Government Intervention in Enterprises:- A Tool for Economic Growth

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Abstract
The government of Ghana in line with the vision of propelling the country’s economy to a middle-income status identified certain sectors of the economy for wealth creation since 2001. This was christened "President’s Special Initiative” (PSI) where certain commodities were earmarked for intervention and they include: cassava & starch, textiles & garments, oil palm, salt, among others. The objective of this paper was to find out whether it is justifiable for governments to intervene in enterprises especially in developing countries, as a tool for economic growth. Therefore three (3) of the commodities from the PSI were assessed in order to determine the impact of government intervention. The methodology used was performance plausibility assessment technique using previous economic growth as historical control. The paper revealed that, there is significant economy growth from inception of PSI from 2001 to 2006 and it could be attributed to cumulative effect of the intervention by the government, yet it was apparent that the set targets by government were not achieved fully. The paper concluded that contrary to opponents of government intervention theory, it is possible for governments in developing countries to intervene in enterprise development but must have clear flexible framework of implementation through increase participation by all stakeholders. The authors recommended that, further research is needed to establish efficiency of government intervention in developing countries since it could be an appropriate tool for economic development.

Introduction
Economic intervention is a common and pejorative term used to describe any activity,
beyond the basic regulation undertaken by a central government in an effort to affect a country's economy (Wikipedia 2007). The term implies increasing economic growth, fostering employment, promoting equality, raising wages or reducing prices, and, in general, coping with market failures. Ghana set the target of becoming an upper middle-income country by the year 2020. To achieve this goal, the Harrod-Domar model was to be used and the economy needed to grow on average of 8% during the period to achieve the target, (Ghana Vision 2020). Since this target was set in 1995, the economy has not shown any capacity to move forward because, the growth rate has been characterised by the non-attainment of micro and macro economic targets. (Aryeetey and Fosu, 2000). The reason for the poor economic performance was political instability, corruption and mismanagement contributing to mention but few. The consequences were market failures coupled with inadequate financial markets, poor infrastructure and inadequate information flow. Ghana’s living standard from the 1970s was US $260 to US $390 by 1998 (World Development Report 2000). The average growth rate between 1960s and 1990s of the country’s GNP was estimated to be less than 1.5%. The slow growth was attributed to the country’s attitude towards international trade according to the World Bank report (1989) which discourages domestic producers from involving in international trade.

Since independence in 1957 the country with the help of the then president pursue pan-African socialism which meant imposition of high tariffs on many imports with import substitution aimed at fostering self-sufficiency in certain manufactured goods and adoption of policies that discouraged Ghana’s private sector business. The result has been unmitigated disaster that transferred the prosperous nation to one of the poorest (Hill 2003). State interventions have not had expected impacts during the period of Ghana’s economy reforms. From Economic Recovery Programme (ERP) in 1983 up to Structural Adjustment Programme (SAP), which have not made any significant progress in achieving micro and macro economic targets? Ghana has been involved in one economic reform to another with the aim of reducing government involvement in the economy and to encourage private sector development. This led to two-thirds of some 300 state-owned enterprises sold to private owners as part of divestiture program began in the early 1990s. Regardless of several years of economic reforms, the country remains vulnerable to terms of trade shocks

In 2001, the government launched a comprehensive programme of action christened President’s Special Initiative (PSI). This was to focus on the development of private sector, which has been historically weak as a way on intervention in enterprises. Certain commodities like cassava & starch, textiles & garments, oil palm and salt were first selected for government support. These commodities were designed to take advantage of the Africa Growth and Opportunity Act (AGOA), of the United States (US). Under AGOA Ghanaians entrepreneurs can sell in the US market and therefore PSI was to stimulate enterprise, productivity and employment, both in agriculture and in processing sector. Projections indicated that, PSI was to add up to US $10 billion annually to the GDP to increase per capita income to $1000 within the 10 years of inception (Ghana’s Daily graphic 2005). Export diversification activities are pursued by the Export Promotion Council to meet the market requirements of the European Union (EU), the US,
the Far East and elsewhere in the global market.

It is 5 years since the PSI was initiated and it is very significant to assess its contribution on the Ghanaian economic growth. Therefore, the fundamental hypothesis of this paper is to find out impact of this initiative used by government as a tool for economic growth. Both qualitative and quantitative methods of data collection were employed in order to portray an accurate profile of events. This involves the use of primary and secondary data with review of existing literature and consultation of completed works of academicians and experts. Semi structured questionnaires were used with focus on the government intervention in business and economics making reference to the cassava & starch, textiles & garments and oil palms under PSI.

The sample involved four large companies, 5 small ones and Non-PSI Company for textiles & garments making a total of 10 industries. For the rest (Cassava and starch, oil palm) PSI coordinators were also interviewed to ascertain validity and reliability of information gathered from secondary data. Interviews were conducted at Oil Palm Research Institute and Ayensu Starch Company for cassava and starch. Brochures and other articles from the internet at the websites of Ghana’s Ministry of Finance and Economic Planning, and Ministry of Trade and Industry were consulted. Method of data analysis included graph and charts to show trends and description of economic situations. Consequently, the core question that is significant for this paper is, does government has the capacity to fulfill in enterprise development given that many of the roles are more complex than the direct delivery of goods and services?, Is the PSI succeeding in its quest to move the Ghanaian economy forward? In addition, whether it could be fine-tuned to be more responsive to the economic impact set out to achieve. Hence, economic growth, employment rate, equity, price reduction were some of the indicators used to assess the impact of the intervention.

Government Intervention in the Ghanaian Economy-Past and Present
The first ten-year development plan intervention was initiated by Nkrumah’s reign in 1951 however; the implementation was a problem and was reduced to a 5-year plan from 1951 to 1956. Consolidation Development Plan followed this closely from 1957 to 1959. Then there was 7-year plan by the same government until 1970. Afterwards, the one year plan by Bussia’s reign, which was followed by 5-year military reign. This shepherd the country into Economic Recovery Programme (ERP) in 1983 after other military governments came and gone. ERP was the brainchild of the International Monetary Fund (IMF) and it aimed at making Ghana more ‘market friendly’, unleashing the private sector and reducing the influence of the state. Failures of ERP led to the introduction of Structural Adjustment Programs (SAPs) termed as ERP II and III. The ERP II incorporated a macroeconomic stabilization element, a growth component and a component designed to improve resource mobilization efficiency in resource use as well as export expansion. ERP III was merely a continuation of macroeconomic reforms of ERP II. In 1995, Ghana participated in the Enhanced Structural Adjustment Facility (ESAF) through the IMF and the World Bank and it was acclaimed to be a success. However, notwithstanding all these interventions, the country’s economy has yet to recover to its expected levels (Augur, and Killick, 2001).
Ghana's goals for accelerate economic growth is to improve the quality of life for all Ghanaians, reduce poverty through macroeconomic stability, higher private investment broad-based, social and rural development, as well as direct poverty-alleviation efforts (GPRS1996 document). Consequently, in 2001, as part of Ghana Poverty Reduction Strategy (GPRS) the government joined the Heavily Indebted Poor Countries’ (HIPC) initiative. This initiative seeks to free national fiscal resources from debt servicing constraints to enable the country improve human development through a comprehensive approach to poverty reduction. In fulfilment of the HIPC initiative, the government put in place a medium term expenditure framework and poverty reduction strategies dubbed the Ghana Poverty Reduction Strategy (GPRS) for accelerated economic growth.

In order to facilitated these strategies the president initiated the PSI to create the needed enabling environment for the private sector especially entrepreneurs of SMEs. It has two main components; first, to strengthen Public-private Partnership and to create Golden Age of Business in order to develop new pillars of economic growth through accelerating the development of selected key products. Secondly, to respond to the United States’ African Growth and Opportunity Act (AGOA) so as to take full advantage of the Act (Osei-Ameyo 2004)

Theoretical Concept on Government Intervention and Economic Growth
The economics of government intervention is debatable. There are two schools of thought. The Keynesian economics debate that active government intervention are the best method of ensuring economic growth and stability. They argued that, government spending could boost growth through injecting of purchasing power into an economy. Accordingly, government could reverse economic downturns by borrowing money from the private sector and returning it through various spending programs. For that reason, Policy makers can reduce government spending once the economy recovered to check inflation. On contrary, the Neo-classical maintains that economic growth is caused by increase in the population growth, labour improvements through education, training, and increase in capital as well as improvements in technology. They further emphasize that underdevelopment is seen as the result of the government’s inefficient utilization of resources and state intervention in markets through regulation of prices. The neo-classical argue that government control inhibits growth because it encourages corruption, inefficiency and offers no profit motive for entrepreneurship. They argue therefore, that the root cause of underdevelopment lies with the governments of the Least Develop Countries themselves. Governments adopting polices that aim to free up markets and improve the supply side, will aid the economic growth and development. Economic growth is an increase in value of commodities produced by an economy. Conventionally, it is used to measure the percent rate of increase in real Gross Domestic Product (GDP). The real GDP per capita of an economy is an indicator of the average standard of individual living.

General objectives set by PSI commodities
Cassava-Starch Production
- Transform cassava starch industry into a major growth pole by year-end 2006.
- Establish 10 cassava starch-processing plants by year-end 2006.
- Generate annual export with limited revenue of 150 million dollars by end of 2006.
- Bring 50,000 farmers into mainstream economic activity by year-end 2004.

Textiles and garments
- To actively support, facilitate and accelerate the development of the garment industry to become a leading export earner as well as primary source for employment generation in Ghana.
- Attract and assist 10 large-scale foreign investors, (Garment and Textile Manufacturers) to relocate to Ghana,
- Assist and build the capacity of 100 medium-sized companies in Ghana by the end of 2004
- To create a large pool of small-scale local sub-contractors and secondary suppliers.(PSI report 2004)
- 70,000 jobs was expected be created from the garment initiative to address the problem of urban and rural-urban poverty and unemployment
- Take advantage of the significant opportunities created under the US Africa Growth and Opportunity Act (AGOA), particularly duty-free and quota-free access to the $60 billion market for clothing and apparel in the US.

Oil Palm Industry
- The core objective was to initiate 100,000 hectares of new oil palm plantation to meet domestic demand. This will be increased to 300,000 hectares in subsequent years to meet the demand.

Strategy for Cassava-Starch Production
- To achieve this objective a medium scale farmer-owned companies using the Corporate Village Enterprise (COVE) concept is to be established.
- Each COVE is a limited liability company whose shareholders shall be the farmers and other strategic investors.

Strategy for Textiles and garments
A three-tier strategy was used:
- A programme to entice ten (10) existing large-scale producers from producers from other countries to relocate their factories to Ghana’s export processing zone over the four-year period.
- Selecting 25 high performing Ghanaian garment producers each year (i.e. 100 over the four-year period) and provide them with a comprehensive range of services to enable them produce export-quality garments as well as access the US market in a significant way.
- The third tier involves developing a large pool of sub-contractors, who will work under 20 Merchant Exporters to fulfil orders sourced from the US market.
Strategy for Oil Palm

- The Oil Palm Research Institute (OPRI) of CSIR has been commissioned to produce two million oil palm germinated seeds annually for the PSI.
- 12 existing nursery will in the various parts of Ghana were to be reorganised for the operation
- 1.2 million People are expected to be employed in the oil palm industry and a total of $1.66m generated annually from exports.

Implementation - Cassava & Starch

- Ayensu Starch Company Limited (ASCo) is the first COVE to be established under the PSI Cassava Starch project.
- ASCOo is organizing over 5000 farmers within the contiguous districts of Awutu-Efutu-Senya, Agona, Gomoa, Asikuma-Oboren-Brakwa, Ajumako-Enyan-Esiam all in the Central Region, West Akyim, Suhum-Kraboa-Coaltar, Akwapim South all in the Eastern Region as well as Ga in the Greater Accra Region, to cultivate cassava which will be processed into high grade cassava starch at a factory at Awutu Bawjiase.
- A 3-ton per hour (about 20,000 tons) capacity high-grade native cassava starch processing plant will be commissioned in April this year. At full capacity, the ASCo plant shall generate export revenue of about $4.0 million per annum. In the first year the processing plant shall process about 9000 tons of starch and this will gradually be increased to the maximum capacity by the third year.
Implementation—Textiles & garments

- Government provides technical assistance and resources to the participating companies, either directly through government or own programmes and budget allocations or by mobilizing donor funding.
- Government made grants, land development rights for 178 acres parcel of land in the Free Zone enclave at Tema, to be developed as a garments Village.
- Over 300 Ghanaian companies will be screened and selected based on formal Expression of Interest to participate in the PSI programme.
- A national Export Orientation Seminar organized for the selected companies as a first step in a structured capacity-building programme, to re-orient the mind-set and attitude of the owner-managers of the companies.
- Government will conduct intensive market research exercise in United States and Europe to identify market opportunities for the garments to be produced by the companies supported under the PSI.

Cassava & Starch

- The participating farmers are being organized into production clusters (association) at the community, zonal and district levels. The clusters form the medium of communication between ASCo and the farmers. For example, the farmers and the management of the company shall jointly determine price of the fresh cassava.
- The following assistance are being extended: participating farmers have Professional extension service, supply of high yielding planting material, credit facilities for preparation and maintenance of farms, guaranteed market, allotment to shares to registered farmers.

Textiles & Garments

- Major US retail chains including Eddie Bauer Incorporate (a market leader in casual wear and outdoor clothing) and Kmart Corporation (the second largest retailer in the US) have shown considerable interest in building linkages with the garments industry in Ghana, as a major source of supply in Africa for their stores and outlets.
- Senior representatives these companies have to fact-finding missions to Ghana in 2002 and have agreed to place trial orders from Ghana through the PSI.
- The government, realizing the need to develop the human resource base for the industry, has made USD 1.18 million available for the outright purchase of Volta Garment Ltd from Akosombo Textile Ltd, the owners of Volta Garments Ltd. The Volta Garments Ltd facility has been turned into a very modern world-class Clothing Technology and Training Center to train managers and operators for the garment industry.
- Government provided 1.93 billion through the Export Development and Investment Fund (EDIF) to the PSI to undertake the training of the personnel for the industry.
- Industry experts have been recruited from Mauritius, a country that is now renowned to be the leading country in Africa in garment and textile exports to the US and Europe to undertake the training of managers and operators of the Industry.
• 14 Garment companies have gone through the training programme in mass production techniques and methods and ready to produce at acceptable quality. In all about 400 operators and 14 owner managers have undergone training at the CTTC.

• In 2003, the CTTC offered mass production skills to 400 unemployed youth each month. The skills acquired shall make the youth employable by the many factories that are being set up.

• Government through PSI will establish two other training centers at Kumasi and Takoradi before the middle of the year to train personnel for the factories that shall be sited in Kumasi and Takoradi.

Discussion
The Ayensu Starch Company Ltd. (ASCo) is the first to be set up. It is a free zone company, and has a three-ton per hour state-of-the-art cassava starch processing plant installed at Awutu Bawjiase in the Central Region. It organizes 10,000 farmers to cultivate cassava, the basic raw material. These farmers have been organized into an association called Ayensu Cassava Farmers Association (ACFA) and have three representatives on the board of ASCo. The following assistance is being extended to participating farmers by the management of ASCo:

• Professional extension service
• Supply of high yielding planting material
• Credit facilities for preparation and maintenance of farms
• Guaranteed market for fresh cassava and
• Allotment of shares to registered farmers.

The farmers and two Banks jointly own ASCo, Agric Development Bank and the National Investment Bank. The total cost of investment is US $7.0 million. The establishment of ASCo has given employment to 10,000 with 50% of the lot being women. Another 60 people work directly in the company. ASCo is currently operating at 30% capacity. It is expected to reach full capacity production of 20,000 tons of cassava starch per annum by 2006. This will generate export revenue of four million dollars a year. As part of its rural development strategy, the government has provided ASCo with US $1 million together with adequate power to operate the equipment and supply electricity to the surrounding communities. Construction of access roads to the factory and cassava farms, provision of modern telecommunication facility to the factory, which shall eventually be extended to the surrounding rural communities. The government will also provide education, sensitization of participating farmers, facilitation and access to micro credit facilities by participating farmers.

Textile and garments
Size of textile industries sample
In line with the objectives of the Garment and Textile Project, 178-acre land has been acquired for Export Processing Zone and Ultra Modern Clothing Technology and Training Centre (CTTC) with capacity to train over 400 Machine Operators each month. 2,500 personnel have passed out successfully from the centre. Three companies (California Link Ltd, 1647 Ltd & Berlin International Ltd) out of the 10 large-scale foreign garments and textiles manufacturers to relocate/locate in Ghana have not been met. The textiles and garment industry in Ghana has 25 registered firms with the Ministry of Trade and Industry. Out of this number, 20 are registered with the PSI secretariat on textile and garments. Of the twenty (20) PSI registered firms, five (5) of the firms are large scale and the remaining fifteen (15) are medium scale firms. Even though there are five (5) large firms, four (4) out of the five (5) are in full operation and ten (10) out of the fifteen (15) from the medium. Among the three (3), two (2) of the firms are medium with only one (1) being a large-scale firm. Building the supply capacities of 100 medium-size Ghanaian enterprises to produce export quality garments based on USA market requirement was another target, which was not met because so far fifteen (15) medium scale enterprises are in full operation and they are a mixture of foreign and local with no private individual enterprise. Clothing technology and training centre has been set up to train sewing operators in mass production techniques. Over 7000 operators have been trained, till date Coast Collections Ltd, a commercial production unit has been set up to serve as a model for local entrepreneurs on the PSI garments and textiles program. This unit has successfully undertaken orders for leading brand names in the USA and Asia a modern garments village is under construction, on a 178-acre land within the Tema Free Zone. Five of the factories have been completed and have been leased out to local entrepreneurs.

Oil Palm
<table>
<thead>
<tr>
<th>Nursery</th>
<th>Region</th>
<th>Full Capacity</th>
<th>Present Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>B&amp;N Farms</td>
<td>Central</td>
<td>200,000</td>
<td>50,000</td>
</tr>
<tr>
<td>NORPALM</td>
<td>Western</td>
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<tr>
<td>MAOPP</td>
<td>Western</td>
<td>100,000</td>
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<td>Ayiem oil Mills</td>
<td>Western</td>
<td>100,000</td>
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<td>Obooma Mills Ltd</td>
<td>Eastern</td>
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<td>Akotosu Farms</td>
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<td>Agyepong Farms &amp; Co</td>
<td>Brong Ahafo</td>
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<tr>
<td>Agyepong Farms &amp; Co. (DYNK)</td>
<td>Brong Ahafo</td>
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<td>Sarpcoe</td>
<td>Eastern</td>
<td>100,000</td>
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<tr>
<td>Juaben Oil Mills</td>
<td>Ashanti</td>
<td>200,000</td>
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<tr>
<td>ROHANA</td>
<td>Central</td>
<td>200,000</td>
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<tr>
<td>OPRI</td>
<td>Eastern</td>
<td>200,000</td>
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<tr>
<td>Hohoe/Jasikan</td>
<td>Volta</td>
<td>100,000</td>
<td>Not in operation</td>
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<tr>
<td>Kpehe/Dzodze</td>
<td>Volta</td>
<td>100,000</td>
<td>Not in operation</td>
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The projection of the first phase of 100,000 hectares to produce 300,000 tons of palm oil a year has been met. At an export price of $300,000.00 per ton it’s anticipated to generate revenue of $90m yearly. So far, the total investment for 2003 (pre-nursery) is €18.1bn and 6,700 hectares of land has been cultivated leading to the employment of more than 27,000 farmers. About 1.2m people are expected to be employed in the oil palm industry and a total of $1.66m generated annually from exports. It is estimated that currently, there is an external market for 2.6 million tons of crude oil palm and oil palm-based products a year but Ghana only produces 800,000 tons annually. $1,600m have to be mobilized over the next 10 years for investment in milling machinery ($360m to 400m), 30 vegetable oil refining facilities, requiring $45.50m; buildings, machinery and working capital for the cosmetic sector ($10.0m) and engineering and capital goods manufacturing industry ($50m).
ECONOMIC GROWTH INDICATORS

Source: The World Bank Economic Indicators 2005

It is clear (fig 1) that, since 1990, agriculture has being a major contributor to the economy and nothing has changed much. The growth rate in (fig 2) the various sectors shows that, there was slump in 2003, which reflect a pre-election year where governments because of power failed to maintained economic stability. The general trend of importation also increased from up to 400% from 2001 to 2005. Inspite of the initial good intension World Bank report 2005, putting Ghana external debt percentage to GNI as 80% indicating the country has move to and fro.
Summary and Conclusion

This paper was to find out whether government intervention has achieved the desired targets and has created the enabling business environment for the private sector. The objective of the paper was to delve into the policy statement of the PSI, strategies and implementation procedure used. The policy statement states clearly that, the management coordination in order of hierarchy involves the Presidency (chairperson), Interministerial Facilitating Team (IMFT), advisory council and the secretariat respectively. In reality the hierarchy does not exist as stated but rather, Ministry Of Private Sector Developments liaison between Ghana Export Round Table (which is an advisory council), assisted by Ministry Department Agencies (MDAs). The research also established that, growth in an economy could be attributed to cumulative effect of the PSI over the 5 years period; this was not evenly distributed as the Gini index coefficient of the country still remains 40.

The textiles & garments enterprises have made progress based on the objectives set but this paper reveals that not on the scale anticipated. The target set of attracting 40 large-scale manufacturing companies, 250 medium size-manufacturing companies and 50 merchant exporters in the first five years of its existence has not been achieved fully although, twenty garments factories now under the umbrella of PSI enjoy relatively high operations. The challenges include inadequate skilled manpower, raw materials and spare parts, competition from imports of textiles from China, weak local currency, low patronage of products by citizens as well as gaining international market access.
The World Bank reports that the government consumed 11.5% of GDP in 2003, up from the 9.9 percent reported in the 2005. As a result, Ghana’s government intervention score is 0.5 point worse in 2005. In the same year, based on data from the International Monetary Fund (IMF), Ghana received 2.89% of its total revenues from state owned enterprises and government ownership of property. Contrary to expectations by the government to meet one of its major economic targets for the year ending December 2006 of single digit inflation, headline inflation ended 2006 at 10.5% eluding the much-anticipated single digit range target therefore making it difficult to understand the government ability on achieving macro targets. The research established that, growth in an economy is a cumulative effect of increases in the basic units of production. As goods and services in a country increase above that of a previous period, economic growth is said to have occurred. Thus, an increase in the output of the garments & textiles industry was considered an indication of economic growth. A further critical aspect of achieving the virtues espoused by the PSI was the government to work towards stabilizing the macroeconomic framework. Generally, the country’s financial and foreign exchange regime is still undergoing much scrutiny, with the aim of fixing chronic problems, which have bedeviled Ghana in her efforts to accelerate the economy to a middle-income level within the shortest possible time. Export proceeds which was not channeled through the banking system is now been done to improve the vulnerability of the export trade and the PSI aimed to deepen and improve the foreign exchange market to reduce external shocks, to ensure market stability and the strength of the currency. In conclusion, though the PSI has created the needed environment for accelerated economic growth, the government needs to do more in order to gain maximum benefit as prescribed by the neo-Keynesians’ school of thought.

**Recommendations**

Government intervention in markets generally requires flexibility and an ability to tailor rules and principles to specific circumstances. It should focus on creating new jobs, fostering regional, local and social development, introducing new leaders of industry, developing an entrepreneurial spirit and a new business culture as well as assessing markets. The work shows PSI has a long way to go in order to achieve its set goals and objectives. As much as the intervention is good in a developing country, micro and macro economic indicators need to be put right to achieve full benefits. The following are the recommendations made by this research:

- Policies should be made to cut down red tapeism since time of doing business is still high, the bottlenecks needed to be removed to encourage investors both local and international. The bottlenecks are systemic and as such cannot be removed from one sector of the economy only. A holistic approach is imperative and government could set up interministrial facilitating team (sector ministers and government agencies) to look at the issues.
- The base rate for banks in Ghana is high making it difficult for businesses to borrow at concretionary rate that will ensure that low cost of production. Presently,
Ghana imports is around 50% of the GDP make the country less competitive in the global market. Therefore, there is urgent need by the government to address these structural problems. The labour force, which agitates increases in salaries and wages because of high cost of living needed to be addressed. To keep labour cost low, a computerized or fully automated manufacturing system should be used with a long-term measure of reducing the cost of living. Until these are put in place, the Asian countries will have a comparable advantage over Ghanaians in terms of cost of production.

- Cheap substitute goods come into the country in two ways, that is; the legal way and the illegal way. Legally the Ghanaian market is flooded with cheaper imports from China and other West African countries.
- To check cheap imports quota and high tariffs must be levied on these imports and the gains used to support the local industry. In addition, rigorous testing procedure where very high standards must be met by these import can check the flow of these cheap imports. Tough laws where custom officers receive bribes and let goods in must be discouraged.
- The government should do well and eradicate low patronage of Ghana made goods. When interest rates and inflation rate falls to single digits, the purchasing power of the citizenry increases. They are therefore able to consume larger quantities of goods and services at the same level of income. Government policies which increase cheap but quality output, is a sure way to eradicate the major problem of low patronage in the industry.

**Limitations and Further Research Directions**

The challenges that face the government under study are not peculiar to only Ghana but other developing countries economies as well. Issues of corruption, bureaucracy, high cost of production and other negative characteristics of the economy of Ghana such as high inflation rates and are unfavourable elements for economic growth. This has made it difficult for any economic theory application like the Keynesian position on government intervention, to bloom. It is therefore the hope of this paper that, further studies that establishes the extent of intervention failure and identify specific incidences, in order to develop a sound model to help such economies.
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