

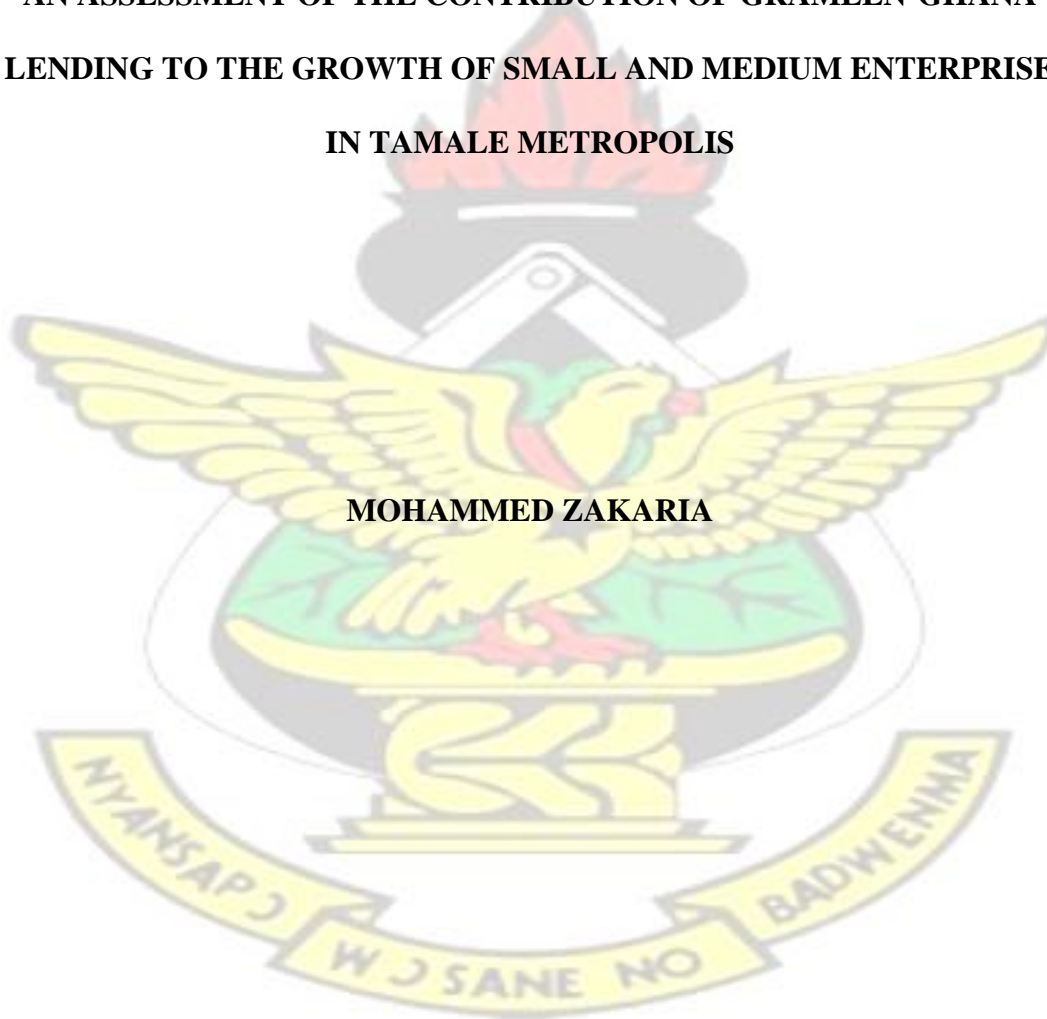
**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**INSTITUTE OF DISTANCE LEARNING**

**KNUST**

**AN ASSESSMENT OF THE CONTRIBUTION OF GRAMEEN-GHANA  
LENDING TO THE GROWTH OF SMALL AND MEDIUM ENTERPRISE  
IN TAMALE METROPOLIS**

**MOHAMMED ZAKARIA**



**2021**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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LENDING TO THE GROWTH OF SMALL AND MEDIUM ENTERPRISE  
IN TAMALE METROPOLIS**

**BY**

**MOHAMMED ZAKARIA (BSc. Marketing)**

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AND FINANCE**

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DEGREE OF**

**MBA (FINANCE)**

**JANUARY 2021**

## DECLARATION

I hereby declare that this submission is my own work towards the award of the MBA (Finance) and that, to the best of my knowledge, it contains no material previously presented by another person or any material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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7<sup>th</sup> January, 2021

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Signature

Date

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Dr. Michael Adusei

(Head of Department)

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Signature

Date

## **DEDICATION**

This project is dedicated to my family, especially my lovely mother Fati Sang, who took care of me, and to the memory of Late Alhaji Mahama Kinkansi for his role in reshaping my life.

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## ACKNOWLEDGMENT

First, I am indebted to the all-powerful Allah for all the blessings he showered on me and for being with me throughout the study. I am deeply obliged to my Supervisor, Dr. Kwame Mireku for his exemplary guidance and support without whose help; this work would not have been a success. I take this opportunity to express my deep gratitude to Mr. Baba Hananu (UDS) and management and staff of Grameen-Ghana and the lasting memory of my loving family, and friends who are a constant source of motivation and for their never-ending support and encouragement during this project. Finally, it has been an exciting and instructive study period in the Kwame Nkrumah University of Science and Technology and I feel privileged to have had the opportunity to carry out this study as a demonstration of knowledge gained during the period studying for my master's degree. With these acknowledgments, it would be impossible not to remember those who, in one way or another, directly or indirectly, have played a role in the realization of this research project let me therefore thank them all equally.

## **ABSTRACT**

Grameen-Ghana provides microfinance to low-income clients, including self-employed and low earning individuals who are working in informal sectors. The study objective is an assessment of the contribution of Grameen-Ghana lending to the growth of small and medium enterprise in Tamale metropolis. Descriptive design was selected in this study because it allowed the researcher to gather numerical and descriptive data to assess the relationship between the variables. The study used probability sampling techniques to create a sampling frame for small and medium enterprises. Data collected from questionnaire was analyzed, summarized, and interpreted accordingly with the aid of SPSS statistical techniques such as total score and simple averages and percentages were used. The study also used key informant interview to complement the questionnaires. It was found that Grameen-Ghana lending and the growth of small and medium enterprise in the Tamale Metropolis have a positive relationship. The study also found that only a small percentage of the SMEs in the Tamale Metropolis are beneficiaries of the Grameen-Ghana lending services. SMEs patronage of Grameen-Ghana loans was high because of the easy access, though there were some loan processing delays, stringent repayment terms and high transactional cost. Productivity is high as well as profitability among beneficiary SMEs of Grameen-Ghana loans. The study recommends the need for Government and other partners to facilitate the accessibility of credit for SMEs from the MFIs and minimize collateral conditions.



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## LIST OF ACRONYMS



ADB	African Development Bank
ARB	Association of Rural Banks
BAS	Business Advisory Services
BB	Branchless Banking
AGI	Association of Ghana Industries
BUSAC	Business Advocacy Fund
BOG	Bank of Ghana
BSC	Balanced Score Card
CERM	Centre for Empowerment and Resource Management
GDP	Gross Domestic Product
GG	Grameen Ghana
GoG	Government of Ghana
GSS	Ghana Statistical Services
HRBA	Human Rights Based Approach to Development
HH	Households
ICAG	Institute of Chartered Accountants-Ghana
MASLOC	Microfinance and Small Loans Centre
MFIs	Microfinance Institutions
NGO	Non-Governmental Organizations
NBSSI	National Board for Small Scale Industries
OECD	Economic Corporation and Development
RA	Research Assistant



ROSCAs	Rotating Savings and Credit Associations
SME	Small and Medium Enterprise
UE/R	Upper East Region
UNO	United Nations Organisation
USAID	United States Agency for International Development
WB	World Bank



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background**

Credit schemes have been popular in development finance, and continue to be recognized as means of economic advancement for nations, particularly the developing countries. Lending from Financial and Non-financial institutions has been identified as a significant contributor to the growth and development of Small and medium Enterprises business sector (Oni, Paiko and Ormin, 2012). Financing SMEs has become more important due to the light and the negative side effects of corona virus pandemic on businesses all over the world. Though policymakers like the Organization for Economic Co-activity and Development (OECD) have been supporting growth of Small and Medium Enterprises (SMEs). Major contributor to wealth creation, jobs and income generation in developing countries is the SMEs because of their strategic position in economic recovery and growth during the pandemic. Since 1970, the role of SMEs advancement has existed, yet next to no had been accomplished at that point. Key organizations were set up to help little and medium estimated ventures. Initiated in 1983, the Economic Recovery Program (ERP) has expanded institutional help for SMEs. Additionally, the National Board for Small Scale Industries (NBSSI) was established to take care of the SMEs sector. The creation of the current government's new Ministry of Business Development is also an effort to concentrate on the growth of the SMEs market.

The growth of SMEs has been hampered due to great difficulties encountered when raising capital because of the pre-occupation of the Microfinance Institutions (MFIs) with collateral-based lending (Hossain, 2000). Firm's growth in general refers to the increase in size. In research, firm's growth has been operationalized in many ways and different measures have been used. This may be one reason for the contradictory results reported by previous studies, though other explanations have also been presented (Delmar, Davidsson and Gartner, 2003). One of the typical measures for growth has been change in the number of employees. However, it has been found that these measures, which are frequently used in the SMEs context, are strongly intercorrelated (Pasanen, 2003). Growth can also serve as an instrument for increasing profitability by enlarging the firm's market-share. Also, achieving a higher net value of the firm can be regarded as a motive for growth (Pasanen, 2006). SMEs growth is often closely associated with the firm's overall success and survival (Barringer, Jones and Neubaum, 2005). Growth has been used as a simple measure of success in business. Also, as Brush and Vanderwerf (1992) cited by Pasanen (2006) suggest that, growth is the most appropriate indicator of the performance for surviving small firms. Phillips and Kirchhoff (1989) cited by Pasanen (2006) found that young firms that grow have twice the probability of survival as young non-growing firms. Notwithstanding the contribution of SMEs sector to economic advancement and growth it is face with inadequate funding. Poor management and unfavorable macroeconomic environmental factors have been identified as setbacks hindering financial institutions (FIs) in funding SMEs businesses (Ray, 2008). Beck,

Demirguc-Kunt, and Maksimovic (2004) established financing constraints of SMEs as part of the reason that limits their growth. Zeller and Sharma (2000) also found restrictive asset usage and extensive reporting as constrain face by SMEs in securing loans from FIs. Biekpe (2004) argues that most SMEs in Sub-Saharan Africa in particular do not survive in their first year due to lack of funding from FIs and government. Previous work showed that banks are a significant source of resources for SMEs (Petersen and Rajan, 1994). Bank loans account for the overall debt funding of less than a fifth of SMEs (Abor and Biekpe 2007). MFIs have created imaginative loaning items that lessen chance as well as diminish the expense of making little credits without depending on insurance (Morduch, 2000). Security was a huge obstruction to ordinary banks' contracting of credit offices for SMEs (Abor and Biekpe, 2007). MFIs look to limit neediness and increment access by SMEs to reserves, observational proof proposes that MFIs are benefit arranged and work for their own monetary maintainability (Goldberg, 2005). In this way, the investigation looks to determine whether Grameen-Ghana as MFIs really lend to SMEs and whether these lending contribute to the growth of these SMEs the Tamale Metropolis

## 1.1 Problem Statement

Numerous studies on impact assessment of lending on SMEs business growth have been conducted. The current economic downturn has increased the risk of funding SMEs by banks. Hence strict financing and collateral are demanded for financing SMEs (Beck *et al.*, 2005). Bekele, E., and Zekele, E. (2008) findings confirm the demand for collaterals and high interest rate charge by banks as a challenge facing the growth of SMEs. Tagoe (2005) position was not different in Ghana regarding challenges facing SMEs in securing funding for their business growth. However, knowledge about and empirical evidence of Lending contribution to the growth of SMEs is negligible of the existing studies and policy practice reports on MFIs lending in Ghana, few has holistically investigated the contribution of MFIs lending services to the growth of SMEs in the Tamale Metropolis and the information for policy has thus been not comprehensive. While strong claims have been made about the importance and capability of MFIs, it is unclear whether MFIs are contributing to the growth and long-term survival of SMEs within the Tamale Metropolis. This is why this research were carried out to assess Grameen-Ghana lending or credit facilities contribution to the growth of SMEs in the Tamale Metropolis.



## **1.2 Research Objective**

The study main objective is to investigate the contribution of Grameen-Ghana lending to the growth of small and medium enterprise in Tamale Metropolis.

### **1.2.1 Specific Research Objectives**

Specifically, the study seeks:

1. To examine the contribution of Grameen-Ghana lending to SMEs business expansion.
2. To examine the utilization of credit by the beneficiary SMEs owners
3. To examine the challenge(s) of beneficiary SMEs in accessing credit facilities.
4. To examine the challenge(s) faced by Grameen-Ghana in lending to SMEs

## **1.3 Research Question**

What is the contribution of Grameen Ghana lending to the growth of SMEs in the Tamale Metropolis?

### **1.3.1 Specific Research Questions**

The specific questions for the study are:

1. Does access to credit from Grameen-Ghana contribute to the expansion of SMEs businesses?
2. How challenging is it accessing credit from Grameen-Ghana by SMEs?
3. How do beneficiaries SMEs utilize credit from Grameen-Ghana?
4. How challenging is it to Grameen-Ghana in lending to SMEs?

#### **1.4 Significance of the Study**

Management of Grameen-Ghana would be interested to know their contribution to the growth of SMEs. The study can therefore help Grameen-Ghana to know the impact of their lending towards growth of SMEs business.

Findings can expose sources of financing and financing options for entrepreneurs. Ultimately, the results can assist the Tamale Metropolitan Assembly and other development partners and international organizations in the region supporting the SMEs sector movement to determine whether their efforts towards SMEs development have been successful.

Also, this study shall be valuable to both development and academic researchers on similar fields of study based on the intended findings and recommendations.

#### **1.5 Scope and Limitations**

The researcher assesses the contribution of Grameen-Ghana lending to the growth of SMEs in Tamale Metropolis. As such, it covers both the personnel of Grameen-Ghana and its beneficiary SMEs. Accessing information on Grameen-Ghana, particularly in the Metropolis is a foreseeable challenge, for security reason, as well as the manual nature of some of the vital information. Other possible limitations include difficulty in soliciting facts from some respondents, as well as human and statistical errors. However, effective measures were taken in overcoming the significant effect these limitations could have on the study.

#### **1.6 Methodology**

This research adopted a descriptive research design. A descriptive research design is a scientific method which involves observing and describing the behavior of a

subject without influencing it in any way. Sample size determination was based on key roles played in the Metropolis by credit officers and Grameen-Ghana management, as well as the credit beneficiaries. The sample size for the study was 110. A questionnaire and interview schedule were designed for the study.

For data analysis, the questionnaires were coded according to each variable of the study for consistency. This study used descriptive analysis. With regards to qualitative data, the researcher used narratives to tell the story from the respondents. The issues gathered from the field were synthesized and put in a logical narrative to give the views of the respondents. Responses from respondents were recorded and put together in a fashion that allowed comparisons and deviations from the literature reviewed.

### **1.7 Organization of the Study**

The study comprises five chapters. This chapter covered background to the study, problem statement, objectives, research questions, significance, delimitations, as well as the limitations. The second chapter deals with review on the literature and concept of micro-credit and the growth of SMEs. Research methodology were the third chapter, outlining the data collection and analytical methods and techniques to be used, whiles the fourth chapter were results and discussion of the data collected. The final chapter shall then be summary of findings, conclusions and recommendations on the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents the literature review of the study. It is concentrated definition of key concepts and theories on SMEs. An attempt was made to discuss the contribution of Grameen-Ghana lending to SMEs businesses, utilization of credit by the beneficiary SMEs owners, challenge(s) of beneficiary SMEs in accessing credit facilities and challenge(s) faced by Grameen-Ghana in lending to SMEs and conclude with chapter summary.

#### **2.1 Conceptual Review**

Numerous definitions have been given on various concepts of finance. Key terms considered under the study on lending have been summarized below:

##### **2.1.1 Microfinance**

Microfinance broadly surpasses tool to eradicate poverty. It includes the provision of micro-credit to entrepreneur to grow their business (Nothando, 2014). It is defined narrowly by Eluhaiwe (2005) as the provision of small amount of credit, thrift and other financial products to the poor for income improvement and standard of living. According Ukeje (2005) the provision of very small loans for a very short term to low-income individual who have inadequate asset to be used as security for loans is micro finance. The objective to alleviate poverty through provision of well design financial services to economically active persons and those neglected by the commercial banks and other financial institutions is micro finance (Ledgerwood, 1998). Almeyda, G. and Branch, B. (1999) defined as the



provision of credit, savings, and other financial services to lower-income group. Micro finance is broadly defined by Conroy (2002) as the provision of variety of well thought financial services that encompasses insurance, deposit, money transfers and medium and short-term loans to low-income people and their micro-enterprises.

### **2.1.2 Micro Credit**

According to the Reserve Bank of India's Micro Credit Special Cell, a borrowable totaling up to the Rs. 25000 bounds might be considered a microcredit product. This is approximately the equivalent of US\$ 500, which is definite for South Asia according to international perceptual experience. The terms microfinance and microcredit are frequently used interchangeably, but the distinctions between the two terms must be highlighted. Microcredit, as specified by the Grameen Bank, symbolizes small loans extended to the poor to undertake income-generating self-employment projects that would allow them to provide jobs for themselves and their families. Siddharth, Kanungo Shankar (2015). Part of micro finance the deal with provision of small loans to entrepreneur is microcredit.

### **2.1.3 Small and Medium Enterprises (SMEs)**

There are several definitions for SMEs. Carter and Jones-Evans (2000) affirm that no definition accepted every one as to what constitute SMEs. It is differently defined within sectors by countries. SMEs can be defined on employment. Hence SMEs is defined differently from countries according to sources reporting SMEs data (Ayyagari, Beck and Demircuc-Kunt, 2007). Some definitions consider, staffing, turnover or asset thus on quantitative measurement. Sited in Sydeny (2012)



National Board for Small Scale Industries (NBSSI) is a regulatory body for SMEs in Ghana that use asset and employee to define SMEs. NBSSI describe SMEs as enterprises that has annual turnover not more than US\$5 million equivalent but greater than US\$200,000 equivalent and with ninety-nine (99) employees (NBSSI, 2020).

## **2.2 Empirical Review**

The subject matter has been approached from general perspectives to Ghana-specific point of view in the following subsections.

### **2.3 Challenge(s) of Beneficiary SMEs in Accessing Credit Facilities**

#### **2.3.1 Inadequate Credit Access to SMEs in Stable Economies**

While there is consensus about how to define credit access, there is no specific way to quantify it. Existing studies therefore propose varying steps for the financial inclusion of SMEs (Cyn-Young Park, 2015). Honohan (2008) established a measure of credit and financial access using a percentage of population who has access to formal financial institutions. Available financial access data from business survey of economies were used. The Composite Financial Access Indicator was built using data from business surveys for economies with financial access data available. A Metric was developed that use bank account numbers and per capita GDP for economies without financial access data. Nonetheless, the Honohan (2008) measure offers a snapshot of financial inclusion and may not be applicable to understanding developments across time and through economies, because the dataset was designed as a cross-section series using the latest data as the reference year, which differs across economies (Cyn-

Young Park et al, 2015). Ramasubbian (2012) examined consumer opinion on financial services such as deposits, credit, insurance and money transaction facilities provided by banks in the state of Tamil Nadu, India, in his opinion on the growth of credit access in Tamil Nadu State. This also relies on financially excluded non-account holder views to see how this service can perform in a better way, and would have a positive impact on financial inclusion. Access to credit has historically been approached using supply-side metrics such as bank penetration (users of financial services over GDP) or financial depth (private loan over GDP). These metrics, however, do not take into account how such statistics are distributed among the population and are therefore not an objective way to calculate the degree of inclusiveness of SMEs in a financial system (Clamara et al 2014). In terms of use and access to structured financial services, they addressed the study of credit usage. This definition provides a first approximation of the link between financial systems and individual small and medium-sized enterprises by establishing how individuals and enterprises receive interest on one or more financial products, whether they have a mortgage loan, or online banking.

### **2.3.2 Inadequate Credit Access in African Countries**

Honohan et al (2009) as stated in (Dulacha G. et al 2012) used data from several African countries on national financial access surveys to conduct cross-country pooled analyzes of the causes and effects of credit access. Preliminary findings show that urban penetration levels are relatively higher than rural areas, greater male penetration than female, education is a strong indicator, and middle-aged consumption appears to be higher than categories of younger and older age

groups. We further modeled financial access determinants, with the probability of an account being held by a family, a SME or a person in a region. The assessment of economic behavior employs nine explanatory variables, namely bank trust, risk aversion, knowledge of the financial sector, having a mobile phone, employment, location (urban / rural), education, age, and gender. All variables were significant at very high rates with the use of probity and OLS regression models, except for gender. Rau (2004) documents extensive theoretical analysis of Sub-Saharan Africa's financial intermediation and access to finance; He categorizes factors which impede access to macro and micro financial data. Macro factors highlighted in the paper include: macroeconomic fundamentals, development of the financial sector and political factors, while micro factors relate to businesses, particularly SMEs (institutional factors), and technology. It emphasizes social factors such as ethnicity, and cultural factors. Given the theoretical focus of the paper, the analysis is very limited with little policy significance (Dulacha G. et al 2012), as it does not take into account rather realistic considerations such as access by intermediaries to retail loans from larger financial institutions, the complexity of economic activities and the interest charges in question. The latter is largely the case in Ghana, rather than the socio-cultural dimensions.

#### **2.4 Contribution of Grameen-Ghana Lending to SMEs Business Expansion**

The growth of SMEs business lies in solving its capital problem. The demand for security denies most SMEs access to capital (Oni, Paiko and Ormin, 2012). Kanak and Iiguni (2007) observe that SMEs owners produce at subsistence level hence their inability to access credit from FIs due to low savings or assets guarantee for

loans. MFIs usually provide greater access of micro credit to SMEs with less emphasis on collateral to boost their capital requirements. According to Oni, Paiko and Ormin (2012) acquiring a plant and machinery in a form of credit for SMEs that could not afford cash payment will help solve power supply problems of SMEs and enhance business growth. Khandker (2005), Woller and Parsons (2002) and Hossain (1988) did not state anything different. Also indicated by Hartarska and Nadolnyak (2008) that MFIs solve SMEs financing constraints. Lending to SMEs enable them acquire asset, create new business, emergencies are financed and prevent negative shocks and that translate to sustainable growth (Green, Kimuyu, Manos, and Murinde, 2002). Woolcock (1999) findings prove direct impact on SMEs that accessed credit increase production capacity, employ more labour and improve processing orders. They replace old machines with new and most SMEs are evidenced to have increase in sales and profit. According to Kole (1999) loans from MFIs help SMEs in reducing cost of capital since the cost informal loan is very high. The better of terms and condition of a loan from MFIs is an essential predictor of improved growth and productivity for SMEs business (Babajide, 2012).

## **2.5 Utilization of Credit by the Beneficiary SMEs Owners**

Largely, SMEs are not restricted to some economic activities in almost all jurisdictions. They undertake a wide range of economic activities with higher propensity to generate and sustain growth and development of local businesses through the process of job creation and increased income generation abilities. The activities include agriculture, industry, service and commerce (Obuobi 2012).



Ahwoi (2010) indicates nothing different in particularly the case of Ghana. Hence most of the loans from MFIs are appropriated into those activities. Though findings of Nendakulola (2015) could not confirm if loans granted to SMEs by MFIs are used for reasons on which loan was granted or diverted.

### **2.5.1 Economic Significance as a Lending Institution**

Finance being the life blood of any commercial activity, availability of sufficient pecuniary resources at rational terms is constitutive to secure prompt economic development (Siddharth, 2015). And it is the economic system's life-blood. The financial system is the vessel holding the blood of this life through the economic system. The defective vessel does not allow the blood to enter critical parts of the economic system. A vibrant financial sector is important and central to the growth and development of a country, but its utility cannot be utilized unless there is effective intermediary mechanism that will invest idle funds into more profitable enterprises at the maximum rates of return with minimal transactional cost (Killick and Martin, 1990). The relationship between credit access and the growth of SMEs depends on the importance of savings and investment in deciding the performance of a nation on the one hand, and on the role of financial intermediaries on the other in the cycle of saving-investment. Banks dominate the financial system in Ghana, with bank loans and MFIs credit facilities being the primary source for domestic firms including the SME. Alternative forms of capital, such as equity through the stock market, have been emerging since 1987 (Asare, et al, 2000).



Activities of SMEs, upheld by a solid and stable monetary framework are a foundation of financial development, improvement and financial progression. A money related framework that is characteristically solid, practically differing and shows proficiency and adaptability is significant to our national objectives of making a market-driven, profitable, and serious economy. A mature system supports higher investment levels, and with its depth and coverage promotes SMEs business growth in the economy. And establishing congenial conditions for lenders, including SMEs, is imperative for every regime. MFI's availability and large branch networks for banks are significant facilitators of business growth and expansion activities (Kumar et al, 2008). Just 2–4 percent of all adults in countries such as Cambodia, the Central African Republic and Niger have a bank account. Poor families often rely on age-old informal structures without access to formal financial services: family and friends, revolving investment programs, the pawnbroker, the moneylender, the money under the mattress. These informal structures often represent essential and viable value propositions. They are often inadequate and unreliable, however, and can be very expensive (Robert Cull et al, 2014). Over the last decade, Ghana's financial sector underwent significant consolidation and transformation as an integral part of a holistic development agenda. Such changes led to the transformation of a regime in the financial sector dominated by official controls into a market-based system (FINSSP II, 2012). Banks and MFIs are the major financial institutions in the Ghanaian economy, serving as intermediaries by mobilizing excess credit in the form of savings, and lending to individuals, firms, and government channeled to economic growth investment.

The efficiency with which banks are playing that position is encouraged by the level of economic and financial inclusion. The vast majorities of the total populace live and work in the open country. As indicated by Robert winnow et al (2014), they continually spare and get on casual ways. Once more, a greater part of the country populace lives and work in casual division organizations, for example, MFIs furnish access to credit without any difficulty and reasonableness for the defenseless in those rustic zones to help improve the nearby economy. Appraisals of the extent of the total populace living and working in the casual economy shift from 50 to 60 percent (World Bank, 2012). Globally, the formal financial markets also exclude about half of all working-age adults. 77 per cent are excluded for the lowest income quintile (Demirgüç-Kunt and Klapper 2012). Those initiatives are successful development for micro-level economic growth as proof of improved welfare. As in the main financial sector, these rural banks provide credit with less documentations and restrictions. Grameen-Ghana in the Tamale Metropolis could advance its course of extending credit to SMEs to grow their business.

### **2.5.2 Poverty Reduction**

According to Serwah et al (2015), access to credit is critical to poverty reduction and to promoting growth in all fundamental theories of development. This access has the power to produce huge benefits to the vulnerable. With improved access to credit, SMEs families can streamline utilization and increment speculation, including instruction and wellbeing, as the greatest financial gatherings. We ought to likewise secure against unfriendly occasions and along these lines forestall

heading further into destitution, as is regularly the situation with these mishaps (Lagard, 2014). For SMEs, access to lending can empower interest in new and increasingly gainful innovations. It can likewise enable them to extend – recruit more individuals and even develop to a bigger scope (Lagard, 2014). Anupama et al (2013) argues that credit extension will, among other things, serve as a boom for underdeveloped and developing nations for balanced growth in all parts of society leading to a reduction in income and savings inequalities. Given the above, an equitable financial system is vital to economic growth, to alleviating poverty, and to rising inequality. Access to credit is therefore integral to economic and human development (Dulacha, 2012). However, the key factors of credit accessibility in many areas are problems with formal bank methodologies such as documentations and restrictions, and SMEs in the Tamale Metropolis region, where Grameen-Ghana operates, are far from being an exception.

## **2.6 Challenge(s) of Beneficiary SMEs in Accessing Credit Facilities**

Across Ghana, the study of financial inclusion determinants by Akudugu (2010) uses data from the World Bank Global Financial Inclusion Index. The data represented 1000 individual adults across Ghana and included individuals across the different wealth groups, professions, geographic areas, gender and generations. The determinants of the individuals and the inclusion of SMEs in the formal financial market were calculated using the logit model. In the context of this analysis, on the formal financial market, credit access is characterized as people patronizing credit services provided by actors in the formal financial market. These primarily include account processes, savings mobilizations, and

credit distribution services. Therefore, individuals across Ghana who open accounts with formal financial sector institutions make deposits or take-out credit from them are listed as persons participating in the formal financial market (Demirgüç-Kunt & Klapper, 2012). Clearly however, the measurement did not capture most of the determinants; the scope of the paper only focused on people who patronize services rendered by financial institutions but not strictly on access to credit services by people or availability of those services. This is particularly the case of the UE/R, where facts on credit access, the forms it takes, as well as its contribution to the growth of SMEs is yet to be clearly established. The situation in the Tamale Metropolis is not an exception.

## **2.7 Challenge(s) faced by Grameen-Ghana in Lending to SMEs**

While lending institutions are a critical factor in economic growth at both the macro- and micro-level, this important mechanism is still hampered by many challenges. They include issues such as low population density, restrictions on income, analphabet and poor accessibility.

### **2.7.1 Low Population Density**

Among the explanatory variables the population density is the most important. Kumar (2008) capture the demographic of a region by using population per square kilometer to explain population density. And use it to understand the role of population concentration in financial system penetration. The higher the population of an area, the more motivated financial institutions (FIs) are to establish offices to provide financial services; and the lesser the population of an area, the risk of its populace been excluded financially is higher. This according



to Kumar (2008) is serious challenged for many FIs, consequently affecting access of credit to SMEs to and the general financial services.

### **2.7.2 Income Restrictions**

Another constraint is restrictions on income. Income is measured at constant prices for 1999-00 by the per capita net state domestic product (NSDP) (Kumar, 2008) a region or individual's per capita income dictates his/her position in the financial sector. A lower per capita income appears to have a negative association with savings and at a reasonable case would likely impact individual access to credit. Companies with higher and more stable sales are less likely to be removed in the financial sector.

### **2.7.3 Illiteracy**

A further constraint is the lack of, and low level of general education. Education tends to correlate positively with Financial Sector involvement. Persons with high literacy rates are less likely to be excluded from the financial sector than those without literacy. Akudugu (2010) amply captures this, showing that the majority (65 per cent) of potential credit beneficiaries were literate. As such, the findings captured the literate and analphabet in Ghana's interests about financial inclusion. More alarmingly, in many Ghanaian localities the opposite is the case, making access to lending institutions scarce and scary (Nyanzu and Quaidoo, 2018).

### **2.7.4 Poor Accessibility**

Poor accessibility in terms of distance barriers to financial institutions also affects SMEs' access to lending. The longer the distance to financial service provider, the more likely people are to be deprived loan facilities and the closer the financial



institution, the higher the probability. People who see the distance to formal financial institutions as an issue are less likely to be included on Ghana's formal financial market than their counterparts who see it differently. In particular, the remote nature of rural areas makes it difficult for FIs to reach out to the marginalized in the rural areas to provide them with credit and mobilize development savings; thus, most rural SMEs are financially excluded (Akudugu, 2010).

## **2.8 Theoretical Review**

This section is to appreciate the relationship this study has with theoretical developments over time. It comprises three specific models: agency, adverse selection and balanced scorecard.

### **2.8.1 Agency Theory**

This theory had its starting points in 1932 in Berle and Coit. Office hypothesis is an idea which clarifies why conduct or choices vary when shown by group of individuals. Specifically, it characterizes the connection between groups called the foremost who representatives work to another, called the specialist. This depicts their disparities in moves or dynamic by perceiving that the two gatherings as often as possible have various objectives and may have various perspectives towards chance paying little mind to their individual objectives (Asiama and Osei, 2007). Berggren and Nilson (2009) talked about the standards of office and its applications toward expansive corporate development.

They perceived how the interests of a given organization's chiefs and officials change from those of the organization's owner(s), and utilized association and

head definitions to explain the roots of those contentions. Basically, this hypothesis perceives that various gatherings related with a similar reason in a given circumstance may have various inspirations, and that these various inspirations can show in an unexpected way. In many disciplines the theory is applied including bookkeeping, financing, governmental issues fund management and promoting humanism. Whiles Grameen-Ghana, being the head, may want significant yields in monetary terms, its lending recipients, as specialist of financial change, may likewise focus on accomplishing financials objectives and social objectives too. It goes to clarify how the two players could deal with their rival desires for a decent common relationship.

### **2.8.2 Adverse Selection Theory**

Developed by Pagano and Jappelli in 1993, exchanging knowledge increases lenders' pool, lowers defaults and lowers interest rates. This may also trigger lending to increase.

When banks become monopolists, lending will decrease in some cases when exchange information on increase price discrimination possibility between low risk and high risky borrowers, the increase lending to less risky borrowers does not compensate for reduction in lending to high-risk borrowers. When there is competition in credit market lending is more likely to increase. And the inability of lenders to charge high rates will be restricted. The exchange of knowledge, which involves training of skills before granting credit facilities lessen the risk and strengthen lender and borrower relationship. Reducing default risk, interest rates and improve lending to SMEs is what the theory seeks to explain on

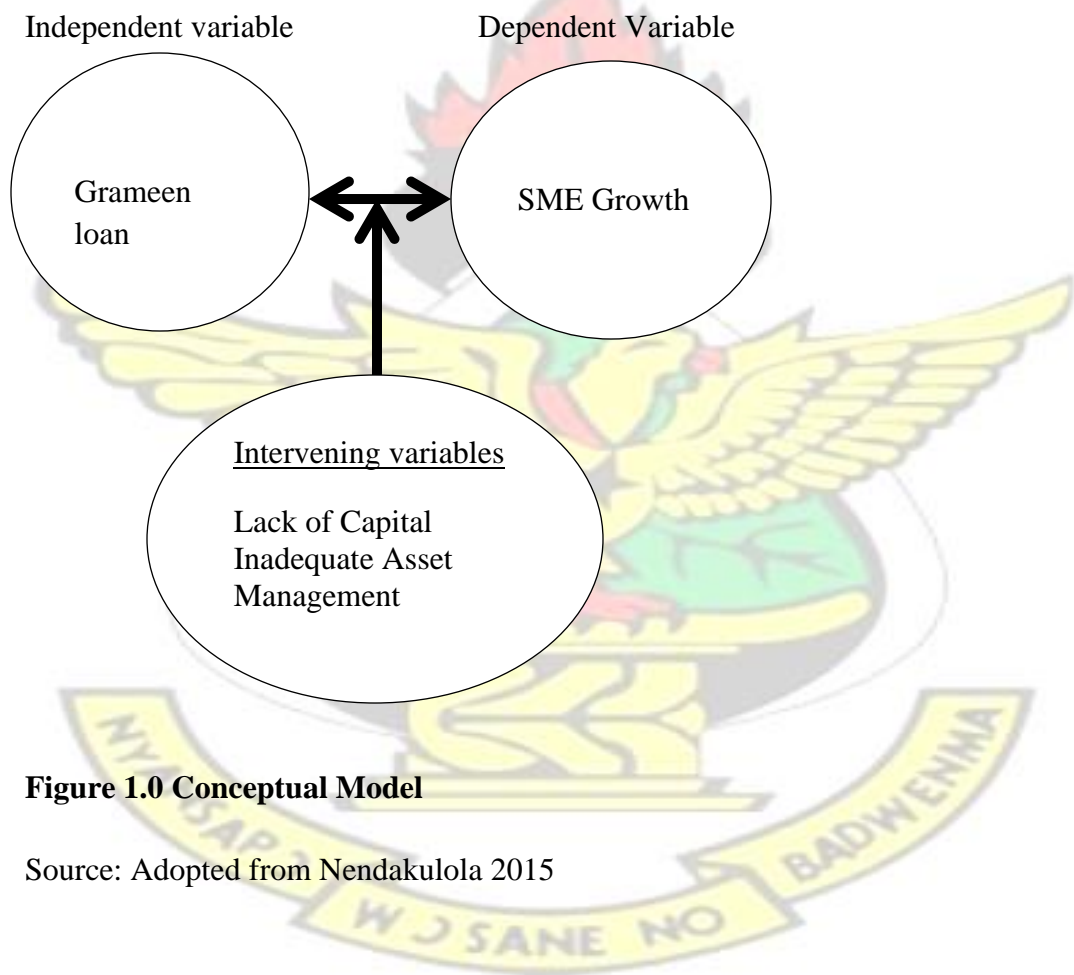
information sharing. Because credit bureaus will promote competition by increasing information on clients or by disciplining borrowers (Saunders & Cornet, 2008). Increasingly, organisations such as Grameen-Ghana will rather be on the safer side, by more importantly supporting with credit and skills training programmes, as means of information sharing for its clients.

### **2.8.3 The Balanced Scorecard (BSC)**

The Ghana Institute of Chartered Accountants (ICAG, 2015) defines BSC as a metric that takes into account both financial and non-financial measures and focuses on transparency, therefore, its utility in determining both internal processes and external results. The balanced scorecard focuses on four key perspectives in which individual evaluations are conducted and are then combined to provide an overall evaluation. These perspectives are learning and growth, business process, customer and financial. Analysis of the socio-economic effect of such a variable means that it is most useful to have a standard that incorporates both financial and non-financial measures.

## 2.9 Conceptual Framework

A conceptual frame work illustrates finding's expectation through your research. Relevant variables for your study are defined and map out how they might relate to each other. The study considers Gramee-Ghana lending and SMEs business growth as independent variables and dependent variables respectively. The above model explains the positive effect of Grameen loans to the growth of SMEs in Tamale Metropolis.



**Figure 1.0 Conceptual Model**

Source: Adopted from Nendakulola 2015

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the research methodology and the profile of the study area. The key issues discussed in this chapter include the research design, data required and sources, data collection tools, sampling procedures, and the analysis of the data.

#### **3.1 Research Design**

This research adopted a descriptive research design. A descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. In addition, a descriptive study attempts to describe a subject, often by creating a profile of a group of problems, people or events, through collections of data and the tabulation of frequencies on research variables and the research reveals who, what, when, where or how much (Saunders and Thornhill, 2000). A survey in form of standardized questions in a questionnaire was used to collect data. A survey is defined by Malhotra and Birks (2007) as a method of collecting data from people about who they are, how they think (motivations and beliefs) and what they do (behaviour). Therefore, the descriptive design was selected in this study because it would allow the researcher to gather numerical and descriptive data to assess the relationship between the variables.



### 3.2 Population

As at 2019, Grameen-Ghana has a human resource capacity of about 77 persons, 26 being key officials, all collectively serving the northern territory with credit and skills training facilities. Currently, over thousand (1,080) SMEs in the Tamale Metropolis are benefiting from these services.

### 3.3 Sample Size and Sampling Techniques

As shown in Table 1. The Table shows a sample of purposeful non-probability and random probability were taken, respectively, from 20 Grameen-Ghana officials and 110 SMEs. Due to the exclusive existence and comparatively smaller size of the population of officials the purposeful study was drawn on key informants.

**Table 1: Population and Sample Determination**

Respondent Category	Population	Sample	Sampling Technique
Grameen -Ghana Staff	77	20	Purposive non-probability
SMEs	1080	110	Simple random sampling

Source: Field Study, (December 2020)

However, calculation was performed for the SMEs sample in order to further minimize the population of SMEs to a respectable sample. Since the sampling frame is greater than 100, the Yamane (1967) method of sample size calculation was used to determine the sample size for the employees. Where  $n$  = sample size;  $N$  = population and  $e$  = margin of error or significance level. In order to have an acceptable margin of error, the sample size was determined at 95% confidence level, hence  $\alpha = 10\%$ . Thus,  $n = \frac{N}{1 + N(\alpha)^2}$ . By substituting 108 which represents the

sampling frame (**N**) into the formula with a critical value ( $\alpha$ ) of **0.1%**, the sample size (**n**) is 110.

### **3.4 Methods of Data Collection and Instruments**

A questionnaire and interview schedule were designed for the study. The questionnaire for the SMEs section dealt with the bio-data and objectives 2 and 3 of the study. The questionnaire was structured in three broad areas that included general information, utilization of credit by the beneficiary SMEs owners and the challenge(s) of beneficiary SMEs in accessing credit facilities. The questionnaires were administered personally to the respondents in a bid to ensure that copies get to the right respondents at the right time and also to be able to ask follow-up questions.

The Likert Scale was used because it was found to be mostly suitable for measuring people's views, opinions and perceptions. The statements on the Likert Scale were expressed on a five-point scale which asked respondents to indicate the extent to which they agreed with the statements ranging from strongly agree (SA), agree (A), uncertain (U), disagree (D) and strongly disagree (SD).

The key informant approach was used. It was used to elicit information from key personnel from GRAMEEN-Ghana to accomplish objectives 1 and 4. Thus it allowed clarification on issues raised by the respondents. A staff of Grameen-Ghana were interviewed by using an interview guide to get first-hand information about their dealings with SMEs. These people were chosen purposively because of their positions in the decisions making process of the GRAMEEN-Ghana and being in the position to contribute immensely to the quality of this study.

The reason for using two tools of data collection was that the flaws of one tool are often the strengths of another and so by combining tools, the strengths and weaknesses of the various tools were complemented and supplemented. For instance, the use of key informant interviews helped to capture useful situations such as the natural settings of respondents, thereby adding merit of crosschecking on the facts that were compiled through the other tools. The structure of the questionnaire followed the parameters of the objectives set to be achieved by this study mainly by examining the contribution of Grameen-Ghana lending to the growth of small and medium enterprise in Tamale Metropolis.

### **3.5 Data Analysis**

To ensure easy analysis, the questionnaires were coded according to each variable of the study for consistency. This study used descriptive analysis. According to McDanile and Gates (2001), descriptive analysis involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages, which are a vital part of making sense of the data.

For the key informant interviews, a short list was prepared from the original responses in order to get the key responses given by the respondents. The descriptive nature of the study called for the use of descriptive statistical tools necessary in the data analysis. The data was put into frequency distribution tables and percentages and interpreted. The quantitative data was analyzed using descriptive approached whiles the qualitative data was analyzed using narrative analysis.

Some data was presented in frequency distribution tables to facilitate easy understanding. That is, statistical methods such as frequency distribution tables with the aid of the Statistical Package for Service Solutions version 16 (SPSS v16) were used to explore the contribution of Grameen-Ghana lending to the growth of small and medium enterprise in Tamale Metropolis.

With regards to some qualitative data, the researcher used narratives to tell the story from the respondents. The issues gathered from the field were synthesized and put in a logical narrative to give the views of the respondents. Responses from respondents were recorded and put together in a fashion that allowed comparisons and deviations from the literature reviewed.

### **3.6 Reliability and Validity of Data**

For objectivity to be assured validity and reliability of data is important. When there is consistency in a repeated measurement there is reliability (Carmines and Zeller, 1979). Reliability is therefore the extent to which repeated trials of an instrument yield same results. Change of time can cause unreliability, there will generally a consistency in a result of a quality instrument use for data at different times. The scientific usefulness of research findings is validity (Nachmias and Nachmias, 1996). Therefore if the result can be generalized, applicable to different population, setting and period there is validity (Ghauri, Gronhaug and Kristianslund, 1995). The researcher submitted the instruments to the supervisor for review in order to meet graduate school standard.



### **3.7 Ethical Consideration**

SMEs and Grameen-Ghana permission were sought before instruments were served to the respondents. The respondents were assured of the confidentiality of their responses and that it is for academic purpose only. Some of the Grameen-Ghana staff initially felt reluctant to fill the questionnaires since it goes contrary to the oath of secrecy which they signed before their employment.

### **3.8 Profile of the Study Area**

Grameen-Ghana (GG) is a non-profit local non-governmental organization dedicated to poverty reduction, particularly in Northern Ghana's poorest regions. Originally known as Center for Empowerment and Resource Management (CERM) in 2001. The organization has its headquarters in Tamale but operates in the northern and upper east regions of 16 assembly areas. Its mission is to become a leading provider of political, social, and economic empowerment services for the economically active poor in rural and urban Northern Ghana. Because of this, its goal is to alleviate poverty and inequality by working in collaboration with other organizations and organizations working in the fields of lending, food protection and nutrition, water and sanitation, education and advocacy for disadvantaged and marginalized groups or communities. The organization strongly believes in mutual respect, honesty, reality, accountability and openness, while working well with national and international partners such as: UNICEF, UNDP, Grameen Foundation, Cordaid, Alterfin, Triple Jump, Planet Finance, Whole Planet Foundation (WPF), ActionAid Ghana, IBIS, SNV, MoFA/AFD and Kiva Microfund. Grameen-Ghana is also a key member of networks like



FoodSPAN, FONG, and African Microfinance Transparency (AMT), Financial NGOs' Association (ASSFIN), among others. The Human Rights Focused Approach to Development (HRBA) adopts a mixed approach including the Value Chain Growth Approach and the Market Driven Approach.

The HRBA is a holistic approach that seeks to empower poor people to identify and nurture the power within them to tackle their development challenges by transferring knowledge and skills. It raises poor people's consciousness about changing the "can't do" attitude that suppresses them from challenging policies and practices that perpetuate poverty and injustice (Grameen-Ghana, 2019).



## **CHAPTER FOUR**

### **DATA PRESENTATION AND DISCUSSION**

#### **4.0 Introduction**

Chapter four presents data on the findings of the study; the first section tends to elaborate on the socio-economic characteristics of the survey and how they relate to the issues under study. It explores the background information of respondents in terms of gender, age, marital status and educational qualifications.

The second section also tends to answer the first, second and third research objectives of the study, which tends to examine the accessibility of credit from Grameen-Ghana, SMEs business expansion and challenges faced by SMEs in using Grameen-Ghana lending to expanding their businesses in the Tamale Metropolis and credit utilization by SMEs. The last part depicts the challenge(s) faced by Grameen-Ghana in lending to SMEs.

#### **4.1 Background of Respondents**

This section deals with responses to questions that are geared towards unravelling some basic background details of respondents who constitute to the survey of the study. This was to aid readers have a fair knowledge about the survey of the research area. The traits considered were gender, age, marital status and educational qualifications of respondents.

Results of data collection in Table 2 indicated that there were 42 (38.2%) males and 68 (61.8%) females. It is clear that the clientele of Grameen-Ghana in Tamale Metropolis are mostly females. Table 2 follows up with the presentation of responses on clients' marital status, age and level of education.

**Table 2: Socio-Demographic Characteristics of Respondents**

Characteristics	Frequency	Percent
<b>Gender</b>		
Male	42	38.2
Female	68	61.8
<b>Total</b>	<b>110</b>	<b>100.0</b>
<b>Marital Status</b>		
Single	12	10.9
Married	88	80.0
Divorce	3	2.7
Separated	5	4.5
Widowed	2	1.8
<b>Total</b>	<b>110</b>	<b>100.0</b>
<b>Age</b>		
18-29	15	13.6
30-39	72	65.5
40-49	17	15.5
50 and above	6	5.5
<b>Total</b>	<b>110</b>	<b>100.0</b>
<b>Educational Qualification</b>		
None	52	47.3
Elementary	33	30.0
Secondary	17	15.5
Tertiary	8	7.3
<b>Total</b>	<b>110</b>	<b>100.0</b>

Sources: Field Survey (December, 2020)

Marital status was also considered at this section, evidence from Table 2, indicated that, 88 representing (80%) of the respondents were married, 12 representing (10.9%) were single, 5 representing (4.5%) were separated, 3 representing (2.7%) were divorced and 2 representing (1.8%) were widowed.

Another aspect considered under the socio-economic characteristics of the survey was age of the respondents, and as indicated in table 2, 72 (65.5%) of the respondents are in the youth age bracket or range. This implies that respondents at the Grameen-Ghana in Tamale Metropolis are still young and vibrant thus can contribute to the growth and development of their businesses.

Table 2 shows that 52 (47.3%) of respondents had no formal education. 33 (30%) had attained elementary level of education. Again, it is seen that 17 (15.5%) and 8 (7.5%) had gone through secondary and tertiary school respectively. Sometimes, the level of a business person's formal education is an advantage to the running of the entity (Simanowitz and Brody, 2004).

#### **4.2 Contribution of Grameen-Ghana Lending to SMEs Business Expansion**

SMEs development is indispensable tool to the growth and development of a nation. Therefore, its financial accessibility cannot be overemphasized. As indicated by Asiana and Osei 2007, access to financial services is essential for the development of the informal sector and it also helps to mop up excess liquidity through savings that is made available as investment capital for national development. Onuba 2008 added that financing of small and medium scale enterprises is vital instrument for the alleviation of poverty in the society. As a result, SMEs play a crucial role in nation building and as such providing them

with the needed facilities would assist in bridging the gap between the rich and the poor. Runny 2006 also mentioned that access to capital is critical to keep facilities current add major information technology systems and it strengthen quality initiatives.

The objective one for this research therefore, deems it appropriate to examine the contribution of Grameen-Ghana lending to SMES business expansion which is not limited to only credit, but also savings, insurance and investments in Ghana and the study area in particular. It is also necessary to find out whether the accessibility to capital is essential for the development of the informal sector and whether there is excess liquidity and if that excess can be mobbed up as savings which is made available as investment capital for national development, and whether the access can serve as a poverty alleviation tool as acclaimed by the authors above.

The key informant interview revealed that personal funding; relative supports; trade or business - to - business credit (supplier credits); mortgage loans; equipment loans and lease; long, medium- and short-term loans from credit unions and banks; partnerships; overdrafts; savings; investment; insurances; customer supports; withdrawals; transfer services, among others are the types of financial services available to SMEs in the Tamale Metropolis.

State and Regional Development Companies (MASLOC), Commercial Banks, Insurance Companies (SIC Life), Savings and Loan Associations (Susu and Credit Union Companies), Commercial Finance Companies (PEPS-C) Commercial and other financial institutions (Absa bank) and Venture Capitalist



Companies (ABA SNAPI) are nonetheless the institutions noted to be providing the above financial services. Also, most of the institutions above were considered as sources/types of financing for SMEs by some of the authors in the literature reviewed.

It was added that as an institution, *“we try to bring hope to the hopeless in societies, help them implement plans and build assets for the future inculcate in them the spirit of saving and investment, help them build confidence and self-esteem and capacities which enables them take part in decision making in the society. We also try to fill the vacuums created by the formal financial sectors”*.

These however validate the sources/types of financial services available to SMEs, which was put forward in the arguments by the following authors: Shinn, 2009; WEDC, 2009; Tatum, 2009; Ward, 2009; Tiare, 2009; Boachie-Mensah and Marfo- Yiadom, 2007; International organization of Employees, 2006; Annan, 2005; Meggins, on Byrd and Megginson, 2000 and Steinhoff and Burgess 1993, in the literature reviewed on business financing.

However, further investigations from the survey identified two main categories of financial services accessible to SMEs and they include equity and debt financing. Nevertheless, the results from the survey on the various types/sources of financing to SMEs were not classified under their broad categories which are the two-broad main- Equity and Debt because the researcher wanted to find out what particular type or source of finance under what category is commonly used by SME entrepreneurs in the Tamale Metropolis. However, the reasons behind it were to enable the researcher to make an informed judgments and conclusions. Moreover,

the result from the survey on the types of financing clearly shows that there exist two main categories of financial services.

This therefore, authenticates what Richards 200;9 Tatum, 2009, and others in the literature reviewed said about contribution of business to financing. For, instance personal financing support from relatives and friend, s among others are categories of equity financing. Also, credit unions, banks, insurance savings investments supplier credits are categories of debt financing.

#### 4.3 Utilization of Credit by the Beneficiary SMEs Owners

The results obtained from the responses to the question on the credit utilization by SMEs were presented on Table 5. The questions had responses in the Likert format with 1= Strongly Agree, 2= Agree, 3= Disagree, 4= Strongly Disagree and 5=Uncertain.

**Table 3: Utilization of Credit by the Beneficiary SMEs Owners**

S/N	Statement	Ratings					Total
		SA	A	D	SD	U	
		N (%)	N (%)	N (%)	N (%)	N (%)	(%)
1	You have use it to expand your business	25 (22.7%)	63 (57.3%)	0 (0%)	0 (0%)	22 (20%)	110 100
2	You have use it for other purpose apart from business	0 (0%)	0 (0%)	70 (63.6%)	31 (28.7%)	9 (8.2%)	110 100
3	You have use part of the	2 (1.8%)	38 (34.5%)	21 (19.1)	35 (31.8%)	14 (12.7%)	110 100

	loan for business and other purpose						
4	You have received credit support for 1 <sup>st</sup> time from Grameen-Ghana	15 (13.6%)	17 (15.5%)	32 (29.1%)	25 (22.7%)	21 (19.1%)	110 100
5	You have received credit for 2 <sup>nd</sup> time from Grammen-Ghana	17 (15.5%)	36 (32.7%)	22 (20%)	14 (12.7%)	21 (19.1%)	110 100
6	You have received credit for 3 <sup>rd</sup> time at least from Grammen-Ghana	35 (31.8%)	46 (41.8%)	7 (6.4%)	1 (0.9%)	21 (19.1%)	110 100

Sources: Field Survey (December, 2020)

Findings from table 5 present generally high agreement levels with the statements posed by the researcher as indicated by the high means. Table 5 explains how credit utilization by SMEs is done. It was observed that SMEs used their credits for productive purposes, such as expansion of business (57.3%) respondents agreed; purpose apart from business (63.6%) respondents disagreed; part of the loan for business and other purpose (34.5%) respondents agreed; credit support for 1<sup>st</sup> time from Grameen-Ghana (29.1%) of the respondents disagreed; received

credit for 2<sup>nd</sup> time from Grammen-Ghana (32.7%) of the respondents agreed and respondents received credit for 3<sup>rd</sup> time at least from Grammen-Ghana (41.8%). Only 63.6 percent of the SMEs disagreed that, they have never used their credit apart from business investment. Contrary to the opinion of Nissake and Aryeetey (1995) that small-scale industries use their credits mainly for consumption rather than production, the information in Table 5 agrees with the views of Udomah (1998), that small-scale industries tend to put their credits into productive investments.

#### 4.4 Challenges of Beneficiary SMEs in Accessing Credit Facilities

The results obtained from the responses to the question on economic significance of Grameen – Ghana were presented on Table 6. The questions had responses in the Likert format with 1= Strongly Agree, 2= Agree, 3= Disagree, 4= Strongly Disagree and 5=Uncertain.

**Table 4: Economic Significance of Grameen-Ghana**

S/N	Statement	Ratings					Total
		SA	A	D	SD	U	
		N (%)	N (%)	N (%)	N (%)	N (%)	(%)
1	You have increased household savings and income	5 (4.6)	80 (72.7%)	11 (10%)	0 (0%)	14 (12.7%)	110 100
2	You have diversified household	17 (15.5%)	70 (63.6%)	10 (9.1%)	0 (0%)	13 (11.8%)	110 100

	income						
	sources						
3	Your households have better access to basic services (education, health care and shelter)	38 (34.5%)	49 (44.5%)	5 (4.5%)	5 (4.5%)	13 (11.8%)	110 100
4	You have reduced household poverty and vulnerability levels	8 (7.3%)	80 (72.7%)	4 (3.6%)	5 (4.5%)	13 (11.8%)	110 100
5	You have greater control over household decision making	71 (64.5%)	26 (23.6%)	0 (0%)	0 (0%)	13 (11.8%)	110 100
6	You have increased the number of employees after credit support from Grameen-Ghana	2 (1.8%)	11 (10%)	50 (45.5%)	34 (30.9%)	13 (11.8%)	110 100

*Sources: Field Survey (December, 2020)*



Based on the literature, a number of economic significances of Grameen – Ghana variables were identified for respondents to rate the statements. From Table 6, increased household savings and income were rated 72.7% as respondents agreed to the statement. This means that profits tend to increase with increase in sales. For profit maximizing firms, a strategy to maintain a high level of profitability requires that the firms produce quality products which can easily be sold to generate more revenues, especially through effective and efficient marketing strategies that will increase revenue in excess of the expenditure leading to increase in business level profit.

As anticipated, the diversification of household income sources was rated 63.6% were respondents agreed to the statement. It implies that those entrepreneurs who received training through their participation in the microfinance programme realized the need to diversify livelihoods. Households have better access to basic services (education, health care and shelter) was rated 44.5% were respondents agreed to the statement as indicated in Table 6. This shows that SMEs who had formal education were more likely to realize profit growth than those with no formal education. This result is consistent with findings by Copestake, Bhalotra and Johnson (2001).

Table 6 reveals that 72.7% of the respondents agreed that respondents have reduced household poverty and vulnerability levels through Grameen – Ghana. This therefore means that, if Grameen – Ghana empowers more households, they would be able to combat poverty in households.

Another issue investigated was greater control over household decision making, 64.5% of the respondents strongly agreed to the statement. From the data in table 6, respondents who are in support of greater control over household decision making is of the view that, when you are economically empowered, your voice can be heard during decision making at the community level.

As to the number of people respondents' businesses had employed after credit support from Grameen-Ghana, 50 respondents (45.5%) indicated they disagreed with the statement. Majority of these businesses are into retail businesses that employed less hands due to its nature and methods. On the average the businesses employed 2 people, something that not good for employment creation for others as posited by Daniels (2004), Quartey and Abor (2010) and Lisa (2009).

#### **4.5 Challenges Faced by Grameen-Ghana in Lending to SMEs**

According to the key informant interview, the processes of lending of the finances also entails challenges such as: personal application letters; utility bills; identification cards; business plans, business registration and commencement certificates; trade and tax clearances certificates; six-month statement of accounts business addresses and location passport pictures; pay slips; guarantor; collateral among others.

The question then is how many SME businesses in the Metropolis meet these requirements and can provide the requisite documents? These requirements therefore worsen the challenges encountered in the processes of lending to SMEs. Moreover, aside the processes and the documents required, there are other criteria used in selecting the beneficiaries to the financial services provided by the various

institutions in the Metropolis. The criteria include that the individuals are subject to scrutiny through interviews, individual assessment and assessments of businesses of the beneficiaries in finding out of honesty also if there is willingness of some of them to work in teams and if they are ready to produce quality work which will get ready market. Also, other criteria such as total contributions; regular and active membership permanent structures and those who meet all the requirements and show repayment ability qualify for the financial services.

Additionally, it came to the notice of the researcher that both the individual SMEs and the institutions face difficulties in the processes of accessing and retrieving financial services respectively. The institutions notified the researcher that it really becomes a difficult task for them to retrieve loans given out to SMEs. Therefore, it was as a result of the fact that some of the beneficiaries give false information others are not willing to pay back the services and some businesses also collapse due to poor market structures in the Metropolis.

It was mentioned moreover that the paid back mode of the financial services provided by the institutions to SMEs in the Metropolis are done in cash either directly to the institutions offices some of the officers going round to collect the cash themselves or it is paid into the institutions account daily, weekly and/or monthly basis.

The institutions in the Metropolis therefore acclaimed that they are able to satisfy the needs of all qualified clients because they have ample funds to do that. Nevertheless, SMEs in the Metropolis claimed that their finances, especially credit facilities are not adequate enough to support their businesses and therefore

are not able to purchase the necessary raw materials and equipment to increase production. For that matter most of their businesses are collapsing record poor growth and expansion as well as poor development of the SME sectors in general. Also, it became an acknowledged fact that the habit of insurance is not well cultivated among most SMEs in the Metropolis because they are not well informed and sensitized on the importance and the need for it. It was mentioned however that the processes and procedures involved also deter people from accessing the services. On the other hand, the SMEs complained of inadequate funds for the yearly renewal and that prevents them from accessing the service. It was also noted that SMEs are enthusiastic about accessing the savings and investments more particularly the savings because that service helps in save keeping of the SMEs money from theft. It also helps increase their working capital through the bit-by-bit money they set aside. Again, it prevents them from misusing the business capital and for that matter uses the funds for the intended purposes. It also controls their daily spending to avoid unnecessary spending of the business funds. However, for those few who have cultivated the habit of investment do it as a way of increasing their working capital for unforeseen circumstances and security guarantee for the future. The SMEs nonetheless complained that they do not earn any significant interest on their savings but it is to the interest of the nation because it is made available as investment capital for national development. Hence this endorses what Asiama and Osei 2007 said about savings and investment in nation building.



## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents the summary of the findings of the study, it draws conclusions from the study and also makes recommendations for the study.

#### **5.1 Summary of Major Findings**

The specific objectives of the study were to examine the contribution of Grameen-Ghana lending to SMEs business expansion; the utilization of credit by the beneficiary SMEs owners; the challenge(s) of beneficiary SMEs in accessing credit facilities and the challenge(s) faced by Grameen-Ghana in lending to SMEs.

Literature was reviewed both theoretical and empirical literature on the study. This section is further divided into a number of parts; including the concepts of small and medium enterprises in general; the outlook of SMEs in Ghanaian economy, their sources of finance, activities of non-governmental organizations in financing NGOs and emerging challenges facing the microfinance sector.

The research methodology of the study included population and sampling techniques and analysis of the results was done by SPSS software.

##### **5.1.1 Grameen-Ghana contribution to SMEs business expansion**

In terms of results and discussions, for the accessibility of credit from Grameen-Ghana and SMEs business expansion, the survey identified two main categories



of financial services accessible to SMEs and they include equity and debt financing the results from the survey on the various types/sources of financing to SMEs were not classified under their broad categories which are the two-broad main- Equity and Debt because the researcher wanted to find out what particular type or source of finance under what category is commonly used by SMEs entrepreneurs in the Metropolis. However, the reasons behind it were to enable the researcher to make an informed judgments and conclusions. Moreover, the result from the survey on the types of financing clearly shows that there exist two main categories of financial services.

#### **5.1.2 SMEs Utilization of Grameen-Ghana Credit Facilities.**

Most of the SMEs economic activities in Tamale Metropolis are agri-businesses; trade and vocation with few into processing and manufacturing. Most Clients invest the loans into ventures for the purpose which the loan was given. It is however noted that few who diverted loan into other purposes end up defaulting in repayments.

#### **5.1.3 Challenges in using Grameen-Ghana Credit facilities by SMEs**

For challenges faced by SMEs in using Grameen-Ghana lending to expanding their businesses, the problems faced by SMEs in their operations ranging from competition, high utility tariffs, infrastructure among others, the participant SMEs saw it as a drawback to their businesses. Also, access to bank credit by SMEs has been an issue and continues to be raised by numerous studies as a major constraint to growth of SMEs in Tamale Metropolis.

#### **5.1.4 Grameen-Ghana Challenges in lending to SMEs**

In fact, challenges faced by Grameen-Ghana in supporting SMEs were basically inadequacy of funding, high default rate, low community support, poor working conditions, illiteracy and some miscellaneous others.

#### **5.2 Conclusions**

The study found that Grameen Ghana contributed to the increment in living standards in the Tamale Metropolis. The researcher, however, found that this improvement was inadequate to lift the SMEs out of poverty. This conclusion was confirmed by the fact that long-standing beneficiaries had a trend of lower living standards compared to the levels of those in the early years of the programme.

To determine how the accessibility of credit from Grameen-Ghana and SMEs business expansion, we survey beneficiaries on how difficult/easy it was for them to get to join the intervention. While most beneficiaries agreed that it was easy to access micro-credit based on a good selection criterion by Grameen-Ghana, majority of SMEs felt the intervention was quite inaccessible with stringent selection criteria. Since accessibility has more to do with those who haven't joined wanting to join, and even those on the program wanting to access more funds, we concluded that, the intervention was largely inaccessible.

We can safely conclude on this basis that, microfinance interventions such as Grameen-Ghana are only good at supporting the poor to address the emergencies of poverty, such as access to food and basic healthcare, but are incapable of bringing them out of poverty.

Because of these constraints, which relate to access to bank loans and the difficulties SMEs have in managing their receivables, mainly due to delays in receiving payment for goods and services rendered, SMEs in Ghana are not able to mobilize cash as quickly enough to grow and expand in a way that they are supposed to. They still remain small without expanding their businesses to the other regions of the country, even though SMEs have expressed the desire to do so when they have the financial assistance required.

Finally, SMEs are not exploiting other avenues such as Ghana Venture Capital Trust Funds, Micro-finance and Small Loans Centre (MASLOC) among others to access loans to operate their businesses other than the banks and non-bank financial institutions. Even though these two institutions remain the major source of credit for SMEs, the SMEs inability to meet the stringent requirements of these institutions make these sources unviable unless there is a total change in the financial institutions lending methodologies, which will relax the criteria of these institutions to allow SMEs easy access to loans.

### **5.3 Recommendations**

Based on the finding as revealed by the study, the following recommendations are proposed to further strengthen the contribution of Grameen-Ghana lending to the growth of small and medium enterprise in Tamale Metropolis.

- 1) First and famous, SMEs ought to be exposed to current trends in financial literacy and technology; this would help them to make an informed decision to improved their business management.

- 2) Also, the findings from this research proved that the work of Grameen-Ghana in providing micro-credit has been effective in a limited way to enable SMEs manage the incidence of poverty. This should encourage Grameen-Ghana to improve its funding sources to include even local ones to further expand its activities.
- 3) Moreover, there were a couple of challenges and constraints. Based on that, it is recommended that Grameen-Ghana should take note of the following recommendations: Beneficiary SMEs of Grameen-Ghana loans must be trained on sound business practices.
- 4) Should do well if it would be able to get additional funding to lend to its clients who feel that they can do better with higher amount than what are presently given.

#### **5.4 Further Research**

In fact, as indicated under the limitation section, time and labour were key areas of constraints of the researcher, hence, the limitation of the study to the Tamale Metropolis only. Again, even with this regional limit, only Grameen-Ghana SMEs client were considered. Therefore, a further analysis is recommended, containing sample size outside this region and other SMEs.

In addition, it will be interesting to explore ways the government can promote the accessibility of SMEs on credit of Microfinance Institutions.



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## APPENDICES

### KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI, INSTITUTE OF DISTANCE LEARNING (IDL)

#### QUESTIONNAIRE

##### For Beneficiary SMEs

I am a student of Kwame Nkrumah University of Science and Technology (KNUST). I am undertaking a research project on the **Assessment of the contribution of Grameen-Ghana Lending to the Growth of SMEs in the Tamale Metropolis**. This questionnaire is meant to solicit your candid response on the topic. It comprises demography and objective-based sections, with a number of questions in each. You are also assured that any information obtained shall be held in confidence and anonymous.

##### Section A: Background of Respondents

1. Sex: a. Male ☐ b. Female ☐.
2. Age: a. 18-29 ☐ b. 30-39 ☐ c. 40-49 ☐ d. 50 and above ☐.
3. Marital Status: a. Single ☐ b. Married ☐ c. Divorced ☐ d. Separated ☐  
e. Widowed ☐.
4. Educational Level: a. None ☐ b. Elementary ☐ c. Secondary ☐ d.  
Tertiary ☐.
- e. Non-Formal ☐ f. Any other (specify):

**SECTION B: Contribution of Grameen-Ghana lending to SMEs business expansion.**

In your opinion, how accessible is Grameen-Ghana credit facilities? Respond to the following items based on your perception by ticking strongly agree (SA), agree (A), uncertain (U), disagree (D) and strongly disagree (SD)

S/N	Statement	SA	A	U	D	SD
5	Your capital is adequate for your business					
6	The source of your initial capital is from others					
7	Your source of business capital is personal savings					
8	You know about Grameen-Ghana					
9	The sources of your business capital is Grameen -Ghana loan					
10	You have applied for Grameen-Ghana credit facility more than once					
11	It takes a week to access credit fromGrameen-Ghana					
12	It takes less than a week to access credit from Grameen-Ghana					
13	It takes more than a week to access credit from Grameen-Ghana					
14	Grameen-Ghana has granted 100 percent of your credit request					
15	Grameen-Ghana has granted less than 100 percent of your credit request.					
16	Grameen-Ghana always require colletral before granting loans					
17	You find the process of accessing from					

	Grameen-Ghana cumbersome					
18	You made profit after receiving grameen-Ghana loans					
19	Your business have break-even after receiving credit facility from Grameen Ghana					
20	You made a loss after using Grameen-Ghana loan					
21	Your business have valuable assets before dealing with Grameen-Ghana					
22	Your business acquire valuable asset after receiving credit support from Grameen-Ghana					
23	You were a financial literate before grameen-Ghana credit support					
24	You have achieved financial literacy after Grameen-Ghana credit support					
25	You have achieved business recognition before Grameen-Ghana credit support					
26	You have achieved business recognition after Grameen-Ghana credit support					
27	You have achieved influence before Grameen-Ghana credit support					
28	You have achieved influence after Grameen-Ghana credit support					
29	You have positive expectation about Grameen-Ghana before doing business with them					
30	Your expectations have been met after doing business with Grameen-Ghana					

### Section C: Utilization of Credit by the Beneficiary SMEs Owners

In your opinion what are the challenges in accessing credit support from Grameen-Ghana to grow your business? Respond to the following items based on your perception by ticking strongly agree (SA), agree (A), uncertain (U), disagree (D) and strongly disagree (SD)

S/N	Statement	SA	A	U	D	SD
31	You were given credit with education					
32	The grace period for your loan repayment is short					
33	Your loan repayment term is short					
34	You have provided security to guarantee your loan					
35	You were given flexible payment schedule					
36	Your loan was disbursed to you in time					

### Section D: Challenge(s) of Beneficiary SMEs in Accessing Credit Facilities

In your opinion how do use the loan received from Grameen-Ghana? Respond to the following items based on your perception by ticking strongly agree (SA), agree (A), uncertain (U), disagree (D) and strongly disagree (SD)

S/N	Statement	SA	A	U	D	SD
37	You have use it to expand your business					
38	You have use it for other purpose apart from business					
39	You have use part of the loan for business and other purpose					
40	You have received credit support for 1 <sup>st</sup> time from Grameen-Ghana					
41	You have receive credit for 2 <sup>nd</sup> time from Grammen-Ghana					
42	You have receive credit for 3 <sup>rd</sup> time atleast from					



	Grammen-Ghana					
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### Section E: Challenge(s) Faced by Grameen-Ghana in Lending to SMEs

In your opinion, what economic significance has Grameen-Ghana lending to your business? Respond to the following items based on your perception by ticking strongly agree (SA), agree (A), uncertain (U), disagree (D) and strongly disagree (SD)

S/N	Statement	SA	A	U	D	SD
43	You have increased household savings and income					
44	You have diversified household income sources					
45	Your households have better access to basic services (education, health care and shelter)					
46	You have reduced household poverty and vulnerability levels					
47	You have greater control over household decision making					
48	You have increases the number of employees after credit support from Grameen-Ghana					

**Thank You!!!**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,  
KUMASI, INSTITUTE OF DISTANCE LEARNING (IDL)**

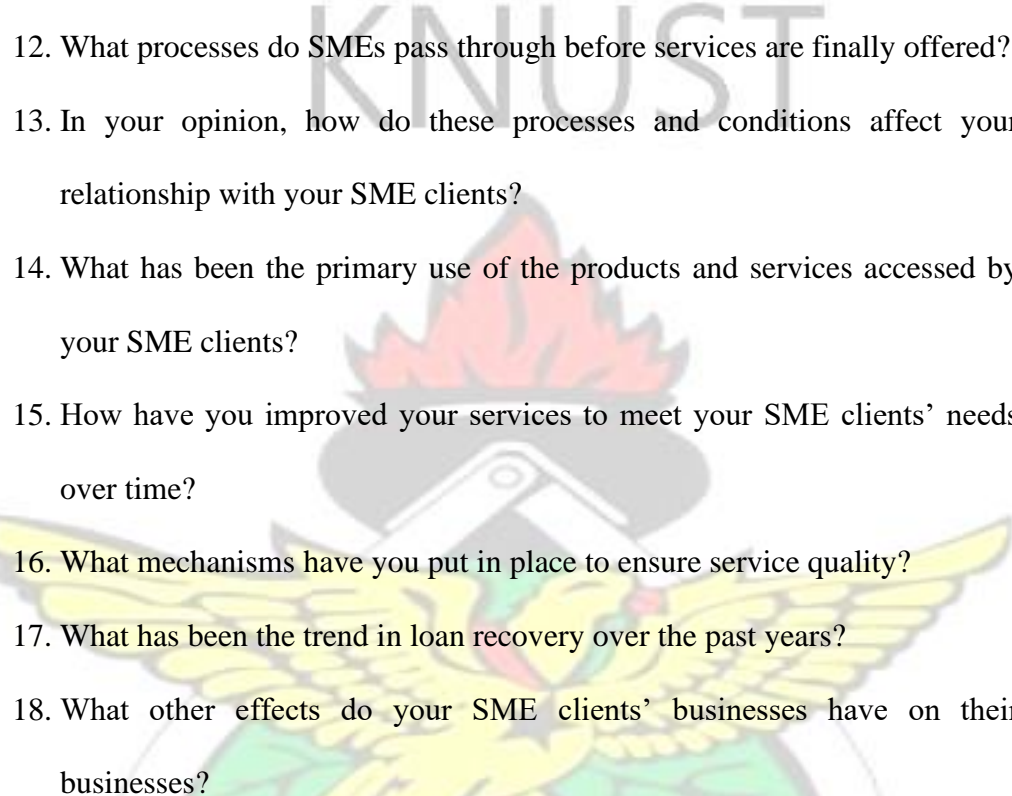
**Interview Guide**

**For Staff of Grameen-Ghana**

I am a student of Kwame Nkrumah University of Science and Technology (KNUST). I am undertaking a research project on the **Assessment of the Contribution of Grameen-Ghana Lending to the Growth of SMEs in the Tamale Metropolis**. This questionnaire is meant to solicit your candid response on the topic. It comprises demography and objective-based sections, with a number of questions in each. You are also assured that any information obtained shall be held in confidence and anonymous.

**Contribution of Grameen-Ghana Lending to SMEs Business Expansion**

1. Can you suggest ways that can best improve the conditions of accessibility to financing SMEs?
2. What are the various forms of financial services accessible to SMEs?
3. What are the requirements for obtaining these finances?
4. What are the processes that one goes through in obtaining the finance?
5. What are some of the documents one need to possess for obtaining the finances?
6. What are the paid back modes?
7. What categories of SMEs do you lend your services?
8. What is the preference for a particular category of SMEs?

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9. What have you put in place to provide assistance to as many SME clients as possible?
  10. What type of training do you give to your SME clients?
  11. What qualifies an SME to receive your services?
  12. What processes do SMEs pass through before services are finally offered?
  13. In your opinion, how do these processes and conditions affect your relationship with your SME clients?
  14. What has been the primary use of the products and services accessed by your SME clients?
  15. How have you improved your services to meet your SME clients' needs over time?
  16. What mechanisms have you put in place to ensure service quality?
  17. What has been the trend in loan recovery over the past years?
  18. What other effects do your SME clients' businesses have on their businesses?

**Challenge(s) Faced by Grameen-Ghana in Lending to SMEs**

1. What general challenges do you face as MFI?
2. How do these challenges affect your operations?
3. How can the relationship with your SME clients be improved and sustained?

**Thank You!!!**