

# **The Role of Commercial Bank in Financing Small Scale Industries**

## **A Case Study of Assin Fosu and Suame**

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**Abstract:** Bank finance has been found as an important source of funds for most firms in Ghana. The study assessed the impact of GCB SME LOAN on the activities of Small Scale Industries. The study used primary data which were designed and administered to SMEs customers of GCB and staff of GCB. A sample size of 170 made up of 20 staff of GCB bank and 150 owners of SME customers who deal with the bank and have benefited from the SME LOAN SUITE. The study concluded that with the use of GCB SME LOAN, there has been improvement in the profits of both the customers and bank. Also, the study identified four main challenges which were; increased in the amount of money, reduce interest rate, advertisement and extend the period of bridge loan that militate against the GCB SME LOAN of GCB bank. It was recommended that since GCB bank is contributing more to SMEs, they should give in their best to increase the amount of the loan and to extend the period of bridge loan to help boost their outreach.

**Key words:** SMEs, Economic Development, Bank finance

## **1. Introduction**

### ***1.1 Background of the study***

Entrepreneurship is as old as Ghana and had contributed to the growth of the economy. Presently in Ghana, Small Scale Industries assist in promoting the growth of the country's economy, hence commercial banks and all levels of government at different times have policies which promote growth and sustenance of Small Scale Industries. The government of Ghana established in 1985 the National Board for Small Scale Industries which is the apex institution for the development of Small Scale Industries under the Ministry of Industries Science and Technology, (MIST). The board was established to plan and programme Small Scale Industries operations to create jobs and wealth for the people. Promotional activities of the board included programmes for utilisation of local raw materials, upgrading traditional technologies, application of indigenous appropriate technologies and transfer of foreign technologies, subcontracting manufacturing operations, facilitating access to credits,

developing internal and external markets for Ghanaian manufactured products through participation of Trade Fairs (NBSSI 1990).

Stanley and Morse (1965, 318) identify a ‘developmental approach’ to SME promotion which has as its objective the creation of ‘economically viable enterprises which can stand on their own feet without perpetual subsidy and can make a positive contribution to the growth of real income and therefore to better living levels’. This approach emphasises the importance of efficiency that all producers must be encouraged to adopt new methods, move into new lines of production and in the longer-run, wherever feasible, they should be encouraged to become medium- or even large-scale producers. Small Scale Industries contribute a high percentage to Gross Domestic Product (GDP) in ensuring economic growth, employment, income stability and poverty in most developing countries. (Cook and Nixxon, 2000). The Economic Recovery Programme instituted in 1983 has for example broadened the institutional support for SMEs. On the other hand, the National Board for Small Scale Industries (NBSSI) has similarly been established to address the needs of small businesses and has since then established an Entrepreneurial Development Programme, intended to train and assist persons with entrepreneurial abilities into self-employment. In 1987, the industrial sector also witnessed the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS) for SMEs seeking to strengthen their competitive capabilities (PACF 2010).

In 2000, industry annually accounted for about 25% of GDP. Recent industrial activity has included a reopened glass factory, a new palm oil mill, a locally supplied cement plant, and facilities for milling rice, distilling citronella, and producing alcohol. Industry in Ghana is now oriented towards the fabrication of value-added semi-manufactured and finished products rather than just primary commodities for export—items such as furniture, jewellery, beer bottles, aluminium cooking utensils, fruit juice, and chocolate bars. As per statistics from the United Nations Economic Commission for Africa 2010, Ghana’s GDP grew at an annual rate of 5.4 percent between 2001 and 2007. Such impressive performance was partly contributed to the robust growth of the SME sector in Ghana (Mensah, 2004). In Ghana, readily available data on SMEs is scarce but statistics from the Registrar General’s Department suggests that 92 percent of companies registered are micro, small and medium enterprises. SME’s in Ghana have also been noted to provide about 85 percent of manufacturing employment, contribute about 70 percent to Ghana’s GDP, and therefore have catalytic impacts on economic growth, income and employment (Steel and Webster, 1991; Aryeetey, 2001). As a share of GDP, the industrial sub sector has improved from 19 percent in 2009 to 27.3 per cent in 2012 (Ghana Statistical Service, 2013a). Provisional data also shows that industry sector will be highest growth perform among the main sectors in 2015, with an expected growth outrun of 9.1 percent. (Ghana Statistical Service, 2015).

Commercial Banks have been the most important source of formal credit to Small Scale Industries. Without commercial banks therefore, the international

finance, the operations of the Small Scale Enterprises and import-export industry would be difficult. However, with the increasing inability of governments to mobilize resources to undertake investment projects, the private sector investment in small scale businesses is seen as a crucial channel by which countries could grow (Tutu, 1999). It is at this point that the role of the commercial banks is indispensable to the Small Scale Industries not only in Ghana, but all over the developing world.

In Ghana some of the commercial banks have different schemes for lending to the SME to enhance their operations. For instance, GCB BANK limited has outdoor five loans facilities for the country's SME to boost their operations. Termed the "GCB SME LOAN SUITE" the scheme is aimed at providing short to medium credit to the tune of GHS100, 000.00 with or without collateral to turn their businesses around. The facilities in the suite include a bridge loan for all businesses requiring short term financing and urgent support, term loan; customized secure loan for fixed tenor and repaid in 36months, overdraft, contingent liability, guarantees issued on behalf of customers and line of credit, standby facility for businesses to be used within a specified period (Source: Ghana Business news: GCB SME LOAN SUITE). Also, Stanbic Bank cited that the grant they give is known as SME QUICK LOAN which is innovative way of granting credit to SME (source: Daily Guide: SME QUICK LOAN).

It is for this reason that the researcher embarks on the project of uncovering the essential services that the commercial banks can provide to small scale enterprises in this country to enable them position themselves well to play their part in the development of the country.

### ***1.2 Problem of Statement***

The important role played by Small Scale Industries in developing countries has been increasing realised over the past years. Attention has been drawn to the fact that Small Scale Industries had receive little attention where as they provide employment for approximately triple the number engaged in large scale manufacturing as well as playing their crucial role to our developing economy (Faboya,1989). Small Scale Industries are often described as efficient and prolific job creators, seeds of big businesses and the fuel of national economic engines and equitable development in developing country (Feeney and Riding, 1997). Small Scale Industries are critical to development of any economy as they usually form the bulk of economic activity (Kayanula and Quartey, 2000) especially in developing world. In view of the facts that Small Scale Industries are labour intensive, they are likely to succeed in smaller urban and rural areas, where they contribute to economic activity, reduce poverty and can slow the flow of migration to large cities. Small Scale Industries also improve the efficiency of domestic markets and make productive use of scarce resources, thus facilitating long term economic growth. Also, Small Scale Industries have great advantages over the large scale competitors in that they are able to adapt more easily to market conditions, given their broadly skilled technologies.

It is however worrisome that despite the roles, advantages, incentives, policies, programmes and support aimed at promoting Small Scale Industries, they perform rather below expectation in Ghana. Mandl and Dorr (2004) specifically note that limited financial and human resources constitute the main barriers for Small Scale Industry to engage in competence development activities. Generally, employees are too much involved in the daily business life to have time to engage in qualification measures and due to the restricted number of employees no proxy is available in many cases. This may be insufficient preparation on the part of Small Scale Industries entrepreneur in their quest for credit assistance. Berg and Fuchs (2013), attributes this trend to the high interest on government securities which serves as a disincentives to intensify lending to Small Scale Industries. Most times commercial banks do not follow the guidelines and other related policies issues affecting small scale industries. About 90% of the small firms are refused loans when applied for from the formal financial intermediaries due to inability to fulfil conditions such as collateral requirement (Bigsten et al, 1999). Banks unwillingness to increase loan funding without an increase in security given; Commercial Bank credits types are sometimes short terms that they offer to small scale industries while some small scale industries may require long term loans to be grow and become successful. Hence, most Small Scale Industries resorting to sources of finance such as retained earnings, personal savings, borrows from friends and money lenders at very high interest rate.

Based on the above, researchers such as (Bigsten et al, 1999), Mandl and Dorr (2004), and Abor (2005) in their findings have indicated that access to finance has been the major challenge that Small Scale Industries face and that commercial banks are most often unwilling to increase their loan funding without an increase in security given thereby leading to stagnation of growth. It is with this findings that the researcher want to review on the new GCB SME LOAN SUITE that was introduced in March, 2016 with the aimed of providing short to medium credits and how this have impacted on the activities of Small Scale Industries.

### ***1.3 Research objective***

The main objective of this study is to evaluate the financing of Small Scale Industries in Ghana with Assin Fosu case study. The objective of this study is to review the new GCB SME ***LOAN SUITE*** that was introduced by the GCB bank and how this has impacted on the activities of Small Scale Industries.

### ***1.4 Research Question***

How the new GCB ***SME LOAN SUITE*** has impacted on the activities of Small Scale Industries?

### ***1.5 Significance of Study***

This research focuses on the key role that Commercial Banks can finance for Small Scale Industries so as to make them successful. The study will help management of Ghana Commercial Bank and other similar organizations in the banking industry to

identify the current financing challenge of Small Scale Industries so as to meet their needs and expectation. The findings will help policy makers like government agencies such as Ministry of Trade and Industry, Venture Capital Fund and target groups to have solutions to some of the problems facing Small Scale Industries and how banks can provide quality services and ensure that their interest are protected. Moreover, the study will serve as a useful source of reference to researchers, students, and other stakeholders interested in the financing of Small Scale Industries. With the concerted efforts of government and commercial banks, it is hoped that credits to Small Scale Industries will improve.

### ***1.6 Scope of the study***

The study focuses on the financing of Small Scale Industries in Assin Fosu paying special attention to the role of commercial bank credit in the development of small scale industries. Most of the information and data will be gathered from existing literature and relevant government agencies such as Ghana commercial banks.

### ***1.7 Organization of the study***

Chapter one comprises the background of the study, statement of problem, objectives, and research questions, significance of the study and scope of the study. Chapter two looked at the literature review of the study. The empirical and theoretical framework for the study is also outlined. Chapter three is the methodology. Chapter four presents is the data presentation, analysis and discussion. Chapter five consists of the summary, conclusions and recommendation for the study.

## **2. Literature Review**

### ***2.1 Introduction***

This chapter is devoted to the review of literature. The study reviewed some theoretical and empirical work on the definition of Small Scale Industries, the development of Small scale industries, the financial development, the role of Small Scale Industries and some SME finance which can help develop the sector.

### ***2.2 Definitions and Classification of SME's In Global Context***

Definitions of Small and Medium Enterprises (SME's) vary from country to country, depending on one or more of thresholds lay down in respect of investment, employment, turnover etc. The issue of what constitutes Small Scale Industries is a major concern in literature. Different writers have usually given different definitions to this category of business. SME's have indeed not been spared with the definition problem that is usually associated with concepts which have many components. The definition of firms by size varies among researchers as well as writers. Others define Small Scale Industries in terms of their legal status and method of production. Some attempt to use the capital assets while others use labour and turnover level.

The Bolton Committee (1971) first formulated an “economic” and “statistical” definition of a small firm. Under the “economic” definition, a firm is said to be small if it meets the following three criteria: it has a relatively small share of their market place; it is managed by owners or part owners in a personalized way, and not through the medium of a formalized management structure; and it is independent, in the sense of not forming part of a large enterprise. Under the “statistical” definition, the Committee proposed the following criteria the size of the small firm sector and its contribution to GDP, employment, exports, etc.; the extent to which the small firm sector’s economic contribution has changed over time; and applying the statistical definition in a cross-country comparison of the small firms’ economic contribution. The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), those in the retail, services, wholesale, etc. were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have 5 or fewer vehicles. There have been criticisms of the Bolton definitions. These centres mainly on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach.

The European Commission (EC) defined SMEs largely in term of the number of employees. Firms with 0 to 9 employees - micro enterprises; 10 to 99 employees - small enterprises; and 100 to 499 employees - medium enterprises. Thus, the SME sector comprises enterprises (except agriculture, hunting, forestry and fishing) which employ less than 500 workers. In effect, the EC definitions are based solely on employment rather than a multiplicity of criteria. Secondly, the use of 100 employees as the small firm’s upper limit is more appropriate, given the increase in productivity over the last two decades (Storey, 1994). Finally, the EC definition did not assume the SME group is homogenous; that is, the definition makes a distinction between micro, small, and medium-sized enterprises. However, the EC definition is too all-embracing to be applied to a number of countries. Researchers would have to use definitions for small firms which are more appropriate to their particular “target” group (an operational definition). It must be emphasized that debates on definitions turn out to be sterile, unless size is a factor which influences performance. For instance, the relationship between size and performance matters when assessing the impact of a credit programme on a target group (Storey, 1994).

Van der Wijst (1989) considers small and medium businesses as privately held firms with 1 – 9 and 10 – 99 people employed, respectively. Jordan et al (1998) define SMEs as firms with fewer than 100 employees and less than €15 million turnover. Michaelas et al (1999) consider small independent private limited companies with fewer than 200 employees and (López and Aybar (2000) considered companies with sales below €15 million as small. According to the British Department of Trade and Industry, the best description of a small firm remains that

used by the Bolton Committee in its 1971 Report on Small Firms. This stated that a small firm is an independent business, managed by its owner or part-owners and having a small market share (Department of Trade and Industry, 2001).

The UNIDO also defines SMEs in terms of number of employees by giving different classifications for industrialized and developing countries (Elaiyan, 1996). The definition for industrialized countries is given as follows: Large - firms with 500 or more workers; Medium firms with 100-499 workers; and Small - firms with 99 or less workers. The classification given for developing countries is as follows: Large - firms with 100 or more workers; Medium - firms with 20-99 workers; Small - firms with 5-19 workers; and Micro - firms with less than 5 workers. It is clear from the various definitions that there is not a general consensus over what constitutes an SME. Definitions vary across industries and also across countries. It is important now to examine definitions of SMEs given in the context of Ghana.

### ***2.3 SME definition in the Ghanaian context***

There have been various definitions given for small-scale enterprises in Ghana but the most commonly used criterion is the number of employees of the enterprise (Kayanula and Quartey, (2000). In applying this definition, confusion often arises in respect of the arbitrariness and cut off points used by the various official sources. In its Industrial Statistics, 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. Ironically, the GSS in its national accounts considered companies with up to 9 employees as SMEs (Kayanula and Quartey, 2000). The value of fixed assets in the firm has also been used as an alternative criterion for defining SMEs.

However, the National Board for Small Scale Industries (NBSSI 1990) in Ghana applies both the “fixed asset 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 Ghanaian Cedi. The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a 10 million Ghanaian cedi 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 (Kayanula and Quartey, 2000). In Ghana, Steel and 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 more recent definition is the one given by the Regional Project on Enterprise Development 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).

#### ***2.4 Overview of SME Development in Ghana***

The idea of SME promotion has been in existence since 1970 though very little was done at the time. Key institutions were set up to assist SMEs and prominent among them are the Office of Business Promotion and the present Ghana Enterprise Development Commission (GEDC). The main objective of GEDC was to assist Ghanaian businessmen to enter into fields where foreigners mainly operated. It also had packages for strengthening small scale industry in general, both technically and financially (Kayanula and Quartey, 2000).

The Economic Recovery Programme (ERP) instituted in 1983 has broadened the institutional support for SMEs. The National Board for Small Scale Industries (NBSSI) was also established within the Ministry of Industry, Science and Technology to address the needs of small businesses. The NBSSI established an Entrepreneurial Development Programme, intended to train and assist persons with entrepreneurial abilities into self-employment. In 1987, the industrial sector also witnessed the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS). It was to supervise the operations of Intermediate Technology Transfer Units (ITTUs) in the country. GRATIS aims at upgrading small scale industrial concerns by transferring appropriate technology to small scale and informal industries at the grass root level. ITTUs in the regions are intended to develop the engineering abilities of small scale manufacturing and service industries engaged in vehicle repairs and other related trades. They are also to address the needs of non-engineering industries (Kayanula and Quartey, 2000). The setting up of the new Ministry for Private Sector Development by the current government is also an attempt to focus on the development of the SME sector. The most significant institutional weakness facing dynamic SMEs is their lack of access to external finance. Repressive financial policies in the past, especially low interest, and a monopolistic banking system minimized the interest of banks in developing this market. To reverse the consequences of these practices, a combination of financial liberalization and institutional reform was in order (Aryeetey et al., 1994).

The World Bank assistance, the Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) created a special fund to assist microenterprises, and the Fund for Small and Medium Enterprises Development (FUSMED) was initiated to increase the amount of credit available to SMEs through commercial and development banks. This was based on the presumption that poor availability of credit from formal sources was one of the major reasons why the private sector investment had not grown as expected. A major argument was that small firms with good growth potential were being discriminated against (Aryeetey et al., 1994). At the same time, however, the effectiveness of many similar SME credit was being called in question (Webster, 1991).

There are currently a number of financing schemes set up by government and the donor agencies available to the SME sector, including Private Enterprises and Export Development Fund, Export Development and Investment Fund, Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ), Business Assistance Fund, Ghana Investment Fund, Trade and Investment Programme, Africa Project Development Facility, Support for Private Enterprise Expansion and Development, Promotion of Small and Micro Enterprise Fund, Business Sector Programme Support, Revolving Loan Fund, Ghana Private Sector Development Fund.

### ***2.5 Characteristics of SMEs in Developing Countries***

Fisher and Reuber (2000) enumerate a number of characteristics of SMEs in developing countries under the broad headings: 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 and Seibel, 1987; Liedholm and Mead, 1987; Schmitz, 1995). In terms of activity, they are mostly engaged in retailing, trading, or manufacturing (Fisher and Reuber, 2000). While it is a common perception that the majority of SMEs 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 centres. 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. The major activities within this sector 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 and Quartey, 2000).

### ***2.6 Role of SME's To Economic Development of the Nation***

There is a general consensus that the performance of SMEs is important for both economic and social development of developing countries. From the economic perspective, SMEs provide a number of benefits (Advani, 1997). Two schools of thought have emerged in the studies of SME's. They are the pro-SME's and anti-SME's perspectives. Most donor countries and development agencies share the view of the pro-SME's that is springing up of such entrepreneurial and innovative ventures help promote economic growth and help reduce the high poverty level in such

developing economies (Beck & Demirguc-Kunt, 2004). The pro-SME has argued that SME's enhances competition and entrepreneurship and thus have economy wide benefits in efficiency, innovation and productivity growth. Thus, direct government support of SME's can help countries reap social benefits. Second, SME's are generally more productive than large firms but are impeded in their development by failures of financial markets and other institutions for capital and other non-financial assistances. Thus, pending financial and institutional improvements, direct government support of SME's can boost economic growth and development. The growth of SME's boosts employment more than the growth of large firms because SME's are more labour intensive (Snodgrass & Biggs, 1996). So, subsidizing SME's may help reduce poverty (Beck & Demirguc-Kunt, 2005).

However, the anti-SME has questioned the efficacy of SME's in promoting growth and reducing poverty. First, they argue that large enterprises may exploit economies of scale and more easily undertake the fixed costs associated with research and development, boosting productivity. They argue further that some researchers found that small businesses are neither more labour intensive nor better at creating jobs than large firms (Thormi & Yankson, 1985).

Moreover, they doubt the crucial role of small businesses and instead emphasize the importance of the business environment facing all firms, big and small. Small businesses create monopoly. They are of the view that if there are low entries and exit barriers, well defined property rights, effective contract enforcement, and access to finance, it will work to promote conducive business environment for all firms and not only small firms (DemirgucKunt et al, 2004). Levy & Powell (2005) noted that, SME's are thought to be flexible and innovative organizations that are able to respond quickly to customer and market demands (flexibility). Contrary to what happens in large firms. The production technologies of many manufacturing SME's may inhibit flexibility (Gupta & Cawthorn, 1996), while Carrie et al. (1994) believe that it is people rather than technology that provides flexibility. It is estimated that about 69% of the country's population are employed in the MSE sector. Thus, the sector provides employment for a considerable number of people both in rural areas as well as cities. However, despite this recognition and its significance for local and national economic development, research has not investigated systematically, the real strengths and weaknesses of these rural enterprises, at least in Northern Ghana where poverty is very high (GSS, 2007). SME's and entrepreneurs are bedrocks of new goods and services, new methods of production, the opening up of an economy by setting or opening up of new markets, introduction of new sources of supply as well as industrial re-organisation (Jennings, 1994). So, the innovativeness of these ventures is their capability to create a change by altering the conventional ways in terms of available technology, strategy, skills and styles.

### **2.7 SME Finance**

The government in both industrialized and developing countries provides a wide variety of programs to assist SMEs. Many countries both developed and developing have come to realize the role of SMEs in the economic development process.

Longnecker et. al (2012) noted that SMEs often obtain funds from informal sources and, thus, may be less linked to trends in the formal fixed-income or equity markets. SMEs often use internally generated funds or loans from family and friends in “quasi-equity form”. Funds from close acquaintances may be obtained at sub-market rates while borrowing from formal markets may be at rates higher than those available to larger companies. Trade credit, that is credit supplied by non-financial entities, has always been an important component of SME finance and many analysts argue that the development of trade credit is an important element in assuring adequate finance for SMEs in emerging markets.

The main formal financial source of SME is the bank. According to the European Central Bank (2011) 40% of respondent firm use overdraft or credit lines and more than one third use bank loans. Ojo (1992) specifically noted that banking sector- specifically commercial banks and specialized banks have several ways to get involved in SMEs finance, ranging from the creation or participation in SMEs finance investment funds, to the creation of a special unit for financing SMEs within the bank. Banking Sector services provided to SMEs, take various forms, such as: Short term loans compatible with SMEs business and income patterns, Repeated loans, where full repayment of one loan brings access to another, and where the size of the loan depends on the client’s cash flow, Very small loans, or bank overdraft facilities are also appropriate for meeting the day-to-day financial requirements of small businesses, asset finance and equity finance, all being within the framework of a customer-friendly approach.

Storey (1995) further showed that national savings may be at low levels and may result in a chronic insufficiency of domestic savings with respect to domestic investment or lead to excess demand for available domestic savings. In addition, government policy may favour industrialization and/or import substitutions, which effectively give large domestic firms, privileged access to finance. The hesitancy to lend to SMEs and the resulting credit rationing will become more acute in times of monetary stringency and disinflation. Also, Storey (1995) revealed that Banks will only seek to develop the SME market as a source of profit if the economic and business framework is calibrated to transmit reliable economic signals and the legal regulatory institutional setting enables banks to lend with confidence.

### **2.8 Empirical Review**

The role of finance has been viewed as a critical element for the development of small and medium-sized enterprises. Previous studies have highlighted the limited access to financial resources available to smaller enterprises compared to larger organizations and the consequences for their growth and development (Levy, 1993).

Cofie (2012), conducted a research on the finance of SMEs within the Ashanti Region of Ghana, taking cognizance of the role and contributions of Stanbic bank. The method of data collection he used was questionnaire and a purposive sampling technique. In his findings, he concluded that commercial banks are most often unwilling to increase loan funding without an increase in the security. The outcome in his findings was that banks should create a separate department for the SMEs; the establishment of a common fund by the government for SMEs in order to sustain the SMEs to grow into much bigger industries in the near future.

Ayeni-Agbaje (2015) in Ado Ekiti, Ekiti State, Nigeria using first bank as a study. The researcher examined the role of commercial bank in financing Small Scale enterprises. The population of the study was the entire SMEs in Ekiti state and United Bank for Africa (UBA). The study population was 363 with a sample size of 190. Purposive sampling technique was administered with questionnaires. Findings revealed that small scale industries uncounted problems in obtaining finance from the banks. Finally, the outcome of his study was that guidelines/schemes by commercial banks to finance SMEs needs to be flexible to accommodate the small and medium scale entrepreneurs.

O'brien (2012) in Bangladesh conducted a research on the financing option for small and medium scale in Bangladesh. Data was collected from both primary and secondary sources using questionnaires and interview. The estimate population of SMEs varies from one million in Bangladesh. The sample size used was 100 involving commercial banks and SMEs. His findings revealed that access to bank loans and high interest rate were some of the difficulties for SME. In his outcome, appropriate finance in the form of equity, knowledge of the sources of finance, low interest rate and access to a well-functioning financial system and socially empower individuals. Nkuah (2013) conducted a research to assess the roles and contributions of financial institutions in financing SME's in Ghana. The method of data collection used was questionnaire and interview. Commercial banks are most often unwilling to increase loan funding without an increase in the security given which is similar to Cofie, (2012) findings. Based on this, the study recommended that banks should create a separate department for the SMEs and effective financial management of their businesses in order to sustain the SME's to grow into much bigger industries in the near future.

Bingham (2015) conducted a research in Britain on the financing of small business in Britain using British business bank as case study. Questionnaire was administered with sample size of 60. Random sampling and quota were used as the sample technique. The study revealed that small scale industries account for 99.9% of UK business and are important part of UK economy. Access to finance has been major problems which include information asymmetries between lenders and borrowers and levels of market competition. The outcome of the study was that business confidence is needed for a sustain increased in the number of business investing for expansion, expanding support for challenger bank, increasing 'England

funding for lending scheme' to provide additional funding for their SME lending activities.

Tsai (2015) conducted a research in china on financing of small and medium scale in china. Questionnaire and interview was administered with sample size of 50. In his findings, SMEs represent the backbone of china's economy yet they lack access to bank credit and that most small and medium enterprise finance was on microfinance instead of commercial banks. Interest rate liberalization on loans and schemes are perceived as difficult to access. The outcome of the study was that Policy actions should include better information provision regarding the various sources of finance.

SAFE (2014) in Europe, conducted a research on access to finance of small and medium enterprise using European central bank as case study. Purposive sampling was used to administer questionnaires with sample size of 135. In his findings, he revealed that interest rate is high. Hence, financing condition remains tighter for SME than for larger firms as reflected in the interest rate. The outcome of the study was that capital markets would help in the supplying of more finance to SME, facilitating the securitisation of loans and transfer of financial information.

Okoth (2013) conducted a research on the financing of small and medium enterprises in Kenya using Equity bank limited as case study. Primary and secondary data was collected. Questionnaires and interview was administered with sample size of 50. In his findings, he revealed that access to finance and banks unwillingness to increase their loans were the challenges faced. A Sample size of 50 was used for the study. The outcome of the study was that extension of credit facilities and bank loans will support SMEs.

Adjei (2012) in Takoradi Metropolis, Ghana conducted a research in Ghana on SMEs financing in Ghana which he used questionnaires. The study adopted quota and purposive sampling techniques. The study revealed among that access to credit was a problem. In view of these, the study recommended that the need for setting up a common board to regulate the activities of the SME's support institution, setting up SME's fund at all the District, Metropolitan and Municipal level to support SME's activities.

### **3. Methodology**

#### **3.1 Introduction**

This chapter presents the methodology used for the study. This chapter has been subdivided into the following subheadings. Research design, population, sampling procedures, research instrument, method of data collection, estimation technique and data analysis.

#### **3.2 Sources of Data**

Data collection means gathering information to address the critical questions that had been identified earlier in the study. Primary data is data observed or collected directly

from first-hand experience. This type of data is more accommodating as it shows latest information. Primary data was captured through the use of questionnaires.

**3.3 Research Design**

The research of this project was a survey, one that determined the level of involvement of Ghana commercial bank in financing of Small Scale Industries in Assin Fosu but since the SME customers in Assin Fosu that actively use GCB SME LOAN were small, the study also involved Suame branch to be able to gather a lot of SME customers who use GCB SME LOAN to enrich the study. The researcher gathered extensive data from owners and managers of Small Scale Industries that have accessed the business with Ghana commercial banks. Staff of Ghana commercial bank that is responsible for the loan scheme also provided information for the study. To this end, questionnaire covering the objectives of the research was prepared and used to collect data from the owners or managers of all the sampled SMEs.

**3.3 Population**

The target population of the study consisted of the managers and staff of Ghana Commercial Bank or Small Scale Industries banking of Ghana commercial bank, Assin Fosu and Suame, owners or managers of Small Scale Industries in Assin Fosu and Suame branches who have benefited from the loan facility. Owners, managers and workers who work in Small Scale Industries especially trading, food processing, bakery, wood products, furniture works, metals works was used as the population of the study. The estimated population for Assin Fosu was 238 whereas Suame estimated population was about 400.

**3.4 Sample**

The study population is made up of six hundred and thirty-eight (638) people comprised of both Suame branch SMEs and Assin Fosu branch SMEs customers with a sample size of 150 for the SMEs customers derived using Bowleg's formula.

The equation is given below 
$$n = \frac{N}{1+Na^2}$$

Where n = Sample Size, N = total population (Total number of SME customers and staff both at Suame and Assin Fosu) and a = the confidence level. N = 400 which is the population for Suame and significant level of 5% (a) = 0.05.

$$n = \frac{400}{1 + 400 (0.1)^2} = 80$$

n = 80

For Assin Fosu sample Size with a population of 238.

$$n = \frac{238}{1 + 238 (0.1)^2} = 70.41 \approx 70$$

Total sample size is 80 + 70 = 150

Therefore, the sample size based on the sample frame is 150 for the SMEs customers. A sample size of 170 respondents of Ghana commercial banks was used for the study, made up of 20 managers and staff of the GCB bank and 150 owners of SME customers who deal with the bank and have benefited from the SME LOAN SUITE. 10 staff and managers each of Assin Fosu and Suame branch with 150 SME customers who used the GCB SME LOAN in both branches and are involved with trading, building and construction, food processing, baking, wood product, furniture works, metals works and machinery at Assin Fosu and Suame.

### ***3.5 Sampling Technique***

Purposive sampling method and random sampling were used to select the sample from the population. Purposive sampling was used for the managers and staff of Ghana commercial bank whereas the random sampling was used for the Small Scale Industries that have accessed loans from Ghana commercial bank.

### ***3.6 Data Analysis***

The primary data (questionnaires) that was retrieved from the field was analysed through the use of quantitative tools. With the questionnaires, the opinion of the respondents was carefully examined, grouped into themes and then coded. Since the research is mainly descriptive, the Statistical Product for Service Solution version 16.0 was used to organize, analyse and interpreted using descriptive statistics including mean, median, mode, standard deviation, frequency and percentages, while Microsoft excel 2010 was used in presentation of graphs and charts.

### ***3.7 Company profile: Ghana Commercial Bank Limited (GCB)***

Ghana Commercial Bank Ltd. (GCB) started in 1953 as the Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. The Bank was to provide special attention to Ghanaian traders, business people and farmers who could not elicit support from the expatriate banks. In 1957, when Ghana attained independence, Bank of Ghana was established as the Central Bank while the Bank of the Gold Coast was renamed Ghana Commercial Bank to focus solely on commercial banking services. The mission of GCB is to be the established leader in banking, satisfying the expectations of customers and shareholders, providing a full range of cost efficient and high quality services through the optimization of information technology and efficient branch network. The mission is expected to be achieved through:

- The provision of first class customer service.
- Focusing on our core business/competencies-commercial banking.
- Constant improvements in the use of information technology.
- Ensuring that staff are well motivated and have a conducive work environment.
- Applying best practices in internal policies, procedures, processes and service delivery.

Since then GCB branches have been opened across the length and breadth of the nation tapping the potential of the 10 regions of Ghana. The bank had been wholly government owned until 1996 when under the Economic Recovery Programme part of the government ownership was divested. Today government ownership stands at 21.36% while institutional and individual holdings add up to 78.64%. From the one branch in the 1950s, GCB now has over 150 branches and 11 agencies throughout the country.

Currently, there are professionals of various disciplines who work in tandem to achieve the objectives of the bank. During the first five years of the bank's operations, their customers were mainly small Ghanaian traders (now termed SMEs) and other nationals who were expected to maintain credit balance accounts because the bank was then not adequately capitalized. From the small trader as customer, GCB now has a customer profile that ranges from salaried workers through small and medium scale entrepreneurs to large trading concerns, quasi-governmental institutions and corporate customers.

Recently, GCB bank limited has introduced loan facilities to support SME financing. SMEs seeking finance could do so as the bank rolls out its new product called the 'GCB SME Loan'. The bank says the move is to meet the funding needs of SMEs which has been cited as a major constraint to the growth of the SMEs subsector even though they make up about 80% of all businesses in Ghana. The facility which is pack with 5 loan suites will provide SMEs with medium term facilities to the tune of GHS100000 and in some case without collateral.

## **4. Presentation and Analysis of Data**

### ***4.1 Introduction***

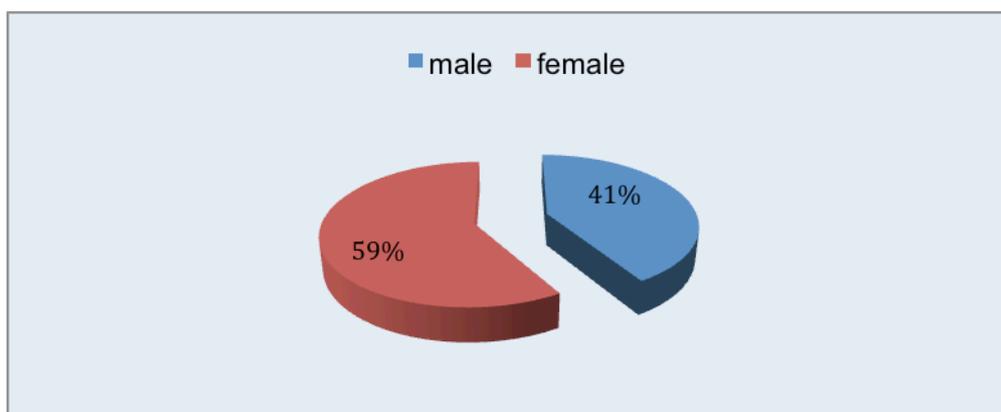
This chapter deals with the presentation, interpretation, discussion and analysis of the data collected from the field based on the research questions. This helped the researcher to make comparisons of variables, use frequencies, percentages and charts to derive the right perceptions and realities regarding the impact of GCB SME LOAN on the activities of SMEs. It contains descriptive information of the entrepreneurs as well as information from GCB banks at Assin Fosu and Suame.

### ***4.2 Socio-demographic and economic characteristics for SMEs***

#### ***4.2.1 Sex and Ages of Entrepreneurs***

A sample size of one hundred and fifty 150 SMEs customers who are basically SMEs managers and owners of the targeted population responded to the administered questionnaire. The researcher included gender to know the sex of entrepreneurs. Details are picturesquely represented below by Figure 4.1.

Figure 4.1 Genders Of Entrepreneurs Respondents



*Source: Field Survey, April, 2017*

Out of the 150 entrepreneurs, 41% were male and 59% represent female. This clearly shows that in Ghana most of SME's activities are carried out by women and can also be confirm by the 2010 housing and population census which indicate that 51% of the population are female and 49% were male.

#### 4.2.2 Age of Entrepreneurs

Age was included in the questionnaire to know if most entrepreneurs are young people as this attest with a survey conducted about small scale enterprises in Ghana which revealed that young people owned almost 40 percent of the enterprises. This is represented on the Table 4.1.

Table 4.1 Ages of SME's

Age	Frequency	Percent (%)
20-29	22	14.7
30-39	59	39.3
40-49	46	30.7
50-59	19	12.7
60-69	4	2.7
<b>Total</b>	<b>150</b>	<b>100.0</b>

*Source: Field Survey, April, 2017*

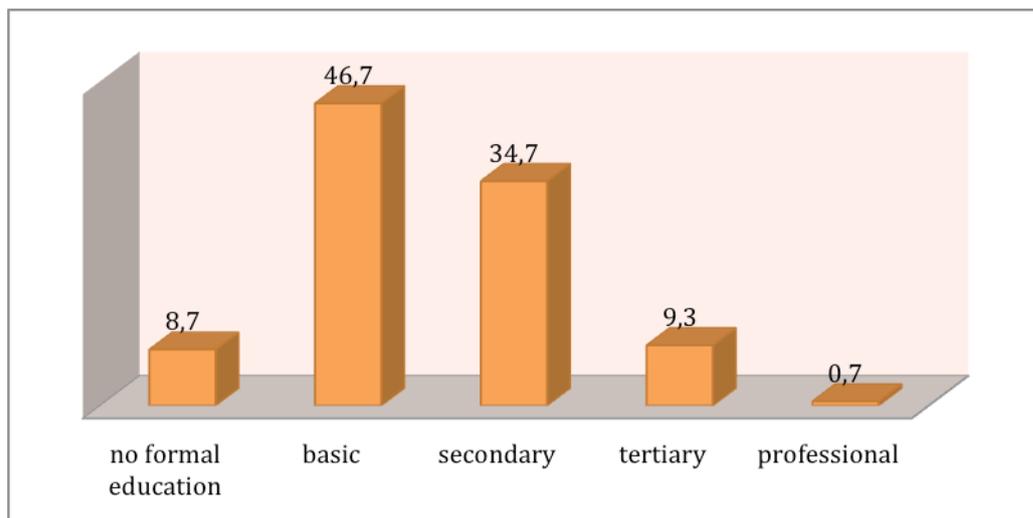
From the survey, out of the 150 entrepreneurs 22 of them which represent 14.7% falls within the ages of 20-29 years, 59 of the SMEs customers represent 39.3% falls within 30-39 years whereas 46 entrepreneurs represent 30.7% also form 40-49 years which indicates that youth have seriously involved themselves with the SME's activities and this can serve as a bright future for the sectors if all the necessary support are given to the sector. 19 of the entrepreneurs which also represent 12.7%

falls within the age brackets of 50-59, while the remaining 4 falls within 60-69 years and this also form 2.7%. The study revealed that young people owned most of the enterprises in Suame and Assin Fosu, from this it is believed that small and medium enterprises have a good future.

*4.2.3 Educational level of SME owners*

Education is a powerful tool for successful business; here the emphasis is on the formal education but not informal Education. The researcher wanted to know if most of the entrepreneurs are educated or not to be able to ensure that SMEs business can lead to business growth like keeping proper books of records, prepares business plan, taking advocacy issues to support their businesses and also look for more training programmes to improve their businesses which is normally run by development organizations like NBSSI. The details of educational issues can be seen in Figure 4.2

Figure 4.2 Educational Level



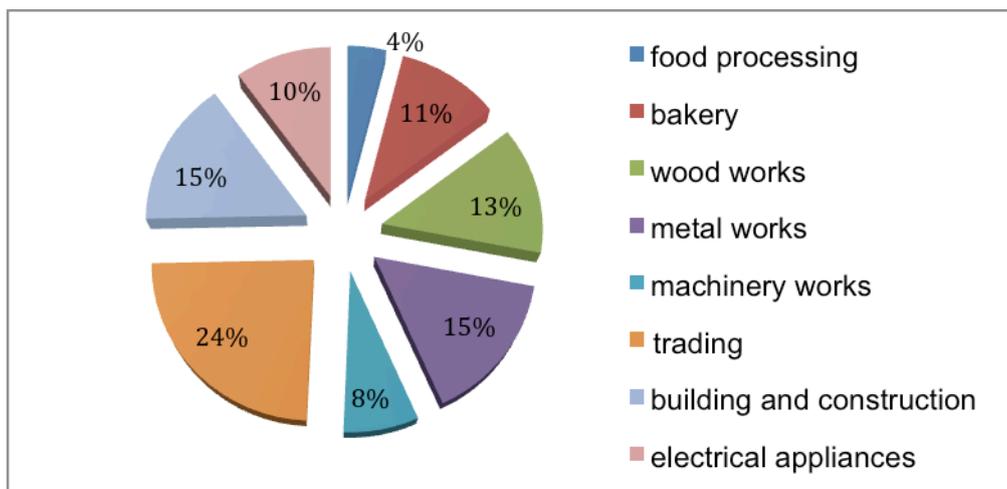
*Source: Field Survey, April, 2017*

The analysis of educational background of the entrepreneurs revealed that all the respondents are well educated. Majority (46.7%) of the respondents have attained basic education, 34.7% of the entrepreneurs secondary, 9.3% were of the respondents have attained Bachelors degree with the least holding 0.7% with professional qualification and the remaining 8.7% had no formal education. Some entrepreneurs only have had a limited access to education and thus have difficulties to keep good businesses records.

*4.2.4 Main Sector of SME Activity*

The main industries from which SME financed by GCB Bank are operating from were noticed by the researcher. This would enable the researcher know the kind of activities that the SMEs are involved in. This is illustrated below by Figure 4.3.

Figure 4.3 Main Sector of SME Activity



Source: *Field Survey, April, 2017*

The study showed that trading has the modal class of 24%; followed by metal work and building and construction which attained 15% each, wood work represents 13%, electrical appliance recorded 10% and machinery 8% with the least food processing represent 4%.

#### 4.2.5 Legal status of business

In Ghana, several researches has proved that SME's is dominated by sole proprietorship. Legal status was included to know the number of SMEs that are involved in sole proprietorship, partnership or limited liability company and if the business belong to them or not and why they do not want to come together. The percentage distribution of responses on ownership is shown in Table 4.2

Table 4.2 Legal Status of Business

Legal status of business	Frequency	Percent (%)
Limited Liability Company	2	1.3
Sole Proprietorship	114	76.0
Partnership	34	22.7
<b>Total</b>	<b>150</b>	<b>100.0</b>

Source: *Field Survey, April, 2017*

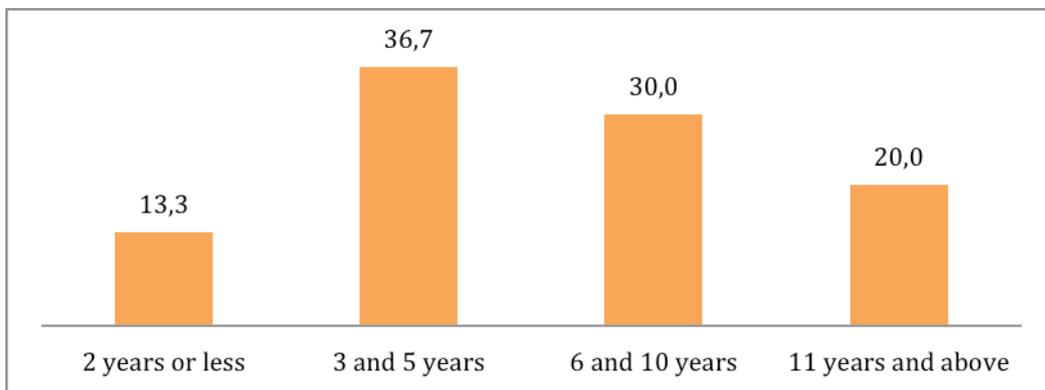
The survey revealed that sole proprietorship contains the largest percentages of the entrepreneur, 114 of them are sole proprietors which represent 76.0%. 34 of them are into Partnership which represents 22.7% while Cooperative or Limited Liability Company, there was 2 which represent 1.3%. More than 85% of the sole proprietors

interviewed said they have not considered coming together with other entrepreneurs to form or doing business together because of various reasons which include mistrust and lack of continuity of operation. Some of the entrepreneurs belong to various associations but do not operate together.

4.2.6 *Period of existence of SMEs*

The researcher wanted to know when the SMEs started their business and with that it can enrich the study to know how the loans have benefited them throughout their start of businesses. This is represented by Figure 4.4.

Figure 4.4 Period of Existence of SME’s



Source: Field Survey, April, 2017

On the issue of the period of existence of SMEs it came out that majority 36.7% have been operating between 3 and 5 years. Again, it was noticed that 30.0% of respondents had been operating between 6 and 10 years; 20.0% over 11 years and 13.3% was found to be less than two years.

4.3 *Period of doing business with GCB bank*

The researcher considered period of doing business with the bank to know if the entrepreneurs have benefitted from the loan and their relationship with the bank. This is represented below by Table 4.3

Table 4.3 Period of Doing Business With GCB Bank

Doing business with GCB bank	Frequency	Percent (%)
3 years or less	30	30.0
4- 6 years	45	30.0
7-9 years	41	27.3
10- 12 years	13	8.7
13 years and above	6	4.0
<b>Total</b>	<b>150</b>	<b>100.0</b>

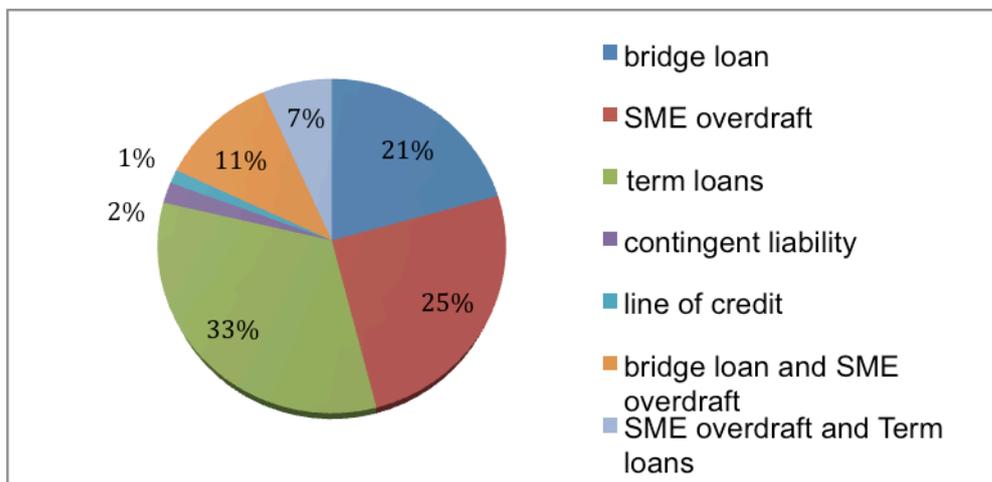
Source: Field Survey, April, 2017

The study indicated that all the respondents have been doing business with GCB bank. 30% attained 4 to 6years; 30% represent 3years or less, 27.3% have had the bank for a period of 7 to 9 years; 10 to 12 years recorded 8.7%; and 13 years plus registered 4%.

**4.4 Types of Financing**

The researcher wanted to know the types of GCB SME LOAN that GCB bank offer to the entrepreneurs. The researcher identified five main financial services rendered to SMEs; include Bridge loan, Overdraft, Term loan, contingent liability and line of credit. It was discovered that the SME managers and owners by GCB Bank had chance to choose any of the financing or products they wanted for their business. This is represented by Figure 4.5

Figure 4.5 Types of Financing



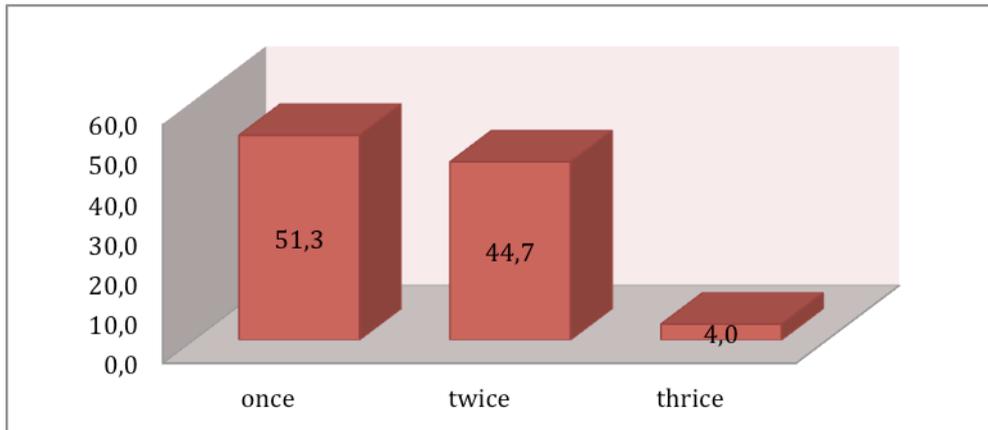
*Source: Field Survey, April, 2017*

As many as five (5) types of financing were noticed as products requested by SMEs from GCB Bank of which some requested twice of it so as to increase their amount. Out of this, Term loan recorded 33%, Overdraft registered 25%; 21% for bridge loan; 11% for bridge loan and overdraft; overdraft and term loan attained 7%; line of credit represents 1% and contingent recorded 2% respectively. It was revealed that term loan was mostly requested by the entrepreneurs.

**4.5 Accessed to GCB Loan**

Accessed to GCB SME LOAN will enable the researcher know the number of times SMEs have used the loan in their activities and how it has benefited them. Figure 4.6 explains the number of times SMEs have accessed the loan for their business.

Figure 4.6 Accessed To GCB Loan



Source: Field Survey, April, 2017

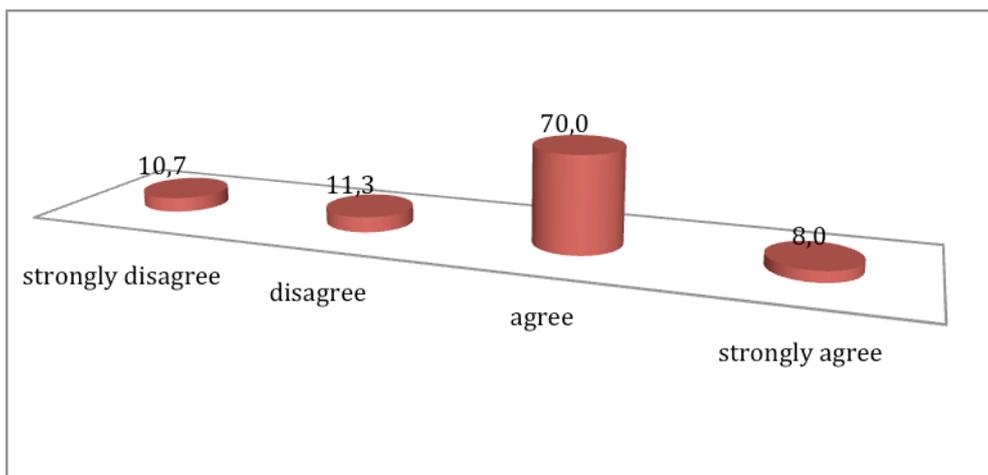
The study revealed that 51.3% accessed SME loan once, 44.7% represent twice while 4.0% represent thrice. There was an overwhelming (100%) response to the fact SMEs have a designated account manager assigned to manage their firm’s banking relationship using GCB SME loan.

**4.6 Impact of GCB SME LOAN to SMEs**

*4.6.1 Development of new product*

The survey confirms the debate that SME’s are thought to be flexible and innovative organisations that are able to respond quickly to customers and market demands by Levy & Powel (2005). Details are picturesquely represented by Figure 4.7

Figure 4.7 Development of New Product



Source: Field Survey, April, 2017

It appears from above that 70 % answered affirmatively that they have been able to developed new products for their business as a result of customer change pattern and

also the market demands, 8% strongly agree that the loan was used to purchase new products while the remaining 10.7% and 11.3% indicated they strongly disagree and disagree because they used the loan to purchase few products and used the rest for other things which was not for the improvement in their business.

#### 4.6.2 Technologies Implemented

According to Carrie et al (1994), it is the people rather than technology that provide flexibility within the SME's sector. It also confirms the idea that SME's and entrepreneurs are bedrocks of new goods and services, new method of production, the new opening up of economy by setting up of new markets, introduction of new sources of supply as well as industrial re-organisation. To some of them the introduction of new product has helped them to cope with the new market demand, and to some of them, the innovativeness nature put up by them create a paradigm shift by altering the conventional way of doing things in terms of available technology, strategy, skills and styles. This is represented by Table 4.4.

Table 4.4 Technologies Implemented

New Technologies	Frequency	Percent (%)
Strongly Disagree	13	8.7
Disagree	27	18.0
Agree	91	60.7
Strongly Agree	19	12.7
<b>Total</b>	<b>150</b>	<b>100.0</b>

*Source: Field Survey, April, 2017*

From the field it has been proved that 91 entrepreneurs (60.7%) agree and 12.7% represent strongly agree that they were able to implement new technologies and even employed new labourers to assist them in their business. The remaining 13 SMEs had not implement new technologies to the market and this is represented by 8.7% who strongly disagree that they have introduced new technologies as well as 27 entrepreneur disagree which represent 18%. This is also as a result of lack of knowledge about being innovative and creative.

#### 4.6.3 Growth of sales

The question of sales growth was a great concern to the researcher since businesses can only expand in future if it has capital for reinvestment and looking at the contributions of SME's to the economic development especially for employment creation where SME's contribute about 70% to the labour force of the country then it was very important to look at its future employment situations. This is explained on Table 4.5

Table 4.5 Sales Growth

Sales Growth	Frequency	Percent (%)
Strongly Disagree	7	4.7
Disagree	12	8.0
Agree	102	68.0
Strongly Agree	29	19.3
<b>Total</b>	<b>150</b>	<b>100.0</b>

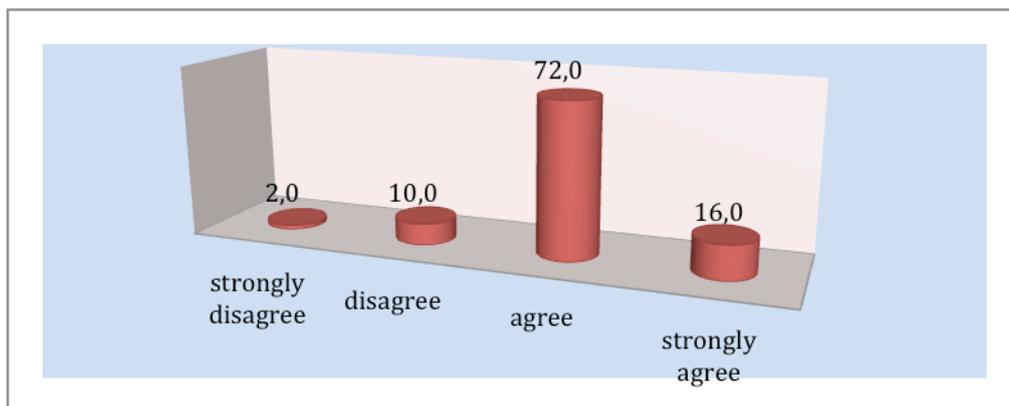
Source: Field Survey, April, 2017

During the survey, respondents were asked to find out the sales pattern. It was realised that 68.0% explained that they agree that they have increased their sales for the past two years, 19.3% also strongly agree that they have increased their sales tremendously. 8% of them disagree that they have increased their sales for the past two years while 4.7% strongly disagree because of the introduction of foreign goods in the country which has affected their businesses.

4.6.4 Increased in profit

From economics point of view, when cost of production is low as compared to high sales level, therefore profit must also be increased and when profit is increased, entrepreneurs can re-invest part of the profit back into the business for the business expansion and this can lead to creation of jobs. The researcher wanted to know if the loan has impacted in their profit. Details are picturesquely represented by Figure 4.8.

Figure 4.8 Increased in Profit



Source: Field Survey, April, 2017

From the data, 72% of those respondents agree that they have been able to increase profits due to the increase in their sales between 120 to 150 percent for the past two years. 16% have also strongly agree to the increase in their profit by 100 percent while the remaining 2% and 10% claimed that profit increased is not the same as sales since cost of production has also increased for the past two years.

**4.6.5 Number of employees of the firm**

The survey confirmed the assertion that firms less than 10 employees are small scale enterprises (Kayanula and Quartey 2000). Since there has been an increased in the profit of the SMEs, they indicated that they employed some employees to assist in their business.

Table 4.6 Numbers of Employees of the Firm

Employment	Frequency	Percent (%)
1-3	75	50.0
4-10	59	39.3
11-50	15	10.0
51-100	1	0.7
<b>Total</b>	<b>150</b>	<b>100.0</b>

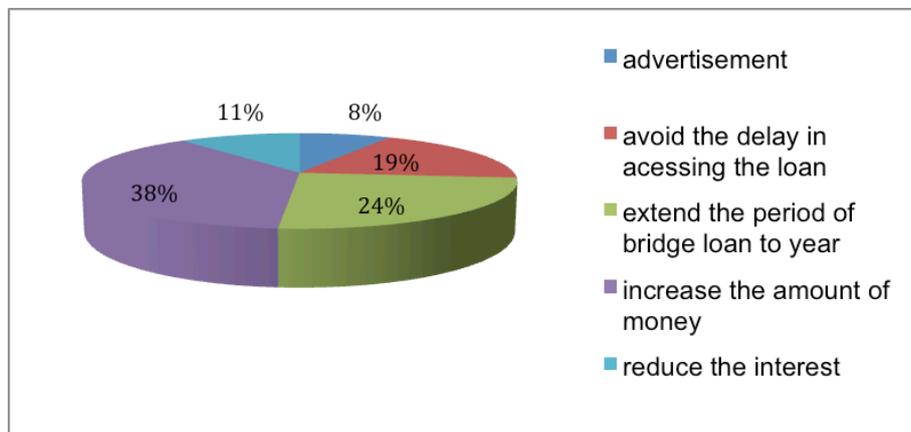
Source: *Field Survey, April, 2017*

In the survey, 50% of the enterprises employed people 1 to 3. From the data of the SMEs with 39.3% have employees between 4-10 while 10.0% employed people 11 to 50 with the least being 0.7% with 51 to 100. These employment issues are permanent and some are in the form of contract which involved work and pay issues at the local level.

**4.7 Challenges of GCB SME LOAN**

The researcher wanted to know if there are some challenges that GCB SME LOAN face so as to be able to recommend ways to improve such challenge. The study recognized three (3) major challenges (delay in accessing the loan, extend the period of bridge loan and increased the amount of money) that militate against the GCB SME LOAN of GCB Bank. As indicated picturesquely represented by Figure 4.9

Figure 4.9 Challenges of GCB SME Loan



Source: *Field Survey, April, 2017*

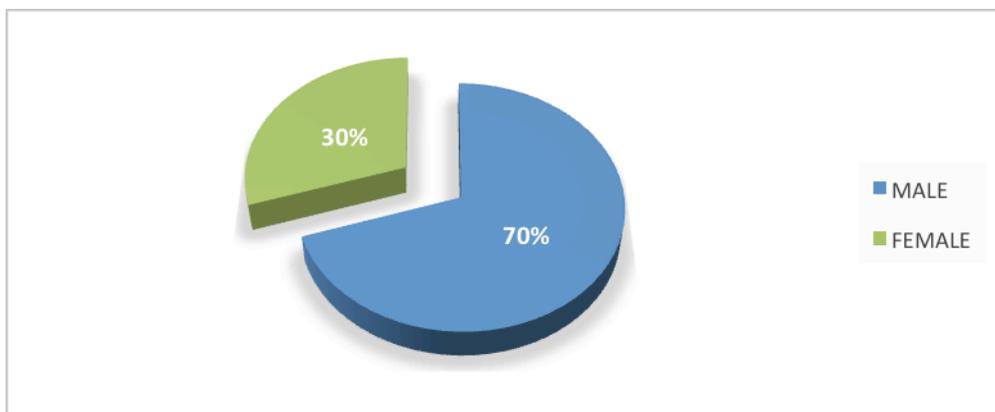
The study revealed that 38% of the respondents believed that SMEs in Ghana has a bright future if GCB SME LOAN is increased, 25% indicated that the period of bridge loan was just for 3 to 4 months and does not help in their business while 11% represent that GCB should reduce the interest and 18% indicated the delay in accessing the loan with least been advertisement of GCB SME LOAN to those in the rural areas which represent 8%.

**4.8 Analysis of Responses of GCB Bank Staff**

**4.8.1 Gender**

Since the respondents are 20 the researcher wanted to know the sex that is male and female so as to enrich the study or whether it is the same as the SMEs entrepreneurs who are a lot of female. This is picturesquely represented by Figure 4.10

Figure 4.10 Gender of Staff



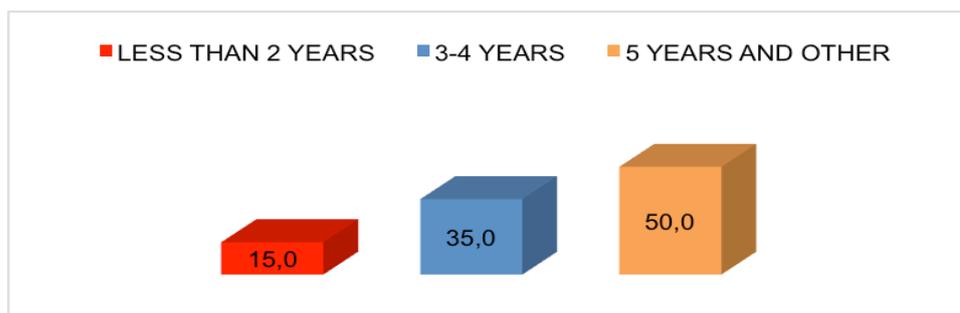
Source: Field Survey, April, 2017

Out of the 20 staff, 70% were male and 30% represent female. This clearly shows that at GCB bank most of the Staff are male and they help in the activities of SMEs.

**4.8.2 SME banking period**

The researcher wanted to know the staff that are responsible for SMEs and the period that they have assisted SMEs. This is represented by Figure 4.11

Figure 4.11 SME Banking Periods



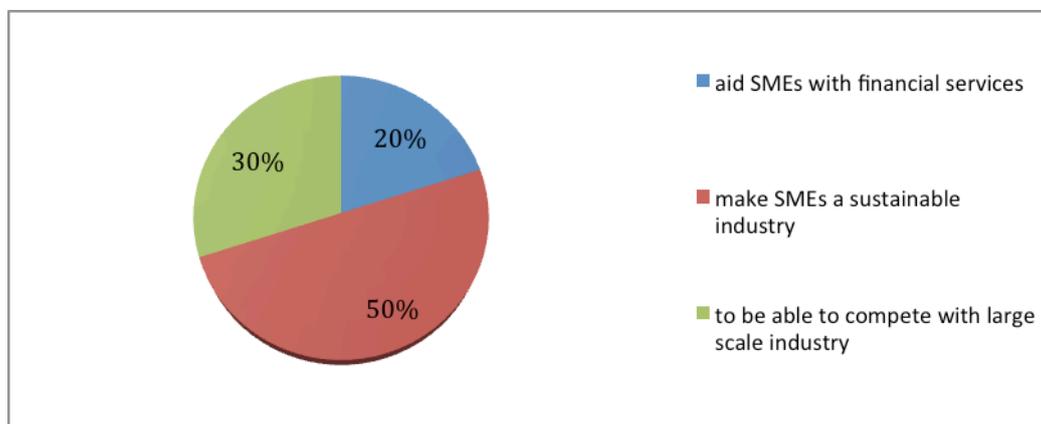
Source: Field Survey, April, 2017

The study showed that all the staff respondents have been on the SME Banking between the period of less than 2 years and four (4) years with the five years (5) class attaining the highest response of 50%. Nevertheless, the 3-4 years' class was the next on the echelon, recording 35% whereas 15 % represent less than 2 years. It could be deduced that GCB bank probably by policy may permit their staff to assist SMEs for long periods.

#### 4.8.3 *Intensions of GCB SME LOAN*

Intensions of the GCB SME LOAN were included in the study to be able to know why GCB bank introduced such a loan.

Figure 4.12 Intensions Of Introducing GCB SME LOAN



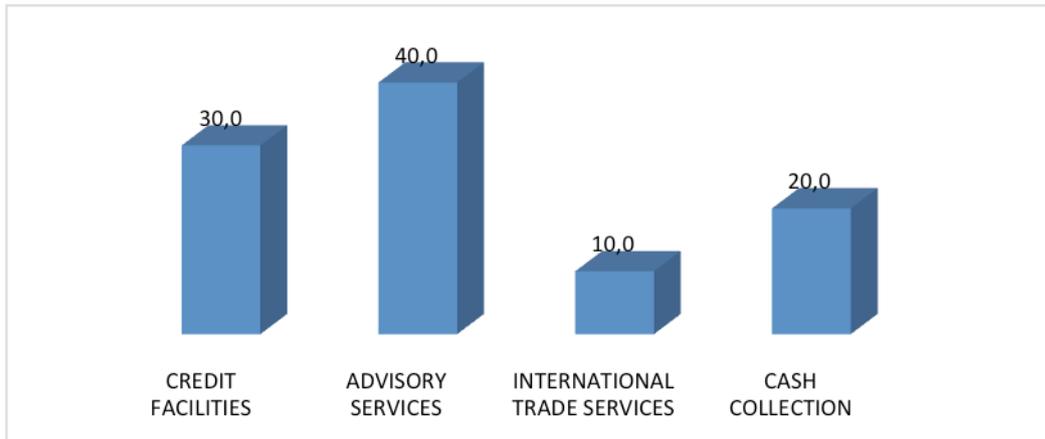
*Source: Field Survey, April, 2017*

The study revealed that in October, 2001, GCB bank introduced GCB SME LOAN to be able to augment working capital for SMEs and to mobilize deposit from private sector, since majority of the staff acknowledge SMEs as a sustainable industry. The research indicated that 20% represent to aid SMES with financial services, 30% was to make SME's a sustainable industry while majority was to be able to compete with large scale industry which represent 50%.

#### 4.8.4 *GCB assistance for SMES*

The researcher wanted to know the other type of financial services that GCB bank provides for the SMEs aside the GCB SME LOAN. This is represented by Figure 4.13.

Figure 4.13 GCB Assistance For SMES



Source: Field Survey, April, 2017

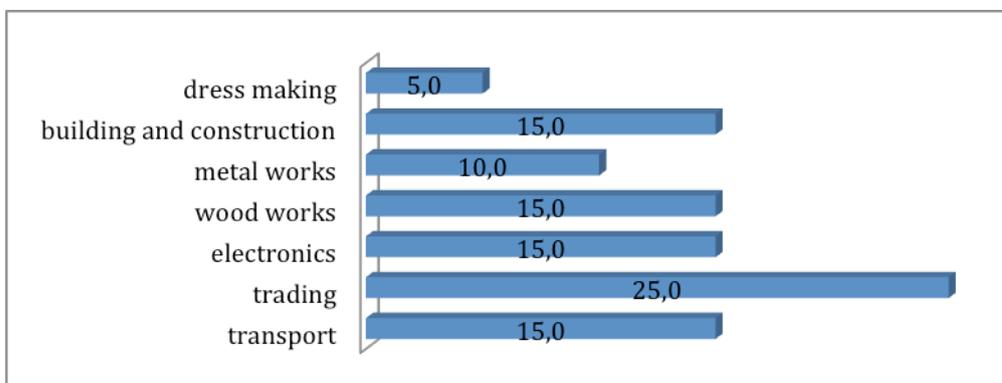
Out of the two branches which were Assin Fosu and Suame, the study revealed that 30% represent credit facilities, 10% represent international trade services while 20% represent cash collection is provided as assistance for SMEs. Majority of the assistance that GCB give to SMEs customers is advisory services which represent 40%. It was discovered that apart from the provision of financial assistance to the SMEs, the bank rendered services which could generally be classified as below:

- Business and financial consultancy
- Customer relationship management

#### 4.8.5 Sectors that received GCB SME LOAN

The Seven (7) major SMEs that Assin Fosu and Suame branch has single-handedly extended assistance from their respective start-up stage to the current state are transport, trading, electronics, wood products, electronics, metal works and machinery works. This is show by Figure 4.14

Figure 4.14 Sectors That Received GCB SME LOAN



Source: Field Survey, April, 2017

The study showed that trading has the highest of 25%; followed by electronics, wood work, building and construction, transport, which recorded the same as 15%; the rest attained 10% representation of metal work and the least being dress making represent 5%.

#### 4.8.6 Improvement in GCB bank profit

Since SMEs have benefited from the loan the study wanted to know if GCB has benefited also and if there has been a challenge. This is represented by Table 4.7

Table 4.7 Improvement in GCB Bank Profit

<b>Improvement in profit</b>	<b>Frequency</b>	<b>Percent (%)</b>
YES	19	95.0
NO	1	5.0
<b>Total</b>	<b>20</b>	<b>100.0</b>

*Source: Field Survey, April, 2017*

The study recognized that with the use of GCB SME LOAN that was introduced, GCB bank has seen an improvement in their profit. Out of 20 staffs that deal with the SMEs, 19 of the staff realized that there was an improvement in their profit with a representation of 95% while 1 responded no with a representation of 5% because the process are cumbersome and the amount is less as compared to others which was a challenged to them. Also, GCB Bank have recovery department for those who are unwilling to pay back the loan.

## 5. Summary of Findings, Conclusions and Recommendations

### 5.0 Introduction

This chapter discusses the summary of the findings, limitations, recommendations and conclusions discovered in the course of the research. The findings were the highlight of issues that were revealed during research. It also involves the recommendations that can help to improve GCB SME LOAN and provides a conclusion to sum up the entire research.

### 5.1 Summary of Findings

- The study identified five main financial services rendered to SMEs, as in, Credit facilities, international trade credit, Customer relationship management, Cash Management, and Business Advice. It was discovered that the financial services mostly offered to SME managers and owners by GCB bank.
- The study identified 7 major SMEs that Assin Fosu and Suame branch has single-handedly extended assistance from their respective start-up stage to the

current state are transport, trading, electronics, wood products, electronics, metal works and machinery works with the highest been trading.

- The identified main challenges were increased in the amount of money, reduce interest rate, advertisement and extend the period of bridge loan which militate against the GCB SME LOAN of GCB bank.
- Eight main industry from which SME financed by GCB Bank are operating from were noticed by the researcher. They are Food processing, bakery, wood products, trading, metal works, machinery works, electronic appliances and building and construction with trading sector being the most patronized sector.
- The research showed that 73.1 percent were sole proprietor, while limited liability and Private partnership are in the minority. 36.7% have been operating between the period of 3 and 5 years in their respective sectors. The study indicated that all the respondents have been doing business with GCB Bank for more than 4 years represented by 30%. As many as 5 types of financing were noticed as products requested by SMEs from GCB Bank with Term loan being most offered with 33% while 51.3% have accessed the GCB SME LOAN once.
- The study revealed that there has been an improvement with the GCB SME LOAN in the businesses of SMES as well as GCB bank. 99% of GCB bank staff indicated that there has been an improvement in their profit while 72% of the SME indicated that there has been improvement in their profit due to the increased in growth sales. They have also developed new products and implement new technologies. With the increased in profit majority of the SME indicated that they were able to employ people to assist in their business.

### **5.3 Conclusion**

In conclusion, Bank finance has been found as importance source of funds for most firms in Ghana. The study assessed the impact of GCB SME LOAN on the activities of Small Scale Industries. The study used primary data which were designed and administered to SMEs customers of GCB and staff of GCB. A sample size of 170 made up of 20 staff of GCB bank and 150 owners of SME customers who deal with the bank and have benefited from the SME LOAN SUITE.

The study concluded that with the use of GCB SME LOAN, there has been improvement in the profits of both the customers and bank. The study revealed that the overall quality of the GCB SME LOAN of GCB Bank exhibited an overwhelming satisfaction by the business owners; and was satisfied with the increased in their profit. SMEs were dissatisfied with the period of bridge loan, the amount of money not been increased but were satisfied with the bank exhibiting understanding to their business needs and the interest been moderate. Also, the study identified four main challenges which were; increased in the amount of money, reduce interest rate, advertisement and extend the period of bridge loan that militate against the GCB SME LOAN of GCB bank.

It was recommended that since GCB bank is contributing more to SMEs, they should increase the amount of the loan to help boost their outreach, extend the period

of bridge loan and they should give in their best to advertise the SME LOAN to rural areas. It is likely that if the above recommendations are carried out, it would go a long way to promote SME's activities and also increase their contribution towards economic development in Ghana.

#### **5.4 Recommendation**

In view of the findings of the research, the following recommendations are made in order to sustain the SME to grow into much bigger industries in the near future.

##### **GCB Bank**

It is not enough to have a GCB SME LOAN but to ensure that management of the bank identifies the constraints of the SMEs on one-on-one basis and put in strategies to surmount not only financial challenges but technical as well. Also, SMEs are advised to be shareholders of the banks so as to push for the course of SMEs. GCB bank should also try and extend the period of bridge loan to at least one year and increased the amount of money that they give out to SMES.

##### **SME National Policy**

Government should take the lead in financing SME, if it believes that over 65% of Ghana's GDP is contributed by the SMEs which are with the private sector if it wants the saying that the private sector is the engine of growth and not one of that political rhetoric. A national policy for SME including financing strategies should be formulated, implemented and monitored. It is expected that the government should provide resources to create an incentive scheme for financial institutions to make flexible loans available to SMEs in Ghana. The government should also make available enough loanable funds to the institutions set up to help finance the small – scale industries. Again, the government should take bold initiative to introduce more financial schemes into the system with appropriate policy objectives.

##### **Financial Management Education**

Educational workshops and training should be organized by the bank for the SME operators to ensure efficient and effective management of financial resources. Again, lack of knowledge by most industrialists on the activities and requirements of the established institution set up to help finance SME can be eliminated through such education.

#### **5.5 Limitation of Methodology**

The researcher recognized that the sampling from the target population might not be totally free from errors and as such, efforts were made to minimize such errors. Care must therefore be taken in generalizing findings. The researcher faced problems such as scarcity of statistical data. This involved the unwillingness of both Small-Scale Industries and Ghana Commercial Bank to release information which should have enriched the study and also established a strong validity and reliability.

Finally, it is pertinent to reiterate the limitations to the study which is beyond the control of the researcher in the area of questionnaire administration and retrieval.

Concerted efforts were made to ensure better response and retrieval of questionnaires from the respondents.

### **5.6 Suggestion for Further Research**

The study is a case study of one particular bank, however, every aspect of SME financing could not be studied let alone taking some of the core variables of the SME industry and subjecting them to a more analytical study to determine the extent to which they can withstand competition using quantitative methods. As a result this other appropriate variables such as profit of the SMEs and viability should be taken into consideration to determine the exact effect of the challenges they face. A further study on this regard would be appropriate.

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**APPENDIX A: BUSINESS OWNERS QUESTIONNAIRE**  
**COLLEGE OF HUMANITIES AND LEGAL STUDIES**  
**BACHELOR OF ART (SOCIAL SCIENCE)**  
**DEPARTMENT OF ECONOMICS**

**AIM:** To Review the Impact of GCB SME LOAN on the activities of Small Scale Industries

Any question on this survey is completely voluntary. Respondents are assured of confidentiality and anonymity of the information they provide. They are further assured that any information they provide is purely for academic purposes and statistical purposes only.

**Section A: Demographic Background**

- Gender: (1) Male  (2) Female
- Age (in completed years): .....
- Place of Work .....
- Educational background of respondent: (1) No formal education  (2) Basic
- (3) Secondary  (4) Tertiary
- (5) Professional qualification  Others (specify).....

**Section B: Economic Activities**

Instructions: Please kindly tick in the boxes provided or writes your responses in the spaces provided.

5. Identify the sector that represents the main activity of your business
- (1) Food processing industry  (2) Bakery industry
- (3) Wood products industry  (4) Furniture works industry
- (5) Metal works industry  (6) Machinery works industry  Other (Specify).....
6. Number of employees (Choose one):
- (1) 1 - 3  (2) 4 - 10  (3) 11 – 50  (4) 51 – 100
7. Legal status of your Business
- (1) Limited Liability Company  (2) Sole Proprietorship  (3) Limited by Guarantee  (4) Partnership
8. How old is your firm? (1) 2 years or less  (2) 3 and 5 years  (3) 6 and 10 years  (4) 11 years and above

Section C: GCB SME LOAN

9. For how long have your firm transacted business with GCB Bank?

- (1) 3 years or less  (2) 4 - 6 years  (3) 7 - 9 years   
 (4) 10 -12 years  (5) 13 years and above

10. What documents were requested by GCB Bank as part of the application process?

- (1) Formal application for financing   
 (2) Business certificates of registration   
 (3) A GCB Bank account operated for at least 6 months   
 (4) A two year (immediate past) business financial statements   
 (5) Other documentation (please specify).....

11. How many times have you accessed GCB SME LOAN?

- (1) Once  (2) Twice  (3) Thrice  (4) More than thrice

12. Do you have a designated account manager assigned to manage your firm’s banking relationship using GCB SME LOAN?

- (1) Yes  (2) No

13. What type of product/financing did the business request from GCB SME BANK LOAN (Ghana) Limited?

- (1) Bridge Loan   
 (2) SME Overdrafts   
 (3) Term Loans   
 (4) Contingent Liability   
 (5) Line of Credit

14. How do you consider the interest rate charged on GCB SME LOAN?

- (1) High  (2) Moderate  (3) Low

15. Are business owners required to provide their personal assets as collateral by GCB Bank to guarantee the granting of GCB SME loans?

- (1) Yes  (2) No

Section D: Output, Profit and Employment of SME

Evaluate the following statements related to achievements of your company with the use of GCB SME LOAN for one year. Choose: 1=strongly disagree 2= Disagree 3= Agree 4=strongly agree

Please tick where necessary.

	1	2	3	4
16. We have developed new products/ services				
17. We have implemented new technologies				
18. We have achieved sales growth.				
19. We have achieved increased of profit.				

20. Would you recommend GCB SME LOAN to someone else?

(1) Yes  (2) No

21. Please provide a reason for the answer.....

22. What are some of the challenges of GCB SME LOAN?

.....  
.....

APPENDIX B: QUESTIONNAIRE FOR MANAGERS AND STAFF  
COLLEGE OF HUMANITIES AND LEGAL STUDIES  
BACHELOR OF ART (SOCIAL SCIENCE)  
DEPARTMENT OF ECONOMICS

These questions are designed to solicit your views on the impact of GCB SME LOAN on the activities of SME. Respondents are assured of confidentiality and anonymity of the information they provide. They are further assured that any information they provide is purely for academic purposes.

Gender: (1) Male  (2) Female

Place of work.....

Position/Rank.....

What role does your organisation provide to promote SME's?

(1). Training  (2) Advisory Services  (3) Referral Services  (4). Others (Specify).....

Is SME's sustainable industry in Ghana?

(1) Yes  (2) No

8. How long have you been in SME banking?

(1) Less than 2 years  (2) 3 - 4years  (3) 5years and above

9. When did GCB Bank introduce GCB SME LOAN?

.....  
10. What were your intensions for introducing it?  
.....

11. Has GCB SME LOAN been appreciated by your SME customers?

(1) Yes  (2) No

If No, please give reasons for your answer.....

12. Provide the sectors that your bank has single-handedly extended assistance of GCB SME LOAN to from its start-up stage to its current state.

1.....  
2.....  
3.....

4.....

5.....

13. Has GCB bank seen improvement in their profit after introducing the GCB SME LOAN?

(1) Yes [ ] (2) No [ ]

14. Apart from the provision of GCB SME LOAN to the SMEs, what other service do you render to them?

.....  
.....

15. What measures have you put in place for the SMEs customers who are not able to pay back the loan in time?

.....  
.....