

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI,
GHANA**

**The Impact of Loans on the Financial Performance of Small and Medium Enterprises
(SME) in Tamale Metropolis**

By

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**A Thesis Submitted to the Institute of Distance Learning
in partial fulfilment of the requirements for the degree of**

MASTER IN BUSINESS ADMINISTRATION (Finance Option)

NOVEMBER, 2020

ABSTRACT

The importance of SMEs to the growth and development of developing countries is well established. In this respect, SMEs have attract great interest from government and academics alike. In the finance literature financial performance of SMEs has taken centre stage and studies focusing on it has grown phenomenally. Against this, this study was conceived to examine the effects of credits on the financial performance of SMEs and their subsequent sustainability in the Tamale Metropolitan Assembly in Ghana. A mixed method approach involving quantitative and quality techniques were employed. Data collection instruments used to gather primary data included questionnaire and observation method. Using a sample of 98 SMEs and adopting the simple random sampling procedures with the aid of Krejcie and Morgan's (1970) Table for determining sample size, the study obtained the following findings. Loan facilities have medium impact on the financial performance of SMEs. It also revealed credit accessed assist in SMEs to increase their working capital, support SMEs to acquire important assets and for stock financing. As regards to the challenges in accessing financial loans, the findings further indicated that the major constrains are paltry amount of loans and interest charges. Based on the findings this research recommended that banks must design systems and structure tailored to SMEs and also, the central government must established an SME bank to cater for SMEs financing needs. For further research, the study suggested that a large sample size representative of all SMEs in TaMA could be conducted in order the findings could be generalized to cover the entire SMEs in TaMA.

ACKNOWLEDGEMENT

I would like to thank the good Lord for making this study possible. My heartfelt appreciation goes to my supervisor for the guidance throughout the study. I cannot repay your effort, I pray God richly bless you. I like to also express profound gratitude to the lecturers who have impacted knowledge to us. It was heartwarming being your student. Next, thanks to all colleagues for the wonderful camaraderie shared during the study. Lastly, special gratitude to the respondents and all who have assisted me during the study.



DEDICATION

This work is dedicated to my family for their unflinching support and prayers for me.

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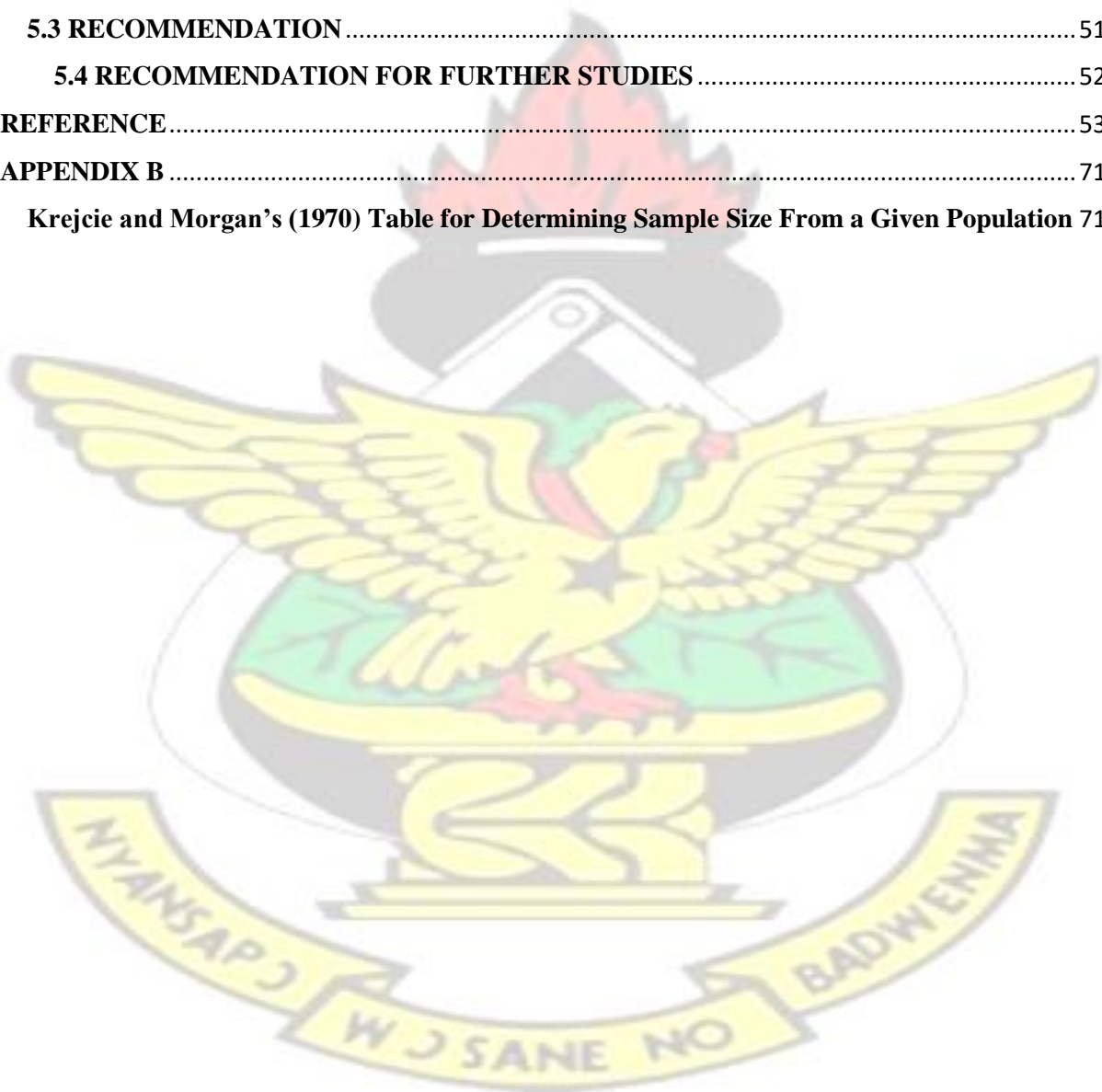


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LIST OF ABBREVIATION

GDP	Gross Domestic Product
GSS	Ghana Statistical Service
ILO	International Labour Organisation
NBSSI	National Board for Small Scale Industries
OECD	Organisation for Economic Cooperation and Development
SME	Small Medium Enterprise
SSA	Sub Saharan Africa
SMEs	Small Medium Enterprises
TaMA	Tamale Metropolitan Assembly
UN	United Nations
UNIDO	United Nations Industrial Development Organisation



CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

All over the globe, small enterprise firms have become an important subject of interest to academics and policy makers. Particularly issues about SMEs have moved to centre stage in nations in view of the fact that they have been referred to as engines of growth in most economies (Quartey, Turson, Abor & Iddrisu, 2017; World Bank, 2015; OECD, 2017). SMEs make up majority of businesses globally; they also proffers employment and livelihoods to people not only in developing countries but the developed as well (ILO, 2019). Small scale firms are one kind of cluster of organizations engaged in economic or business activities ranging from rural enterprises and small-scale to trendy industrial businesses. Small and Medium Enterprises (SMEs) have been described and categorised in several ways. The classification of a business as SME typically follows the general criteria set out by United Nation (UN) and Organisation for Economic Cooperation and Development (OECD). The typical elements include: turnover, size and value of asset a business and a number of employees (UNIDO, 2012). The management of small enterprise organisations takes measures regarding the use of human and non-human resources efficiently and effectively in reaching the goals and set objectives of the organizations. According the United Nations Industrial Development Organization-UNIDO (2012). SMEs play crucial role in the growth of any nation's economy, as they constitute the backbone of the private sector of any economy; they constitute over 90 percentage of entrepreneurs of the globe and account for about 50 to 60 percent of employment opportunities (ILO, 2019; World Bank, 2015). Additionally, SMEs are important

contributors to the alleviation of poverty in poor and/or middle income countries. Like in all developing economies, SMEs are key contributors to Ghana's economic growth and development. It is estimated that SMEs' contribution to Ghana's gross domestic product (GDP) was about 49% in 2012 (Quartey, Turson, Abor & Iddrisu, 2017). In spite of the crucial role SMEs play in the development of Ghana's economy, their operations are nonetheless hindered by several factors. These include: inadequate capital, stringent and inflexible conditions on bank credit, poor management and defective implementation of government regulations on SMEs. These constraints, without doubts encumber the development and sustainability of the sector (Abiola, 2012).

In Ghana SMEs are considered as key development agents as they offer employment. According to Mensah (2004) while small enterprises hire between 6 and 29 personnel, medium-size firms hire between 30 and 99 personnel with capital worth. In Ghana, SMEs are noted to be sources of livelihood for the poor, open employment avenues, generate income and contribute massively to economic growth (Abor & Quartey 2010). Thus their description as the key drivers for economic growth and the subsequent development of developing economies (Hallberg, 2001). Unfortunately, a major hindrance to rapid development of the small and medium enterprises is their inability to access finance from investors. (Agyei-Mensah, 2011). It is been explained that equity shortage among SMEs is because of the fact that equity investors are canvassing for highest returns, high risk of funding them and on the grounds that SME investments are difficult to evaluate (Mensah, 2004). Also, that investments in SMEs take time to yield profits. Hence there are many who consider and conclude that the one most critical element hindering the success of SMEs is the lack of finance (World Bank, 2016).

In view of the challenges associated with SMEs big investors deliberately avoid funding SMEs. SMEs could seek alternative financing. Unfortunately, these varieties of financing are too costly for SMEs. Hence, relatively, bank loans seem to be a better alternative to finance SMEs' capital needs. As a result SMEs fall upon debt funding frequently means of financial institution loans. The bank financing is extremely appealing and seems to be tangible and a reliable supply to SMEs. Mensah (2004) states that recently, banks and other economic establishments have sought to increase their investment portfolio; SMEs have emerged as a priority client group. Prior, financial institutions in Ghana have been careful with lending to SME companies due to excessive default rates and risks related to the sector. Few banks have consequently advanced an explicit policy for SME.

Several studies have revealed that SMEs are often relatively have erratic inflow of revenues and lack a regular track record of profitability that could exhibit the capability to service debts (Yensu, Yiadom & Awatey, 2016; Berg & Fuchs, 2013; Beck & Cull, 2014). Additionally, many SMEs lack the right assets that could be used as collateral in securing the needed loan. SMEs are also extra liable to distress and consequent failure financially. Commercial banks, due to those factors, consider lending to SMEs an excessively risky. Nonetheless, banks do offer loans or provide trade credit to SMEs at higher interest rates in order to offset the perceived high risk of lending to SMEs (Coleman & Cohn, 2000). Undoubtedly, globally, a lot of studies have focus on SMEs and particularly financing and financial performance of SMEs (Ayyagari, Demirgüç, Kunt & Maksimovic, 2011; Collier, 2009; Hansen, Kimeria, Ndirangu, Oshry & Wendle, 2012. World Bank, 2016; OECD, 2017; Gbandi & Amissah, 2014). In the same vein, the literature on SMEs in Ghana is burgeoning (Aryeetey, 1994; Quartey, 2002; Mensah, 2004; Abor & Biekpe, 2006; Abor & Quartey, 2010; Haselip, Desgain

& Mackenzie, 2014; Quartey, Turson, Abor & Iddrisu, 2017). However, studies of SMEs in the Northern part of Ghana (specifically studies focusing on SMEs financial performance in Tamale central) is conspicuously missing. Against this backdrop, this study intend to plug this gap by examining the impact of loans on SMEs financial performance in Tamale metropolis.

1.1 PROBLEM STATEMENT

Undoubtedly the contribution of SMEs to the economic growth and development cannot be underestimated. SMEs are livelihood providers for denizens. They create employment opportunities, generate income and profits and contribute to economic growth and stability. About three decades ago, Aryeteey et al. (1994) had underscored the contribution of SMEs to Ghana's development. Yet, they also pinpoint financial constraints as one of the major obstacles militating against the sustainable growth of SMEs in Ghana. Fast forward the issue financing and liquidity support for SMEs are still subjects of scholarly interest (Mensah, 2004; Abor & Biekpe, 2006; Quartey, Turson, Abor & Iddrisu, 2017). The scholarly interest on SMEs is unwinding in view of the potential of small enterprises. They have the propensity to engineer the rapid development of developing economies like Ghana. It is worth mentioning that all internationally acclaimed businesses generally begin as small enterprises. Therefore the need to ensure SMEs have access to loans and trade credit is a concern to policy makers of Ghana. In recent years, successive governments in Ghana have instituted policies to ensure banks provide affordable loans to SMEs. On the part of SMEs they are acquiring loans and investments from financial institutions even though the interest rates are relatively high. In the light of this it is vital to conduct studies to investigate the impact of loans and trade credit on the financial performance and sustainability of SMEs within Tamale metropolis.

1.2 OBJECTIVES OF THE STUDY

The general objective of this research is to examine the impact of loans and trade credit on small scale enterprises' financial performance and sustainability.

Specifically, the study sought to:

- 1) Access the impact of interest rate on loans on financial performance of SMES.
- 2) Investigate the extent the challenges that inhibit SMES from accessing loans.
- 3) Determine the relationship between loans and financial performance of SMEs.
- 4) Find out the kinds of financial institutions preferred by SMEs when sourcing for loans.

1.3 RESEARCH QUESTIONS

The main question for the research is, what are the impact of loans and trade credit on the financial performance and sustainability of SMEs in TaMA?

The specific questions are:

- 1) What is the impact of interest rate on financial performance of SMEs in TaMA?
- 2) What is the extent of challenge SMEs encounter in accessing loans or trade credit?
- 3) What is the relationship between loans and financial performance of SMEs?
- 4) What is the preferred financial institution from which SMEs seek loans?

1.4 SIGNIFICANCE OF THE RESEARCH

This study is relevant in many ways. First, SMEs have been globally adjudged as the engines of economic growth and for promoting broad-base development. Thus, studies meant to underscore how SMEs are faring is indispensable considering Ghana is developing country which needs to see how harness the benefits of SMEs . Academically, this study contributes to the literature of SMEs of not only Ghana but globally as it focus on SMEs in less developed area in Ghana. Policy wise, this research

would shine light and provide information as to how SMEs are managing loans and financing secured from financial institutions with the cut-throat interest rates. Beneficiaries of this study include entrepreneurs and finance lending institutions.

1.5 SCOPE AND LIMITATIONS

The scope of this research is limited to SMEs within Tamale Metropolitan Assembly. One major issue that constrained the study was the informal nature of most SMEs. The effect of which was that selected number of SMEs had to be chosen for the research in order that detailed analysis could be done. Therefore the findings are insufficient and cannot be generalised to the entire SMEs in the jurisdiction of the study. However, it can be seen as small of the larger picture which should inspire further research studies in the area in future. Apart from the above, the study faced some challenges. These included the reluctance of some of the SMEs to grant the researcher audience and discussions even though the purpose and objectives of the research were clearly presented to them. Some of those who declined were skeptical and even thought the researcher doing some clandestine work for some organization. As decried by CEO of one SME “He would disguise and claim to be doing study research and the next moment you see we are being registered secretly”.

1.6 ORGANIZATION OF THE STUDY

The study is comprised of five chapters. Chapter one introduces the study. It elaborates on the nature of small and medium enterprises (SMEs). It also discusses the research problem, research objectives and questions, relevance of the research, scope as well as the limitation of the study. Chapter two reviews literature related to the subject under examination. It specifically reviews literature on Small and medium firms and their access to finance and alternative sources of financing SMEs. Chapter three discusses the methodology used to conduct the study. Chapter four focuses on the presentation

and analysis of the data collected. Chapter five which concludes the study discusses the major findings and proffers recommendations as well.

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CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter defines and reviews literature on SMEs. Specifically, it focuses on the impact of loans on small scale businesses performances, factors that thwarts small-scale businesses' performance, the obstacles the small-scale businesses go through to secure a loan. This review further looks at how some small-scale businesses utilize loans. The review is undertaken to engender a conceptual and theoretical framework for the study.

2.1 CONCEPTUAL REVIEW

This section discusses the various concepts germane to this study

2.1.1 Small and Medium Enterprises (SMEs), Definitions

There is no single universally accepted definition of what an SME is. Many researchers and institutions have defined SME in many ways. Small and Medium Enterprises can generally be defined under major labels which include: the number of employees, the value of assets owned, the amount of sale or level of turnover, or by any other criterion Gibson and Van der Vaart (2008). The criteria as stated by Gibson and Van der Vaart (ibid) is that, an SME is a formal enterprise with annual turnover in U.S. dollar terms, of between 10 and 1000 times of the mean per capita gross national income, at purchasing power parity, of the country in which it operates. Gibson and Van der Vaart's definition was found to be constrained when applied in other parts of the world (Arkoh. 2013). Subsequently, this has led to countries putting forward their own definitions of SMEs to reflect the domestic context. According to the OECD (2005:17) SMEs are non-subsiary, independent firms which hire fewer than a certain specified number of employees. The number varies across countries. Within the European Union

the upper limit of an SME is 250 employees, but in the United States it is about 500 employees.

Ghana also has its own definition of SMEs. According to Ghana Statistical Service (GSS), a small business is an enterprise that employs less than 10 people; and medium and medium-sized are those having more than 10 employees. Similarly, the National Board for Small Scale Industries in Ghana defines SMEs using both assets and number of employees. For them, businesses with more than 9 employees, have plant and machinery (excluding land, building and vehicles) not exceeding ten million Cedis are referred as Small Scale Enterprises.

Abor and Quartey (2010) defined a small firm as a self-regulating business, owned, controlled and operated by either full or part-time owners. Although there are several definitions, this study adopts the definition provided Osei et al. (1993). They premised their definition on employment. According to them SMEs can be grouped into four categories: (1) micro business are those that employ less than 6 people; (2) very small enterprises constitute those employing 6-9 workers; (3) small enterprises are business units that employ between 10 and 29 employees while (4) medium sized enterprises are those that employ between 29 to 50 people. This study chose this definition because it captures and reflects SMEs in Ghana's jurisdiction.

2.1.1.1 Characteristics of SMES in Ghana

Many studies have attempted to spell out the characteristics of SMEs. Broadly the characteristics are labelled under sector of activity, gender of owner and efficiency and labour characteristics (Abor & Quartey, 2010). With regard to sector of activity, SMEs are usually engaged in retailing, petty manufacturing and artisanship and trading. In Ghana, while most SMEs are found in the trade business, their ability to thrive depend whether they are rural or urban based enterprise. The rural based ones are mostly

composed of family members, artisans and women engaged in Agriculture. The main line of activities in this sector are: brick and cement, food processing, ceramics, clothing and tailoring, soap and detergents. For the urban enterprises, they can further be grouped into organized and unorganized. While the organized enterprises mostly employed paid labour and established office, the unorganized ones are mostly artisans who operate in open spaces, makeshift structures and employ few paid workers or no paid employee (Kayanula & Quartey, 2000). This without doubt affect their ability to access finance.

In terms of ownership, majority of SMEs are women-owned businesses, which fall under the unorganized as compared to those owned by males. Although female-owned businesses have received have chances of gaining more support, they are often eluded because they operate mostly from homes or obscured locations. Also several empirical studies have established that women faced strenuous challenges when it comes to access to finance and credit (Abor & Biekpe, 2006).

2.1.1.2 Sustainability of SMEs in Ghana

The importance of SMES in developed and developing countries cannot be overemphasised (Quartey et al., 2017). Yet the survival of these SMEs in developing and developing countries differ tremendously. For instance, as noted in the UK new businesses about 50% of them fail in the first two-and a half years in operation (Cressy, 2006:103). However, in developing countries, the failure rate is quite high. It hovers between 90% and 70%. In South Africa SMES failure rate is over 75% (Olawale & Garwe, 2010; Mutezo, 2013). The story in Ghana is no different from other developing countries. According to the Business Development Minister, Ibrahim Awal Mohammed about 75% of business collapse before their third anniversary (Daily Guide, 07.06.2017). The sustainability of SMES is highly associated with the period

that it actively operates in business (Wolmarans & Meintjes, 2015). Although it is generally reckon that young businesses are more prone to failure than older ones, SMEs and finance dearth SMEs tend to be more exposed (Cofie, 2012). According Knaup and Piazza (2007:7) SMEs less than a year have 31% probability of surviving for seven years. They also observed that when SMEs have already survived for 4 years, their probability for living to a decade increases to 70%. In their view SMEs can be countered as well established after seven years. The factor precipitating the un-survivability of SMEs are numerous but the major reason is lack of finance (Quartey et. al., 2017) and access to loan and its associated issues (Abor & Quartey, 2010). Abor and Quartey (2010) in their study of issues in SMEs development focusing on Ghana and South Africa contended the inability of SMEs to access loans encumbered survivability of them.

2.1.2 The Concept of Financial Performance

The word financial management can be decoupled into two separate words; financial and performance. Financial which related to finance can be described as monetary resources. Performance, on the other hand, according the Oxford English Dictionary refers to how well or badly one can do something or how well or badly something works. However, in the management literature performance has been defined variously. It is mostly associated with effectiveness and efficiency. Samsonowa (2012) defined performance as the level/degree of goal achievement of an organization. In the view of Dwight (1999) it refers to the level to which a goal is attained. In a broader perspective performance is about the capacity of a firm to achieve and manage the resources in ways that build competitive advantage (Iswatia & Anshoria, 2007). Thus, financial performance can be defined as the degree to which monetary goals of a firm are achieved. However, in the field of finance, the term financial performance is defined as a measure of a businesses' overall financial soundness over a specified

period. To Matar and Eneizan (2018:2) “financial performance is the measure of the financial health of [an] organization”.

2.1.2.1 Significance of Financial Performance

Understanding the financial performance of businesses particularly that of SMEs is significant. It is not only relevant to owners and investors, but an important yardstick for evaluating the performance of owners-managers in the running of business (Egbunike & Okerekeoti, 2018; Omondi & Muturi, 2013). In fact, it has been noted that the higher of the financial performance of SMEs, the more effective and efficient of the SMEs in managing the resources of the business. It is observed that financial performance enables SMEs to expand investment. This way, SMEs are able reach their growth potential. Furthermore, financial performance plays a crucial role in the financing decisions of SMEs (Voulgaris, Asterious & Agiomirgianakis, 2004).

2.1.2.2 Measuring Financial Performance

Financial performance is one of the measures of performance. The other is non-financial performance. In terms of measurement of financial performance, there are several measures that include: growth in profitability, production capacity, sales growth and utilization of capital and financial (Omondi & Muturi, 2013). Other ways of measuring financial performance are by using revenue from operations, operating income, cash flow from operations, sales volumes, margin of growth and declining debt. (Matar, Al-Rdaydeh & Odeh, 2018). Although there are many measurements of financial performance, in this study however, financial performance was measured using profitability. In fact, in the field of accounting profitability is considered in terms of Return on Assets (ROA), Return on Equity (ROE) and Return on Sales (ROS). In view of the dearth of detailed accounting and booking information SMEs it is often strenuous in attempting to compute ROA, ROE and ROS. In larger firms it is quite easy to do. Therefore, profit here is basically total revenue less total expenses

2.1.3 The Concept of Loan

Loan or credit, which is one of the ways of financing businesses is an important concern in finance. In the layman's perspective, a loan is a sum of money offered to another to be repaid in a later date. In finance, a loan is parting of money by an individual or an entity to a receiver such as an individual, firm or entity (called the borrower). The total sum being offered is the principal. To the receiver it is debt to be paid back mostly with an additional amount referred to as the interest. Almost all forms of business need loans at one point in time to support them. The need for loans is even dire in the case of SMEs, because they are mostly small with insufficient capital (Quartey, 2017; Abor & Biekpe, 2006). Financial institutions are in the business of providing loans or credit to persons or organizations that required it.

In business circles, loans can be categorised into secured or unsecured loans. A secured loan is a facility in which the borrower provide a collateral (an asset such as car or house or securities such as shares, bonds et cetera) to cover the debt in the event the borrower is unable to pay back loan. Unsecured loan, on the other hand is a loan without any collateral to support it. These normally include credit cards, personal loans and overdrafts.

Elements of Loans

Interest is one of the important element in a loan agreement that sometimes plays a pivotal role in determining the amount to grant to a borrower. In fact, while lenders always set out canvassing for businesses or persons who would accept higher interest rate, the reverse holds for the borrowers. Also in the business of loaning, sometimes, the amount to be borrowed determines the interest. When the amount is big, which is a secured loan deal, there is the high possibility to discount down interest rates. Tellingly, interest rates on secured loans are always better than unsecured loans. Big

firm mostly have leverage to negotiate interest rate on loans, but in the case of SMEs who have less or sometimes no leverage at all usually have no privilege to negotiate interest rates of loans.

Another element necessary is the amount to be borrowed. It dictates that terms of loan agreements. The amount has significant impact on the financial performance of an organization. The amount depends on the kind of entity involved. Larger firms can may obtained big amount of loans while SMEs are usually granted small loans; which it has noted always keep SMEs undercapitalised and thus unable to meet their operational targets (Quartey et al., 2017).

Lastly, duration of the loan, whether it is a short term or long term loans is also a major element in loan transactions. This can influence the financial performance of firms particularly SMEs. In business, normally long term loans are preferred to short term loans. This is because, long term loans provide opportunity for a business to have sufficient capital to operate. However, short term loans exert pressure on finances of the business. Indeed, in view of the natural disposition of SMEs with scanty information, financial institution mostly grant short-term loans to SMEs (Cofie, 2012)

2.1.3.2 Trade Credit

Trade credit, which is regarded as an alternative source of business finance has several definitions. It is referred to as a delay between the delivery of goods or services by a supplier and their payment. According to Garcia-Teruel and Martinez-Solano, (2010) trade credit can be seen as an investment in accounts receivable to the seller whereas to a buyer it can be viewed as a source of financing under accounts payable. Thus, just like a loan, trade credit is also debt incurred by a business to be repaid. The importance of trade credit are many. As Axelsson and Lundin (2016:2) noted, “trade credit is not

only important for SMEs to use a financing tool, it is also important for firms to use as a sales tool”. Also it may drive sales in that it builds long-term relationship between supplier and firms. In addition, as regards to quality it gives SMEs the leverage of assessing quality of the supplies before payment is due (ibid). It has been argued that trade credit is reliable alternative to traditional debt as such loans. SMEs may preferred trade credit because suppliers are more willing than banks to renegotiate claims or provide addition credit when firms are in financial distress. However, banks and traditional lending institution tend to follow tight liquidation policy when firms face financial distress (Huyghebaert, Van de Gucht & Van Hulle, 2007). Ogawa, Sterken and Tokutsu (2011) cited in Axelsson and Lundin (2016:3) “trade credit is particularly important to SMEs since it can be considered as a substitute to create financial leverage”

2.1.3.3 Loan or credit and SMEs financial Performance

Several studies have been conducted to examine loans and it nexus on financial performance of SMEs. The empirical literature is aplenty (Muchiri and Shukla, 2017; Axelsson & Lundin, 2016). Axelsson and Lundin (2016) examined the relationship between trade credit and financial performance of SMEs in Sweden. The results revealed a negative relationship between Swedish SMEs financial performance and their dependence on trade credit. SMEs financial performance is connected to internal and external or as some contended macro and micro determinants of financial performance (Omondi & Muturi, 2013). Some of internal factor include firm’s size, capital outlay, and firm’s age. The external factors include business environment, GDP, inflation and interest rates. These external and internal factors influence the ability of SMEs to raise financial resources from the capital market (external sources). The external sources for SMEs typically include loans or credit from banks,

microfinance institution and savings and loans schemes. SMEs mostly compelled to seek loans external after exhausting support from self-resources and those from family and friends (Abor & Biekpe, 2006). To this end, Modarres and Abdollahzadeh (2008) opined that SMEs fall initially on self-financing. It is only after this, that it foray on to capital market as they develop business experience and records.

Although it widely acknowledge that SMEs are key economic contributors to countries' GDP, access to finance and loans remained an uphill task. This is because SMEs are regarded as un-creditworthy by formal lending institutions. This compels SMEs to rely on informal and less formal institutions who are easily accessible and also low processing and application cost (Abor, 2006). The support of the informal lending institutions to SMEs, though important their interest rates are always high, hence having unfavourable impact on the very businesses they support (Michael & Cesare, 2006).

2.2 THEORIES REVIEWED

This section discusses some theoretical foundations used in this study. Two main theories are considered. They are: financial liberalization theory and sustainability theory.

2.2.1 Financial Liberalization Theory

Financial liberalization theory emanated from seminal works of McKinnon and Ronald (1973) and Shaw (1973). It was coined Financial Repression Theory. This theory suggests that there are two ways of explaining the relationship between finance and development. The first is “demand-following” and the other is “supply lending” (Morobe, 2015). While demand-following points out that finance grows as an economy grows, supply-lending relates to the growth follows the growth of finance. With this it is observed that financial liberalization could improve the rate of growth

as interest rates moves towards market averages. In this, resources can be properly deployed (Reinhart & Tokatlidis, 2003) when controls on interest rates are liberalised, it could prompt rise in interest which inspires increased saving rates. This increased interest could induced investor to lend. Following this financial liberalization suggests there would be increased savings which ultimately increases the propensity to lend. This could force downward interest rates as they are abundant saving (Ahmed et al., 2009).

This study employs this theory because it proposes deregulation of the financial to allow supply and demand to influence the amount of saving and interest rates. When there is financial liberalization SMEs stands the chance to benefits as lending institution as interest rates are self-regulatory. Eventually both lenders and borrowers could be in win-win relationship.

2.2.2 Sustainability Theory

According to Merriam-Webster Dictionary the word sustainability refers to using a resource so that the resource is not depleted or permanently damaged. Sustainability gained prominence through the Brundt report. From this the concept has been used in several field including business studies. Here, sustainability is about maintaining or staying in business into unforeseeable future. Often referred to in business studies as organizational sustainability; basically it is economic outlook and performance of an enterprise (Dunphy, Griffiths & Benn, 2003). This theory has been employed by scholarly works (Wells, 2010; Grant, 2009) to explain the need for organizations to work to remain in business. In this research too, this theory is used to show that SMEs are intended to stay in business into unforeseeable future.

2.3 EMPIRICAL REVIEW

2.3.1 Impact of Loans on SMEs

Small and Medium Enterprises (SMEs) are the backbone and developers of many developing economies. Their activities are necessary in the promotion of economic growth. Yet certain factors hinder growth and operations of SMEs. One of such factors is access to finance for the smooth operations of SMEs; and several studies have focused on it. A research conducted by Abor and Quartey (2010) on a case study of Ghana and South Africa focused on issues affecting the development SMEs. They noted that the paramount challenge was the issue of access to finance. They observed the lack of funding was encumbering the development of small enterprises in Ghana and South Africa. In another study Owusu-Dankwa & Adoley (2014) in examining the impact of money lending institutions on small and medium enterprises, found out that the reasons most SMEs seek debt financing is mainly to increase the working capital. That is the funds needed for day to day running of the business. On the reasons small businesses engage in debt financing was for the acquisition of assets, to settle existing debts, and also as a means of securing raw materials. Their findings further indicated that the debt financing affected positively overall firm performance in diverse ways. They observed that most of the respondents capture in the study reported increase in profit, stock levels, and sales. On a negative impact, Owusu-Dankwa & Adoley (2014) opined that Most SME owners also appreciated the pressure for repayment of the loan contracted, loan default, inadequate cash flows, and limited expansion as have negative impacts on the performance of the firms when debt financing is used to fund the business.

Madole (2013) using 100 respondents examined the impact of microfinance credit on the performance of SMEs in Tanzania, in the Morogoro Municipal. Results from the study concluded that the credit obtained from banks had favourable impact on SMEs as their businesses improve in terms of profit after tax, increased sales turnover,

increased employees, increased business capital, increased business assets. The results further showed that collateral, age, or experience of the SMEs' owners influence the access of credit. They concluded that most of the SMEs depend on debt financing for business capital growth and by extension, bank loans play a very critical part in promoting the growth of the SME sector. In addition, Muiruri (2014) in a cross-section survey research in Thika Municipality, Kenya suggested that loans assisted most small enterprises in the municipality to sustain their operation and kept them in business. They reported loans have helped improve small firm in terms sales and revenue and this allows them to hire more employees.

2.3.2 Factors Militating Against Financial SMES' Performance

This section looks at some of the factors that affect the financial performance of the small-scale businesses. Some of these factors include but not limited to managerial skills, loan interests' rates, age of existence of the business, microfinance loans, credit accessibility and gross domestic products.

2.3.2.1 Managerial Skills

Managerial skills refer to the activities and inputs the management of any business or firm puts into the firm to affect the growth of such business. Before any business can flourish or before the business collapses, the management of the business have a critical role to play in it. Huge investment businesses and firms bring together a mixture of different managerial skills and talents to direct activities. This leads to flexible and proper management. Stiff and inflexible managerial skills and approaches in managing any business would one way or the other cause a slight if not major shock to the business. A research paper by Bowen and Makarius (2009) concluded that business success is a total and collective mixture of diverse managerial strategies.

2.3.2.2 Loan Interests' Rates

In accessing loans, business owners are mindful of the interest rates on the loan. When the interest rates are too high, it does not help in the financial performance of the business, since at the end of the day the business would have to drain all the profits made to pay back the debts. The owners therefore look out for very low interest rates with which the business can accommodate and pay back without stressing the capital or much of the profits made. Studies such have proven that the interest rates on loans have a negative effect on the financial performance of any business or firm. Kamau and Kalio (2012) investigated and proved that low interest rates increase risk bearing abilities of SME's and improves the risk coping strategies of the firm. Bourke (1989) reports similar negativity in profitability when credit risk is involved.

2.3.2.3 Age of Existence of the Firm

The age of existence of the firm refers to the number of years the business has been running or came into existence. A study conducted by Madole (2013) revealed that collateral, age, or experience of the SME owners, influence the access to credit and therefore affects the financial performance of such businesses or firms. As firm ages, numerous factors set in which retard growth of the firm and these factors most often are internally generated. For instance, when the firm is rigid in its dealing, when costs incurred by the firm rise or when their goods, services and assets that are gathered by an organization become obsolete, investments of the firm decline, growth in the long run stalls.

2.3.2.4 Microfinance Loans

It is no doubt that most firms especially the SMEs depend on the loans received from microfinance companies. A research paper by Madole (2013) have shown that bank loans given to SMEs and other firms for that matter promote the growth of the firms financially. Wanambisi (2013) also in a similar research concluded that loans given by

MFI to SMEs should be increased marginally to allow the SMEs progress from being SMEs to medium scale enterprises.

2.3.2.5 Credit Accessibility

Credit accessibility is the ability of the firm to procure small loans from informal agencies to boost the performance of the firm. Researches have argued that insufficient access to credit by SMEs below the poverty line or just above the poverty mark line have a markedly negative impact of the financial performance of such firms and its stability (Kamau & Kalio, 2012). When these businesses have access to credit, it is envisaged to have positive impact on them.

2.3.2.6 Gross Domestic Products

Gross Domestic Products (GDP) is the monetary value of all the finished goods and services made within a country during a specific period. The GDP produces a picture of a country's economy and its growth rate. Kiganda (2014) made a research similar on the topic and found out the real GDP, inflation and exchange rates have a significant effect on the performance of SMEs in Kenya. With a booming economy (GDP) many firms would have enough funds to finance many managerial activities as well as obtain customers to patronise their firms.

2.3.3 Loan and Financial Performance, Developed Countries

This section discusses the findings of past studies on the financial performance of business in general. Previous studies have employed quantitative methodology. For instance, Maggioni, Sorrentino & Williams (1999) focusing on Italian new ventures analysed the impact of loans offered the government special initiative with reduced interest rates on new businesses. The findings depicted there were no any significant influence of the loans financial performance (measured using sales, growth and number of employees). In Korea, Kang and Heshmati (2008) researched the impacts of credit on firms based on productivity, sales and expansion in number of employees.

It established that there was no effect of the credit on employment. On the other hand, the study noted positive influence firms' performance (measured by productivity and sales). In a similar fashion, Dvoulety (2017) in a study of effects of soft loans and credit guarantees on performance of supported firm in Czech Republic, investigated impact of the loans on financial performance of firms (net profits, returns on assets, return on equity, sales, assets turnover and debt ratio). The study could not establish any positive impact of the soft loans on the firms' performance. Benefitted firms indicators modest sales and return on assets relative to the control group. In addition, the soft loans were observed to negative influence on firm's profitability. In the context of the United Kingdom, Cowling and Siepel (2013) studied the loan scheme to support start-ups ventures. According them (Cowling and Siepel) the loans had positive effects on financial performance (sales, exports and job creation) of ventures that received support.

2.3.4 Loan and Financial Performance, Developing Countries

Just like in developed countries, there swathes of empirical literature on financial performance of firm in developing countries. In a study, Gubert and Roubaud (2011) looked at the impact of micro-finance loans on firms in Madagascar. They reported that the micro-finance loans had positive effect on turnover, productivity, profit and number of employees of benefitted enterprises. Using Rwanda as the focused country Muchiri and Shukla (2017) with study titled effects of choice of credit facilities on the financial performance of Small Medium Enterprises in Rwanda. A case of SMEs registered with Private Sector Federation of Rwanda. In an exploratory design, the research focus on effect of interest charged on loans, trade credit, assets financing and service quality on financial performance of SMEs in Rwanda. The study found that external borrowing had the most positive impact on the financial performance of SMEs in Rwanda. Bank loans and overdrafts were noted as the commonplace debt financing

for SMEs. Contributing to the literature, Morobe (2015) studied the effect of micro finance loans on the financial performance of Small Medium Enterprises using Nairobi County. Using a sample size of 357 selected through random sampling technique. The findings revealed that microfinance loan influence financial and had very great impact on financial performance of SMEs in Nairobi County.

In another study, Mirza and Javed (2013) also focusing on financial performance investigated macro and micro determinants of financial performance in the context of Pakistan. The study drawn its sample 60 firms from the Pakistan Stock Exchange covering the period 2007-2011. The obtained findings in relation to macroeconomic indicators, showed that income per capital had significant and positive impact, whereas inflation has significant but negative impact on financial performance. In respect to microeconomic determinants, the result indicated short-term and long-term debt had significant but negative effects. Whiles firm size has significant and positive effect, liquidity has significant but negative effect on firms' financial performance in Pakistan.

In addition, Egbunie and Okerekeoti (2018) also focus on financial performance in relation to macroeconomic factors and firm characteristics of manufacturing firms in Nigeria. In particular the study analysed on the impact of interest rate, inflation rate and GDP growth rate on financial performance. Besides, firm features such as size, leverage and liquidity were also picked in order to examine their effect on financial performance. Using a sample drawn from Nigerian Stock Exchange and a regression techniques, the study found no significant impact in respect to interest rates and exchange rate on financial performance. On the other hand, firm size, leverage and liquidity had significant and positive effect on financial performance.

Matar and Eneizan (2018) in a study investigated the determinants of financial performance in industrial manufacturing firms in Jordan. The paper used secondary data, which was gathered from Amman Stock Exchange. In addition, the study employed regression analysis with the dependent variable being the firm's performance measure (Return on Assets), and the independent variables (leverage, liquidity, Profitability, revenue). The results indicated that liquidity, profitability and revenue were positive determinants of financial performance (return on assets). Besides, leverage, and firm size were negative determinants of financial performance. Overall, it concluded that all factors had significant impact on the financial performance.

2.3.5 Financial Performance of SMES in Ghana

Literature on financial performance is burgeoning in Ghana (Abor, 2007; Donkor et al., 2018), though linked with different other variables. For instance, Abor (2007) in a study investigated the effect of debt policy (capital structure) on the financial performance of SMEs in Ghana and South Africa. The study used panel data of SMEs in Ghana and South Africa covering a period of six years. Methodological panel regression model was employed. According to the obtained results debt financing had negative relationship between capital structure and financial performance. Hamza, Mutala and Antwi (2015) have also contributed to the literature. Their study focused on cash management practices and financial management of SMEs in the Geographical North of Ghana. Employing a descriptive cross-sectional research design, 300 SMEs were sampled. They found that there was a positive relationship between cash management practices and financial performance. In their contribution Ansong and Agyemeng (2016) look at the firm reputation and financial performance of SMEs in Ghana. Using primary data of 423 sampled SMEs within Accra, the study used

regression. They found that a firm's reputation is positive relation between firm's reputation and financial performances.

2.4 CONCEPTUAL FRAMEWORK

According to Mugenda and Mugenda (2003) conceptual framework a pictorial model showing how concepts under study are related or connected. It is used to describe the relationship between independent variables and dependent variables.

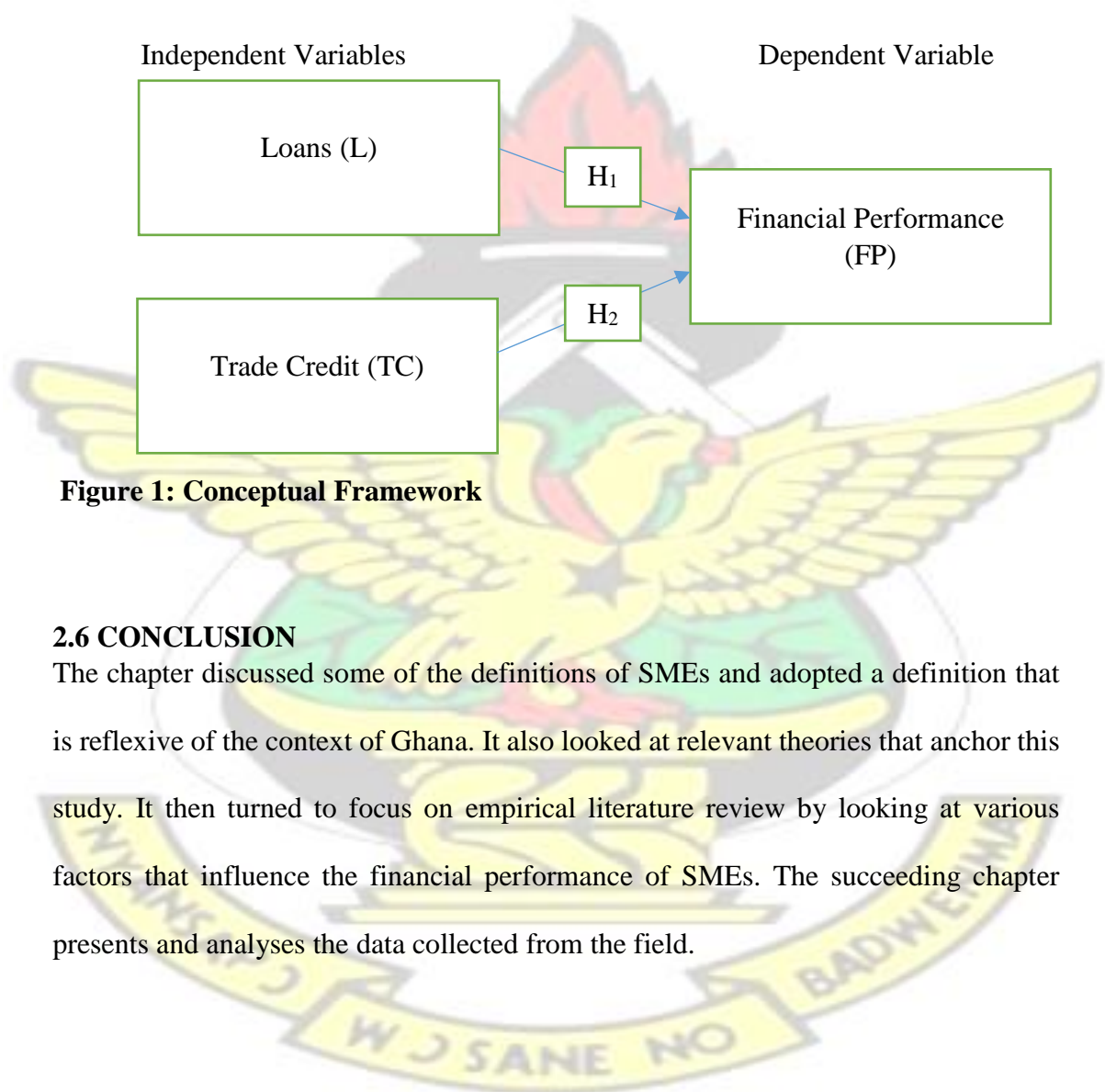


Figure 1: Conceptual Framework

2.6 CONCLUSION

The chapter discussed some of the definitions of SMEs and adopted a definition that is reflexive of the context of Ghana. It also looked at relevant theories that anchor this study. It then turned to focus on empirical literature review by looking at various factors that influence the financial performance of SMEs. The succeeding chapter presents and analyses the data collected from the field.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter discusses the methods and processes employed to carry out the research. For the purpose of gathering relevant data, information and insights about the study, the research made use of primary and secondary data. Specifically, this chapter focuses on the case study, the research methods and processes use to gather data from the field. This study is aimed at examining the impact of loans on small scale enterprises performance and their subsequent sustainability. In this regard it became compelling to elicit the views of the people engaged in SMEs businesses.

3.1 THE RESEARCH DESIGN

First and foremost this research is an explanatory study. An explanatory study establishes relationship between variables (Saunders et al., 2016). The purpose of this study is to establish the impact of loans on financial performance of SMEs in Tamale Metropolis. Also, this study is a case study. According to Yin (2014) cited in Saunders et al., (2016: 184) “a case study is an in-depth inquiry into a topic or phenomenon within its real-life setting”. The case study also frequently relies on mixed methods approach to comprehend fully the dynamics of the case. Thus because this study investigates the impacts of loans on the performance of SMEs with the context of Tamale, the study is case study strategy. Lastly, a mixed methods design is used in this research. This involves the use of quantitative and qualitative data; combining the two set of data for analysis. The rationale for this design is that it results in further insights beyond the information gathered from either the two methods alone (Creswell & Creswell, 2018).

3.2 THE POPULATION SIZE

The study population comprised all SME businesses within TaMA. These businesses include those engaged in beverages, electricals and home appliances, hospitality industry etc. All respondents who participated in the study were chosen from the SMEs in central part of the metropolis.

3.3 THE SAMPLE SIZE AND SAMPLING TECHNIQUE

This research employed a single stage sampling technique; which involves a researcher having access to names of target population for which he can sample respondents directly (Leavy, 2017). A total of 120 SMEs were identified from a list obtained from the Tamale office of National Board for Small Scale Industries. To obtain the sample size, Krejcie and Morgans' table for choosing representative sample size from a given population was used (See Appendix B for Krejcie and Morgans' Table). According to the table a population (N) 120 gives a sample size of 92. Thus a sample size of 92 respondents was used for the study. Because of unreliable nature of data on SMEs in Ghana it was difficult contacting most of these firms. Some appeared to have folded up and other could not be reached. The study ended up reaching 78 SMEs. These respondents were randomly selected from 5 main strata from the phone and accessories, sales and distribution, construction, artisans and service providers. These sectors were selected because they constituted areas which receive lots of interest among entrepreneurs. Also these sectors are able to attract investors as people want to fund businesses that can recoup the invested funds within the shortest possible period.

3.4 DATA COLLECTION TECHNIQUES

This research uses both quantitative and qualitative research methods which resulted in the collection of quantitative and qualitative data. In order to elicit relevant data, the study used various data collection instruments. This was done in order that the methods

would complement each other so that triangulation could be obtained. The data gathered included among others: biodata the respondents; type of business, how it obtained loans and how the business fared after seeking for loans et cetera. The respondents were surveyed using structured questionnaires. The researcher personally administered the questionnaires to the respondents. The questions were mixed, involving both close and open ended questions. Two data collection techniques were used. This next section briefly discusses each data collection technique and also explains the rationale for choice of each method.

3.4.1 Survey-Questionnaire

According to Sommer and Sommer a questionnaire is survey data collection tool which is under quantitative techniques that involves “a series of written questions on a topic about on which respondents’ opinions are sought” (1997:128). It can be self-administrated. However, in this work, the questionnaires were personally administered to the SMEs in order to explain to respondents the research and its purpose. Questionnaire can be categorised into three. They include: closed-ended, open-ended or a mixture of both. The mixture of the open and close ended was used in this study. This enabled the researcher to elicit qualitative and quantitative information from respondent. This way, opinions and views of respondents were obtained. In total, 70 responses were obtained out the 92 sampled, resulting in a response rate of .76.9 percent. Appendix ‘I’ attached beneath the work is the questionnaire.

3.4.2 The Observation as Data Collection Tool

In addition the observation method was used. Observation as a method of data collection is procedure for gathering data that involve the use of the human senses in the research (Dawson, 2009). The research is able to experience at first the situation of the object being observed. This was used in this research to offer the researcher the

opportunity to see, hear and walk around the businesses and apprised myself of the nature and situation of the SMEs being dealt with. The researcher peruse business certificates of SMEs captured in the study.

3.4.3 Collection of Primary Documents

The researcher also gathered important primary document about the subject under focus. These were business profiles and other important materials and financial reports of the businesses.

3.5 DATA ANALYSIS

The data and information is analyzed using reflective analysis process which involves organizing the raw data, sorting the data for thematic analysis, searching for meaning for interpretation to findings (Dawson, 2009). Descriptive statistics were employed to analyse the data.

3.5.1 Use of Secondary Sources of Data

Secondary data is crucial in to the conduct of every research. Following this, secondary data were also employed in this research. For instance reports of SMEs, report from TaMA particularly those about the subject under focus were gathered and used in the study.

3.6 ETHICAL CONSIDERATIONS

The researcher established a firm rapport (which is an indispensable ingredient for the in-depth interview technique) with the respondents. This helped to remove doubts and distrust between the researcher and the respondents. In this, the researcher also tried to abide by some basic research codes. First, the researcher carefully and patiently explicated the aim of the research to respondents by saying the research is to examine the impact of loans on small scale enterprises performance and their subsequent sustainability within Tamale Metropolis. To further allay their fears and calm them, the researcher opined that it was purely an academic exercise and thus their privacy

would not be divulged. Second, He solicited respondents consent to participate in the research. However, He did not require them to sign consent form as it is norm, as asking them to sign consent forms could create an impression the research was an activity of state authorities or big institutions. Third, as mentioned earlier, the interactions were mostly conducted in the form of an informal conversation. The researcher respected respondents' privacy and therefore has concealed their identities. Finally, the researcher also did not over indulge in unnecessary conversation to the extent he could lose focus of the purpose of the interaction.

3.7 PROFILE OF THE CASE STUDY

This research chose a case study approach and Tamale Metropolis was selected. Hence, this section describes the area of study (the place where field work was conducted). It also offer reasons for selection of TaMA. TaMA is the fourth largest metropolis in Ghana after Accra, Kumasi and Takoradi Metropolitan Assemblies. However, it is the least developed among the metropolitan assemblies in Ghana (GSS, 2014). It is a cosmopolitan area attracting wide array of people from internal and international, especially people from neighbouring countries. It is among the top fastest developing metropolis in Ghana (World Bank, 2016). It is the major developed city in the geographical north of the country. Following this, it has in recent times become a receiving and destination centre for internal migrants from surrounding places. This has connection with SMEs are people result to entrepreneurial upon moving to bigger cities.

3.7.1 Physical and Administrative Characteristics

Administratively, TaMA is within the Northern Region of Ghana. It serves as the regional capital which hosts the seat of government (Regional Minister- a government appointed representative who superintends over the region). The TaMA was created

with Legislative Instrument 1453 and operates under the Local Government Law, Act 462. In line with the DAs Act TaMA oversees the daily administration of the city. Until the carving out of two regions (the Savana and North East Region) from the Northern Region it was the biggest region in terms of Land size. The total population of TaMA as project by the GSS in 2019 was 275,364. Out of this, the economic-active population (between 18 and 60 years) are the majority (223, 525). This has implications on SME's establishment as it is the sector that absorbs great chunk of the employable citizens.

3.7.2 Economic Characteristics

Economically, until recently, economic activities in the area were rated low when compared to other three metropolises (Accra, Kumasi and Secondi-Takoradi) in Ghana. However, as a result of globalization and urbanization, the area has opened up.

The economy of the area has witnessed utter transformation. Post-independence until recently economic activity in the area was predominately agrarian (70%); agriculture being the main source of livelihood. However, in recent times the economy has moved to a service based with majority of the population eking out living from the sector. For instance, in 2017, the metropolis had an economically active population distribution as follows: 20% was engaged in agriculture, 13.2% are into manufacturing activities, 60% are into service delivery. Indeed, the changed structure of the local economy in the area has implications including the sprouting out of various forms of SMEs to sustain the local economy.

3.7.3 SMEs in Tamale Metropolis

According to the GSS regional spatial business report (2016) that there about 39, 975 establishments were in the Northern region as of 2014. Of this 24.8% were located within Tamale metro. While Accra metro had over 45% of establishments, Kumasi and Takoradi metros had 44.9% and 26.5% respectively. This Makes Tamale central

the least in terms of establishments. In terms of ownership of establishments the sole proprietorship form of doing business dominated. In TaMA a rate of 10% was recorded. Indeed. In terms of small-sized establishments one quarter were located in TaAM. While about half of all medium-sized and large-sized establishments in the region were in TaMA, However, like in all other regions of Ghana, majority of these firms operate in the informal sector. Less than 10% of firms were operating in the formal sector. Operating in the informal sector is uneasy particularly in a developing economy like Ghana. Thus, studies on how SMEs acquire finance and its impact on financial performance is indispensable.

3.7.4 Rationale of Case Study Selection

The rationale for choice of a case depends on the following factors: access to data, purpose of the research and interest (Yin, 2003). In this research, the choice of the case was premised on the reality that the case was an extremely good one, because several SMEs operate across the metropolis. Also, the case was selected because information and data could be gathered effectively in view of the fact that the researcher is well familiar with the areas and thus could gather data with ease.

3.8 CONCLUSION

The chapter discussed the methods and techniques. The research site is described in details. The physical, administrative, and economic structure of TaMA are presented. Notably, it was revealed that the business and economic environment of Tamale Metropolis has transformed significantly over the years; and this has resulted in establishment of various small scale businesses. In addition, the process adopted during the data collection was discussed. Lastly, ethical considerations in research and how they were applied in this research is also elaborated. The next chapter presents and analyses the data collected from the field.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.0 INTRODUCTION

This chapter presents and discusses the results of the study in relation to the aims of the research. The chapter commences with a presentation of the characteristics of the SMEs that participated in the research. It proceeds to discuss the nature of the SMEs within the TaMA jurisdiction. The section further looks at kinds of institutions from which SMEs in TaMA access credit to prop their businesses. The chapter continues to discuss the impacts of loans and trade credit on SMEs financial performance. A pilot study was conducted in order to ensure the validity of research instrument. This was done to assist to clarify the wording and grammatical error that could cause the misinterpretation. It also helped to detect ambiguous question and rectify problem that affect the research instrument. This ensured the validity of data used in the analysis.

The research tested reliability of the Likert scale used for the study. The reliability test was done using Cronbach's Alpha as the measure. Reliability co-efficient of $\alpha \geq 0.7$ was deemed adequate. In this study, a reliability co-efficient of 0.823, 0.865, 0.842 were obtained for loan, trade credit and financial performance.

4.1 DEMOGRAPHICS OF ENTREPRENEURS OF SMES

This section presents the demographic characteristics of the respondents.

4.1.1 Gender

In the area of gender of the business owners, the findings showed that 70.5% of entrepreneurs establishing SMEs were males. Female entrepreneurs constituted 29.5% (see Table 1). As the results have shown, male entrepreneurs were over twice of female entrepreneurs. This implies that male entrepreneurs dominates the business

environment in TaMA. This results is not an isolation. It adds to the several studies that have established that there is a huge gender gap in terms of establishing businesses (Hallward-Driemeier, 2013; Arbache, Kolev & Filipiak, 2010). The social structure as it persists currently has seen women lag behind in all spheres of life including establishing sustainable businesses.

In a recent study covering 41 SSA countries to examine the extent of gender difference in economic activities and remedies to ameliorate the situation, observed that factors including investment climate and legal frameworks are militating against women entrepreneurs in SSA (Hallward-Driemeier & Ousman, 2013). In developing country like Ghana, gender play key role in a firm's ability and likelihood of obtaining credit. It has been established that although women SME owners normally appears to possess smaller amount of start-up capital, women encounter stiff challenges with dealing with lenders (Nyanzu & Quaidoo, 2017). Thus women are prone to more credit denial than their male counterparts. Below is the diagrammatical representation of gender.

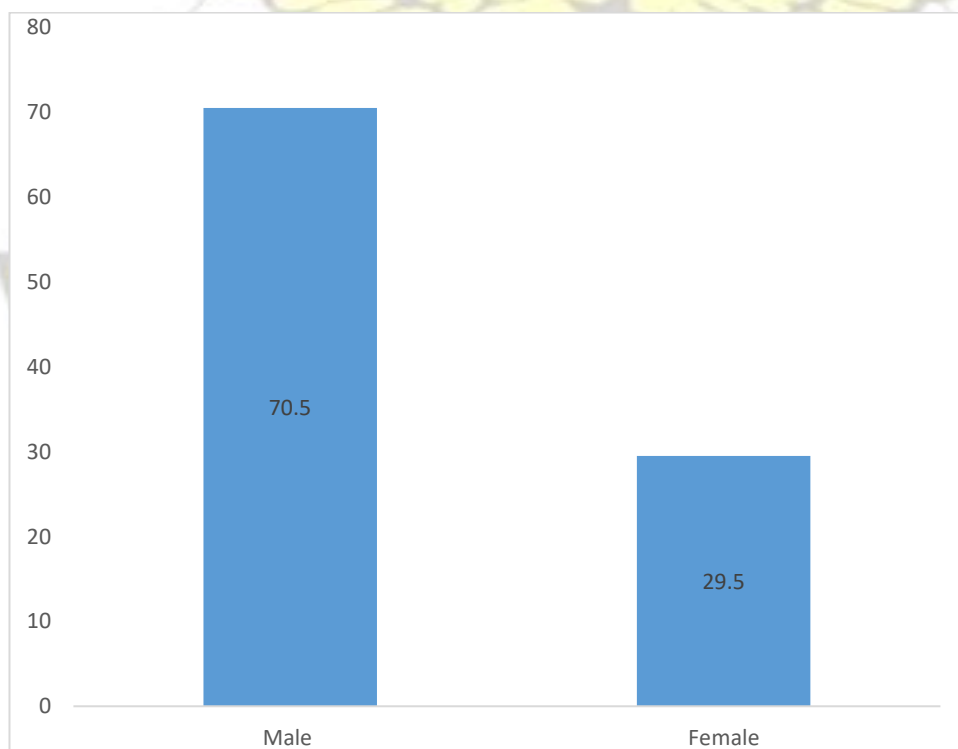


Figure 2: Bar Chart of Gender

4.1.2 Educational Level of Managers of SMEs

With regard to the educational level of managers, the results as shown in Table 1, indicated 11.5% of managers of the SMEs have no formal education. 19.2% had completed basic education. 26.9% of the last school of completion is high school. And lastly 42.3% of the managers completed tertiary education. The rationale for including this is that level of educational depth and knowledge influence in the credit and investment decisions in SMEs, particularly where SMEs owners mostly doubled as the managers. The educational background of SMEs' managers is found to be positively correlated with a firm's leverage (Kyereboah-Coleman, 2007). Manager with higher education have the better chance of managing finances to the success of the business that could lead to better financial performance.

Table 1: Demographic Characteristics

Characteristics	Frequency	Percentage
Gender of Owner-Entrepreneur		
Male	55	70.5
Female	23	29.5
Educational Level of Manager		
None	9	11.5
Basic	15	19.2
High school	21	26.9
Tertiary	33	42.4

Source: Field Survey, 2020

4.2 CHARACTERISTICS OF SMES CAPTURED IN STUDY

This part of the study presents characteristics of the SMEs. This is undertaken in order to give a general overview of the nature of SMEs in TaMA. Particularly as noted the characteristics of SMEs affect financial decisions and ultimately the performance of SMEs. According to Nyanzu and Quaidoo (2017) firm size and age, owner-manager gender, owner-manager education and experience influence SMEs access to credit As regards the categories of SMEs in TaMA about 84.8% (78) out of the 92 SMEs that

responded. The findings indicated that 66.7% of the SMEs representing the majority were Small firms (enterprises). The remaining 33.3% of the SMEs which were least were Medium scale businesses (see Table 2 for details).

Regarding the nature of these business, interactions with the firms revealed the small firms were mostly in the form of 'one-man' businesses, who are into retail trade. Apart from that, some were also in the form of family business, that is, where a family generally a father or mother and the offspring undertaking a business. The next within this category was friends joining hands, pulling resources and expertise together to engage in a business. This form was general commonplace within those who were providing IT services. In respect of the medium scale business, construction firms dominated the category. This was followed by petty manufacturing firms. The last category were firms engaged in supply and distributions. It would be realised that all the three categories mentioned required substantial number of people to operate successfully.

On the specific product and services engaged in by the SMEs, the results revealed that 21.8% of the SMEs engaged in the eatery business (restaurants). 19.2% of the SMEs operated in Whole sales and distribution of goods and services. While 30.8% and 15.4% of the SMEs engaged in retail and artisans and manufacturing (Tailoring, hairdressing, sachet water producers) respectively, 12.8% of the firms operated in the construction sector. From the data it is clear that the retail businesses were the majority. It can be inferred that retail businesses are the majority in the SMEs industry. This results resonates with several studies (Little, 1999; Abor 2007) that have argued that retail businesses forms the majority in the SMEs sector. The findings showed that the least in terms of respondents was SMEs in artisan and manufacturing. This is an exact reflection of the economy of Ghana in recent times, in which the manufacturing sector

virtually collapsed and a neglected artisanal sector. Unsurprisingly, that accounts for the reasons Ghana imports most of consumables goods.

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Table 2: SMEs Characteristics

Category of Business	Frequency	Percentage (%)
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Small Scale business	52	66.7
Medium Scale	26	33.3
Product and Services Undertaken		
Restaurants	17	21.8
Whole sales	15	19.2
Retail	24	30.8
Artisans and Manufacturing	12	15.4
Construction	10	12.8
Year of Establishment		
1960-1970	1	1.3
1971-1980	3	3.8
1981-1990	2	2.6
1991-2000	17	21.8
2001-2010	30	38.5
2011-2020	25	32.0
Number of Employees		
1-5	26	33.3
6-10	15	19.3
11-15	12	15.4
16-20	14	17.9
21 and above	11	14.1

Source: Field Survey, 2020

4.2.1 Age of SMEs

The age of a business is quite relevant as far financial decisions of SMEs are concerned. It has a stronger influence on the firm's life cycle. As shown in Table 2, 1.3% of SMEs has been in existence in in the 1960-1970. 3.8% of SMEs were established in 1971-1980. While 2.6% of the SMEs were established within 1981-1990, 21.8% of the SMEs were established within 1991-2000. 38.5% of the SMEs were established within 2001-2010. Lastly, 32.0% of the SMEs were established

within 2011-2010. According the results majority of the firms were established in the 1990s. In respect to age of business several analysts have underscored the importance of age of a business (Klapper, Laeven & Rajan, 2006; Beck & Cull, 2014; Quartey, 2003). Fatoki and Asah (2011) posited that small firms established more than five years have a higher propensity to be successful in their credit application relative to those established less than five years. Other analysts have concurred the influence of the age of a business. In a study covering Africa, Beck and Cull (2104) noted that the older an SME, the more likely for it to obtain formal credits or loans than younger SMEs. In the context of Ghana, Quartey (2003) reported there is significant positive effect of firms' age on the ability to access credits.

4.2.2 Number of Employees

In this study, as shown in Table 2, 33.3% of SMEs indicated they have employees ranging 1-5. 19.3% of the SMEs have employees between 6 and 10. Whiles 15.4% of SMEs have employees within the range of 11-15, 17.5% of SMEs have employee that fall within 16-20. In respects of SMEs having 21 and above employees, a percentage of 14.1% was obtained. The number of employees depicts maybe the financial strength and the contribution of the firms in terms of taxes. In fact, as mentioned earlier, number of employees of an organisation is one of the major defining characteristics of an SME (Arkoh, 2013; OECD, 2005). In the context of Ghana, while firms having below 10 employees are categorised as small scale business, firms with more than 10 employees are medium-sized business according the NBSSI (Abor & Quartey 2010). According to this definition, majority of the firms in this study can be categorised as small businesses. The remaining are medium sized in view of the fact that they have more than 10 employees. This mirrors the typical economy of Ghana in which small businesses dominate the business landscape.

4.3 ACCESSIBILITY OF CREDIT FACILITY

This section was intended to obtain whether SMEs access credit, the types of credit facility they opt for and the challenges encountered. With regard to the question of whether SMEs access credit from financial institutions, the findings (Figure 3) revealed that 84.8% of the SMEs have sought some form of credit from financial institutions be it banks, microfinance firms and saving and loans schemes. On the flipside, 15.2% stated they have not access any credit facility thus far. Among the institution that access credit to support their firms, majority had taken the facility from saving and loans scheme with over 48.5% (figure 4). This was followed by microfinance. The last source of sourcing for credits was the bank with a percentage of less than 10%. Generally accessing particularly in developing countries posing challenge for SMEs (Quartey et al., 2017).

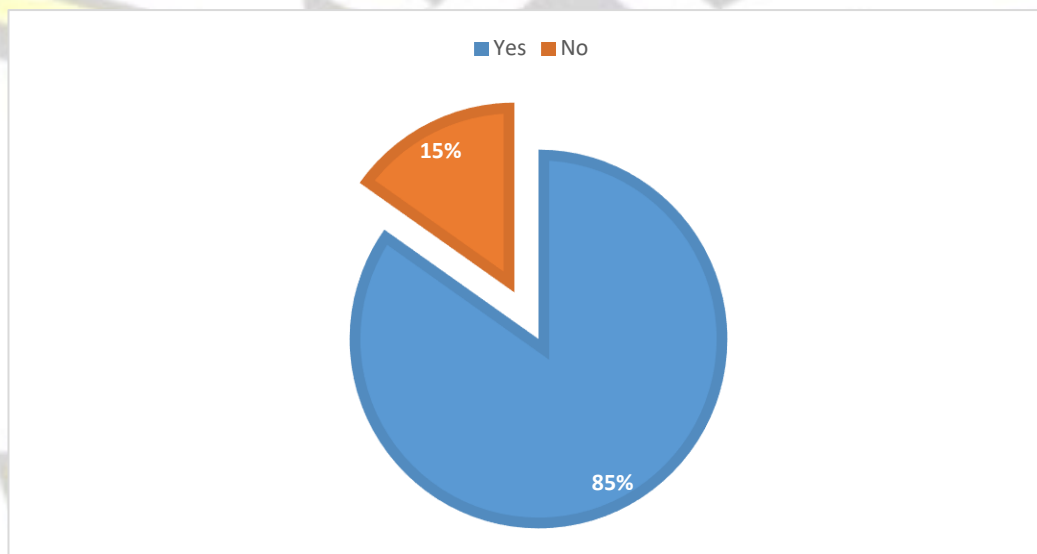


Figure 3: Pie Chart of Access to Credit

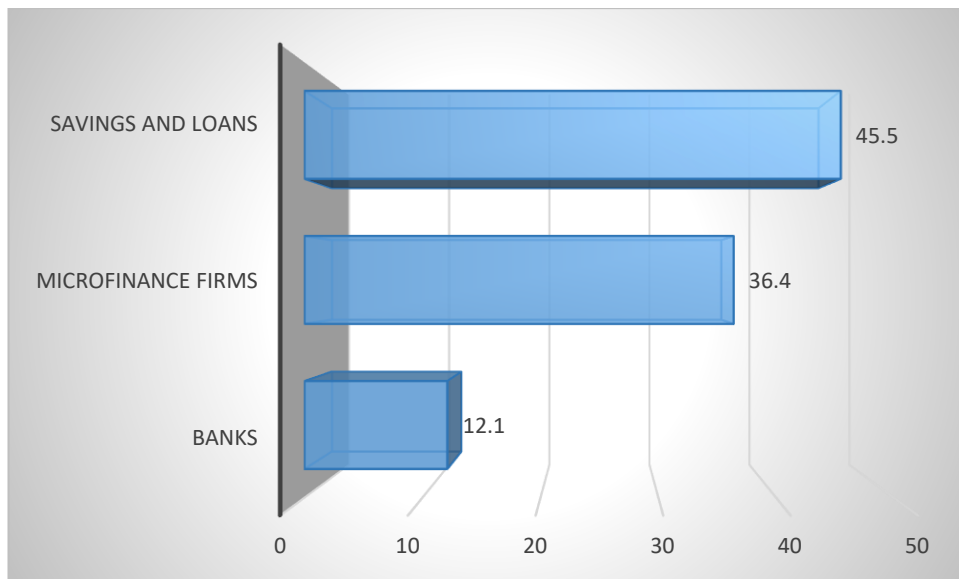


Figure 4: Bar Chart of Preferred Source of Accessing Loan

In fact, the literature is replete with numerous studies (Nyanzu & Quaidoo, 2017; Abdulsaleh & Worthington, 2013; Fatoki and Asah, 2011; Collier, 2009) that concur with the findings obtained in this research; that the saving and loans as the most preferred choice in terms of accessing by SME. These reasons for this are not farfetched. First is the fact that the saving and loans have relax requirements and conditions to meet to obtain loan from them. SMEs, as Abor and Quartey (2010) noted about a decade ago that SMEs are by nature unable to provide the required collateral that banking institutions normally demand. Following that SMEs inability in accessing funds they have been labelled as the “Missing Middle” in the context of financial inclusion or access to financial services (Quartey et al., 2017: 19).

4.3.1 Factors Inhibiting SMEs Access to Loans

This section sought further information on the challenges preventing the SME from accessing loan or credit. The responses put in five Likert scale range from 1= no extent, to 5= very great extent. SMEs that never accessed loan/credit stated several reasons for the decision. As can be seen in Table 3 respondents stated that small amount of

loan (mean=3.872), interest on loan (mean=3.863), collateral (mean=3.741) and repayment time (mean=3.653) are the leading barriers that inhibit their SMEs from accessing loans. They inhibit to a great extent SMEs ability to access loans. Application and processing fees (mean=2.289) have small impact on SMEs ability to access loans. Lastly, respondents indicated bureaucracy had ‘no extent’ effect in inhibiting SMEs from accessing loans. The means that paltry loan amounts, high interest are the leading barriers (to a very great extent) in preventing SMEs in TaMA from accessing loans.

Table 3: Factors Inhibiting Access to Loan by SMEs

Description	Mean	Std. Dev.
Paltry loan amount	3.872	.562
Interest on loan	3.863	.634
Bureaucracy	3.356	.245
Collateral	3.741	.683
Repayment time	3.653	.785
Application and processing fees	3.289	.3245
Average Mean	3.129	

Source: Field work, 2020

The issue elaborate conditionalities and requirements that SMEs are unable to meet has been well highlighted in the literature (Abor & Biekpe, 2007; Nkuah, Tanyeh & Gaeten, 2013). In view of this traditional financial institutions like banks are reluctant to grant credit to SMEs. The impact of which is that SMEs are frequently undercapitalized. According Abor and Biekpe (2007) the term structure of loans advance to SMEs does not suit their needs. Another reason that emerged from the interactions with the respondents was the young-ness of the firms. Some respondents therefore argued that they preferred to stay off loans and try to build from their own resources, rather than obtaining credit which sometimes can exert unnecessary

pressure on the growing business. As statements from respondents include “we can’t cope with a credit facility for now. Our business is barely two years old and with credit we will be required to service the loan even when we aren’t making profits” (Respondent 10, 2020). Another respondent opined that “it is better to manage prudently the meagre resources to grow than going in for loan or credit” (Respondent, No. 41, 2020). It emerged that beginning small business loathe the idea of credit. They are ready to take risk, however, within the ambit of their own resources.

4.3.2 Factors Influence Choice of Financial Institution

The research also sought to ascertain the factors that influence SMEs on the choice of institution to seek credit or loan support from. The factors collected were; easy access to loans, low interest rate, quick processing of loans, flexible repayment schedules and offering expert advice by loan officers. As far SMEs are concerned majority of respondents asserted easy and rapid nature of granting credit drives them to select an institution to contact for credit. Although intrinsically all SMEs would select low interest rate, the reality in Ghana demonstrated SMEs are less over about the interest rate. It is well established that savings and loan companies and microfinance institution charges ‘cut-throat’ interest, yet small businesses prefer them to their counterparts such as traditional formal financial institution (World Bank, 2016). The rationale for the high patronage of savings and loans and microfinance companies by SMEs is the less stress-free and high speed of processing loans. They are able to fast track credit to SMEs because they have less elaborate requirements like banks (Mensah, 2004). In fact due to the high interest rate which SMEs are often oblivious to the temptation to lend more is infectious. And this has collapsed lots of savings and loans as well as microfinance institution. Banks are generally reluctant to invest in SMEs, “they believe the potential return on their investment is not high enough to justify the risk of

loss and the length of time required before they can sell their investment at a profit” Mensah (2004:13) argued.

4.3.3 Type of Credits SMEs’ Access

Here, respondents were asked to state the type of credit facilities their SMEs access. Analysing the data the following factors emerged: SME finance credit, asset loan, business expansion loans, start-up credit, salary loans, seasonal business needs. The frequent mentioned facility were start- up credit and business expansion credit. The findings have been supported in the literature. Start-up capital has been reckon in the literature as one of most significant challenges of SMEs (Collier, 2009; Quartey et al., 2017). The lack of start-up capital is Collier (2009) noted in Africa in particular, is the result of two high risk characteristics. Business expansion credit also manifest strongly. According to OECD (2015:11) “The financing gap affect businesses [SMEs] is often a growth capital gap”. In this regard it has been shown that credit/loans to support growth of SMEs is well underscored (Hansen et al., 2012). Another type of credit facility was the asset acquisition loan. This is a normal practice particularly in relation to SMEs. Advancing loans to SMEs to acquire assets to support their businesses. According Muchiri and Shukla (2017) using Rwandan business context, asset financing greatly have positive impact on the financial performance of SMEs. They concluded “asset financing affected financial performance to a great extent” (Muchiri & Shukla, 2017:106). In Ghana too, Abor (2007) have shown that SMEs at the start-up stage rely on this means to support their businesses.

4.3.4 Duration for Loan Repayment

The period taken to service a loan or credit have significant impact on the financial performance of SMEs. In this study, the findings revealed that majority (31.8%) of the respondent stated loan repayments were done within 10-12 months. Next to the majority is 21.2% with repayments undertaken 4-6 months. The third highest (18.2%)

contended loan repayments were carried out within 1-9 months. The fourth highest (16.7%) reported repayments were done in more than 12 months. The least (12.1%) respondents in term of loan repayments opined credits were repaid within the first 3 months. These findings no outstanding. This resonates with other finding from previous studies. This result showed SMEs are mostly granted short-term loans. A study by Abor and Biekpe (2007:70) posited that “even when SMEs are given credit, they are often granted short-term loans and therefore they have no option but to depend on short-terms and informal credits in financing their long-term such as acquiring new equipment.” The short term loans and repayment is comprehensible for the fact that most SMEs often lack collateral and the reputation and thus do doing business with them is a high risk undertaking. In this regard, lending firm are comfortable granting short terms credit/loan repayment period in order to recoup fast the funds advanced. The effect of this is that SMEs are frequently under-capitalized. The loan term structure (Short terms loans) do not suit the needs of SMEs (Blanton & Dorman, 1994).

4.3.5 Sources of Funds for Loan Repayment

When respondents were as to the sources of the funds use to settle credits/loans, it emerged that majority answered it was done through the profits and gains obtain from excess finances from business operations. It is the ideal and sustainable approach to settle loans. Apart from this, some contended they defrayed loan obligations by the disposal of some major assets. Another possible way of settling debts by SMEs that was revealed in this study is reliance of family and friends. This is no surprise because the literature reckons it. Thus, the implication for falling on family and friend to settle business debt depicts the business is struggling. Osei et al (1993) cited in Quartey et al. (2017) have observed that about 95% of SMEs rely solely on personnel resources as well as support and loans from family and friend. This view of family and relative

support is shared by Abor (2005). According Abor (2005) SMEs particularly at the start-up stage heavily rely on insider finance from owner-manager, family and relatives

4.4 FINANCIAL PERFORMANCE

4.4.1 Loans and Financial Performance of SMEs

The section sought to investigate the extent to which loan and related issues impacted on financial performance of SMEs in TaMA. 7 question were asked cover loans and elements of loan. Respondents were requested to rate how the issues of loan and loan related issues such as interest charges on loan impact on SMEs financial performance in a five-point Likert scale. The scale ranges from 1 = 'no extent' to 5 = very great extent. The findings (Table 4) indicated that respondent rated interest charged (mean=4.82) on loans to have great impact on financial performance. Loan amount (mean=3.75), duration of long (mean=3.52) [short or long term] and fixed-rate loans (mean=3.31) had medium effect on financial performance. Also, loan processing charges (mean=2.42) and charges for late payment (2.27) had small impact on financial performance of SMEs in TaMA. Service tax is observed to have 'no impact on financial performance. Overall, as shown by the average mean (3.15) loans have medium effect on the financial performance of SMEs. Clearly, interest charge stands out. It is quite a concern to SMEs in TaMA. It effect on financial performance is great.

This finding corroborate Muchiri and Shukla's (2017) study that obtain similar findings. Shukla and Muchiri (2017) carried out a study with the objective to analyse the impact of the choice of credit on the financial performance of SMEs. This study was undertaken using SMEs in Rwanda. The result obtained indicated loans influenced SMEs performance to a great extent. However, the point of departure between Muchiri and Shukla's (2017) study and this study lies in the fact that whiles bank loans were the widespread financing source for SMEs in Rwanda, saving and loans and microfinance firms are major financing sources for SMEs in Ghana. In fact, the general

observation is that SMEs access to credits and loans significantly depends on the state of a country's financial markets, the regulatory environment within which financial institutions operate and their capacity to assess, manage and price the risks associated with loans products for SMEs (Daskalakis & Psillaki, 2008).

4.4.2 Trade Credit and financial Performance of SMEs

This section sought to find out the extent to which trade credit impact on financial performance of SMEs in TaMA. The results revealed that amount of goods and services (mean=2.56), Interest charge on goods (3.74), and payment period have (3.42) medium influence on financial performance of SMEs. Terms of maturity (2.63) small effect on financial performance. This relates that trade credit influence financial performance of SMEs in TaMA to a medium degree. This result contradicts the findings obtained by Axelsson and Lundin (2016). According to them (Axelsson and Lundin) that profitable SMEs prefer long-term credit rather than trade credit. For Muchiri and Shukla (2017) trade credit impact on financial performance to a great extent.

Table 4: Issue of Financial Performance

Loan Issues	Mean	Standard Deviation
loan amount	3.75	.2453
Interest charges	3.82	.2556
Short-term or long terms	3.52	.2367
Loan processing charges	3.42	.2674
Service Tax	3.64	.1678
Fixed-rate loans	3.31	.4689
Charges for late payment	3.27	.3562
Trade Credit		
Amount of goods and services	3.56	.1879

Term of maturity	2.63	.2623
Interest on goods and services	3.74	.2542
Pressure for repayment	3.42	.2348
Average Mean	3.34	

Overall Performance

Increase in net Profit	3.65	.2861
Growth in net Sales	3.76	.2875
Average mean	3.71	

Source: Field work, 2020

4.4.3 Overall Performance

This part of the study attempted established the extent to which respondents assessed the general growth of their SMEs. The responses designed in five Likert scale ranging from 1= very low scale to 5 very high scale. As indicated in the Table, respondent rated both Net profit and growth sale to be high as the depicted in the mean values 3.65 and 3.76 respectively.

4.5 CONCLUSION

The chapter discussed the results and findings of the research. The chapter began with a discussion of the demographic and SMEs' characteristics. It also looked at accessibility of credits by SMEs. It then proceeded to focus on the impact of loans on financial performance of SMEs. The next chapter looks at the key summaries of the findings obtained in the study.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This present chapter, which is the concluding chapter summaries the major findings, draws conclusion and also, proffers recommendation in policy and for further studies.

5.1 SUMMARY OF FINDINGS

The finding with regard to the demographics of owner-manager of SMEs captured in this study, the finding has shown that male participants constituted 70.5 %. On the other hand women owner-managers were made up 29.5%. In terms of education of owner-managers, the findings also indicated 11.5% had no formal education; 19.2% had basic education; While 26.9% had high school education, 42.3% has tertiary education. For SMEs characteristics, for instance age of SMEs, 1.3% had been in existence since 1960s. 3.8% of SMEs were established in the 1970s. 2.6% of the SMEs were established in 1980s .21.8% and 38.5% of the SMEs were established in 2001-2010 and 2010-2020 respectively. As regards number of employees, the results portrayed that 33.3% of the SMEs had employees ranging 1-5. 19.3% of the SMEs have employees between 6 and 10. Whiles 15.4% of SMEs had employees within the range of 11-15, 17.5% of SMEs had employee that fall within 16-20. In respects of SMEs having 21 and above employees, a percentage of 14.1% was recorded.

This research was designed with a general objective to examine the impact of loans on the financial performance of SMEs and their sustainability in TaMA. Based on the analysis of the data it was revealed that loans have medium impact on the financial performance of SMEs in TaMA. This is in the light that credits/loans are often taken

as additional resources injected into the business to sustain and expand business operations. SMEs operators mostly commence with own resources.

Another objective for which this research was designed was to determine the factors that influence SMEs to source for loans externally from lending institutions. The most mentioned factors was the need of the resources to boost operation. Low interest rate of the financial was another influencing factor that emerged. This has grave impact on the financial performance of SMEs, thus majority of SMEs stating it. Another major influencer was the easiness with which to access loans. Another was the repayment schedule of SMEs. When loan repayment schedules are flexible and suitable it could influence SMEs to access loan.

With regard to the objective ‘access the impact of interest rate on loans financial performance, the findings indicated that interest charges had great impact on financial performance of SMEs. Interest charges had the highest mean, which means that it a huge concern to SME entrepreneurs.

In terms of the relationship between loan acquisition and financial performance of SMEs in TaMA, the study revealed that loans and trade credits have medium impact on financial performance. This is because loans given to SMEs leverage them to operate efficiently as loans could plug the capital needs of SMEs. It also allows SMEs to position themselves to meet the needs of their clients.

The last objective of this research was to determine the challenges encountered by SMEs in accessing loans. The findings catalogued that high interest is one the major barriers as far accessing loans are concern. The second was securities and collateral. For SMEs this is usually a huge challenge. Another finding revealed was the repayment period. For SMEs, in view of their higher risk financial firms often prefer

to grant short term credit and this in no small way mostly exert unbearable pressure on SMEs and ultimately impacting unfavourable on their financial performance.

5.2 CONCLUSION

The conclusion reached as far as this research is concerned is that undoubtedly loans have very great impact on the financial performance of SMEs in TaMA. Physical observation during data collection apprised the researcher about the nature of businesses of SMEs in TaMA. Majority of the SMEs in TaMA fall within the description of small enterprises. This is based on the NBSSI definition of small businesses, that is, firm with employees less ten (10). It is worthy to state that SMEs are significant in the development of local economy of TaMA.

5.3 RECOMMENDATION

Based on the fact that this research revealed that loans impact immensely the financial performance of SMEs, it is imperative for traditional financial institutions such as banks devise systems and structures (tailored made loans scheme) to the SME sector taking into consideration their shortfalls. For instance, 'SME start-up loans' could be instituted by bank where the condition would be the brightness of a business idea. This is in view of the reality that SMEs are key vehicles for the growth and development of national economies. Also as the study revealed, traditional financing institutions do either provide short-terms or credit rationing to SMEs in view of their nature, which makes them riskier to transact business with, particularly providing financial credit to them. In this light, central government as a matter of urgency must design lending schemes to cater for the needs of SMEs instead of leaving them to the varies of the financial environment as it pertains now. For instance a national SME bank could be established with the sole aim of financing and lending to SMEs. Just as larger firms need long term financial interventions, SME also thrive on long term financing instead of short term credits that are frequently advanced to SMEs.

5.4 RECOMMENDATION FOR FURTHER STUDIES

Following the fact that this study is limited in terms of the data size, the findings obtained cannot be used to generalise as a reflection of entire SMEs in TaMA. The findings ascertained could be view as a microcosm of the larger picture. Thus, in order that a generalisation could be made, future studies could adopt a larger and representative sample size that will all SMEs in TaMA to conduct similar studies.



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APPENDICES

Appendix A

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QUESTIONNAIRE

Dear Respondent

This questionnaire is to help the researcher carry out a research on the topic: **‘The impact of loans on the financial performance of Small and Medium Enterprises (SMEs) in Tamale Metropolis’** as part of a Master degree studies in Finance. The study is purely an academic exercise and any information provided would be treated confidentially. The researcher would therefore be grateful if you could assist him by completing this questionnaire. Thank you for your cooperation.

Section A: PROFILE OF OWNER-MANAGER AND BUSINESS:

1. What sector do you operate in?
2. How long has your business been operating?

1960-1970	<input type="checkbox"/>
1971-1980	<input type="checkbox"/>
1981-1990	<input type="checkbox"/>
1991-2000	<input type="checkbox"/>
2001-2010	<input type="checkbox"/>
2011-2020	<input type="checkbox"/>
3. How would you classify your business?

Small	<input type="checkbox"/>
Medium	<input type="checkbox"/>
4. What is the gender of the Owner-manager?

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>
5. Including yourself, how many people are currently employed in your business?

1 – 5	<input type="checkbox"/>
6 – 10	<input type="checkbox"/>
11 – 15	<input type="checkbox"/>
16 – 20	<input type="checkbox"/>

21 and above

6. What is the level of education of the top manager of the business?

None

Basic

High School

Tertiary

Section B: Accessibility of Credit:

7. Has the business accessed credit facilities from any external source?

YES

NO

8. If YES, what type of institution do you access credit from?

Banks

Microfinance

Savings & Loans

Others *please specify*.....

9. What was the loan used for.....?

10. What is the average time taken to repay loan?

11. If NO. How has challenge inhibited your enterprise from accessing loans?

	Statements	Very great extent	Great extent	Medium Extent	Small Extent	No Extent
	High interest rate	1	2	3	4	5
	Bureaucracy	1	2	3	4	5

Turnaround time	1	2	3	4	5
Securities and collateral	1	2	3	4	5
Repayment period	1	2	3	4	5

12. Why do you seek loans from financial institutions? (You can choose as many as it applies)

- For acquisition of assets
- To settle debts
- To increase working capital
- To purchase stocks
- Other specific

SECTION C FINANCIAL PERFORMANCE

13. In your opinion how do loans and related issues impact on financial performance of your business?

Loans (L)	No extent	Small Extent	Medium extent	Very great extent	Very great extent
Loan Amount	1	2	3	4	5
Loan interest	1	2	3	4	5
Short-term or long term	1	2	3	4	5
Loan processing charges	1	2	3	4	5

Service tax	1	2	3	4	5
Fixed-rate loans	1	2	3	4	5
Charges for late payment	1	2	3	4	5

14. What is the impact of trade credit on the financial performance of your SME?

Trade Credit (TC)	No extent	Small Extent	Medium extent	Very great extent	Very great extent
Amount of goods and services	1	2	3	4	5
Terms of maturity	1	2	3	4	5
Interest on maturity	1	2	3	4	5
Repayment period	1	2	3	4	5

15. Please provide your assessment of the overall performance of your business using the response scale: 1= very low to 5= very high.

Statements	Very low	Low	Moderate	High	Very high

Financial performance					
	1	2	3	4	5
Growth in sale					
	1	2	3	4	5

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APPENDIX B

Krejcie and Morgan's (1970) Table for Determining Sample Size From a Given Population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	100	86	290	165	850	265	3000	341
20	19	120	92	300	169	850	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	361
55	48	200	127	440	205	1500	306	9000	367
60	52	210	132	460	210	1600	310	10000	368
65	56	220	136	480	214	1700	313	15000	373
70	59	230	140	500	217	1800	317	20000	375
75	63	240	144	550	225	1900	320	30000	377
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

NOTE: 'N' is population size, and 'S' is sample size

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