Towards Creation of Sustainable Enclaves for Small and Medium-Size Enterprises in Kumasi, Ghana

Paul Amoateng, Patrick B. Cobbinah, Kwasi Ofori-Kumah

Abstract—Although the importance of small and medium-size enterprises (SMEs) to local development is globally recognized, less attention is given to their design, development and promotion particularly in developing countries. The main focus of this paper is to examine the process of designing, developing and promoting SMEs in developing countries. Results of a study conducted in a SMEs’ enclave in Kumasi (Ghana) are presented and discussed. Results show that although SMEs in developing countries remain a major source of livelihood for many individuals, their potential contribution to local development can be enhanced and sustained through the creation of common geographical enclaves for related SMEs. Findings indicated that the concentration of SMEs involved in wood processing in one location in Kumasi has reduced the cost of production (e.g., transportation), and resulted in marginal increase in sales for many SMEs, despite the widespread challenges of lack of access to credit and low promotion of products.

Keywords—Developing countries, Kumasi, local development, small and medium-size enterprises.

I. INTRODUCTION

GLOBALLY, small and medium-size enterprises (SMEs) have been recognized as an important tool for local development, as they create opportunities for income generation and distribution, and empower people. A World Bank report [1] indicates that about 99% of 19.3 million enterprises in Europe are SMEs, and provide two-thirds of the total employment in the European Union. In relation to the developing countries, where SMEs employ majority of Africa’s population and account for about 60% of the workforce and 25% of industrial output [2], [3], they form the basis for the economic success in Asia [4]. For example, the report of the 2010 population and housing census of Ghana indicates that about 70% of enterprises in Ghana are SMEs, and contribute 40% of Ghana’s Gross National Income [5].

Literature indicates that the growth of SMEs has attracted attention from both researchers and government in developing countries, because of their potential to address unemployment, stimulate innovation and contribute to local development to promote economic growth [1], [2], [4], [6]. In the context of Ghana and many other developing countries, it is argued that SMEs remain useful to the fight against poverty and have the potential to grow, because of their location flexibility, low infrastructure and technology requirement, and the capacity to serve small markets [2]. Hussain [3] argues that, compared to larger firms, SMEs in developing countries such as Colombia, Ghana and Malaysia, use less capital per worker, and have significantly generated higher value-added to fixed assets. Other researchers indicate that SMEs are better-suited for developing countries, particularly Africa, because SMEs employ workers with limited formal training, unskilled labour mainly migrants and use local raw materials as well as develop countries’ labour-abundant economies [3], [7]. Studies also indicate that SMEs promote saving and investment culture even at low income level in the developing countries [2], [3], and provide an avenue for resolving increasing unemployment especially among the youth [8].

Despite the recognition and contribution of SMEs to local development in developing countries, research on their formation, development and promotion appears to be lacking. Research on SMEs in developing countries have overly focused on their contributions, in relation to poverty reduction and economic growth, and development challenges such as lack of access to credit [2], [6], [9], without adequate consideration of their formation, development and sustainability. For example, while [6] assess the influence of the profile of SMEs on access to credit, [9] examine the challenges and determinants in accessing bank credit. However, [3] explains that SMEs’ potential to become a major force for growth, product diversification, employment creation and income generation especially in developing countries can be enhanced by engaging adequately with the process of planning, development and promotion of the SMEs.

This paper adds to the discussion on the importance of SMEs in local development, by focusing on their formation and development processes in developing countries. SMEs in many developing countries are privately owned enterprises and are often located at places deemed suitable by the operators. However, poor spatial location, and the lack of coordination and collaboration of related SMEs often result in many challenges, including increasing cost of production and low access to credit. It is in very rare situations that governments of developing countries create one geographical region for SMEs involved in analogous activities. Using a government created SMEs enclave in Kumasi, Ghana, this paper examines how the design and development of SMEs in a consciously defined geographical location can enhance SMEs potential to contribute to local development.

P. Amoateng and P. B. Cobbinah are PhD students with the Institute for Land, Water and Society, School of Environmental Sciences, Charles Sturt University, Albury-Wodonga Campus, P.O Box 789 Albury, NSW 2640 Australia (e-mail: pamoateng@csu.edu.au, p cobbinah@csu.edu.au).

K. Ofori-Kumah is a masters’ student with the Institute of Education at the University of London, UK (e-mail: kokumah@gmail.com).
II. DEFINITIONS OF SMALL AND MEDIUM-SIZE ENTERPRISES: UNRAVELING THE CONCEPTUAL OXYMORON

Globally, SMEs are recognized as small-sized businesses mostly privately owned and operated; however, what constitutes a small and medium-size business remains uncertain. There is no universally accepted definition of SMEs, with explanations increasingly based on country-specific economic situation in which SMEs operate [10], [11]. Gibson and van der Vaart [10] argue that the use of any single definition of SMEs across different countries at different levels of economic development may lead to further confusion and distortions.

Literature indicates that the definition of SMEs has largely been related to the size of the enterprise, in terms of the number of employees, turnover and the legal status [2], [3], [6]. Despite the use of the above indicators, there are contradictions as to what the size, turnover and the legal status should entail. For example, while enterprises that employs 500 or fewer persons are referred to as SMEs in the United States of America, the Australian Fair Work Act 2009 regards SMEs as those employing of 15 or fewer persons. Also, in the context of developing countries, the Kenyan government explains SMEs as enterprises with less than 100 employees, and with annual turnover of below 4 million shillings [12]. In Ghana, whereas the Ghana Statistical Service (GSS) defines small enterprises as businesses that have less than 10 employees and middle and large size enterprises as businesses employing more than 10 people, the National Board for Small Scale Industries (NBSSI) indicates that businesses with less than 9 employees coupled with plant and machinery, excepting land, buildings and vehicles, not exceeding GHS1000.00 (US$ 500, using 2013 November exchange rate) are small scale enterprises [9].

Despite this confusion and uncertainty surrounding the definition of SMEs, arising from different contextual understanding, literature indicates that there is a growing consensus on the promotion of what appears to be a widely accepted set of attributes of defining SMEs, including the number of employees, annual turnover, ownership, legal status and the enterprise’s net worth [3], [6]. Although the heterogeneity of the enterprises operating as SMEs has led to increasing global consensus among researchers, governments and nongovernmental organizations that the number of employees may be the most appropriate defining attribute of SMEs [3], the exact number of employees remains elusive and debatable.

Considering that the definition of SMEs is hotly contested, without clarity on global understanding, [3] and [12] definitions of SMEs are used in this paper. They define SMEs as firms employing less than 100 employees. The adoption of this definition is also informed by the situation in the case study area (Ghana), where the GSS and NBSSI explain a SME as having about 10 and 9 employees respectively.

III. FORMATION, GROWTH AND PROMOTION OF SMEs IN DEVELOPING COUNTRIES

Since the 1990s, many developing countries especially in Africa have implemented far-reaching macroeconomic reforms towards the achievement of higher levels of sustained economic growth [3]. Although the past years have been characterized by a steady reduction in budget deficits, inflation rates, and higher GDP growth rates, [3] argues that these economic improvements can be enhanced and consolidated through the development of SMEs. According to [13], the promotion of SMEs is imperative if the needs of the various actors, both men and women, are to be met particularly in Africa.

Therefore, the dominance of SMEs in many developing countries, which use lower levels of investment and skills, remains an opportunity for achieving sustainable growth. Many developing economies in Africa are characterized by informal SMEs which engage in secondary activities (e.g., food processing, footwear and garments), and tertiary activities (e.g., transport and mechanics repair, and retail). Other characteristics of SMEs in developing countries include ease of entry, use of indigenous resources, family ownership of enterprises, small-scale operation, labor-intensive, and unregulated and competitive markets [3]. While SMEs in urban areas of developing countries may range from street vendors to small manufacturing businesses, those in rural areas mainly engage in production and sale of farm products, handicrafts and services [3]. The characteristics of SMEs show that their formation and development do not require complex technology and huge capital compared to large firms.

There are indications in literature that the design, development and management of SMEs have been successful in many developing countries. A study on African entrepreneurs by International Finance Corporation (IFC) highlighted the successes of African Project Development Facility (APDF) assisted SMEs in a number of developing countries [3]. For example, an egg producer in Ghana started with less than US$200, three chicken pens and 900 day-old chicks. The study indicates that the business grew to employ over 300 workers and has a turnover of US$1.5 million. Also with US$100 personal savings, a garment maker in Botswana started an enterprise in a rented shed with sewing machines, and two apprentices but now operates a business that employs 65 workers. A Malawian left school at 18 to work as a self-employed tobacco grader, and became owner and managing director of four businesses engaged in tobacco growing and curing, commodity processing and exporting, property investment and importation of machinery with a turnover exceeding US$1,000,000 [3]. All these point to a success in SMEs formation and development in the developing countries.

However, research suggests that the successes of the abovementioned SMEs were largely influenced by the support of governments and international organizations (e.g., APDF) [3]. This is because majority of SMEs in developing countries, owing to lack of support and coordination, start small and die small without achieving their objectives [2]. This limits SMEs
potential to contribute to local development. Other major constraints that limit the formation, growth and promotion of SMEs in developing countries, particularly in Africa include monopolies and subsidies given to public enterprises, and rules and regulations which stifled entrepreneurship; SMEs have been starved of capital and other inputs with credit directed to larger enterprises, even when practical experience has shown that it is possible to lend profitably and effectively to small enterprises; and SMEs have scant access to foreign funds and foreign direct investment, reducing their ability to upgrade their technology and managerial know-how (p.3) [3].

In summary, SMEs present an ideal opportunity to engage with both skilled and unskilled labour and address unemployment challenges especially among the youth. However, the above discussion has shown that the development of SMEs can be enhanced with government or international support, in relation to funding, creation of enabling environment, and other technical support. Considering that governments and international organizations role in SMEs development remain imperative to their sustainability, this paper examines the importance of the creation of an enclave, Sokoban Wood Village in Kumasi, Ghana (see Fig. 1), for SMEs involved in wood works by the government of Ghana in the process of the formation, development and promotion of SMEs activities.

IV. BACKGROUND TO THE DEVELOPMENT OF THE SOKOBAN WOOD VILLAGE, KUMASI, GHANA

Kumasi, Ghana’s second largest city and capital of the Ashanti Region has been characterized by increasing population growth and physical expansion over the past three decades. With a current population of 2035064, Kumasi remains the fastest growing city in Ghana with an annual population growth rate of 5.4, which is higher than the average regional and national annual growth rates of 2.6 and 2.5, respectively [5], [14], [15]. The location of Kumasi in the transitional forest belt of Ghana, coupled with its greenery environment led to its recognition as the ‘Garden City of West Africa’ in the 1950s. However, given its rapid growth over the past three decades, the city has lost this accolade.

According to [16], the centrality of Kumasi, as a traversing point from all parts of Ghana coupled with its role as the commercial hub of Ghana, has attracted migrants from all over the country, especially from the rural areas. However, many of the migrants are unskilled laborers who often tend to engage in micro and small size businesses (e.g., sachet water selling, food vending). Thus, SMEs have become a vent for survival for many migrants, and indigenous population in the Kumasi metropolis.

Administratively, the city of Kumasi is divided into ten sub-metropolitan areas to facilitate effective management (see Fig. 1). However, as [16] claim, the rapid growth of Kumasi, coupled with increasing activities of SMEs has resulted in slum development, an uncontrolled development and poor management of activities (e.g., SMEs), and urban blight. In the Oforikrom Sub Metropolitan Area, the concentration of wood-related SMEs in a poorly planned location in Anloga wood market that had existed for more than 60 years threatened lives, property, and movement of goods and services. As part of city authorities’ efforts to restore the lost accolade ‘the Garden City of West Africa’ and support the livelihood of those engaged in SMEs, the Sokoban Wood Village (SWV), a geographical enclave (see Fig. 1), was specifically created in 2009 for wood workers whose activities were concentrated along the thoroughfare linking Kumasi and Accra (the national capital). The project was meant to help improve the transport facilities and the daily lives of the Kumasi residents, by facilitating the successful relocation of the wood workers from their previous location at the Anloga wood market to make way for the construction of the south-east missing link of the ring road in Kumasi, the enlargement of the Lake Road and the construction of an interchange [18].

Geographically, the SWV is located in the Nhyeaso Sub-Metropolitan Area of the Kumasi Metropolis (see Fig. 2). This ultra-modern wood village occupies about 12 hectares and was designed to accommodate about 4,790 workers engaged in wood related SMEs. The construction of the facility was jointly funded by the French and Ghanaian governments at a cost of about US$10 million [17], [18]. The objective of SWV development was to enhance the productivity, the working and the living conditions of the wood workers [18]. Available facilities and services in the SWV include electricity, pipe borne water, toilet facilities, road networks, a health post, a security post, a bank and an insurance firm.
V. STUDY AREA AND METHODS

A. Study Area

The SWV was completed and first occupied in 2009, by the wood workers that were relocated from the erstwhile Anloga wood market, which was situated in the Oforikrom sub-metropolitan. The SWV has about 958 sheds (working spaces) and an estimated 4,790 wood workers including lumberers, carpenters, firewood sellers, sown millers and food vendors. Given its location in Kumasi, the second largest city in Ghana, the SWV produces and supplies wood products to many parts of the country as well as countries in the West African sub region such as Burkina Faso, Mali, Niger and Senegal [18]. The SWV is therefore an important source of direct and indirect employment and income for many residents of the Kumasi metropolis.

B. Study Methods

The study is based on mixed methods approach using a case study research, which facilitated a holistic and an in-depth investigation into the design, development, and promotion of SMEs in the SWV. The data collection began with a review of relevant literature on the development of SMEs at both the global and local contexts. The literature reviewed provided basis for understanding the current theoretical discourse on the growth and development dynamics of SMEs especially in the developing countries.

Using surveys, interviews and observations, data were collected from SMEs operators/workers and the agencies involved in the design, development and promotion of SMEs in the SWV. The Slovin’s formula: \( n = \frac{N \alpha^2}{N + \alpha^2} \), where \( n \) is the sample size, \( N \) is the total SMEs (sample frame) and \( \alpha \) is the margin of error (0.08) was used to select a representative sample of 134 SME operators for the surveys (see Table I). The respondents were randomly selected and involved in the survey, but issues regarding their interests in, availability for, and willingness to participate in the surveys were considered. Moreover, 20 SMEs operators/workers were further engaged in an in-depth interview to understand the nature and dynamics of their operations. Semi-structured interviews were conducted with agencies whose activities are related to the SWV, including Metropolitan Business Advisory Center, Metropolitan Development Planning Coordinating Unit, Metropolitan Budget Analysis Unit and the Kumasi Metropolitan Assembly Unit of Sokoban Wood Village all under the Kumasi Metropolitan Assembly (KMA), the institution responsible for the socio-economic and physical development the metropolis. Direct observation was mainly used to verify responses by the respondents, and assess conditions at the SWV.
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C. Promotion of SMEs in the SWV, Kumasi: Areas of Concern and Intervention

The survey results showed that SMEs in SWV are dominated by youthful operators/workers with an average age of 30 years. According to the agency officials, this provides an avenue for the development and promotion of SMEs, as it contributes to addressing the unemployment challenges that have plagued the country. As [8] claimed, SMEs in developing countries are hailed for their viability in engaging with youth and providing jobs for them. Thus, considering the high population growth, coupled with increasing poverty, the development and promotion of SMEs in SWV have the potential to reduce poverty while meeting the needs of current and future generations, especially the youth.

Another important dimension of SMEs’ promotion in the SWV relates to the gender inclusion and empowerment. The study findings indicated that SMEs are dominated by males (82%), while female constitutes only (18%). According to the interviewees, the dominance of males in the activities of SMEs in the SWV is a result of the considerable physical strength required in undertaken those activities (e.g., carpentry, saw milling). Accordingly, a significant relationship was observed between the gender and types of SMEs. The findings showed that while more males (74%) were engaged in carpentry and sawn milling activities which, according to the interviewees, are energy intensive, the females were mainly into sale of plywoods and lumbers which require less energy. The institutional interview results suggested that the gender-induced fragmentation of the activities of the SMEs in the SWV, is an avenue to meet the needs of different groups, and contributes to the fight against gender discrimination, which characterizes many developing countries. This finding relates to [13] assertion on the importance of segmentation in the design, creation and promotion of SMEs in order to meet and utilize the capacity the various actors.

Also requiring reflection in the promotion of SMEs in the SWV is the educational characteristics of SMEs operators/workers. Findings from the survey showed that those involved in SMEs in the SWV have very low educational background. While only 22% have experience in technical and vocational training, the majority (59%) have Junior High School (JHS) qualification. Moreover, about 19% of those involved in SMEs are illiterates (never had any formal education), who started SMEs activities after apprenticeship. Interview results indicated that the low level of education has impacted on the operations of the SMEs, in terms of managerial practices such as record keeping and the ability to access credit from financial organizations. Moreover, the study findings showed that, owing to low educational background, only an insignificant proportion (14%) of SMEs in SWV keep records on their operations. Consequently, there was a relationship between records keeping and education levels, as the survey results showed that all the SMEs operators (14%) who keep records had formal technical and vocational education. Discussions with the agency officials identified the low educational background, which has affected access to credit from financial organizations, as a barrier to the promotion of SMEs as a local strategy for poverty reduction.

A major feature of cities in developing countries, including Kumasi, is rapid population growth fuelled by migration. Findings from this research showed that majority (78%) SMEs operators in the SWV are migrants. Interviews with the SMEs operators/workers of the SWV revealed that the SMEs have provided an employment avenue in the city for many migrants from rural regions of Ghana. As explained by the agency officials, SMEs in SWV provide employment for migrants in the city, and has contributed to solving the unemployment challenges created through population growth. Given that SMEs and the informal sector in general provide employment opportunities for unskilled migrants who are unable to secure jobs in the formal sector [7], interview findings suggest that both SMEs operators/workers in the SWV and the agency officials expect government to support the development of SMEs, by encouraging financial organizations to provide them with credits.

In summary, three key issues remain imperative to the promotion of SMEs in the SWV, and they include building the capacity of SMEs operators, developing SMEs through the provision of credits, and using SMEs as a strategy to address challenges of youth unemployment and gender discrimination.

D. Analysis of Existing Arrangements for Developing and Promoting SMEs in the SWV, Kumasi

In recognition of the formation and development processes of SMEs in the SWV, interviews with the agency officials identified a number of measures that have been developed to promote the activities of the SMEs in the SWV. According to the agency officials, arrangements to support SMEs in the SWV are driven by both public and private agencies. Regarding public agencies’ support, a review of available policy documents from the agencies revealed that the Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013, a national medium term development policy framework, has a focus on developing Micro, Small and Medium Enterprises. The GSGDA focuses on supporting SMEs development by providing training and business development services, enhancing access to affordable credit; making available appropriate but cost-effective technology to improve productivity; removing value chain constraints to promote productivity and efficiency and providing incentives to local SMEs. Despite the recognition of SMEs development in the national development policy, interview results suggested that the city authorities have not fully integrated into and operationalized the policy’s objectives in their activities. Although the life span of the national policy has elapsed, discussions with the agency officials revealed that many of the policy’s objectives, in relation to the development of SMEs have not been achieved.
At the metropolitan level, interview results showed that, although the city authorities have recognized the importance of SMEs development and promotion in the Medium Term Development Plans of metropolis, not much has been achieved in terms of implementation. For example, in relation to SMEs in the SWV, the agency officials indicated that the KMA has established a fund to support SMEs operators/workers, in terms of providing training (e.g., workshops) on value addition, and marketing of products. However, discussions with the SMEs operators revealed that, since 2009 when the SWV became operational, insignificant proportion (13%) have benefited from training programs. Besides, the survey results showed that the majority (88%) of SMEs operators/workers complained about poor marketing of their products, which they claim is affecting their activities.

Considering that many SMEs in the developing countries are confronted with the reality and severity of lack of access to credit [2], [6], [8], interview results showed that a Metropolitan Business Advisory Center (MBAC), a decentralized agency of the NBSSI, has been setup to provide advisory and extension services to SMEs in the Kumasi metropolis. According to the agency interviewees, the MBAC serves as the prime mover of practical support for the development and modernization of small scale businesses. The MBAC is supposed to provide services that are directed towards increasing the birth rate of SMEs, while improving the health of old ones. The agency officials explained that the MBAC over the past years has been providing services to SMEs in the Kumasi metropolis, including organizing technical and managerial training programs for clients, assisting in the registration of businesses, providing technical support and guidelines on business plan preparation and group formation and facilitating access to formal and non formal sources of credit.

In contrast, this appears not to be the situation in the SWV. The survey results showed that the majority (74%) of the SMEs in the SWV are unaware of the existence of the MBAC. Although 13% of the SMEs operators/workers indicated that they have received support from the MBAC in the form of training workshop and supervision of their activities by MBAC officials, majority of the SMEs operators/workers expressed their dissatisfaction with the activities of the MBAC, indicating that it is ineffective and offer no benefit to them. Interviews with the agencies revealed that the MBAC has been ineffective in delivering widespread support to SMEs in the city because of inadequate financial and human resources, lack of interest in technical training programs on the part of SMEs operators/workers, and lack of up-to-date and reliable database on SMEs activities in the metropolis, owing to poor records on business registration.

In relation to private agencies arrangements to support SMEs development in the SWV, interview results showed that a microfinance organization (Eden Micro Finance Company) has been established in the wood village to provide financial support to the SMEs. According to the agency interview results, the objective of the microfinance organization has been to provide credit and other banking services and products to the SMEs in the SWV who hitherto, were regarded as ‘untrustworthy’ in relation to credit repayment by mainstream financial organizations. Interview results indicated that the microfinance organization supports the SMEs in the SWV in the form of commercial loans, ‘susu savings’ (mobile banking) services and micro-finance schemes. Although the role of the microfinance organization is widely acknowledged by the SMEs in the SWV, interviews with the SMEs operators/workers revealed that the impact of the microfinance organization on the growth of the SMEs in SWV has not been encouraging. According to the SMEs operators/workers, despite the availability of the microfinance organization, only few SMEs operators/workers access credit from it. They claimed that the microfinance organization charges high interest rates as well as demands collateral security, which many of the SMEs operators/workers indicated they could not provide. Also, the survey results indicated that only 12% of the SMEs operating in the SWV have been successful in securing credit from the microfinance organization, since 2009. Despite the SMEs operators/workers concerns, in relation to difficulty in accessing credit, the official of the microfinance organization explained that majority of the SMEs the organization provides them with credit default, although the organization could not provide data on clients who are on credit default.

Considering that support from private and public agencies has been inadequate in promoting the activities of the SMEs, interviews with the SMEs operators/workers showed that they have formed a number of associations to provide mutual support and promote their activities. Currently there are four associations in the SWV, namely Anloga Carpenters Union, Small Scale Carpenters Associations, Wood Village Association, and Israel Lumber Sellers Association. Interview results showed these associations were used as basis for allocating ‘sheds’ (working space) in the SWV, following its completion in 2009. Another role of the associations, as revealed through the interviews, relates to the assistance they provide to the SMEs in securing credits. However, the interview results suggested that these associations have not functioned to the expectations of the SMEs. While many SMEs operators/workers (43%) do not belong to any of the associations, those in the associations also expressed concerns about the welfare role these associations have assumed, focusing more on providing support to bereaved members, rather than serving as medium to respond to policies and issues that are inimical to the existence of the SMEs. This situation has made the ability of the SMEs operators/workers to contribute to the formulation and implementation of policies that affect them in the city ineffective.

Although the city authorities have been central to the creation of the SWV, their role, in terms of supporting and promoting the activities of the SMEs in the SWV, appears inadequate. The above discussion has revealed that there is inadequate commitment on the part of the city authorities to support the activities of SMEs in the SWV, despite the
benefits (e.g., revenue) they generate. Therefore, it appears that a moderate commitment from the city authorities to support the activities of the SMEs in the SWV, in terms of access to credit and creation of enabling environment, would facilitate the growth of SMEs in the SWV.

E. Creating a Sustainable Enclaves for SMEs in Kumasi: A Case for Government’s Involvement

This study has revealed that the SWV has become an important source of livelihood for an estimated 4,790 people in the Kumasi metropolis. Interview findings showed that these people are directly employed by the SMEs in the SWV. In addition to direct employment, the SMEs in the SWV have provided indirect employment for many people including food vendors. The study findings indicated that the average annual income of the SMEs is GH₵ 1,200.00 (US$ 600.00 using January 2014 exchange rate), GH₵1,930.00 (US$ 923.00) and GH₵2,289.00 (US$ 1,120.00) for sawn milling; carpentry; and plywood and lumber selling respectively. This highlights the significant contribution of SMEs in the SWV to improving the living conditions of people especially migrants. Thus, given the widespread activities of SMEs across Kumasi and Ghana in general, the city authorities can embark on the creation of similar geographical enclaves for related SMEs to help regulate and improve their activities.

To the city authorities, this study has shown that SMEs in the SWV have contributed significantly to government revenue. Interview results indicated that taxes from SMEs operators/workers in the SWV serve as an important source of the internally generated fund (IGF) of KMA. For example, records from the KMA showed that SMEs in the SWV contributed GH₵240,000.00 (US$ 120,000.00) representing 3.4% of KMA’s total IGF in 2009. Discussions with the agency interviewees indicated that this figure has increased steadily over the past 4 years. In the context of Kumasi, this is a huge revenue from the SWV, which city authorities can invest in the development of similar SMEs enclaves in the city. Despite the increasing revenue, the study findings indicated that a significant proportion (45%) of SMEs operating in the SWV have never paid taxes since 2009. Although these SMEs expressed their willingness to honour their tax obligations, interview results showed that they have not been contacted by the city authorities, and thus are unaware of their tax obligations. This highlights the contribution SMEs in the SWV can make to government revenue, should city authorities keep up-to-date data on SMEs activities. Government involvement in the creation of enclaves for SMEs is therefore paramount.

Another reason why government’s involvement in the creation of SMEs enclaves is imperative relates to social goals and benefits. Discussions with the SMEs operators/workers and the agency officials identified human resource development as part of SMEs activities in the SWV. The interview findings showed that the SWV serves as vocational and technical training centers for apprentices who are mainly migrants. Many interviewees indicated that migrants who find themselves at the SWV are trained in the various SMEs activities, so that they can establish their enterprises. The survey results found that about 41% of the SMEs operators/workers engaged in carpentry works in the SWV received training through apprenticeship. Hence, this study showed that the SMEs in the SWV are creating a viable platform for skills acquisition by those without formal training (e.g., migrants), and promoting human resources development. This finding [8] supports assertion regarding SMEs especially those in the informal economy’s contribution to Kumasi’s development in terms of skill acquisition. Government’s effort to support the development of SMEs enclaves has the potential to generate many positive outcomes, including improvement in the quality of human resources.

In relation to improving the functionality of the city, the study findings showed that the creation of the SWV has contributed to improving the traffic situation in the Kumasi metropolis. The survey results revealed that about 90% of SMEs operators/workers in the SWV have their residences in the Sokoban suburb and its surrounding communities, reducing travel time to the SWV. According to the city authorities, the creation of the SWV has resulted in reduction in the traffic generated by these wood workers when they were operating at their former location in Anloga-Junction. Interview results indicated that the relocation of the wood workers from Anloga-Junction to the SWV has helped eased the traffic congestion at the Oforirom corridor of the Kumasi-Accra highway, and improved the functionality of the metropolis. Thus, if creating SMEs enclaves will improve the functionality of the city, then the city authorities should endeavour to support interventions to organize the numerous SMEs in the city into allied geographical enclaves.

VII. CONCLUSION

This paper has highlighted the importance of organized SMEs in the development of cities in the developing countries. This paper has addressed issues relating to SMEs formation, development and promotion. Findings from this research indicated that, despite the increasing dominance of SMEs in many developing countries, they have received very limited support from governments. In cases where SMEs have been successful, there is evidence to indicate that they have benefited from international or national support. This highlights the importance of national and international support to the growth of SMEs, particularly in developing countries. However, this study has revealed that such support is often limited, resulting in poor performance of many SMEs.

In the context of Kumasi, where the government has supported SMEs development through the creation of a geographical enclave (SWV), this paper has shown that more needs to be done to ensure that SMEs deliver widespread benefits, and support the development of the city. Although the creation of the SWV has resulted in lower cost of production and marginal increase in income for the SMEs, coupled with increasing revenue for the city authorities,
findings from this research showed that the formation, development and promotion of SMEs in the SWV are characterized by many challenges. The lack of access to credit, poor marketing of products and inadequate government commitment in relation to supporting the SMEs have limited the socio-economic contributions of the SMEs.

At the institutional level, although the creation of SWV has resulted in improved traffic conditions and increased revenue to the city authorities, poor record keeping, and lack of recognition of SMEs development as a strategy to reduce unemployment and facilitate socio-economic growth have affected the functionality of the SMEs in the SWV. As a result, despite the SMEs in the SWV contributions to improved human resource development, employment creation, and income and revenue generation, their development and promotion are given less consideration in the development framework of the Kumasi metropolis by the city authorities.

Nonetheless, this paper has demonstrated that the creation of SMEs enclaves can result in organized activities of SMEs, increased income for SMEs, increased revenue for city authorities, reduced production cost and unemployment levels. However, this paper has shown that the creation of SMEs enclave, without a clear program from the government regarding its operationalization may not deliver sustainable development outcomes.

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