



Socio-Economic Determinants of Small and Medium Enterprises' (Smes) Access to Credit from the Barclays Bank in Tamale-Ghana

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Abstract

A review of the literature dealing with financing small and medium-scale enterprises (SMEs) indicates there is a significant gap in knowledge of the determinants of access to finance by the SMEs in Ghana. Therefore, this study examined the socio-economic factors that determine access to bank finance by SMEs in Tamale, Ghana. The population for the study was members of the Association of Small Scale Industries (ASSI), the branch Manager and credit officer of the Barclays bank Tamale, the Regional Manager and Accountant of National Board for Small Scale Industries and a Project Officer of macrofinance and small loan centre (MASLOC). The results indicated that, the number of employees, experience in credit use, number of fixed assets possessed, attitude towards risk, business size, form of business and sector of business in the economy are the critical success factors in accessing bank finance. The study also identified Management expertise, high default rate and monitoring as the challenges banks faced in giving credit to SMEs. In terms of policy, the findings of this study will provide banks, training institutions and policy makers with new insights on investigation of loan evaluation process, tailoring new training programmes for entrepreneurs and developing relationships with business associations.

Key words: Enterprises, Small-scale, Medium-scale, Tamale, Barclays Bank and Entrepreneurs

Introduction: The role of small and medium- scale enterprises in developing Countries' economies has been highly emphasized. These enterprises have been identified as the foundations through which the rapid industrialization and other developmental goals of these countries can be realized (UNCTAD/ITEM/TEB/Misc.8, 2002).

Though the socio economic importance of SMEs have been appreciated globally, SMEs are still faced with the problem of limited access to capital markets locally and internationally; in part because of the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms and as a result, SMEs often cannot obtain long-term finances in the form of debt and equity (Aryeetey et al., 1994).

The issue of access to credit from commercial banks by SMEs in recent times has been a topical one and has drawn the attention of the international community and development partners of developing nations. According to the UNCTD/TEB/Misc.8 (2002), SMEs in developing countries are challenged with access to credit from commercial banks because of their inability to fulfill certain lending conditions and banking practices. Adera (1995), in support of this notion also described the SMEs sector as very complicated and not comprehensible by many commercial Banks. He further stated that commercial banks are not able to support the credit needs of these enterprises because of the institutionalisation of rigid lending terms and conditions which require collateral of which the SMEs cannot afford.

Problem Statement: The contributions of Small and Medium Enterprises (SMEs) to economic development cannot be overemphasized. The Sector has a high potential for contributing to local economic development of developing countries. Majority of entrepreneurs in this sector are yet considered not credit worthy by most commercial banks because of their inability to fulfill certain banking terms and conditions.

Access to credit from commercial banks by SMEs has been a widespread concern for both government and entrepreneurs because most banks in Ghana remain highly liquid but reluctant to expand credit to SMEs other than the most creditworthy large enterprises. The issue of SMEs access to credit to some extent has been blamed on the complex and rigid systems put in place by commercial banks and the existing financial institutional policies, especially the lending terms and conditions on access to credit by SMEs.

However the Banks mostly give reasons such as poor financial information presented by SMEs, unreliable accounting information, unrealistic business plans and lack of understanding of SMEs needs for their inability to extend credit to SMEs. Therefore there are many key considerations that may be contributing to this information- gap between SMEs and the Barclays bank; hence the need for this research to identify and analyze the key Socio-economic determinants of SMEs access to credit from the Barclays bank in Tamale, Ghana.

Purpose of the Study: The main purpose of the study was to evaluate small and micro enterprises (SMEs) access to credit from the Barclays Bank. The specific objectives were to:

1. Explore the socio-economic determinants of SMEs access to credit from the Barclays bank;
2. To examine Problems Banks face in giving credit to SMEs.

Research Questions:

1. What socio-economic factors determine SMEs access to credit from the Barclays bank?
2. What are the Problems the Barclays banks faces in giving credit to SMEs?

Significance of the Study: The study has provided useful information on the socio-economic determinants of access to credit by small and medium-scale enterprises (SMEs) from the Barclays bank credit facilities. This information is vital for policy makers in taking appropriate actions toward facilitating the establishment of comprehensive and sustainable financial institutions for the development of micro and small and medium enterprises' sector in Ghana.

Secondly, the study had brought to light some key socio-economic determinants of access to credit. This information is useful to resolving the 'blame -game' between SMEs and the Barclays bank and would help to close the information-gap in credit demand and supply.

Thirdly, the study revealed major problems faced by banks in giving credit to SMEs in Ghana. This thus serves as a critical input for policy makers to develop a sustainable framework for the SMEs to access credit from financial institutions that will mutually yield return for both parties.

Finally, the findings of the study would contribute to the body of literature on SMEs access to credit from commercial banks.

Delimitation: The study focused on evaluating the processes involved in SMEs access to credit from the Barclays bank. Specifically, how socio-economic factors affect SMEs access to credit from the Barclays bank in Tamale, Ghana.

This study does not discuss the number of SMEs who have accessed credit from the Barclays bank. The study also exclude the number of SMEs the Barclays bank granted credit to; and the impact of the bank's credit on SMEs.

Literature Review:

Overview of MSEs: According to Sam (2004), 90% of businesses registered in Ghana are micro and small enterprises. These enterprises though hold critical position in the Ghanaian economy, are faced with a major barrier to access both debt and equity financing despite the Government's policy on the need to extend credit to SMEs. There still remained credit supply-gap between SMEs and commercial Banks. Parker et al (1995), contributing to the role of the MSE-sector in economic development pointed out that the sector employs about 15.5% and 14.09% of the labour force in Ghana and experienced higher employment growth than large scale enterprises (5% in Ghana). Parker et al added that the sector's output as a percentage of Gross Domestic Product (GDP) in Ghana accounted for 6% of Gross Domestic Product (GDP) in 1998.

Definition: There is no universally agreed definition for SMEs. Different countries and authors have usually given different definitions for SMEs. The definitions for small-scale enterprises in Ghana commonly used the number of employees of the enterprise as the criterion (Kayanula & Quartey, 2000). The application of the number of employees as criterion of definition often brings about some

confusion in terms of the arbitrariness and cut off points used by the various official sources. The Ghana Statistical Service (GSS) 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. While the same GSS in its national accounts considered companies with up to 9 employees as SMEs (Kayanula & Quartey, 2000). However, the National Board for Small Scale Industries (NBSSI) in Ghana applies both the “fixed assets and number of employees” criteria. It defines a small-scale enterprise as a firm with not more than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Cedis. The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a 10 million Cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions outdated as stated (Kayanula & Quartey, 2000).

Webster (1991) and Osei *et al.* (1993) used an employment cut-off point of 30 employees in the definition of small-scale enterprises in Ghana. Nevertheless, Osei *et al.* (1993) classified small-scale enterprises into three categories, namely: micro - employing less than 6 people; very small - employing 6-9 people; and small - between 10 and 29 employees. A recent definition of MSEs is the one given by the Regional Project on Enterprise Development of Ghana manufacturing survey paper classified firms into: micro enterprise, less than 5 employees; small enterprise, 5 - 29 employees; medium enterprise, 30 – 99 employees; large enterprise, 100 and more employees (Teal, 2002).

The operational definition of SMEs for this study is the one by Osei *et al.* (1993). They used employment in defining MSEs. Osei *et al.* classified SMEs into four main categories; micro enterprises are those that employ less than 6 people; (ii) very small enterprises constitute those employing 6-9 workers; small enterprises are business units that employ between 10 and 29 employees while medium sized enterprises are those that employ between 29 to 50 people. Hence, for this study, SMEs are enterprises that employ not more than 50 people. The choice of this definition is reflective of the situation in Ghana and allows for a wider inclusion of many enterprises in the study.

Characteristics of SMEs: Fisher and Reuber (2000), outlined a number of features of SMEs in developing countries in terms of: labour characteristics, sectors of activity, gender of owner and efficiency. Given that most SMEs are one-person businesses, the largest employment category is working proprietors. This group makes up more than half the SME workforce in most developing countries; their families, who tend to be unpaid but active in the enterprise, make up roughly another quarter. The remaining portion of the workforce is split between hired workers and trainees or apprentices. SMEs are more labour intensive than larger firms and therefore have lower capital costs associated with job creation (Anheier & Seibel, 1987; Schmitz, 1995).

In terms of activity or operations, they are mostly engaged in retailing, trading, or manufacturing (Fisher & Reuber, 2000). While it is a common perception that the majority of SMEs in developing countries will fall into the first category, the proportion of SME activity that takes place in the retail sector varies considerably between countries, and between rural and urban regions within countries. Retailing is mostly found in urban regions, while manufacturing can be found in either rural or urban centers. However, the extent of involvement of a country in manufacturing will depend on a number of factors, including, availability of raw materials, taste and consumption patterns of domestic consumers, and the level of development of the export markets.

Kayanula and Quartey (2000), argued that SMEs in Ghana can be categorized into urban and rural enterprises. The former can be subdivided into “organised” and “unorganised” enterprises. The organised ones mostly have paid employees with a registered office, whereas the unorganized category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home, and employ few or in some cases no salaried workers. They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this category include:- soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smithing, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical-based products and mechanics (Osei *et al.*, 1993; Kayanula & Quartey, 2000).

However, Abor and Biekpe (2006), posit that majority of SMEs are female-owned businesses, which more often than not are home-based compared to those owned by males; they are operated from home and are mostly not considered in official statistics. This clearly affects their chances of gaining access to formal financing schemes, since such programmes are designed without sufficient consideration of the needs of businesses owned by females. These female entrepreneurs often get the impression that they are not capable of taking advantage of these credit schemes, because the administrative costs associated with the schemes often outweigh the benefits. Prior empirical studies in Ghana have shown that female-owned SMEs often have difficulty accessing finance. Females are mostly involved in sole-proprietorship businesses which are mainly micro enterprises and as such may lack the necessary collateral to qualify for loans.

The Measures of enterprise efficiency (e.g. labour productivity or total factor productivity) vary greatly both within and across industries. Firm size may be associated with some other factors that are correlated with efficiency, such as managerial skills and technology, and the effects of the policy environment. Most studies in developing countries indicate that the smallest firms are the least efficient, and there is some evidence that both small and large firms are relatively inefficient compared to medium-scale enterprises (Little *et al.*, 1987). The general knowledge is that SMEs are more innovative than larger firms. Many small firms bring innovations to the market place, but the contribution of innovations to productivity often takes time, and larger firms may have more resources to adopt and implement them (Acs *et al.*, 1999).

Socio-economic Determinants of SMEs Access to Credit: Bigsten *et al.* (2003), stated that in developing countries asymmetric information, high risk, lack of collateral, lender-borrower distance, small and frequent credit transactions of small enterprises make real cost of borrowing vary among different sources of credit. Access to credit by micro and small enterprises can also be attributed to their characteristics. Hussien (2007), posits that the probability of choosing the commercial bank credit sector was positively attributed to: gender, educational level, and enterprise's size. He further explained that education, credit information and extension visit are more likely to increase the information base and decision making abilities of the enterprises including the ability to compare pros and cons of choosing appropriate credit and production technology.

An analysis by Mohieldin and Write (2000), on the impact of the explanatory variables on the outcome of whether a person has access to a loan facility or not revealed that, both the requirements of the individual (demand side) and that of the lending institution (supply side) determined whether a loan is granted. They further stated educational level, ownership of land, total assets, and size of enterprise as significant determinants of loan accessibility.

Emphasizing on the factors that determine SMEs access to credit, Lycette (1989), argues that despite their dominant numbers and importance in job creation, MSEs are regarded by creditors and investors as high-risk borrowers due to insufficient assets, low capitalization, vulnerability to market fluctuations, high mortality rates, information asymmetry, lack of accounting records, inadequate financial statements and business plans makes it difficult for creditors and investors to assess the creditworthiness of potential SME proposals.

The Challenges Banks Face in Giving Credit to SME: Providers of external debt or equity finance will certainly want to monitor the company receiving the credit to determine whether it is acting in accordance with the initial contract; to follow the progression of the firm and to have the means to ensure the user of funds respects the interest of the provider of funds. Doing this effectively is more problematic for SMEs than for larger firms. Banks are therefore more likely to engage in credit rationing (*i.e.* not extending the full amount of credit demanded, even when the borrower is willing to pay higher rates) to SMEs than to larger companies (Stiglitz & Weiss, 1981; Hoff & Stiglitz, 1999).

They (Lenders) usually face serious challenges when there is a collapse in SMEs that they granted credit. How to reclaim back funds provided is usually a problem because of the informal nature of most SMEs. The survival rate of SMEs is considerably lower than that of larger firms. It is found that manufacturing firms with fewer than 20 employees were five times more likely to fail in a given year than larger firms (Storey, 1994).

Another Serious challenge face by banks is the inability to distinguish the financial situation of the firm from that of its owners. The use of company asserts for both private and business purposes are

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

Relations between the firm and its stakeholders are likely to reflect personal relationships to a much higher degree than in larger firms where such relationships are formalized. Whereas large firms are expected to observe recognized standards of corporate governance in which actors such as executives, auditors, and boards of directors are expected to conform to transparent norms.

Asymmetric information is a more serious problem in SMEs than in larger firms. The entrepreneur has access to better information concerning the operation of the business and has considerable leeway in sharing such information with outsiders. However, the entrepreneur is also likely to have less training/experience in business than those in a larger company, although more adapted to operating in an uncertain environment. It may therefore be difficult for the outside provider of financing to determine whether the entrepreneur is making erroneous decisions or for the outsider to understand the business adequately. In addition, the entrepreneur may have incentives to remain opaque, not only in dealings with financiers, but also with other outsiders such as regulators and tax authorities.

According to Cuevas et al. (1993) cost of transaction contributes to the inability of the SMEs to access finance. They are of the opinion that “if transaction cost of lending are high, the net margin banks expect from loans operation do not compare favourably against safe investment represented by treasury bonds”. Aryeetey et al. (1994), argued that if a lender faces information asymmetry, the issue often becomes somewhat persuasive authority he or she holds in ensuring repayment of the funds. These push up transaction cost as the probability of default is assumed to be high and has to be contained. Thus lenders may avoid lending to smaller or lesser known clients or impose strict collateral requirements when they do. They may perceive clients in ways that would overcome the latter own perception of the difficulty in obtaining formal finance.

Lending to SMEs in Ghana is known to be more expensive than lending to larger enterprises in terms of loan screening, loan monitoring and contract enforcement, banks estimate that screening to gather information about the applicant and project, review the feasibility study, do the credit analysis and make a decision, an average of 16 man days for large scale applicants and that of small scale applicants takes 24 man days.

The transaction cost of SME lending was higher than those for large enterprise per loan though a similar study undertaken in 1992 by Aryeetey and Seini on the transaction cost of lending covering sixty bank branches in Ghana suggested that there was no statistically significant difference in the cost of administering loans to smaller and larger enterprises”.

Methodology:

Research Approach: The study used the quantitative research approach. The various SMEs were stratified and given quotas. This method was used due to the heterogeneity of small and medium scale enterprises in the Tamale Metropolis of Ghana. It allowed a fair representation of the various types of SMEs in Ghana. As a result, data was solicited from these respondents using questionnaires of both close-ended and open-ended questions. Again, choice of the tool was to enable SME operators to attend to the questions at their own convenience and pace though in a specified time.

Population and Sampling Techniques: The population studied consists of the small and medium scale enterprises in the Tamale Metropolis. This sample frame was further stratified into categories of small and medium scale enterprises with common characteristics. Trager (1987) posits that there is no doubt about small scale enterprises being heterogeneous since they are everywhere. Saunders et al. (2000) as cited in Ofori (2009) also argued that, “dividing the population into a series of strata means that the sample was more likely going to be representative, as it can ensure that each of the strata was represented proportionally within the sample”. The population for the study was made of members of the Association of Small Scale Industries (ASSI), the branch Manager and credit officer of the Barclays bank, the Regional Manager and Accountant of NBSSI and a Project Officer of MASLOC. The essence of this structure was to collect detailed and objective information as far as possible from different groups of people responsible for facilitating SMEs access to credit. These sectors then formed the strata from which a sample of 250 was selected for the study.

Data Sources: The study adopted both secondary and primary data sources. Primary data was collected with questionnaires and personal interviews. The essence of this was to help collect

firsthand information from the respondents. The secondary data was obtained from books, journals, reports, internet and research works relating to the subject matter. Data was gathered from Government Agencies.

Presentation of Results and Discussions:

Characteristics of Respondents: The study with a target of 255 sample size to be covered, yielded 205. This represents a response rate of 80.4%. Out of the 205 respondents, 80% were Owners and the remaining 20% were senior apprentices with decision making authority. The respondents were composed of 65.4% males and 34.6% females.

Table 1. Sex Distribution

Sex	SMEs		Barclays		NBSSI		Masloc		Total	
	No	%	No.	%	No.	%	No.	%	No.	%
Male	130	65	1	0.3	2	0.6	1	0.3	134	65.4
Female	70	35	1	0.3	0	0	0	0	71	34.6
Total	200	100	2	0.6	2	0.6	1	0.3	205	100

Source: Field survey, 2014

From Table 1, it is observed that males outnumbered the females by (134) 65.4%.

Age Distribution: The essence of age distribution in this type of study was to help categorized the respondents into youth age, middle age and old age in order to identify the majority age group in the sample. Table 2, shows the details of this distribution.

Table 2: Age Distribution

Age group	Number	Percentage
20 – 29	20	9.7
30 – 39	55	27
40 – 49	60	29.3
50 – 59	30	14.6
60 – 69	20	9.7
70 – 79	20	9.7
Total	205	100

Source: Field, survey (2014).

Table 2, reveals 40-49 years was the modal age group in the sample size. The 40-49 years formed (29.3%) of the entire sample size. The age groupings, 20-29 (9.7%), 70- 79(9.7%) and 60-69(9.7%) respectively were the least groups in the sample. The average age of the respondents was 45 years. It therefore implies that majority of the economical active population of the study area are engaged by the SME- sector.

Marital Status: The survey indicated that 90 % of the respondents were married and 10 % were single. The implication of marital status in the study is that; whereas the respondents who are single have fewer dependents on their businesses and as such less responsibilities and demand for credit; respondents who are married have more dependents and responsibilities on their businesses pushing them to look for credit in order to augment their working capitals.

Levels of Education: The level of education of a respondent essentially helps him or her to observe good business management practices including credit management. To some extent, education is one of the ingredients banks look for when granting credit to its clients. Table 3, shows the details of the level of education of respondents.

Table 3. Level of Education:

Level of Education	Number	Percentage (%)
No education	60	29.3
J.H.S	70	34.1
MSLE	50	24.4

HND	20	9.8
Degree	5	2.4
Total	205	100

Source: Field survey, 2014.

Table 3, shows that, JHS leavers with 34.1% were the majority in the sample. Whiles 24.4 % completed Middle School; 29.3% of the sample has no education. A few respondents, 9.8% and 2.4% holds HND and degree respectively. It can therefore be inferred that most Micro and Small Enterprises sampled for the study are managed by people with relatively low level of education. The implication of this on their access to credit is that, proper business management practices would hardly be observed. Meanwhile, banks would be interested in knowing SMEs businesses as well as credit management records before granting credit.

Business Sector Association: The majority of the study population was members of the Association of Small Scale Industries (ASSI), which is an umbrella business Association in Tamale. The sample taken for the study was stratified and randomly selected from this population. Therefore, there was the need to segregate the sample according to the sub-groups in order to examine the issue of access to credit amongst respondents in different sectors of the local economy of the study area. Table 6, shows the details of this analysis.

Table 4. Business Sector Association:

Business Sector	Number	Percentage
GHABA	22	10.7
Welders & Fabricators	20	9.8
GARAGES	18	8.8
GNTDA	42	20.5
GESTA	15	7.3
Batik Makers	21	10.2
Aluminum pot makers	17	8.3
Smock makers	45	22
<u>Others (Business Support Organizations)</u>		
Barclays	2	1
NBSSI	2	1
MASLOC	1	0.4
Total	205	100

Source: Field survey, 2014.

Table 4, gives detail of the sub-groups captured in the sample. The respondents composed of (10.7%) of the GHABA, (20.5%) of GNTDA members, (9.8%) of Welders & Fabricators, (7.3%) of GESTA members, (10.2%) of Batik makers, (8.3%) of Aluminum pot makers, (22%) of Smock makers, and (8.8%) of Garages. In addition the study covered (1%) each of the Barclays bank and NBSSI staff respectively; and (0.4%) of the MASLOC staff. It therefore indicates that, various views on the issue of SMEs access to credit have been sought from almost all the business sector associations and some business support organizations existing in the study area.

Stage of Business Life Cycle: The survey revealed that 96% of the SMEs interviewed were existing businesses. 4 % were new businesses established 6 months before the interview was conducted. This shows that the longer an entrepreneur is in business the more experience and exposure to constraints and difficulties in accessing credit from Banks.

Ownership of Business: The results shows 80 % of the SMEs were the Owners of the businesses, While 20 % were senior apprentices with decision-making authority. This is an indication that the data gathered contains varying opinions of key actors in the SME-sector.

Socio-economic Factors that Determine SMEs Access to Credit From the Barclays Bank: The results show 95% of the respondents indicated 'No' for not taking any credit from the Barclays bank. 5% responded 'Yes' for having access to Barclays bank credit. Respondents who indicated 'No' for not taking credit from the bank gave the following reasons: inability to present collateral when demanded by the bank; inability to present a well-laid out business plan; inability to get two personal

guarantors when demanded by the bank; tedious loan application process; and unfavorably repayment period. For respondents who indicated 'Yes' for having accessed credit from the Barclays bank stated that they fulfilled all the conditions of the bank.

Socio-economic Factors Barclays Bank Consider before Granting Credit: The participation of SMEs in the Barclays bank credit is encouraged by the kind of socio-economic lending factors imposed by the bank on SMEs. The essence of this part of the study was to seek the opinion of MSEs on key socio-economic factors the bank considers before a credit is granted. Table 5, shows the details of the views of SMEs on this issue.

Table 5: Socio-economic factors bank consider before granting a credit

Factors	1(%)	2 (%)	3 (%)	4 (%)
Age of the entrepreneur	160 (78.0)	5 (2.0)	20 (10.0)	20(10.0)
Gender of the entrepreneur	185 (90.0)	2(1.0)	6(3.0)	12(6.0)
Number of employees	4 (2.0)	30(15.0)	0(0)	171(83.0)
Number extension contacts with BDS providers	190 (93.0)	0(0)	5(2.0)	10(5)
Number of business development trainings attended.	120 (59.0)	60(29.0)	20(10)	5(2.0)
Affiliation with Business Association	201(98.0)	0(0)	0 (0)	4(2.0)
Experience in credit use	10 (5.0)	2(1.0)	4(2.0)	189(92.0)
Number of fixed assets possessed	20(10.0)	40(20.0)	12(5.0)	133(65.0)
Attitude towards risk	30(15.0)	10(5.0)	5(2.0)	160(78.0)
Business size	50(24.0)	15(7.0)	3(2.0)	137(67.0)
New or existing business	60(29.0)	30(15.0)	5(2.0)	110(54.0)
Form of business	20(10.0)	25(12.0)	6(3.0)	154(75.0)
Sector of business in the economy	30 (15.0)	45(22.0)	5(2.0)	125(61.0)

Interpretation: 1- for not important; 2- for somehow important; 3- for important; and 4- for very important (Field survey, 2014).

Table 5, reveals some of the socio-economic factors that determine SMEs access to credit. It is observed from the table that based on the scorings, respondents did not consider the following as important factors in determining their access to credit: The age of the entrepreneur (78%) ; Gender of the entrepreneur (90%); Number of extension contacts with Business Development Strategy providers (93%); Number of business development trainings attended (59%); and Affiliation with Business Association (98%). However, based on the scoring, respondents considered the following as very important factors in determining their access to credit: The number of employees of a business (83%); Experience in credit use (92%); Number of fixed assets possessed (65%), entrepreneur attitude towards risk (78%); business size (67%); new or existing business (54%); form of business (75%); and sector of business in the economy (61%).

Challenges Banks Faced Giving Credit to SMEs: The study recognized three (3) major challenges (Management, high default rate and monitoring) that militate against the Bank in dealing with SMEs in Tamale Metropolis. As indicated in Table 6, high default rate on the part of SMEs has been the bane for the SME Banking Unit of the selected branch. The respondents indicate that most SMEs do not fulfill their loan agreement with the bank and management of the Bank must use various means to recover their debts including freezing of asset or going to court. This serves as the leading (60% respondents) challenge to management and credit officers of credit institutions and Barclays bank specifically, in the Tamale Metropolis.

Table 6: Major Challenges of SME Banking

Banks Challenges	Frequency	Percent (%)
Management	41	20%
High default rate	123	60%
Monitoring	41	20%

Total	205	100%
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Source: Field survey, 2014

The respondents rated poor and lack of managerial skills as some of the challenges that banks faced giving credit to SMEs. Banks are more comfortable working with businesses with expertise and sound managerial skills that can transform the finance provided to them to ensure profitability and maximum returns. This view of the banks was supported by 20% of the respondents as they view poor Management as contributing to the problems banks faced with SMEs in the Tamale Metropolis.

The rest of the 20% said the nature of most SMEs makes it very difficult for banks to monitor their operations. The results of interview with the bank staff indicates that some of the businesses easily relocate after accessing credit from the banks without informing the banks thereby making it difficult for the banks to find. This attitude discourages the banks from dealing with SMEs in the Tamale Metropolis of Ghana.

Summary, Recommendations and Conclusion:

Summary of Findings: The results revealed the average age of the respondents was 45 years. Which implies that majority of the economical active population of the study area is engaged by the MSE-sector.

The survey also shows that majority of the respondents were married. The implication of marital status in the study is that, whereas the respondents who are single had fewer dependents on their businesses and as such less responsibilities and demand for credit; those who are married had more dependents and responsibilities on their businesses pushing them to look for credit in order to augment their working capitals.

The level of education of respondents essentially helps small and medium scale business owners to observe good business management practices including credit management. To some extent, education is one of the ingredients banks look for when granting credit to its clients. It can therefore be inferred that most Micro and Small Enterprises sampled for the study are managed by people with relatively low level of education. The implication of this on their access to credit is that, proper business management practices would hardly be observed. Meanwhile, banks would be interested in knowing MSE businesses as well as credit management records before granting credit.

The results show majority of the respondents have not accessed credit from the Barclays bank. Only a few have accessed Barclays bank credit. Respondents who indicated that they did not take credit from the bank gave the following reasons: inability to present collateral when demanded by the bank; inability to present a well-laid out business plan; inability to get two personal guarantors when demanded by the bank; tedious loan application process; and unfavorably repayment period. For respondents who indicated 'Yes' for having accessed credit from the Barclays bank stated that they fulfilled all the conditions of the bank.

The study results also shows respondents did not consider the following as important factors in determining their access to credit: The age of the entrepreneur, Gender of the entrepreneur, Number of extension contacts with BDS providers, Number of business development trainings attended and Affiliation with Business Association. It was also observed respondents considered the following as very important factors in determining their access to credit: The number of employees of a business, Experience in credit use, Number of fixed assets possessed, entrepreneur attitude towards risk, business size, new or existing business, form of business and sector of business in the economy. Finally, the major challenges faced by the bank giving credit to MSEs include Management, high default rate and monitoring of MSEs in Tamale Metropolis.

Conclusions and Recommendations: This paper presents the findings of a survey of SMEs access to credit from the Barclay Bank Tamale, Ghana. Although the respondents interviewed were sometimes selective in the answers and information they divulged, we believe the general findings of this paper offer a reliable overview of the banks' attitudes and perceptions towards SME financing in the Tamale Metropolis.

Contrary to the general view that financial institutions are averse to SME finance, the Barclays bank is very keen to have SMEs as clients and is adapting better internal systems to serve this market segment. The results of the survey indicate that banks consider the SME segment strategically

important and are actively pursuing SMEs. However, most of the SMEs interviewed did not access credit from the banks for various reasons; the bank should therefore engage SMEs and provide them with information on the requirement for access to credit.

The bank is aware of the importance of SMEs in the Tamale Metropolis and sees the SME segment as an important pillar of their growth strategy in view of its profitability and the cross-selling opportunities it offers. SMEs are pursued because of their perceived attractiveness as a business proposition. Several constraints are, however, holding back the further involvement of bank with SMEs in the Tamale Metropolis: the inherent SME lack of expert management skills, high default rate and difficulties involve in monitoring the operations of SMEs in the Metropolis. The Bank should establish separate unit to be more responsive to the needs of their SME clients, in recognition of the inherent differences between SMEs and consumer and corporate clients. The bank should also provide training to their SME clients to improve their management skills and financial reporting. The loan products in the bank largely remain standardized; there is an agent need to change towards increasing tailoring, innovation and differentiation as a part of their SME strategy.

In the area of financial characteristics of SMEs which hinders their access to credits, it is suggested that all small and medium scale enterprises in the metropolis develop voluntary interest in such legal activities as business registration, accurate documentation of business transactions, appropriate and clear business planning so that, it situates their ventures in the best positions to access finance to boost their operations. This is because, lending in itself is a risk and to advance a loan to a business which is not legally recognized is riskier for financial institutions in the country. Therefore, business registration and good business conduct would attract financial institutions' interest to do business with SMEs and to aid their growth through loan packages.

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