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Juxtaposition of the Role of Small Businesses and the State in Ghana's Economic Development

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Abstract

The Ghanaian private sector is mainly composed of small businesses. The sector is expected to propel the growth and development of the Ghanaian economy. Unfortunately, the key players in the sector, small businesses, are bedeviled with a multitude of problems majority of which have been left to the highly incapacitated private sector to handle. This paper argues, conceptually, for responsibility of the state in providing the required co-ordination externalities and big pushes that are indispensable to the development of the private sector and ability of the sector to truly act as the engine of growth and development of the economy. This is achieved through review of the importance of the small business sector to global and national economies; how the Ghanaian economy has performed under the dominance of the state and the private sector since independence; and shortcomings in state policy support for private sector development.

Key words: Small businesses; The State; Private sector; Economic growth; Development; Co-ordination externalities

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INTRODUCTION

It is generally acknowledged that the definition of micro, small and medium-sized enterprises (herein referred to as small businesses or SMEs) vary across countries and regions. This notwithstanding, small businesses account for a greater percentage of all businesses in virtually every economy and generate the majority of private sector employment and output. For instance, the share of SMEs in the total number of enterprises stands at almost 100 percent in Indonesia and 99.9 percent in Canada and the United States of America (APEC[1] Policy Support Unit, 2010).

Thus the private sector in most countries is largely dominated by small businesses majority of which are local enterprises. This is the sector that has become the motor of growth and development in virtually every economy and is inevitable in both national and global economic activity. For example, the private sector is recognised as key role player in the resolution of global imbalances in the world economy ("Annex: IMF[2]...", 2006). Therefore, developing small businesses is, in effect, an upgrading of the private sector and its importance to national, regional and global economic growth and development.

The importance of small businesses is manifest in contributions to wealth creation, employment generation and poverty reduction. Moreover, small enterprises have been associated with high levels of economic adaptability and flexibility, and are seen as creating economic opportunity through innovation (Carter & Van Auken, 2006; Atherton, 2005) and regarded as the seedbed for industrialisation, especially in Africa (Siddiqi, 2006).

In developed economies, it is estimated that SMEs account for an average of 67 percent of formal employment in the manufacturing sector and contribute a sizable share to formal Gross Domestic Product (GDP)–49

[1] APEC: Asia-Pacific Economic Cooperation.
[2] IMF: International Monetary Fund.

percent on average in high-income countries (IFC[3], 2010). For instance, as of 2006, in the European economy, SMEs contributed up to 60 percent of EU[4]- GDP and accounted for 99.8 percent of the total number of EU enterprises (UEAPME[5], 2006).

In developing economies, SMEs account for an average of 45 percent of formal employment in the manufacturing sector (IFC, 2010). Specifically, it is estimated that SMEs account for about 92 percent of businesses in Ghana (Abor & Quartey, 2010) and more than 70 and 90 percent of all registered businesses in Tanzania and Indonesia respectively (APEC Policy Support Unit, 2010; Confederation of Tanzania Industries, 2009).

Moreover, the contribution of SMEs to formal GDP in low-income countries is about 29 percent on average (IFC, 2010) with some lower middle income countries, such as Ghana, recording higher contributions. For example, contribution of SMEs to GDP is estimated at 40 percent in Tanzania, 70 percent in Ghana, 75 percent in Uganda and 97 percent in Indonesia (Abor & Quartey, 2010; APEC Policy Support Unit, 2010; Confederation of Tanzania Industries, 2009; Okello-Obura, Minishi-Majanja, Cloete & Ikoja-Odongo, 2008).

Furthermore, several studies have found that SMEs create more jobs than large firms do, both in developing and developed countries. Net job creation is also higher in SMEs than in large firms (IFC, 2010). However, there is evidence that in developing economies, SMEs could contribute more to economic development than they currently do (IFC, 2010) if given the needed boost. In addition, because most small businesses are local enterprises, they have a greater capacity to fuel economic growth and development of a nation through the retention of wealth in the economy as against large foreign enterprises that usually repatriate profits to their home countries.

The case of China is a good example of the economic importance of small businesses which are practically local enterprises. China has grown quickly over the past decade and has recently been a leader together with the USA in world economic growth ("Annex: Summing Up...", 2005). This growth has largely come about from small enterprises, in particular Township and Village Enterprises, owned by local communities and partly controlled by local government (Gibb & Li, 2003).

The valuable contributions of the small business sector to national and global economies have earned the sector a boost in most developed nations and international communities. Examples are the Small Business Service of the United Kingdom (UK) and the European Union's (EU) Green Paper on Entrepreneurship aimed at developing the sector to unleash its full potentials for economic growth and development. In Ghana, currently, national policy support programmes for the small business sector are mostly channelled through the National Board for Small Scale Industries (NBSSI) and its implementing agency, the Business Advisory Centres (BACs).

In spite of the valuable contributions of the small business sector to Ghana's economy, the sector is not delivering on its expectation as a key driver of growth and development. This paper aims at tracing the growing importance of the private sector (of which small businesses constitute a greater percentage) in Ghana's economy since independence and the unparalleled support that the sector receives. The paper primarily reiterates a number of recent calls for countries, such as Ghana, to approach the development of the private sector with a focus on coordinated expansion of the domestic market through state planning and incentives.

The paper is outlined into four sections, including the introduction. The next section provides an overview of the role of the state and the private sector in Ghana's economy since independence. This is followed by an exposition of the role of the state in private sector development with a focus on highlighting important missing links for policy attention. The paper ends with a conclusion on key policy considerations for boosting activities of the Ghanaian private sector.

1. THE ROLE OF THE STATE AND THE PRIVATE SECTOR IN GHANA'S ECONOMY SINCE 1957

Between 1957 and 1980, statism dominated the economic policy front of Ghana. Statism was chosen for several reasons. Prominent among them was the conviction that the state was at the time, the best option for the huge investments in economic projects that the economy required, particularly, at independence in 1957. This was because these projects were "considered too risky and complex for what was essentially a highly underdeveloped and unsophisticated private sector" (Mbaku, 2003, p. 217).

Other reasons for the choice of statism over active private sector participation were the need to generate wealth, fight poverty and to provide the people with employment opportunities. The economy, at independence in most of Sub-Sahara Africa (SSA), was one of mass poverty deprivations worsened by spatial inequalities. The concern of development, in that era, was the "eradication

[3] International Finance Co-operation.
[4] EU: European Union.
[5] UEAPME: Union Européene de L'Artisanat et des Petites et.
Moyennes Entreprises/European Association of Craft, Small and Medium-Sized Enterprises.

of colonially created core-periphery spatial differences that had engendered spatial inequity and inefficiency" (Yeboah, 2006) and the need to reconstruct and rehabilitate societies that had been devastated by colonial exploitation (Mbaku, 2003).

The Ghanaian public sector, therefore, became the main engine of economic activities and growth and for that matter for striving towards governments' goal of large-scale industrial development, which had import substitution industrialisation strategy at its core. Governments under Nkrumah, Busia and Supreme Military Council regimes embarked on massive state investments in public projects such as the Tema industrial city and the Akosombo Dam (Yeboah, 2006). Other major investments were the establishment of processing plants such as the Ghana Food Company (GAFCO), the Bolgatanga Meat Factory, and the Ghana Textiles Printing (GTP) Company.

The results of statism with redistributive economic policies at its core were twofold. Positive results were felt in the life of the ordinary person who benefited from the redistributive policy of governments. In the early 1960s, Ghana had the highest level of GDP per capita in Sub-Sahara Africa (Tettey, Puplampu & Berman, 2003), stood almost at par in economic terms with countries such as South Korea and Malaysia (Codjoe, 2003), but unfortunately slipped away from being classified as a middle income country by the World Bank (Tettey, Puplampu & Berman, 2003; Killick, as cited in Aryeetey & Fosu, n.d).

Thus the positive economic turnaround was short-lived and soon gave way to a declining economy from the late 1960s. This has been highly blamed, at the formal discussion front, on the politicisation of resources by governments, debt-financing strategy, and high managerial inefficiencies in the public sector - the custodian of industrial activities at the time (Mbaku, 2003) with adverse features of corruption, nepotism and rent seeking.

However, all the while, the private sector had been neglected in terms of developing it to become part of the economic development process in Ghana. With economic activities vastly in the hands of highly subsidised and inefficient State-Owned Enterprises (SOEs), growth in the Ghanaian economy declined with worse and turbulent records in real GDP and GDP per capita growth between 1971 and 1984 (with exceptional positive growths in 1973 and 1978). For instance, growths in real GDP and real per capita GDP stood at approximately -3 and -6 percent in 1972, -13 and -17 percent in 1975 and -7 and -10 in 1982 respectively (McKay & Aryeetey, 2004).

In addition, Ghana's foreign reserves dwindled and the nation's debt rose. Real wages kept dropping, while public sector and industrial earnings also kept falling. By the 1980s, the rate of inflation in Ghana was estimated to be over 100 percent and per capita GDP had fallen from its 1960 levels of $1009 to $739 with national poverty incidence level rising to 37 percent in 1988 (see Takyi & Addai, 2003).

The deteriorating economic situation in Ghana prompted the Bretton Woods Institutions (the World Bank and the IMF at its forefront) in the early 1980s to institute conditions attached to borrowing for reforms in Ghana. As Yeboah (2006, p. 50) describes it, "because of increasing national debt, the collapse of the Ghanaian economy, and the vampire state in Ghana", the then government under the Provisional National Defence Council (PNDC) regime had no alternative but to rely upon global sources of capital to finance Ghana's development. This was a major turning point in Ghana's economic policies, as it had since the 1980s taken a much external orientation with some writers such as Yeboah (2006, p. 50ff.) describing Ghana's development as "being coached within the notion of development funds".

By 1982, Ghana's real GDP had declined to -7 percent (McKay & Aryeetey, 2004) and inflation was as high as 123 percent in 1983 (Gyimah-Boadi, 1997) while, at the same time, terms of trade had deteriorated and the nation's accounts recorded large fiscal imbalances. The industrial sector was in total shambles with the collapse of the manufacturing sector during the severe economic crisis of the early 1980s. In fact, previous governments relied on import of machinery and spare parts for the industrial sector without instituting measures for the production of, at least needed, components that could be produced within Ghana.

Between April 1983 and December 2000, Ghana implemented the World Bank/IMF recommended Economic Recovery Programme (ERP) Phase I, Structural Adjustment Programme (SAP), and the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) to restore the economy back on track. The objectives of the ERP included improvements in debt repayment, restoration of the nation's international creditworthiness, and attracting foreign capital to rehabilitate infrastructure. The ERP and SAP had at their core increased extraction of raw materials with emphasis on the development of infrastructure for improved extraction of gold, timber, and cocoa for export (Yeboah, 2006). Moreover, currency devaluation, trade liberalisation, reduction in public sector employment with associated retrenchment of labour, limited state involvement in the economy and privatisation of SOEs are some of the policies that were implemented under the SAP.

One of the most cited advantages of the SAP is that privatisation of SOEs, which began with the passing of privatisation law in 1993, brought the country, during the 1990s, revenues valued at 21.6 percent of the nation's GDP. This enabled Ghana to reduce its outstanding IMF obligations as percentage of GDP from 12.7 percent in

1990 to 4.0 percent by 1999 (Brune, Garrett & Kogut, 2004). In addition, the Ghanaian economy recorded consistent increases in GDP within the period 1984-2000 with an average of 4.7 percent (McKay & Aryeetey, 2004).

However, the SAP brought considerable hardships on the general populace which necessitated another strategy of poverty reduction under the PAMSCAD. Reforms which started in 1983 could not arrest in a sustainable way, within the short to medium term, the falling Ghanaian economy such that in 1990 economic growth had stalled. Agricultural and manufacturing outputs drastically fell in the 1990s. For instance, in 1990, food processing and textile manufacturing were less than 60 percent of their volumes in 1977. This, among other factors, saw the increase in official development assistance (ODA) to Ghana (McKay & Aryeetey, 2004). Similarly, in 1998, manufacturing output for all industries was below the 1970s level while in 1999 export in cocoa (the country's leading export commodity) fell by 40 percent (Yusuf & Saffu, 2005). Average annual rate of inflation rose from 25 percent in 1989 to 37.7 percent in 1990 and fell again to a low of 15 percent in 1991-2 (Gyimah-Boadi, 1997).

Moreover, the share of private investments in the economy continued to be very low – after an initial increase from 2 percent in 1982 to 4.4 percent in 1984, it stood at a low of 3 percent by 1992 (Gyimah-Boadi, 1997). Furthermore, Ghana's debt rose. As Gyimah-Boadi (1997, p. 311) vividly puts it "…Ghana did not enter the ERP/SAP with a debt problem, but it came to have one". The country's total foreign debt rose from 1.6 billion in 1980 to 3.6 billion in 1988 while debt service rations was on the average over 50 percent to a high of 75 per cent in 1988 (Whitfield & Jones, 2007). In effect, cost of living continued to rise for the populace with no significant reductions in poverty; national poverty incidence level stood at 51.7 percent in 1991/2 (Osei, 2012). It is important to note that the deteriorating economic situation in Ghana was exacerbated by a fall in world commodity prices. For example, in 1999 alone, the price of gold (one of Ghana's main export commodities) declined by 13 percent (Gyimah-Boadi, 1997).

In recent times, Ghana's economic policy continues to be highly directed by its agriculture-based economy, although the service sector has, since 2008, taken over agriculture as highest contributor to GDP[6]. A turning point is that the role of the private sector is becoming increasingly prominent in achieving growth targets spelt under Ghana's long term development plan, Vision 2020 submitted to Parliament in 1995. Vision 2020 targets an average economic growth of 8 percent per annum through a strategy of human capital development, improved macro-economic policies, diversification of the economy, the creation of a business friendly environment, and trade openness. To drive the nation towards the attainment of targets set under Vision 2020 are national policies such as the National Medium Term Private Sector Development Strategy (NMTPSDS 2004-2008) and the growth and poverty reduction strategy I and II, and the Ghana Micro, Small and Medium-sized Enterprise (MSME) project.

With the private sector as the main engine for growth, Ghana entered the twenty-first century with low economic performance. The period 2003-2008 recorded inconsistent real GDP growth rates from a low of 5.1 percent in 2003 to 8.4 percent in 2008. The year 2009 recorded a massive decline in real GDP (stood at 4.4 percent) (International Monetary Fund, 2011). This was possibly due to the financial crisis that hit the world economy and slower economic activity resulting from a change in government early that year. However, the impact of the crisis on the Ghanaian economy, and most countries in Sub-Sahara Africa, was not that intense and long lasting because of their limited integration into global manufacturing and financial networks (International Monetary Fund, 2011).

Moreover, the last wave of the Ghana Living Standards Survey (GLSS V) has the proportion of Ghanaian households described as poor to be 28.5 percent in 2005⁄6, although inequality and underemployment have worsened (Osei, 2012; see also Annim, Mariwah & Sebu, 2012). In addition, larger regional disparities exist with poverty incidence in some areas above 85 percent (Ofori, 2011). Export of goods and services as a percent of GDP has not seen steady growth – exports fell from 42.4 percent in 2002 to 36.1 percent in 2005 and went up in 2006 to 38.2 percent. Investments as a percentage of GDP, however, rose to 29.1 percent in 2006 from 19.7 percent in 2002 (International Monetary Fund, 2007).

On a more positive note, the country's external debt to official creditors steadily decreased to a low of 7.7 percent in 2006 from a high of 117.7 percent in 2002. This dramatic reduction in external debt is highly explained by debt relief awarded in 2002 under the enhanced Highly Indebted Poor Country (HIPC) initiative when Ghana reached a decision point to qualify for debt relief. More so, increase in investment is partly attributed to increase in public spending (government expenditure highly financed from aid) as spelt out in Ghana's Growth and Poverty Reduction Strategy II (National Development Planning Commission, 2006) and directed by conditionalities under the HIPC initiative.

Since 2011, Ghana is classified as a lower middle income country. This new and welcoming status was mainly driven by the discovery of oil in commercial quantities in 2008 and export since 2010. Consequently, real GDP rose from 7.7 percent in 2010 to 14.4 percent

[6] See http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED&DIMENSIONS=90

boosted by oil production and a rebounded construction sector (International Monetary Fund, 2011; The World Bank, 2012). However, current account deficit widened by 38 percent in 2011 mainly fuelled by increases in nonoil imports volumes and services and income outflows while external debt increased by 7.2 percent and stood at 19.9 percent of GDP. On a positive note, export receipts increased by 61 percent due mainly to increased production of cocoa and oil exports, in the same year. However, GDP is expected to decelerate to 7.5 percent in 2012 as oil production reaches its plateau (The World Bank, 2012).

From the preceding discussion, the performance of the Ghanaian economy under the dominance of the public sector, mainly driven by SOEs from 1957 to 1990, can be described as uneven and unimpressive in most part. Standard of living was relatively poor for most Ghanaians. However, from 1990 to date, with the private sector as the main engine for growth, the country has seen some consistent (though not substantial in most cases) increase in GDP and decrease in national poverty incidence level. This notwithstanding, unemployment remains a challenge especially, rising graduate unemployment. The needed growth in private investments to propel and sustain significant growth into the future is still lacking. Level of investment as well as efficiency of investment is low. There remains a lot that the state can and must do to ensure that the private sector delivers on its mandate as the driving pillar of the economy.

2. THE ROLE OF THE STATE IN PRIVATE SECTOR DEVELOPMENT

The Private Sector Development Strategy (PSDS) Phase I (2005-2009) and Phase II (2010-2015) and the Ghana National Industrial Policy are two national strategic documents that describe government's commitment to develop Ghana's private sector. The two policy documents are interrelated in that the Ghana National Industrial Policy derives its strategic thrust from the PSDS I and II.

The purpose of PSDS II is to develop a thriving private sector that creates jobs and enhances livelihoods for all. This is to be achieved by creating a more business-friendly investment climate, and economic transformation. Specific interventions include reducing the costs and risks of doing business; reducing infrastructure deficit, developing an efficient financial sector that increases private sector access to affordable credit and innovative products. The Ghana National Industrial Policy, on the other hand, aims at expanding productive employment and technological capacity in the manufacturing sector, and promoting agro-based industrial development and spatial distribution of industries. Small businesses are the focal point of the government's efforts to spur growth and reduce poverty.

With the conviction that lack of finance is the major constraint to SME development in the country, the promotion of SME activities has largely centred on enhancing SMEs' access to finance. The PSDS I had as one of its strategic core, enhancing access of enterprises to market. However, recent studies indicate that market access for enterprises and access to business information, technology and other business-related services are still a problem for Ghanaian enterprises (Mensah, 2012; Kufour, 2008; Kayanula & Quartey, 2000). Resolving these problems will transform the enterprises into credit worthy entities that will enhance their access to credit. Besides, the nation needs to continue to work at improving SMEs' access to market and technology to ensure that enterprises are well prepared to capitalise on the provisions under the PSDS II.

In line with these, investment-led growth is what Ghana needs to boost and sustain its development. However, record shows that Ghana has been stagnating around the mid twenties in terms of total investment as a percentage of GDP; 1997-2001 average: 24 percent; 2002-2006 average: 26 percent (International Monetary Fund, 2007). This proves the need for increased investment in the economy for "There will only be sustainable development ... if the increase in government aid flows is complemented by a resurgence of enterprise" (Ending Africa's Poverty, 2004, p.176).

Growth can be spurred by significant and sustainable increases in productive public sector and private sector investments. In the case of Ghana, the private sector accounts for a greater percentage of investments in recent times. For instance, the ratio of private investment to that of central government as a percent of GDP were 21.6: 0.0 percent in 2006, 16.6:3.5 percent in 2007, 17.9:1.7 percent in 2009, and estimated at 18.7:1.8 in 2011 (International Monetary Fund, 2011). The state's dual role as pioneer of development and promoter of an enabling environment for private sector development should, therefore, be geared towards identifying priorities for the development of the private sector and, for that matter, small businesses (Mbire-Banrungi, 2004).

Similarly, Jackson (2004) stresses the need for effective government support for the private sector and provides a picture of the dilemma that many African countries, including Ghana, face: "The public sector and the state owned enterprises in ... Sub-Saharan Africa specifically have been widely criticised as being too large, bureaucratic and change resistant. There is broad agreement concerning the poor performance of the public sector … Yet there is little empirical evidence to suggest that private sector organisations are any better equipped to meet the challenges of change and development in Africa" (Jackson, 2004, p.23). Consequently, there is the need for change and entrepreneurial behaviour from all public and private sector stakeholders (Gibb & Li, 2003).

In order to nurture and realise the full potentials and benefits of the Ghanaian private sector, which is predominantly made up of small businesses, it is imperative to create an enabling business climate that will support the sector to flourish and boost wealth creation. This is what Siddiqi (2006, p.14) describes as the "best poverty attack". Fortunately, the state has, in recent times, made considerable progress in improving the Ghanaian investment climate.

This notwithstanding, the Ghanaian economy is not doing well under the dominance of the private sector. With over 90 percent of all registered Ghanaian businesses being SMEs (Abor & Quartey, 2010), whose operations are highly limited to the "small" Ghanaian market coupled with less substantial FDIs (Osei, 2012), the market system is not able to generate by itself the needed coordination externalities that are so crucial for the effective functioning of the economy.

The state, therefore, remains the key organ for creating the market system that coordinates effectively and efficiently to bring about the needed externalities (Rosenstein-Rodan, 1984 as cited in Asche, 2006). These coordination externalities basically include pecuniary external economies, and technological external economies. Pecuniary external economies come about through coexistence and functioning of different industries that complement each other to yield economies of scale. This is what Porter (1990, as cited in Daniels, Radebaugh & Sullivan, 2007) describes as "related and supporting industries", one of the four key country and firm-specific elements that interact to determine the success of a nation in a particular industry and success internationally.

However, the market may be so small - as is the case of Ghana - that it may fail to support the existence of these industries to bring about the expected benefits. Practically, private enterprises may not be interested in investing in such support industries due to anticipated poor returns on the huge investment required to provide the services. However, these support services are so crucial to the development of any industry such that once underdeveloped, the industry also remains undeveloped and unable to function well. In such an instance, the state must act to create the necessary platform for the emergence of critical support industries. As Asche (2006, p. 24) reiterates, "in spite of the fact that conditions for export-oriented growth were much better for the East Asian Newly Industrialising Economies than for African countries today, coordinated expansion of the domestic market through state planning and incentives was essential."

This appears to be the missing link for the Ghanaian economy. Most of the policy initiatives outlined in the Ghana National Industrial Policy, for example, place the onus of creating support industries in the hands of the private sector. The catchy phrase: "government will encourage...institutions" leaves much to be desired. The Ghanaian situation is one that inevitably requires the state, in most instances, to act and provide the needed externalities.

Equally important are technological external economies which emanate from the existence of technological capabilities developed through vocational training, on-the-job training and the formation of human capital needed to support industry. They also arise from networking/business linkages among industries. Even, in this case, the government is seen as a central actor in the creation of such external economies (Nurkse, 1953 as cited in Asche, 2006).

In Ghana's National Industrial Policy, the government makes selective commitment towards developing technical skills in the oil and gas industry, although the policy broadly aims at developing the technological capacity of the manufacturing sector. Responsibility for the latter is placed in the hands of the private sector with the government promising to encourage the sector towards the provision of the needed capacity.

A major challenge for developing technological external economies is that demand for the ensuing skills and expertise (if export is not the primary goal) must be present locally to justify and direct any investment thereof. Development of pecuniary external economies, therefore, becomes crucial in propelling the growth and development of key industries in the economy to provide the necessary direction for the development of technological external economies. However, in the case of Ghana, these are not well-developed and the private sector is currently not in the right state to provide these externalities. Accordingly, the state must act.

The inevitability of coordination externalities has been stressed in growth literature as a form of big push which governments can offer to their economies to bring them out of the so-called poverty trap. Rodrik (1995, as cited in Asche, 2006, p.24) draws two critical claims from earlier works that associate Taiwan's and South Korea's economic breakthroughs with this kind of big push: "… (1) both countries were ready for economic take-off by the early to mid-1960s, but economic growth was blocked by a coordination failure; (2) governments in both countries were able to undertake the measures needed to override this coordination failure."

Moreover, big pushes can take the form of (a) incentives, (b) protective mechanisms, and (c) creation of public enterprises that take up core investments when neglected by the private sector. These were much used during the planning euphoria from the 1940s to 1960s (Asche, 2006). It is imperative that the state spearheads the provision of the needed coordination externalities and the necessary big pushes to ensure that they are well developed for private sector activities to thrive and flourish.

As noted earlier, in the 1960s, Ghana had the highest level of GDP per capita in Sub-Sahara Africa (Tettey, Puplampu & Berman, 2003), stood almost at par in economic terms with countries such as South Korea and Malaysia (Codjoe, 2003), but unfortunately slipped away from attaining a middle income country status (Tettey, Puplampu & Berman, 2003; Killick, as cited in Aryeetey & Fosu, n.d.).

It has taken over fifty years for Ghana to rise again not to the level of its 1960 contemporaries but as a lower middle income country that still struggles with poverty and income disparities. The big pushes which its contemporaries received in the 1960s still remain relevant and a must for fuelling and sustaining the new growth which the country is currently experiencing. This is highly indispensable for the realisation of the desired development and poverty reduction. Otherwise, the current growth (which is largely fuelled by revenues from oil export) will be short-lived.

CONCLUSION

The relevance of the Ghanaian small business sector (which constitutes a greater percentage of the private sector) and its strategic role as the key engine for the country's growth and development is well acknowledged. However, as a sector that had been relegated to the background for nearly 30 years after independence and still suffers from poor access to technology, market, finance and particularly co-ordination failure, it is imperative that it receives the required state support to deliver on its mandate. The state has the unflinching responsibility to spearhead the provision of the needed coordination externalities and the necessary big pushes for private sector development for the growth and development of the Ghanaian economy.

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