UNIVERSITY OF EDUCATION WINNEBA

COLLEGE OF TECHNOLOGY EDUCATION, KUMASI

CHALLENGES OF SMALL SCALE FURNITURE INDUSTRY IN THE

SUNYANI MUNICIPAL ASSEMBLY OF GHANA

ROBERT ADINYIRA

DECEMBER, 2016
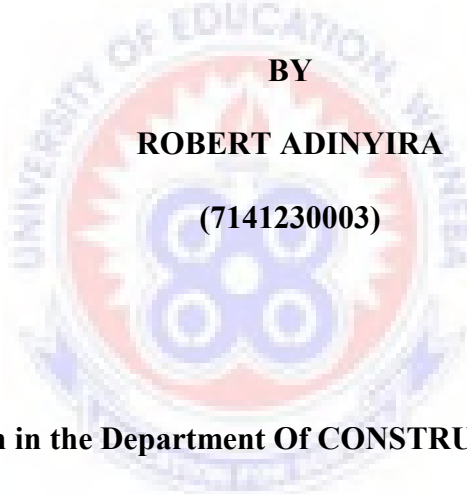
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CHALLENGES OF SMALL SCALE FURNITURE INDUSTRY IN THE

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BY

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A Dissertation in the Department Of CONSTRUCTION AND WOOD

TECHNOLOGY EDUCATION, Faculty Of TECHNICAL EDUCATION

Submitted To The School Of Graduate Studies, University Of Education,

Winneba In Partial Fulfillment of the requirements for the award of Master of

Technology Education (Wood) degree

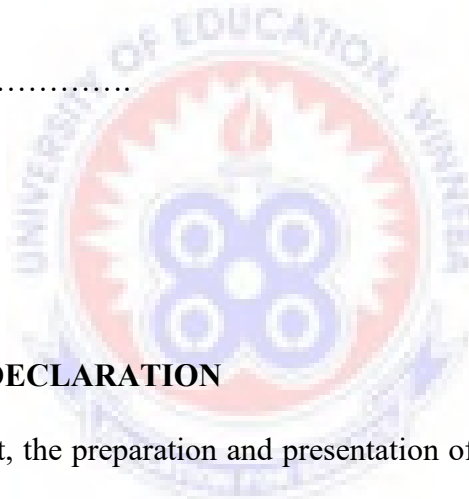DECEMBER, 2016

DECLARATION

STUDENT'S DECLARATION

I, **ROBERT ADINYIRA,** hereby declare that, except for references of other people's work which has been duly acknowledged, this project work consists of my own work produced from undertaken supervision and that no part has been presented for any degree elsewhere.

SIGNATURE   DATE

…………………………..   ………………………….

SUPERVISOR'S DECLARATION

I hereby declare that, the preparation and presentation of this work was supervised in accordance with the guidelines on supervision of project works laid down by the University of Education, Kumasi Campus.

SIGNATURE   DATE

…………………………….   ………………………….

Prof. Stephen Jobson Mitchual

ACKNOWLEDGEMENT

I sincerely owe every bit of effort I made in the pursuit on my education to the Almighty God who lovely and graciously made me who I am. My heartfelt gratitude goes to the University of Education, Kumasi Campus for offering me admission to a higher education, not forgetting all lecturers who ever taught me. Special thanks to my supervisor Prof. Stephen Jobson Mitchual who pricelessly support in experience and suggestions have guided this work. To my caring, lovely and supportive wife, Janet Dellali Attorh, my deepest gratitude. Your encouragement and support when the times got tough are much appreciated and kindly noted. I doff my hat for all my course mates and co-workers whose partnership in sharing in my pleasure and pain all these years has been splendid and painstakingly editing all my works Finally, I appreciate all whose names I am unable to mention herein, because of lack of space. Indeed, to God is the Glory.

DEDICATION

This work is dedicated to the Almighty God, the Most High and Merciful for his protection and guidance for this work to come to this far, to him be the Glory forever. I also dedicate this piece of work to my lovely wife, Janet Dellali Attorh and my children Godwin, Alfred and Ephraim for their love and care through this process.

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ACRONYMS

FAO   Food and Agricultural Organizations

SMEs   Small Scale and Medium Enterprises

SSFIs   Small Scale Furniture Industries

UK   United Kingdom

USA   United State of America

USD   United State Dollar

VCTF   Venture Capital Trust Fund

WITC   Wood Industries Training Centre

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ABSTRACT

This research was aimed at examining the performance of small scale furniture industry in Ghana. The objectives that guided the research were to find out the challenges associated with sourcing of fund by small scale furniture companies, the challenges associated with obtaining raw materials by small scale furniture companies, the technology used by the small scale furniture companies and marketing challenges of small scale furniture companies in Ghana. The study used cross-sectional of descriptive survey design to purposively sampled 200 small scale wood/furniture worker in Sunyani Municipality. The major findings were; convenience and accessibility, overall quality of service, time to process application, business terms and conditions, relation with account manager and less documentation required as the challenges of sourcing funds. With regard to the challenge in obtaining the traditional wood for products, findings revealed per the analysis that, getting of quality wood came first with the mean score of 5.43, followed by securing permit to bring bush cuts to the workshop with the mean score value of 5.31. Transportation of raw material to the workshop was third with the mean score value of 4.80 while least forth position was inaccessible kilns to season wood with the mean score value of 4.52. The study revealed by majority 86(46%) agreement they use both portable machine and simple hand tools. The high mean score of 3.80, 3.35, 3.23 and 3.31 indicating restrictive attitude towards technology dissemination, reliance on the infrastructural support, pool manufacturing practices and working conditions and development of indigenous technological skill and know-how respectively were found to be the major challenges the respondents faced in technology application in furniture industry. Study finding also records the respondents' views that my products are made only for the local market and very quality, I don't know how to export my products, I supply my products to schools, hospital and offices and I produce my products to the taste of the local people. Finally, the study found transporting products outside the country the security harassment is too much, export duty challenges, unavailability of space to showcase my products and financial constraints as the challenges in marketing furniture products.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The performance of the small scale furniture and timber industry in Ghana is crucial both to employment and growth of the economy in the country. The global output of furniture amounts to US$480 billion and global trade in furniture stands at US$140 billion (Abonyi, 2006). Over the last decade, world furniture production has increased from year to year with the exception of 2008 and 2009 (Mullineux, 2007).

The East African furniture market is valued at US$1.2 billion and trade in the region is worth US$298 million. Studies by Kaplinsky et al. (2003) revealed in the year 2000, that furniture industry emerged as the largest low-tech manufacturing sector, with global trade worth USD57.4 billion. Additionally, Purnomo et al., (2011) indicated that the global furniture trade accounted for USD135 billion or 1% of all world trade in manufactured goods in the year 2000. Mississippi State, recorded nearly 30,000 direct jobs from the furniture industry. The North Carolina, ranked second in the states manufacturing sector by employing over 75,000 people. This constitutes about 9.7% of the total workforce in the states manufacturing sector confirmed by Mirka, Smith, Shivers and Taylor (2002).

Adamovicz and Wiktorski (2006) found that in the year 2004, the Polish furniture industry accounted for over 100,000 jobs. This is clear in developed economies such as Italy, Germany, France, UK, Canada and USA enjoying their fair share in the manufacturing and export of furniture (UNECE/FAO, 2009). On the other hand, because of the labor-intensive nature of the furniture industry according to Purnomo et al. (2011), UNECE/FAO (2009) and Kaplinsky et al. (2003), furniture producers are increasingly transferring their firms to developing countries where labor cost is presumably relatively

low. Lihara, Buehlmann and Graf (2012) studies confirmed the decline of US domestic wood household furniture production with the corresponding surge in imported wood household furniture.

A study by Korea Development Institute (2008) indicates that there is a growing recognition of the important role small and medium wood enterprises (SMEs) play in economic development. The small and medium enterprises constitute about 90% of total business units in Ghana and account for 60% of Ghana's employed labor force (Awuah-Seiwaah, 2010). Some are often considered as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. The developed industrial economies itself function with the SME sector rather than the multinationals that is the largest employer of workers (Mullineux, 2007). Additionally, on small businesses in the United States affirms that U.S. small businesses numbered 23 million in 2003, and it employed about half of the private sector work force, and also produces about half of the nation's private sector output.

The small scale furniture industry remains one of the forest sector economic activities that hold prospects for poverty alleviation in the developing countries of which Ghana is included. The sector has been described as a resource, labor-intensive and low-tech in nature that includes the other small scale enterprises and large volume producers. It is also of great importance in terms of job creation and export earnings (Davis, Haltiwanger & Schuh, 2003).

1.2 Problem Statement

One of the major area that holds promise for Ghana is the timber industry. It stands fourth foreign exchange earner (11%) after minerals (36%), cocoa (35%) and tourism (12%) and

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accounts for about 6% of the Gross Domestic Product. Additionally, Ghana Forestry Commission, GFC (2010) indicted that about 2.5 million people depend on the timber industry for their livelihoods. The impact of the timber industry export earnings in 2009 and 2010 stood at USD192 million and USD190 million, respectively.

Despite the above, modest achievement, Ghana still lags behind in terms of export growth. For instance, the country's export growth in the past decades has been very marginal (28.6%) compared to 1300% and 131% growths for Korea and Malaysia, respectively (Korea Development Institute, 2008).

The government has since 1994, tried to redeem the sector by initiating a number of forest sector policy reforms aimed at enhancing the production and export of added value wood products (Awuah-Seiwaah, 2010). The policies notable amongst them were: the imposition of levies ranging from 15-30% and 10-15% of the F.O.B. on export of logs and air-dried lumber, respectively, the establishment of the Wood Industries Training Centre (WITC) in 1994 to provide technical and managerial training, consultancy, extension and appropriate technology transfer services to the wood processing centre, the ban of log export in 1995 to allow the timber firms focus on the manufacture and export of added value products, exporters of value added wood products using lesser-used timber species enjoyed a higher refund of 2% of the F.O.B than those produced from the traditional primary species (1%) and the establishment of Kumasi Wood Village in 1998 to transform the wood processing sector from manufacturers of simple wood products to high quality wood products through communal use of available facilities and resources (Awuah-Seiwaah, 2010).

Research studies towards the performance of Small and medium Enterprises general in Ghana and Africa has been enormous. However, studies in small scale furniture industry

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in Ghana and the study area, Sunyani Municipality of the Brong-Ahafo Region is insignificant. The researcher with this notion sought to examine the performance of small scale furniture industry in Ghana using Sunyani municipal assembly as the case study.

1.3 Research Objective

1.3.1General objective

To examine the performance of small scale furniture industry in Ghana using Sunyani Municipal Assembly.

1.3.2 Specific Objectives

The specific objectives of the study are to;

1) Assess the challenges associated with sourcing of fund by small scale furniture companies in the Sunyani Municipal Assembly.

2) Assess the challenges associated with obtaining raw materials by small scale furniture companies in the Sunyani Municipal Assembly.

3) Examine the technology used by the small scale furniture companies in the Sunyani Municipal Assembly.

4) Assess marketing challenges of small scale furniture companies in the Sunyani Municipal Assembly.

1.4 Research Questions

a) What are the challenges associated with sourcing of fund by small scale furniture companies in the Sunyani Municipal Assembly?

b) What are challenges associated with obtaining raw materials by small scale furniture companies in the Sunyani Municipal Assembly?

c) What technology are used by the small scale furniture companies in the Sunyani Municipal Assembly?

d) What challenges do the small scale furniture companies in Sunyani municipality face in marketing their products?

1.5 Significance of the Study

The significance of this study is to have a better understanding on the performance of small scale furniture industry in Sunyani municipality, Brong-Ahafo region of Ghana. The study's contribution to literature and practice cannot be underestimated. Conducting this research would enable policy makers like government agencies such as the Ministry of Trade and Industry, the Bank of Ghana, and Forestry Commission to find appropriate solutions to SSFIs challenges. Consequently, information generated from this study would help people in the scholarly research practice as they will get to know much about performance small scale furniture industry.
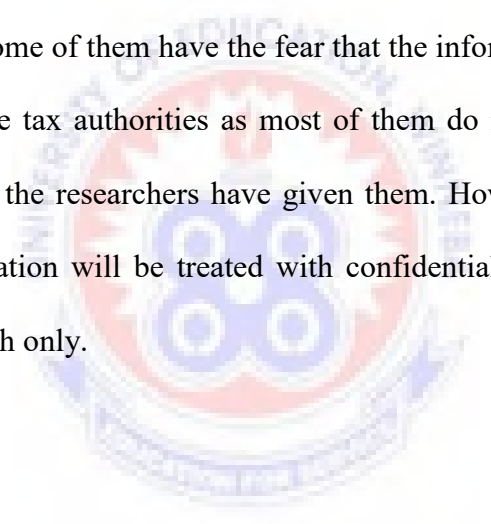
1.7 Delimitation of Study

The study did not cover everything on the timber Industry in Brong-Ahafo region of Ghana. Only furniture industries in Sunyani Municipality (Sunyani East and West Districts) was chosen as the case study while Berekum Municipality were used as pilot-

tested. The study also focused mainly on the core objectives; challenges associated with sourcing of fund, the challenges associated with obtaining raw materials, the technology used by the small scale furniture companies in Ghana and marketing challenges of small scale furniture companies in Ghana.

1.8 Limitation of the Study

Due to time constraint, the researcher could not use respondents from other districts but only focused on small scale furniture companies in Sunyani Municipality. This limits the extent of the research generalization. It was also very difficult getting information from the selected SMEs. Some of them have the fear that the information given would one way or the other get to the tax authorities as most of them do not fulfil their tax obligation despite the assurance the researchers have given them. However, the researcher assures them that the information will be treated with confidentiality and will be used for the purpose of the research only.

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CHAPTER TWO

LITERATURE REVIEW

This second chapter examines a review of the literature found to be relevant to this paper including empirical and theoretical studies. The review was based on the objective of the study and it is therefore categorized under the following four thematic strands and their subheadings as well as the general definitions of SMEs and Ghana's view of SME. a) the challenges associated with sourcing of fund; b) the challenges associated with obtaining raw materials; c) the technology used by the small scale furniture companies in the Sunyani Municipal Assembly and d) marketing challenges of small scale furniture companies in the Sunyani Municipal Assembly.

2.1 Concept of SME

According to Ward (2005) there is no universal definition for SMEs since the definition depends on who is defining it and where it is being defined. For example, in Canada SME is defined as an enterprise that has fewer than 500 employees and small enterprise as one that has less than 100 employees. On the other hand, the World Bank defines SMEs as having no more than 500 employees. SMEs can be defined in two ways: based on the number of employees in an enterprise and/or the enterprises fixed assets. According to Boon (1989), the size of the enterprises employment is the most important criterion used in Ghana. But one must be cautious when defining SMEs based on fixed assets because of the continuous depreciation in the exchange rates, which often makes such definition outdated. UNIDO (2011) defines SMEs in developing countries based on the number of employees in an enterprise. A small enterprise has between 5 and 19 workers and takes the example of the ubiquitous small shops in the cities such as hair dressing saloons and

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chop bars. A medium enterprise has 20 to 99 workers and these include manufacturing firm and exporting companies. The Ghana Statistical Service, in their 1987 Ghana Industrial Consensus, considers firms employing between 5 and 29 employees and with fixed assets not exceeding $100,000 as small scale, while those employing between 30 and 99 employees medium scale category. The National Board of Small Scale Industries (NBSSI) defines SMEs as enterprises that employ no more than 29 workers, with investment in plant and machinery (excluding land and buildings) not exceeding the equivalent of $100,000. For the purpose of this research, the Venture Capital Trust Fund (VCTF) Act 2004 (Act 680 section 28) definition of SMEs will be used since it's a more recent definition. SMEs are defined by the VCTF as "an industry, project, undertaking or economic activity which employs not more than 100 persons and whose total asset base, excluding land and building, does not exceed the cedi equivalent of US$1 million in value".

2.2 Characteristics of SMEs in Ghana

A distinguishing feature of SMEs from larger firms is that the latter have direct access to international and local capital markets whereas the former are excluded because of the higher intermediation costs of smaller projects. In addition, SMEs face the same fixed cost as Large Scale Enterprises in complying with regulations but have limited capacity to market product abroad (Kayanula & Quartey, 2000). SMEs in Ghana can be categorised into urban and rural enterprises. The former can be subdivided into 'organised' and 'unorganised' enterprises. Organised ones tend to have employees with a registered office and are mostly solely owned by an individual whereas the unorganised ones are mainly made up of artisans who work in open spaces, temporary wooden

structures or at home and employ little or in some case no salaried workers. They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this sector include: soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, timber and mining, bricks and cement, beverages, food processing, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Liedholm & Mead, 1987; Osei et al., 1993) as cited by (Kayanula & Quartey, 2000). This sector is characterised by low levels of education and training of the self-employed. They are mostly family owned businesses and there is little separation of the business finances from that of the owners even to the point that the owners or operators personal account is the same as that of the business. SMEs in Ghana are heterogeneous group- ranging from small workshops making furniture, metal parts and clothing to medium-sized manufactures of machinery as well as service providers such as restaurants, consulting and computer software firms. Some are traditional 'livelihood' enterprises that are satisfied to remain small; others are growth-oriented and innovative.

2.3 Challenges Faced By SMEs in Sourcing of Funds

Cuevas et al. (1993) indicates that access to bank credit by SMEs has been an issue repeatedly raised by numerous studies as a major constraint to industrial growth. A common explanation for the alleged lack of access to bank loan by SMEs is their inability to pledge acceptable collateral. In their view the current system of land ownership and transfer regulations clearly retards and to some extend limits access to formal credit. First, due to lack of clear title to much usable land in Ghana, there is a limited amount of

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real property that can be put up as collateral. Second, a Government embargo on transfer of stool and family land has further restricted land availability for collateral. Finally, where title or lease is clear and alienable, transfer regulation needlessly delay the finalization of mortgages and consequently access to borrowed capital. Aryeetey et al. (1993) supported the view of Cuevas et al. (1993) that from the view point of private sector, problems related to finance dominate all other constraint to expansion (p 50). They claimed that the available of collateral plays a significant role in the readiness of banks to meet the demand of the private sector. Collateral provides an incentive to repay and offset losses in case of default. Thus collateral was required of nearly 75 percent of sample firms that need loans under a study, which they conducted on the demand supply of finance for small enterprises in Ghana. The study also indicated that 65 percent of the total sample firm had at various times applied for bank loans for their business. Nevertheless a large proportion of the firm had their application rejected by banks. For firms that put in loans applications there was almost 2:1 probability that the application would be rejected. Firms receive loans for much less than they requested for. Among firms that had their applications rejected, lack of adequate collateral (usually in the form of landed property) was the main reason given by banks. Aryeetey et al. (1994) suggest that banks can offer alternative to property as collateral such as guarantors, sales contract and liens on equipment financed.

Schiffer and Weder (1991) found that small firms tend to experience more difficulties than medium-sized firms, which also experience more difficulties than large firms. In most countries, especially developing nations, lending to small businesses and entrepreneurs remain limited because financial intermediaries are apprehensive about supplying credit to businesses due to their high risk, small portfolios, and high transaction

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cost. According to Cuevas et al. (1993) cost of transaction contributes to the inability of the SMEs to access finance. They are of the opinion that "if transaction cost of lending are high the net margin banks expect from loans operation do not compare favourably against safe investment represented by treasury bonds" (p 30). Aryeetey et al. (1993) also shares the same view that if a lender face information asymmetry, the issue often becomes somewhat persuasive authority he or she holds in ensuring repayment. These push up transaction cost as the probability of default is assumed to be high and has to be contained. Thus lenders may avoid lending to smaller or lesser known clients or impose strict collateral requirements when they do. They may perceive clients in ways that would overcome the latter own perception of the difficulty in obtaining formal finance. In investigating "whether lending to SMEs in Ghana was more expensive that lending to larger enterprise in terms of loan screening, loan monitoring and contract enforcement, banks estimate that screening to gather information about the applicant and project, review the feasibility study, do the credit analysis and make a decision, an average of 16 man days for large scale applicant and that of small scale applicants takes 24 man days. Similar results obtained for loan monitoring and contract enforcement suggest that the transaction cost of SME lending were higher than those for large enterprise per loan though a similar study undertaken in 1992 by Aryeetey and Seini on the transaction cost of lending covering sixty bank branches in Ghana suggested that there was no statistically significant difference in the cost of administering loans to smaller and larger enterprises". They further state that the internal organization of most banks is such that SMEs applying for loans deal with branch staffs that have little say in the decision, whereas major decisions are taken at the head office of official who know little about the enterprise. This arrangement ensures that many potential SME borrowers do not have the chance to

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interact with the few trained project personnel before applications are made. There is a high probability that many potential good project are turned down because distant credit officers lack enough undocumented information to form an opinion on the projects and especially on entrepreneurs. Despite SMEs strong interest in credit, commercial banks profits orientation may deter them from supplying credit to SMEs because of the higher transaction cost and risk involved. First, SMEs loan requirement are small so the cost of processing the loan tend to be high relative to the loan amounts. Second, it is difficult for financial institutions to obtain the information necessary to assess the risk of new unproven ventures especially because of the success of small firms often depends heavily on the ability of the entrepreneur. Third, the probability of failure for new small ventures is considered to be high.

Cuevas et al (1993) however indicates that other alternatives to loans secured by real and movable property have practical constraints. For example, it is possible to take security interest in liquid assets, the foreclosure upon which is much quicker than that for real and movable property. However many debtors especially traders are not in the habit of saving money in liquid accounts, rather they turn to either move it into the informal economy or reinvest in their business. Another alternative would be for the banks to accept the assignment of contractual benefits from borrowers. Though this arrangement is known in Ghana, it is not chosen by banks as they prefer to stay out of other contracts (Cuevas et al., 1993)

Access to finance remained a dominant constraint to small-scale enterprises in Ghana. Credit constraints pertaining to working capital and raw materials, were cited by respondents (Parker et al, 1995). Aryeetey et al (1994) reported that 38% of the SMEs surveyed mentioned credit as a constraint, in the case of Malawi, it accounted for 17.5%

of the total sample (Daniels & Ngwira, 1993). This stems from the fact that SMEs have limited access to capital markets, locally and internationally, in part because of the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms. As a result, SMEs often cannot obtain long-term finance in the form of debt and equity.

2.4 Challenges Associated with Obtaining Raw Material for Furniture

The furniture industry pivots significantly on wood and wood-based materials throughout history. According to Pakarinen (1999) wood excels in performance, manufacturing and appearance characteristics (Shelly, 2001). From the consumer's perspective, wood is the overwhelming choice due to its reliability, environmental friendliness and pleasing appearance. Even though those non-wood materials such as metals and plastics have made significant inroads into furniture manufacturing, the bulk of the furniture made today is still made of wood or wood based materials (Shelly, 2001). Environmental aspects of furniture rely heavily on the raw materials adopted – consequently the use of certified wood under sustainable management is essential in terms of wooden furniture (Parikka-Alhola, 2008). Especially for the wooden children's furniture, materials with high quality and certification are important elements for parents to choose products for their children.

Today most furniture manufacturers are making efforts to improve reputation and image by incorporating more environmentally friendly and social responsible activities in their operation process. According to CNFA (2011) wooden furniture manufacturing was made up the largest proportion of the Chinese furniture manufacturing sector in 2010 at around 58% of the total furniture manufacturing revenue. This growth was driven by

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strong domestic and foreign demand, with exports increasing rapidly. In the study of Lebedys (2004) it was found out that in Ghana, wood products contribute significantly to the economy. It is the fourth highest foreign exchange earner, having provided around 12% of Ghana's foreign exchange between 1990, 2003 and 2006.

A study showed that 20% of small-scale furniture manufacturers perceive access to timber as a problem, with 30% regarding wood quality as poor (Prestvik 2009). Log traders in particular have noticed the increasing scarcity of timber, which is one of the main reasons for its higher prices. The shortage and soaring prices caused an obvious decrease in wood consumption from 2005 to 2008, in both quantity and value (Prestvik 2009). With small-scale manufacturers receiving lower prices for their products, workshops became more efficient in their use of wood, attempting to use less wood to generate more income. In response to the increasing prices for teak and mahogany, many workshops were also found to be experimenting with alternative species, more so than they had four years before. A policy analysis of the wooden furniture industry for Indonesia in general and Jepara in particular revealed several policy constraints, which threaten to undermine the industry (Nurrochmat & Hadiyati 2010a).

Several macro policies have the potential to hinder the development of Indonesia's furniture industry at national and international levels (Nurrochmat & Hadiyati 2010a). These include: (1) weak sectoral support for the furniture industry; (2) complexity of processes for dealing with import samples; (3) complexity of quarantine procedures for imported processed wood; (4) increasing competitiveness between domestic furniture businesses; (5) a policy of minimum industrial fuel purchases, which imposes an additional burden on small-scale furniture businesses; (6) regional policies that inhibit trading of timber and timber products between regions; (7) local regulations and

retribution fees; and (8) the disbanding of the Indonesian wooden product Joint Marketing Body, which weakened the bargaining position of Indonesian furniture businesses in the international market. The regulation obliges each region to reserve a certain amount of timber for its own local needs before selling timber to other regions. The regulation requires that 5% of the total volume of timber produced be set aside for local needs within each region; this applies to logs derived from forest concessions, timber estates, wood auctions and rehabilitation plantation forests. All timber from 'People's Forests' (*hutan rakyat*) is allocated to local needs within each regency and municipality. Timber trading across regions is allowed only once local needs have been met (Nurrochmat & Hadiyati 2010a).

2.5 Technology used by the Small Scale Furniture Companies

There has been various definitions for the term technology as it is seen in all areas of life today. One of the means by which humankind reproduces and expands its living conditions is technology as according to (Müller, 2003). It is useful for improving quality, creation of new market and extension of the product range, reduced labour costs, improved production processes, reduced environmental damage, replacement of products and services, and reduced energy consumption. These contributions vary between enhancements of products, processes, and services. Technology differs between disciplines and cultures. In respect of business enterprises, Eris and Saatcioglu (2006) technology refers to the theoretical and practical knowledge, skills, and artefacts that can be used to develop products and services as well as their production and delivery systems. Furthermore, technology is tools, devices and knowledge that mediate between inputs and outputs and/or that create products or services. Therefore, it can be referred to

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as a spectrum of things, rather than one thing. The technology spectrum has ideas at one end, design in the middle, and techniques and products at the end (Diyamett, 2007).

From the study of Müller (2003) unambiguously, technology comprises of a combination of four elements that are conceived as its main interactive variables. First, element of technology is technique, technique is a special ability or way in which the basics of something are treated. It is a transformation and consumption process set in motion by physical labour. The study argues that the structure of technique is made up of all the physical means of production or implements, hardware, involved in the process in question. To this structure come the raw materials, components and energy inputs that are transformed or consumed in the same process. The second element which is knowledge is a component or software structured according to the empirically acquired skills, tacit knowledge and intuition of the direct producers, and the scientific insight and creativity of the technology designers. An increasing portion of the software is being built into the hardware as embodied knowledge. According to Müller there is involvement of psychical labour processes and searching-learning processes, which include all kinds of information input processing. Third, is work organisation, which involves the internal division of labour and pattern of specialisation. This element of technology requires management and coordination and involves at the same time all kind of communication processes which can also be embodied in the implements (hard-ware) and/or knowledge (soft-ware). The fourth is product, which stands for the immediate result of the combination of all other components.

Kottler (1999) stated that this element is anything that can be presented to a market for attention, acquisition, use, or consumption that might satisfy a need or want. Thus, a product may be a physical good, retail store, person, organisation, place or idea, and its

structure takes indefinitely different kinds of shapes. A product is an integral component of technology, and there he gives three main arguments (Müller, 2003). First of all the product is not an end itself. The choice of product is often made before that leads to the combined choice of technique, knowledge and organisation. Chakrabarti (1988) asserts that new products may also indicate new process developments. In addition, the product, the result of a preceding production process, supposedly has a use-value that eventually enters a consumption process. Finally, most products, including service products, are also commodities. Besides the use-value, the product carries exchange-value. This has become a dominating purpose of application of technology and it adds an economic-surplus-generation process to the process perspective of technology. As it is noticed in Müller (2003), deprived of a clear perception of the exchange-value attribute of the product, the specific formation of most technologies becomes incomprehensible.

SMEs have difficulties in gaining access to appropriate technologies and information on available techniques. This limits innovation and SME competitiveness. Besides, other constraints on capital, and labour, as well as uncertainty surrounding new technologies, restrict incentives to innovation. From the firms sampled, 18% of them in Aryeetey et al (1994) mentioned old equipment as one of the four most significant constraints to expansion (18.2% in Parker et al, 1995). In a survey of how domestic and international buyers perceive furniture found that the region has strong advantages in price and order flexibility. However, international buyers were critical of the punctuality of shipping, design and quality but local manufacturers did not share these perceptions. Special attention should be directed towards these factors so that producers maintain their competitiveness and international buyers continue to buy their furniture (Bahruni 2010). Small-scale furniture manufacturers face many challenges in maintaining product quality

and delivering products on time. Both exporting companies and small-scale furniture manufacturers regard as their major constraints expensive certification schemes, complicated legal requirements for business documents, uncertainty of raw material supplies and the high cost of marketing (Muhtaman 2009).

Because of the cost and difficulty of selling their products, small-scale furniture manufacturers tend to adopt a passive marketing strategy: they locate their workshops in a cluster and wait for buyers to find them (Prestvik 2009). Thy therefore capitalize on the presence of many other workshops nearby, especially any neighbouring workshop that may have a more active marketing strategy that attracts buyers. Visiting warehouses to seek orders is the second most common marketing strategy among small-scale furniture manufacturers; media advertising, seeking buyers at tourist attractions and Internet marketing are less common (Prestvik 2009). Very few companies implement a complete marketing strategy such as producing marketing kits, allocating a marketing budget, and developing and maintaining a website to reach their target markets (Muhtaman 2009). By contrast, export-oriented workshops distance themselves from other furniture workshops, which indicates that they are less concerned with the immediate benefits of being in a cluster, i.e. 'free marketing' (Prestvik 2009). Successful export-oriented workshops tend to be operated on a large scale by well-educated owners. Tht they can produce large quantities regularly and that they have the skills and language ability to negotiate better prices with buyers are the main factors behind their independent success (Prestvik 2009).

2.6 Marketing Challenges of Small Scale Furniture Companies

This seems a less important constraint to SMEs considering the widespread unemployment or underemployment in developing countries. SMEs generally use simple technology, which does not require highly skilled workers. However, where skilled workers are required, an insufficient supply of skilled workers can limit the specialization 22 opportunities, raise costs, and reduce flexibility in managing operations. Aryeetey et al (1994) found that 7% of their respondents indicated that they had problems finding skilled labour, and 2% had similar problems with unskilled labour.

Demand for furniture in Africa is rising due to growing populations, urbanization, and purchasing power. Africa accounts for about 2.2 percent of the global consumption of furniture and about 2.8 percent of the global furniture trade, with net imports at US$2.5 billion. Demand is being met both through local production and imports: between 2009 and 2015, furniture production in Africa and the Middle East grew by 15 percent. The East African economies consume US$1.2billion worth of furniture annually, of which 22 percent is imported (US$268 million).13 Since growth is driven (and bound) by growing urban populations and purchasing power, growth prospects are favorable, and Kenya, Ethiopia, Tanzania and Uganda are likely to remain the dominant furniture markets. Among these economies, Kenya is likely to take the lion's share of the market even though its urban population is smaller than that of Ethiopia and Tanzania

The global furniture market (worth US$480 billion in 2014) demonstrated positive growth over the last decade (except for 2008 and 2009). This growth was driven largely by lower furniture prices and more internationally competitive markets. The expected growth of the furniture market in 2015 is expected to be only 2.5 percent globally, with emerging markets expected to grow more rapidly, and Middle East & Africa forecast to

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grow at 4.3 percent. In this context, Africa accounts for about 2.2 percent of the global consumption of furniture and about 2.8 percent of the global furniture trade, with northern and southern Africa being the biggest regional markets, and South Africa, Algeria, Nigeria, Egypt, Morocco and Kenya being the largest country markets. The East African economies consume US$1.2 billion worth of furniture annually, with Kenya being the largest market for furniture in East Africa (US$496 million) and largest producer of furniture. Within Kenya, the formal furniture and informal furniture sectors respectively supply around US$452 million worth of furniture annually, with the difference being met by net imports. Our analysis found that in 2013, upholstered furniture, bedroom furniture and office furniture held the bulk of the value in sales, with the products segments that are forecast to see the most growth in sales being kitchen furniture, bedroom furniture and wooden seats.

From the sample data 5% of Ghanaian proprietors indicated they had marketing constraints, (Aryeetey et al, 1994; Daniels & Ngwira, 1993). The business environment varied markedly among SMEs in Ghana reflecting different demand constraints after adjustment. There were varying levels of uncertainty caused by macroeconomic instability and different levels of government commitment to private sector development. Recent economic policies have led to a decline in the role of the state in productive activity but a renewed private investment has created new opportunities for SMEs. Nonetheless, limited access to public contracts and subcontracts, arising from cumbersome bidding procedures and/or lack of information, inhibit SME participation in these markets. Also, inefficient distribution channels often dominated by larger firms 23 pose important limitations to market access for SMEs. As noted in the case of Ghana, demand constraints limited the growth of SMEs (Parker et al, 1995).

Previously insulated from international competition, many SMEs are now faced with greater external competition and the need to expand market share. However, this problem was mostly identified in medium-sized enterprises in Ghana (Aryeetey et al, 1994), less than 1% of the total sample complained there were too many imported substitutes coming into the country. Daniels & Ngwira (1993) also reported a similar figure for Malawi (0.9%). However, Riedel et al (1988), reported that Tailors in Techiman (Ghana) who used to make several pairs of trousers in a month went without any orders with the coming into effect of trade liberalisation. Limited international marketing experience, poor quality control and product standardisation and little access to international partners, impede expansion into international markets. It is reported that only 1.7% of firms in Ghana export their output (Aryeetey et al, 1994).
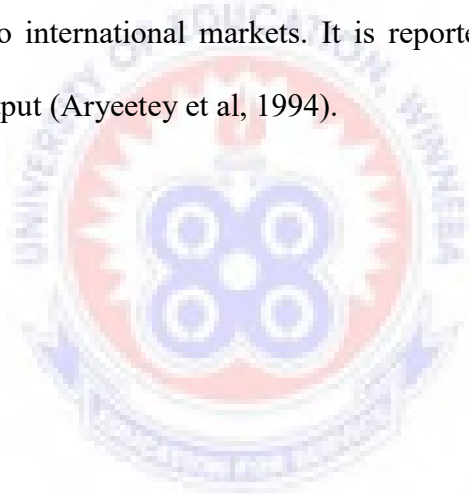
CHAPTER THREE

RESEARCH METHODOLOGY

This chapter consists of the methodology used for the study. The data collection instruments that was used in conducting the study was also discussed. Methodology consists of the study area, research design, the target population, and the sampling technique(s) that was employed. The chapter also looked at the sample that was used in the study, the data collection method that was employed and the data collection instrument that was used. The chapter also looks at the data analysis method that was used and the ethical considerations.

3.1 Research setting

The study was done at Sunyani Municipality. Sunyani Municipal is one of the oldest districts created and one of the twenty seven administrative districts in the Brong Ahafo Region of Ghana. It has Sunyani as its municipal capital. The district lies between Latitudes 7^0 20'N and 7^0 05'N and Longitudes 2^0 30'W and $2^0$10'W and shares boundaries with Sunyani West District to the North, Dormaa District to the West, Asutifi District to the South and Tano North District to the East. There are effective economic and social interactions with the neighboring districts which promote resource flow among these districts. The municipality has a total land area of 829.3 Square Kilometres (320.1square miles). One third of the total land area is not inhabited or cultivated which provides arable lands for future investment. The municipality falls within the wet Semi-Equatorial Climatic Zone of Ghana (Ghana Statistical Service, 2012).

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The mean monthly temperatures vary between 23ºC and 33ºC with the lowest around August and the highest being observed around March and April. The relative humidities are high averaging between 75 and 80 percent during the rainy seasons and 70 and 80 percent during the dry seasons of the year which is ideal for luxurious vegetative growth. Sunyani experiences double maxima rainfall pattern. The main rainy season is between March and September with the minor between October to December. This offers two farming seasons in a year which supports higher agricultural production in the municipality. However, the rainfall pattern of the municipality is decreasing over the years as a result of deforestation and depletion of water bodies resulting from human activities (Ghana Statistical Service, 2012).

Sunyani Municipality falls largely within the Moist – Semi Deciduous Forest Vegetation Zone. Most of the primary vegetation can be found in patches around the north-west, east and southern parts of the municipality. These include the Yaya and the Amoma forest reserves. This vegetation zone also contains most of the valuable timber species. As indicated by the characteristics of the vegetation cover, tree crops such as cocoa and citrus can thrive well in this zone. As a result of lumbering and farming practices, most of the forest areas have been degraded. Re-afforestation is therefore being undertaken in the forest reserves to reverse the trend (Ghana Statistical Service, 2012).

The Sunyani Municipality lies within the middle belt of Ghana with Heights from 750 feet (229 meters) to 1235 feet (376 meters) above sea level. The topography of the municipality is fairly flat thus suitable for large scale agricultural mechanization. Cost of constructing houses and roads is relatively minimal due to the nature of the topography. The drainage is basically dendritic with several streams and rivers, notably Tano, Amoma, Kankam, Benu, Yaya and Bisi. Most of the water bodies are seasonal. This

often creates water shortage in the municipality during the dry season for both domestic and agricultural purposes. The municipality is underlain by Precambrian Birrimian formations which are believed to be rich in mineral deposits. Associated with the Birrimian formations are extensive masses of granite. The Cape Coast Granite Complex is what pertains in the Municipality. The rich mineral deposits underlain in Precambrian Birimian and the Birimian presents a great potential for investment in mineral mining (Ghana Statistical Service, 2012).

The major problem confronting the natural environment in the municipality is deforestation. Bushfires claim between 60-80 percent of the municipality's agricultural lands annually. Until 2001 when the municipality was able to save about 80 percent of farmlands and forest reserves from burning, valuable timber resources, food crops and properties of various types were lost annually through bushfires. The major human activities negatively affecting the natural environment include land preparation for farming, actual cultivation and bush burning. The successive intensive use of land for agricultural purposes has reduced the fallow period of about 6-7 years to 2 or less years. This has resulted in low soil fertility and the continuous demand for crops which originally did not require fertilizer (Ghana Statistical Service, 2012).
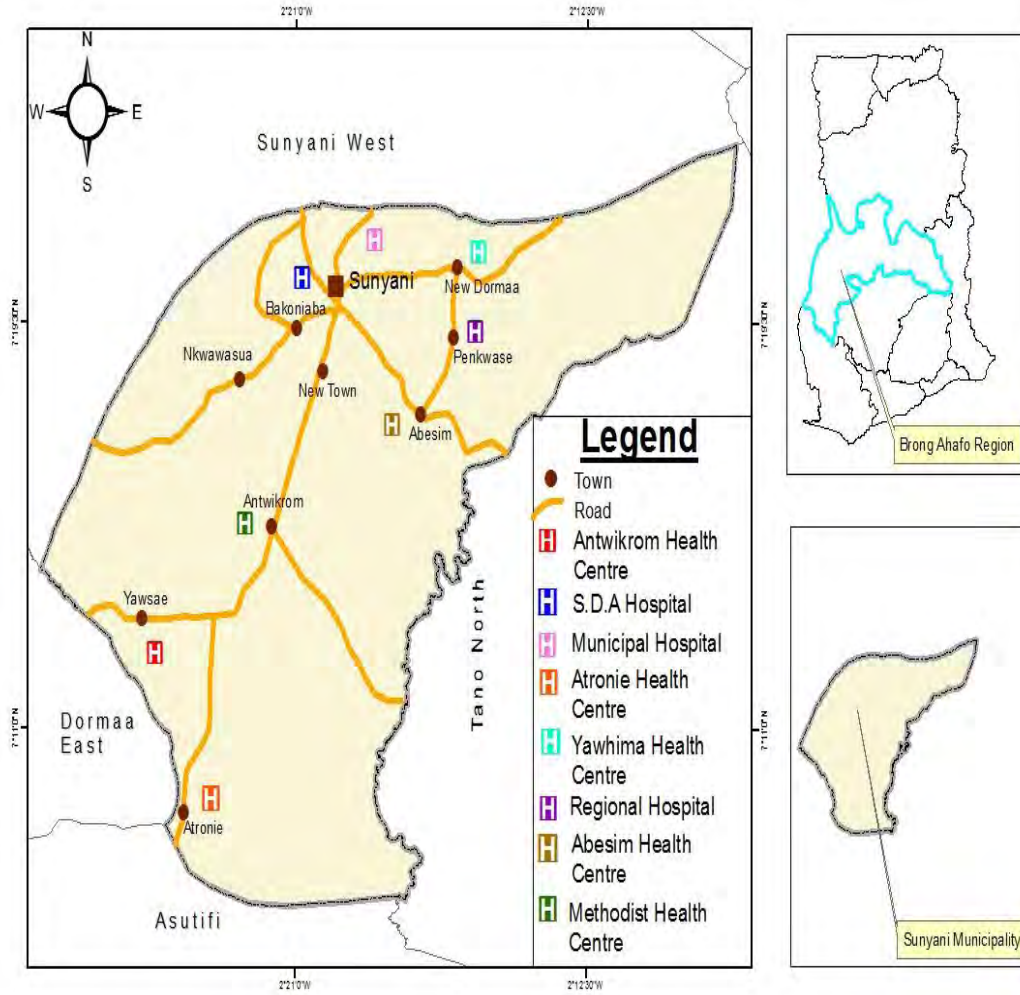
Figure 3.0: Map of Sunyani Municipal

3.2 Research Design

The study adopted a descriptive cross-sectional survey design. The design was chosen because through it, the researcher was able to collect and analyze data as it existed in the field without manipulating any variables. According to Neuman (2000) cross-sectional surveys are appropriate for situations where the data to be collected are about self-reported beliefs or behavior. Besides, it enables the researcher to collect data and compare many different variables at the same time without manipulating the study environment.

3.3 Study Population

Fraenkel &Wallen (2000) explain that the complete set of individuals with a common characteristic is termed as population in research. Owners of small scale furniture firms in the Sunyani municipality constituted the population of the study.

3.4 Sampling and Sample Size

Sampling is the act, process or technique of selecting a suitable smaller size of a population for the purpose of determining parameters or characteristics of the whole population (Mugenda & Mugenda, 2009). Both purposive and convenience sampling methods were used to sample 200 small scale furniture workers. Purposive sampling was used because it is found to be the appropriate sampling method for respondents who are the only knowledgeable about, and can provide in-depth knowledge of the problem under study (Neuman, 2000). Cconvenience sampling was also employed. The researchers believe possesses the experience relevant for this study and who have sufficient time and were willing to participate (Morse, 1998). This technique, convenience sampling, involves obtaining responses within the sample frame from willing respondents and also

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their availability for the study. The advantage here is to give the respondents their own volition and not selected against their will. This technique boost the response rate because respondents in this sector are reluctant in giving out information since they believed in one way or the other, information about their business may leak through to competitors and also exposed them to tax authorities.

3.5 Data Collection Instruments

3.5.1 Questionnaires

The study used self-administered questionnaires to gather information from respondents. The questionnaires' employed were both closed ended and open ended. The closed ended were in likert form. In this study, only five categories were used, for example: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), and Strongly Disagree (SD) for the closed ended questions. The researchers used two weeks in collecting the data. The questionnaires were categorized into two sections. Section one looked at the demographic characteristics of the respondents. The second part focused on the core objectives; the challenges associated with sourcing of fund, the challenges associated with obtaining raw materials, the technology used by the small scale furniture companies in the Sunyani Municipal Assembly and marketing challenges of small scale furniture companies. Establishing of rapport with each selected respondent was achieved by briefing them on the study and its importance to the carpentry profession. Data was collected from the sites between the hours of 11am to 4pm. The respondents who could read and write were as well assisted with the local languages.

3.5.2: Observation

Observation involves retrieving information, data or impressions on the field of research with the use of the researcher's senses. These senses may include looking, listening, smelling, feeling and any other in the quest to investigate a phenomenon, according to Leedy and Ormrod (2005). Observation is a powerful research instrument because in most cases it validates data gathered in an interview. For example, in this study, the researcher observed the work place and kind of tools used.

3.5.2 Primary and Secondary Data

Primary data collected comprised responses from the questionnaires and field notes of the observation made.

3.6 Pre-Test

The questionnaire designed was pilot-tested by the researcher at the Berekum municipality to check for reliability and validity of the questions, the level of understanding of the respondents and to assess the sensitivity of the questions. The outcome of the pilot-test assisted the researcher to revise certain aspects of the questions and finally administered the questionnaire to the sampled population.

3.7 Validation and Pre-Testing of Instrument

It is necessary to ensure the reliability and accuracy of the research instruments. Reliability is the degree of consistency that an instrument or data collection procedure demonstrates, whereas validity is the quality of the collection procedure of the data that enables it to measure what it intends to measure.

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Elements that ensure validity is when the study makes an appropriate, meaningful and usefulness of inferences from the data gathered. Pre-testing also gives the chance for the researcher to assess the validity and reliability of the data collection instrument. The questionnaire and the structured interview were administered on to wood workers at Berekum municipality to pretest for validity and reliability. Also Validity of the questionnaire and the interview guides were checked by the project supervisor.

3.8 Data Collection Procedure

The study used mixed method in collecting data from the field. In view of this, the study used self-administered questionnaires and interview guide to gather the information. The data was organized into sections containing demographic variables, the current performance state of small scale furniture industry, factors hindering the performance of small scale furniture industry, key elements that could improve the performance of small scale furniture industry and the prospects of small scale furniture industry in Sunyani municipality.

3.9 Data Analysis

The data from the structured self-administered questionnaire were appropriately examined for validity and reliability through data coding, editing and entering to minimize errors and any mistake. The researcher used the Statistical Package for the Social Sciences (SPSS) for processing of the data. In the analysis, Pearson's Correlation was considered to understand the various relationships among the dependent and independent variables. The study findings was presented using frequency tables and graphs. The information from the open ended questions assisted in analyzing the results

from the questionnaire and also aided in better understanding of the aim of the study. The themes emerging from the open ended data were categorized and analyzed qualitatively.

3.10 Ethical Concern

Ethical issues are of prime importance in the conduct of research. The researcher sought for informed consent from the study participant before engaging them in the study. Other matters that bother on confidentiality were kept in high standards as they respondents were assured of the highest level of confidentiality and anonymity. Finally, all materials which used in the study have been done in the fair manner and also been dually acknowledged.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter of the study deals with the analysis of the data obtained from the field as well as discussion of the results of the study. The data analysis and discussion of the study's results are grouped under the various themes formulated from the objectives of the study. The data analysis also considered the personal data of the respondents of this study.

4.1 Bio Data of Respondents

This section provides background data of the respondents. There were a total number of two hundred (200) respondents. The bio data (personal data) of respondents (wood operators) considers the sex of respondents, age, educational background, Location of enterprise, the year established, the size of workforce, number of years in furniture industry as well as total monthly income.

Table 4.1: Bio Data of Furniture Operators

Variables	Details	Values (n=200)	Percentage (%)
Gender			
	Male	180	90.0
	Female	20	10.0
	Total	**200**	**100.0**
Age			
	18-35 years	41	20.0
	36-45 years	101	51.0
	46-56 years	40	19.0
	Above 56 years	20	10.0
	Total	**200**	**100.0**
Education			
	No formal education	28	14.0
	Primary	40	20.0
	Secondary	94	47.0
	College/Polytechnic	22	11.0
	University	16	8.0
	Total	**200**	**100.0**
Marital Status			
	Single	58	29.0
	Married	104	52.0
	Divorced/separated	40	19.0
	Total	**200**	**100.0**
Size of Workforce			
	1-5	68	34.0
	5-10	92	46.0
	>10 persons	40	20.0
	Total	**200**	**100.0**
Working Experience			
	0-2 years	42	21.0
	3-5 years	86	43.0
	>6 years	72	36.0
	Total	**200**	**100.0**
Total Monthly Income			
	<300 cedis	30	15.0
	300-500 cedis	54	27.0
	600-1000 cedis	76	38.0
	>1000 cedis	60	30.0
	Total	**200**	**100.0**

Source: Field Data, 2016

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Table 1 indicates the bio data collected from the respondent of the study. The data revealed that in terms of sex of furniture operators, a total number of 180 respondents (90%) were males whilst the remaining number of 20 respondents were females representing 10%. This indicates that males are the dominant actors in the furniture industries. This may be due to the fact that the industry in itself requires a lot of physical strength; hence, making it a suitable for males than females.

In terms of the age of respondents, a large number of 101 out of the 200 respondents were between the age brackets of 36-45 years. This accounted for 51 percent of the total respondents' population. A total number of 41 respondents representing 20% were 18-35 years, 40 respondents (19 percent) were 46-56 years while only 20 respondents representing 10% were between the ages of 56 years and above. The finding indicates that the youths who are in their early youthful age are less interested in the furniture industry; thus, allowing those who are in the late youthful age to be the dominant actors operating in the industry.

In the direction of the educational level of the furniture operators, a total number of 28 respondents (14%) had never been to school. A total number of 94 respondents representing 47% had attained education up to the secondary level while 40 (20%) had attained education up to primary level. Interestingly a total number of 22 respondents representing 11% had attained college/polytechnic education whilst 16 (8%) had attained university education. An interesting revelation in this finding is that even though, the furniture industry is dominated by illiterates, individuals who had attained higher education levels have gained interest in the industry and are trooping in to operate in the furniture industry as well. Ghanaians (local people) are the owners of firms in the industry. Majority 104(52%) were married while the minority 40(20%) were divorced/separated.

In terms of workforce, majority of the firms employ 5-10 workers representing 46% of 92 respondents, this was followed by 1-5 workers as contended by 34% of 68 respondents. A

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total number of 40 respondents (20%) uncovered that firms in the furniture industry employ >10 workers. On the working experience, 86(46%) were in 3-5 years, 72(36%) were in >6 years while the remaining 42(21%) were 0-2 years. Table also depicts the respondents' total monthly income. Data shows that, majority 76(38%) earned 600-1000 cedis, followed by 60(30%) who earned >1000 cedis, 54(27%) agreed to 300-500 cedis while those who earned <200 cedis were 30(15%)

4.3 Challenges Associated with Sourcing of Fund by Small Scale Furniture Companies in Ghana

4.3.1 Application of Loan by SSFC
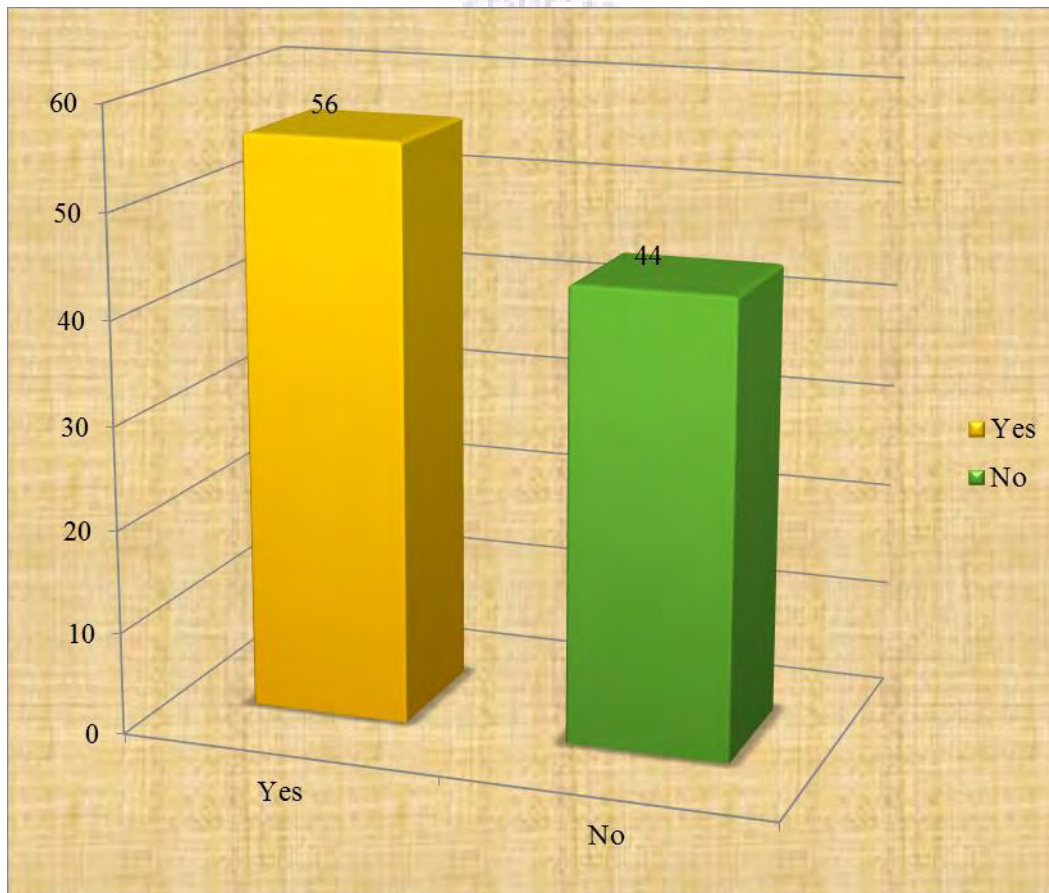
Figure 4.1: Ever Applied for a Loan in the Last Three Years

Source: Field Data, 2016

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The question of whether the respondents had ever applied for a loan in the last three years is indicated in Figure 4.1 above. Majority of the respondents (56%) responded yes while the remaining 44% disagreed. Reasons for why some do not applied for a loan were that, "too much bottlenecks before acquiring a loan, many financial institutions refused giving out loans to small scale carpenters and my family have been providing me with financial assistance I required".

4.3.2 Source of Loan
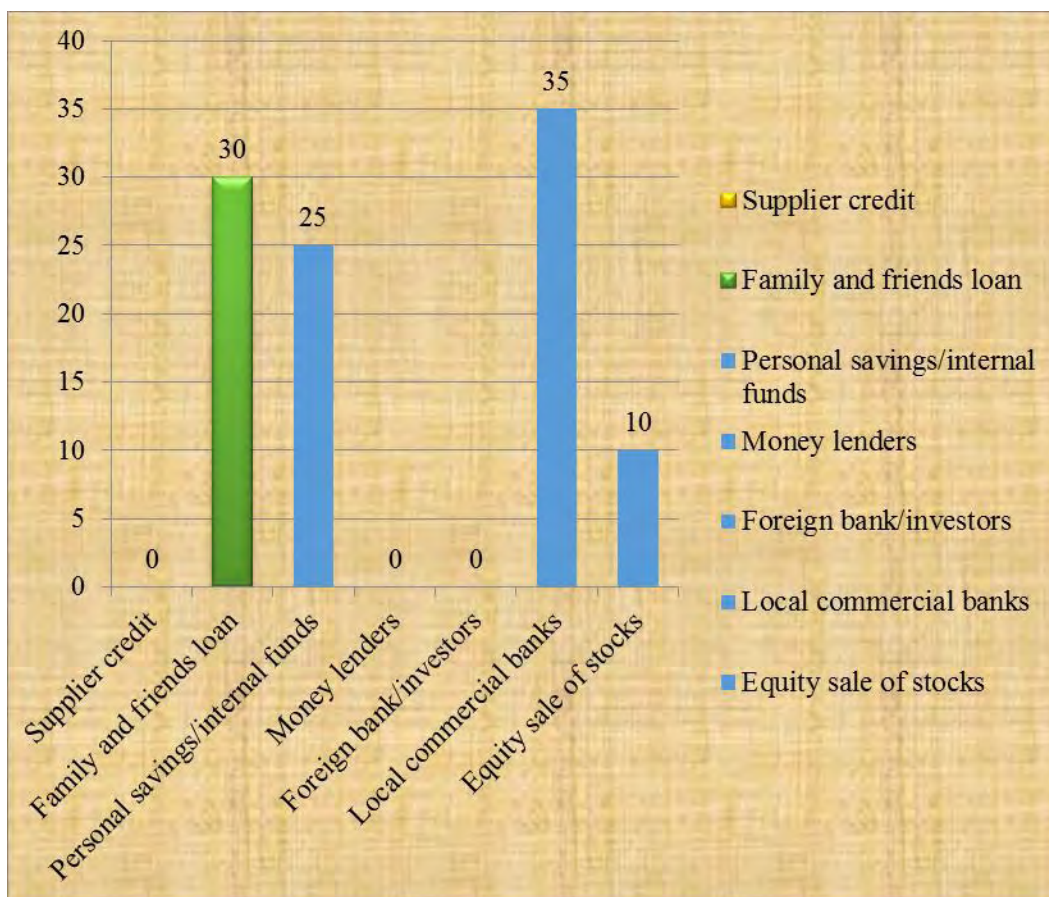
Figure 4.2: Source of Loan for your Business

Source: Field Data, 2016

Figure 4.2 indicates the sources of loan for the respondents. A total number of 70 respondents representing 35% indicated that they get their loans from local commercial banks. A number of 60 respondents representing 30% indicated that they obtain financial support from family and friends. Whilst 60 respondents (25%) indicated that they obtained financial support from their personal savings and internal funds. The remaining 10% of 20 respondents confirmed they source their loans equity sale of stocks. The finding indicates that financial institutions offer financial services to small and medium scale firms in the country but very few people could access

4.3.3 Refusal of Credit Facility by Financial Institution

Table 4.2: Refused or Denied Credit Facility from any Financial Institution

Response	Frequency	Percentage %
Yes	136	68
No	65	32
Total	**200**	**100.0**

Source: Field Data, 2016

Table 4.2 indicated that about 136 of respondents had ever been refused or denied credit facility from a financial institution. This constitute 68% of the respondents. However, the remaining 65(32%) indicated that they have not been denied credit facility.

4.3.4 Reasons for Refusal of Credit Facility
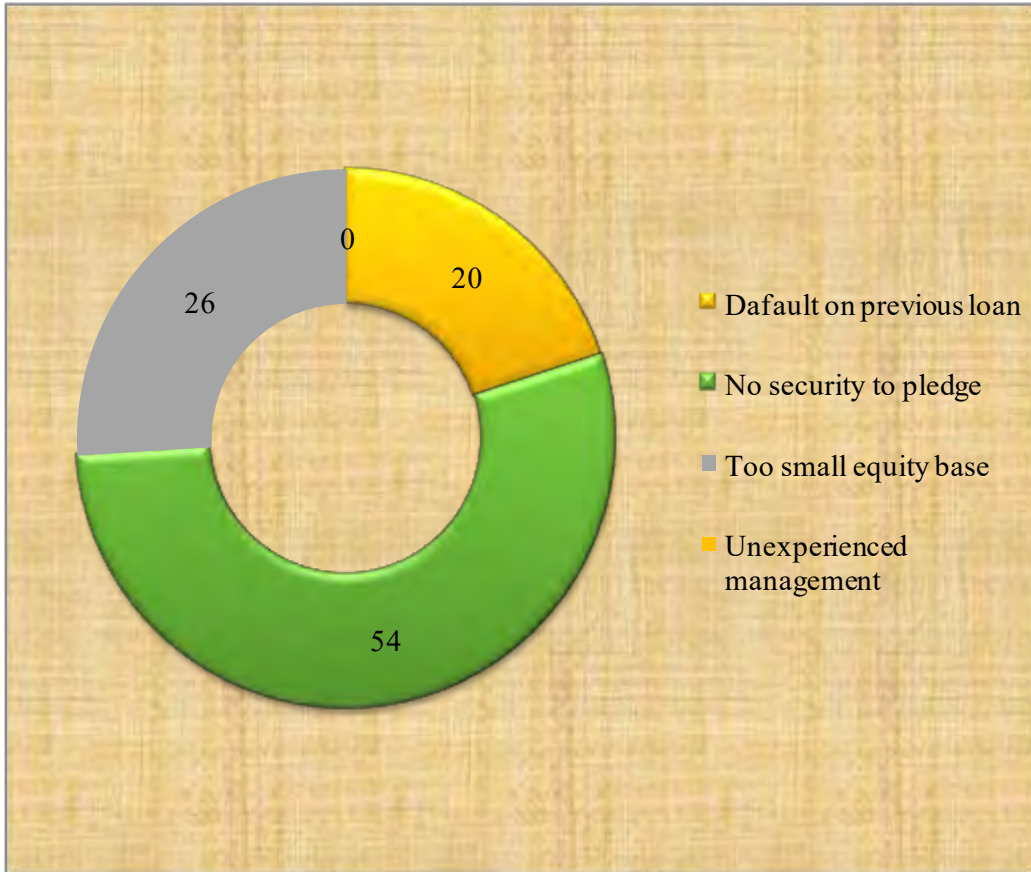
Figure 4.3: Main Reason for the Refusal of the Credit Facility

Source: Field Data, 2016

The respondent reasons for the refusal of the credit facility has been illustrated in Figure 4.3. Majority 108 respondents representing 54% indicated that no security was the reason for the refusal of the facility while the minority 40 respondents confirmed default on previous loan constituting 20%. The findings agrees with that of Mason (2011) who indicated that, the kind of banks operating in the country have limited interest in funding the SMEs sector most especially those seeking funds as startup capital for their businesses because of the risk associated with new businesses where it is known that 8 out of 10 new businesses fail within the first three years.

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4.3.5 Reasons for Accessing Loan Facility

Table 4.3: Reasons for Accessing Loan Facility in those Institution (s)

Statements	Respondents Level of Agreement					
	1	**2**	**3**	**4**	**5**	**Mean**
	%	**%**	**%**	**%**	**%**	
Convenience and accessibility	0	0	0	70	30	4.30
Interest rates and service fees charged	40	60	0	0	0	1.60
Overall quality of service	0	0	0	28	72	4.72
Time to process application	0	0	0	54	46	4.46
Business terms and conditions	0	0	0	80	20	4.20
Relation with account manager	0	0	0	35	65	4.65
Understanding of my business needs	42	58	0	0	0	1.58
Less documentation required	0	0	0	26	74	4.74

Source: Field work, 2016

Key: 1 = **strongly disagree**, **2**= **disagree, 3 = fairly agree**, **4 = agree, 5 = strongly agree**.

Scale: 5 + 4 = agreed; and 3 + 2+ 1 = disagreed

The high mean scores of 4.30, 4.72, 4.46, 4.20, 4.65 and 4.74 representing reasons such as convenience and accessibility, overall quality of service, time to process application, business terms and conditions, relation with account manager and less documentation

required. This implies that the respondents strongly agreed to those factors to have influenced them in acquiring a loan facility.

The low mean scores of 1.60 and 1.58 with corresponding variables such as interest rates and service fees charged and understanding of my business needs (Table 4.3). This implies the respondents one way or the other have reasons for accessing loan facility.

4.3.6 Challenges Associated with Sourcing of Funds by SSFC

Table 4.4: Challenges Associated with Sourcing of Funds

Statements	Students level of agreement					
	1 %	2 %	3 %	4 %	5 %	Mean
Low rate of return on capital	0	0	0	40	60	4.60
Inadequate compiled financial records and accounts	40	20	40	0	0	2.00
Lack of collateral/guarantees	0	0	10	18	72	4.62
Inadequate technologies	55	17	32	0	0	1.85
Limited knowledge of business opportunities	0	0	10	20	70	4.60
Poor credit experience or history	20	70	10	0	0	1.90
Low knowledge level on financial institutions	0	0	30	0	70	4.40
Inexperienced management team or lack of professionalism	0	0	0	34	66	4.66

Source: Field work, 2016

Key: 1 = **Strongly Disagree**, 2= **Disagree**, 3 = **Fairly Agree**, 4 = **Agree**, 5 = **Strongly Agree**.

Scale: 5 + 4 = Agreed; and 3 + 2+ 1 = Disagreed

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Table 4.4 indicates the challenges associated with sourcing of loan by the respondents. Variables such as Low rate of return on capital, Lack of collateral/guarantees, Limited knowledge of business opportunities, Low knowledge level on financial institutions and Inexperienced management team or lack of professionalism with their corresponding high mean score values of 4.60, 4.62, 4.60, 4.40 and 4.66. It is an indication that the respondents agreed to the above statements as the challenges.

The low mean score values of 2.00, 1.85 and 1.90 however means that the respondents disagreed to that as the challenges associated with sourcing of loan by the respondents.

The findings of the study corroborates with Cuevas et al (1993) where they indicated that access to bank credit by SMEs has been an issue and continues to be raised by numerous studies as a major constraint to growth. In support with Aryeetey et al. (1993) that from the view point of private sector, problems related to finance dominate all other constraints to business expansion. These go to also indicate that finance for SMEs particularly in Ghana is still a major problem even though the number of banks operating in the country has increased tremendously since 1993.

4.4 Challenges Associated with Obtaining Raw Materials by Small Scale Furniture

Companies in Ghana

4.4.1 Challenges Associated with Source of Raw Materials
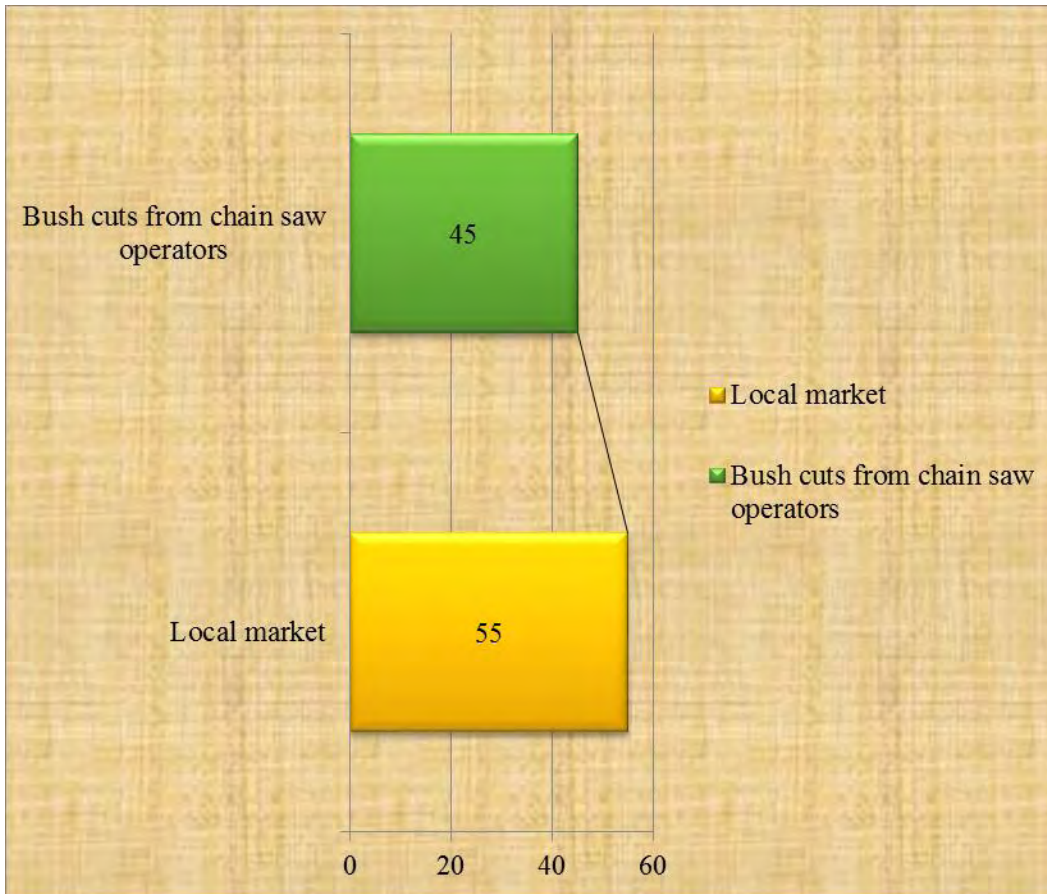
Figure 4.4: Source raw materials for the Small Scale Furniture Industry

Source: Field work, 2016

Respondents were asked to indicate where they obtain raw material (wood) for producing their products. One hundred and ten (55%) respondents indicated that they obtain wood from local market. Ninety respondents representing 45% indicated chain saw operators.

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4.4.2 Importation of the Raw Material
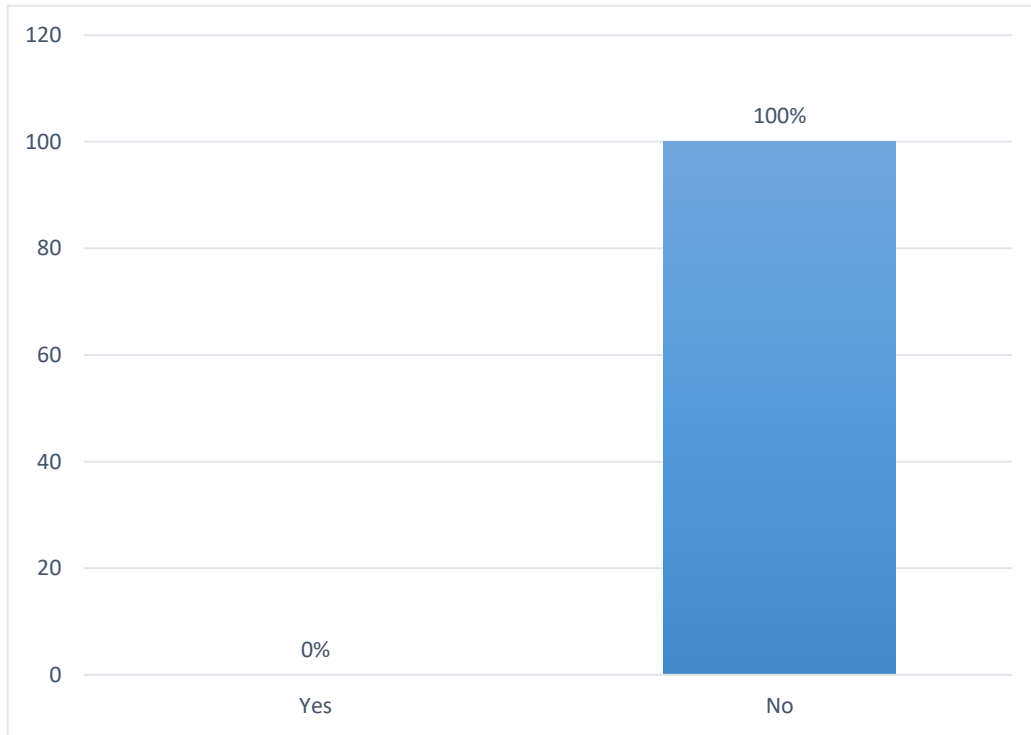
Figure 4.5: Importation of the Raw Material

Source: Field work, 2016

Data on whether the respondents' import of raw material is expressed in Figure 4.5. Amazingly, all 200 respondents said no constituting 100% of the total responses.

4.4.3 Awareness of Obtaining the Wood

Table 4.5: Awareness of Challenge in Obtaining the Traditional Wood for Products

Response	Frequency	Percentage %
Yes	200	100.0
No	0	0.0
Total	**200**	**100.0**

Source: Field work, 2016

On the awareness of challenges in obtaining the traditional wood for products, all 200(100%) respondents anonymously attested yes. This means that the respondents do face challenges in obtaining the traditional wood for their services.

4.4.4 Challenge in Obtaining the Wood

Table 4.6: Challenge in Obtaining the Traditional Wood for Products

Challenges	Mean Score	Rank
Getting of quality wood	5.43	1st
Securing permit to bring bush cuts to the workshop	5.31	2nd
Transportation of raw material to the workshop	4.80	3rd
Inaccessible kilns to season wood	4.52	4th

Source: Field work, 2016

The Challenge in obtaining the traditional wood for products by the respondents is indicated in Table 6 above. Data above shows a mean score used to rank the various challenge in obtaining the traditional wood for products. Getting of quality wood came

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first with the mean score of 5.43, followed by securing permit to bring bush cuts to the workshop with the mean score value of 5.31. Transportation of raw material to the workshop was third with the mean score value of 4.80 while least forth position was inaccessible kilns to season wood with the mean score value of 4.52. This finding was also identified by Shelly (2001) who indicated that despite the prominent use of wood as the main raw material, other operators make use of other raw materials for their furniture works.

The fact that a lot of challenges are faced by small scale furniture firms confirms the view of Nyoni (2002) who intimated that small scale furniture firms attempt to operate as efficiently as possible even amidst a myriad of constraints that they are exposed to.

4.5 The Technology Used by the Small Scale Furniture Companies in Ghana.

4.5.1 Equipment for Production

Table 4.7: Equipment for Production by SSFC

Response	Frequency	Percent
Simple Tools	82	41.0
Machine	32	16.0
Both portable machine and simple hand tools	86	43.0
Total	**200**	**100.0**

Source: Field Data, 2016

Furniture operators were asked the type of equipment they use in production activity. A total number of 82(41%) respondents use simple tools, 32(16%) use machines and the majority 86(43%) used both portable machine and simple hand tools (Table 4.7). this explains that most of the respondents lack heavy machinery.

4.5.2 Challenges of Technology Application

Table 4.8: Challenges of Technology Application in furniture Industry

Statements	Workers Level of Agreement					
	1	2	3	4	5	Mean
	%	%	%	%	%	
Restrictive attitude towards technology dissemination	0	0	0	70	30	4.30
Reliance on the infrastructural support	0	0	0	40	60	4.60
Pool manufacturing practices/working conditions	0	0	0	28	72	4.72
Development of indigenous technological skills	0	0	0	54	46	4.46
'er of technological knowhow and skill	0	0	80	20	0.0	3.20
ed resources for technological development	0	0	75	0.0	25	3.50
: technological software	0	0	82	18	0	3.18
:d technological skills	0	0	74	20	6	3.32

Source: Field work, 2016

Key: 1 = **strongly disagree**, 2= **disagree, 3 = fairly agree**, 4 = **agree, 5 = strongly agree**.

Scale: 5 + 4 = agreed; and 3 + 2+ 1 = disagreed

Table 4.8 sought to find the challenges the respondents faced in technology application in furniture industry. The high mean score of 4.30, 4.60, 4.72 and 4.46 indicating restrictive attitude towards technology dissemination, reliance on the infrastructural support, pool manufacturing practices and working conditions and development of indigenous technological skill and know-how respectively are major challenges the respondents faced in technology application in furniture industry.

The low mean score of 3.20, 3.50, 3.18 and 3.32 corresponding to development of indigenous technological skill and know-how, difficulty in the transfer of technological knowhow and skill, limited resources for technological development, scarce technological software and limited technological skills respectively were the minor challenges of technology application in furniture industry. This study agrees with Harrison (2011) who posits that, the main challenge facing medium sized furniture firms in Ghana is limited access to funds and technological tools. The lack of modern equipment limits the smaller firm's ability to meet the standards of the international market and this limits their penetration into overseas markets.

4.6 Marketing Challenges of Small Scale Furniture Companies in Ghana

4.6.1 Sale of Product Locally

Table 4.9: Whether they sell their Products Locally

Response	Frequency	Percentage %
Yes	160	80.0
No	40	20.0
Total	**200**	**100.0**

Source: Field work, 2016

Table 4.9 show whether the respondents sell their products locally. Data indicates that, more than half 160(80%) confirmed yes whereas the remaining 40(20%) of the respondents affirmed no. this implies that most of the respondents do not sell their products abroad.

4.6.2 Sale of Product Abroad

Table 4.10: Ever Exported Products to other Countries

Response	Frequency	Percentage %
Yes	20	10.0
No	180	90.0
Total	**200**	**100.0**

Source: Field work, 2016

The respondents were asked as to whether they ever exported products to other countries. Majority of the respondents numbering 180(90%) indicated no whilst the remaining 20 respondents constituting 10% agreed (See Table 4.10). This trend support Damptey (2012) findings which indicates that, access to international markets allows increased scale of production, leading to lower unit costs through economies of scale.

The respondents were further asked to indicate the kind of products they do sell or produce. It was noted by some of the respondents that doors, cupboards, wardrobes, chairs, tables and T & J boards. The other respondents confirmed the sell or produce products such as beds, arm chairs and window and door frames

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4.6.3 Import and Export of Products

Table 4.11: Whether they sell their Products Locally or Export

Response	Frequency	Percentage %
Domestic Marketing	180	90.0
Export to other countries	20	10.0
Total	**200**	**100.0**

Source: Field work, 2016

Table 4.11, the respondents were questioned whether they sell their products locally or export. Surprisingly, out of 200 respondents, 180 representing 90 affirmed they do while the least 20 respondents of 10% attested no.

The respondents were further asked to give reasons for their responses as recorded in Table 6. The domestic marketers were of the view that, " my products are made only for the local market and very quality, I don't know how to export my products, I supply my products to schools, hospital and offices and I produce my products to the taste of the local people". The respondents who agreed they export their products however were of the view that, "there is already market for my products and because of the foreign exchange".

To reduce the competitive prices in the market, the respondents were asked to suggest their ideas. To amazement, majority of them agreed "the products should be advertised in the media, government should support in machinery acquisition for finished goods and there should be a furniture/wood village where producers can all assembly their products for clients to choose from. The few respondents also suggest that, "government should

barn and stop importing furniture into the country then provide finance to the local furniture/wood workers so that they can improve on the finished products.

On marketing of furniture products, it was confirmed from the majority of the respondents that, "I go to institutions and district assemblies with pictures of my products, due to the quality of my products it market itself, I send pictures in photo albums to my clients and they choose amongst them and I also display some of the products in front of my shop and send some to the local market weekly". The remaining respondents also admitted they market their products by, "displaying it in their showroom and making advert on the local FM stations".

4.6.4 Difficulty in Marketing Products
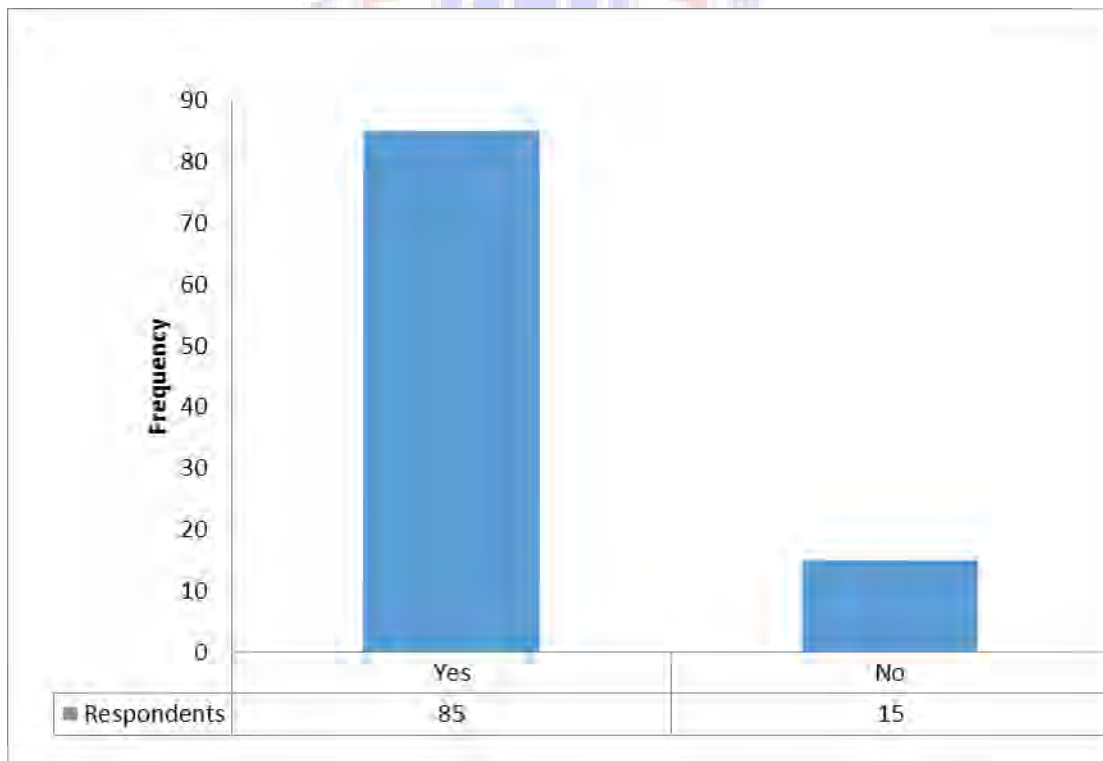
Figure 4.6: Have any Difficulty in Marketing Products

 Source: Field work, 2016

From Figure 4.6, the respondents were interrogated the have any difficulty in marketing products. More than half of the 200 respondents, that is 170(85%) agreed yes whilst 30(15%) indicated no.

On the kind of challenges as a follow up in the Figure 4.6 above. Majority agreement were that, "when transporting products outside the country the security harassment is too much, export duty challenges, unavailability of space to showcase my products and financial constraints". The minority of the respondents also states that, "due to the market challenge, some of the products are given out on credit and retrieving the moneys sometimes is an issue and the market force like the competition posed a challenge". The above substantiates Schlogl's (2004) view when he suggested that good customer care, marketing knowledge and skills, planning skills and financial management skills are the most essential management functions that affect the performance of small scale furniture firms.
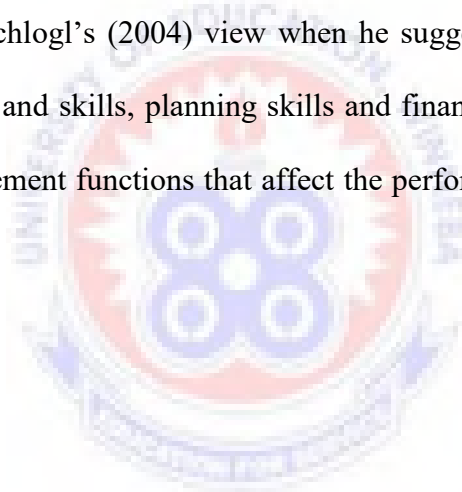
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of the study and makes conclusions based on the results. The recommendations from the findings are also presented.

5.1 Summary of Findings

This research was aimed at examining the performance of small scale furniture industry in Ghana. The objectives that guided the research were to find out the challenges associated with sourcing of fund by small scale furniture companies, the challenges associated with obtaining raw materials by small scale furniture companies, the technology used by the small scale furniture companies and marketing challenges of small scale furniture companies in Ghana.

The study also made use of the descriptive survey design of a cross-sectional type to purposively sampled 200 small scale wood/furniture worker in Sunyani Municipality.

The following were the major findings of the study:

5.1.1 Challenges associated with sourcing of fund by Small Scale Furniture Companies

Finding found per majority agreement that they did not get the loans from local commercial banks. The reason for the refusal of the credit facility by the respondents was found to be due to no security to pledge.

Research findings revealed the high mean scores of 4.52, 4.52, 4.07, 4.48, 4.59 and 4.00 representing reasons such as convenience and accessibility, overall quality of service,

time to process application, business terms and conditions, relation with account manager and less documentation required. This implies that the respondents strongly those factors to have influenced them in acquiring a loan facility.

The low mean scores of 1.55 and 1.62 with corresponding variables such as interest rates and service fees charged and understanding of my business needs. Is an indication that the respondents strongly disagreed. Finding again found variables such as Low rate of return on capital, Lack of collateral/guarantees, Limited knowledge of business opportunities, Low knowledge level on financial institutions and Inexperienced management team or lack of professionalism with their corresponding high mean score values of 4.12, 4.52, 4.18, 4.62 and 4.00 as the challenges.

5.1.2 Challenges Associated with Obtaining Raw Materials by Small Scale Furniture Companies in Ghana

The study found per majority confirmation that they obtain wood from local market.

With regard to the challenge in obtaining the traditional wood for products, findings revealed per the analysis that, getting of quality wood came first with the mean score of 5.43, followed by securing permit to bring bush cuts to the workshop with the mean score value of 5.31. Transportation of raw material to the workshop was third with the mean score value of 4.80 while least forth position was inaccessible kilns to season wood with the mean score value of 4.52.

5.1.3 The Technology Used by the Small Scale Furniture Companies in Ghana.

The study revealed by majority 86(46%) agreement they use both portable machine and simple hand tools. The high mean score of 3.80, 3.35, 3.23 and 3.31 indicating restrictive attitude towards technology dissemination, reliance on the infrastructural support, pool manufacturing practices and working conditions and development of indigenous technological skill and know-how respectively were found to be the major challenges the respondents faced in technology application in furniture industry.

Finding confirms the low mean score of 3.31, 1.81, 1.66, 1.23 and 1.54 corresponding to development of indigenous technological skill and know-how, difficulty in the transfer of technological knowhow and skill, limited resources for technological development, scarce technological software and limited technological skills respectively were the minor challenges of technology application in furniture industry.

5.1.4 Marketing Challenges of Small Scale Furniture Companies in Ghana

Findings from the study confirmed that out of 200 respondents, 180 representing 90 affirmed they sell their products locally while the least 20 respondents of 10% attested no. Study finding also records the respondents' views that my products are made only for the local market and very quality, I don't know how to export my products, I supply my products to schools, hospital and offices and I produce my products to the taste of the local people. The respondents who agreed they export their products however were of the view that, there is already market for my products and because of the foreign exchange.

To reduce the competitive prices in the market, the research found per majority agreement that, he products should be advertised in the media, government should support in machinery acquisition for finished goods and there should be a furniture/wood

village where producers can all assembly their products for clients to choose from. The few respondents also suggest that, "government should barn and stop importing furniture into the country then provide finance to the local furniture/wood workers so that they can improve on the finished products.

In marketing of furniture products, it was confirmed from the majority of the respondents that, I go to institutions and district assemblies with pictures of my products, due to the quality of my products it market itself, I send pictures in photo albums to my clients and they choose amongst them and I also display some of the products in front of my shop and send some to the local market weekly.

Finally, the study found transporting products outside the country the security harassment is too much, export duty challenges, unavailability of space to showcase my products and financial constraints as the challenges in marketing furniture products.

5.2 Conclusions

The study in examining the performance of small scale furniture industry in Ghana found unusual results. There is growing recognition of the important role small and medium enterprises (SMEs) play in economic development. The small and medium enterprises constitute about 90% of total business units in Ghana and account of 60% of Ghana's employed labor force. It is often ascribe as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Though the furniture industry play key roles in overall development of the country through providing employment and providing a source of living for many people, they are faced with different challenges. The study found low rate of return on capital, lack of collateral/guarantees, limited knowledge of business opportunities, low knowledge level on financial institutions and

inexperienced management team or lack of professionalism. To reduce the competitive prices in the market, the research concluded that products should be advertised in the media, government should support in machinery acquisition for finished goods and there should be a furniture/wood village where producers can all assembly their products for clients to choose from. It is imperative that the government assist in the improvement of the small scale sector. For the business sector to play effectively its role as the engine of economic growth, not only must Government create and maintain a business friendly policy environment but the quality of corporate governance will have to improve substantially the wood works sector.

5.3 Recommendations

Based on the findings above the study made the following recommendations.

1. The study recommends that banks should stretch their financial hands to furniture operators at a minimal interest rate.

2. To reduce the competitive prices in the market, the research recommends that products should be advertised in the media.

3. The government should support wood operators in machinery acquisition for finished goods and there should be a furniture/wood village where producers can all assembly their products for clients to choose from.

4. The government should barn and stop importing furniture into the country then provide finance to the local furniture/wood workers so that they can improve on the finished products.

5.4 Areas for Future Research

The study was conducted to examining the performance of small scale furniture industry in Sunyani Municipality.

The researcher therefore suggest that further studies should be conducted in other regions and district.

Further studies could also be conducted on the impact of small scale furniture firms on the country economy.

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APPENDIX:

QUESTIONNAIRES FOR THE RESPONDENTS

UNIVERSITY OF EDUCATION WINNEBA

COLLEGE OF TECHNOLOGY EDUCATION

KUMASI

This is a study to help in assessing the prospects and challenges in the Small and Medium Furniture Industry in the Ashanti region of Ghana. It is a research work being conducted in partial requirement for the award of Med Technology Education. This study is completely anonymous and your participation is voluntary. Thank you for your participation

SECTION I: BIODATA OF RESPONDENTS

1. Location of Enterprise   …………………………………

2. Sex: a.   Male [   ]   b.   Female [   ]

3. Age   a. 18 – 35 [   ]   b. 36-45 [   ]   c. 46 -56[   ]   d. 56 years and above [   ]

4. Marital status   a. Single [   ]   b. Married [   ]

5. Family size   a. 1-5 [   ]   b.   5-10   [   ]   c. >10 persons [   ]

6. Highest level of education completed?

(i) No formal education   [   ]

(ii) Primary education   [   ]

(iii) Senior high education   [   ]

(iv) College/Polytechnic Education [   ]

(v) University education   [   ]

7. Professional experiences in Furniture industry?

a. 0-2 years   [   ]   b. 3-5 years   [   ]   c. 6 years and above [   ]

8. What is your average total monthly income combined from all sources?

a. < 300 cedis [   ]   b. Between 300-500 cedis [   ]   c. 600 – 1000 cedis[   ]

d. Above 1000 cedis [   ]

SECTION II: CHALLENGES ASSOCIATED WITH SOURCING OF FUND BY SMALL SCALE FURNITURE COMPANIES IN GHANA

1. Did you ever applied for a loan in the last three years? a. Yes   [   ]   b. No [   ]

If yes please proceed to question 2

If no please state your

reasons…………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………

2. Where did you obtain this loan for your business?

a. Supplier credit   [   ]

b. Family and friends Loan   [   ]

c. Personal savings/internal funds [   ]

d. Money lenders   [   ]

e. Foreign banks/investors   [   ]

f. Local commercial banks   [   ]

g. equity sale of stocks   [   ]

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3. Have you ever been refused or denied credit facility from any financial institution? Yes

[   ]   No [   ]

4. What was the main reason for the refusal of the credit facility?

(i) Default on previous loan   [   ]

(ii) No Security to pledge   [   ]

(iii) Too small equity base   [   ]

(iv) Unexperienced management [   ]

5. Reasons for accessing loan facility in the above institution (s)?

Read carefully the following statements and tick against the appropriate option

S.A (Strongly Agree), A (Agree), D (Disagree), S.D (Strongly Disagree)

No	Statement	SD	D	N	A	SA
1	Convenience and accessibility					
2	Interest rates and service fees charged					
3	Overall quality of service					
4	Time to process application					
5	Business terms and conditions					
6	Relation with account manager					
7	Understanding of my business needs					
8	Less documentation required					

6. Challenges associated with sourcing funds for your business?

Read carefully the following statements and tick against the appropriate option

S.A (Strongly Agree), A (Agree), D (Disagree), S.D (Strongly Disagree)

No	Statement	SD	D	N	A	SA
1	Low rate of return on capital					
2	Inadequate compiled financial records and accounts					
3	Lack of collateral/guarantees					
4	Inadequate technologies					
5	Limited knowledge of business opportunities					
6	Poor credit experience or history					
7	Low knowledge level on financial institutions					
8	Inexperienced management team or lack of professionalism					

SECTION III: challenges associated with obtaining raw materials by small scale furniture companies in Ghana.

7. Where do you get your raw materials for the small scale furniture industry from?

…………………………………………………………………………………………

…………………………………………………………………………………………

………………………………………………………………………………

66

8. Do you import some of the raw material you sell or use from outside the country? a.

Yes [   ] b. No [   ]

9. Please which kind of products do you import from outside Ghana most?

……………………………………………………………………………………………

……………………………………………………………………………………………

………………………………………………………………………

10. Do you encounter any challenge in obtaining the traditional wood for your products?

Yes [   ]   No [   ]

11. What challenges do you go through in accessing raw material sell or make your furniture products?

1……………………………………………………………………………………

2……………………………………………………………………………………

3……………………………………………………………………………………

4……………………………………………………………………………………

5……………………………………………………………………………………

6……………………………………………………………………………………

7……………………………………………………………………………………

SECTION IV: THE TECHNOLOGY USED BY THE SMALL SCALE FURNITURE COMPANIES IN GHANA.

1……………………………………………………………………………………

2……………………………………………………………………………………

3……………………………………………………………………………………

4……………………………………………………………………………………

5……………………………………………………………………………………

6……………………………………………………………………………………

7……………………………………………………………………………………

14. Challenges of technology application in furniture industry

Read carefully the following statements and tick against the appropriate option

S.A (Strongly Agree), A (Agree), D (Disagree), S.D (Strongly Disagree)

No	statements	SD	D	N	A	SA
1	Restrictive attitude towards technology dissemination					
2	Reliance on the infrastructural support					
3	Pool manufacturing practices and working conditions					
4	Development of indigenous technological skill and know-how					
5	Difficulty in the transfer of technological knowhow and skill					
6	Limited resources for technological development					
7	Scarce technological software					
8	Limited technological skills					

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SECTION V: MARKETING CHALLENGES OF SMALL SCALE FURNITURE COMPANIES IN GHANA

15. Do you sell some of your products locally, Ghana? Yes [　]　No [　]

16. Have you ever exported any of your products to other countries? Yes [ ] No [　]

17. What are some of the products you do sell or produce?

1……………………………………………………………………………………

2………………………………………………………………………………………

3………………………………………………………………………………………

4……………………………………………………………………………………

5………………………………………………………………………………………

6………………………………………………………………………………………

7………………………………………………………………………………………

18. In marketing your products, which of these approaches moves easily for you?

a. Domestic marketing　　b. exporting to other countries

19. Please state your reasons for the answers above?

1……………………………………………………………………………………

2………………………………………………………………………………………

3……………………………………………………………………………………

4………………………………………………………………………………

20. How do you market your products?

1…………………………………………………………………………………

2……………………………………………………………………………………

3…………………………………………………………………………………

4………………………………………………………………………………

21. Do you have any difficulty in marketing your products? Yes [ ] No [   ]

22. Please what kind of challenges do you encounter while marketing your products?

1…………………………………………………………………………

2…………………………………………………………………………

3…………………………………………………………………………

4…………………………………………………………………………

5…………………………………………………………………………

23. What do you think could be the best way to market your products for competitive

price?

1…………………………………………………………………………

2…………………………………………………………………………

3…………………………………………………………………………

4…………………………………………………………………………

24 Are there any disparity between domestic and export timber market? Yes [ ] No [   ]

25 How can the disparity be reduced?

1…………………………………………………………………………

2…………………………………………………………………………

3…………………………………………………………………………

4…………………………………………………………………………