

**FOSTERING SOCIO-ECONOMIC DEVELOPMENT IN GHANA THROUGH
ENTREPRENEURSHIP AND INNOVATION**

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Abstract

The world's attention has been called frequently in the first few years of the twenty-first century to the continents' continuing development crises, from Africa to Asia. As government measures to encourage entrepreneurship and innovation become more common in industrialized countries, their relative economic prosperity widens the gap between them and emerging countries. The potential benefits of entrepreneurship and innovation for developing countries are considerable. To that aim, the majority of Sub-Saharan African countries promote the development of small and medium-sized firms (SMEs) as a means of alleviating poverty, creating jobs, and promoting national economic development. The volume of research on entrepreneurship in Africa is growing, which is a reflection of its significance; nevertheless, an emphasis on innovation has not yet been identified. By analysing how different innovation activities are related to the traits of the entrepreneur, the internal competences of the firm, and the environment of the firm, this paper seeks to add to this growing but incomplete body of knowledge. Small, entrepreneurial businesses have a significant role in employment, innovation, and competitiveness in industrialized nations. Innovation is frequently seen as a crucial element in promoting small firm growth and commercial success. Governments have acknowledged innovation's involvement in policies intended to foster entrepreneurship, the development of new businesses, and company expansion in order to promote this. Enterprise creation is a critical component of economic development in developing nations. Small businesses may have limited market influence individually, but together they have the power to increase economic growth and national wealth.

Keywords

Social Growth, Entrepreneurship, Innovation & Creativity, Economic Development, Ghana

1. Introduction

A review of the historical development of entrepreneurship and small business in Ghana demonstrates that the concept of business enterprise has been part of the Ghanaian culture even before the arrival of the first Europeans in the fifteenth century (Takyi-Asiedu 1993; Buame 1996). As Chamlee-Wright (1997, p. 103) noted, “when the Europeans first arrived in Ghana, long-distance trading into the interior in salt and fish was already well established”. The development of local and long-distance trading relied on the evolution of cultural traditions and institutions that promoted the extension of trade (Chamlee-Wright 1997). This observation was also made by Buame (1996), who noted the existence of entrepreneurial activity before colonialization. However, Africa has experienced slow growth of entrepreneurial activity since the colonial period (Takyi-Asiedu 1993). The reasons for the slow growth in entrepreneurial activity include government policies (Robson and Obeng 2008; Rogerson 2001; McPherson 1996; Ninsin 1989), socio-cultural factors (Takyi-Asiedu 1993; Buame 1996; Kiggundu 2002), and a lack of human and financial capital (Lall 1995; Teal 1998; McGrath and King 1999).

With regard to government policies, the taking over of internal administration of the country by the Convention People Party (CPP) led by Dr. Kwame Nkrumah did not change the government policy towards small businesses. The first 10-year development plan by the CPP government focused on the development of large-scale industries. The government industrialization policy focused on the development of large-scale import-substitution industries in order to meet the growing demand for the imported consumer goods by the Ghanaian consumer. The lack of government policies towards the promotion of small businesses has hindered their innovation abilities and hence their development. Malecki (1997, p. 188) observed that “in Africa small business growth has been extremely difficult because innovation and technology had relied on large public and private institutions which also lacked the capacity to transfer the findings to small businesses”. Further- more, it is also important to note that the perceived bureaucracy and corruption associated with the public sector of many

sub-Saharan African countries has also affected the development of small businesses in many African countries because small firms are encouraged to remain small and informal in order to avoid corrupt officials and government bureaucracy (Fadahunsi and Rosa 2002). Ninsin (1989) observed in Ghana that the development of small-scale businesses had been hindered by the political interference, bureaucracy, and corruption to the extent that schemes developed by the government to promote the growth of small firms ended up benefiting large-scale firms. A similar observation has also been made in other countries (Fadahunsi and Rosa 2002; Mambula 2002).

2. Review of Literature

Considering this problem, the attempt in this paper has been made to brief up the review of quality literature related to entrepreneurship and innovation. By going through this research article, readers will have fair idea about the main focus on how entrepreneurship and innovation has been fostering through our socio-economic development. Adelman, Philip J.; and Alan M. Marks (2001) gave a practical-oriented text that focuses specifically in the needs of individual starting their own business. Their emphasis is on financial issues for proprietorship, partnerships and cooperations. Aldrich, Howard E; and Martha Argelia Martinez (Summer 2001) argue that more than a decade ago three elements indispensable to an understanding of entrepreneurial success were identified; processes; contest and outcomes. Although the knowledge of entrepreneurial has increased dramatically, we still have much to learn about how process and contest interact to shape the outcome of entrepreneurial efforts. Ardichvili, Alexander; and Richard N. Cardozo (2000) argue that entrepreneurial opportunities are discovered through recognition rather than purposeful search and that opportunity recognition does not require an exceptional level of creativity and is not likely to involve a prior knowledge of the ways to serve market. Baron, Robert A.; and Gideon D. Markman (2002) suggest that entrepreneurs' social skills specific competences that help them interact effectively with others may play a role in their success. A high level of social capital to build on a favourable reputation, relevant previous experiences and direct personal contacts, often assist entrepreneurs in gaining access to venture capitalists, potential customers and others

2.1 Socio-economic development in Ghana

Socio-economic development proposes measures to help design regulations and policies that are better adapted to the entrepreneurship and innovation programs at all relevant levels, thereby creating an enabling framework for the nation's economy to thrive. Ghana's most impressive period of growth (2000-2013) coincided with the peak of the commodity boom,

which also produced Africa's best period of growth in 30 years. According to the UNDP's 2013 African Economic Outlook, devoted to natural resources and structural transformation, natural resources (agricultural commodities, timber, metals and minerals, and hydrocarbons) accounted for roughly 35 percent of Africa's growth during that period. Resource-based raw and semi-processed goods accounted for about 80 percent of African export products in 2011, compared with 60 percent in Brazil, 40 percent in India and 14 percent in China. Similarly, most greenfield foreign direct investment (FDI) in Africa went to resource-related activities.

In the medium term, the socio-economic outlook for Ghana is good. In recent years, major oil and gas reserves have been discovered off the coast. Since then, oil has become the country's second most important export and, in the coming years, production is due to be increased considerably. The sale of cocoa generates considerable income, for Ghana is the world's second largest cocoa producer, after Côte d'Ivoire. Starting in 2010, the country has begun to export significant volumes of other agricultural products such as pineapples and mangos as well. This is an important step towards reducing its economic dependence on individual export goods.

2.2 Problems of social-economic growth in Ghana

For decades, Ghana has experienced severe economic hardship. As a result of this ugly situation, poverty has been running unchecked, job opportunities have vanished and Ghanaian's prosperity has dwindled considerably. Many entrepreneurs have the initiative to start new ventures, but lack the skills, tools and support to succeed. Corruption, economic instability and a lack of infrastructure and management capacity have also combined to stifle new business growth. But in Europe, there are 2.8 million social economy that employ 13.6 million people and which offer solutions to key challenges in such societies. Social economy Organisations are entities which put social and environmental purposes before profit ("people and planet first"). They reinvest most of their profit back into the organization or a social cause, and have a democratic or participatory form of governance ("bottom-up"). According to a 2013

paper from the Economic Commission for Africa, UNECA: "Four essential and interrelated processes define structural transformation: a declining share of agriculture in GDP and employment; a rural-to-urban migration underpinned by rural and urban development; the rise of a modern industrial and service economy; and a demographic transition from high rates of births and deaths (common in underdeveloped and rural areas) to low rates of births and deaths (associated with better health standards in developed and urban areas). Economic and structural transformation is also associated with rising agricultural productivity, an integrated economy and rising per capita growth rates.

Ghana has been a member of the Extractive Industries Transparency Initiative (EITI) Since 2010. However, the highly mechanized extractive sector with its sophisticated technologies creates few new jobs. Economic performance in labour-intensive sectors such as agriculture and the manufacturing industry has been poor and stagnating for decades.

Gold mining, which is dominated by foreign transnational corporations, has attracted the most FDI into Ghana since the 1990s and has been the primary export earner for many years. One third of gold production is from the artisanal and small scale (ASM) sector with the bulk coming from illegal miners, popularly called 'galamsey'. Over the period of the commodity Supercycle, specifically the decade to 2013, the high price of gold and the employment crisis in the country triggered an upsurge in illegal ASM gold mining. Whilst the poverty reduction and economic livelihood benefits have been substantial, galamsey is an environmental disaster which is slowly killing important rivers. The response of the state has been a heavy handed 'law and order' response of criminalization and raids but this has dismally failed to curb the problem until 2017 when the President remained an anchor to put a stop to that.

Ghana's socio-economic growth is subject to major fluctuations: Over the past ten years, the figures have been between 3.7 (2016) and 14 percent (2011). In 2017, the Ghanaian economy grew by 8.5 percent. For 2018, the International Monetary Fund (IMF) is forecasting growth of 6.3 percent. The socio-economic challenges facing the country include high inflation, a high level of state debt and heavy fluctuations in foreign direct investment. An IMF International

Monetary Fund programme is meant to help implement public spending reforms, reduce subsidies and create greater transparency.

3. Methodology

Despite the evidence of high volatility in the industrial growth of the country, it still contributes significantly to the GDP of the economy, creating jobs and giving hope to the vulnerable. The volatility of the sector was at play in 2016 when the overall contribution of industry to GDP dropped from 25.1% to 24.3% from the previous year.⁵⁷ At the same time, the manufacturing sector also recorded a decline as a share of GDP from 4.8% in 2015 to 4.6% in 2016. However, the construction sub-sector posted notable performance between 2015 and 2016 with massive state-sponsored infrastructural projects with a contribution of 13.7% to GDP from 13.5% in 2015. The declining trajectory continued to 2017 when the manufacturing sub-sector dipped to 3.7% in growth whereas the oil and gas, mining and quarrying sub-sectors posted 80.4% and 46.7% growth respectively bolstering the Ghanaian economy to record one of its highest growths of 8.5% in recent years. With the discovery and production of oil in commercial quantities coupled with the country's position as a net exporter of crude, industrial growth performance as a contribution to GDP has seen an upsurge. A rippling effect of that has manifested in the growth of the mining and quarrying sub-sectors peaking in 2019 with a 10% growth in GDP. In 2019, the overall industry sector was second (26%) after the service sector with a contribution of 52% to GDP. All things being equal, it is expected that with the coming on board of the Mahogany and Teaks fields in addition to the Jubilee fields, the oil sector is projected to accrue about US\$1.567 billion as revenue to the state in 2020. The bottlenecks of the manufacturing sector persist leading to the inefficiencies of the enterprises with remarkable low levels of productivity.

Table 2: The table below shows the performances of the construction and manufacturing sub-sectors from 2006 to 2016 under industry as a share of percentages of GDP

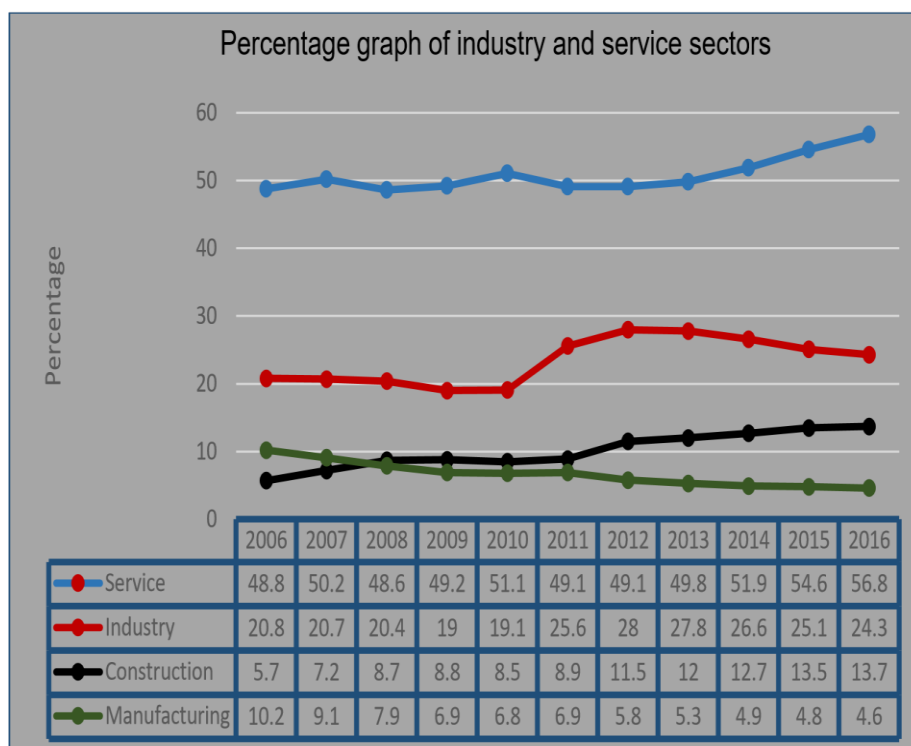
%	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Industry	20.8	20.7	20.4	19.0	19.1	25.6	28.0	27.8	26.6	25.1	24.3
Construction	5.7	7.2	8.7	8.8	8.5	8.9	11.5	12.0	12.7	13.5	13.7
Manufacturing	10.2	9.1	7.9	6.9	6.8	6.9	5.8	5.3	4.9	4.8	4.6

Source: Ghana Statistical Service data (2018)

Table 3: The table below represents the service sector contribution as a share of GDP from 2006-2016

%	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Service	48.8	50.2	48.6	49.2	51.1	49.1	49.1	49.8	51.9	54.6	56.8

Source: Ghana Statistical Service data (2018)



Source: Constructed from tables 2 and 3 of Ghana Statistical Service data (2018)

Figure 1: Percentage graph of industry and service sector with sub-sectors

It is discomfoting to note that since 2006, the construction sub-sector has taken the first spot in the industry with consistent growth by pushing manufacturing to second in a reversed order as shown in figure 1. The relatively stable growth in the service sector indicates mixed concerns for the overall growth of the economy.

Even though service sector growth may translate into job creation and infrastructure development, it must not be at the expense of industry where active production and employment avenues abound. It is noted that this development may be welcoming as it signified an understanding of investment in physical infrastructural development for productive sector engineering under a new development agenda focused on attracting the private sector since that period. At the same time manufacturing industries have reported high production costs from that period due to myriads of challenges. The decline in the overall real GDP from 5.7% in 2018 to 5.6% in 2019 has been largely the result of slow expansion in both the industry and service sectors. Despite the consistent downturn in the performance of the manufacturing sub-sector through the laissez-faire attitude of respective governments, it constitutes about 90%

of job creation in the sector and the social development contribution to the economy cannot be overemphasized. The numbers indicate the contribution of entrepreneurs in all sectors of the economy and the contribution they make to the socio-economic growth of the country, and how they have been underperforming. This clearly shows the need for the government to enhance these entrepreneurial and innovative ventures to foster socio-economic development

3.1 Contribution of Innovative & Entrepreneurial Start-ups

Economic development requires sustainable and shared increases in per capita income accompanied by changes in structural composition of an economy towards higher value-added goods and more efficient production methods. Entrepreneurs can contribute to economic development by facilitating the reallocation of resources from less to more productive uses (Acs and storey2004), by performing cost delivery, gap filling and input-completing functions in the economy (Leibenstein 1968; Hausmann and Redrik2003) and by supporting structural change (Lewis 1954 Gries and Naudè 2010). Joseph Schumpeter pointed out a century ago that entrepreneurs are often innovators, bringing new goods and technologies to markets, opening up new markets processes, and ideas and commercializing new knowledge. But it is often mistakenly suggested that innovation by entrepreneurs is less important for growth in low income developing countries than in more advanced economies.

4. Empirical support for the significance of SMEs and the ways they promote socio-economic development.

In developed countries, the importance of small, entrepreneurial firms' rests in their contribution to employment, innovation, and competitiveness. Innovation is commonly perceived as a key factor in stimulating small firm development and business success. In support of this, governments have endorsed the role of innovation in policies designed to create an enabling environment for entrepreneurship, new venture creation, and firm growth. In developing countries, enterprise creation is a vital element in economic development. Although small firms have low market influence individually, collectively they have the potential to contribute to national wealth and generate economic growth. According to Hadjimanolis (2000), the majority of information on innovation has come from companies in developed nations, and "the relevance of the innovation process in organizations conducting business in developing countries is not usually effectively recognised" (Chudnovsky et al. 2006, p. 267). Entrepreneurship has been shown to have the ability to boost economic development (OECD 2003), especially in developing nations that are not major actors in international trade (Mahemba and De Bruijn 2003). A nation may create jobs, advance its local economy, and engage in international trade by having a creative and dynamic SME sector. Although it may be argued that developing nations should prioritize making sure their citizens have access to basic amenities, Hipkin and Bennett (2003) suggest that adequate economic growth is unlikely to be attained purely through domestic demand. A beneficial cycle of trade and development is created when innovative products and services are sold in export markets. This foreign exchange can then be used to boost domestic growth.

5. Recommendation and Conclusion

The Government's primary objective is to provide an integrated national support for start-ups and small businesses. NEIP (The National Entrepreneurship & Innovation Programme) is a flagship policy initiative of the Government of Ghana primarily focuses on providing business development services; start-up incubators and funding for young businesses to enable them grow and become successful. The National Entrepreneurship and Innovation Programme (NEIP) is therefore set within the context of Ghana's long-term strategic vision of consolidating its middle-income status, building an industry-driven economy capable of providing decent jobs that are suitable and sustainable for development.

In light of the available, validated studies that demonstrate technology incubation's potential to enhance the socio-economic development of any state and the nation as a whole, this paper, therefore, recommends that the government implement it properly and fully in partnership with relevant stakeholders. By helping small and medium-sized enterprises (SMEs) get over the first obstacles to the expansion of both existing and new businesses, this is accomplished. Technology Incubation Centers (TICs), as they are known throughout the world, are designed to offer a supportive atmosphere for start-up enterprises, complete with all the required amenities, skilled management, marketing, and technical support services.

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