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July 2015

Online at <https://mpra.ub.uni-muenchen.de/73855/>
MPRA Paper No. 73855, posted 22 Sep 2016 04:39 UTC



ADRRI JOURNALS (www.adrri.org)

pISSN: 2343-6891 ISSN-L: 2343-6891 VOL. 13, No.4 (2), July, 2015

The Economy Suffer Stagnancy When Dominated With the Activities of Small Business Owners in Africa.

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Received: 19th June, 2015 **Revised:** 24th July, 2015 **Published Online:** 31st July, 2015

URL: <http://www.journals.adrri.org/> <http://www.journals.adrri.com>

[**To Cite this Article:** Senzu, E. T. (2015). **The Economy Suffer Stagnancy When Dominated With the Activities of Small Business Owners in Africa.** ADRRI Journal of Arts and Social Sciences, Ghana: Vol. 13, No. 4(2), Pp. 1-12, ISSN: 2343-6891, 31st July, 2015.]

Abstract

The Paper seek to establish and bring to bear the unknown fifth factor of economic stagnancy theory, identified as a high ranked economic symptom of developing and under developed economy which contribute to poor macro-economic policy design and decision making. Furthermore; posit that such behavioural economic symptom was a contributing factor to the failure of most of the World Bank programmes in early 1980s up to date to empower the successful growth of small and medium scale enterprise in developing and under developed economy of Africa.

Keywords: economy, stagnancy, dominated, small business owners, Africa

INTRODUCTION

Since from 1938, up to date the theory of economic stagnancy and its four major contributing factors has been scholastically dominated by scientific papers in only developed economy under the precept of globalisation response. Which the purpose of this paper does not only dispute the four factors as the only major contributing factors to economic stagnancy but further scientifically bring to bear the fifth cause which is predominate in developing and under developed economy.

Ayittey (2002) posit in his paper *The failure of World Bank Policies*; since 1983-2001 the private small and medium enterprise development credit (1980) was \$30million to produce credit to finance the short and the long term credit needs of small and medium enterprises; provide equipment for lease financing, strengthen technical and institutional capability of the Bank of Ghana and train personnel in the project analysis and term financing. Generally lending to small and medium scale enterprises rests on high recovery rates, which in turn are partly dependent on the World Bank adequately and closely supervise projects. Given the weakness in these areas, the project could not be sustained.

"The weakness of this area caused the failure of the project" depicted by Ayittey (2002) underscore the purpose for this research finding. The paper makes an attempt to identify, what this system weakness is; to guide establishing theory that will result in quality policy enactment which will support future design programmes to uplift performance of developing and underdeveloped economy.

METHODOLOGY

This study is purposefully to establish a grounded theory based on the qualitative understanding and description of the experiences of Entrepreneurs and Small Business owners (SBOs) within the rubric of developing and under developed economy.

In response to the above purposeful research is the problem of finding qualitative solution to the performance of operators; the study does not relent in answering associated questions.

Method Selected

As a methodological road map to realizing the propositions of this research, a qualitative by phenomenological study of the grounded theory approach was adapted to record, describe, analyze and theorize the experiences of Entrepreneurs and Small Business Owners of the sampled in West Africa. The qualitative research approach allows for developing a deeper understanding of existing problems within the phenomenon and allows for converging new ideas with the old (Trochim, 2006). According to Strauss (1987) grounded theory, "is a detailed grounding of the research inquiry by careful analysis of the data, involving the examination of field notes, study of the transcribed interviews sentence by sentence, coding of each sentence or phrase, sorting the codes, making comparisons among the categories, and ultimately constructing a theory" (p. 22). By this approach, Phenomenological researchers are able to focus on unravelling the elements of experience, their interrelationships for a theory to be developed. This enables the researcher to understand

the nature and meaning of an experience in reference to a particular group of people within a particular setting (Glaser and Strauss, 1967).

Appropriateness

Only what we know from internal perception can be counted as a basis for scientific knowledge (Bretano, 1973). This perceptual approach emphasizing subjectivity and discovery of the essences of experience and providing a systematic and disciplined methodology for knowledge derivation is called Phenomenology (Husserl, 1965). This is because it uses only data available to consciousness to arrive at its scientific propositions. This is the most logical approach to establishing the objectivity of research findings because what we know is what appears before us in consciousness (Husserl, 1965). Thus the subjective experience of people is the most objective means of establishing scientific knowledge (Epistemological assumption) (Creswell, 2013; Wolcott, 2008a; Guba and Lincoln, 1998).

In addition to the above precepts which contextualizes the appropriateness of this phenomenological research methodology, Descartes (1912:1988) contends that knowledge is one that comes from self-evidence while Kant's (1966) intuitive and a priori sources of knowledge have fundamentally been the foundation for the development of Human science as a bigger picture umbrella of this research. Moustakas (1994) additionally underscores that Phenomenological research is the only means for capturing subtle meanings and personally held beliefs without imposing external thought complexes on the participants. With this, the indoubtability and the distinctive competence of the Human science approach; phenomenological methodology over otherwise the natural science approach which only investigate physical phenomena is underscored (Bretano, 1973).

Grounded theory is more distinctive from a priori theoretical orientations because its practice is under lied in the assumption that a theory should be grounded in data from the field; actions, interactions and social process of people (Creswell, 2013). Juxtaposing this with the limited literature or scholarly work on business within the West African market, the Grounded theory thus becomes an imperative design to use, when a theory is not available to explain or understand a process (Creswell, 2013).

The choice of this grounded theory approach is informed by the fact that the study is not only intended to document knowledge based on the experiences of Small Business Owners but as well, an experiential learning model to any developing and under developed economy. That is, what the experience means to the very persons experiencing the phenomena. This is achievable through a comprehensive description of the phenomena (Moustakas, 1994).

Since it is hypothesized severally in the prologue statement of the Methodology that the best approach to understanding a phenomenon is by observation; then the Grounded theory approach will guarantee the necessary leverage and space to the Small Business Owners to inductively reflect and document their context specific experience. Grounded theory is rooted in observation of the phenomenon and is not just an approach for abstract theorizing (Trochim, 2006).

What even makes this theoretical approach more distinctive from other qualitative research methods is the fact that in the grounded approach, the theory only becomes an endpoint. It takes an inductive process of building from the data to broad themes to a generalized model or theory (Creswell, 2009; Punch, 2005).

Unlike Case study research, where the research might produce an endpoint or propositional generalization based on the summary of interpretations and claims and diluted additionally by the researcher’s personal experience-naturalistic generalization(Stake, 1995), Grounded theories provide a different end point altogether. That is, inquirers only believe in discovering theories grounded in information from the research participants (Strauss and Corbin, 1998).

Research Design

As already stated the research design is based on the ‘Grounded Theory’ approach in a bid to exploring, understanding and describing the experiences of Small Business owners comparative to Entrepreneurs in a developing and underdeveloped economy. A Grounded theory is an inductive approach through which data is collected for the development of a theory on a phenomenon. Moustakas(1994).The focus of the grounded theory research is to initially unravel the elements of experience (Moustakas, 1994). So the research by design followed the basic steps for an Inductive Logical research in Qualitative study as demonstrated below:

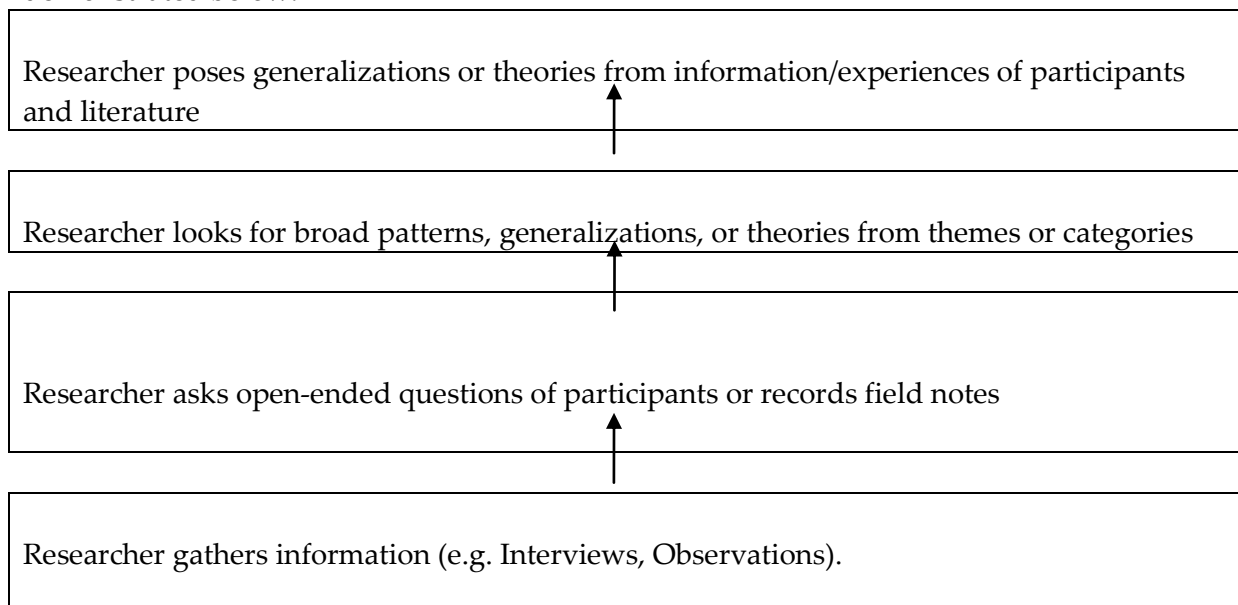


Figure 1

Source: Creswell, 2009

A semi-structured questionnaire system was modelled for this research to give meaning to the phenomenological and inductive nature of the research to arrive at propositions or theories only based on Descartes (1912:1988) self- evidence and Kant (1966) three sources of knowledge: sense (phenomena empirically given in perception), imagination (necessary to arrive at a synthesis of knowledge), and apperception (consciousness of the identity of things). Thus the only means of ensuring comprehensive self-report was to give the

Research participants the latitude of an open-ended questionnaire to freely express themselves un-end regarding any of the phenomenon of investigation.

Besides, bounded on the rationality that not all beings are on the spot thinkers but more importantly reflective, the Questionnaire system was to give the Small Business Owners the latitude to do introspective reflexivity of the interviewing questions with corresponding responses without any evaluation apprehension or the usual problem that comes with observational surveys.

It should however be reckoned that in the follow-up session where further explanation was being sought to previously(main) answered questions, no element of ambiguity this time round was to be entertained. This underscores why a semi-structured interviewing system was the choice model at least for this phase of the research. The concomitancy of this kind of model is the fact while giving the participant the leverage of further explanation, the semi-structure also allows the researcher to contextualize the responses appropriately without any confusion this time round. According to Creswell (2013) the grounded theory data collection process involves going back and forth to the participants, gathering new interviews, and then returning to the evolving theory to fill in the gaps and to elaborate on how it works.

History

The theory of stagnancy of an economy began from 1938 publication from Alvin Hansen, later gains momentum by the LarrySummer 2013 speech at the IMF and recently supported by Paul Krugman paper in 2014, all such papers defined the causes strictly under the economic mechanism of the developed economy as;

1. The Boost in the growth by the Internet and the technological Advancement
2. The rise of the digital economy
3. Persistent and disturbing reluctance of business to invest and consumer to spend
4. Inadequate Investment in infrastructures and Education

Financial Dictionary(2008) explained it, as a period during which the economy grows slowly, doesn't grow at all, or actually contracts after adjusting inflation

The fifth cause according to this paper is attributed to an **economy dominated with Small Business Owners (SBOs)** and per the argument of this paper seeks to justify this hypo- deduction scientifically in the economic operating mechanism of Africa.

Definition of Entrepreneurship Venture and Small Business Adoption Analysis

Most often, the term Entrepreneur and Small business owners are used synonymously. While they have much in common, yet there are significant difference between the entrepreneurial venture and a small business. Such difference has a direct impact on the smooth managing of an economy on it state of progress or stagnancy.

Defining Small business by the number of employees, net profit and the Asset has been the bases for International standards of evaluation because it could easily be scientifically

accessed ignoring the aspect;I termed it, most relevant to support the definition and the evaluation of the premise; which is the behavioural component of the venture owners. Such has resulted in the difficulty, to scholastically distinguish the definition of a small business owner from the Entrepreneur especially in the context of developing and underdeveloped economy.

This essay makes an attempt to practically distinguish the two variables that is the Entrepreneur and the Small Business Owner (SBOs) in African context and the direct impact of their actions to the performance of the mechanism of Developing and the Under developed Economy

Small Business Owners (SBOs) are kind of business executives, who established a venture for the purpose of subsistence, while **Entrepreneurs** establish a venture with the greatest motive on profit, focuses nothing less or more. **Subsistence** is a means of supporting life; a living or livelihood, the quality of having timeless or abstract existence (Dictionary.com, 2014); this establish the fact that the interest of the SBOs is not in the business expansion, neither it growth but just an income to complement the monthly expenditure, is just sufficient for the existing of the venture. This definition becomes unique to differentiate the two variables in the economic market because their purpose defines their strategy in penetrating the business market and the effect of the actions on the macro economy.

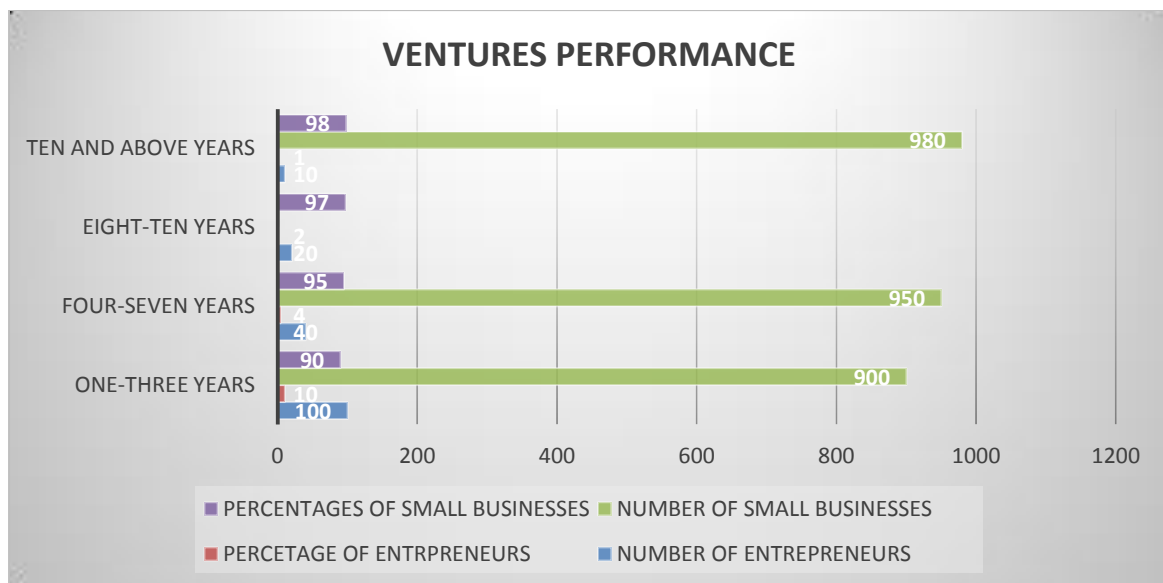


Figure 2: Describe the decreasing of the existence of Entrepreneurship Ventures with the rise in the existence of Small Businesses in developing and underdeveloped economy with increase in time of years (Senzu, 2015).

This graph makes attempt to justify that for a decade, all support invested by donor agencies into the developing and underdeveloped economy to empower it economic market has not make any significant impact on the macro level with the reason that most of the identified small scale enterprise are not managed by entrepreneurs but rather business executives that

believes in running small business to compliment family expenditures due to insufficiency of monthly budget expenditure level.

The percentage of the rise in Entrepreneurs decreases with years of time. Year 1 to Year 3 per the graph captured enterprises categorise as Entrepreneurial Ventures (EV), was identified as 10% as compared to 90% Small Businesses(SB) which the data captured. It further captured businesses with 10years of existence from the same sampled community, the report indicate per the graph that identified Entrepreneurs has dropped to 1% but with a sharp rise to that of Small Business Owners(SBOs) amounting to the peak of 98%. Which support the argument that as the years increases most developing and underdeveloped economy are having a strong domination of Small Business Owners dominating it Business economic market therefore causing stagnancy to the economy due to their operational behaviour that contribute negatively to the macro-economic environment of such fragile economy.

Behavioural Studies of Both Entrepreneurs and Small business Owners

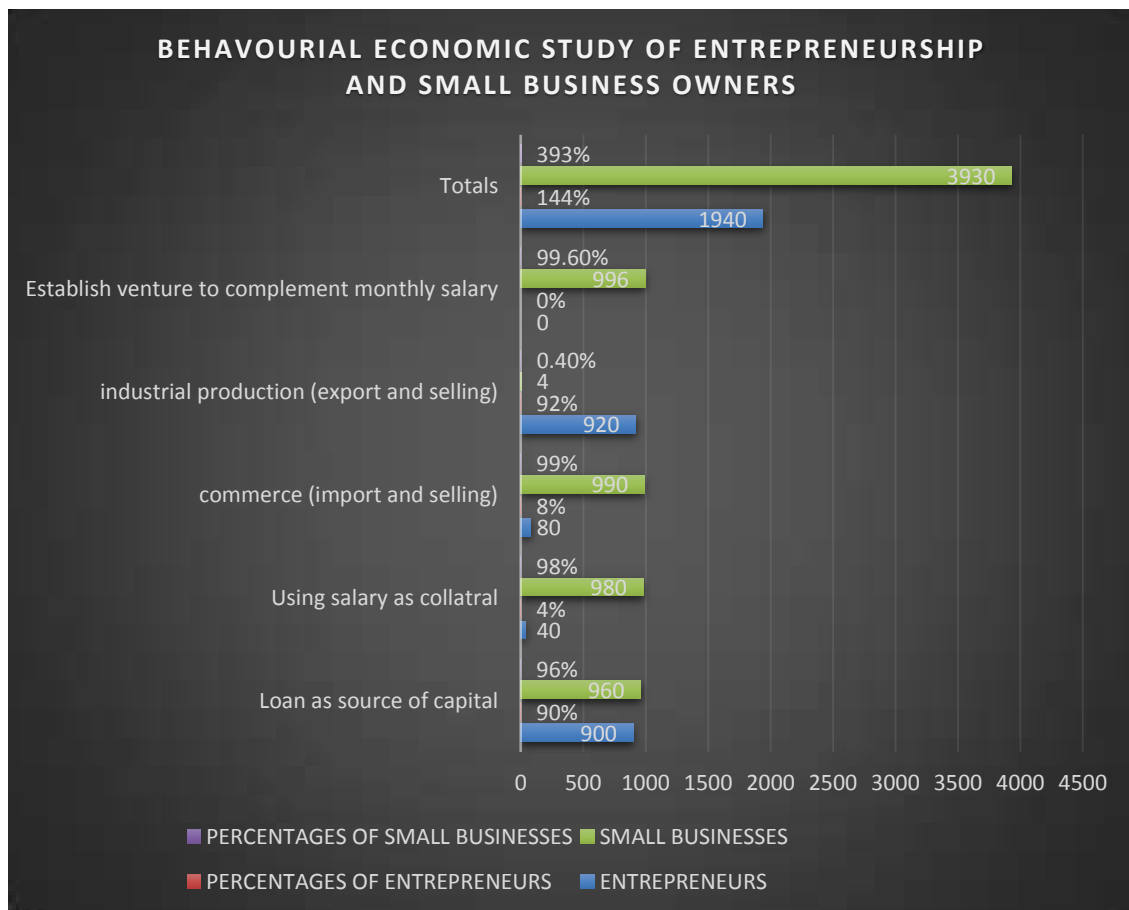


Figure3: Define some of the identified behavioural analysis of Entrepreneur and Small Business owner in micro-level which has significant impact on the macroeconomic environment of developing and under developed economy (Senzu, 2015).

The graph depict that most Entrepreneurship Venture(EV) are more into production and export business in developing and under developed economy as comparable to Small Business Owners (SBOs)mostly into commerce business that are more of import and selling which weaken domestic economy and also make the economy highly dependent on the external economic development dynamics. So to have the Small Businesses dominating more in your economy per the graph deduce that, it will be very difficult to sustain your inflation rate, currency depreciation and finally; managers of the economy, likely to be in constant pressure in their fiscal management strategies due to the character of the economic market and a situation whereby government expenditure level is also very high.

It is also identified that such developing and under developed economy lack quality policy to support domestic business in sourcing for funds and as result majority of existing businesses raises their start-up and working capital from collateralization of monthly salary from Government being their employer, as the easiest option to gain access to funds from financial Institutions, which is not common as an opportunity in the private sector because successful private businesses executives will not guarantee for such funds for an employee unlike government.

As a result of how funds are sourced for per the Table S-1 justify the reason of why Small Business Owners (SBOs) is dominating the developing and underdeveloped economy than Entrepreneurs, resulting in certain operations of Small Business Owners per Table S-2 weakening the domestic economy.

Per the theory that explain economic stagnancy make it easy to attribute the following characteristics which Graph S-2 depict of Small Business Owners(SBOs) as a contributing factor to economic stagnancy in such a fragile economy.

Other Identified Behavioural Comparative Analysis

Below is addition of other equally relevant behavioural studies of Small Business Owners (SBOs) comparative to Entrepreneurs which their theoretical attestation depicts that, it also contributes to economic stagnancy.

- A. Amount of Wealth Creation
- B. Speed of Wealth Creation
- C. Risk Level
- D. Innovation Power

Amount of Wealth Creation

The Amount of Wealth Creation is defined on the premise of the quantum of wealth expectation within a specific period of time by the producers. It is an on doubttable fact that an Entrepreneur evaluated on this parameter will score high than a Small Business Owner (SBO). The Profit Margin target of an Entrepreneur is always at the highest peak comparing to Small Business Owner (SBO). A case-study was run on the two stated variable of this essay, which chose to enter into Rice Production and Distribution Business for three years the empirical report by (Senzu, 2015) depict that the Entrepreneur will expect a Profit return

not less than 50% of the resource investment. About 100 targeted entrepreneurs were sampled across West Africa by a Purposive Sampling method and sent closed design questionnaire through mail. The Question state " *What will be your expectation to your profit return on your venture from Year 1 to Year 3*" Answers listed for the questionnaire were as follows (i) 10-20% (ii) 20- 30% (iii) 40-50% (iv) 50% & Above . The outcome of the survey was 98% of the population responded to the "IV" as their answer and the remaining 2% responded to "III" which depict, the character drive of Entrepreneur to maximize profit with in a shorter period of time. Economic theory justifies that to attain such target, call for effective labour management and strategies which an entrepreneur is always ready to go extra miles in financial commitment and innovation to achieve that. When the same questionnaire was administered to 100 identified Small Business Owners in the same target market for the survey, 78% responded to answer "I" and 22% chose "II" as the response indicating lack of drive for high profit return. Analysing their responses from subsequent questionnaire deduce lack of interest towards the business growth and expansion with the reason that it makes management difficult to handle as individual and very much contend with small profit return that could supplement the family monthly budget of expenditure

Speed of Wealth Creation

The Speed of Wealth Creation is the measurement of the pace of economic return on the venture per strategic investment of resource. Entrepreneurial per character are very time conscious in profit making comparing to Small Business Owners (SBO); Therefore Entrepreneur acceleration to wealth creation is very high comparing to Small Business Owners (SBO). All Entrepreneur according my empirical report, indicate their full preparedness to engage more human resource within a specific period of time to multiply wealth in a shorter period of time if nothing become hindrance to their effort but on the contrarily small business owners feel very reluctant and also a burden to engage extra hands to multiply wealth. This action according to this paper result in establishing a theory of correlation on this kind of behaviour found among cluster of Small Business Owners operations on micro level of the economy having a great impact on the macro economy contributing to economic stagnancy or retrogression.

Risk Level

Risk is the Amount of harm that can be expected to occur during a given period due to specific harm event (Wikipedia, 2014). Statistically the level of risk can be calculated as the product of the probability that harm occurs multiplied by the severity of that harm. In the Business Adventure, the acceleration rate of the Entrepreneur for wealth creation has made it easy target for accident oriented cases as compared to Small Business Owners (SBO).

The Character of Government and the laws to support aggrieved Entrepreneurs to re-wake up in resource lost and resurrect the vision again for the greater benefit of the state determine the category option, upon which most of the citizens of a particular state will pursue either as an SBO or an Entrepreneur in developing and under developed economy.

To my surprise and research findings, Entrepreneur failure in developing and underdeveloped economy is mostly legislated to be a crime; Collapsing of a venture as an

entrepreneur is directly proportional to debt accrued which can result in some Entrepreneurs finding themselves in prison for the rest of their life in most of the African Countries especially when he or she is not politically connected. So for business executives to play the business game safe, will always resort to Small Business management whereby it state of accident cases is very minimal to overcome, as an individual or a group.

Innovation Power

Innovation is the process of translating an idea, or invention into goods or services that create value or for which customers will pay. "To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need", (Business Dictionary, Webfinance. 2015). Innovation as a tool and the rate upon which business executive adopt it at the highest peak give the distinction between the Entrepreneur and the small business owner. This also attests to the fact that, one can only be a successful entrepreneur based on the level of experience in a field of practice because a newly trained driver can never speed on a high way unless a well trained experienced driver, who could fully control the steers and breaks creatively on a high-way in case of bumping into any obstacles.

The danger of most developing and underdeveloped economy is; they have more of Small Business Owners (SBO) due to the structural nature of the Government Policies existing, yet such SBO's project themselves publicly as Entrepreneurs, therefore define by this paper as economic deceit and intellectual dishonesty in macroeconomic management, such contribute to irrelevant market shocks and causing stagnancy or retrogression. It further affects the accuracy of future policy enactment.

It could also be intellectually be debated, that there are Small Business dominated economy, an evidence proven by the Case-study of Germany, which has affected the development of their economy rapidly than ever as a best scenario. My objection to such application is, such ventures that are small and supporting the German economy are managed by owners that have Entrepreneurial drive as observed and established in the context by Hermann Simon "Success strategies of unknown world market leaders" (Simon, 2009).

Unlike the Small Business Owners in developing and under developed economy who establishes ventures just to raise small profit to complement income support for family expenditure, while they are involve in main stream government employed institutions.

Therefore, the springing of the kind of Small Business Owners (SBO) in Africa and their significant impact in actions to the macroeconomic level is negligible, even though previous research papers scientifically justify the correlation between empowering small scale enterprise and the economic growth leading to development of a nation, by assuming that every small scale enterprise owner qualify to be in a category of an Entrepreneur in developing and under developed economy is proven wrong by the suggestion of present empirical studies and report observed by (Senzu. T. E, 2015) as shown by the Table S-2 above.

Stagnancy of an Economy Through SBOS Actions

There is a working theory and empirical evidence that establishes the correlation of the financial market performance and economic growth of the developing economy. This theory further depict that market stagnancy is avoided when there is a smooth function of the market through the exchange law. The expansion and the growth of developing economy is largely been dependant on the quality functioning of it financial market. The financial market is highly dependent on the amount of credit deposited by the Entrepreneurs as a result of profit retain from the market transaction, which logically deduce that financial savings are highly going to be patronised. This help government to have access to domestic loans at low interest rate to embark on social infrastructural investment, enough funds to gain from tax collection through this Entrepreneurs to pursue social agenda. In a situation whereby Small Business Owners dominate the market, less profit is generated indicate less tax collection, less bank savings, therefore government inability to depend on domestic market for funds to meet it expenditure target resulting in external borrowing causing rise in national debt, leading to high deficit, a factor that leads to destabilization of currency and inflation, Reducing government ability to undertake certain social interventions to support the economy expansion and growth. In such a calamity the option for the economy is either to retrogress or stagnant.

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APPENDIX

Below are the lists of questionnaire sent to 1000 sampled Entrepreneurs and Small Business owners in an open-closed technique format within the Ecowas region, West African community.

- 1.0 *How long has your business existed, when formally registered with government*
- 2.0 *What was your source of fund as a start-up capital*

3.0 *How were you able to obtain your start-up capital*

4.0 *Define the Object clause of your business*

5.0 *State your major purpose of establishing the business*

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