

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,
KUMASI

FINANCING SMEs WITHIN THE KUMASI METROPOLIS: THE CASE OF
BARCLAYS BANK GHANA LIMITED

By

PATRICK PAINTSIL (B.A. Economics and Statistics)

CENTRE: SUNYANI

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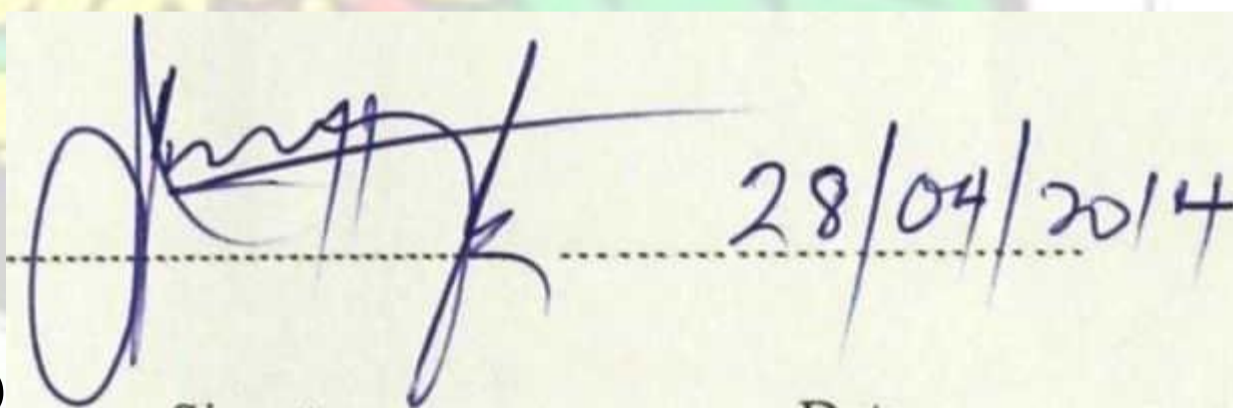
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DECLARATION

I hereby declare that the submission of this compilation is the true finding of my own researched work presented towards an award of a second degree in the Commonwealth Executive Masters in Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor submitted to any other University or institution for the award of degree except where due acknowledgement has been made in text- However, references from the work of others have been clearly stated.



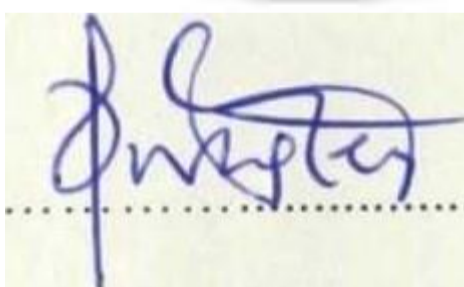
Patrick Paintsil (PG6399311)

Student Name & ID

Signature

Date

Certified by:



Mr. Ellis Akwaa-

Sekyi

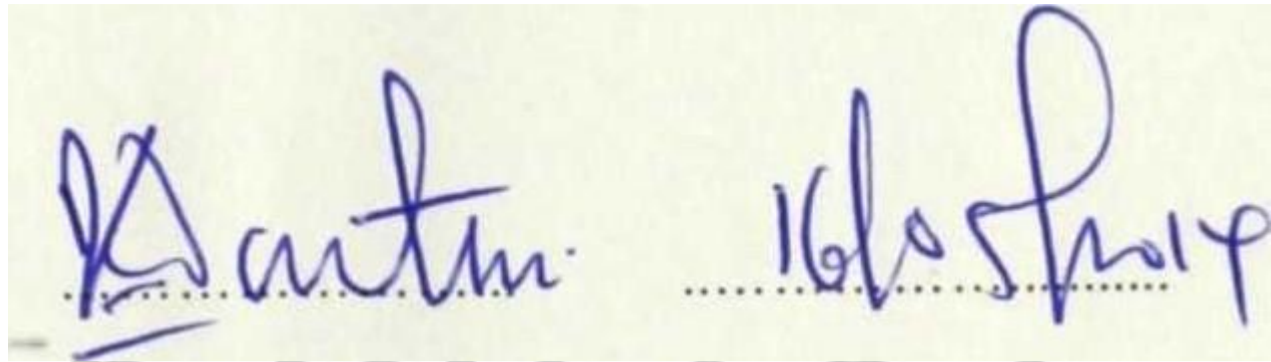
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Prof. I.K.Dontwi



Dean IDL

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DEDICATION

This Work is dedicated to my mum, Ms. Sarah Boye, for her love, advices, guidance and encouragement in all my endeavours.



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My sincere gratitude goes to the Creator of the Heavens and the Earth, my Sustainer, Omnipotent and Omnipresent for HIS abundant grace that has seen me through my two year education at the Kwame Nkrumah University of Science and Technology. I say, to I-th,'l be the glory, praise and honour.

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To all those names that cannot be mentioned, I do appreciate your love and care for me and I pray that

God will reward you abundantly.

ABSTRACT

SMEs, which have been described as the engines of economic growth suffer inadequate funding which hinder their abilities to play their roles effectively in the economic development of the nation. The study sought to analyse the factors which determine SMEs access to bank credit, determine the forms of assistance banks give to SMEs, evaluate the financing needs of SMEs and analyse the challenges banks go through in their attempt to finance SMEs. The study involved 240 respondents made up of 180 SME customers and 60 employees of the bank. They responded to closed-ended

questions which were designed after careful scrutiny. Primary source of data was mainly used with the study limited only SME clients within the Kumasi metropolis.

The study found out that the financing needs of SMEs were short-term facilities like overdrafts as well as long-term funds. The determinants of access to bank credit were cash flows which could determine their ability to meet the instalments without serious financial distress, sufficient collateral, management experience, source of repayment and purpose of facility as well as credit history. Apart from credit, banks offer SMEs business advice, maintaining good customer relation and then effective sales and marketing of productyañ _____ services. Default in the repayment of loan, poor record keeping, lack of adequate and sufficient collateral, industry risk and poor credit history of clients were some of the challenges identified. The study recommends the training of more youth into the SME sector, expanding SMEs to cover manufacturing industry and encouragement of equity _____ of SMEs.

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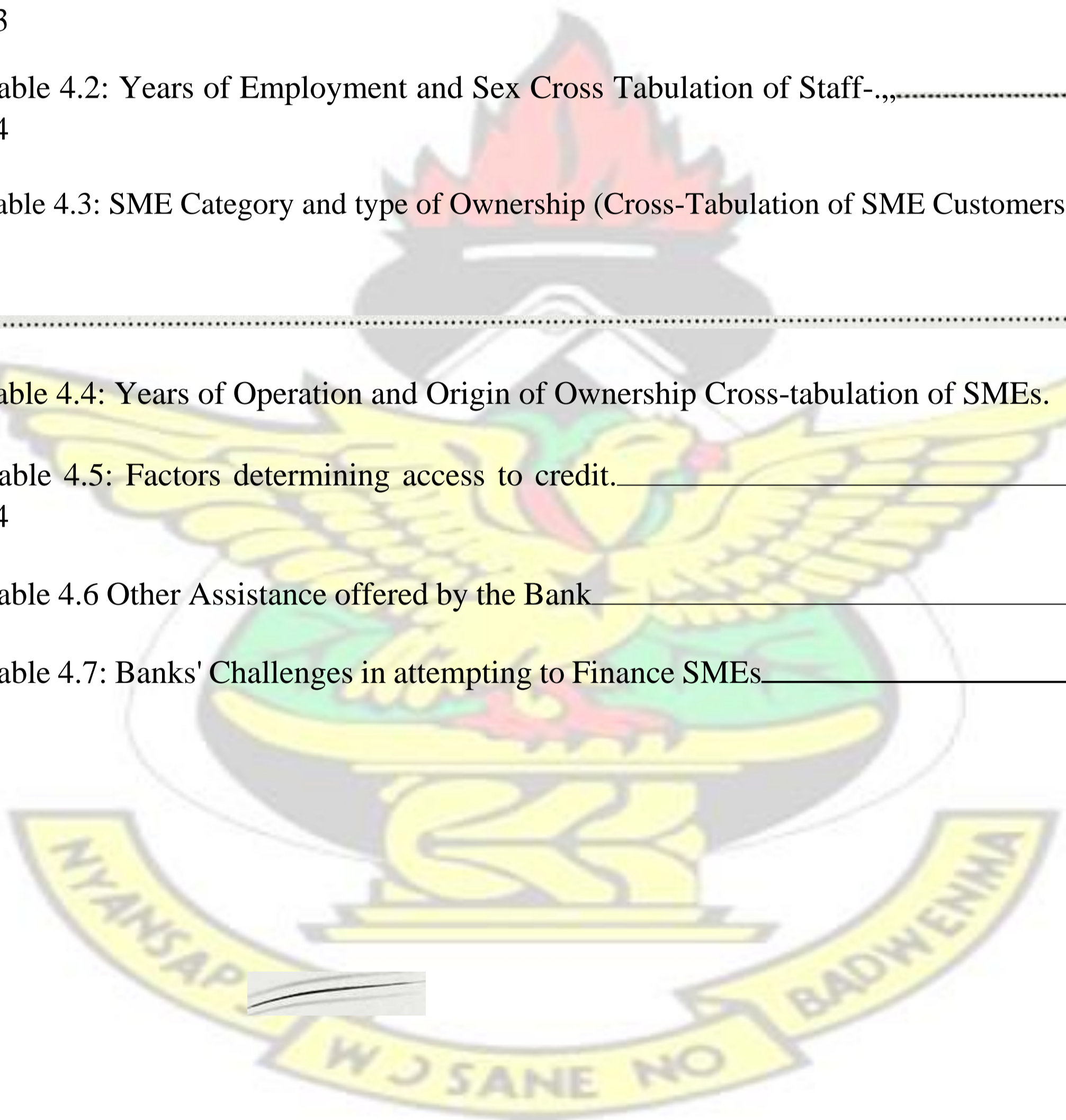
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GEDC Ghana Enterprises Development Commission

GPSDF Ghana Private Sector Development Fund

GSS Ghana Statistical Service

LIST OF

ICT Information Communication and Technology

ABBREVIATIONS

ATM Automated Teller Machine

BAF Business Assistance Fund

BAF Business Assistance Fund

BBG Barclays Bank Ghana Limited

BUSAC Business Sector Advocacy Challenge Fund

CBC Commonwealth Business Council

CSES Centre For Strategy And Evaluation Services

DACF District Assemblies Common Fund

EC European Commission

EDIF Export Development And Investment Fund

FUSMED Fund For Small And Medium Enterprises Development

GDP Gross Domestic Product

MCA Millennium Challenge Account

NBSSI National Board For Small Scale Industries

OECD Organization For Economic Co-Operation And Development

PAF Poverty Alleviation Fund

R&D Research and Development

RFSP Rural Financial

 Services Project

ROSCA Rotating Savings and Credit Associations

SED Small Enterprises Development

SMEs Small and Medium-Sized Enterprises

SPSS Statistical Package For Social Sciences

SSMT Social Security and National Insurance Trust

TTOI Total Turnover On Investment



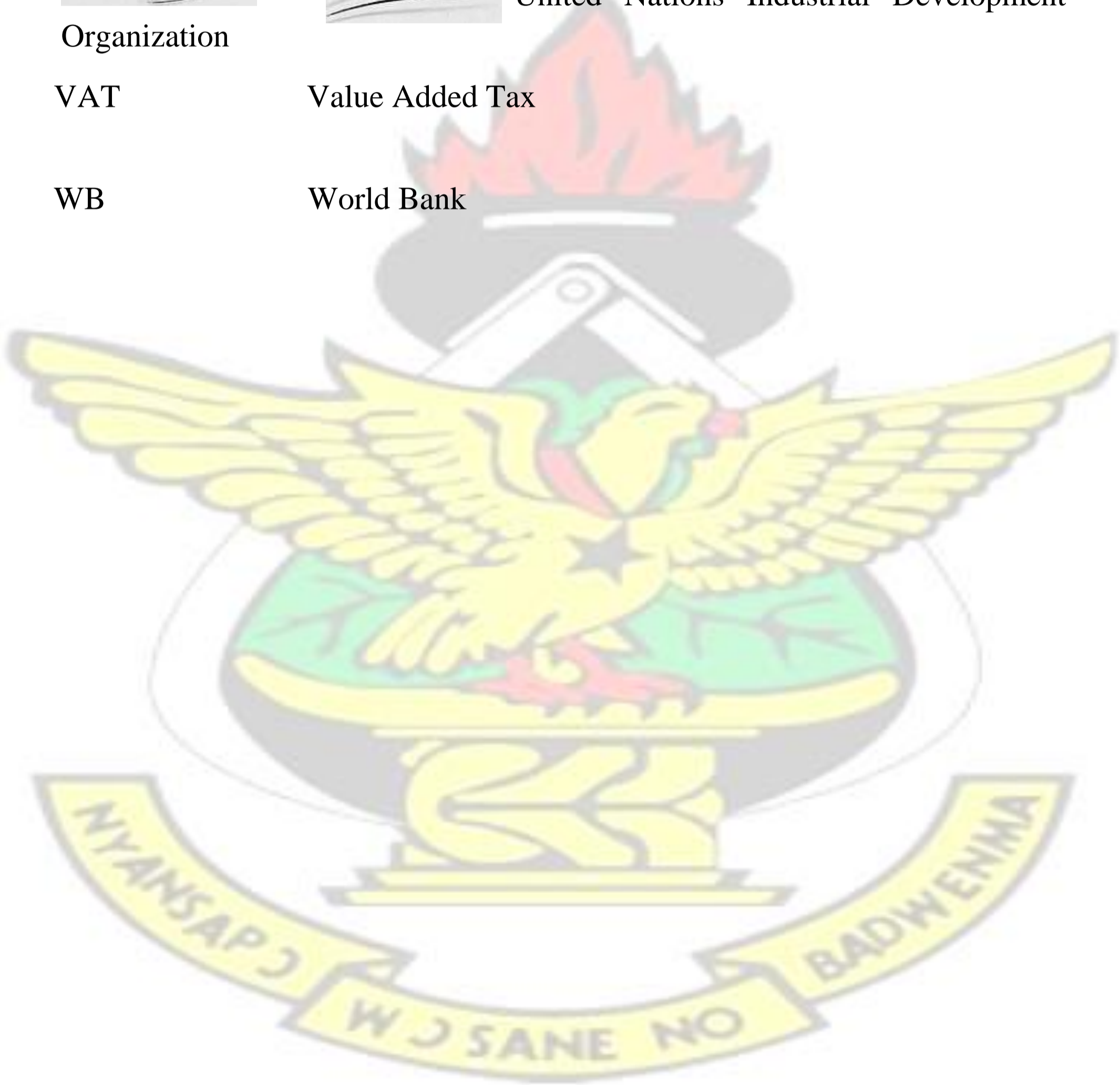
Organization



United Nations Industrial Development

VAT Value Added Tax

WB World Bank



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

It is now recognized that Small and Medium-sized Enterprises (SMEs) make a significant contribution to the socio-economic and political infrastructure of developed and developing countries as well as the nations in transition from command to market economies. The economic development of any country largely depends on the Small and Medium-scale Enterprises (SME's). According to the Organisation for Economic Cooperation and Development (OECD), SMEs constitute the dominant form of business organisation worldwide, accounting for over 95% and up to 99% of the business population depending on the country; and they help create jobs in many developing countries (OECD, 2006). Steel and Webster (1991) noted that Small and Medium-scale Enterprises (SMEs) have been found to contribute to about 85% of employment opportunities in the manufacturing sector alone, and have accounted for about 92% of businesses Ghana Kayanula and Quartey (2000) further emphasised that SMEs in Ghana play an important role by stimulating economic growth, given that their presence is felt in every facet of business in the country.

There is no universally accepted definition for SMEs. The available definitions based on a subjective perspective, and therefore it differs from one country to the other. For instance, in the United States, a business with less than five hundred (500) employees is considered as an SME. However, this classification in another particular country may

represent a corporate business. A study conducted by Beyene (2002) indicates that in South Africa, SMEs are categorized as a survivalist firm, micro enterprise, and small enterprise.

According to the author, a survivalist enterprise is an enterprise usually operated by individuals who are unable to find regular paid jobs but must survive; they are people who are unable to secure jobs in the formal sector. The micro businesses constitute **majority** of established businesses with an employee force of about five (5) to fifty (50). They are often owned and operated by individuals or a family, the medium-scale industries employ up to two hundred (200). In Ghana, SMEs are classified into three (3) main components. These are Micro, Small and Medium enterprises. This classification is done by the National Board for small Scale Industries and the classification takes into consideration the firm's assets, number of employees and the annual sales turnover.

Mead and Liedholm (1998) and Fischer (1995), argue that the role of SMEs in economic growth and development of any country cannot be overemphasized, because they encourage entrepreneurship, generate employment, and reduce poverty in societies that have adopted them- They not only provide employment but also they provide income opportunities for a large number of people who are unskilled and therefore cannot be employed in the formal sector. The need to provide secured source of financing for this sector is therefore necessary. SMEs, if properly structured and capitalised, have the potential to grow and spearhead accelerated growth of any economy into a middle income status. This is especially true for developing countries and Ghana is not an exception.

In Ghana, about 92.5% of industries belong to the Small and Medium Enterprises (SME) category (The Banker, 2004). This is reflected in governmental policies culminating in the creation of a full ministry for private sector development. For Ghana to attain a middle income status in the year 2020, the economy's Gross Domestic Product (GDP) must grow at a sustained annual rate of at least 8%. Such a significant growth level can only be attained through a vibrant and competitive private sector, hence the creation of the Ministry for Private Sector Development to encourage and empower the private sector (The Banker, 2004).

The ultimate aim of Ghana's development strategy is poverty reduction and elimination (The Banker, 2005). Banks are now making efforts to deepen financial intermediation through rapid introduction of innovative products to suit the needs of the numerous clients. The SMEs form the bulk of non-traditional business that holds the key to economic diversification and the banks have thoroughly shown signs of gross understanding of their businesses, trying to speak their language, acquire and provide them with relevant information and strategies to manage their businesses (The Banker, 2005).

SME financing is the provision of funds in the form of bank loans and overdrafts to support the growth of the business. There may be many attractive incentives for which banks, and Barclays Bank Ghana Limited is no exception, enter the SME market. Perhaps the most important of these reasons is the volumes SMEs generate.

1.2 Statement of the Problem

According to Vil-Nkomo (2005), SMEs are important for the survival of the individual and the creation of opportunities for employment and innovation. He argues that SMEs

must be properly conceived, funded and supported, so that they can make significant contributions in addressing the problems of job creation and business innovation in Africa. According to Oyelaran-Oyeyinka (2002), in most developing countries like Nigeria, SMEs are operating in an environment with weak institutions for technical and financial supports. A vibrant private sector has long been seen as key player in economic growth of developing countries including Ghana (Ayiglo, 2004). Traditionally, the stock exchange and money markets have provided access to funding for both listed and unlisted businesses. Attempts by various governments in Ghana to address problems of lack of access to capital have resulted in the establishment of various schemes and funds to provide alternative sources of finance particularly, to SMEs.

Even though it has and continues to provide employment to millions of people, it has not received the needed support from government and other major stakeholders to propel its growth to a greater height. SMEs seem to have been saddled with a lot of challenges that do not make attractive to financial institutions for business. The sector lacks adequate

support ranging from managerial to financing thus crippling their growth potential. A

crucial role the banks can play is to acquire skills for lending and recovering loans from these SMEs, which have been declared the engines of growth. From the discussion, it is obvious that without adequate funding and capacity building, SMEs may not be able to play their roles effectively in the economic development of the nation. The issue of

making SMEs engines of economic growth leaves some questions that remain

unanswered. Are SMEs contributing towards the development of the economy? Which factors determine SMEs' access to bank credit? Have SMEs received the necessary assistance from banks by way of financing or business advice? What challenges do banks and SMEs encounter in their financing relationship? An attempt to find answers to these nagging questions has necessitated this research.

1.3 Research Questions

The following research questions were formulated to guide the study:

- I. Which factors determine SMEs access to bank credit?
2. What are the forms of assistance banks give to SMEs?
3. What are the financing needs of SMEs?
4. What challenges do banks go through in their attempt to finance SMEs?

1.4 **Objectives** of the Study

The general objective of the study was to examine the role of banks towards the financing of Small and Medium-scale Enterprises (SMEs). Specifically, the study sought to:

1. Analyse the factors which determine SMEs access to bank credit.
2. Determine the forms of assistance given by banks to SMEs
3. Evaluate the financing needs of SMEs
4. Analyse the challenges banks go through in their attempt to finance SMEs.

1.5 Significance of the Study

The frustrations of accessing credit facilities from formal systems compel the poor and informal business enterprises to resort to different non-banking and informal arrangements to access funds for their operations. Informal financial institutions operating outside the scope of banking laws and regulations in Ghana include moneylenders, rotating savings and credit associations (ROSCA), and savings collectors.

It is hoped that the study will present a true and fair view of the situation in Ghana with respect to the role of commercial banks in addressing the financing gaps of SMEs. Research into the area of the constraints banks face in providing credit to SMEs will attempt to provide empirical evidence to the major stakeholders in the industry such as the government and financial institutions. The results of this study will provide a roadmap to help the various stakeholders take a closer look at the issue of SME financing. Again, this study will outline the challenges and problems that the banks face in financing SMEs. This will in effect enable SMEs to get access to relevant financial information from banks that are very relevant to their business. Understanding the challenges of SMEs and addressing them adequately will lay formidable foundations to help build a strong economy. The problems that will be illuminated in this study will enable policy makers to pay attention to the SME sector so they can formulate policies that will help minimise such problems.

Again, the study will enable policy makers to identify the growth of Ghana's financial system towards the financing of SMEs as a necessary condition for sustainable economic

growth. There is again no doubt that the outcome of the study will add up to the existing body of literature on the subject- matter especially with specific reference to Ghana.

Students and as well as researchers will find the results from this study as another point of reference whenever they want to understand how SMEs operate in Ghana.

1.6 Scope of the Study

The study is delimited both theoretically and geographically. The theoretical scope of the study is limited to definition of SMEs, the contribution of SMEs towards the development of the economy, the various forms of assistance given by banks, bank financing of SMEs and challenges banks and SMEs go through in their financing relationships. The reason is to ensure a thorough investigation into the selected areas so that the outcome of the study will provide reliable information for both SMEs and banks.

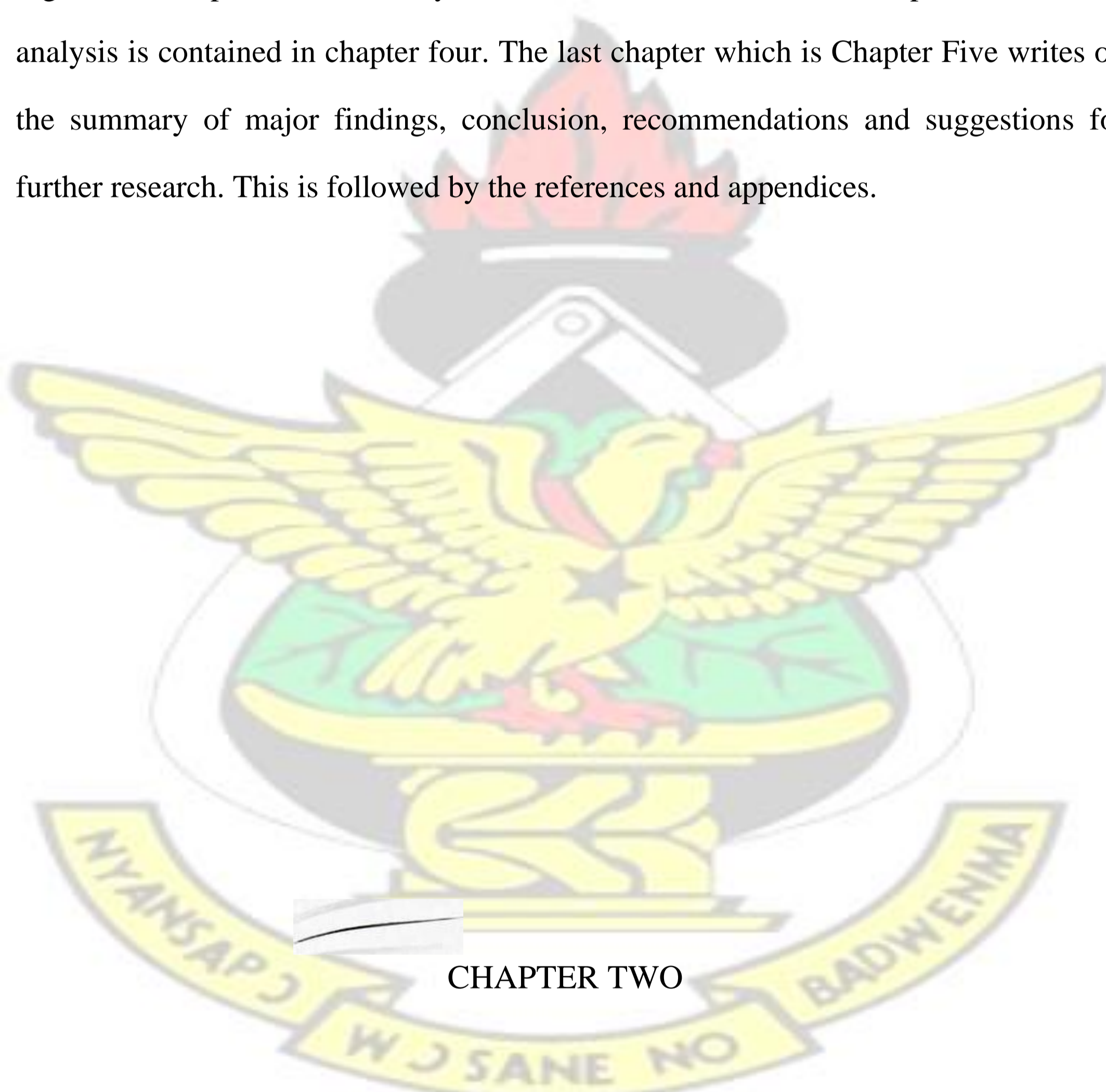
The geographical scope of the study is limited to the Kumasi branches of Barclays Bank Ghana Limited which have been in operation for over five (5) years. This is because there will be enough and reliable information for such branches worthy of study. Barclays Bank Ghana Limited was chosen because it is a bank that is not new on the Ghanaian soil with a lot of respect.

1.7 Organisation of the Study

The study is organized into five (5) chapters. The first chapter which is the introduction covers the background to the study, problem statement, objectives of the study, research questions, justification of the study, limitation and organisation of the study. This is

followed by Chapter Two which reviews extensive, related empirical literature on the subject- matter.

Chapter Three covers the methodology for the study which comprises the research population, sample and sampling technique, research design, sources of data and data collection instruments, method of data analysis, scope of the study and the organisational profile of Barclays Bank Ghana Limited. The data presentation and analysis is contained in chapter four. The last chapter which is Chapter Five writes on the summary of major findings, conclusion, recommendations and suggestions for further research. This is followed by the references and appendices.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter covers the works of various authors on the topic. Among the topics covered include the definitions of Small and Medium Enterprises (SMEs), contribution of SMEs to economic growth, banking credit, SME financing, financing needs of SMEs, sources of SME financing and challenges confronting SMEs.

2.2 Operational definitions of small and medium enterprises

Though there are various definitions for small and medium enterprises (SMEs); however, using the number of employees to define SMEs has been a common practice in literature (Adams & Hall, 1993; Freel, 1999; Rothwell&Zegveld, 1982). Other methods include using capital invested and turnover (Wijewardena&Cooray, 1995). But sticking to a single common definition of an SME might not be possible because of the variations in the definition from country to country and from sector to sector (Gunasekaran et al., 2000).

—Srinivas (2000) puts the argument more bluntly; 'micro enterprises defy a definition'. He reasons that, street vendors, carpenters, machine shop operators, seamstresses and peasant farmers — micro entrepreneurs come in all types and sizes. However, there is still much controversy over the determination of cut-off points or thresholds for the various criteria.

For instance, in South Africa, small businesses are classified variously based on the following criteria: number of employees, degree of independence, etc. Examples of small business classification are as follows:

2.3 Classification of small businesses based on employment in South Africa

The classification of small businesses in South Africa is shown in the Table.

Table 2.1: Classification of Small Businesses based on Employment

Sector	Description	Employment
Survivalist	Income generated is below poverty line.	3% of total employment.
Micro (0)	Owner manager (no employees). Turnover is less than VAT registration limit.	6% of all employment.
Micro (1-4)	Not usually formally registered for tax or accounting purposes. Same descriptors as Micro (0) except the number of employees are more than one.	5% of all employment. Less than 5 employees.
Very Small	Operate in formal market.	Less than ten employees. 13% of total employment
Small Enterprises	Distinguished by some form of managerial coordination.	Less than 50 employees. 20% of total employment
Medium Enterprises	Further decentralization of decision-making. complex decision-making.	Less than 100 employees (200 in mining).
Enterprises— More	Increased division of labour.	14% of total employment.

Source: Ntsika (The state of small business in South Africa, 2001: 40) cited in Hanning and Joubert (2003). The state of SME Equity Finance in South Africa: A review of the Industry and the Industry and the Techniques used for successful investment]. Note: Figure in bracket indicates the number of employees.
Example from Zambia

In Zambia, small businesses are classified based on the Small Enterprises Development (SED) Board Act of 1996. The classification is reproduced here:

Micro Enterprise

A Micro Enterprise is defined as "any business enterprise:

Whose amount of total investment excluding land and buildings does not exceed ten million Kwacha (about US \$7,700).

Whose annual turnover does not exceed twenty million Kwacha (about US \$15,400).

Employing up to ten persons".

Small Enterprise

A small enterprise is defined as "any business enterprise:

Whose amount of total investment, excluding land and building does not exceed:

In terms of manufacturing and processing enterprises fifty million Kwacha in plant and machinery (about US \$ 38,500).

In the case of trading and service providing enterprises, ten million Kwacha (about US \$ 7,700).

Whose annual turnover does not exceed eight million Kwacha (about US\$ 6200).

Employing up to thirty people".

Source: (Mauzu DM, Policy in Zambia, 2000).

The Case of Ghana

The definition of SMEs in this study is founded on the classification of enterprises by the National Board for Small Scale Industries (NBSSI), The Ghana Enterprise

Development Commission (GEDC), Ghana Statistical Survey (GSS), and UNIDO's definition for developing countries. In this context, the definition for SMEs is based on the number of employees and Total Turnover on Investments (Kayanula&Quartey, 2000). The definition takes into consideration some inherent weaknesses and arbitrariness in some of the definitions mentioned when they stand alone. By this classification, Micro-Enterprise employs less than 5 people with a total turnover of up to \$10,000 equivalent, Small

Enterprises employ 5-19 people with a total turnover of between \$10,000-\$100,000 equivalent and Medium Enterprises employ 20 to 100 people with an annual turnover of above \$100,000.

According to Abor (2007), SMEs are defined as firms with less than 100 employees. Ekumah and Essel (2003) had also used a similar categorization in their 2003 IMF working paper (Kayanula&Quartey, 2000; Ekumah&Essel, 2003). Organised SMEs are defined as—micro or ~~small enterprises~~ with paid employees and a registered office.

Unorganized SMEs are also defined as micro and small businesses with regularly unpaid employees and no registered office. This second category is mainly made up of **artisans** who work in open spaces, temporary wooden structures, or at home and employ little or in some cases no salaried workers. They rely mostly on family members or apprentices

(Quartey, 2000; Liedholm& Mead, 1987).

The operational definition for Total Turnover on Investment (IT01) is the change between the present value of total revenue an enterprise generates from its investments in assets and the total revenue at the time of joining any bank.

$$TTOI = TS - TO$$

$$AS - AO$$

Where:

TO is the average income at the point of joining any bank.

T5 is the average income after five years of joining any bank.

AO is total investment at the point of joining any bank.

A5 is total investment after five years of joining any bank.

In Ghana, the 'informal sector' encompasses the sole proprietorships and micro enterprises with very little capital or fixed asset if any at all. This sub-sector of SME sector which is variously called 'trading', 'petty trading', 'self-employed', etc. stands clearly as the largest source of employment in the sector providing a means of livelihood to nearly two-third of women in cities and other urban communities (Ayiglo, 2004). For the purpose of this study, the classification given by the NBSSI and the GSS will be adopted.

2.4 Contributions of SMEs to Economic Growth

The SME sector generates substantial employment and economic output in many countries. Their share of overall employment tends to be higher in developing countries, which are typically more focused on small-scale production (Tybout, 2000). Studies in five African countries (Botswana, Kenya, Malawi, Swaziland, and Zimbabwe) found that SMEs generate nearly twice the level of employment that registered, large-scale

enterprises and the public sector do (Mead & Liedholm, 1998). In many Latin American countries, micro and small enterprises employ over half the working population. An ILO study (2003) examining firms with fewer than 10 workers found that they generated 58% of total employment in Paraguay, 54% in Mexico, and 53% in Bolivia- With respect to economic output, the contribution of the SME sector varies considerably across countries.

SMEs contribute approximately of overall GDP in the Dominican Republic, 13% in **Kenya**, and in Pakistan (Daniels, 1999; ILO, 1999; SMEDA, 2002). Official statistics may underestimate SMEs' contribution to GDP—for example, some experts argue that Kenyan SMEs actually generate 40% of GDP, not 13% (Daniels, 1999; Gamsler, 2003).

The contributions of small and medium enterprises in generating employment and income have become increasingly recognised around the world. Some observers see this—as an encouraging sign: markets are working and people are finding opportunities to participate in ways that empower and nourish many particularly including those who are otherwise most disadvantaged. Others however, view this increase in the number of people engaged in small and micro enterprises as a sign of failure; i.e. people are forced to take refuge in activities that provide only minimal subsistence support (Liedholm & Chuta, 1976). For example, the so called 'informal sector' composed almost entirely of micro enterprises (the sub sector of the smallest units within the SME sector) have grown in most developing countries. Again according to Levitsky (2002) it is reported that in 1950 informal activities in Latin America occupied 30% of the economically active population and by 1980 this had grown to at least 50%. At the beginning of the 1990s over 50% of

the population lived off these "informal sector" activities in countries such as Bolivia, Colombia, Ecuador and Peru.

There is no wall of separation dividing rich and poor nations. Today, we are all linked — not only by investments, travel, and communications, but unfortunately also disease, financial crises, and even terror'. 'One of the root causes of these latter realities is of course, poverty. Its solution must include greater job creation and growth in the private sector, especially at the grassroots level. Micro, small and medium enterprises dominate commercial life in low-income countries, and they must be an integral part of the equation in the world's response to poverty' (Wolfensohn, 2002, cited in Levitsky 2002).

The above statement from a former president of the World Bank Group aptly sums up the important role of micro enterprises in the development of national economics and the need to pay-attention to _____ this sector. 'Well-developed small and medium-size enterprises (SMEs) are considered the backbone of the private sector as they help diversify the economy and make major contributions to job creation. Obviously, through employment generation, they have a significant impact on poverty alleviation' (UNDO, 2001).

Moreover, in most of developing countries, small-scale industries play a crucial role in economic development accounting for a large portion of employment in the formal sector, and reaching significant percentages of manufacturing output and exports. Supporting emerging entrepreneurship and start-up enterprises and providing them with an environment conducive to growth has become a concern for many developing countries.

According to UNIDO (2001), small business support national economics, particularly those of developing countries in so many ways which include the following:

Helping generate employment by using more labour in relation to capital invested. This is especially important in developing countries where labour is abundant and capital relatively scarce;

Acting as "seed-beds" for entrepreneurial talent, another element considered in short supply in third world;

Operating in less populated rural areas with limited markets and poor infrastructure -a feature common in developing countries; .

Being able to start up with limited resources; "ease of entry" as this is called is a significant feature of small business especially in the services; Providing "hands on" training-facilities for people of varying levels of education in both management and technical skills;

Supplying both low- cost items for the poor and in certain circumstances high cost quality products for the rich and for export.

'The flexibility of small enterprises that enables them to better weather recessions, material shortages and market changes is seen by many as an asset of the sector' (UNDO, 2001).

Small businesses support the development of competition and free entrepreneurship in a country'. They are considered as one of the pathways towards poverty alleviation in a developing country like Ghana' (Ayigio, 2004). Ayigio further argues that new jobs created by enterprises make it less painful to restructure large state-owned enterprises, particularly those slated for divestiture. For example, the small business sector has largely been able to cushion the unemployment problems accompanying privatization

by absorbing most employees who had lost their jobs in the course of restructuring state-owned enterprises for divestiture. According to Ayigio (2004), a stable economy, which is made up of well-functioning SMEs, can significantly contribute to the acceleration of democratic reforms and in establishing political stability in a country.

Vil-Nkomo (2005) holds the view that SMEs are important for the survival of the individual and the creation of opportunities for employment and innovation. According to him, empirical _____ research demonstrated that well-conceived SMEs have a chance of making significant contributions to the development of countries. Even though their

—business operation might be small, they are often the largest employment creators in the economy. SMEs are vital for the growth and development of the Ghanaian economy because they encourage entrepreneurship, generate employment, and reduce poverty (Kayanula and Quartey, 2000; Tagoe et al., 2005 as cited by Abor, 2007). Citing Villars (2004), Abor (2007) indicated that SMEs are said to contribute about 70 percent to Ghana's gross domestic product and account for about 92 percent of businesses in Ghana (Villars, 2004). This view is supported by Kyennanteng (2004) who estimates that SMEs constituted 70% of all industrial establishments in Ghana and that 85% of manufacturing employment and to a large extent overall employment growth come from the SME sector.

Kyeremanteng (2004) again indicated that, the SME sector creates jobs at relatively low capital cost and it is more resilient to external shocks such as foreign exchange fluctuations and inflation among other things. Vil-Nkomo opines that if SMEs are properly conceived, funded and supported, they can make significant contributions to

addressing two key challenges facing the African continent namely; job creation and business innovation.

Small businesses have played a considerable role in expanding the export volumes of most countries. Even in economies where, this role has not been very significant, small businesses have helped to economise on foreign currency reserves by acting as producers of some goods and services that may otherwise have had to be imported. Small businesses also help to curb the scourge of some social vices like armed robbery, drug abuse and prostitution by providing jobs for 'idle hands', especially in the densely populated and-poor urban communities (Ayiglo, 2004).

The SME sector contributes the highest percentage of industrial output and it also contributes significantly to overall export from the Non Traditional Exports sector in Ghana (Kyeremanteng, 2004). Micro enterprises contribute significantly to economic growth, social stability and equity. The sector is one of the most important vehicles through which low-income people can escape poverty (Srinivas, 2000). However, some have argued that given the requisite capital investment, increases in employment created by SMEs are not always associated with increases in productivity and therefore the jobcreating impact of small- scale enterprises is a statistical flaw (Biggs et al., 1988). In addition, SMEs in Africa are reported to have high failure rates (World Bank, 1994). It has been estimated that over 60% of SMEs in Ghana fail within five years (Boachie et al., 2005 cited by Alabi et al, 2007). Given the needed financial support, do SMEs ensure income stability, growth and employment in Ghana?

2.5 Banking and Credit

In most jurisdictions, commercial banks as a group are the main source of external finance for SMEs. Therefore, it is essential that the banking system be prepared to extend credit to the SME sector. However, there are number of rigidities of a macroeconomic, institutional and regulatory nature that may bias the entire banking system against lending to SMEs. Macroeconomic policies may lead to excess demand for available domestic savings, while government policy may favour industrialisation and/or import substitution, which effectively gives large domestic firms privileged access to finance. The legal system may not provide adequate protection for the rights of creditors and may be relatively inefygent in resolvin cases of delinquent payments and bankruptcy. Additionally, the tax and regulatory framework may encourage firms to operate opaquely. Furthermore, the financial market may not contain the necessary range of products and services to meet the needs of SMEs (OECD, 2006).

The characteristics of the banking system in emerging markets frequently inhibit SME lending. In many cases, many banks are state-owned. Histories of substandard lending may leave many banks with weak balance sheets. Significant shares of total credit are often allocated on the basis of government guarantees or under special programmes to support targeted sectors. Banks may also be subjected to interest rate ceilings that make it difficult to price credit to SMEs in order to fully reflect the risk of lending to SMEs- In many countries, the authorities have been reluctant to allow banks to fail and the banking system was therefore supported by implicit or explicit government guarantees. Many banks may have **ownership** and other ties to industrial interests and, thus, tend to favour affiliated companies. If the banking system has possibilities to earn acceptable returns by lending to other borrowers, it

will not develop the skills needed to do SME lending. If the formal banking system shows little inclination to lend to SMEs, there is little incentive for firms to produce credible accounts and operate transparently (OECD, 2006).

On a global level, a model of market-based banking has gained acceptance under which banks' management and boards are accountable for achieving high returns to shareholders and maintaining high prudential standards. As this model is applied and as the business environment becomes more competitive, banks have stronger incentives to find means to overcome the difficulties in SME lending. However, many emerging markets have been comparatively slow in implementing this model, which may be reflected in-row **low volumes in SME lending**. Lending to the SME sector would still be, in any case, subject to agency problems and the phenomenon of incomplete markets.

According to the Organisation for Economic Cooperation and Development (OECD, 2006) report, the fact that SMEs in many emerging markets do not have access to credit financing is especially worisome because SMEs typically employ a large share of the labour force and account for a large part of national income. By way of contrast, banks in the most advanced countries are adopting strategies to reduce the risk of lending to SMEs. They are investing considerable resources in seeking to overcome information asymmetry problems by using credit scoring models and other sophisticated techniques to discriminate between high and low-risk borrowers. These lending mechanisms enable banks to identify businesses likely to survive and expand, and with which it is worthwhile to develop a long-term relationship. Banks are also altering the nature of their products. An increasmg proportion of bank revenue now comes from fees for services, which favours lending to entities such as SMEs.

Governments of OECD countries are convinced that there are still enough instances of market failure in SME finance to justify government intervention. Thus, countries have launched a number of programmes to utilise public funds in order to facilitate SME lending- Official surveys at the national level, or on a cross-country regional basis, suggest that the efforts of banks to develop in the SME market, supported in some cases by a moderate amount of government guarantees, have resulted in a situation in which a large share of SMEs have access to bank finance. It is worth mentioning that in most cases the volume of funds supplied under official programmes is modest in comparison to that supplied by banks at their own risk (OECD, 2006).

2.6 SME Financing

Given the extremely vital role that the SME sector plays in economic development, particularly in developing countries, the need to allocate resources for the development of the sector is never in any doubt. Of the myriad of problems that plague the private sector, access to finance particularly external financing stands out as one of the most critical which hinders the growth of the sector (Ayiglo, 2004). It is therefore, not surprising that government of most developing countries have encouraged and supported programmes designed to develop the sector. In most cases, such governments have tried to develop SMEs through financial assistance programmes. 'The small enterprises development projects supported by the World Bank channelled during the 15 years (1973-88) more than US\$3 billion in 70 projects to help small and medium enterprises in 36 developing countries' (Levitsky, 2002).

It is reported that probably less than 10% of this sum reached the very smallest of SMMEs, that is those with less than 10 workers and assets of less than US\$10,000 and

whose lending needs are in the order of US\$ 1,000-US\$2,000 or at least less than US\$5,000 (Levitsky,2002). The average loan size was US\$24,287 in Latin America, US\$1,811 in Asia and a staggering US\$83,408 in Africa, which indicates that these projects reached mainly, firms that are high up on the SME classification ladder, whilst only few of the very smallest firms or micro enterprises were reached (Levitsky, 2002).

2.7 Financing needs of SMEs

According to 'Guide to Venture Financing in Regional Policy' (2002) published by the Centre for Strategy and Evaluation Services (CSES) of the European Commission (EC) the support needs of SMEs vary not only according to the stage of development viz; the start-up phase, growth phase, and maturity phase but also according to the type of firm (CSES, 2002). The Guide goes on further to state that high growth technology-based firms will have very different support needs across the full range of business support services than other types of SMEs. The CSES asserts that financing methods vary according to the stage of development of an SME (CSES, 2002).

The tables 2 and 3 depict the support needs of SME at different stages of development and stages in a company's development vis-a-vis the financing needs at each stage respectively.

Table 2.2: SME Support Needs at Different Stages of Development

Growth Stage →				
Business Support	Growth			Maturity
	Start Up			
Financial Assistance	Start-up grants and loans. Seed capital-	Working Finance. Investment Incentives. Venture capital.	capital	Bank finance of all types. Access to stock markets.
Business Advice	Sign-posting. Business planning advice.	Marketing strategy. Organizational change.		Business strategy. Supply chain development. Knowledge networks.
Human Resources	Entrepreneurial training.	Management skills. Personnel recruitment and training.		Personnel management. Special skills training.
Innovation & R&D technology	Innovation & R&D advice. Product development.	Quality standards. Technology transfer. Use of ICT.		
Physical Infrastructure units.	Business incubator			

Source: Centrefor Strategy & Evaluation Services, 2002.

Table 2.3: SME Financing Needs according to stage of development

Stage of development	Financing needs of SMEs
Seed stage	Financing provided to research, assess and develop an initial concept before a business has reached the start-up phase.
Stan-up stage	Financing for product development and initial marketing. Companies may be in the process of being set up or may have been in business for a short time, but have not sold their products commercially and will not yet be generating a profit.
Expansion stage	Financing for growth and expansion of a company which is breaking even or trading profitably. Capital may be used to finance increased production capacity, market or product development, and/or provide additional working capital. This stage includes bridge financing and rescue or turnaround investments.
Replacement capital	Purchase of share from another investor or to reduce gearing via the refinancing of debt.

Source: Centre for Strategy & Evaluation Services, 2002

In South Africa, the financing needs of Small, micro and medium enterprises have also been determined by looking at the equity investments made by financiers. A 15% - 40% range is applied to the investor's asset values of small business in line with the average investment range of equity investors to determine the financing needs of these

businesses (Hanning and Joubert, 2003). Hanning and Joubert conclude however, that this method of assessing the financing needs of SMEs is limited by the fact that asset value of SMEs is not a good basis for evaluation. And that a valuation based on discounted future cash expected is more accurate. They argue that high-growth SMMEs could have significantly larger values. SME financing needs include the availability of stable credit facilities

(medium and long- term), in order to carry out investment projects (UNDO, 2001).

2.8 Sources of SME financing

According to Abor and Biekpe (2007), the differences in institutional arrangements and financial markets between developed and developing countries actually merit the need to look at the issue from the perspective of developing economies, especially within the context of sub-Saharan Africa such as Ghana. SMEs in Ghana may exhibit a different capital structure with limited access to external finance due to the under developed nature of the financial market. Prior Ghanaian studies have mainly dwelt on the problems SMEs face in accessing various sources of finance (debt and equity) (Steel and Webster, 1991;

Osei et al., 1993; Aryeetey et al., 1994 cited by Abor and Biekpe, 2007).

Sources of SME financing may be classified in several ways including the following:

1. Equity financiers
2. Angel financiers
3. Government programmes;
4. Financial institution;

5. Family and friends; and

6. Own funds.

(Global Entrepreneurship Monitor (GEM) Report, 2003)

Other sources of SME financing as indicated by Sylvia (2000) include the following:

- Commercial Banks,
- SME credit line programmes, including micro- credit programmes,
- Guarantee Funds and
- Investment Funds.

The CSES also indicates that, most researchers suggest that financing sources vary according to the stage of developing of the enterprise. Typical sources of finance will include the following, which in practice will vary greatly from enterprise to enterprise.

Table 2.4: Sources of Finance for SMEs based on stage of development

Development stage	Financing sources
Seed stage	Informal equity from founder and associates. Bank loan if available and needed.

Start up stage

Informal equity from founder and associates.

Bank loan if available and needed.

Leasing for equipment.

Expansion stage

Equity from original sources, plus trade investments or venture capital.

Loans from bank.

Other sources of finance including leasing and factoring.

Replacement capital Trade investment, venture capital or IPO

Source: Centre for Strategy & Evaluation Services, 2002.

In Ghana, some of the sources of finance available to SMEs include the following:

1. The National Board for Small Scale Industries (NBSSI)
2. The Poverty Alleviation Fund (PAF) financed from the District Assemblies Common Fund (DACF).
3. The Business Assistance Fund (BAF).
4. Export Development and Investment Fund (EDIF)
5. The Social Security and National Insurance Trust (SSNIT)
6. Fund for Small and Medium Enterprises Development (FUSMED)
7. Rural Financial Services Project (RFSP)

Other schemes established and operated mainly by foreign governments and/ or their agencies include

- The Business Sector Advocacy Challenge Fund (BUSAC) by DANIDA
- The Millennium Challenge Account (MCA) by US government
- The Ghana **Private Sector Development** Fund (GPSDF) jointly set up by the governments of Ghana and Italy.

2.9 Problems/Challenges confronting SMEs Financing

Any potential provider of external debt or equity finance will want to monitor the company to determine whether it is acting in accord with the initial contract, to follow the progression of the firm and to have the means to oblige the user of funds to respect the interests of the provider of funds. There are numerous reasons why doing this effectively is more problematic for SMEs than for larger firms. Hence, banks are more likely to engage in credit rationing (i.e. not extending the full amount of credit demanded, even when the borrower is willing to pay higher rates) to SMEs than to larger companies (Stiglitz & Weiss, 1981; Hoff & Stiglitz, 1988).

In the first place, the SME sector is characterised by wider variance of profitability and growth than larger enterprises. SMEs also exhibit greater year-to-year volatility in earnings. The survival rate of SMEs is considerably lower than that of larger firms. Thus, one analyst found that manufacturing firms with fewer than 20 employees were five times more likely to fail in a given year than larger firms (Storey, 1995). The difficulties that SMEs experience can stem from several sources. The domestic financial market may contain an incomplete range of financial products and services. The lack of appropriate financing mechanisms

could stem from a variety of reasons, such as regulatory rigidities or gaps in the legal framework. Moreover, development economists increasingly accept the proposition that, due to monitoring difficulties such as principal/agent problems (e.g. related to the shareholder-manager relationship) and asymmetric information, suppliers of finance may rationally choose to offer an array of financial services that leaves significant numbers of potential borrowers without access to credit. Such credit rationing is said to occur if: i) among loan applicants who appear to be identical, some receive credit while others do not; or ii) there are identifiable groups in the population that are unable to obtain credit at any price. In the case of SMEs, it is very difficult to distinguish the financial situation of the firm from that of its owners. The use of company cars and home accommodation for both private and business purposes are clear cases in point.

Furthermore, estate tax and intergenerational succession are important issues in SMEs but usually unimportant for larger companies.

Relations between the firm and its stakeholders are likely to reflect personal relationships to a much higher degree than in larger firms where such relationships are formalised. Whereas large firms are expected to observe recognized standards of corporate governance in which actors such as executives, auditors, and boards of directors are expected to conform to transparent norms, SMEs tend to reflect much more closely the personalities of their owners. Most SMEs particularly in developing economics face several difficulties in accessing credit facilities for their activities. Finance is a major constraint in Africa partly because of the lack of financial depth, the monopolistic and/or oligopolistic nature of the banking sector that encourages rent seeking activities, an inadequate regulatory framework sharing institutions such as rating

agencies and credit bureaus' (Commonwealth Business Council (CBS) and the World Bank (WB), Report of the Workshop on Investment Climate in Africa, 2004).

At a workshop in Dar-es-Salaam, Tanzania organized by the Commonwealth Business Council to present and discuss the results of diagnostic studies of the investment climate conditions of five African countries namely; Kenya, Mozambique, Tanzania, Uganda and

Zambia, Gilbert De Barros of the World Bank identified four key aspects of the financing of firms in the five countries under review. These were access to credit, high interest rates, high collateral requirement and lack of long-term financing.

2.10 Access to Credit

According to findings from the above study in the five selected African countries, firms are overwhelmingly self-financed which indicates a dearth of viable outside financing options. For instance, the study showed that, internal funds finance 87% of all new investments in Mozambique, 71% in Uganda and 67.5% in Tanzania (Commonwealth Business Council (CBS) and the World Bank (WB), Report of the Workshop on Investment Climate in Africa, 2004).

High Interest Rates

Most SMEs are unable to access bank credit due to the high interest rates charged by these banks. Findings from the study referred to above show that, real interest rates range from about 16% in Kenya to 23% in Mozambique. The situation is no different from what prevails in Ghana now. The banks could afford to demand such high interest rates partly because they have access to alternative investment avenues in government

securities which tend to bear high interest rates. So in effect, firms are being crowded out of the credit market partly because of inappropriate monetary policies, (CBC & WB, 2004).

High Collateral Requirement

The high collateral requirements are a reflection of the banks' perception of the risk involved in SME financing which is often characterised by relative high default rates and difficulty in enforcing contract obligation due to the virtual lack of strong property rights protection. In addition, assets are not properly registered and are easily transferable, making it difficult to enforce foreclosure clauses in contracts (CBC & WB, 2004).

Lack of Long- Term Financing

SMEs generally tend to lack the funds to finance long- term projects. According to the survey on the five African countries, the average loan maturity ranged from 2.75 years in Zambia to 3.75 years in Uganda (CBS & WB, 2004). Ayiglo (2004) also identifies five

(5) reasons as contributing to the lack of interest by banks and other non-banks financial institutions in providing financial services to small businesses in Ghana. These are; high delivery cost, asymmetric information (non availability of information about micro enterprises), constricted rationality (restricting benchmarks of success to only financial analysis), high default risk and extreme opportunism- Levitsky (2002) identifies the following reasons as contributing to difficulties faced by small-scale enterprise in accessing credit facilities:

Lending to small enterprises is perceived as being risky. The uncertainties that face a small industry; the high insolvency rate, the susceptibility to market change and to

economic fluctuations, make banks reluctant to deal with these clients. Non-payment, or even delayed payment, by a few major clients can cause the collapse of a small business. The insolvency rate of small businesses is indeed high. In the developed countries, the figures are even higher: somewhere between 20% and 50% of new small enterprises in

the United States fail within the first one or two years of Various studies have
-shown that small businesses are less creditworthy than the larger enterprises, but even though small-scale businessmen may take great pains to repay their loans in order to maintain their credit worthiness, in expectation of increased borrowing, because these enterprises usually depend on a single-owner manager, they are more vulnerable to what might happen to the manager, which would obviously not be the case in a larger industry (Levitsky, 2002).

Paralleled to the reluctance of banks to lend to small enterprises is the reluctance of these enterprises to borrow from banks. The administrative and costly formalities of obtaining banks finance, particularly the time and paper work involved, are a formidable deterrent to smaller businesses. Some of them lack the formal education to cope with the bureaucracy, compounded by problems of locations and time pressures have difficulty in complying with what the institutions require before they grant a credit.

There is a distinct institutional bias on the part of banks towards lending to the larger corporate sector. In many cases, there are links in directorships, joint ownerships and various other common financial dealings between banks and the large enterprises and automatically this induces preference for directing finance to these borrowers.

The administrative cost of lending to small enterprises is high, which cuts deep into the profitability of such transactions for lending institutions. A World Bank study in the Philippines in 1978 showed that whereas the administrative cost of handling large loans was in the order of 0.3% to 0.5% of the cost of the loan, such costs rose to a range of 2.6% to 2.700 when **lending to small en** terprises.

Small enterprises are unable, or unwilling, to present full accounting records and other documentation called for by banks. In most cases, such records just do not exist, making appraisal of loan applications difficult.

Usually such small borrowers are unable to provide the collateral and security demanded by lending institutions before approving loans.

CHAVIYR THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the methodology adopted by the researcher in the conduct of the research. The following headings have been covered under the chapter. These are research design, population, sample and sampling technique, sources of data, data collection instrument, method of data analysis and organisational profile.

3.2 Research design

The study is a descriptive survey employing both quantitative and qualitative methods in assessing the role of banks in the financing of small and medium enterprises using Barclays Bank Ghana **WJSSANE NO** Limited as a case- In addition, the study adopted

a longitudinal design which looked at the volume of financing given to SME clients of the bank for a period of at least five years. The trend of the figures for the financing of SMEs was looked at within the period covering 2006-2010. According to Fraenkel and Wallen (2003) and (2002), descriptive survey includes present facts or current conditions concerning the nature of a group of persons, a number of objects or a class of events and may include the procedure of induction, analysis, classification, enumeration or measurement. Descriptive survey also identifies standards with which to compare present conditions in order to plan for the next step and to determine how to take the next step after having determined where you are and where you wish to go. The descriptive survey design has a number of advantages. According to Fraenkel and Wallen (2003), the greatest advantage of the descriptive survey is its potential to provide adequate information obtained from a relatively large sample of individuals.

Notwithstanding its strengths, the criticism of descriptive survey method has been that, it is superficial and not appropriate research approach to private and emotional matters because respondents may not be completely truthful and willing to delve into such matters (Fraenkel & Wallen, 2002). Despite the drawbacks, the survey design was deemed the most appropriate, since it could lead the researcher to obtain in depth information on the topic under study and to draw meaningful conclusions from the data obtained.

3.3 Population

The total population of Barclays Bank Ghana Limited branches within the Kumasi Metropolis is over twenty (20) as at June 2013. Within these branches, some of them

have been in operation for less than five years. The bank has a total SME client-base of over one thousand five hundred (1500) within the Kumasi Metropolis.

3.4 Sample and Sampling Procedure

Out of the total population, 200 SME clients representing 13.3% of the population were selected for the study. The researcher used both probability and non-probability sampling techniques. The researcher purposively sampled branches that had been in operation for at least a period of five years covering 2006-2013. The reason behind this was to ensure that the bank had adequately dealt with the SME and has enough data relevant for study to enhance generalisation of the findings. The branch managers and relationship managers (in charge of SMEs) were non-randomly selected due to their exclusive access to information relevant for the study. Again, the simple random sampling technique was used to select clients from branches that had operated for at least five years.

The reason for the choice of this technique was to give every client an equal chance of being selected for the study. As a result of this, the branches within Kumasi sampled for the study are Prempeh II Street, Kejetia, Asafo, Krofrom, Ahodwo, Bantama, Old Suame Magazine, Tanoso, Tafo, Nhyieaso Premier Life and KPST Premier Life.

3.5 Instruments

The main instrument used in data collection was questionnaire. The questionnaire was carefully designed by the researcher with the help of the supervisor. It was designed in line with the research objectives. The questionnaire had a total of thirty-one (31) structured questions designed to suit assessment of commercial banks' financing of

SMEs. Out of these 31 questions, 17 were meant for the bank Managers and Relationship officers of the selected branches of the bank and 14 for the customers (SMEs). The questionnaire was divided into five (5) sections. Section A constituted demographic characteristics of respondents, Section B dealt with Financing needs of SMEs, Section C: Assistance SN'>SeetiotY D: Problems and challenges confronting SME financing and Section E deals with Factors determining SMEs' access to credit This instrument was adapted to represent the objective of the study.

In addition, the research instrument was made up of open and close-ended questions. The rationale for adoption of both open and close-ended questionnaire format was that some of the questions and their sequence were determined in advance, while others ensured

respondents' opinion are expressed in ways that may not be captured in the available response options displayed by the close-ended questions. One weakness was that it sometimes became difficult for the researcher to analyse some of the views if they did not follow a certain sequence. Aside the weakness, the semi-structured questionnaire aided researchers to gather data using a mix of both the open and closed questionnaire structure.

3.6 Data Collection Procedure

The study made use of both primary and secondary sources of data. The primary source of data for the study was gathered from the following sources: Staff of Barclays Bank Ghana Limited and selected small and medium enterprises of Barclays Bank Ghana Limited. The questionnaire was carefully designed and administered to two hundred SME clients within the Kumasi Metropolis to find out their impression on the support being provided by the bank In addition, bank officials including Relationship Managers and branch Managers of



the selected branches also responded to questionnaires regarding the financing of SMEs and the challenges they encounter in dealing with their clients.

The researcher initially sought permission from management of the bank before embarking on data collection—Selected branches were approached by the researcher who was then directed to the Relationship Managers who in turn distributed the questionnaires to the selected clients. It is important to point out that data collection was done by the researcher with the help of two field assistants who were taken through a brief period of training to ensure that they were conversant with the questionnaire and data collection procedures.

Secondary data which was made up of documents and financial statements (records) of the bank showing the quantum of financing that went to SMEs was also obtained from Barclays Bank officials.

3.7 Data analysis

Qualitative data analysis method was employed in analysing collected data. It is observed that qualitative data analyses are typically attributes, characteristics, or categories that describe an individual and cannot be quantified (Marczyk et al, 2005).

Data gathered from the survey was analysed by the use of the Statistical Package for Service Solutions (SPSS) software version 12. Analysed data were presented in forms appropriate for easy comprehension, such as, tables, charts, graphs, among others.

3.8 Organizational Profile of Barclays Bank Ghana Limited

The first Barclays Bank branch in Ghana (BBG) was commissioned on 14th February 1917. It has operated in Ghana for ninety four years and it is a wholly owned subsidiary of Barclays Bank PLC. Barclays Bank Ghana Limited is part of the Barclays Africa Group comprising ten (10) African markets.

Vision of Barclays Bank Ghana limited

The vision of Barclays Bank Ghana Limited is to become the best bank for every customer, in every branch, for every products and every time. Barclays Bank Ghana Limited has an expansive retail and commercial banking network in the country with 92 branches and over 130 ATMs in all regional capital and major towns. The bank has stated that it will accomplish this mission by utilizing highly qualified, competent and wellmotivated staff to provide quality and innovative products/services that responds to the dynamic market. The hallmark of Barclays Bank Ghana limited is to maintain its integrity in all its operations at all times- Computerization of the bank and its branches is paramount in decision-making. Presently, the bank's branches have been computerized, and this is enhancing quick delivery of services to customers, provision of timely and reliable information to Bank of Ghana and other outfit-

Barclays Bank Ghana Limited provides a wide range of products and services to its valued customer especially the SME sector. Its products and services are targeted particularly at the business and corporate, as well as retail customers. Barclays offers a wide range of commercial, Retail and Treasury products and services. It also offers local business banking products and services for small medium enterprises and indigenous businesses.

Industries financed by Barclays include Cocoa, the backbone of the country's economy, Timber, Gold and other mineral as well as businesses in the manufacturing and commerce sectors.

Achievement of Barclays Bank Ghana limited

The bank of Ghana in February 2010 named Barclays Bank of Ghana Limited the biggest foreign bank and the largest bank in terms of capacity to handle transactions in Ghana. More than 80% of staff of Barclays Bank Ghana Limited is involved in voluntary community programs annually. Dubbed "Make a Difference Day", it is the biggest corporate voluntary activity in Ghana.



CHAPTER FOUR

ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter comprises the data presentation, analysis and discussion. The sociodemographic characteristics of the respondents were first presented and then followed by the other information arranged according to the objectives of the study.

4.2 Socio-Demographic Characteristics

The socio-demographic characteristics of the respondents presented for analysis and discussion include the age, sex, years of operation, type and origin of ownership and category of SME.

4.2.1 Age, sex and years of employment of respondents

It was found among the SME operators that, there were more male SME operators than females. There were 103 (57.2%) male respondents out of which 27 (15%) were below 30 years. There were 46 _____ (25.6%) male respondents who were between 30-39 years- This represents quite a youthful category representing about 41 % of total respondents. This is a positive development on the part of the youth to engage in their own businesses thus alleviating the problem of youthful unemployment that be-devils most developing countries. There were however about 16% of the male respondents who were 40 years or more. On the part of the female, out of 77 respondents, about 37% were below 50 years thus extending the age range as compared to the men. Most women as they marry and make families would want to do their own jobs so that they can have time for the family. The representation of female respondents is quite encouraging and is an indication of emancipating the female from poverty which have been advocated by

most gender activists. There are countless female entrepreneurs who have been successful. The result can be found in Table 4.1.

Table 4.1: Ages and Sex Cross-Tabulation of SME Customers

Age	Sex		Total
	Male	Female	
18-29 yrs	27	12	39
	% of Total		21.7%
30-39 yrs	46	27	73
	% of Total		40.6%
40-49 yrs	20	28	48
	% of Total		26.7%
50-59 yrs	7	4	11
	% of Total		6.1%
60 and Above	3	6	9
	% of Total		5.0%
Total	103	77	180
	% of Total		100.0%

Source: Field data, 2013

The result from the staff respondents revealed that more male staff were assigned to the SME section than the female counterparts or colleagues. The male respondents were 60% whilst the females were 40%. It is interesting to find that most of the male were newly recruited staff looking at the number of years they had spent with the bank. It could be found from Table 4.2 that 55% of the males had spent up to four years with bank while only 5% had spent five years or more with the bank. Such category of

employees might lack some experience and familiarity with the clients. Most issues of moral hazards occur between unfamiliar parties than between familiar parties. However, the lack of familiarity can also enhance efficiency since familiarity breeds contempt. Cases of compromise, manipulations and certain unethical behaviours could be very low for unfamiliar parties than for familiar ones.

Table 4.2: Years of Employment and Sex Cross Tabulation of Staff

Years of Employment	Sex		Total
	Male	Female	
1-2yrs	18	3	21
	% of Total	30.0%	5.0%
3-4yrs	15	11	26
	% of Total	25.0%	18.3%
5yrs and above	3	10	13
	% of Total	5.0%	16.7%
Total	36	24	60
	% of Total	60.0%	40.0%

Source: Field data, 2013

4.2.2 Category of SME and type of ownership

The type of ownership of most SMEs has been the sole proprietorship also known as 'one-man-business'. It could be seen from Table 4.3 that there were 106 respondents representing 58.9% whose businesses were owned by a single person. The lack of dilution of ownership has been the main reason why people do not go for other business ownership types. There were 36 (20%) and 38 (21.1%) joint ventures and partnerships

respectively. Such entrepreneurs believe in pooling resources and efforts to enhance efficiency and have the tendency to invest huge capital demanding businesses.

The most dominating category of SME was 'traders' and these were represented by 70 (38.9%) respondents. It is interesting to observe that, out of this number, 51 (28.3%) were sole proprietors. This is not surprising because the amount of capital required for trading would be lower as compared to the other categories and hence individuals could provide with ease. The next most popular category of SME was an educational centre which was represented by 35 (19.4%) respondents. This category was again dominated by sole proprietors and joint ventures. Most private schools are owned by individuals. Efficiency could be enhanced if resources and ideas are pooled together so that the benefits of synergies could be exploited. Electronic and print media followed with 29 (16.1%) respondents-but the interest was that, this category was dominated by the partnership ownership type. The probable reason might be due to the fact that this investment requires huge capital outlay and the skill to manage this type of business is a bit more technical than some other SME types. The building and construction business which requires huge capital and expertise saw more partnership type of ownership than sole proprietorships, whilst the brewing and bottling category had equal representation for sole proprietorship, joint venture and partnership.

Table 4.3: SME Category and type of Ownership (Cross-Tabulation of SME Customers)

SME Category	Type of ownership			Total
	Sole Proprietorship	Joint Venture	Partnership	
Traders	51	14	5	70

	0/0 of Total	28.3%	7.8%	2.8%	38.9%
Brewing and Bottling		3	3	3	9
	% of Total	1.7%	1.7%	1.7%	5.0%
Educational Centres		19	11	5	35
	%of Total	10.6%	6.1%	2.8%	19.4%
Fuel		21	1		22
	0/0 of Total	11.7%	.60/0	.00/0	12.2%
Electronic/Print Media		10	4	15	29
	% of Total	5.6%	2.2%	8.3%	16.1%
Building & Construction		2	3	10	15
	0/0 Of Total	1.1%		5.6%	830/0
Total		106	36	38	180
	% of Total	58.9%	20.0%	21.1%	100.0%

Source: Field data, 2013

4.2.3 Years of operation and origin of ownership of SMEs

It could be observed from Table 4.4 that 79 (43.9%) are start-ups and have operated for up to five years such new businesses require a lot of monitoring and supervision and might be more risky to do business with. Their credit history might be in doubt and banks might feel reluctant to grant certain sums requested. This was followed by SMEs that had operated for 6-10 years which was represented by 58 (32.2%) respondents. Such enterprises might have gathered enough experience on the job and might require financing for expansion. Their past performances could justify their demand for facilities thereby reducing their risk exposure and the tendency for their loans to go bad. Enterprises that had operated for more than ten years constituted about 24% and their

familiarity with the business environment could never be in doubt. Such enterprises might require facilities for new product lines or expansions.

Most of the SME ownership had domestic origin. It could be found from Table 9 that 133 (73.9%) SME owners had domestic origin most of whom (51.7%) had spent ten years or less operating as SMEs. The dominance of domestic ownership is good news for policy makers and government's plan to develop the private sector which has called for the establishment of a whole ministry to steer affairs. The other origin of ownership was the mixed origin-which is a blend-of-foreign and domestic partnership or joint venture. There were 30 (16.7%) of such ownership and 17 (9.4%) foreign ownership of SMEs-

Table 4.4: Years of Operation and Origin of Ownership Cross-tabulation of SMEs

Years	Origin of ownership			Total
	Domestic	Foreign	Mixed origin	

0-5 yrs	63	3	13	79
% of Total	35.0%	1.7%	7.2%	43.9%
6-10 yrs	30	14	14	58
% of Total	16.7%	7.8%	7.8%	32.2%
11-15 yrs	24			24
% of Total	13.3%	.00/0	.00/0	13.3%
16-20 yrs	16		3	19
% of Total	8.9%	.00/0	1.7%	10.6%
Total	133	17	30	180
% of Total	73.9%	9.4%	16.7%	100%

Source: Field data 2013

4.3 Financing needs of-SMEs——

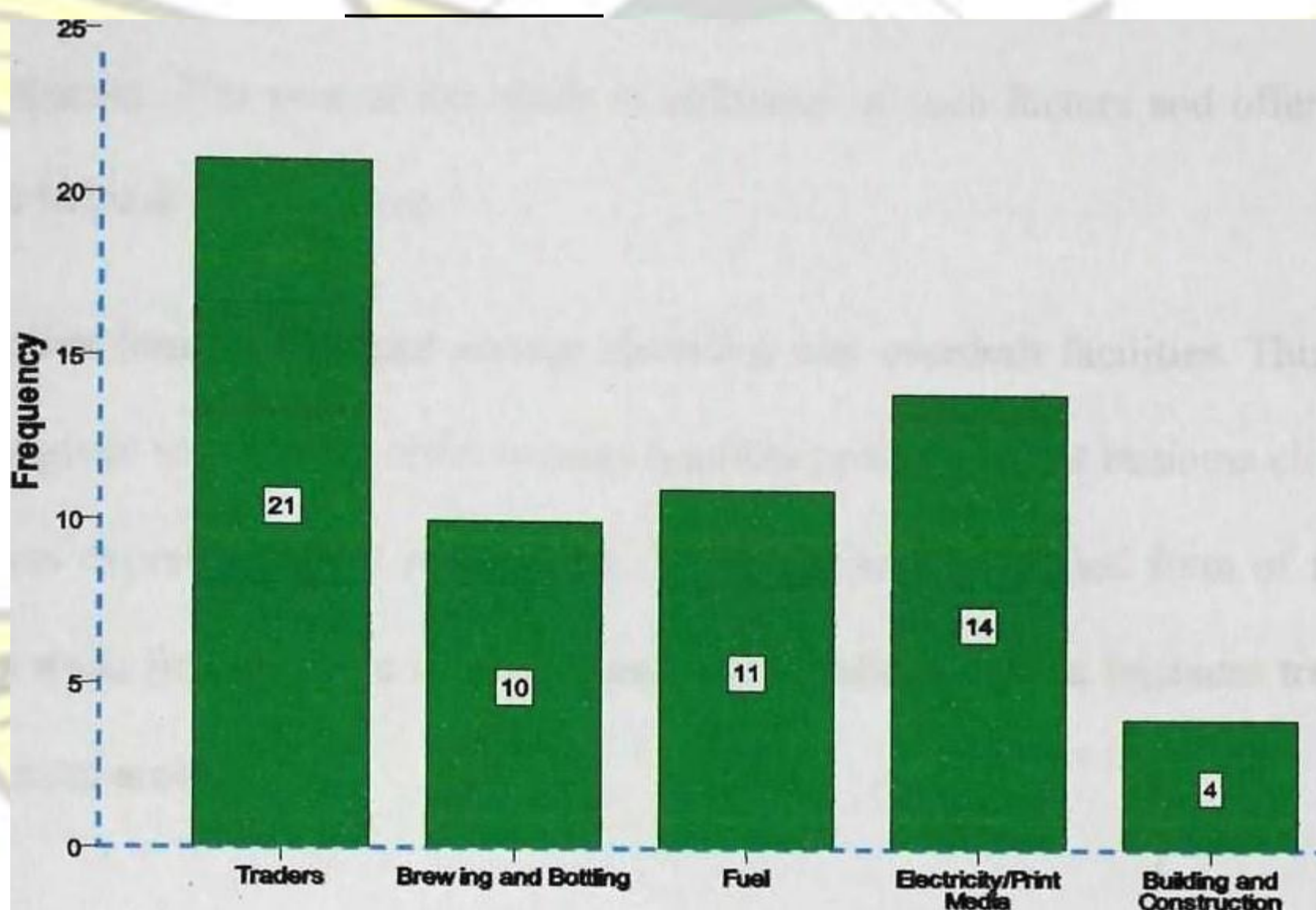
The financing needs of SMEs are varied and are always a function of the status of the enterprise as to being a start-up, requiring seed capital or expansion and inclusion of other lines of production.

4.3.1 Targeted SMEs

The staff respondents indicated that, they had preference for some category of SMEs than others depending on where they found themselves. It was indicated by 21 respondents that they had preference for traders. This constitutes a very large proportion of SME clients and it is not a surprise they had the highest representation. The financing needs of traders are numerous but not in huge volumes as other areas of investment.

They include market sellers, shop and supermarkets that are scattered all over the country. The respondents again indicated that they had preference for SME clients who had invested in electronic and print media. Private radio stations and news paper firms have also been loyal SME customers whose financing needs have been the concern of banks. The political environment of Ghana has allowed for the establishment of newspaper, radio and television stations as efforts to deepen democracy.

Another group of targeted SME clients were fuel and brewing and bottling who were represented by 11 and 10 respondents respectively. The financing needs of these businesses might be very higher as compare to already discussed businesses. The least represented category of SME was building and construction which was represented by 4 respondents.



Most targeted SMEs

Figure 3.1: Most Targeted SME Clients

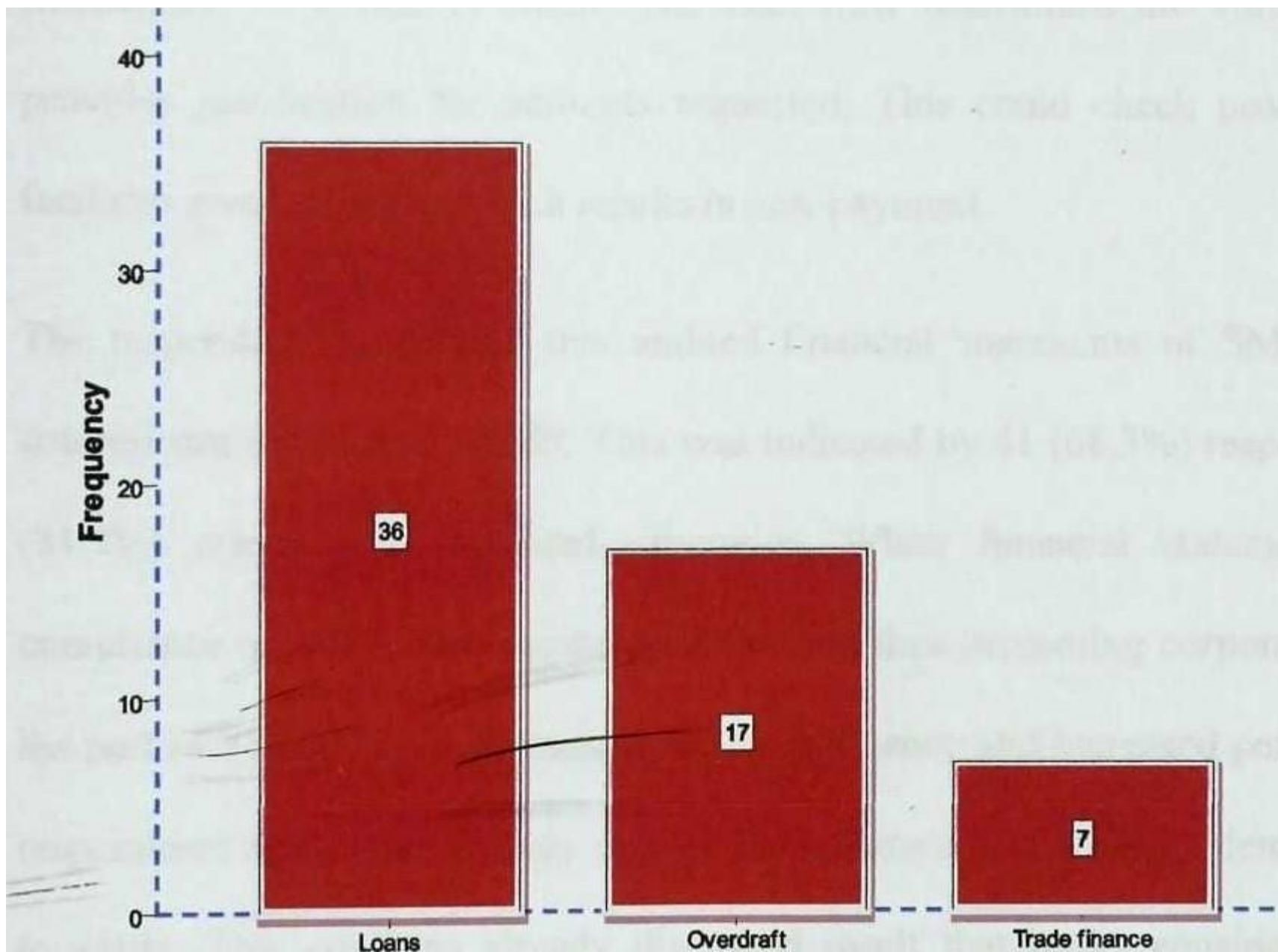
Source: Field data, 2013

4.3.2 Financial service for SMEs

In an attempt to find out the type of financial service the bank offered to SMEs, it was found out that loan was the most popular form of financial service given. This was expressed by 36 staff respondents. Most SMEs have suffered financial constraints and have not been able to expand and grow for lack of finance. The bank's commitment to SMEs through the giving of loans has helped sustained a lot SMEs to survive the turbulent business environment.

The result contradicts the findings of OECD (2006) which reported that banks may be subjected to interest rate ceilings that make it difficult to price credit to SMEs in order to fully reflect the risk of lending to SMEs. According to OECD (2006), many banks may have ownership and other ties to industrial interests and, thus, tend to favour affiliated companies. The case of this study is oblivious of such factors and offer loans to SMEs thus helping them survive.

Another form of financial service identified was overdraft facilities. This is a short term loan given to clients in order to meet liquidity problems most business clients go through. It was expressed by 17 respondents, whilst the least identified form of financial service was trade finance. This is where banks pre-financed certain business transactions when the need arose.



Type of financial service for SME

Figure 3.2: Financial Services for SMEs

Source: Field data, 2013

4.4 Factors determining access to credit

Access to credit is dependent on a number of factors. The respondents assigned more weight to some factors than others. The factors which attracted weights from 60-100% were indicated very strong determinants of access to credit, whilst those between 0-59% were indicated as weak determinants. The result from Table 10 indicates that business registration document was a strong determinant of access to credit. This was indicated by 50 (83.3%) respondents, whilst 10 (16.7%) respondents indicated that it was a weak determinant of access to credit. Registration documents are the first proof of existence of an entity that is why it is not surprising that respondents overwhelmingly answered that way. There was unanimous indication by all the respondents that cash flow was a strong determinant of access to credit. The cash flow determines the volume activities and provides justification

for amounts requested. This could check possible diversion of facilities given to SNEs which results in non-payment

The respondents confirmed that audited financial statements of SMEs were a strong determinant to access to credit. This was indicated by 41 (68.3%) respondents, whilst 19 (31.7%) respondents indicated otherwise. When financial statements are audited, compliance to accounting standards is ensured thus promoting corporate governance on the part of SMEs. The end result of this is efficiency and increased performance. All the respondents again unanimously agreed that collateral was a strong determinant of access to credit. This confirms already discussed result that banks considered the collateral available before giving out amounts requested. The only determining factor which was indicated by most respondents as weak was business plan.

Apart from 24 (40%) respondents who indicated business plan was a strong determinant, all the remaining 36 (60%) respondents expressed that it was a weak determinant of access to credit. Most businesses do not have comprehensive business plan which is a blue-print of the business activities. The banks did not use it as a major criterion for granting credit to SMEs. The credit history of customers served as strong determinant to access to credit. This was the opinion of 53 (88.3%) respondents, whilst a few 7 (11.7%) indicated otherwise. Customers with poor credit history have the potential to make loans go bad and might not be in the good books of the bank.

It was expressed by all the respondents that, management experience served as a strong determinant of SME access to credit. The experience of management could emanate from good credit history which gives the bank the confidence and moral right to offer more credit facilities. The banks strongly considered the source of loan repayment before credit was granted to SMEs. This could be traced from the cash flows which have already been

identified as a strong determining factor to SME access to credit. The banks should be sure that the source of repayment could meet the instalments without necessarily causing untold hardships to the survival of the enterprise. Banks always considered the purpose of the facility before approving it. They ensure that the purpose for which facility was collected is not diverted as has been the case with most loan applicants-

TABLE 4.5: Factors determining access to credit

Factor	80-100%	60-79%	40-59%	20-39%	0-19%
Business registration document	43 (71.6%)	7 (11.7%)	7 (11.7%)	3 (5%)	
Cash flow	47 (78.3%)	13 (21.7%)			
Audited financials	18 (30%)	23 (38.3%)	7 (11.7%)	15 (25%)	
Collateral	41 (68.3%)	19 (31.7%)			
Business plan	17 (28.3%)	7 (11.7%)	17 (28.3%)	8 (13.3%)	11 (18.3%)
Credit history (character)	4 (40%)	29 (48.3%)	3 (5%)	4 (6.7%)	
Management experience	31 (51.7%)	29 (48.3%)			
Source of Repayment	46 (76.7%)	11 (18.3%)	3 (5%)		
Purpose of the facility	43 (71.7%)	10 (16.7%)	7 (11.7%)		

Source: field data, 2013

4.5 Forms of Assistance to SMEs

The banks offer financial assistance to SMEs as well as other forms of assistance. The forms of assistance and contribution of banks to the development of SMEs were investigated. The SME respondents indicated that apart from financial support, they received other forms of assistance from the banks. It was unanimously reported by 115 (63.9%) respondents that they received business advice from the bank officials. The advices were given to the clients based on the observations the officials made upon visits they paid to them. Bank officials had the opportunity to look into the books of their clients and based on what they saw right or wrong, they advised accordingly. The massive representation of this form of assistance confirms the confidence they have in the banks. The finding confirms that of Centre for Strategy & Evaluation Services (2002) that SMEs in South Africa received business advice in the form of effective business planning with achievable goals and targets.

The other form of assistance given to SMEs was training programmes and this was identified by 59 (32.8%) respondents. The bank organized frequent training programmes on keeping records of business transactions, tracking debtors and making sure none went bad and effective sales and marketing of products or services. The training programmes have really given -SMEs ~~a new dimension~~ in their managerial skills. The other form of assistance indicated by respondents was human resource management skills offered by the banks. Again, improvement in the payment system, automation of bank services and credit and other forms money transfer were indicated as tools that had facilitated business transactions which could be credited to banking innovation. The result can be found in

Table 4.6.

Table 4.6:Other Assistance offered by the Bank

Forms of assistance	Frequency	Percent (0/0)
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Business advice	115	63.9
Training programmes	59	32.8
Others	6	3.3
Total	180	100.0

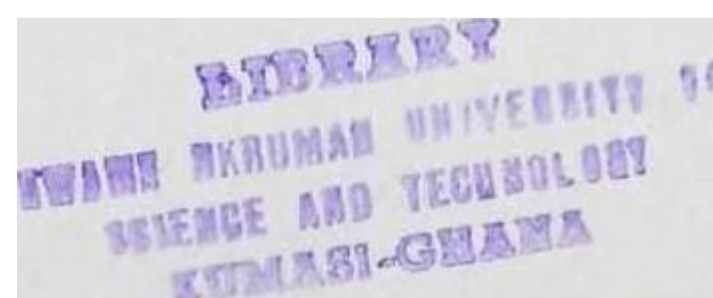
Source: Field data, 2013

4.6 Problems and Challenges Confronting SME Financing

According to Storey (1995) the SME sector is characterised by wider variance of profitability and growth than larger enterprises. SMEs also exhibit greater year-to-year volatility in earnings. The survival rate of SMEs is considerably lower than that of larger firms thus making the banks feel very uncomfortable to provide finance for them. These serve major source of challenges to SME financing.

Frequency of default in repayment

It was indicated by 76.7% of the respondents that, SME clients who were given facilities often defaulted in repaying them. This figure is very outrageous and could jeopardize efforts to support SMEs financially. There were other respondents (5%) who indicated that SMEs very often defaulted in repaying back their facilities- This cumulatively sums up to about 82% who have indicated the presence of loan default. Default in repaying brings liquidity problems to financial institutions and has been major reason why banks



charge huge interest rates on loans given. The ripple effect of this is the high cost of capital which eventually puts SMEs into financial distress. However, 18.3% of the respondents were of the opinion that, default cases were rare among SME clients. This does not necessarily constitute the non-existence of loan default but rather on a minimal scale. This has not been very pleasant for financial institutions and the earlier it is addressed the better.

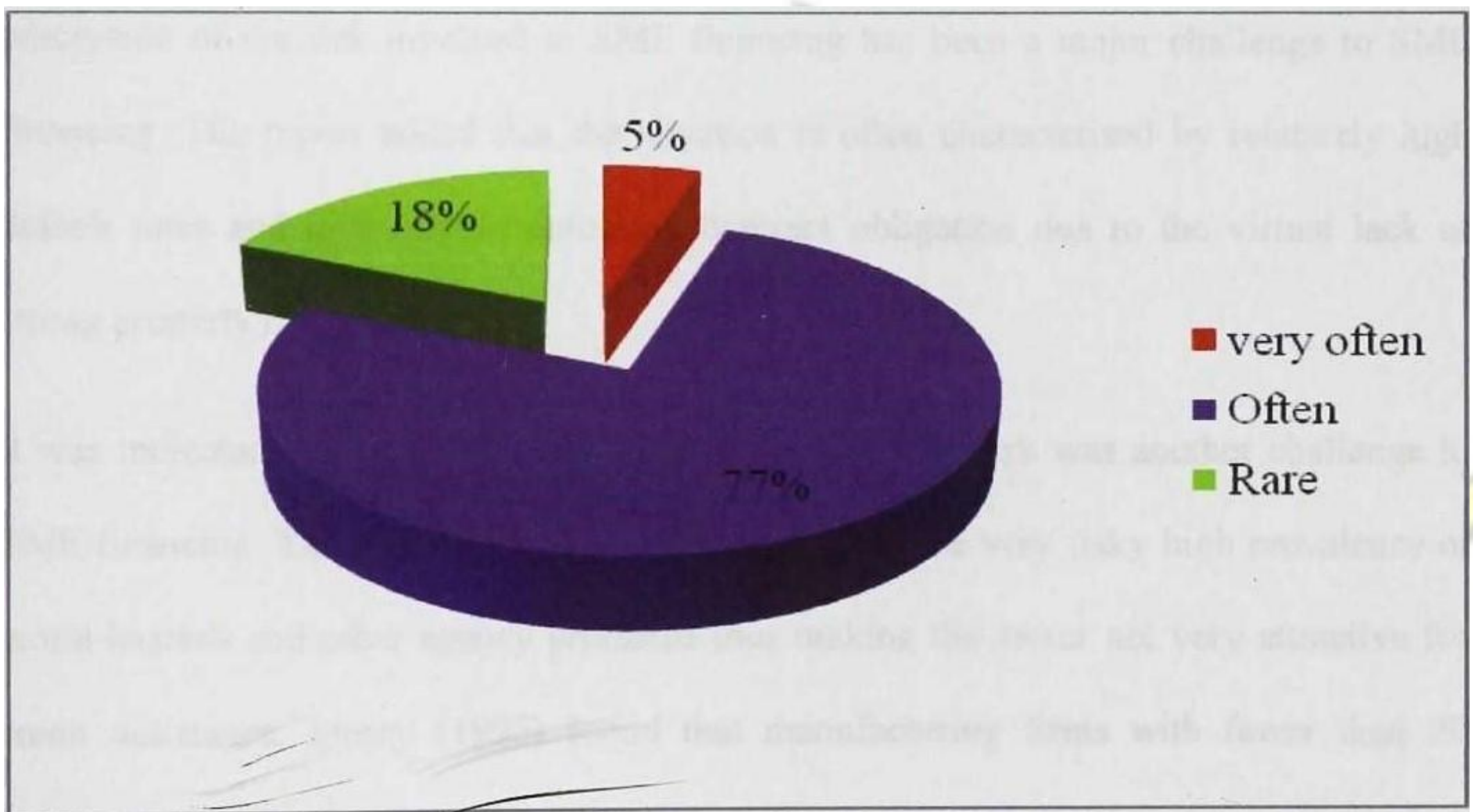


Figure 3.3: Frequency of default

Source: Field data, 2013

Banks' Challenges in attempt to finance SMEs

The challenges in financing SMEs are numerous and varied. It was indicated by 14 (23.3%) respondents that, high default rate was a major challenge confronting SMEs. This is not surprising because it has already been confirmed in earlier discussion that clients often defaulted in repayment of loans collected. Another challenge identified by the respondents was lack of adequate collateral which was the view of 15 (25%) respondents. In spite of all measures to know the customer, providing adequate collateral

has been a major condition for granting credit. The result confirms the findings of CBC & WB (2003) that high collateral requirements which are a reflection of the banks' perception of the risk involved in SME financing has been a major challenge to SME financing. The report added that the situation is often characterised by relatively high default rates and difficulty in enforcing contract obligation due to the virtual lack of strong property rights protection.

It was indicated by 10 (16.7%) respondents that industry risk was another challenge to SME financing. The SME sector has been identified to be very risky high prevalence of moral hazards and other agency problems thus making the sector not very attractive for credit assistance. Storey (1995) found that manufacturing firms with fewer than 20 employees were five times more likely to fail in a given year than larger firms thus making them riskier. Poor record keeping was identified by 18 (30%) respondents as another challenge to SME financing. Most SMEs failed to keep accurate records on their business transactions thus making the study and analysis of business trends very difficult.

The absence of reliable data on business activities makes it difficult to identify possible problems and the prediction of future events. The businesses are left at the mercy of circumstances thus resulting in the collapse of most SMEs unexpectedly even though the signs would have been clear if records were kept on business activities. The least indicated challenge was bad credit history. Although this was a challenge, it was minimal because it was identified by few respondents. There has been a law on credit score for customers and the enforcement of the provisions of the law will help minimise the effect of this challenge on SME financing.

Table 4.7: Banks' Challenges in attempting to Finance SMEs

Challenge	Frequency	Percent (0/0)
High default rate	14	23.3
Lack of adequate collateral	15	25.0
Industry risk	10	16.7
Poor record keeping	18	30.0
Bad credit history	3	5.0
Total	60	100.0

Source: Field data, 2013

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMEDATIONS

5.1 Introduction

This chapter comprises the summary of major findings of the study, conclusions and recommendations based on the findings. The study's respondents include both SME clients and staff of the bank. The following were the findings of the study.

5.2 Summary of Findings

The study found that there were 57% men and 43% women involved in the SME businesses. Again the staff scheduled to deal with SME clients had 60% men and 40% women. The age distribution of SME operators were such that 62% were below 40 years with the remaining 38% above 40 years. It shows the involvement of the youth in entrepreneurship

which can aid economic and national development. It was again found that 78% of the staff had spent up to 4 years. Most SMEs had operated for up to 10 years and this was represented by 76%.

The category-of SMEs the-bank—dealt with were mainly traders which dominated the classification with 39%, those involved in education sector was next with 19%, the print and electronic media followed with 16%, building and construction (8%) and then brewing and bottling with 5%. The type of SME ownership was basically the sole proprietorship which represented 59%, partnership with 21 % and then joint venture with 20%. The Ghanaian type of SME did not favour joint efforts for fear of dilution of ownership. The origin of ownership was purely domestic which indigenous Ghanaian ownership (74%), mixed ownership (17%) and then foreign ownership were 9%.

The most targeted SMEs were traders followed by electronic and print media, fuel, brewing and bottling and then building and construction. The financing needs of SMEs were expressed through the demand for loan facilities, overdraft facilities and trade finance. Thus SMEs required both short- term and long- term financing. The most dominant criteria for segmenting SMEs were type of business and turnover.

The banks usually granted credit to SNEs by looking at their cash flows which could determine their ability to meet the instalments without serious financial distress and liquidity problems, sufficient collateral to secure the loan in case of default, management experience, source of repayment and purpose of facility as well as credit history. The weak determining factors of access to credit were business plan, audited financials and business registration document. The order in which the factors have been arranged follow in their order of importance or strength in determining access to credit.

It was found that 64% received business advice. This includes best ways of keeping individual accounts separate from the business account. The essence is to control unnecessary drawings _____ which deplete owner's equity. Again, it was found that training programmes were organized for clients on best ways of keeping business accounts, maintaining accurate records on debtors, maintaining good customer relation and then effective sales and marketing of products and services. The other forms of assistance were human resource management practices, innovation of extended products and services to enhance business transactions like automated services, payment system and money transfers.

The challenges in financing SMEs included default in repayment of loans. It was confirmed that 82% of SME clients often or very often defaulted in repaying loans collected. The remaining 18% rarely defaulted which is still an indication of a higher possibility of loan default- Among other challenges identified from the study included poor record keeping, lack of adequate and sufficient collateral, industry risk and poor credit history of clients.

5.3 Conclusions

It could be concluded from the study that, the SME sector has been male- dominated. It could be said that gender might account for entrepreneurial skills or ambitions. It is also a sector which is dominated by the youth. The involvement of the youth in entrepreneurship provides a future for economic and national development. Trading has been a major sector which encompasses most entrepreneurs. This is not a positive development because if there should be more in the production and manufacturing sector, the problem of unemployment could be seriously reduced thereby relieving the government. Most business ownership is the sole proprietorship type which is predominantly domestic ownership. This does not help in the pooling of resources to enhance performance.

The banks have targeted SMEs involved in trading than any other sector. This will continuously jeopardise the development of other sectors especially manufacturing sector. The development of SMEs should be holistic and cover all sectors of the economy. The financing needs of SMEs are basically loans, overdraft and trade finance.

The banks—offer credit ~~facilities~~ to SMEs based on their cash flows, collateral, management experience and source of repayment. Business plan, audited financials and business registration documents were weak determinants of access to credit. Using cash flows as benchmark for granting credit will enhance good and accurate record keeping but banks should be very mindful of window-dressing.

Banks have made and are still making contributions to SME development. The assistance given to SMEs apart from financing their businesses includes business advice, training programmes and innovated product and services to enhance business transactions. This



has provided sustenance to the survival of SNCEs.

The financing of SMEs faces challenges such as high default rate, poor record keeping, lack of adequate collateral to secure loans, industry risk and poor credit history. These challenges have impeded the effort of financial institutions which could be minimized through effective monitoring through regular visits and account conduct. The usage of mechanisms like credit rationing, short-term loans and selective lending could be mechanisms to deal with the problem of loan default.

5.4 Recommendations

Training opportunities for the youth

It is recommended that, more programmes and training opportunities be offered the youth who have already shown interest in investing in SMEs. This will go a long way to reduce youth unemployment problems.

Encouraging equity ownership of SMEs

SMEs should be encouraged to extend their ownership from single to public equity ownership to ensure good corporate governance. They should not only rely on bank

financing which is purely debt financing but could look at Venture Capital Trust Fund which emphasises equity ownership.

Expanding SMEs to cover manufacturing industry

Financial institutions which offer assistance to SMEs should not only look at traders but should be interested in manufacturing sector which could help solve the problem of unemployment which bedevilling most developing countries.

It is recommended that further research could look at the contribution of SMEs to economic and national development which could provide justification for sustaining this sector of the economy

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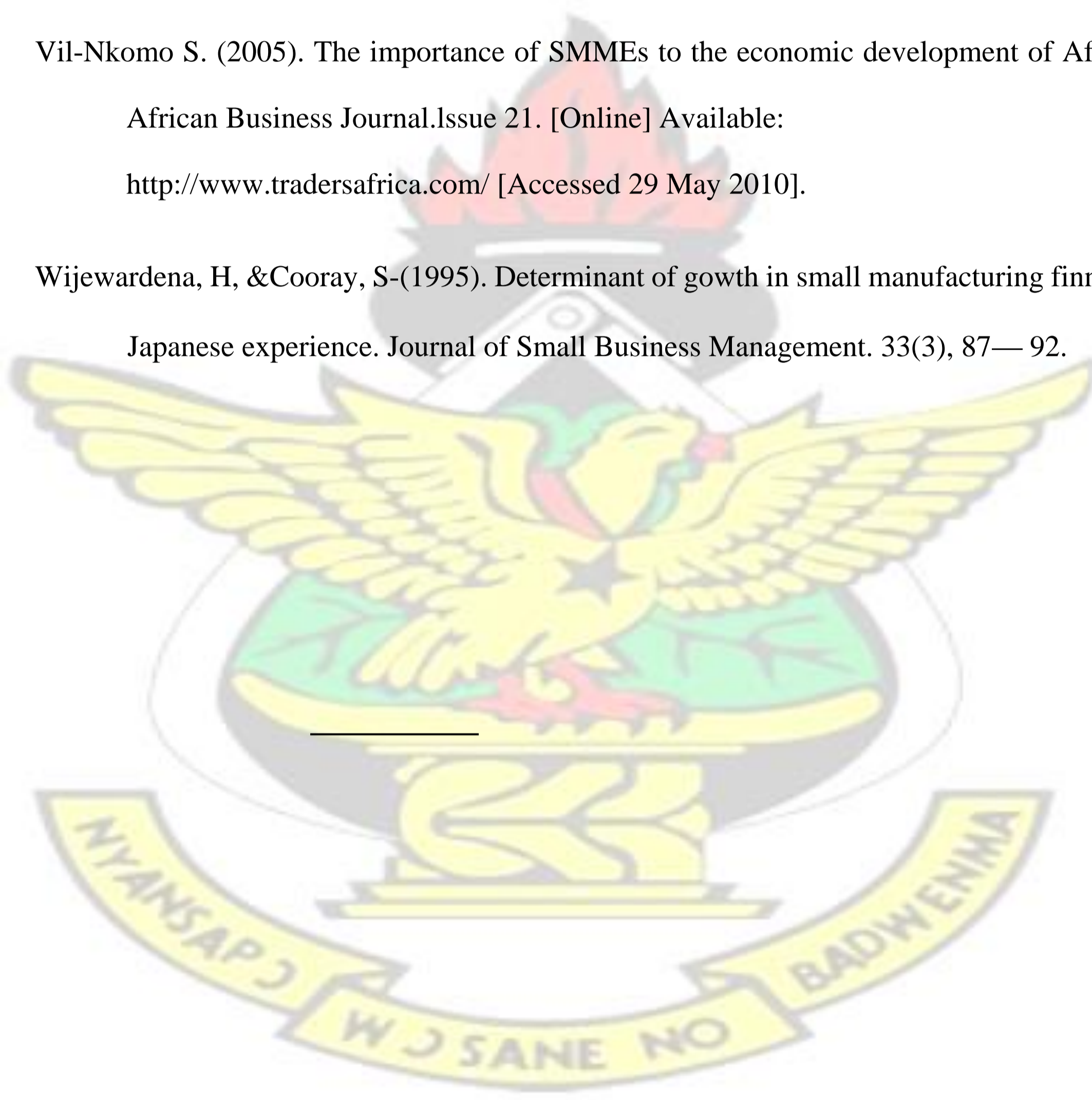
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Appendix 1: Questionnaire for bank staff

I am a graduate student of the Kwame Nkrumah University Of Sciences And Technology collecting this data to aid me in a research entitled "FINANCING SMEs WITHIN THE KUMASI METROPOLIS: THE CASE OF BARCLAYS BANK GHANA LIMITED" in partial fulfilment of a Commonwealth Executive Masters of Business Administration degree. I assure you that data collected will be used for this research only and with outmost confidentiality. You may refuse to answer any of the questions that you do not feel comfortable

SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Gender a) Male b) Female

Status/Position.....

How long have you worked with this bank?

a) Less than 1yr b) 1-2 c) 3-4 yrs d) 5 yrs and above

How long has the bank been offering SME financing services?

a) Less than 1yr b) 1-2 c) 3-4 yrs d) 5yrs and above

What are the categories of SMEs do you do business with? (Tick as many)

- a) Traders b) Brewing and Bottling c) Educational Centres
- d) Fuel e) Electronic/Print Media f) Building and Construction

g) Other (Specify) .

.....

FINANCING NEEDS OF SMEs

KNUST

Which SME sector/category does the bank target most?

- a) Traders b) Brewing and Bottling c) Educational Centres
- d) Fuel e) Electronic/Print Media f) Building and Construction
- g) Other (Specify).....

What criteria do you use to segment your SME customers?

- a) Type of business b) Turnover c) Type of ownership
- d) Years in existence e) Credit history f) Other (specify)

What is the reason for targeting a particular SME category?

Which type of financial service does the bank provide for SME customers? a)

- Loans ~~b) Overdraft~~ c) Trade Finance
- d) Leasing e) Venture Capital f) Business Advisory Services
- f) Factoring h) Other (Specify)

What major risk factor do you consider when ganting financing facilities to SMEs?

- Credit risk b) Country risk c) Interest rate risk Industry risk

e) Exchange rate risk g) Other (Specify)

What do you do to monitor and assess SMEs who take facilities from you?

Regular visits b) Banker's Opinion c) Account Conduct

Opinion from suppliers e) Stringent documentation

Others (Specify).....

ASSISTANCE GIVEN TO SMEs

Are banks especially your bank doing enough as far as financing SMEs are concerned?

Yes b) No c. Not really

The bank offers business advice to SME clients.

Strongly agree b. Agree c. Undecided d. Disagree

e. Strongly disagree

PROBLEMS AND CHALLENGES CONFRONTING SME FINANCING

How often do you experience default on the part SMEs?

Very Often b) Often c) Rare d) Not at all

What mechanisms has the bank put in place to check possible default?

Credit Rationing b) Collateral c) Small facility size

Short-term loans e) Selective Lending f) Monitoring
 Other (Specify).....

What are the challenges that confront the financing of SMEs in your bank?

High default rate b) Lack of Adequate Collateral c) Industry Risk

Poor record keeping e) Bad Credit History

Inexperienced Management g) Other (Specify).....

What are the main problems or challenges confronting SMEs?

Are there any suggestions or recommendations on what banks can do to help in financing SMEs in Ghana?

FACTORS DETERMINING ACCESS TO CREDIT

Assign the appropriate weight to the following as factors as considered by the bank when granting facilities to SMEs. Tick appropriately

FACTOR	80-	60-	40-	20-	0-
Business registration document	100%	79%	59%	39%	19%

Cash flow

Audited financials

Collateral

Business plan

Credit history(character)

Management experience

Source of Repayment

Purpose of the facility

Other (Specify)

Appendix 2: Questionnaire to customers

I am a graduate student of the Kwame Nkrumah University Of Sciences And Technology collecting this data to aid me in a research entitled "FINANCING SMEs WITHIN THE KUMASI METROPOLIS: THE CASE OF BARCLAYS BANK GHANA LIMITED" in partial fulfilment of a Commonwealth Executive Masters of Business Administration degree. I assure you that data collected will be used for this research only and with outmost confidentiality. You may refuse to answer any of the questions that you do not feel comfortable to answer

INSTRUCTION: Please tick where applicable and supply details where required.

QUESTIONNAIRE FOR SME CUSTOMERS

SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Gender a) Male b) Female

Age group a) 18-29 yrs b) 30-39 yrs c) 40-49 yrs
d) 50-59 yrs e) 60 and above

Which category of SME business do you find yourself?

a) Traders b) Brewing and Bottling c) Educational Centres
d) Fuel e) Electronic/Print Media f) Building and Construction

g) Other (Specify).....

For how long have you operated your business?

0-5 yrs b) 6-10 yrs c) 11-15 yrs d) 16-20 yrs e) Above 20 yrs

What is the type of ownership of your business?

Sole Proprietorship b) Joint Venture c) Partnership

Other (Specify)

What is the origin of ownership of your business?

Domestic b) Foreign c) Mixed origin

How long have you operated accounts with Barclays Bank Ghana Limited as an SME?

a) Less than 1 yr b) 1-2 c) 3-4 yrs d) 5 yrs and above

BANK ASSISTANCE TO SMEs

Have you ever enjoyed any financing opportunity from this bank before?

Yes b) No c) Can't remember

For what reason (s) do you usually require financial assistance from banks?

.....A
part from granting credit, what form of assistance does the bank offer your business?

Business advice b) Training programmes

Others (specify)

Which type of financial service does the bank provide for your business?

a) Loans b) Overdraft c) Trade Finance
d) Leasing e) Venture Capital f) Business Advisory Services
f) Factoring h) Other (Specify) .
.....

PROBLEMS AND CHALLENGES

What difficulties do you encounter in applying for the facility?

Lack of collateral b) Low account turnover c) High interest rate
d) lengthy/stringent application process e) Other (Specify).....

How often do you default in repaying facilities granted?

Very Often b) Often c) Rare d) Not at all

Do you have any suggestions or recommendations on what the banks especially your bank can do to help in meeting the financing needs of SMEs in Ghana?

Do you have any suggestions or recommendations on addressing the problems of SMEs in Ghana?

THANK YOU VERY MUCH FOR YOUR TIME AND COOPERATION

