



PBBS 206: Economy of Ghana

Lecture 4

Services Sector

Michael Insaïdoo

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Preamble

- The Service sector is the main channel through which the primary (agricultural) and secondary (industrial) sectors of the economy operate
- There was an increase in the growth rate of the Services sector in 2012. The sector attained its highest increase in 2010 (that is from 5.6% in 2009 to 9.8%) within this period, decreased to 9.4% in 2011 but increased to 10.2% in 2012
- The growth was due to significant improvement in output of three sub-sectors (transport & storage, information & communication and Financial & Insurance activities)
- These three sub-sectors contributed to over half (55.3%) of the growth in the sector

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Preamble cont....

- The Services sector in Ghana includes the following:
 - Trade, Repair of Vehicles, Household Goods
 - Hotels and Restaurants
 - Transport and Storage (largest – about 22.6% of Services GDP)
 - Information and Communication
 - Financial Intermediation
 - Business, Real Estate and Other Activities
 - Public Administration and Defence – Social Security
 - Education
 - Health and Social Work
 - Other Community, Social & Personal Service Activities

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Learning Objectives

After completing this lecture, you will:

- Identify the basic features or characteristics of Services sector in Ghana
- Indicate the importance of the Services sector to the Ghanaian economy
- Identify problems and challenges faced by the Services sector and
- Outline some of the policy interventions by Government to boost output of the Services sector.

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Features/Characteristics of the Services Sector

- Unavailability of credit – principally due to collateral requirements and high interest rates
- Sector is characterised by low skill and untrained labour – Trading and transport is attracted by school drop outs and the Teacher's Training Colleges are attracted by disappointed universities' applicants
- Limited indigenous ownership and controls in the major service sector players – eg. Telecommunications, banks, retail trade outlets (malls) etc.

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Features/Characteristics of the Services Sector Cont.....

- The sector is also characterised by small-scale enterprises which deprives them from enjoying economies of scale
- The sector is also characterised by poor service quality – customer service especially unacceptably mediocre
- Low application of technology in the sector – high labour usage as compared to capital utilization

Importance/Role of the Services Sector

- The sector's importance is reflected in its contribution to GDP and to employment.
- The sector contributed about GH¢ 33,963 million to the Ghanaian economy in the year 2012, representing 50% of GDP
- The sector's contribution to GDP in 2011 was 48.5% as against 25.9% for industry and 25.6% for agriculture
- The sector continues to grow mainly because it acts as a sponge that absorbs labour from the other sectors that are not doing well, in addition to investment in some services sub-sectors

Importance/Role of the Services Sector cont....

- In terms of employment, the Services sector is estimated to provide more than twice the number of employments that the Industrial sector provides (28%)
- Services provides an important source of foreign exchange earnings. Tourism is the third largest contributor to Ghana's foreign exchange earnings after gold and cocoa
- In 2011, 7% of Ghana's GDP was from Tourism sub-sector and the sub-sector also provided 300,000 direct and indirect jobs in the same year.

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Importance/Role of the Services Sector

Cont.....

- Technology can be acquired through exports and imports of services – by opening sectors in which they are well positioned to export services to foreign competition, the country may be able to boost her export capacity and to acquire knowledge
- Communication services – telephone network, telegraph, postal services, fax, telex, email as well as radio and television transmission clearly improve the operation of the products and factor markets by facilitating contacts between buyers and sellers

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Importance/Role of the Services Sector Cont.....

- The most important category of the services sector in facilitating and stimulating economic growth is transportation (railway, roads, airports and harbours). The better a country's transport system, the greater is the scope for internal specialisation and division of labour and the lower is the retail price of food and other items produced for the domestic market.

Constraints in the Services Sector

- Just like industries cannot function without roads, railways, ports, sewerage system etc, the Services sector cannot also function without telecommunications, computer systems, data banks, airports, local networks.
- Low participation in international trade in services stems from low capacity of production of services. This is also as a result of difficulties with the procurement of visa and work permits for countries outside Ghana
- Employment in the sector is characterised by low level of skills, low level of qualification relevant to the services sector is still prevalent

Constraints in the Services Sector Cont....

- Increasing deficits in international trade in services: imports of services soared over export of services, which worsens the already existing deficits from trade in merchandise goods. One area of massive import of services is technical assistance in the form of foreign consultants and experts. Their charges are extremely high
- Lack of comparative advantage in the services industry: Factor-related comparative advantages in services, which are basically lacking in Ghana include:
 - Endowment in know-how and skill
 - The amount of existing physical infrastructure

Constraints in the Services Sector Cont....

- The stock of fixed capital including high technology equipment
- Information capital i.e. the amount of elementary and processed information stock
- The effective ability to apply technological innovations

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Some interventions in the Service Sector in Recent Years

■ Finance

- Opening up of the banking sector which has attracted a lot of foreign banks

■ Transportation

- Rehabilitation and constructions of countless number of road networks
- Introduction of Metro Mass Transport to ease the transportation difficulties

■ Education

- Introduction of school capitation grants

- School feeding programme

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Some interventions in the Service Sector in Recent Years

- Subsidization of BECE registration
- Distribution of 28.4 million free exercise books to Basic schools
- Provision of 53,555 laptop computers under the Basic Schools Computerization Project to over 2,000 schools
- 5,000 JHS graduates trained in four trade areas (garment, cosmetology, electronics and auto mechanic) in 2012 under the National Apprenticeship Programme
- 44 teachers trained in e-learning and teaching techniques under the Ghana Open School System

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Some interventions in the Service Sector in Recent Years Cont.....

- Free School Uniforms for school pupil – 1,531 schools and 658,223 pupils benefited from this programme
- **Tourism**
- A vigorous promotion of Ghana's tourism in foreign markets by the Ministry of Tourism and an updates of the National Tourism website
- Celebration of emancipation day which attracts thousands of tourists from all over the world
- The number of tourists arriving in the country has increased from 428,530 in 2005 to 1,080,220 in 2012

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Some interventions in the Service Sector in Recent Years Cont.....

- Hotel numbers have increased considerably in recent years, from 1,350 hotels in 2005 to 2,140 in 2011
- **Telecommunication**
- The sale of Onetouch to Vodafone – inefficiencies in its operation has been minimized
- Number portability has made service providers to sit up
- Increased competition in this sub-sector has led to price cuts
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Some interventions in the Service Sector in Recent Years Cont.....

■ Health

- National Health Insurance Scheme has enabled individuals to access health care on a regular basis
- The free delivery programme

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