

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

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THE ROLE OF SAVINGS AND LOANS INSTITUTIONS IN FINANCING SMES: A

CASE OF UTRAK SAVINGS AND LOANS LIMITED

BY

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## DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration (Finance) and that, to the best of my knowledge, it contains no materials previously published by another person nor material which has been accepted for the reward of any other degree of the university, except where due acknowledgement has been made in the text.

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## **DEDICATION**

With much joy I dedicate this thesis to my late father, Frederick Osei Bonsu, all my family members and friends.

## **ACKNOWLEDGEMENT**

I wish to express my sincerest gratitude to the Almighty God for his abundant grace he showered on me from the beginning of this course to the end of it culminating into the writing of this project work.

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## **ABSTRACT**

This study sought to assess the role of saving and loans institutions in financing SMEs using Utrak Savings and Loans Co. Ltd as a case study. The study employs questionnaire designed to cover major aspects of the roles played by Savings and loans companies towards the financing of SMEs. Fifty clients and five staff of Utrak Savings and Loans Co. Ltd were selected for the study. The analysis revealed that business registration certificate is mostly the main document requested by Utrak savings and loans ltd during a loan application process. Other documents that are requested according to the analysis, include Management accounts, Business plan, financial statements, Appraisal of assets to be financed and Resolution to open an account. The analysis also revealed that Utrak savings and loans ltd has rejected some loan applications in past due to several reasons such as lack of collateral security by clients and poor credit experience or history of clients among others. It was however revealed in the analysis that the major problem that SMEs encounter in securing for funding from Utrak savings and loans ltd is their lack of collateral security. The analysis also revealed that the major impact that the financial support from Utrak savings and loans ltd has on SMEs business performance is that it has helped their businesses to grow and expand into big businesses. The results from the analysis also indicated that the financial support that SMEs receive from Utrak savings and loans ltd has helped them to increase their business assets and working capital which has resulted in smooth operation of their businesses and an increase in profit of their businesses. The results from the research also revealed that the policies that are put in place by Utrak to ensure quick recovery of loans from clients are daily collection of repayments from clients, routine customer visit and constant communication with clients as well as management advice to customers.

## TABLE OF CONTENTS

<b>CONTENT</b>	<b>PAGE</b>
<b>DECLARATION .....</b>	<b>ii</b>
<b>DEDICATION .....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT .....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>v</b>
<b>TABLE OF CONTENTS .....</b>	<b>vi</b>
<b>LIST OF TABLES.....</b>	<b>ix</b>
<b>LIST OF FIGURES .....</b>	<b>x</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION .....</b>	<b>1</b>
1.0 INTRODUCTION .....	1
1.2 PROBLEM STATEMENT.....	5
1.3 OBJECTIVES OF THE STUDY.....	6
1.4 RESEARCH QUESTIONS .....	6
1.5 SCOPE OF THE STUDY.....	7
1.6 SIGNIFICANCE OF THE STUDY .....	7
1.7 LIMITATIONS OF THE STUDY .....	7
1.8 ORGANIZATION OF THE STUDY.....	8
<b>CHAPTER TWO .....</b>	<b>9</b>
<b>LITERATURE REVIEW .....</b>	<b>9</b>
2.0 INTRODUCTION .....	9
2.1 ORIGINS OF FORMAL BANKING IN GHANA .....	9
2.2 MODE OF OPERATION OF SAVINGS AND LOANS COMPANIES .....	10
2.4 EVOLUTION AND THEORIES OF MICROFINANCE.....	12
2.5 PROBLEMS USUALLY FACED BY SMES IN GHANA REGARDING CREDIT ACCESS .....	13
2.6 POLICY/LEGAL/REGULATORY FRAMEWORK OF MICROFINANCE.....	14
2.7 TYPES OF MICROFINANCE INSTITUTIONS (MFIS) IN GHANA.....	16
2.8 BENEFICIARIES OF MICROFINANCE .....	18
2.9 OVERVIEW OF SMALL AND MEDIUM ENTERPRISES (SMES).....	19

2.9.1 THE GHANAIAN CONTEXT OF SMES .....	20
2.10.1 Ease adaptation to market conditions .....	21
2.10.3 Consistent supply of goods and services to meet demand.....	22
2.10.4 Achieving Rural Diversification in Ghana .....	22
2.11 FINANCING ACTIVITIES OF SMES .....	23
2.11.1 Sources of Funding for Small Businesses .....	24
2.12 THE IMPACT OF CAPITAL IN SMEs DEVELOPMENT .....	28
2.13 THE CONCEPTUAL FRAMEWORK OF MICRO-FINANCING.....	29
<b>CHAPTER THREE.....</b>	<b>31</b>
<b>RESEARCH METHODOLOGY AND ORGANIZATIONAL PROFILE.....</b>	<b>31</b>
3.0 INTRODUCTION .....	31
3.1 RESEARCH DESIGN.....	31
3.2 POPULATION .....	31
3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE .....	32
3.4 DATA COLLECTION .....	32
3.4.1 SOURCE OF DATA .....	33
3.4.2 DATA COLLECTION INSTRUMENTS .....	33
3.5 DATA ANALYSES .....	33
3.6 PROFILE OF UTRAK SAVINGS AND LOANS LTD .....	34
3.6.1 CORPORATE MISSION .....	34
3.6.2 CORPORATE VISION .....	34
<b>CHAPTER FOUR .....</b>	<b>35</b>
<b>DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS .....</b>	<b>35</b>
4.1 INTRODUCTION .....	35
4.2 DEMOGRAPHIC CHARACTERISTICS.....	35
4.3 ANALYSIS OF UTRAK CLIENTS RESPONSES .....	40
4.3.1 PRODUCTS USUALLY OFFERED BY UTRAK TO SMEs.....	40
4.4 SMES EASE OF ACCESS TO MICROFINANCE FROM UTRAK SAVINGS AND LOANS LTD.....	43
4.5 BENEFIT OF FINANCE OBTAINED BY SMEs FROM UTRAK.....	48
4.6 ANALYSIS OF STAFF RESPONSES .....	51
4.6.1 UTRAK POLICIES IN DEALING WITH SMEs.....	51

<b>CHAPTER FIVE .....</b>	<b>53</b>
<b>SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION .....</b>	<b>53</b>
5.0 INTRODUCTION .....	53
5.1 MAIN FINDINGS OF THE RESEARCH .....	53
5.1.1 PRODUCTS USUALLY OFFERED BY UTRAK TO SMEs.....	53
5.1.2 SMES EASE OF ACCESS TO MICROFINANCE FROM UTRAK SAVINGS AND LOANS LTD .....	54
5.1.3 BENEFIT OF FINANCE OBTAINED BY SMEs FROM UTRAK.....	55
5.1.4 UTRAK SAVINGS AND LOANS LTD POLICIES IN DEALING WITH SMEs.....	55
5.2 CONCLUSION.....	56
5.3 RECOMMENDATIONS.....	57
 <b>REFERENCES .....</b>	 <b>58</b>
<b>APPENDIX.....</b>	<b>65</b>

## LIST OF TABLES

	<b>Page</b>
Table 4.4.1 How difficult is it for Utrak to grant the following forms of Products?.....	46

## LIST OF FIGURES

	<b>Page</b>
Figure 4.2.1 Gender of Respondent.....	36
Figure 4.2.2 Age of Respondent.....	37
Figure 4.2.3 Marital Statues of Respondent .....	38
Figure 4.2.4 Respondents' highest educational level .....	39
Figure 4.2.5 Sector That Represents Respondents Main Activity of Business .....	40
Figure 4.3.1 What Form Of Finance Do You Access From Utrak? .....	41
Figure 4.3.2 Financial Products Usually Provided By Utrak to SMEs .....	42
Figure 44.1 Produces SMEs Go Through In Order To Request For Financial From Utrak .....	43
Figure 44.2 Documents Usually Requested By Utrak As Part Of A Loan Application Process .....	44
Figure 44.2 SMEs Use of The Finances They Usually Obtain From Utrak.....	49
Figure 4.5.2 Impact Of Finance From Utrak On SMEs Business Performace? .....	50

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 INTRODUCTION**

The private sector in particular the small and medium firms perform important function in both job creation and income generation in most emerging economies. This role, according to Makorere (2014) is vital to poverty alleviation policies in many emerging economies. The private sectors thus, form the breeding grounds for most newly formed indigenous entrepreneurs such as those in the small and medium enterprise in the Ghanaian private sector. Even though, finance is difficult to obtain, it is a major determinants of the success and performance of small businesses. A number of saving and loans companies since the onset of Ghana's economic liberalisation reforms have aimed at providing microfinance to SMEs (Makorere, 2014). The growing sector in the economy is SME, with an increasing number of universal banks trying to create products that are innovative to give importance to financing as part of their strategic growth plan. SMEs segment serve as growth engines for economic development because they usually focus on growth resulting from globalization and liberalization. Thus, the binding connection between the intermediaries and the customers have become most crucial in determining who gets the available funds to facilitate his/ her activities in the country.

Internationally, influence of micro enterprises to the progress and growth of most developing economies are substantial. Small firms encompassing the private sector are envisaged as the heartbeat of growth and development major economies including Germany and the UK. In fact, some studies conducted in the developed markets in recent years confirm that micro enterprises form the most registered companies in UK hence make significant decisions as well as massive contributions to UK's economic growth

and development. However, studies in emerging economies equally reveal that small and medium scale firms have become the pillars of several innovative activities in manufacturing and the service industries and hence serve as the major link between the supply chain of corporate bodies and the public sector in both employment and distribution of productive capacities. For instance studies in India argue that small and medium enterprises contribute close to 20% of GDP and about 45% to industrial output. However, their contributions areas such as exports and employment constitute about 40% and 70% respectively.

In Ghana, available statistics point to the fact that more than 70% of firms in Ghana are SMEs which contribute about 40% to Gross National Income (see GSS, 2012). This indicates the contributions SMEs made to the economic growth, income and employment. In the year 2000, the then government declared the year as the golden age of business with particular emphasis on the private sector as the main engine of growth in Ghana. This attempt was geared to awakening the spirit of entrepreneurship among the citizenry which has brought to light the importance of SMEs. SMEs are key players for national development irrespective of the status of the economy. In addition, as a result of their flexibility are able to adapt and withstand to the changing market conditions such as booms and recessions. Their dispersion as examined by the Ghana Statistical Service in 2012 promotes better redistribution of income as well as the addition of value to products in domestic markets (GSS, 2012).

Recently, strives of the micro enterprises in Ghana have impressed the conscience and minds of many decision makers in both policies and regulations. For instance, hardly a month passed without a conference with focus on SMEs in the press. This kind of attention according to PwC (2013) survey shows that increased interest in SMEs has

improved. Small firms in Ghana thrive because the larger firms create opportunities in the form of forward and backward linkages as well as institutional support to access certain markets both locally and internationally. These benefits have opened more prospects for the expansion and diversification of SMEs across various spectrums including manufacturing, food processing, information technology and improved agricultural systems. In the light of their contribution and role in the growth and development of the economy, SMEs experience limited support required to improve their sustainability. Consequently, these inadequacies inhibit the ability of SMEs to develop competitively.

Actually, these micro enterprises have been facing numerous challenges from inadequate banking finance, information asymmetry, and outmoded technology to low production capacity and ineffective marketing strategies. Instead of addressing these issues, various past governments have hidden behind inadequate donor supports at the expense of the concerns of the SMEs. This has created an institutionalized funding gap for the SMEs. However, it is worth considering that knowledge-based and transmission entity such as Capacity Development Centre - Ghana, has shown commitment towards the SME sector through the organization of training programs at the international level through product promotions, and research for the improvement and dissemination of information to SMEs in Ghana.

There has been stagnation in development of the private sector in the Ghanaian economy. This issue has continued to impinge the wheels of progress of the private sector in the economic growth and development of the country. This shaky nature of the growth of SMEs has become threatening to the country in terms of efforts in poverty reduction, job creation and growth of the economy, which by far put the economy on its

long run growth path. There has however being the problem of inadequate credit allocations to run small business firms thus posing as a major threat to the survival and sustainability hence dissuade the emergence of entrepreneurial skills of upcoming youth in the country. Notwithstanding, it is of relevance to note that whilst large firms do not face such constraints, existing and upcoming micro enterprises seeking to make enormous contribution to the growth of the economy face these constraints hence frequently prevents them from engaging in start-ups.

There has been fragmentation in the financial systems of most African countries and these have created a challenging atmosphere for the progress of SMEs in mobilising funds; but inadequacy of funding gaps are been closed by opportunities and efforts of microcredit institutions, whose growth in recent years has been tremendous. For instance, Novo-banco an Angolan bank offers SMEs with loans free of bank charges and without a minimum deposit as well as with informal guarantees. Although, these microcredit institutions have adjusted to local needs, they however remain fragile in battling with the cost of refinancing through the formal banking sector. The vision of micro-finance institutions is to create a complete change in financial systems worldwide. However, instead employing previous financial model and systems, Suberu, (2011) argues that these financial institutions have acknowledged serving the growing SME population through an improvised financial system similar to the poverty alleviation tactics used by many developing economies.

Kenya for instance in dealing with funding gap among SMEs has increase the number of small commercial banks by lowering the regulations and minimum requirement for the establishment of financial institutions in the country and in so doing has drawn closer the presence of traditional banking to SMEs both geographically and in businesswise.

Similar linkage was adopted by South Africa in the early years of 2005 to provide flexible loans to SMEs. However, in addressing numerous of these challenges, efforts through the formal and informal financial institutions such as the commercial banks, microcredit institutions and community groups have expanded and strengthened the links between firms willing to permanently increase SMEs' access to finance and the SMEs themselves. Accordingly, Turkson (2014) stated that the implementation of the 17.5 per cent Value Added Tax (VAT) charge on financial services in Ghana will deter micro-enterprise as well as micro financial institutions from banking. Currently, Ghana boast of three categories of microfinance institutions which include formal, semi-formal and informal suppliers of microfinance with the aim not just providing access to ready capital to alleviate poverty on an individual level, but to support the firms and individuals at the institutional levels as well.

## **1.2 PROBLEM STATEMENT**

The contribution of SMEs in the economic progress process of Ghana cannot be understated. Notwithstanding, SMEs must be financed in order to make a considerable contribution to the development of the country. SMEs are faced with numerous challenges impeding their growth in Ghana which including inability to access to funds, fierce market competition from the economic liberalization (Boapeah, 1993).

However, the difficulty in accessing micro finance has become source of worry to numerous governments over the world, especially Government of Ghana. In fighting against poverty, the issue of access to financial services has always being ignored (UNCDF, 2005). As noted, Parker et al (1995) argue that restrictions relating to inadequate flow of operating capital as well as production materials are some of the foremost concerns within the SMEs industry in Ghana. Consequently, Aryeetey et al

(1994) examined that about 38% of SMEs in Ghana, underscored on the issue that credit is access to credit has become an impinging constraint due to the inability of these firms to access the capital markets. These they noted to be as a result of perception of higher risk, information asymmetry from both the firms and the financial intermediaries. This most often results in SMEs inability to raise capital such as debt and equity from the financial sector because most SMEs are not registered, they do not keep records of accounts, they do not have business addresses but these are the things that the banks usually require before they can advance credit to them (Turkson, 2014). This triggered the need for this research to identify both the role and contribution of savings and loans institutions in financing the operations of Ghanaian SMEs.

### **1.3 OBJECTIVES OF THE STUDY**

The research objective aims at determining the role of UTRAK Savings and Loans limited in SMEs financing in Ghana. However, the underlining specific aims which the study intends to achieve include;

- I. To identify the products and services that Utrak offers to SMEs.
- II. To examine SMEs ease of access to microfinance from Utrak.
- III. To determine the benefits of finance given by UTRAK Savings and Loans limited to SMEs.
- IV. To identify the procedures and policies of Utrak concerning SMEs.

### **1.4 RESEARCH QUESTIONS**

- I. What are the products and services that Utrak offers to SMEs.?
- II. To what extent is microfinance from Utrak accessible to SMEs?
- III. What is/are the benefits(s) of finance given by Utrak Savings and Loans limited to SMEs?

IV. What are the procedures and guiding policies of Utrak towards SMEs?

### **1.5 SCOPE OF THE STUDY**

The research highlights on the role and contribution from UTRAK Savings and Loans limited to SMEs in Kumasi-Ghana. This study focused on SMEs located within the Kumasi Metropolis. The study has been confined to UTRAK Savings and Loans limited in Kumasi as result of time and resources constraints.

### **1.6 SIGNIFICANCE OF THE STUDY**

The study may serve as a useful point of reference in making decision regarding small and medium scale enterprise financing in Ghana. It will increase prevailing management literature on the role and contribution of Savings and loans institutions in SMEs financing in developing economies. Ghana's aim at reaching middle income statues by end of this year, 2015 and meeting the millennium development goals implies strengthening and concentrating efforts on the private sector (GPRSII, 2006). More so, the engine of growth in Ghana is made up of micro, small and medium-scale enterprises. Therefore, as noted by Wilson, Larson and Jacobson, (1994) SMEs are relevant vital engine of a strong economy. Further attempts to improve upon the sector implies that the sector must be well equipped in terms of finance and entrepreneurial skills to operate effectively. Hence the ideas to investigate the role of micro-financing in the SME's sector and suggest ways that can best improve SME sector would have a significant contribution to national development.

### **1.7 LIMITATIONS OF THE STUDY**

Information sourcing has been a challenge as some SMEs owners and management of UTRAK Savings and Loans limited had problems in disclosing both customer and management information. Issues regarding inadequacy and records management have

been a major limitation encountered by the researcher in the study. Even though the sample was small, it was representative of various branches of the company.

## **1.8 ORGANIZATION OF THE STUDY**

The research thesis has been organized into five chapters as follows:

Chapter one provides a background overview of the study. It discussed the statement of problem, the research objectives, the research question followed by the scope and justification of the study. It also highlighted on the limitations and the organization of the study.

Chapter two examines some related literature on the subject matter on previous works done from a global perspective. This was done in relation to what the objectives of the study tend to achieve.

Chapter three includes the methodology and the organizational profile of Utrak Savings and Loans Limited.

Chapter four entails presentation of data, data findings, analysis and discussion of the data collected under the study. It presents findings of the study based on the information gathered from the field.

Chapter five covers a summary of the findings of the study. This chapter also presents conclusion drawn from the findings of the study, and recommendations made by the researcher.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

The current chapter review various literatures concerning the subject matter of the study including the role of savings and loans institutions in financing SMEs. It covers an overview of microfinance institutions (savings and loans institutions), financing SMEs through microfinance, general activities of SMEs, the contribution of SMEs to capacity building and the various sources of finance available to SMEs.

#### **2.1 ORIGINS OF FORMAL BANKING IN GHANA**

Formal banking started operations in Ghana (then Gold Coast Colony) in the year 1896 with a branch of the Bank of British West Africa (Fry 1976) followed by Barclays Bank DCO in 1917 (Crossley and Blandford, 1975) and both of these banks were run and controlled as their head offices branches. The Gold Coast Cooperative Bank was the first indigenous bank established in 1945 in order to support the marketing societies to buy cocoa from farmers. However, its registration was cancelled in 1961 and its operations merged with the activities of the Ghana Commercial Bank (Republic of Ghana 1970). The Bank of Gold Coast was in 1953 established by statute as the first native commercial bank which has some central bank functions. There was separation of commercial banking functions and central banking functions (Steel and Andah, 2003), in 1957 between the Ghana Commercial Bank and the Bank of Ghana respectively. The Banking Industry in Ghana had three (3) banks as at the time of independence. As at 31st December 2007 (Bank of Ghana, 2007), there were twenty three commercial banks, one hundred and twenty six Rural and Community Banks and forty one Non-bank Financial Institutions, including fourteen Savings and Loans Companies. The first formal micro

finance institution in Ghana originated from the micro savings product of the Post Office system which was upgraded to the Post Office Savings Bank under the Savings Bank Act 1962 (Act 129) in order to function autonomously within the Post Office system. It achieved full bank status in 1972 as National Savings and Credit Bank under National Redemption Council (NRC) Decree 38. The new management stopped using the network of the Post Office system and developed its own networks resulting in the destruction of the micro savings product (Anim, 2000).

Long before reforms, governments in sub-Saharan Africa tried to expand the formal financial system institutional structure by establishing specialized banking and non-banking institutions (Aryeetey, 2008). According to Aryeetey (2008), central banks were challenged to create commercial banks, merchant banks, development financial institutions and a number of non-banking and specialized finance institutions, including insurance institutions and provident funds.

## **2.2 MODE OF OPERATION OF SAVINGS AND LOANS COMPANIES**

According to Aryeetey, (2008), one outcome of reforms is the graduation of Savings and Loans Associations from informal organisations to formal financial institutions, yet retaining most of the characteristics of the former. The mode of operations of savings and loans companies appears to be modelled largely along the lines of the Susu system. Susu is said to have originated in Nigeria and spread to Ghana from the early 1900s. Mobile bankers at the various market places in West Africa usually assist business men and women to accumulate savings by means of small daily deposits. A business man or woman in Ghana usually meets his or her banker every day to deposit as little as 25 cents and at the end of every month they usually get back their accumulated savings which

they usually used to buy new stocks or buy something that they could not afford out of one day's business profit. The banker the business men and women have been dealing with is an informal savings collector which is known in Ghana as a Susu collector (Aryeetey, 1994). Savings and Loans companies have been using the traditional Susu mechanisms (Steel and Andah, 2003) in providing convenient transactions for businesses at the urban centres as well as households.

### **2.3 THE OVERVIEW AND CONCEPT OF MICROFINANCING IN GHANA**

The evolution of micro financing has provided a development geared towards innovations of financial services and products in terms of small loans, savings, micro-insurance and money transfer to support the poor communities in improving the standards of their businesses. This informal financial mechanism is mostly employed in emerging economies where small and medium scale enterprises such as in the rural areas do not have tentative access to any sources of formal financial. Accordingly, Robinson, (1998) argues in favour of micro-finance institutions such that they form a recommendable substitute to commercial banks in the provision of sustainable financial services to the market. It was said that Microfinance and Microcredit are often used interchangeably, since they however involve banking features including loans, savings, insurance, transfer services and other financial services and products for low income earners. Similarly, Annan (2005), defined Microfinance as the comprising financial products and services offered to low-income earners to help support and facilitate self-employment. These services and products are provided in small quantities that the poor can afford and hence help families to start and build small trading capacities. Accordingly Stanley (2008) associates microfinance to small-scale monetary services provided to people running small business or who are operating micro-enterprises where

goods are produced through recycling, repairs, or transmitted through rural and urban markets.

Over the years, microfinance relied on relationships of trust between individuals or social capital but recently formal banks play a large role in financial intermediation, which has allowed for scale transparency and efficiency at the expense of the poor and for that reason, the birth of the microfinance industry stems from this need to provide even the smallest businesses with sources of financing (Powers; Magnoni and Knapp, 2008). Nonetheless, microfinance is distinct from angel investors and venture capital (Michael, Rowe and Hoy, 2005). However, savings, investment and credit insurance have facilitated greatly the progress of microfinance institutions in the economic growth and social development of the country (UN Advisors Group on Inclusive Financial Sectors, 2008).

## **2.4 EVOLUTION AND THEORIES OF MICROFINANCE**

Although, micro-financing is not a new concept in the financial system, credit groups such as the “susu” operators have functioned not only in Ghana but across the world under different names. For instance, in India they are referred to as the "chit funds", whilst in Mexico and Indonesia the indigenous groups call it the "tandas" and "arisan" respectively. However, formal credit and savings systems have existed for more than decades, offering the traditionally neglected or poorer communities shun by the formal commercial banking system access to financial services through development and cooperative institutions (CGAP, 2006).

This was motivated by the successive stories of microfinance institutions in developing and transition countries which numerous indigenes of these countries became

accustomed to process which stimulated the transfer of micro-financing ideas to Western European countries. Nevertheless, microfinance has not been easy transferring to western European context and many efforts failed due to distinctive attitude and expectations of donors, the failure of the market and the significant differences in the environment (Evers and Jung, 2007). Also, in the past five to six years, the real success of the microfinance sector led to the creation or entry of several new institutions into the money market. Banks have now become actively involved in the sector with still commercial banks missing the direct and business-driven involvement in the business of SMEs (Evers and Jung, 2007).

Furthermore, the development of microfinance in emerging economies has been closely associated with the hypothetical saying of financing development to developing financing in development cooperation (Evers and Jung, 2007). However, before the 1970s, investigational surveys in Bangladesh, Brazil and other countries started to expend small amount of loans to groups of women who are poor and economically active to finance their small business activities (CGAP, 2006). This type of micro-credit schemes which were based on solidarity group had an exclusive focus on credit for income generating activities such as forced savings schemes targeted at the very poor customers of these credit schemes (CGAP, 2006).

## **2.5 PROBLEMS USUALLY FACED BY SMES IN GHANA REGARDING CREDIT ACCESS**

Small and medium scale enterprises operating in the Ghanaian markets have experience the most difficulty in accessing credit. Large firms in terms of size do encounter less of such issues. Consequently, evidence suggests that micro businesses are the ones who are increasingly being sorted by the overabundance of microfinance institutions operating in

every country (Kangero, 2004). As noted, Kangero further postulate that the cost of financing becomes an issue because of the rate of default of SMEs hence whilst large companies are able to access funds more easily at comparatively low rates, SMEs however, charged very high interests.

Due to the inherent risks with associated SMEs funding, the cost of finance them with long term loans becomes generally expensive. The challenge then is how to assist SMEs in accessing finance. Although, the financial institutions are in business to make profits on their shareholder capital, it must be envisaged that they also have a sense of duty to their customers. Even though it is the financial institutions duty to transform risk in the sector into riskless financial intermediation, it is however, evident that they are not forced by any rules or regulations to lend to anyone who it may relate as risky in doing business with. Consequently, customers should capitalise on the information asymmetry by opening up their business activities to the financial institutions to keep the financial institutions informed on their current financial position and prospects (Johnson, 2001).

## **2.6 POLICY/LEGAL/REGULATORY FRAMEWORK OF MICROFINANCE**

Bank of Ghana has been the official regulatory body of all microfinance institutions in Ghana. It supervises both the banking and non-banking financial sectors. The framework governing the central bank was revised by the Bank of Ghana Act, 2002, giving enhanced autonomy in framing monetary policy, regulation and supervision of banking and non-financial institutions in Ghana (Amit, Neeraj and Warriar, 2007). The financial institutions Law are applicable to savings and Loan Companies. Ghana has so far not established a separate framework to formalise the regulatory requirements of the microfinance sector (Amit, Neeraj and Warriar, 2007). Various regulatory measures

including monthly statement of assets and liabilities and loan portfolio quality monitoring have been used by the bank of Ghana (UN Advisor Group, 2008).

The central bank formulated a minimum start-up capital requirement for various types of financial institutions operating in Ghana. The requirements encompasses the following services for microfinance institutions:

- In the case of local banks the requirement stipulates that a minimum capital of GHC 700,000 of which 60% should be from resident Ghanaians.
- However, foreign financial institutions operating in the country are to have a capital base of GHC 700,000 billion with a minimum of 60% being subscribed in convertible currency.
- Also development Bank is required to have a capital of GHC 700,000.
- Rural Banks on the other hand require to have a capital of GHC 50,000 of which corporate bodies should own at least 50% and individual 20%.
- Savings and Loan companies should have a capital base of GHC 150, 000, and if it is a foreign savings and loan then 60% of the capital should be in the form of convertible currency (Amit, Neeraj and Warriar, 2007).

The requirements necessary for banks liquidity specified by the central bank. Thus, banks need to maintain a primary reserve with the central bank and a secondary reserve in government securities and treasury bills.

Other Regulators include the following:

- ARB Apex Rural Bank: This is the regulatory body which looks after the clearing and settlements and treasury management needs of the rural banks.

- Credit Union Association (CUA): This serves as a self-regulatory apex body for the Credit unions.
- Ghana Cooperative Susu Collectors Association (GCSCA): This a regulatory body that imposes barriers to entry as well as providing services to members.
- GHAMFIN: This is another regulatory body designed to contribute to a mechanism for supporting sustainable grass root institutions that provide financial services to the poor (Amit, Neeraj and Warriar, 2007).

In addition to regulatory framework spelt out, Ghana is also developing a National strategic Framework to remove impediments in order to improve the delivery of financial services to the micro and small enterprises. The framework aims at fostering delivery of a fully integrated financial sector supported by a reliable regulatory system that will offer broad range assistance to the informal sectors, on a sustainable basis. The objective is to establish a decentralized and sustainable microfinance system, prudentially regulated with close linkages with the formal financial sector and an effective outreach to the poor (Amit, Neeraj and Warriar, 2007).

Also, the government has recently constituted the National Microfinance Center (NAMFIC), to facilitate administration of government and donor credit funds and to coordinate the efforts of microfinance practitioners and stakeholders. Government is strengthening GHAMFIN to provide financial and managerial capacity building services to MFI networks and services providers (Amit, Neeraj and Warriar, 2007).

## **2.7 TYPES OF MICROFINANCE INSTITUTIONS (MFIS) IN GHANA**

Several Authors have contended that Microfinance has been supplied from three broad main sources and these include; formal, semi-formal and informal. (Lafourca, Isern,

Mwangi and Brown, 2005; Asiamama and Osei, 2007; Amit, Neeraj and Warriar, 2007; ADB, 2008).

The formal financial sector in Ghana includes the Traditional Commercial Banks, Rural and

Community Banks and other financial institutions such as the Savings and Loans Companies, whose operations are registered, licensed and regulated by the Bank of Ghana (Asiamama and Osei, 2007). Therefore, the involvement of formal sources in microfinance has increased during the last two decades. This greater involvement has stemmed from the expansion of the scope of formal institutions into microfinance through downscaling and establishment of linkage programs with semi-formal sources of different types; the emergence of new formal institutions focused on microfinance, such as the World bank, ARB Apex Bank; reforms of state-owned financial institutions such as Social investment fund; and the introduction of new microfinance programs by the governments through non-financial institutions. However, the formal operations concentrate mostly on providing credit facilities, and savings mobilization which is yet to receive adequate attention, with few exceptions (ADB, 2009).

The second source is the Semi-Formal institutions. These are institutions which are formally registered but not licensed/regulated by Bank of Ghana such as the Credit Unions, Co-operatives, Susu Collectors' Association, Ghana Cooperative Council and Association of Financial Non-Governmental Organizations and they constitute the key stakeholders of the Microfinance Subsector in Ghana (Asiamama and Osei, 2007).

The third source is the informal institutions. These are the financial sectors whose service providers are usually not registered and unregulated by the Bank of Ghana and

rarely involve legal documentation. The segment includes Money lenders, Susu clubs, Rotating Savings and Credit Associations (ROSCAs) (Asiama and Osei, 2007).

## **2.8 BENEFICIARIES OF MICROFINANCE**

The typical micro finance clients are low-income persons that do not have access to formal financial institutions. Micro finance clients are typically self-employed, often household-based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income-generating activities such as food processing and petty trade. In urban areas, micro finance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. –Micro finance clients are poor and vulnerable non-poor who have a relatively stable source of income (AIAMED, 2002).

According to Ruben (2007), targeting women or loaning exclusively to women is another aspect common to successful microfinance models. This is because, women are confirmed to be the best borrowers and repay their loans more faithfully than men. Also, women are more likely than men to faithfully utilize their loans to improve their businesses. Therefore, giving loan exclusively to women helps to empower women in societies, especially places where women do not enjoy the same benefits as men. UNCDF (2005), also attest to the fact that microfinance benefits women thus some MFI's achieve deeper outreach by targeting the client groups that are most vulnerable such as women and or people with very low incomes. It was again added that in 2003, women represented 61% of borrowers among the reporting MFIs in Africa. By comparison, women represent an average of 86% of borrowers among MFIs in south Asia, 80% in Middle East and North Africa (MENA), 76% in East Asia and the Pacific, 60% in Latin America and the Caribbean (LAC) and 58% in east Europe and Central America. Therefore, unregulated MFIs serve the highest percentage of women

borrowers. Women represent just over 50% of borrowers from African co-operatives 63% of borrowers from regulated MFIs and 69% of borrowers from unregulated MFIs. One explanation for the variation is that unregulated MFS include NGO's and projects that specially target women.

Also, (CGAP, 2009) argues that typical microfinance clients are poor and low-income people that do not have access to other formal financial institutions. Microfinance clients are usually self-employed, household-based entrepreneurs. Their diverse —microenterprises include small retail shops, street vending, artisanal manufacture, and service provision. In rural areas, micro entrepreneurs often have small income-generating activities such as food processing and trade. Asiama and Osei, (2007), said the end users of microfinance services are the economically active poor who are clients of microfinance products and services in which most of them are women.

## **2.9 OVERVIEW OF SMALL AND MEDIUM ENTERPRISES (SMES)**

There is no universally accepted definition of Small and Medium Scale Enterprises (SMEs) . Even in a single country, different institutions may adopt different definitions depending on their focus. The criteria usually used in the definitions include capital investment, annual gross turnover, output and employment (Kurfi, 2006). For instance, in the United States of America, a Small Scale Enterprise is one that is independently owned and operated with a capital base of not more than \$5million. In the Far East (mainly China, Hong Kong, Taiwan and South Korea) and even Europe, the average turnover of a Small Scale Enterprise must not exceed \$3million (Olayiwola and Adeleye, 2003. Given this overview of SMEs definitions by the industrialized and newly industrial countries, the general consensus has been that the statistical definition of SMEs differs

by country and mostly based on the number of employees and the value of assets (Bello, 2012).

### **2.9.1 THE GHANAIAN CONTEXT OF SMES**

Various definitions have been alluded to small-scale enterprises in Ghana but the most commonly used criterion is the number of employees of the enterprise (Kayanula and Quartey, 2000). The Ghana Statistical Service (GSS) for instance considers firms with fewer than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. Accordingly, Kayanula and Quartey, (2000) note that the GSS in its national accounts considered companies with up to 9 employees as SMEs. The firm's fixed assets value is sometimes been used in defining SMEs. The National Board for Small Scale Industries (NBSSI) in Ghana however, usually used both the value of fixed assets and number of employees as means of defining SMEs. It usually defined an SME as a firm with less than nine workers and has assets which total value does not exceed ten (10) million Ghanaian cedis. The Ghana Enterprise Development Commission (GEDC) however uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. The process of placing values on assets sometimes poses a challenge. Also, the depreciation of the local currency (Kayanula and Quartey, 2000), compared to other major trading currencies makes the definition out dated.

According to the Lawson, (2007) SMEs constitute 99% of an estimated 19.3 million European Union business companies providing about 65 million jobs which constitute about two-thirds of all employment. In developing countries such as Ghana, SMEs represent the greater share of businesses providing employment to a large number of

people. Ojo (2003) also noted that SMEs activities have contributed to Asian countries economic success. According to the Ghana Statistical Service, (2012), approximately 70% of businesses in Ghana are SMEs and approximately 40% of the Gross National product of Ghana is contributed by the SMEs.

## **2.10 CONTRIBUTION OF SMES TO THE DEVELOPMENT OF THE GHANAIAAN ECONOMY**

The performance of SMEs is crucial for the social and economic success and development of every country. SMEs have been seen as providing a number of benefits from the perspective of economic (Advani, 1997). SMEs have been seen as the engines for achieving the developmental objectives of every country because they are main sources of employment and income generation in many developing countries.

### **2.10.1 Ease adaptation to market conditions**

SMEs are able to adapt more easily to the conditions of business markets than large-scale business firms. Due to their flexible nature (Kayanula and Quartey, 2000), they can withstand economic conditions which might be affecting their operations negatively. SMEs use more labour than the larger firms which are mostly capital intensive (Anheier and Seibel, 1987; Liedholm and Mead, 1987; Schmitz, 1995) and as such have lower capital costs associated with job creation. Because SMEs uses a lot of labour, they are more likely to succeed in the rural areas.

### **2.10.2 Contribution to an Economy's Gross Domestic Product/ Gross National Product**

SMEs help contribute to a country's Gross national product through the production of goods or the provision of services to individuals and business entities. They also provide

products and services to foreign clients and this help promote the export performance of the country. In Ghana and South Africa (Ntsika, 1999; CSS, 1998; Berry et al., 2002; Gumede, 2000), SMEs contribute about 70% and 57% to GDP respectively and is also the major employment creator in both countries.

### **2.10.3 Consistent supply of goods and services to meet demand**

SMEs have being playing a key role in the supply of goods and services to meet demand in very country. Demand in the form of investment plays a dual role, both from a demand-side with respect to the supplies of industrial goods and on the supply-side through the possibility for new production arising through the upgrading of production equipment (Berryet al., 2002).

### **2.10.4 Achieving Rural Diversification in Ghana**

The presence of small and medium scale enterprise continue to impact significantly on the economic front of most developing economies. For instance surveys by the Ghana Statistical Service in the year 2010 revealed that 86% of the working population are working in the private informal sector with much dominance from the small and medium scales firms (Ghana Statistical Service, 2012). Accordingly, Daniels (2004), examine that these small scale operators are the machines through which the growth objectives of many emerging economies can be accomplished. However, it is estimated that these micro enterprises employ about 22% of the adult population in most emerging economies with 92% of business enterprises in Ghana being SMEs. Notwithstanding, Quartey and Abor (2010) re-examine that the contributions of small scale operators to the economic development of Ghana indicates that they provide close to 85% of

employment in the manufacturing sector in Ghana with their contributions being about 70% to the GDP.

## **2.11 FINANCING ACTIVITIES OF SMES**

According to Investor Word (2009), business financing looks at resource allocation and management. To be precise, financing involves with issue that relate to acquisition of capital. Dalton as cited in Blurtit, (2009) also sees business financing to involve situations which deal with the allocation and management of available credit facility for satisfactory conduct of a business. It was further stated that financing of businesses usually encompasses three relevant objectives of the business. It is to acquire an adequate supply of capital for the needs of the business. Second, to increase capital through enhanced management and finally, to make profit from the funds which forms the basis of every business firm's motive. Since the industrial revolution, businesses have experienced remarkable growth and expansion in production due to improvement in technology and urbanization, and these reasons has posed serious challenges to business enterprises (Blurtit, 2009). The problem these changes have created to business enterprises is how to solicit for financial support to start up new and expand the existing businesses to increase production. Business financing has become a major obstacle to business entrepreneurs. The starts up of businesses and methods of production have now become multifaceted with lag between production and consumption has become long due to the financial constraints of business enterprises and the methods of production (Blurtit, 2009). It is an undeniable fact that raising funds to start a business is usually a herculean task for many would-be entrepreneurs (Boachie-Mensah and Marfo-Yiadom 2007). Financing a firm is a critical element for business success since many potentially successful businesses have failed because of undercapitalization, which is lack of sufficient funds to pay for needed assets or operating expenses (Burgess and Steinhoof,

1993). Financing is required to make asset purchases as well as to improve the flow of economic activities in the business horizon. It is indeed the lifeblood and the engine for growth of the private sector (Diyakhan; cited in Blurtit, 2009). However, financing of businesses is often necessary to achieve the business goals and objectives.

### **2.11.1 Sources of Funding for Small Businesses**

The main source of funding for most start-ups and existing businesses is the initial or plough-back profit the owner. Thus, small firms with limited capitalisation, invest their own savings in sustaining their businesses. Most of these owner according to Ward, (2009) utilise money retained from their pension funds to sustain their start-ups. Therefore, in search for outside capital, two important concepts improve the entrepreneur's chances and broaden the firm's options, the entrepreneur should have a positive record of operations and personal success track record and personal cash flow should be readily accessible for investment in the firm. Without some demonstration ability to manage and a positive financial commitment, the entrepreneur's capacity to operate a business successfully will be called to question by financial institutions and investors (Steinhoff and Burgess, 1993). Therefore, the types of the sources of small business financing are presented below:

#### **➤ Personal Funds**

Personal funds are considered to be an available source of funding to small business entrepreneurs. Credit worthy investors who are bid to invest in start-ups firms, normally ask a question —How much does the owner have invested? Every business contains an element of risk, and outsiders who invest in a new firm wish to be sure that such risk is shared by the owner-entrepreneur. A start-up financing plan that indicates thin equity does not usually invite confidence from creditors.

➤ Loans from Relatives and Friends

This is next to personal funding. It has been emphasized that although borrowing original investment capital from relatives and friends is generally frowned upon by experienced business operators, it therefore remains one of the prominent methods used in small firm planning. Some of these entrepreneurs get motivations from their parents and other relatives or friends supply them loans to get their businesses into operations.

➤ Trade or Business-to-Business Credit from Suppliers

This is the third source of small business financing available to entrepreneurs. It was said that firms generally provide product or services to each other on credit. Here, the new firm can have inventory usually for sale before the supplier must be paid. Financing the opening inventory usually represents one of the larger investments for typical retailer. The credit from the wholesaler allows the retailer time to sell the inventory before paying off the remaining balance. As the firm develops a successful track record, even more attractive terms maybe available for later purchase.

➤ Loans or Business-to-Business Credit from Equipment Sellers

This is another option where small business firms can ascertain finance. Here, retailers and manufacturers may need some equipment and these are generally available under some form of credit arrangement. The suppliers often offer attractive credit terms including a modest down payment contract and the balance spread over 1-3 or more years. When financing charges are reasonable, this type of credit can be most helpful planning equipment tool for the entrepreneur.

➤ Mortgage Loans

This is also classified as one of the sources of small business financing. Here, the entrepreneurs who buy huge property are usually able to acquire mortgage loans with

payments spread between 20 to 30 years. It was said conversely that if the firm operates from that building, it will make mortgage payments rather than rent to a landlord. It was further said that some small business operators take a mortgage on their home as a source of capital for the business. Nonetheless, they do so through refinancing the house or taking a second mortgage to procure the equity for business capital.

➤ Commercial Bank Loans

Similarly, these are among the classifications of financing available to small business operators. It was said that historically, bank credit has been the lifeblood of funding for the day-to-day operations of the business. Classically, banks have provided manufacturers, wholesalers, retailers, and service firms with money which they use in paying expenses while waiting to be paid by customers. Besides, many other types of loans are available to the well-planned or well-managed firms. It was mentioned in addition that it is also a good idea for the entrepreneur to develop a relationship with a local banker during the planning stage of his/her business. Once more, it was said that in order to have many chance of obtaining loans from banks, entrepreneurs must demonstrate a clear sense of how the money will be use and how the firm will pay it back. A well-developed business plan and collateral are must for the new firm developer who seeks to establish the right to obtain bank loans. Also, the entrepreneurs must be able to show how they can pay back the borrowed money and the interest.

➤ Selling part of the Equity

An entrepreneur can sell part of the firm's equity to finance the business. Selling part of the equity is among the numerous sources of finances available to entrepreneurs. Here, small firm planners often find that they are not able to command enough capital to start

their venture without selling part of their equity to others. With this, several methods can be used to attract outside capital and they include:

**Partnerships:** Selling part of the equity in the form, which invites partners in to be part of the business in order to raise enough capital for the firm. On the other hand, raising capital by taking in partners has some risk, including the possibility of management friction. Mostly, family, friends, or business acquaintances are often invited in.

**Sale of Capital Stock:** This is one of the ways of selling part of the equity in the business. Here, the planner sells part of the firm's stock to an investment banker in the form of preferred and common stocks. The preferred stock is therefore given a priority of dividends on lieu of voting privileges, since only the common stock has voting power. The entrepreneur still owns a majority of the common stock outstanding and has no problem with control. The investment banker sells the stock to (usually) unknown investors who are interested in small companies. Under this method, the planner does not have to plead with relatives or friends for financial favours or take in undesired partners.

➤ **Venture Capital Funding**

This is an alternative way of funding small businesses whereby small businesses qualify for investment funds or loans from venture capital firms. These companies provide capital to potentially high-growth small companies. Here, the entrepreneur needs to develop a venture capital proposal containing specific business plans, financing budgets pro forma statements (projections) for the firm. These proposals will rarely appeal to the venture capital firm unless the amounts requested are substantially high. The venture capital firm therefore, investigates the requesting firm's plans, products, potential market share, competitive situation and sources of supply. It then examines current and past financial records and closely evaluates the competence of the management.

## **2.12 THE IMPACT OF CAPITAL IN SMEs DEVELOPMENT**

The significance of finance has been reiterated by various prior studies to be a critical element that is vital for the growth and development of small and medium-sized enterprises in a country. These prior studies for instance highlight on the issue of limited funding sources that is available to smaller enterprises and its repercussion on growth and development (Levy, 1993). Saito and Villanueva, (1981) for instance on this issue argue that normally small firms are faced with high costs of transacting businesses than larger business companies in obtaining credit and hence the presence of insufficiency of funding sources restricts the progress of these small enterprise at their current working capital. Accordingly, Peel and Wilson, (1996) also emphasise on the poor management and accounting practices of the small enterprises to accounted for the inability of small enterprises to raise finances even in the presence of willing financial institutions. Information asymmetry from lending institution to small scale borrowers or either way have limited the flow of credit from the formal financial institutions to the small and medium scale firms. Despite these claims, some studies show that substantial failure in SMEs activities (see Liedholm, MacPherson and Chuta, 1994) are associated with non-financial reasons suggesting that most of them emanate from reasons relating to financial.

However, the case for Ghana contrarily reveals that despite the robustness of the financial sector reform implemented decades ago such as the formation of the venture capital firms, stock exchange and business assistantship funds to assist in raising both short and medium term capital still continue to be a major constraint to small enterprise development in Ghana (Steel and Webster, 1992). In cases where demand and supply for small scale enterprise products appeared strong, a lack of credit on the side of the financial institutions meant that most of these geared small enterprises irrevocable did

not get access to the required financial assistance to respond to the growing market. For instance, interest rates hovering about 30% and above accompanied with increasing cost of production materials and culturally unfriendly environment posed as threat to the progress of small scale enterprises (Boeh and Ocansey, 1995). Osei et al., (1993) for instance enumerates on similar evidence encountered within the sub-regions of the country. They notice that about 95 percent of the respondents in their survey revealed that their sources of funding mostly was from personal resources and loans from relatives and friends. Notwithstanding, Dawson (1993) also confirms these findings in a survey conducted amongst SMEs in Ghana and Tanzania. He revealed that out of 672 small scale enterprises on his Ghanaian survey, bank loans have been received by only two of them. Consequently, evidence from the Tanzania survey also revealed that most of the small enterprises are excluded from the formal banking system due to geographical issues and high defaults rate coupled with political and macroeconomic instability. Report from the World Bank further show that credit was a major problem for about 90 percent of small firms surveyed in their 1994 annual investment report (World Bank, 1994).

### **2.13 THE CONCEPTUAL FRAMEWORK OF MICRO-FINANCING**

The traditional economic theory underlying the evolution of micro-financing treats finance as a productive capacity which is normally needed for three standard uses including machinery and buildings or working capital for start-up and expanding business operations.

However, it is argued that the execution of a business activity can only begin when these factors are available to the business firm otherwise it will pose a limit on the progress of the activity. Financing of productive activities can be looked at from personal point of

view where the business owner employs his personal savings or retained profits or from an external funds source including the financial intermediaries or investors. Business financing becomes imperative to comprehend only if the available internal sources of finance are adequate for an envisaged entrepreneurial activity.

Consequently, firms need to be linked to a source of finance and other productive economic factors before production can take place. Hence, finance forms the blood life of the business needed to improve the growth and development of the business. Notwithstanding this the limit as well as the payment period on the borrowed amount should be improved so as to manifest correspondingly on the performance of the SMEs. Beside, business environment including macroeconomic variables such as inflation, interest rate and exchange rate need to be improved by the government to improve the benefits that the businesses derive from doing business in the country. This will facilitate the promotion of growth and development of SMEs both on the institutional level as well as on the national level especially when SMEs are adequately connected on business infrastructures with reduced tax rates, which can lead to cost-effective and efficient operations. Despite the constraints which influence the growth and development of SMEs in Ghana, financial institutions including microcredit institutions are becoming a major force driving the growth SMEs in the sub-region towards sustainability. Therefore, it is envisaged that microfinance and macroeconomic factors move hand in hand if the government wants to improve business as well as alleviate poverty situation in the country.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY AND ORGANIZATIONAL PROFILE**

#### **3.0 INTRODUCTION**

This study sought to assess the role of saving and loans institutions in financing SMEs: a case study of Utrak Savings and Loans Co. Ltd. The study employs questionnaire designed to cover major aspects of the roles played by Savings and loans companies towards the financing of SMEs. The researcher used both qualitative and quantitative methods in the analysis of the data gathered.

#### **3.1 RESEARCH DESIGN**

The research employed a single type of research design known as the survey method. The study employs an all-inclusive questionnaire designed to cover major aspects of the roles played by Savings and loans companies towards the financing of SMEs. Questionnaire and interview guide which are mostly used in collecting data under explanatory or descriptive research is used to collect the data (Gill and Johnson, 2002). One set of questionnaire had been developed by the researcher and administered to the clients of Utrak savings and loans ltd. An interview has also been conducted on the staff of Utrak Savings and loans ltd. The data gathered were analyzed through the use of quantitative and qualitative data analysis methods.

#### **3.2 POPULATION**

The population refers to the complete set of individuals, subjects or objects or events having common observable characteristics in which the researcher is interested in. The

population of the study is all staff and customers of Utrak savings and loans limited. It is out of this population that the sample is drawn.

### **3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE**

A sample is the sub-group of the entire population that is being studied. In view of the total population, manageability, time and resources available, Utrak Savings and Loans Co. Ltd has been selected for the study. Fifty clients of Utrak Savings and Loans Co. Ltd have been selected for the study. Also, five staff of Utrak Savings and Loans Ltd have been selected for the study. The researcher employed convenient sampling technique in selecting the clients of Utrak savings and loans ltd for the study. This technique involves selecting those cases that the researcher can easily obtain data from for the purpose of the analysis. Purposive sampling however has been used in selecting the staff of Utrak to be interviewed for the study. This technique has been selected because it is not every staff of Utrak that can provide the kind of data needed for the study and as such the researcher has purposively selected only those respondents who can provide the required data needed for the study.

### **3.4 DATA COLLECTION**

In order to solve a problem, there is the need for facts to be established. The raw material base for undertaking this exercise is data .The researcher, therefore, sought for data to help attain the purpose of this study. Data has been collected mainly through the use of the questionnaire and interview guide.

### **3.4.1 SOURCE OF DATA**

The study employed both the primary and secondary sources of data. The primary data were obtained from the field survey mainly through questionnaires which were administered to the clients of Utrak by the researcher as well as through an interview of some selected staff of Utrak. Secondary data have been obtained from books, journals and the World Wide Web. The use of questionnaire and interview as means of collecting primary data were considered because data are always near their original form and relatively free from editing, alteration or any form of modification. Therefore, it tends to be free from external influence, judgment and bias of others, which often lead to unsound interpretation by the researcher.

### **3.4.2 DATA COLLECTION INSTRUMENTS**

The main instruments used for this study were the questionnaire and interview guide. The researcher opted for these instruments of data collection in order to obtain standard form of answers or responses that will give way to easy and accurate analyses. Essentially, the questionnaires and interview techniques were used because of the numerous advantages offered to the researcher. Notable among them include the fact that it is less expensive and also helped in covering a wider area than otherwise. It also offered greater anonymity which permitted more candid and objective replies/answers to be obtained for the achievement of the research purpose.

### **3.5 DATA ANALYSES**

Frequencies tables, Bar charts and Pie were used to analyze the data. SPSS software and Microsoft Excel were used for all the analysis.

### **3.6 PROFILE OF UTRAK SAVINGS AND LOANS LTD**

UTRAK Savings and Loans is a registered financial house with its head office in Asokwa, Kumasi.

For over 20 years, UTRAK has provided superior customer services to its customers. We have gone through the ranks. After establishing a strong presence in the hire purchase industry, UTRAK financial services now UTRAK Savings and Loans Limited applied for a license from Bank of Ghana to operate a financial company under financial institution (Non-Banking) Law (PNDC 328) of 1993. The application was granted on the 13th day of September, 2006.

Now by dint of hard work and recognition by Bank of Ghana (BoG), we are a Savings and Loans Company. We have come this far because of our commitment to delight our customers.

#### **3.6.1 CORPORATE MISSION**

UTRAK Savings and Loans Limited seeks to attain its vision by being a pragmatic Non-Bank service provider in Ghana. The company is committed to a sustainable growth of small and medium scale enterprises in Ghana by providing them easy access to save through little savings scheme, microcredit, training and support for microenterprises. Through best financial practices, our reliable and well-motivated staff will support our customers to their utmost satisfaction, at the same time maximizing our stakeholder value.

#### **3.6.2 CORPORATE VISION**

To be the most trusted and preferred financial service provider in the communities we serve.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.1 INTRODUCTION**

This chapter deals with the analysis, discussions and presentation of data. This chapter will explain the products and services offered by Utrak savings and loans ltd, the ease with which SMEs can obtain microfinance from Utrak savings and loans ltd. This chapter also covers the benefits obtained by SMEs upon securing a loan from Utrak savings and loans ltd as well as the policies guides the company towards issuing loans to SMEs.

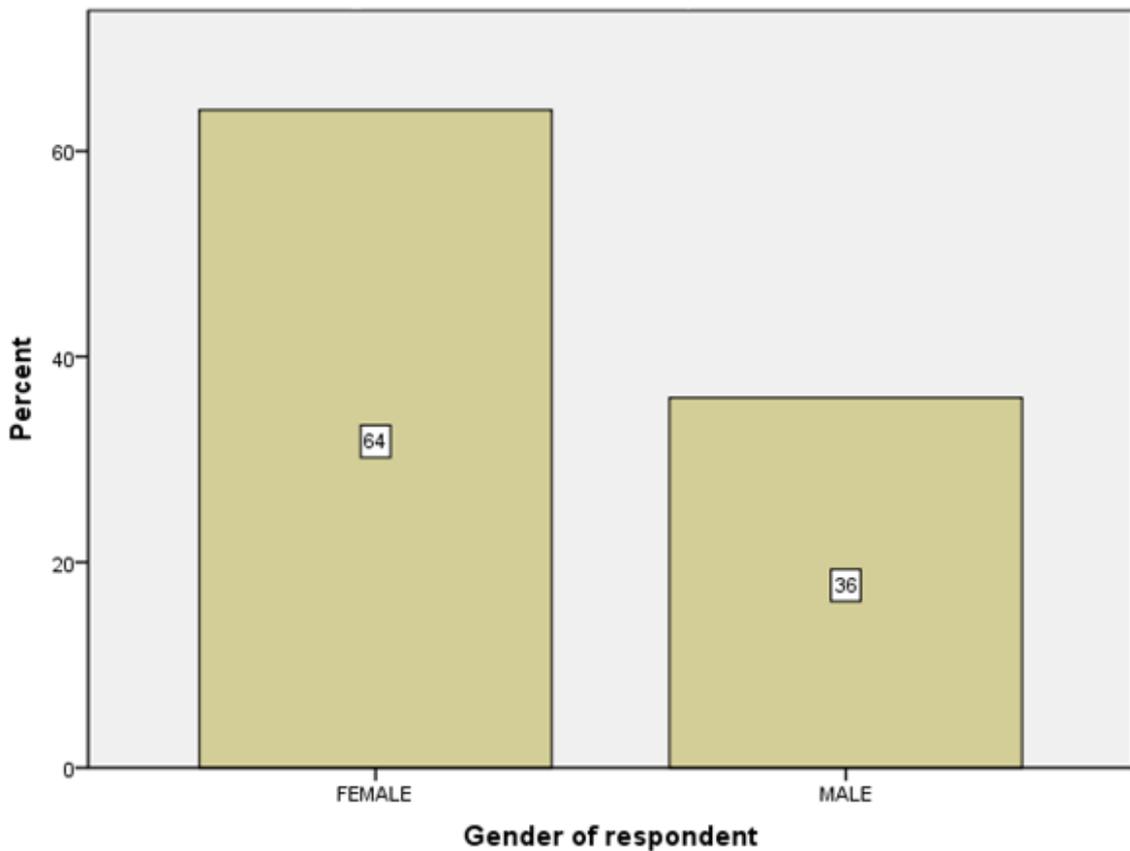
#### **4.2 DEMOGRAPHIC CHARACTERISTICS**

In this section, the parameters to cover are age, marital status and the educational level of the respondents. In addition to that, it will also cover the business sectors that deal with Utrak savings and loans ltd. The initial portion of the analysis will cover analysis of clients' responses while the second latter part of the analysis will cover analysis of staff responses.

Figure 4.2.1 below showcases the gender of the respondents selected for the study. Out of the total number of 50 clients of Utrak who responded to the questionnaires, 32 of them representing 64% of the sample were females while the remaining 18 respondents constituting 36% of the sample were males. Majority of the respondents were females implying that females mostly have the chance to access finance from savings and loans companies because they have less default rate than males. This confirms findings such as Ruben (2007), Asiama and Osei, (2007) and UNCDF (2005) who argued in terms of

repayment of loans, women are more faithful than their male counterparts in committing their loans to the purpose for which it was granted compared to men.

**Figure 4.2.1 Gender of Respondent**

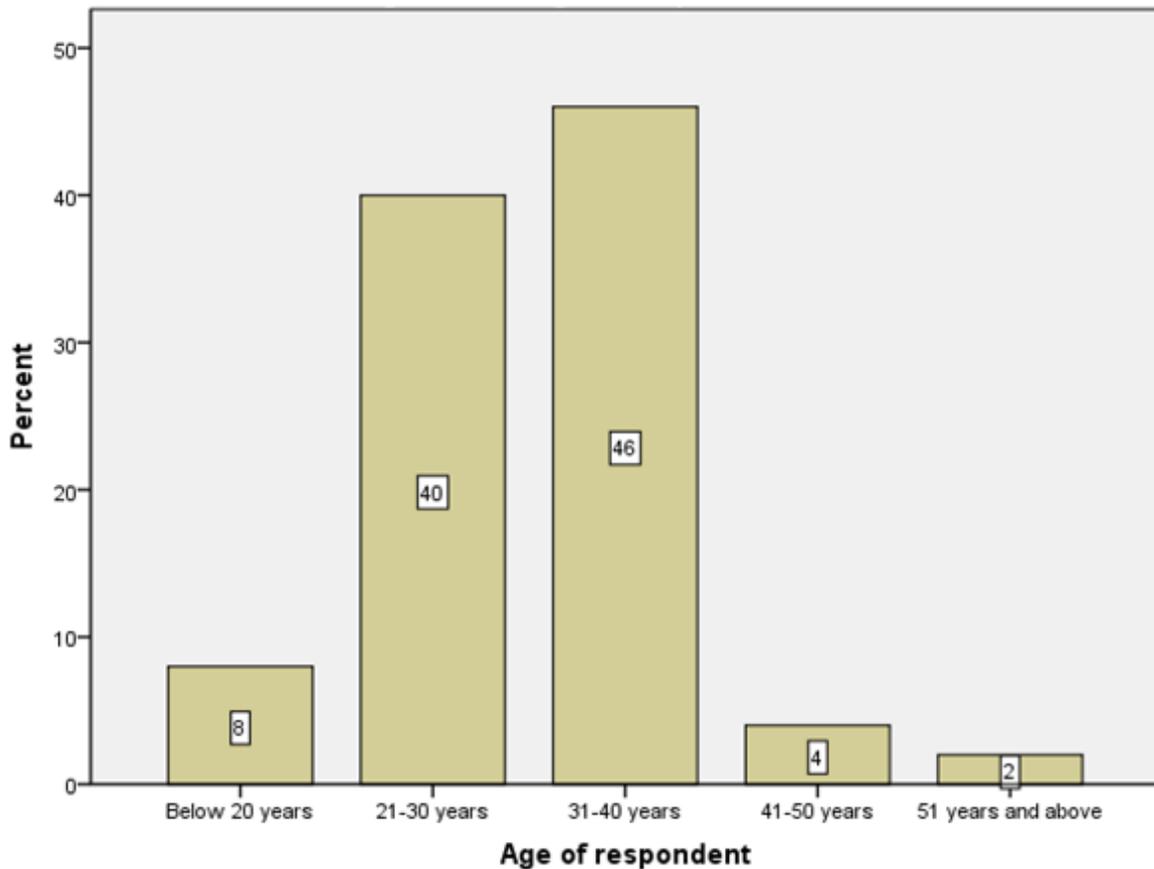


**Source: Field work, May, 2015**

Figure 4.2.2 below shows the age category of the respondents selected for the study. From the table, 8% of the respondents were below the age of 20 years. 40% and 46% of the sample were between the ages of 21-30 years and 31-40 years respectively leaving 4% of the respondents who are between the ages of 41-50 years and 2% ranging 51 years and above. It can be noted from the above that majority of the respondents are within the 31-40 years age category implying that most customers of savings and loans companies are within their active working age categories. As such, they can effectively utilize the

finance they obtain from savings and loans companies, and also repay it back when due thereby making it easy for them to access for loans.

**Figure 4.2.2 Age of Respondent**

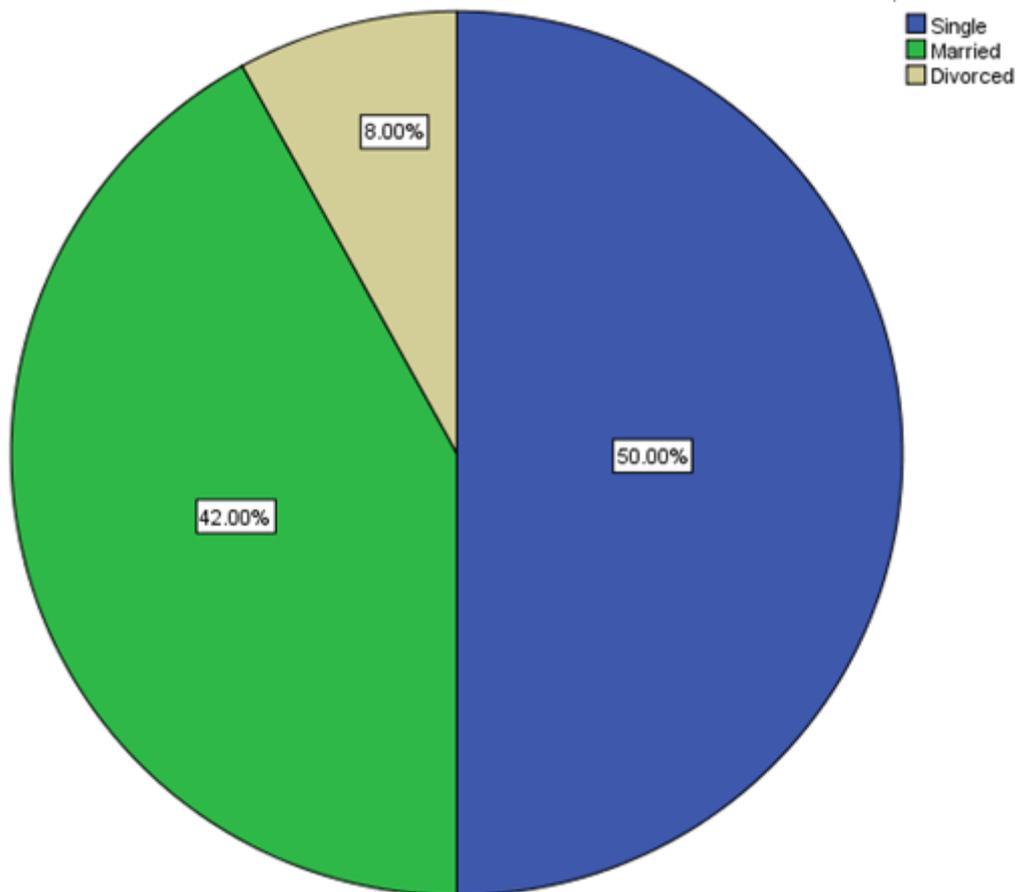


**Source: Field work, May, 2015**

Figure 4.2.3 below shows the marital status of the respondents. As can be seen from the figure, 50% of the sample respondents indicated that they are not married but 42% stated that they are married. However, 8% of the sample respondents indicated that they have married but have divorced due to reasons best known to them. As can be seen from the above analysis, half of the respondents are not married and therefore are likely to devote their time towards the efficient utilization of loans from savings and loans companies instead of attending to family issues. There is therefore, less chance of them defaulting in

repayment and as such can easily have access to financial support from savings and loans companies.

**Figure 4.2.3 Marital Status of Respondent**

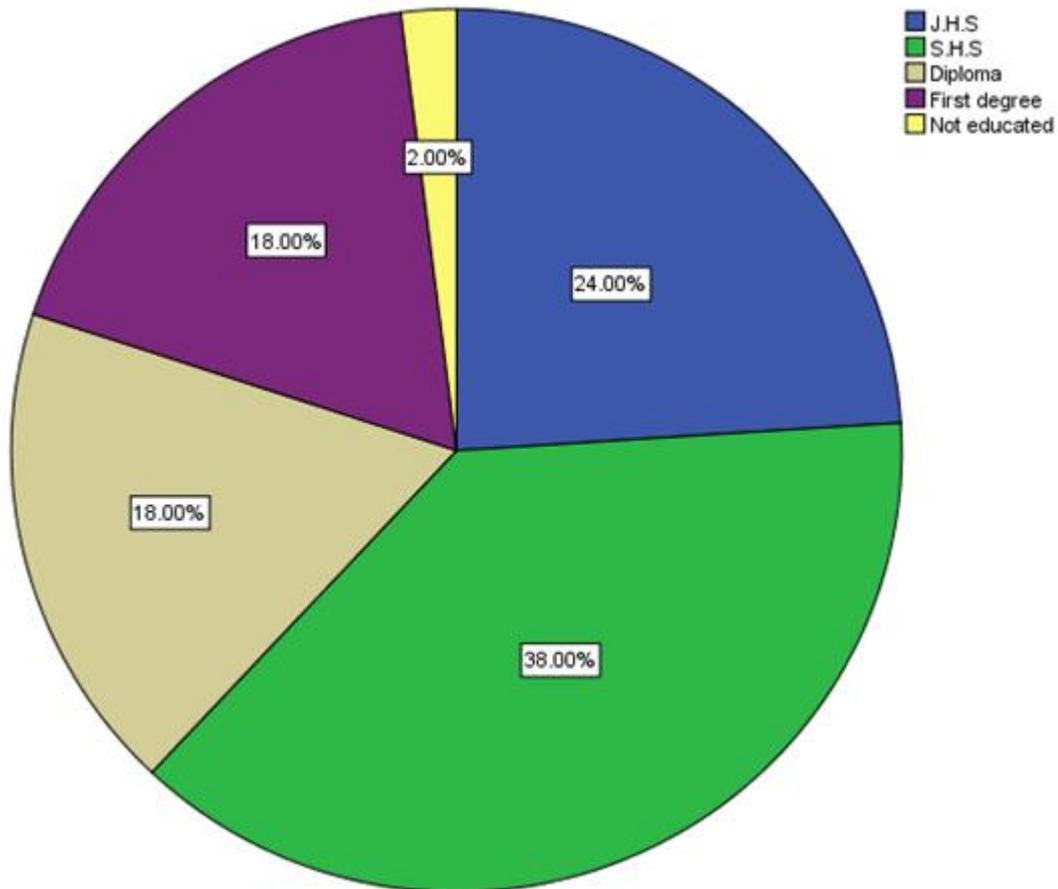


**Source: Field work, May, 2015**

Figure 4.2.4 below shows the educational background of the respondents. As can be seen from the figure, 24% and 38% of the respondents had their formal education up to the Junior high school and Senior high school level respectively. Also, 18% of the respondents stated that they hold diploma certificates. Furthermore, 18% of the respondents indicated that they hold first degree certificates. However, 2% of the sample respondents had no formal education. It can be seen from the above analysis that most of the SME owners had their formal education up to the Senior High School level. This

means that they may not have the necessary knowledge on the procedures to follow in accessing microfinance from savings and loans companies as well as its proper management.

**Figure 4.2.4 Respondents' highest educational level**

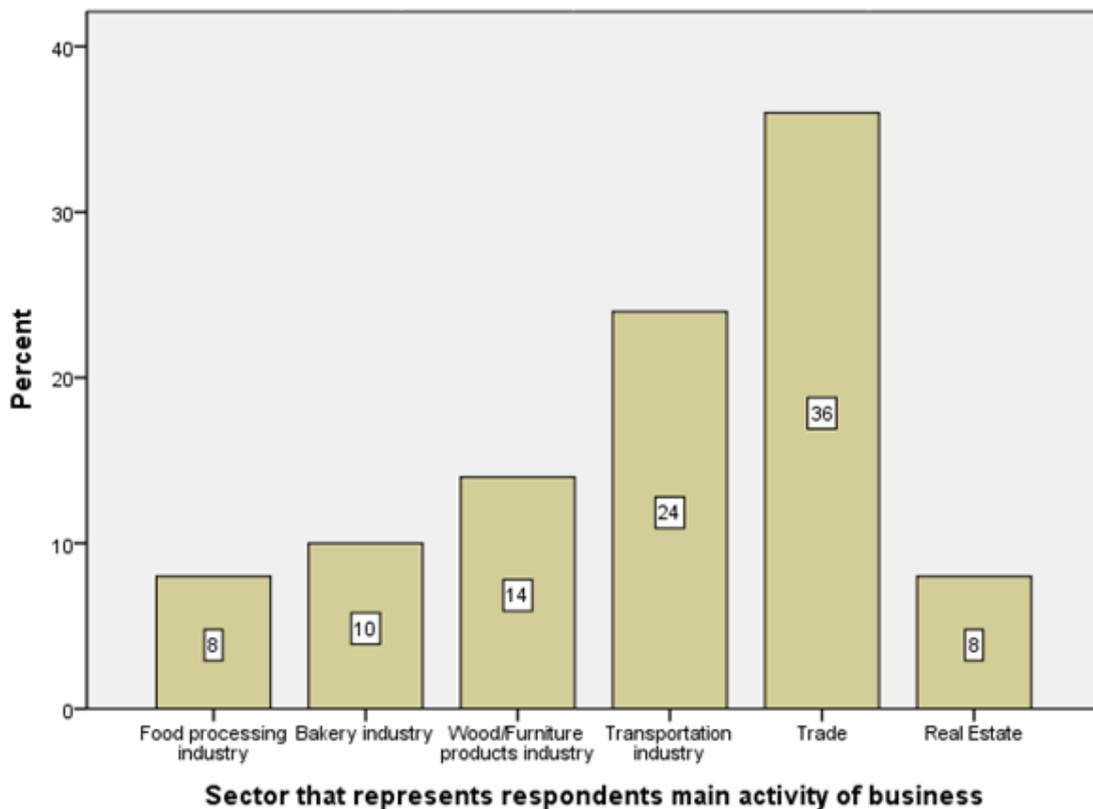


**Source: Field work, May, 2015**

Figure 4.2.5 below shows the industry within which the respondents are operating their businesses. From the table, 8% of the respondents indicated that they are operating within the food processing industry. Also, 10% and 14% stated that their businesses are within the bakery industry and wood/furniture products industry respectively. Furthermore, 24% of the respondents stated that their businesses are within the

transportation sector. In addition, 36% and 8% of the respondents indicated that they are into Trade and Real Estates respectively.

**Figure 4.2.5 Sector That Represents Respondents Main Activity of Business**



**Source: Field work, May, 2015**

### **4.3 ANALYSIS OF UTRAK CLIENTS RESPONSES**

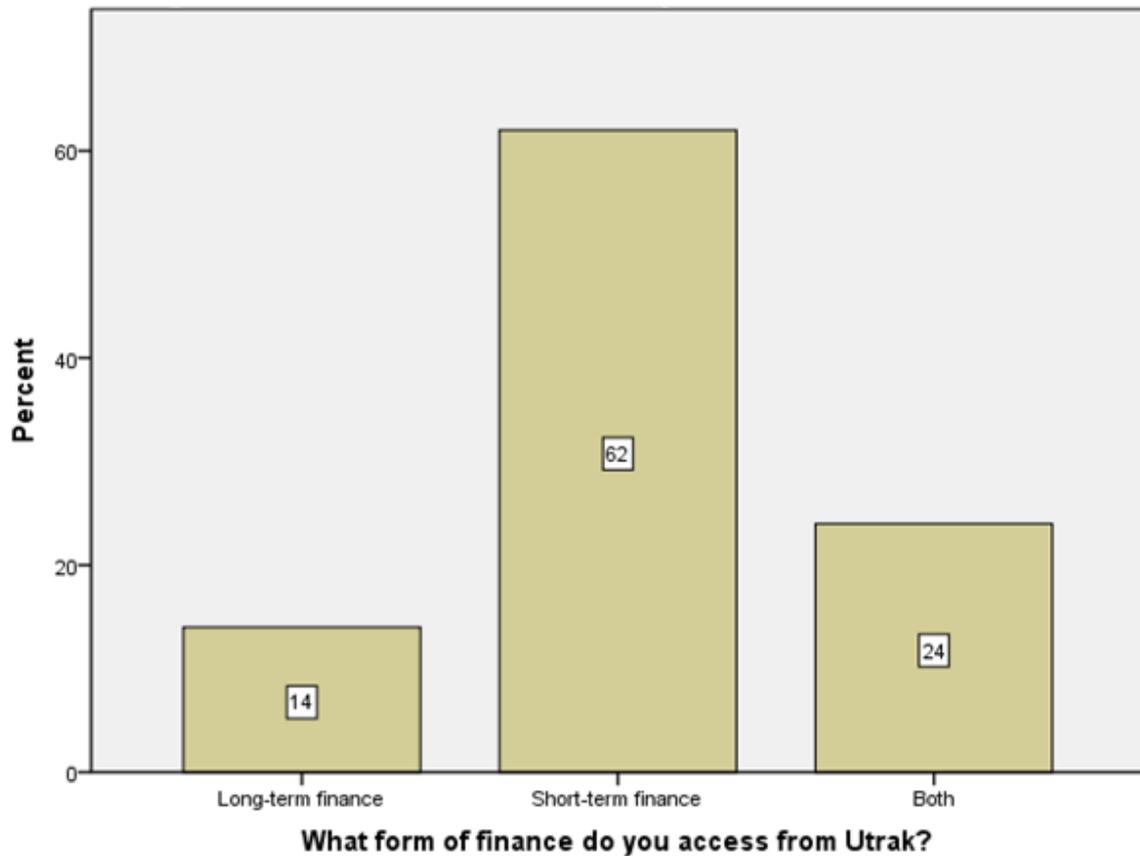
This section covers the analysis of the responses that were obtained from the questionnaires administered to the clients of Utrak savings and loans ltd.

#### **4.3.1 PRODUCTS USUALLY OFFERED BY UTRAK TO SMEs**

This section covers the various forms of financial products usually offered by Utrak to its customers. It covers among others the form of finance Utrak usually give in terms of

whether it provides long-term or short-term finance to its customers and also the financial products that are available at Utrak.

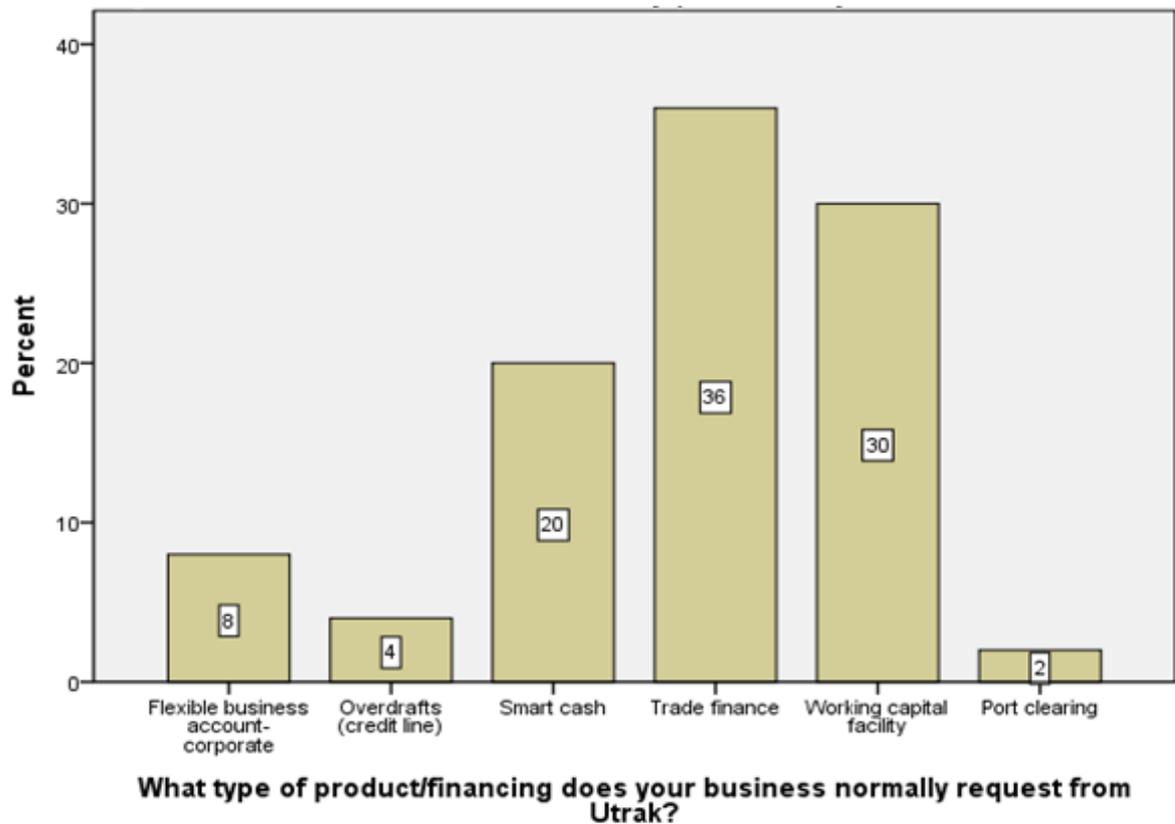
**Figure 4.3.1 What Form Of Finance Do You Access From Utrak?**



**Source: Field work, May, 2015**

Figure 4.3.1 above shows the form of finance Utrak savings and loans ltd usually provide for its clients. As can be seen from the table above, 14% of the respondents indicated that Utrak savings and loans ltd usually provides them with only long-term finance. However, 62% of the sample respondents indicated that Utrak savings and loans ltd usually provides them with only short-term finance. Also, 24% of the sample stated that they get both long-term and short-term form of finance from Utrak savings and loans ltd. It can be deduced from the above analysis that Utrak savings and loans ltd mostly provides short-term form of finance to SMEs as indicated by majority of the respondents.

**Figure 4.3.2 Financial Products Usually Provided By Utrak to SMEs**



**Source: Field work, May, 2015**

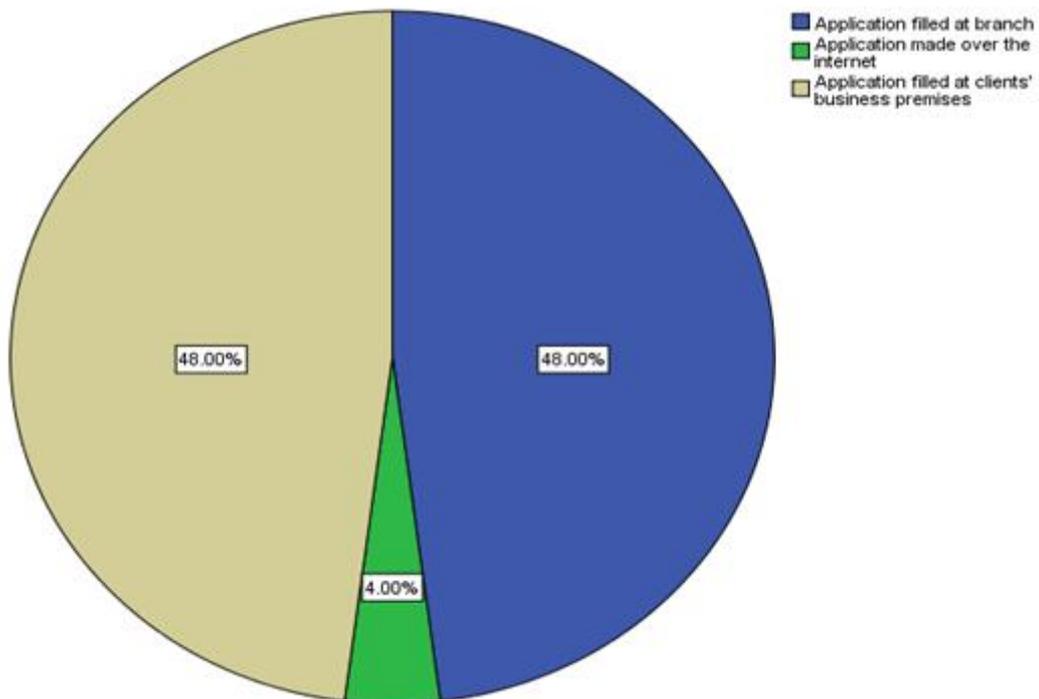
Figure 4.3.2 above shows the financial products that are offered by Utrak savings and loans ltd. As can be seen from the figure, 8% and 4% of the sample respondents indicated that Utrak savings and loans ltd usually provide them with flexible business account (Corporate account) and overdraft facility (credit line) respectively. 20% of the sample respondents also stated that they usually get Smart cash from Utrak savings and loans ltd. Furthermore, 36% of the sample respondents indicated that Utrak savings and loans ltd usually provide them with Trade finance. In addition, 30% of the sample respondents indicated that they usually get working capital facility from Utrak savings and loans ltd. 2% of the respondents also stated that Utrak savings and loans ltd usually provide them with Port clearing finance to help them clear their imported goods at the port. It can be concluded from the above analysis that majority of the clients of Utrak savings and loans ltd usually sourced for Trade finance from Utrak to help finance their

day to day trading activities. This confirms the findings of Robinson (1998) who stated that savings and loans companies usually provide sustainable financial products to SMEs.

#### **4.4 SMES EASE OF ACCESS TO MICROFINANCE FROM UTRAK SAVINGS AND LOANS LTD**

This section of the analysis covers procedures that SMEs usually follow in securing for funding from Utrak as well as the documentation that is usually involved. It also covers the challenges that SMEs usually encounter in sourcing for funds from Utrak savings and loans ltd. It also covers discussions regarding whether it is difficult or not for Utrak savings and loans ltd to provide certain forms of finance such as Flexible business account, Port finance, Vehicle finance and Credit line (overdraft facility) among others.

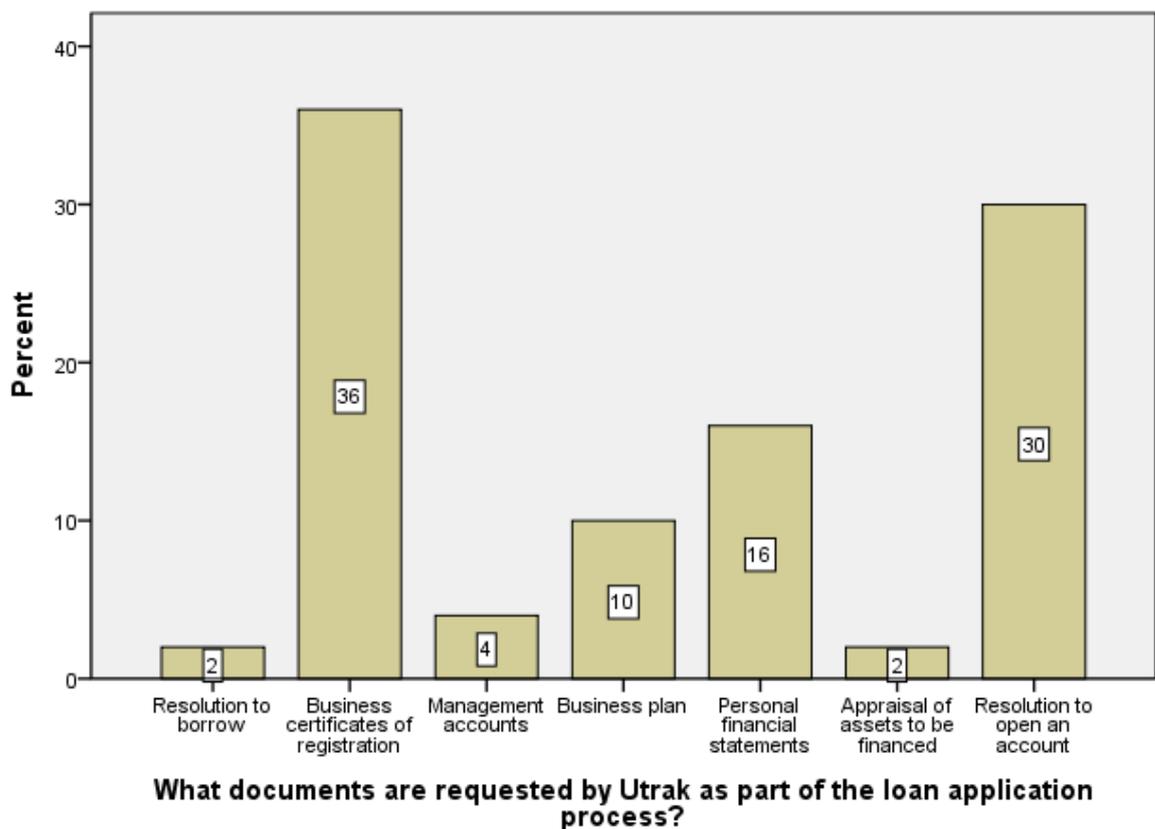
**Figure 44.1 Produces SMEs Go Through In Order To Request For Financial From Utrak**



**Source: Field work, May, 2015**

Figure 4.4.1 above shows the procedures SMEs usually go through in order to source for funds from Utrak savings and loans ltd. As can be seen from the figure, 24 respondents constituting about 48% of the sample indicated that they usually go to Utrak branch offices in order to fill application for loans. Also two 2 respondents representing about 4% of the sample indicated that loan application at Utrak savings and loans ltd is usually done over the internet. Furthermore, 24 respondents constituting 48% of the sample stated that Utrak savings and loans ltd agents usually come to their business premises for them to fill applications for loan facilities. From the above analysis, it can be deduced that application for loan at Utrak savings and loans ltd is usually done at either any of the branches of Utrak savings and loans ltd or at the clients' business premises.

**Figure 44.2 Documents Usually Requested By Utrak As Part Of A Loan Application Process**



Source: Field work, May, 2015

Figure 4.4.2 above shows the main documents that are usually requested by Utrak savings and loans ltd when evaluating a loan application. As can be seen from the figure, 2% of the sample indicated that Utrak savings and loans ltd usually demand for a resolution to borrow from its customers before processing their loan applications. Also, 36% of the respondents stated that the main document usually demanded by Utrak savings and loans ltd during a loan application process is the business registration certificate which shows that the business has been registered. Furthermore, 4% and 10% of the respondents stated that the main document usually demanded by Utrak savings and loans ltd during a loan application is management accounts and Business plan respectively. In addition, 16% and 2% of the sample respondents stated that Personal financial statements and appraisal of assets to be financed respectively are the documents usually demanded by Utrak when processing a loan application. Also, 30% of the sample respondents indicated that the main document usually demanded by Utrak savings and loans ltd during a loan application is a resolution to open an account. It can therefore be deduced from the above analysis that business registration certificate is the main document usually requested by Utrak savings and loans ltd during a loan application process as indicated by majority of the respondents.

**Table 4.4.1 How difficult is it for Utrak to grant the following forms of Products?**

	VERY		DIFFICULT		NEUTAL		EASY		VERY	
	DIFFICULT		DIFFICULT		NEUTAL		EASY		EASY	
	N	%	N	%	N	%	N	%	N	%
Flexible business										
account	8	16	16	32	2	4	18	36	6	12
Port finance	4	8	18	36	18	36	7	14	3	6
Vehicle finance	5	10	18	36	8	16	15	30	4	8
Credit line										
(overdraft)	5	10	15	30	14	28	11	22	5	10
Trade finance	5	10	13	26	8	16	15	30	9	18
Working capital										
facility	7	14	11	22	14	28	8	16	10	20
Smart Cash	6	12	9	18	17	34	7	14	11	22
Micro lease	11	22	17	34	15	30	3	6	4	8
Asset refinance	5	10	13	26	15	30	9	18	8	16

**Source: Field work, May, 2015**

Table 4.4.5 above shows responses from respondents regarding the difficulty that is involved in obtaining certain types of financial products from Utrak savings and loans ltd. As can be seen from the table, 48% and 44% of the sample respondents indicated that it is difficult to obtain flexible business account and port finance respectively from Utrak savings and loans ltd. Also, 4% and 36% of the respondents stated that they cannot tell whether it is easy to obtain flexible business account and port finance respectively from Utrak savings and loans ltd or not. However, 48% and 20% of the respondents indicated that it is easy to obtain flexible business account and port finance from Utrak savings and loans ltd respectively. It can therefore be concluded from the above analysis that it is difficult to obtain port finance from Utrak savings and loans ltd but with respect to flexible business account, it is sometimes easy to open it but at other times difficult as indicated by majority of the respondents.

Also, as can be seen from the table 4.4.5 above, 46% and 40% of the sample respondents indicated that it is difficult to obtain vehicle finance and overdraft facility (credit line) respectively from Utrak savings and loans ltd. Also, 16% and 28% of the respondents stated that they cannot tell whether it is easy to obtain vehicle finance and overdraft facility (credit line) respectively from Utrak savings and loans ltd or not. However, 38% and 32% of the respondents indicated that it is easy to obtain vehicle finance and overdraft facility (credit line) from Utrak savings and loans ltd respectively. It can therefore be concluded from the above analysis that it is difficult to obtain both vehicle finance and overdraft facility from Utrak savings and loans ltd as indicated by majority of the respondents.

In addition, from table 4.4.5 above, 36% and 36% of the sample respondents indicated that it is difficult to obtain trade finance and working capital facility respectively from Utrak savings and loans ltd. Also, 16% and 28% of the respondents stated that they cannot tell whether it is easy to obtain trade finance and working capital facility respectively from Utrak savings and loans ltd or not. However, 48% and 36% of the respondents indicated that it is easy to obtain trade finance and working capital facility from Utrak savings and loans ltd respectively. It can therefore be concluded from the above analysis that it is easy to obtain Trade finance from Utrak savings and loans ltd but when it comes to working capital facility it is sometimes difficult but at other times easy to obtain it as indicated by majority of the respondents.

Furthermore, from table 4.4.5 above, 30% and 56% of the sample respondents indicated that it is difficult to obtain Smart cash and Micro lease respectively from Utrak savings and loans ltd. Also, 34% and 30% of the respondents stated that they cannot tell whether it is easy to obtain Smart cash and Micro lease respectively from Utrak savings and loans

ltd or not. However, 36% and 14% of the respondents indicated that it is easy to obtain Smart cash and Micro lease from Utrak savings and loans ltd respectively. It can therefore be concluded from the above analysis that it is easy to obtain Smart cash from Utrak savings and loans ltd but it is difficult to obtain Micro lease from Utrak savings and loans ltd.

Also, from table 4.4.5 above, 36% the sample respondents indicated that it is difficult to obtain asset refinance from Utrak savings and loans ltd. Also, 30% the respondents stated that they cannot tell whether it is easy to obtain asset refinance from Utrak savings and loans ltd or not. However, 34% the respondents indicated that it is easy to obtain asset refinance from Utrak savings and loans ltd. It can therefore be concluded from the above analysis that it is difficult to obtain asset refinance from Utrak savings and loans ltd.

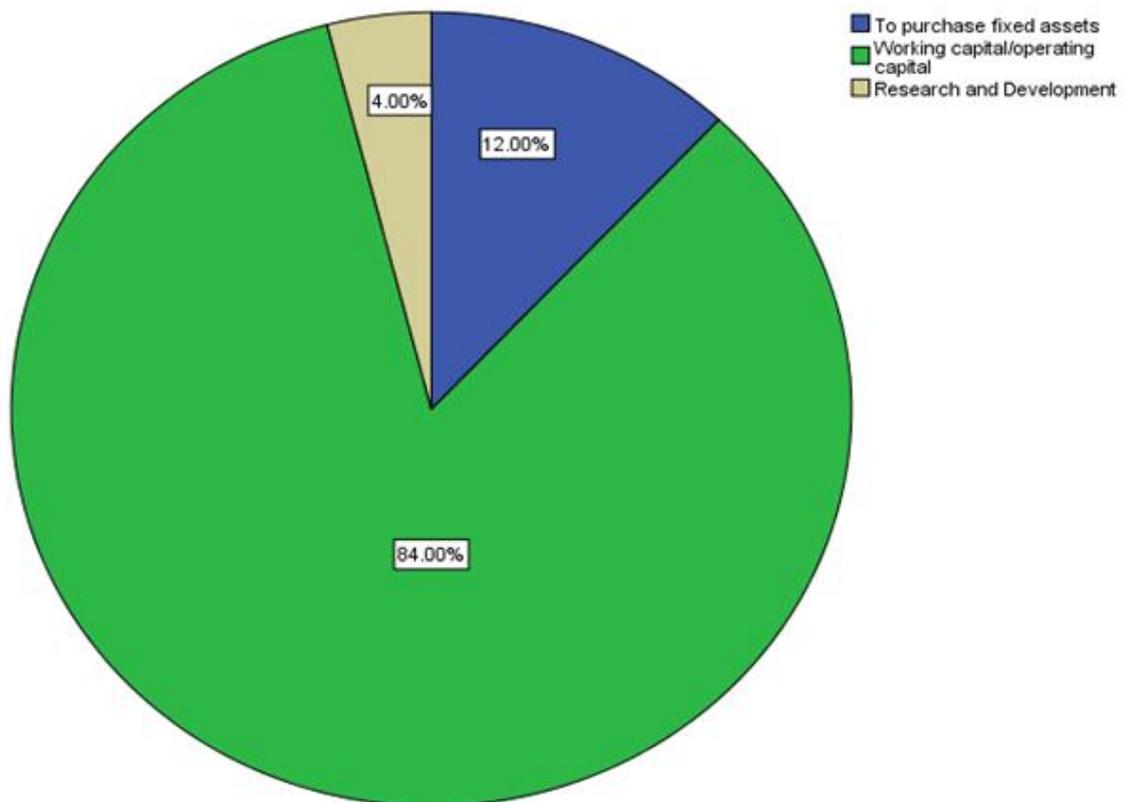
#### **4.5 BENEFIT OF FINANCE OBTAINED BY SMEs FROM UTRAK**

This section discusses the benefits that SMEs usually derive through the funding they usually obtain from Utrak savings and loans ltd. It covers among others how SMEs usually use the funding they obtain from Utrak savings and loans ltd and also the impact that the funding provided by Utrak savings and loans ltd usually have on the SMEs businesses.

Figure 4.5.1 above shows responses from respondents regarding the way they usually use the funds they obtain from Utrak savings and loans ltd. As can be seen from the table above, 12% of the sample indicated that the funds they obtain from Utrak savings and loans ltd is usually used to purchase fixed assets. Also, 84% of the sample respondents indicated that the funding they usually obtain from Utrak savings and loans ltd is also use as working capital to finance their day to day operating activities and financial needs. In addition, 4% of the respondents indicated that they usually use the funds they obtain

from Utrak savings and loans ltd to finance their business research and development costs. In summary, it can be concluded from the above analysis that the funding usually provided by Utrak savings and loans ltd is mostly used by SMEs as their working capital/operating capital.

**Figure 44.2 SMEs Use of The Finances They Usually Obtain From Utrak**

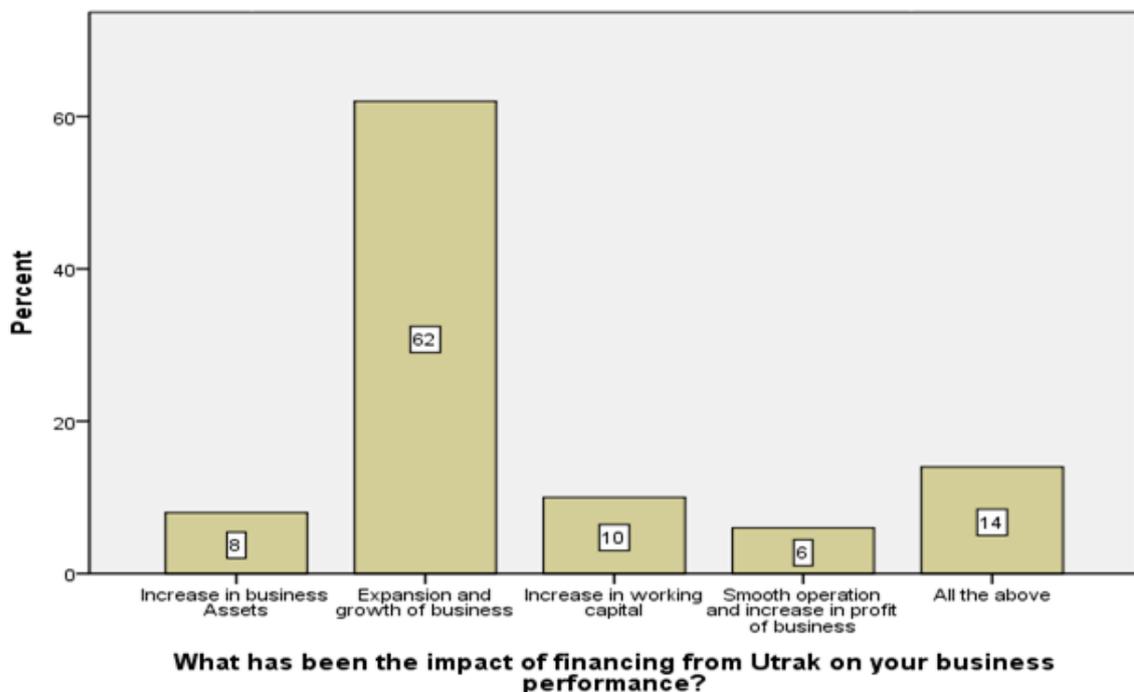


**Source: Field work, May, 2015**

Figure 4.5.2 below shows responses from respondents regarding the impact that the finance they usually obtain from Utrak savings and loans ltd has on their business performances. As can be seen from the table, 8% of the sample respondents indicated that the funds they obtain from Utrak savings and loans ltd has help them to purchase more assets use for their business operations. Also, 62% of the sample respondents stated that they finance they usually obtain from Utrak savings and loans ltd has help their businesses to grow and expand significantly. In addition, 10% of the respondents

indicated that the financial support they usually get from Utrak savings and loans ltd has helped increased their working capital. Furthermore, 6% of the sample respondents indicated that the finances they obtained from Utrak savings and loans ltd has help ensure smooth operations of their businesses as well as increase in profits of their businesses. Also, 14% of the sample respondents stated that the funding they usually get from Utrak savings and loans ltd has resulted in increase in their business assets, business growth and expansion, increase in working capital and smooth operation of businesses resulting in increase in business profit. It can therefore be deduced from the above analysis that the major impact that the financial support from Utrak savings and loans ltd has on SMEs business performance is that it has helped their businesses to grow and expand into big businesses.

**Figure 4.5.2 Impact Of Finance From Utrak On SMEs Business Performace?**



**Source: Field work, May, 2015**

## **4.6 ANALYSIS OF STAFF RESPONSES**

This section of the analysis covers the policies that are put in place by Utrak savings and loans ltd in dealing with its clients. It covers among others policies governing the accessibility of finance from Utrak savings and loans ltd and policies put in place by Utrak savings and loans ltd to ensure quick recovery of loans from its clients.

### **4.6.1 UTRAK POLICIES IN DEALING WITH SMEs**

An interview with the staff of Utrak savings and loans ltd indicated that one of the policies put in place by Utrak savings and loans ltd to govern accessibility of loans by customers is that there is a threshold limiting the maximum amount of loan facility that can be granted to one customer at a time. The interview with the staff further revealed another policy put in place by Utrak to govern the accessibility of its loans is that loan applicants are usually required to provide collateral security before they can be granted loans so that in the event that they are not able to repay when the loan matures, Utrak can seize those assets and sell them to recoup its money. It can be deduced from the above analysis that the major policies put in place by Utrak to govern its loans accessibility are limitation on a threshold which limit the maximum amount of loan that can be granted to a customer at a point in time and provision of collateral security by loan applicants.

Regarding the issue of policies being put in place by Utrak savings and loans ltd to ensure quick recovery of loans from its clients, the interview with the staff of Utrak savings and loans ltd indicated that one of the policies that is put in place in order to ensure quick recovery of loans is that they usually embark on daily collection of repayments from clients whose loans have matured. The interview with the staff further indicated that Utrak usually ensures that there is routine customer visit and constant communication with clients as well as management giving advice to customers and this

help ensure quick recovery of loans given out to customers. The staff of Utrak savings and loans ltd during the interview also stated that the demand for collateral security by Utrak savings and loans ltd has help ensure quick recovery of loans from its clients. The interview with Utrak savings and loans ltd staff also revealed that one policy that is put in place by Utrak to ensure quick recovery of loans is that they usually ensure constant monitoring of client's businesses on weekly basis. It summary, it can be concluded that the policies that are put in place by Utrak savings and loans ltd in order to ensure quick recovery of loans from clients are daily collection of repayments from clients, routine customer visit and constant communication with clients as well as management advice to customers, use of collateral security and constant monitoring of clients businesses on weekly basis.

## **CHAPTER FIVE**

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

#### **5.0 INTRODUCTION**

This section covers the main the findings of the research. It also covers the conclusions of the study as well as the recommendations that are being made by the researcher.

#### **5.1 MAIN FINDINGS OF THE RESEARCH**

This section of the work covers the findings of the study. It covers the products and services offered by Utrak savings and loans ltd to its SMEs, SMEs ease of access to microfinance from Utrak Savings and loans ltd, the benefits of finance given by Utrak savings and loans ltd to SMEs and the rules and policies put in place by Utrak in order to govern its business relationships with SMEs.

##### **5.1.1 PRODUCTS USUALLY OFFERED BY UTRAK TO SMEs**

The findings from the research revealed that Utrak savings and loans ltd mostly provides short-term form of finance to SMEs even though sometimes it does provide long-term form of finance to SMEs.

The analysis also shows that majority of the clients of Utrak savings and loans ltd usually sourced for Trade finance from Utrak to help finance their day to day trading activities. From the analysis, other financial products usually offered by Utrak savings and loans ltd to SMEs include Flexible business account-corporate, Overdrafts (credit line), Smart cash, Working capital facility and Port clearing finance.

### **5.1.2 SMES EASE OF ACCESS TO MICROFINANCE FROM UTRAK SAVINGS AND LOANS LTD**

The research findings indicated that application for loan at Utrak savings and loans ltd is usually done at either any of the branches of Utrak savings and loans ltd or at the clients' business premises. The analysis also showed that business registration certificate is mostly the main document usually requested by Utrak savings and loans ltd during a loan application process. Other documents that are usually requested according to the analysis include Management accounts, Business plan, financial statements, Appraisal of assets to be financed and Resolution to open an account.

The analysis also indicated that Utrak savings and loans ltd has rejected some loan applications in past due to several reasons such as lack of collateral security by clients and poor credit experience or history of clients among others. It was however revealed in the analysis that the major problem that SMEs encounter in securing for funding from Utrak savings and loans ltd is their lack of collateral security.

The results from the analysis also showed that it is difficult to obtain port finance from Utrak savings and loans ltd but with respect to flexible business account, it is sometimes easy to open it but at other times difficult. The analysis further showed that it is difficult to obtain both vehicle finance and overdraft facility from Utrak savings and loans ltd.

The findings from the research also indicated that it is easy to obtain Trade finance from Utrak savings and loans ltd but when it comes to working capital facility it is sometimes difficult but at other times easy to obtain.

It was also revealed from the analysis that it is easy to obtain Smart cash from Utrak savings and loans ltd but it is difficult to obtain Micro lease from Utrak savings and

loans ltd. The results also showed that it is difficult to obtain asset refinance from Utrak savings and loans ltd.

### **5.1.3 BENEFIT OF FINANCE OBTAINED BY SMEs FROM UTRAK**

The findings from the research indicated that the funding usually provided by Utrak savings and loans ltd is mostly used by SMEs as their working capital/operating capital. The results also showed that SMEs sometimes used the finance obtained from Utrak savings and loans ltd to purchase fixed assets to be used for their business operations and also to finance their research and development costs.

The analysis also revealed that the major impact that the financial support from Utrak savings and loans ltd has on SMEs business performance is that it has helped their businesses to grow and expand into big businesses. The results from the analysis also indicated that the financial support that SMEs usually get from Utrak savings and loans ltd has helped them to increase their business assets, increase their working capital and also it has helped resulted in smooth operation of their businesses as well as increase in profit of their businesses.

### **5.1.4 UTRAK SAVINGS AND LOANS LTD POLICIES IN DEALING WITH SMEs**

The findings from the analysis showed that the major policies put in place by Utrak savings and loans ltd to govern its loans accessibility are limitation on a threshold which limit the maximum amount of loan that can be granted to a customer at a point in time and provision of collateral security by loan applicants.

The results from the research also revealed that the policies that are put in place by Utrak savings and loans ltd in order to ensure quick recovery of loans from clients are daily collection of repayments from clients, routine customer visit and constant

communication with clients as well as management advice to customers. The results further showed that Utrak savings and loans ltd usually demand for collateral security from loan applicants and also ensure constant monitoring of clients businesses on weekly basis in order to ensure quick recovery of loans.

## **5.2 CONCLUSION**

The private sector businesses especially the small and medium enterprises perform important function in both job creation and income generation in most emerging economies including Ghana. This role, according to Makorere (2014) is vital to poverty alleviation policies in many emerging economies. The private sector businesses thus, form the breeding grounds for most newly formed indigenous entrepreneurs such as those in the small and medium scale enterprises in the Ghana. Even though, finance is difficult to obtain, it is a major determinants of the success and performance of small businesses. A number of saving and loans companies since the onset of Ghana's economic liberalisation reforms have aimed at providing microfinance to SMEs (Makorere, 2014). Utrak savings and loans ltd is one of the savings and loans companies that have been formed to help meet some of the financial needs of SMEs. There are diverse financial products that are being offered by Utrak savings and loans ltd to SMEs. However, SMEs sometimes encounter certain challenges in accessing these financial products from Utrak savings and loans ltd. These products can have significant positive impact on the operations of those SMEs that are able to access them. Utrak savings and loans ltd also has certain policies to govern its operations and how it deals with processing of loans applications for its clients.

### **5.3 RECOMMENDATIONS**

It is recommended that the processes and procedures involved in accessing financial support should be reduced. When the process of acquiring a loan facility is too long, the purpose for which the loan is been seek will not be fulfilled. This leads to diverting of some of the credit acquired by clients resulting in moral hazards which will be common and repayment will also be affected. Reducing these processes do not only help SMEs on a timely basis but it becomes win-win affair to both Utrak savings and loans ltd and the client since the customers can be on a good footing to achieve the purpose for acquiring the facility and repayments can be guaranteed.

Utrak savings and loans ltd should try to make it easy for SMEs to access vehicle finance and overdraft facility as well as micro lease to finance their operations. Utrak savings and loans ltd should also try to make it easy for SMEs to access port finance in order to help them clear their goods at the port.

Utrak savings and loans ltd should also try to organised some public sensitization programs for its clients to help educated them on how to run their businesses as well as how to make efficient use of the finances they usually obtain from Utrak savings and loans ltd.

Utrak savings and loans ltd should also try to reduce the collateral security requirement in order to make it flexible for customers to access their loan facilities.

Utrak savings and loans ltd should try to strengthen its policies in dealing with customers especially policies concerning how to ensure quick recovery of loans given out to customers as well as policies regarding the maximum amount of credit facility that can be granted to a customer. They should also ensure that these policies are applied impartially to all customers.

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## APPENDIX

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**KNUST SCHOOL OF BUSINESS**

**EXECUTIVE MASTER OF BUSINESS ADMINISTRATION**

**INTERVIEW GUIDE FOR STAFF OF UTRAK SAVINGS AND LOANS LTD**

This research is being undertaken as part of the requirement for the award of an MBA in Finance. The study seeks to assess the role of Savings and loans Institutions in financing Small and Medium Scale Enterprises, using Utrak Savings and Loans ltd as a case study. The research is strictly for academic purposes, hence information provided would be held in high confidentiality. I shall be grateful if you could take a few minutes of your time to answer the following questions.

Please tick (✓) the appropriate response that best answers each question. Ticking more than one answer is allowed

### **PART A: Background Information**

1. Gender    A. Male ( )    B. Female ( )
2. Age    A. below 20 years ( )    B. 21 – 30 years ( )    C. 31-40 years ( )    D. 41-50 years ( )    E. 51 years and above ( )
3. Marital Status    A. Single ( )    B. Married ( )    C. Divorced ( )    D. Separated ( )
4. Highest Educational Level    A. J.H.S ( )    B. S.H.S ( )    C. Diploma ( )    C. First Degree ( )    D. Master's Degree ( )    E. Others, please specify.....

5. Identify the sector that represents the main activity of your business. A. Food processing industry ( ) B. Bakery industry ( ) C. Wood/Furniture products industry ( ) D. Transportation industry ( ) E. Trade ( ) F. Real estate ( ) G. Others, please specify.....
6. Do you give loans to only registered businesses? A. Yes ( ) B. No ( )
7. If YES to question 6 above, what is the legal status of those businesses? A. Private limited liability companies ( ) B. Sole proprietorship ( ) C. Private Partnership ( ) D. Cooperatives ( ) E. Others, please specify.....
8. If NO, why don't you give loans to unregistered businesses?  
.....
9. How long should a business operate in order to qualify for a loan facility from Utrak savings and loans ltd? A. Less than 1 year ( ) C. Between 2 – 5 years ( ) C. Between 6 – 10 years ( ) D. Between 11-20years ( ) E. 21 years and above ( ) F. Others, please specify.....

**PART B SMEs ease of access to microfinance from Utrak and its consequences on SMEs performance.**

10. What procedures do SMEs go through to request for financing from Utrak savings and loans ltd? A. Application filled at branch ( ) B. Application made by phone ( ) C. Application over the internet ( ) D. Application filled at clients' business premises( ) D. Others, please specify.....
11. What forms of finance does Utrak Savings and Loans ltd offer SMEs?  
A. Long term ( ) B. Short term finance ( ) C. Both ( )
12. What type of product/financing does SMEs normally request from Utrak savings and loans ltd? A. Smart Cash ( ) B. Overdrafts (credit line) ( ) C. Business

Instalments Loans ( ) D. Express loan ( ) E. Trade Finance ( ) F. Working Capital facility ( )

G. Port clearing ( ) H. Asset Financing ( ) I . Others, please specify.....

13. How do SMEs normally use the financing that are requested from Utrak Savings and Loans ltd? A. To purchase fixed assets ( ) B. Working capital/operating capital ( ) C. Research and Development ( ) D. Debt Consolidation ( ) E. Others, please specify.....

14. What documents are requested by Utrak Savings and Loans ltd as part of the loan application process? A. Resolution to borrow ( ) B. Business certificates of registration ( ) C. Management account ( ) D. Business plan ( ) E. Personal financial statements ( ) F. Appraisals of assets to be financed ( ) G. Cash flow projection ( ) H. Resolution to open an account ( ) H. Others, Please specify.....

15. Have some SMEs ever had their application rejected in the past?  
A. Yes ( ) B. No ( )

16. If you answered YES to question 13, what are the major problems faced by SMEs in securing funds? A. Lack of collateral ( ) B. Inadequate technologies ( ) C. Low rate of return on capital ( ) D Inadequate compiled financial records ( ) E. Poor credit experience or history ( ) G. Inexperienced management team or lack of professionalism ( ) H. Limited knowledge of business opportunities ( ) I. Others, Please specify.....

**On a scale of 1 to 5, please tick (√) which answer best suits your opinion.**

**1=NOT DIFFICULT 2=DIFFICULT 3=NEUTRAL 4=EASY 5=VERY EASY**

17. How difficult is it for Utrak Savings and Loans ltd to grant the following forms of product/financing to SMEs?

S/N	Name of product/financing	1	2	3	4	5
A	Overdraft (Credit line)					
B	Business Instalments Loans					
C	Express loan					
D	Trade Finance					
E	Working Capital facility					
F	Asset finance					
G	Port Clearing					
H	Other					

18. What has been the impact of the financing/products received from Utrak Savings and Loans ltd on businesses? .....

**PART C Policies of Utrak savings and loans ltd concerning SMEs**

19. What are the laws/policies/regulations that govern the accessibility of finance from Utrak savings and loans ltd? A. Limitation on a threshold ( ) B. Provision of collateral security ( ) C. Payment period ( ) C. Interest rate ( ) E. Equity contribution ( )  
 F. Others, please specify.....

20. What are the policies put in place to ensure quick recovery of loans given out to SMEs

.....

21. Do you think the laws/policies/regulations guiding the establishment and/or the operations of Utrak Savings and Loans Ltd is effective?    Yes ( )    No ( )

22. If NO, why are they not effective?

.....

.....

23. Any other comments

.....

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**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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**QUESTIONNAIRE FOR CLIENTS OF UTRAK SAVINGS AND LOANS LTD**

This research is being undertaken as part of the requirement for the award of an MBA in Finance. The study seeks to assess the role of Savings and loans Institutions in financing Small and Medium Scale Enterprises, using Utrak Savings and Loans Ltd as a case study. The research is strictly for academic purposes, hence information provided would be held in high confidentiality. I shall be grateful if you could take a few minutes of your time to answer the following questions.

Please tick (√) the appropriate response that best answers each question.

**PART A: Background Information**

1. Gender A. Male ( ) B. Female ( )
2. Age A. below 20 years ( ) B. 21 – 30 years ( ) C. 31-40 years ( ) D. 41-50 years ( )  
E. 51-60 years( )
3. Marital Status A. Single ( ) B. Married ( ) C. Divorced ( ) D. Separated ( )
4. Highest Educational Level A. J.H.S ( ) B. S.H.S ( ) C. Diploma ( ) C. First Degree ( ) D. Master’s Degree ( ) E. Others, please specify.....
5. Identify the sector that represents the main activity of your business.  
A. Food processing industry ( ) B. Bakery industry ( ) C. Wood/Furniture products industry ( ) D. Transportation industry ( ) E. Trade ( ) F. Real estate ( )  
G. Others, please specify.....

6. How long have you been operating your business? A. Less than 1 year ( ) B. Between 2 – 5 years ( ) C. Between 6 – 10 years ( ) D. Between 11-20years ( ) E. 21 years and above ( )

**PART B SMEs ease of access to Microfinance from Utrak and its consequences on SMEs performance.**

7. What procedures do you go through to request for financing from Utrak savings and loans ltd? A. Application filled in at branch ( ) B. Application made by phone ( ) C. Application over the internet ( ) D. Application filled at clients business premises ( ) D. Others, please specify.....
8. Why have your firm chosen Utrak Savings and Loans ltd for the financial request or additional credit? A. Tranche disbursements ( ) B. Prompt response to credit needs ( ) C. Flexible lending terms ( ) D. Transparency in lending operations ( ) E. Flexible repayment structure ( ) F. Negotiable interest rates ( ) G. Other Please specify.....
9. What forms of finance do you access at Utrak savings and loans ltd? A. Long term ( ) B. Short term finance ( ) C. Both ( )
10. What type of product/financing did the business request from Utrak savings and loans ltd? A. Flex Business Account -corporate ( ) B. Credit line-Overdrafts ( ) C. Vehicle Finance ( ) D. Smart Cash ( ) E. Trade Finance ( ) F. Working Capital facility ( ) G. Port clearing ( ) H. Others, please specify .....

11. How have your firm used the financing it usually request from Utrak Savings and Loans ltd? A. To purchase fixed assets ( ) B. Working capital/operating capital ( ) C. Research and Development ( ) D. Debt Consolidation ( ) E. Others, please specify.....
12. What documents were requested by Utrak Savings and Loans ltd as part of the application process? A. Resolution to borrow ( ) B. Business certificates of registration ( ) C. Management account ( ) D. Business plan ( ) E. Personal financial statements ( ) F. Appraisals of assets to be financed ( ) G. Cash flow projection ( ) H. Resolution to open an account ( ) H. Others, Please specify.....
13. Have you ever had your application rejected before? A. Yes ( ) B. No ( )
14. If you answered YES to question 13, what are the major problems faced by SMEs in securing funds? A. Lack of collateral ( ) B. Inadequate technologies ( ) C. Low rate of return on capital ( ) C. Inadequate compiled financial records ( ) D. Poor credit experience or history ( ) E. Inexperienced management team or lack of professionalism ( ) F. Limited knowledge of business opportunities ( ) H. Others, Please specify.....

**On a scale of 1 to 5, please tick (√) which answer best suits your opinion.**

**1=NOT DIFFICULT 2=DIFFICULT 3=NEUTRAL 4=EASY 5=VERY EASY**

15. How difficult was it to access the following forms of product/financing from Utrak savings and loans ltd?

S/N	Name of product/financing	1	2	3	4	5
A	Flex business account (corporate account)					
B	Port finance					
C	Vehicle finance					
D	Credit line (overdraft)					
E	Trade finance					
F	Working capital facility					
G	Smart cash					
H	Micro lease					
I	Asset refinance					

16. What has been the impact of the financing/products received from Utrak Savings and Loans ltd on your business?

.....  
 .....

**PART C Policies of Utrak concerning SMEs**

17. What are the laws/polices/regulations that govern the accessibility of finance from Utrak savings and loans ltd? A. Limitation on a threshold ( ) B. Provision of collateral security ( ) C. Payment period ( ) C. Interest rate ( ) E. Equity contribution ( ) F. Others, please specify.....

18. Any other comments

.....  
 .....