

**MSE DEMAND FOR COMMERCIAL NON-FINANCIAL  
BUSINESS SERVICES IN GHANA**

By Sandeep Ghosh

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## **1.0 BACKGROUND**

Ghana's economy is essentially agro-based, primarily rural and dominated by MSEs of diverse types. A USAID study in 1994 had revealed that the MSE sub-sector accounts for between 60 – 70% of domestic production of Ghana. The study had also revealed that 84% of this sub-sector is located in the rural areas and is informal in nature. Furthermore, the National Board for Small Scale Industries (NBSSI), the umbrella organisation for MSEs in Ghana, in its 1997 report had affirmed that in terms of number of business establishments and people employed, the MSEs constituted a sizeable proportion of the commercial sector in Ghana with huge potential markets for products and services as well as technology transfer.

It is believed that in Ghana, Micro and Small Enterprises employing between 1-20 people accounts for over 60% of the total formal and informal employment within the manufacturing, services, construction and transport sectors.

It is deemed necessary that in order to enhance their production capacity, marketing capabilities, employment potential, value addition to existing products and of course, wealth creation capacity, these MSEs would need to outsource commercial non-financial business services. To determine the scope of formulating a country programme to this effect, one that not only facilitates this process but also promises to value-add to the existing range of offers by local service providers, ILO had contracted PMCS, a local research agency, to conduct a survey among MSEs in Ghana. The following paper draws from the findings from this survey and puts forth a proposal that seeks to provide the foundations for developing the country programme.

## **2.0 OBJECTIVES**

Preliminary assessment of the BDS market in Ghana had revealed that the propensity of small businesses to use or outsource for business development services is quite a rarity in itself. Therefore, it is imperative to find out:

1. Awareness level of different business development services among MSEs in Ghana and their degree of understanding;
2. Why people who have a clear understanding of these services and recognise their importance don't actually buy them;
3. Which are the services, if given necessary impetus and support, could have a potential market in Ghana;
4. To profile such services as well as the potential users of such services.

## **3.0 STUDY LOCATION**

This quantitative market survey was conducted in the Ashanti Region of Ghana. The Ashanti Region is one of the ten Regions of Ghana with Kumasi as its administrative capital. This Region, which comprises of 18 districts, is the most populated (over 4 million people). It also

possesses about 70% of Ghana's mineral and forest resources and is known as the Region that abounds in MSE activities.

Compared to other regions of Ghana, Ashanti stands out w.r.t. development of MSEs for the following reasons:

- It is the entrepreneurial nerve centre of Ghana
- It possesses a tradition of families and communities going into business
- It is linked with the Northern and Southern parts of Ghana with good road network
- The scope of manufacturing activities here is very broad-based, encompassing manufacturing, agro-business, trading and services.
- The existence of large markets for goods and services
- Ready availability of raw materials

Based on the highest concentration of MSEs, it was suggested that the recruitment of respondents be done from among the following six districts, viz. Kumasi, Obuasi, Mampong, Ejisu, Ejura and Offinso. These six districts were selected with the assistance of the Association of Ghana Industries (AGI).

#### **4.0 RESEARCH METHODOLOGIES AND SAMPLING FRAME**

##### **Research Tool:**

The entire study was quantitative in nature. All respondents (in this case owner/decision maker or each establishment) were contacted and interviewed using a pre-designed structured questionnaire.

##### **Coverage:**

This scope of this research was limited to the following business development services

##### **Telecommunications**

- Telephone booths using phone cards
- Commercial phone/fax and business call centres
- Mobile telephone

##### **Media info. relevant to MSEs**

- MSE information through newspaper/magazine write-up
- MSE information through radio/television programs

##### **Accountancy and finance advisory**

- Accountancy and book-keeping services

##### **Technical training**

- Technical training on skills/production

**Management training**

- Management training for running a business

**Advertising**

- Advertising through any media

**Courier and money transport/transfer**

- National/international parcel/package couriers
- Transport and transfer of money

**Business travel**

- Organised domestic business tours
- Organised international business tours

**Trade fairs and product exhibition**

- Trade fairs (exhibit in stands)
- Exhibiting products in show-rooms

**Marketing and sales support**

- Links to new national or international customers
- Sales on commission

**Internet**

- Internet using own PC
- Internet usage in café
- Internet using others' PC

The fieldwork involved a sample coverage of 400 MSEs distributed as follows:

<b><u>District</u></b>	<b><u>Total</u></b>
Kumashi	123
Obuashi	57
Mampong	61
Ejisu	54
Ejura	50
Offinso	55
	<b>400</b>

All units contacted employed up to 20 workers or less. Further categorisation of the above sample had been done as follows:

- Urban (60%) and rural (40%)
- Male owners of business (60%) and female owners of business (40%)
- Manufacturing units (25%), agro-business units (20%), service sector units (25%), trading businesses (30%)

## 5.0 AWARENESS AND POTENTIAL REACH OF BUSINESS DEVELOPMENT SERVICES

As mentioned earlier, preliminary observations prior to the survey seems to have confirmed that in the current state of affairs, there does not seem to be a significant market for business development services among MSEs in Ghana. In fact, out of the 20 services investigated, only two (telephone booths using phone cards and commercial phone/fax using business centres) had registered a market penetration level that ran into double digits. Therefore, analysis of current penetration (usage) or retention figures for Ghana will not give us any concrete idea about the latent market for BDS.

However, it must be realised that in order to build a market for a business development service, the necessary if not sufficient condition is that potential consumers must know about the service with a certain degree of clarity.

### 5.1 Overall Awareness and depth of knowledge

The table below shows the overall awareness and depth of knowledge of business development services in Ghana. For the survey, respondents were judged aware (of a particular service) if they had heard of or read about the same the same and could say something about it. They were judged fully aware (high level of understanding of the service) if they could correctly describe the service (as a proportion to those who are aware). The “**Potential reach**” of a service, in this case, is defined here by the proportion of respondents who have a high or moderate level of understanding of that service. It is assumed that under such circumstances, external intervention on the basic offer package and the service provider market can create a conducive atmosphere for some of these businesses to start using.

**Table 1: Awareness of services and degree of knowledge**

	Aware of service	Degree of understanding (of those aware)		
		High	Moderate	Low
Business/communications centres	98	84	10	6
Telephone booths using phone cards	94	69	20	11
Advertising	86	55	22	23
Mobile telephone	86	47	25	28
Transport and transfer of money	72	46	19	36
National/international couriers	56	32	19	49
FM radio/television programs	50	33	11	56
Trade fair organisation in different levels	46	18	16	66
Newspaper/magazine write-ups	42	25	10	65
Accountancy and book-keeping	40	20	10	70
Technical training on skills and production	40	19	10	71
Internet access through personal computer	39	11	10	79
Exhibition of products in showrooms	38	15	12	73
Management training in business	38	19	7	74
Internet access through cyber café	38	7	15	78
Internet access through friends'/relatives' computer	36	10	10	80
Sales on commission	30	14	9	78
Business travel: organised domestic tour	18	6	7	88
Business travel: organised international travel	17	5	6	90
Links to new national/international customers	16	4	6	90

Figures as percentage to base

## 5.2 Shortlisting of those services having high potential reach

This will have to be done in two stages, viz.

**Stage 1:** Select those services that the largest number of people have at least heard of or read. The cut-off percentage is kept as 40% aware.

**Stage 2:** Of those aware, potential reach ratio (a combination of high to moderate degree of awareness) being equal to or higher than 30%.

These cut-off assumptions are deemed necessary because anything less will not ensure a scope of adequate volume of business at an aggregate national level in the future to make it worthwhile for ILO to consider external intervention. Taking this as the criteria, the potential services that ILO can consider in Ghana work out to be as follows:

**Table 2: Potential services for adoption under FIT country program**

	<b>Aware of service</b>	<b>Potential reach ratio</b>
Business/communications centres	98	94
Telephone booths using phone cards	94	89
Advertising	86	77
Mobile telephone	86	72
Transport and transfer of money	72	65
National/international couriers	56	51
FM radio/television programs	50	44
Trade fair organisation in different levels	46	34
Newspaper/magazine write-ups	42	35
Accountancy and book-keeping	40	30

By using the screening criteria, we find that 10 services are identified which have potential for adoption under the FIT country program in Ghana. At this juncture, it would be worthwhile to explore some of the characteristics of these chosen services.

## **6.0 SERVICE PROFILES**

### **6.1 Aware of where to buy the service**

It is our understanding that if most of the respondents, despite being aware of a service, are not familiar with where it can be procured, this could translate down to two things:

- Either there is a shortage of service providers offering this BDS; and/or
- Even if there is, they do not cater to the small and micro enterprises, preferring to operate among larger clientele; and/or
- There could only be a small number of service providers who themselves are too small to be spending large amounts on advertising, preferring to operate in niche catchments or known circles.

All of these are addressable issue through the FIT program. In the first case, individuals or groups of individuals having expertise in delivering such services can be identified and support can be given for building capacity for service delivery on a modular basis.

In the second case, larger service providers can be shown the potential market that the MSEs present by sheer size alone and research support can be provided for determining what the MSEs want and what they are willing to pay for. Technology transfer for module preparation and diversification of existing offers to suit the low-end market are other areas of co-operation.

Dynamic service providers willing to take the risk of operating in these pristine markets can certainly be provided with advertising support (directly or indirectly) in order for them to reach our target market.

**Table 3: Awareness of where to buy and receive the services**

	<b>Aware of where to buy and receive the service</b>
Business/communications centres	91.0
Telephone booths using phone cards	87.4
Advertising	64.3
Mobile telephone	54.5
Transport and transfer of money	55.5
National/international couriers	42.3
FM radio/television programs	37.0
Trade fair organisation in different levels	18.0
Newspaper/magazine write-ups	28.8
Accountancy and book-keeping	22.5

The above table makes it clear that one of the major shortcomings in the BDS market in Ghana is the lack of information about the same among the MSEs. Such a situation exists even among services of which people are fairly well aware of. The situation is understandably worse among those services with lower levels of awareness. Therefore, one of the key strategies, which the FIT programme will have to undertake initially in Ghana, is to identify service providers who can be potential partners to the programme. They will then have to be provided adequate support for capacity upgradation, development of pertinent product offers and advertising support.

## **6.2 Other reasons for non-purchase**

In addition to the above, there were other reasons put forward MSEs w.r.t. why they did not buy certain services. Since this query was only put to current buyers of services, which itself had a very small base, desegregated analysis by service was not possible.

### Reasons for not using (top 5):

- Service not relevant in my work 43.2%
- Too expensive to use 40.4%
- Not knowledgeable in the use of the service 9.6%
- Cannot leave my business behind to get service 5.1%
- Time frame of service too long 1.6%

From a program point of view, ‘service not relevant’ is an issue that cannot be readily answered through this intervention program. However, all other reasons, amounting to 57%, can be addressed through proper dissemination, more product offers tailored to the needs of the MSEs and, of course, doorstep delivery.

### 6.3 Source of information about the service provider

This is also another useful information that the FIT program will have to keep in mind in its dissemination plans for the future. The following are the top five modes.

- Recommended by friends/colleagues 40.5%
- Recommended by business associates 21.6%
- From advertisement in the local FM 14.1%
- Because it is close to my business, so I saw 11.3%
- From advertisement in local TV channel 9.6%

The above figures help us to conclude that the most oft repeated source of information regarding suppliers is through word of mouth, be it through friends and colleagues or even through business associates. Sometimes information has been received through the electronic and print media in the form of advertisements but this was applicable primarily for low-end services supposedly having a broader usership base. From this, one has to conclude that for service providers to become successful and develop their client base, it is imperative that each and every job is done to their clients' satisfaction. Only then will they be referred to others. One of the major ways the client expects this to be done is direct marketing at the clients' doorstep.

However, it must also be recognised that word of mouth propagation is very delimiting and lacks the reach that can be achieved through mass media. Hence, using the print as well as electronic media to advertise to a larger audience cannot be ruled out as a future strategy.