by 27% and 21% from Upper West and Upper East regions, respectively. Three (3) communities made up of district capitals and two other communities were randomly selected and visited in each district. District capitals were chosen because the districts have promising marketing opportunities. Border towns (Tumu, Tatale and Paga) were also sampled in order to understand cross-border business opportunities existing in the study area and how this influences entrepreneurship locally<sup>1</sup>.

## **Data and Data analysis**

Data were obtained at two levels – community and institutional levels. Data gathering at the community level was of two types. The first was focused on individual men and women entrepreneurs operating in both urban and rural areas. At this level, the collection of data was guided by gender, years of operation (experience), scale, location, type of product and market type. The second level covered organizations and institutions with emphasis on governmental and non-governmental organizations providing entrepreneurship training or support or facilitating entrepreneurship development. Specifically,

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<sup>1</sup> These towns share borders with Togo (Tatale, Burkina Faso (Paga), and Cote I'Voire (Tumu).

microcredit granting agencies, government agencies, the National Board for Small Scale Industries (NBSSI) and NGOs were visited. Specific techniques used included field visits, meetings and interviews.

Socio- demographic characteristics of respondents included name, sex and age. Data were also gathered on the level of education of men and women entrepreneurs in both traditional and non-traditional products as well as their experience in the product market and knowledge of entrepreneurship. Data were collected on products with emphasis on number and types of traditional products by men, number and types of traditional products by women, number and types of non-traditional products by men and number and types of non-traditional products by women. The rest were resources used in terms of physical, financial, human and information resources. In terms of market, data were gathered on the number and types of traditional markets for men, number and types of traditional markets for women, number and types of non-traditional markets for men and number and types of non-traditional markets for women. Other areas included physical (land, natural resource, equipment) resources needed for business, approximate level of financing required, personnel (expertise) resource requirement, estimated income and sources for additional information. Other areas included the characteristics of the market: size, location, infrastructure, linkages, frequency, market policies or major rules and regulations, prices of goods, advertisement, type of customers, competitors, storage and challenges and market planning. Finally, the data collection process emphasised market opportunities with respect to both explored and non-explored and market opportunities for retailers, wholesalers and producers. Data analysis involved the combination of both qualitative and quantitative (statistical) data analysis techniques.

### **The Empirical Model**

Available literature shows that effectiveness of entrepreneurs in grasping market opportunities is determined by several factors. Atieno (2006) investigated the factors determining the participation of women in informal sector activities in Kenya and found that education is one of the important factors determining women's participation in the different categories of the labour market. Okoh and Egbon (2005) provided evidence to show that the rural and urban foodstuffs markets are well integrated and that the urban market price drives the rural market price. The role of access to finance on the growth of a business is inconclusive. Whereas Quartey (2006) argues that access to finance has a significantly positive influence on firm growth in the Ghanaian economy Kimuyu and Omiti (2000) points out that loans from government and public credit micro or others are not the best answer for raising capital for SME development and in the opinion of Dawson (1997) the impact of credit on growth is often not sustainable.

In terms of location, McPherson (1996) has shown that locating in a commercial town exposes the firm to high-income customers as opposed to what pertains in rural areas. Firms in different sectors face different product demands and different cost structures. Location also affects a firm's growth; a firm's proximity to demand sources and to concentrations of competition must influence its profitability (Piore and Sabel, 1984; Pyke et al., 1990; Schmitz, 1998). Location is an important determinant of firm's access to credit. *Ceteris paribus*, urban enterprises record a higher success rate than rural enterprises (Kimuyu and Omiti, 2000). The reason is that suppliers of credit are of the view that rural enterprises are less concentrated and more difficult to serve (high average cost). Besides, due to lower rural incomes, rural based businesses enjoy lower volumes of business and lower demand for credit. The performance of entrepreneurs is also likely to be affected by the level of human capital embodied in its proprietor.

Bates (1990) found that the level of education of the entrepreneur is positive and significantly related to the firm's longevity (and perhaps growth).

In terms of gender, McPherson (1996) argues that enterprises owned by females are less likely to grow, since traditionally, female generated funds are used to cover the family's basic needs, hence female proprietors may avoid taking the risks involved in firm expansion.

Effectiveness of entrepreneurs which translates into growth of firms can be measured in several ways, including growth in sales, profit, or number of

employees (McPherson, 1996). Defining entrepreneur effectiveness in terms of sales or profits is preferable to a labour-based measure for accuracy purposes. However, most microentrepreneurs in the study area do not keep proper records, and are therefore unable to report their sales or profits over the years. Evans (1997) and Parker (1991) have suggested that estimates using employment figures are similar to those using sales. Following the ideas of Evans and Parker the entrepreneur effectiveness equation is specified as:

$$\text{Effectiveness} = \beta_0 + \beta_1\text{Age} + \beta_2\text{Education} + \beta_3\text{Market} + \beta_4\text{Start-up Capital} + \beta_5\text{Location} + \beta_6\text{Access to Finance} + \beta_7\text{Gender} + \beta_8\text{Capacity Building Training} + u \dots (1)$$

The dependent variable is effectiveness of entrepreneurs measured by firm's proportionate change in the number of employees (hired and family and apprentices). Age is proxied by years of entrepreneur whereas education is measured by the number of years of schooling. Market access is defined as number of times sales is made in a month. Start-up capital is measured by a dummy (1 if entrepreneur started with his/her own capital, 0 = otherwise). Location is also represented by a dummy (1 = firm located in Urban (regional capitals) and 0, otherwise). Access to finance refers to the number of times an entrepreneur had successfully obtained financial assistance from a lending institution whereas gender refers to the sex of the entrepreneur (1 = male; 0 = female). Participation in capacity building training workshops is proxied by the number of times the entrepreneur has successfully participated in entrepreneurial training workshops whereas  $u$  is the error term.

### **Socio-demographic features of entrepreneurs**

The average age of sampled business owners/entrepreneurs is 35 years with an average of 3 years of experience in entrepreneurship in business operation (Table 1). Mean years of education is 7 years. In terms of levels, majority (33%) of the sampled respondents had no education.

Those who received primary education stood at about 10% followed by JSS/Middle (24%), SSS/Vocational (22%), Post-Secondary (2.6%) and tertiary (6.4%). Those who had no education said they rely on their experiences for managing their businesses. Also, the educated ones also argued that experience is essential for business survival, diversification and growth. Respondents were asked to indicate 'YES' or 'NO' to whether they have ever participated in any capacity building training. The results show that 210 representing 48% of the sampled size (440) received training intended to build their capacities as entrepreneurs. Out of the 210, more than half (55%) were male indicating that more men had benefited from capacity building training workshops compared to their female counterparts. In terms of regions, Northern region recorded the highest (46%) number of training beneficiaries. This is attributable to the large number of NGOs operating in the region. Another reason is that the region is perceived as the hub of business in the north and as such most of the formal entrepreneurship organizations (e.g., NBSSI) have put in place excess efforts to boost business development. The proportion of those who benefited from capacity building programmes in Upper West and Upper East regions are 28% and 26%, respectively. Capacity building trainings are

organized largely by NBSSI (65%) followed by NGOs (32%). The mean number of times an entrepreneur has participated in capacity building training is 10. This is significant for equipping beneficiaries with business planning and management skills. The common topics often treated at such trainings are business planning, record keeping, group dynamics, proposal writing, leadership and communication skills.

The main reason for establishing enterprises is profit making (75%). Seven percent (7%) of the entrepreneurs said they inherited their businesses. Experience shows that when businesses are inherited they are often run with other objectives (social, cultural, etc) other than profit. The findings show that profit motive is the overriding reason for setting up small scale enterprises in Northern Ghana. This finding is contrary to the popular view that firms, particularly small firms are borne out of survival and not out of desire to make profit, innovate and speed up the growth process of the economy.

Capital is a major factor of production. The major source of capital for both men and women entrepreneurs is own savings (60%). In terms of gender, sixty five percent (65%) of men indicated that they had their start-up capital from their own savings followed by 7%, 6.5%, 4% and 11% who said they had their capitals respectively from the bank, relatives, friends or in the form of gifts. On the other hand, the proportion of female who had their capital from their own savings is 55%. The percentage of women who obtained their capitals from the bank, relatives, and friends or in the form of gifts stands at 7%, 13%, 2% and 20%, respectively. The results show that institutional lending to business owners is low (7%). The possible explanation is that the formal institutions

require collaterals as basis for lending to the private sector. Many of the private business owners lack the requisite collateral. More so, informal financial institutions have limited outreach programmes resulting from lack of funds. Majority (52%) of those who started their businesses using their own savings came from Northern region followed by 25% and 23% from Upper East region and Upper West region, respectively. Reliance on owner capital to start business is as a result of ignorance on the part of business owners as to the sources of formal lending institutions as a result of high illiteracy rate (33%). High illiteracy rate weakens borrowers' ability to approach financial institutions for loans.

The study further provides evidence to show that 86% of firms in Northern Ghana are based in urban centres whereas the rest are rural-based. This is not surprising because with the profit motive firms will want to locate at places where there is effective demand coupled with market infrastructure (reliable power supply, storage facilities, good roads, etc).

Indeed, because firms are profit oriented, the owners give prominent recognition to the caliber of human resources they hire. Key factors that influence the recruitment of personnel are the skill level, experience and social relations. Skills are important for innovation and creativity leading to diversification. Experience is important because of the old adage that experience is the best teacher. Business owners will want to work with people with accumulated business experience which is required for effective planning, monitoring and reporting. The results show that only 16% of respondents hired labour from the market. Majority (46%) of the business owners rely on family labour because family members are trustworthy and easily accessible.

**Table 1: Places where products are sold**

<b>Market place</b>	<b>Frequency</b>	<b>Percent</b>
I sell in my village market	158	19.1
I sell in my District market	504	60.9
I sell at other markets in my district	51	6.2
I sell outside my region	10	1.2
Other (selling at nearby countries, Burkina Faso and Togo)	105	12.7
<b>Total</b>	<b>440</b>	<b>100</b>

**Source:** Compiled from field data.

Trade within the village and district account for about 86% meaning that most of the trading activities are domestic based where local commodities are commonly sold (Table 1). Inter-regional trade is minimal (about 1%) largely due to poor linkages in terms of road infrastructure. The implication is that a large proportion of business activities are concentrated within the districts in each region thereby limiting entrepreneurs' capacity to identify new business opportunities outside their districts.

The major source of information about the market is by word of mouth, that is, through customers and friends. The benefits of market information were identified by respondents to include helping them to determine or set prices of goods and services (14%), increased sales/profit (56%), improved skills (17%), formulation of production decisions (11%) and avoidance of losses and waste (2%).

The analysis indicates that entrepreneurs in the study area do not make conscious efforts to carry out market research. For instance, respondents were asked to indicate 'YES' or 'NO' whether they conducted customer needs assessment (CNA) before starting their businesses. Almost 60% of the 440 respondents did not conduct CNAs. The implication is that businesses are set up randomly without any relevant ideas of the market

development. This could also be understood given the size (small) start-up capital. Economic theory suggests that small size capital significantly limits firm's ability to allocate funds for CNA. The absence of CAN compels over 68% of enterprise owners to practice mass marketing (setting up a business with the assumption that customers will come by themselves) rather than target marketing. The proportion of men (44%) who carried out customer needs assessment is greater than that of women (37%). Over 68% of sampled entrepreneurs engage in mass marketing as opposed to target marketing.

Akin to customer needs assessment is customer feedback and care programmes. The analysis shows that 47% and 38% of sampled respondents respectively conducted customer feedback and care programmes. In terms of gender, many women (50.4%) compared to men (45%) implemented customer feedback exercise (Table 2). Another forty percent (40%) and 36% of men and women respectively carried out customer care programmes (Table 3). Thus, whereas women spend their business time and resources on obtaining customer feedback programmes their male counterparts focus on customer care programmes.

**Table 2: Customer feedback programme by gender**

Do you have a customer feedback programme?	Yes		No		Total	
	Freq	%	Freq	%	Freq	%
Male	210	45	261	55	471	100
Female	185	50.4	182	49.6	367	100

**Source:** Compiled from field data.

**Table 3: Customer care programme by gender**

Do you have a customer care programme?	Yes		No		Total	
	Freq	%	Freq	%	Freq	%
Male	189	40.1	282	59.9	471	100
Female	131	35.5	238	64.4	369	100

**Source:** Compiled from field data.

Microentrepreneurs in the study area use various business strategies to tap the varied business or market opportunities. Results of focus group discussions show that retailing or ‘buying and selling’ is the dominant market strategy. Thus, over 90% of firms are into distribution with only less than 2% in manufacturing. Manufacturing is mainly in the areas of production of simple farm implements. Setting up of small or medium industries is another strategy but this is dominated mostly by agro-processing (shea butter) activities.

Another strategy is running businesses characterized by one-man business or sole proprietorship as opposed to co-preneurship<sup>2</sup>. Over 95% of businesses are owned and managed by individuals. However, the analysis revealed that women employ the group approach to managing their businesses in the area of agro-processing. The women enjoy support (financial and skill development) from both governmental and non-governmental organisations. The group approach is characterized by granting of small credit to group members for purposes of empowering the beneficiaries. Government support programmes has included District assembly Poverty Alleviation

Fund and Microfinance and Small Loans Centre (MASLOC).

Business owners also embark on sales promotion strategies. The figures in Table 5 show that open display of products in or around stores (23%) is the dominant sales promotion strategy. Only 5% of business owners said they operate credit sales. Indeed, the employment of these strategies has contributed positively to increasing profit. Nevertheless, as high as 20% of the respondents said they have no sales promotion strategy (Table 4). According to them it is God who provides, meaning that customers will buy from a particular seller if it was destined to be so. This category of entrepreneurs believes that with faith everything (including the ability to sell goods and services) is possible.

<sup>2</sup> Co-preneures are entrepreneurial couples who work together as co-owners of their businesses.



**Table 4: Sales Promotion strategies**

Strategy	Frequency	Percent
Credit sales	42	5.1
Advertisement at store and market place	173	21.1
Good customer relation	125	15.3
Paying attention to quality of products/services	105	12.8
Price reduction (discount)	22	2.7
Open display of products	187	22.9
No strategy	164	20.0
<b>Total</b>	<b>440</b>	<b>100</b>

**Source:** Compiled from field data.

### Empirical Results

The OLS results are contained Table 5. Three equations were used. The R-squares (0.049, 0.057 and 0.056) appear to be low. This is not a surprising because cross-sectional data are highly associated with low R-squares. Location, gender and start-up capital variables in equation one have negative signs and are insignificant. The education and access to finance variables carry the right signs but are insignificant. The sales variable (measuring access to market) is positive and significant in equations two and three whereas age and capacity building variables have the expected signs and are significant for all equations.

**Table 5: OLS results for Entrepreneurs: Dependent variable is Effectiveness of Entrepreneurship**

Variable	Equation 1	Equation 2	Equation 3
Location	-56.308 (-1.147)	-	-
Gender	-33.179 (-0.936)	-	-
Age	5.823 (3.517)***	5.892 (3.614)***	5.870 (3.608)***
Experience	-0.148E-01 (-0.166)	-	-
Education	0.150 (0.049)	0.204 (0.071)	0.575E-01 (0.020)
Sales	0.558 (0.828)	0.167 (3.256)***	0.169 (3.299)***
Start-up capital	-3.911 (-0.495)	-1.498 (-0.191)	-
Access to finance	3.312 (0.418)	0.935 (0.119)	-
Capacity building	0.167 (4.134)***	0.164 (3.256)***	0.163 (4.088)***

Constant	-512.4254 (-5.534)***	-571.646 (-7.328)***	233.5776 (3.628)
R <sup>2</sup>	0.049	0.057	0.056
Adjusted R <sup>2</sup>	0.039	0.051	0.051
N	440	440	440
F-statistic	4.76***	8.51***	12.44***

**Source:** Field data. Significance levels \*\*\* = 1% and figures in brackets are t-ratios.

The results of equation three implies that age of the entrepreneur, access to market and participation in capacity building training significantly explain the effectiveness of entrepreneurship in Northern Ghana. In Ghana, age is associated with wisdom and maturity. The mean age of entrepreneurs is 35 suggesting that entrepreneurs are young and are capable of adjusting fast to business changing conditions. Young entrepreneurs also work hard in managing their enterprises. Age is also associated with some experience and as entrepreneurs gather experiences they are able to understand and explain business opportunities and dynamics. The same experience enables owners of businesses to effectively plan and manage their businesses. Again, when firms stay longer in the business they are able to enjoy economies of scale in the form of credit purchases of inputs. Further, experienced entrepreneurs are capable of studying and understanding market features or trends such as price behaviour, seasonality (peak market), source of raw materials and reliable customers all of which inform the individual regarding opportunity identification and utilization.

The positive and significant nature of the capacity building variable can be interpreted to mean that entrepreneurs' ability to effectively promote firm growth through market opportunities highly depends on the number and quality of training that they receive. The advantages of building the capacity of entrepreneurs are many. When entrepreneurs participate in training workshops they are able to learn about new business opportunities and acquire new business planning and management

techniques. Secondly, capacity building equips entrepreneurs with skills of keeping records which is needed for effective planning, monitoring and evaluation. Thirdly, capacity building helps to deepen the confidence levels of entrepreneurs. Increased confidence can lead to innovation and value addition. Thus, the success of any small business enterprise also depends on the skill, capabilities and abilities of entrepreneurs to innovate. This finding agrees with the recent conclusion of President Kufuour that the private sector is "doing very well" as a result of putting in place various laws and measures (capacity building programmes, provision of government guarantees, as well as different forms of credit, like the Venture Capital Fund, Microfinance and Small Loan Centre) to facilitate business growth.

The positive and significant sales variable suggests that access to market is fundamental for the success of entrepreneurs. The interpretation is that entrepreneurs are encouraged to produce more with guaranteed market. Effective market encourages innovation and competition leading to quality produce. Secondly, when business owners are sure of a ready market for their products their marginal propensity to pump in more capital into their businesses is high. Effective market also increases the demand for bank loans thereby enhancing financial intermediation. Thus, demand side economics is key to utilizing market opportunities in the study area.

## **Conclusions and Recommendations**

Community members are generally aware of the numerous business and market opportunities existing in Northern Ghana. Almost every business owner expressed enthusiasm about the need to tap the abundant business opportunities but these efforts have been limited by the over reliance on traditional methods of production. Again, there is lack of conscious efforts by policy makers to encourage or support many enterprises partly due to the fact that most of them operate in the 'hidden' economy. Infrastructure base in the north is poorly developed leading to poor entrepreneurial development especially across regions.

The business sub-sector faces lots of challenges. Examples of these challenges are limited market for products and services, lack of technical know-how due to over-reliance on traditional methods of production, lack of standardization for products with high margin potential and poor market research. Entrepreneurs' socio-demographic characteristics such as age and participation in capacity building training have strong impact on the performance of enterprises in Northern Ghana. The other factor that also significantly determines the effectiveness of entrepreneurs is availability of effective market. Access to market is critical in promoting entrepreneurial skills.

Business opportunity identification is a crucial part of the process of setting-up a business. How small businesses begin, grow and diversify largely depends on many factors. These are the kind of business opportunities spotted in the beginning, how the opportunities can be harnessed and how relevant the opportunities are to the demands and needs of the market place. It is therefore important for businessmen in the study area to take their time and trouble to prepare good foundations which involve the selection and operationalisation of the right opportunity. This can be achieved by considering different alternatives. The initial process will involve collecting relevant information

from the right sources (personal contacts, institutional contacts, publications, trade fairs, exhibitions, festivals, media, etc). There is also the need to understand the environment of the north in terms of its basic features, resource endowment, population and its structure, occupational pattern, socio-economic background, etc. Then, the understanding of the current business scene follows. Here, emphasis should be on the present pattern of trading and business activities, area and inter-regional flow of commodities, local consumption and needs of industrial goods and services. This is important for moving trade beyond its current district level.

There is the need to improve the infrastructural situation in the north. Emphasis should be on constructing or improving major roads that link various regions and districts as well. This is important for supporting not only the production of goods and services but also for promoting entrepreneurial skill development.

Finally, there is the need to build the capacity of entrepreneurs in key areas involving identifying and harnessing business opportunities, how to do marketing research, information storage and utilization, sale promotion and human resource management. Skills in steps of creating businesses are also important and should be considered. These steps are self-analysis, environmental scanning and assessment, opportunity identification, enterprise choice and planning, enterprise start-up and management.

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