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CHALLENGES FACED BY SMALL AND MEDIUM-SIZE ENTERPRISES IN ACCESSING CREDIT FACILITIES FROM FINANCIAL INSTITUTIONS: AN EMPIRICAL ASSESSMENT INCORPORATING THE PERCEPTIONS OF BOTH BORROWERS AND FINANCIERS

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Abstract

This study identified challenges faced by borrowers, precisely small and medium-size enterprises in accessing credit facilities from financial institutions. Similarly, the paper identifies the extent to which both financiers and borrowers agree to challenges believed to hinder lending to SMEs. . A questionnaire survey method was used to collect data from 300 participants – 150 each of SMEs and bankers in Stanbic Bank Ghana Limited. Findings were presented using Pearson correlation test, simple linear regression analysis and the arithmetic mean. Findings revealed several challenges, which were commonly perceived by bankers and borrowers. Some of these challenges are high inflation; lack of adequate capital; high interest rate in the capital market, and exchange rate fluctuation. There was a strong positive relationship between challenges perceived by borrowers and challenges perceived by bankers. This relationship is *sufficiently strong, with 62.3% of the total variation accounted. Therefore, challenges faced in accessing credit facilities from financial institutions, in this case Stanbic Bank Ghana Limited, was strongly perceived to exist from the perspectives of both borrowers and bankers. However an extension of this empirical evidence to a wider setting of bankers and borrowers is needed.*

Keywords: SMEs, Microfinance, Credit Facilities, Financial Institutions, Borrowers, Financiers

INTRODUCTION

On a global scale, small and medium-size enterprises (SMEs) have exerted much influence on social-economic development based on its outstanding contribution to employment and GDP growth. According to the Ministry of Trade and Industry of Ghana, as at August 2011, figures from the Registrar General's Department suggest that 88% of registered businesses in the country are in the small and medium-size enterprises sector of the Ghanaian economy (Adjei, 2012, p. 67). Based on this information, it can be said that the Ghanaian economy is largely dependent on the SMEs sector, creating jobs for hundreds and thousands of Ghanaians. Yet the full potential of the SMEs sector in Ghana is still unrealised (Adjei, 2012; Adomako-Ansah, 2012).

To some writers (Cofie, 2012; Ahiawodzi and Adade, 2014), the SMEs sector can do better with respect to its current contribution to GDP growth. Invariably, the sector can grow faster and better contribute to employment in Ghana. These arguments are indirect ways of saying that the sector is not realising its full potential logically as a result of some constraints. Ackah and Vuvor (2011) are among several writers who have acknowledged that some of these constraints are challenges faced by SMEs in having access to credit facilities from financial institutions (banks, micro-finance firms, savings and loans companies among others), which are the sector's financiers.

In the microfinance and SMEs literature, several challenges are identified as militating against access to credit facilities among SMEs. Some of these challenges are: SMEs lacking collateral security; poor records keeping; poor credit rating as a result of poor savings history , and stringent lending criteria used by financiers (Ackah and Vuvor, 2011; Cofie, 2012). The fact is that these and other challenges have been consistently found in researches conducted in both developed and developing country contexts, making them strongly confirmed constraints faced by SMEs in the global SMEs industry. However, these challenges have been found in previous studies (Adjei, 2012; Cofie, 2012) only from the perspective of SMEs. Zairani and Zaimah (2013) are of the view that this situation is unwholesome and poses a major gap in the literature because some of the challenges faced by SMEs in accessing credit are best identified from the viewpoint of financiers. Thus they contend that a holistic framework of challenges associated with access to financial resources among SMEs in any jurisdiction comes from two sets of people: (1) employees of financial institutions; and (2) SMEs (i.e. SME owners and employees).

The fact that studies have provided very scant evidence on the foregoing challenges from the perspective of financial institutions presents some implications. Firstly, the literature is devoid of a complete and sufficiently debated framework of challenges faced by SMEs in accessing credit facilities. Secondly, remedies are hard to think of when challenges from the two perspectives are disjointed. This second implication is a major problem worsened by the fact that no identifiable study in Ghana has examined these challenges from the two perspectives side-by-side.

Considering the above-mentioned implications, reconciling these challenges from the two perspectives would be of much practical and academic significance. From an academic standpoint, this reconciliation would at least strengthen roots of debate on the full scope of challenges confronting access to credit facilities among SMEs, if it does not open a new line of academic debate. Practically, reconciling challenges from the two perspectives provides a framework that can be used in future research to identify appropriate remedies.

This study seeks to identify challenges faced by SMEs in accessing credit facilities from financial institutions from the two perspectives. Beyond that the extent of variation and relationship between the perceived challenges from the two perspectives constitute the considerable basis of the paper.

Statement of the Problem

Since 2010, Stanbic Bank Ghana Limited, Ghana Commercial Bank, Standard Chartered Bank, and other commercial banks have improved their financial commitment towards SMEs lending (Ghana Banking Survey, 2013). Stanbic Bank in particular has repeatedly increased its annual budget allocation for SMEs lending in the last few years (Ghana Banking Survey, 2014). Unfortunately at the end of each year, the bank disburses just a small fraction of this budget to a very limited number of SMEs. While in each year large amounts of money is spent by the bank on personal and corporate loans, lump sums loaned to SMEs continue to reduce in size, a totally discouraging situation.

Stanbic Bank Ghana Limited and other banks are irrefutably committed to supporting SMEs financially. Sadly, Stanbic Bank's inability to reach many SMEs with credit facilities is attributed to some challenges. According to Waari and Mwangi (2015), these challenges are faced by both the banks and the SMEs in Ghana.

To banks, impromptu Bank of Ghana regulatory activities such as review of policy rate, and other economic situations such as high inflation and unstable exchange rate may be challenges hindering them from issuing credit facilities to SMEs (Zairani and Zaimah, 2013), though they may have the financial means for SMEs lending. Moreover, the inability of SMEs to meet the conditions required by the financial institutions for advancing credit constitutes a limiting factor. For instance, a principle and model of lending requires that an SME provides collateral security and other evidences of creditworthiness to be able to secure a loan (Waari and Mwangi, 2015). Unfortunately, most SMEs are not able to meet these stringent requirements.

Over the years, these and other challenges faced by SMEs in accessing credit facilities have been largely empirically examined from the perspective of borrowers (i.e. SMEs). As a result, researchers have hardly incorporated the views of financiers into existing frameworks of these challenges.

The gap in the literature provides opportunity for this study to address the issues of : (a) the absence of reliable evidence on what constitutes a full framework of challenges preventing SMEs from accessing credit facilities from Stanbic Bank; and (b) the lack of a holistic framework that reconciles all challenges faced by SMEs from the perspective of financiers and SMEs themselves. This study, therefore, provides a dual focus approach to viewing the challenges that inhibit access by SMEs to credit and financiers' lending to SMEs. This is significant in identifying and implementing the most efficacious model for SME lending.

Objective of the Research

This study identifies challenges faced by SMEs in accessing credit facilities from Stanbic Bank Ghana Limited. The specific research objectives are:

1. To identify challenges perceived by SMEs to be faced by them in accessing credit facilities from Stanbic Bank.
2. To identify challenges perceived by employees of Stanbic Bank to be facing SMEs in accessing credit facilities from their bank.
3. To assess the relationship between challenges perceived by SMEs and challenges perceived by employees of Stanbic Bank.

REVIEW OF LITERATURE

Small and medium-size enterprises (SMEs) are businesses or enterprises whose personnel numbers fall below certain limits. As a result of economic differences among countries, each country and organisation has its definition of an SME. According to European Commission, SMEs are the enterprises having between 10 and 250 employees, and a turnover and balance sheet total of between 2 and 50 million Euros (Cofie, 2012). In the United Kingdom, SMEs by definition have a turnover of less than £25m, less than 250 employees, and gross assets of less than £12.5 million (Bond *et al.,* 2012). Both the US and the EU generally use the same threshold of fewer than 10 employees for small businesses (Bond *et al.,* 2012).

Generally, small and medium enterprises outnumber large companies by a wide margin and also employ many more people. SMEs are also said to be responsible for driving innovation and competition in many economic sectors (Harif *et al.,* 2011; Haron *et al.,* 2013). While larger firms have direct access to international and local capital markets, SMEs are excluded from international capital markets because of the higher intermediation costs of smaller projects associated with them (Harif *et al.,* 2011). In addition, SMEs have limited capacity to market products and market them abroad.

In Ghana, the number of employees is the most common criterion used to classify firms by size. However, the National Board of Small-Scale Industries (NBSSI), according to Adjei (2012), uses multiple criteria of fixed assets and employment size to explain what constitutes a small-scale business and that of medium and large scale business. Adjei (2012) in quoting the NBSSI, defined small enterprise as one that does not employ more than twenty-nine persons and with plant and machinery value (excluding, building and vehicle) not exceeding ten thousand Ghana Cedis. According to the Ghana Statistical Service (2011), firms with less than 10 employees are small scale enterprises and their counterparts with more than 10 employees as medium and large sized enterprises. This study applies the definition of Ghana Statistical Services as its operational definition of SMEs.

SMEs in Ghana are categorised into urban and rural enterprises (Ghana Statistical Service, 2011). The former can be sub-divided into `organised’ and `unorganised’ enterprises. The organised ones tend to have paid employees with a registered office whereas the unorganised category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home and employ little or in some cases no salaried workers (Avevor, 2010). 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 (Torgbor, 2014). The major products in this sector are soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smiting, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Avevor, 2010; Ahiawodzi and Adade, 2012) among others..

Access to credit facilities among small and medium-size enterprises in a country takes place in the microfinance system available. This assertion is made in view of the classification of credit facilities provided to SMEs as "micro" (Richardson *et al.,* 2004; Waari and Mwangi, 2015). Hence, challenges faced by SMEs in accessing credit facilities are better thought of from the viewpoint of microfinance.

The definition of "microfinance" can be better understood based on knowledge of the prefix "micro". The Oxford dictionary defines the word "micro" simply as something that is extremely small. Abiola and Salami (2010) said the term "micro" stands for an item that is very small in size or value. In the context of the microfinance literature, "finance" stands for various services (e.g. lending, savings management, financial consultant services, etc.) delivered by financial companies. From these definitions and explanations, the meaning of the term "microfinance" is obvious. Yet it is worth considering the definition of this term from various writers.

Wrenn (2007) defines microfinance as "the provision of financial services such as savings, loans and insurance to poor people, living in both urban and rural settings, who are unable to obtain such services from the formal financial sector". It is also defined as a financial activity to provide small collateral-free loans or financial services to the people who have low incomes, minimal assets and who are unable to acquire loans from formal commercial banks because of the demand of high collateral and tight conditions of security (Asghar, 2014, p. 14). Similarly, Ayuub (2013) said that microfinance gives financial services like loan facility, saving opportunity, transfer of money, and insurance of health and business, to the poor people which are ignored by commercial banks. From the above definitions, microfinance is personally defined as the provision of financial services that include the provision of loans or credit facilities to the poor with the goal of mitigating the issue of lack of access of such services from commercial banks. In developing countries however, most of the business customers and potential business customers of commercial banks are SMEs or small businesses in need of micro-credit (Asghar, 2014), hence commercial banks in these countries engage actively in microfinance (Ashun, 2010; Asghar, 2014). For instance, commercial banks such as Stanbic Bank, Standard Chartered Bank and Ghana Commercial Bank give priority to microfinance and SMEs lending in Ghana.

Considering the above definitions, the goal of microfinance is to provide financial services to poor people, rural dwellers and their businesses. Microfinance is also aimed at boosting the financial condition of people in low income groups and SMEs (Adu-Okoree, 2012). It is in view of this that Ashun (2010) said microfinance is for SMEs and the poor. Ferka (2011) also contends that the goal of microfinance is to make SMEs finance easier.

Generally, microfinance services are delivered by financial institutions such as commercial banks, rural and community banks, savings and loans companies, and other financial companies (Ajagbe and Bolaji, 2013). Nonetheless, commercial banks engage in microfinance at a limited level, while savings and loans companies, rural and community banks, and other smaller financial service providers (i.e. microfinance companies) go deeper into microfinance (Asghar, 2012; Otoo, 2012). In Ghana, microfinance services are predominantly offered by savings and loans companies, rural and community banks, and microfinance institutions (Otoo, 2012; Larbi, 2014).

The microfinance literature provides two models of microfinance in developing countries like Ghana. The first model is the provision of microfinance services, with emphasis on lending to SMEs and individuals (Larbi, 2014). This model is generally referred to as "individual lending" (Lakwo, 2006). Individual lending is defined as *single-client lending* where repayment is solely on an individual. Moreover, the credit facilities are given to an individual based on their ability to provide an assurance of constant repayment. This insurance is measured in terms of their ability to satisfy all lending criteria. According to Larbi (2014), the individual is not part of a group, and provides collateral or/and guarantor for the loan. He added that the individual client may have to provide current payslips as proof of a constant flow of income, and bank statements to show a record of savings. The individual would also have to allow his business to be inspected by the financier as a basis of better proving his credit-worthiness.

The second model of microfinance is "group lending" (Larbi, 2014). The group lending strategy enables the microfinance institution to lend to a group of people instead of an individual. This model enables the microfinance institution to reach a higher number of people with microfinance services and loans. Interested members form a self-selected group of usually between five and ten members (Okibo and Makanga, 2013). Loans are either given to individuals in the group or to the group as a whole to share among themselves. Group members are jointly liable for loan repayments (Lakwo, 2006).

The second model of microfinance is believed to be preferred by banks and customers to the first model. In terms of customers, it makes access to credit facilities easier (Larbi, 2014). From the perspective of financiers, this model enables customers to better repay loans and their interests (Okibo and Makanga, 2013; Larbi, 2014). Hence, the group lending model of microfinance is more reliable to both beneficiaries and financiers.

Access to microfinance occurs in terms of individual lending or group lending (Olumuyiwa and Oluwatosin, 2012). Thus customers and the general public benefit from microfinance either through individual lending or group lending. This does not mean, however, that microfinance is limited to lending. It also involves such services as savings management, financial consultancy services, and entrepreneurial development programs. So people benefit from microfinance through lending, savings management, financial consultancy services, and entrepreneurial development programs, either in group or as individuals.

Though microfinance represents a system in which SMEs have access to credit facilities, there are hindrances to access to these credit facilities in every economic system. Theoretically, these hindrances are constraints that need to be curbed to maximise the growth of the SMEs sector. According to Ang (1991), every business, whether small or big, is faced with constraints. For small and medium size enterprises, challenges faced in accessing credit facilities are examples of these constraints. This idea and thinking is in harmony with the Theory of Constraints (TOC) by Cox and Goldratt (1986), though the idea originated with Goldratt.

The TOC is a management paradigm that views any manageable system, such as a business, as being limited in achieving more of its goals by a small number of constraints. No matter how small their number is, there is always at least one constraint. The TOC is more of a remedial tool than a theory because it uses a focusing process to identify the constraint and restructure the rest of the business around it.

The TOC recognises five main steps. These steps are (1) identify constraint(s); (2) decide how to exploit constraint(s); (3) subordinate everything else to identified constraints; (4) elevate the system's constraint(s); and (5) if in the previous steps a constraint has been broken, go back to step 1, but do not allow inertia to cause a system's constraint. The first step above implies the need to identify all constraints in a small or medium size business (Ang, 1991). The first, second and third steps above suggest that identifying challenges form the basis of:

1. Knowing their impacts or possible impacts;
2. Identifying their remedies; and
3. Effecting change based on a remedy of the challenges.

By implication, businesses which are ignorant of their constraints or some of their constraints would be unable to maximise growth since maximum growth can only come after these constraints are identified and pre-empted. In the context of the Theory of Financial Management (TFM), whether or not financial resources are well used and channelled towards productivity depends on how these challenges are known and identified (Ang, 1991). TFM is a theory that explains situations that prompt financial management in a business, but tend to better recognise business risks (Richardson *et al.,* 2004). TFM therefore relates to TOC on the basis of the fact that challenges in a business strengthen or contribute to business risks (Ang, 1991).

When TOC and TFM are examined side-by-side, it is made evident that failure of a business to identify its constraints is devastative and would consequently lead to poor performance. In agreement to this argument, several writers (e.g. Avevor, 2012; Cofie, 2012;

Saleh *et al.,* 2008) have admitted that the potential of SMEs in many jurisdictions is not completely realised as a result of challenges faced by them.

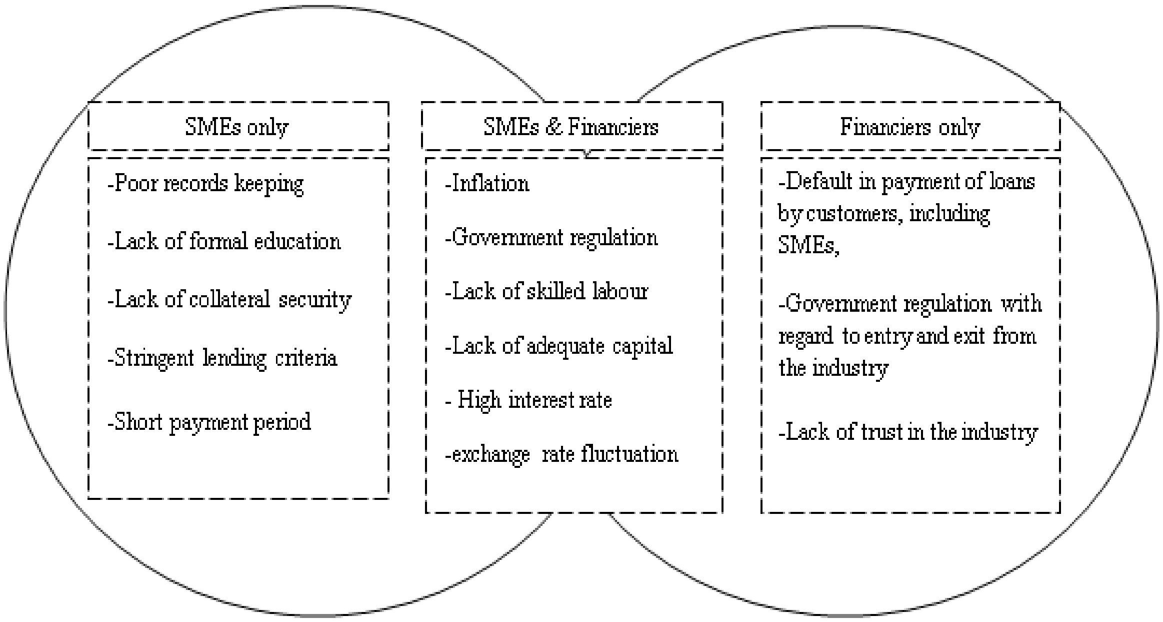
Based on assumptions underlying both TFM and TOC therefore, ignorance about challenges associated with the management of SMEs is a threat to the desired performance and growth of the SMEs sector. From the perspectives of TFM and TOC therefore, there is the need to know challenges limiting access to credit facilities among SMEs.

According to Quaye (2011), the contribution of financial institutions to the growth of SMEs in Ghana has more room for improvement. This situation is caused by challenges associated with the delivery of financial support to SMEs by financial institutions. From the viewpoint of SMEs also, there is a challenge in having easy access to credit facilities and the support of financial institutions (Agyei, 2012; Gyamfi, 2012). Thus, the relationship between SMEs and financial institutions is weakened by challenges faced by the two parties. In this study, challenges for which financial institutions could not offer credit facilities to SMEs and challenges for which SMEs could not access credit facilities from financial institutions are viewed as constraints to SMEs from the perspective of TOC. This is because challenges from the perspective of financiers are also barriers to access to credit facilities to SMEs.

In terms of access to funds from financial institutions by SMEs, various challenges are faced. The first has to do with lack of infrastructure (Agyei, 2012; Gyamfi, 2012). This challenge affects both the growth of SMEs and their eligibility for the financial support of financial institutions. For instance; a majority of SMEs in the study of Ahiabor (2013) did not have access to prerequisite infrastructure; hence they could not have access to substantial credit facilities. This challenge also boils down to SMEs not having the right collateral securities for accessing credit facilities (Adjei, 2012). A major challenge faced by most SMEs has to do with poor skilled labour or lack of appropriate skills (Ageyi, 2012; Ahiabor, 2013). In part, this challenge reflects badly on the financial performance of SMEs in Ghana (Agyei, 2013). It also contributes to the issue of poor records keeping among SMEs (Muhammad *et al.,* 2010; Agyei, 2013).

As a result of poor records keeping, many SMEs are not able to provide basic documents and evidences for accessing financial support from financial institutions (Agyei, 2013). The issue of a low level of formal education among many SME entrepreneurs is also prevalent (Agyei, 2013). This challenge contributes to inability of SMEs to keep proper records and to negotiate for projects and contracts that build up their equity and cash flow. In terms of access to financial support, interest rates and criteria of lending by financial institutions are very stringent. As a result, not many SMEs are able to access funding from financial institutions (Ahiabor, 2013). Inflation and government regulations are also counter situations to the growth of SMEs and their credit worthiness (Agyei, 2013). Thus, as a result of high inflation, interest rates may change while the economic shocks of high inflation may render SMEs unable to pay off loans or access financial support.

Figure 1: Challenges Faced by SMEs in Accessing Credit Facilities



Source: Ackah and Vuvor (2011); Waari and Mwangi (2015); Torgbor (2014)

Most challenges faced by SMEs affect financial institutions as well. These challenges include inflation, government regulation (Agyei, 2013). These challenges affect the growth of financial institutions and their abilities to support the growth of SMEs. Moreover, some unique challenges faced by financial institutions include default in payment of loans by customers, including SMEs, government regulation with regard to entry and exit from the industry and lack of trust in the industry (Quaye, 2011).

Figure 1 shows challenges unique to SMEs and financial institutions, and challenges shared by the two. As a result of the intersecting region in Figure 1, challenges faced by financiers and SMEs represent constructs that would correlate. The correlation would however not be perfect on the basis of challenges unique to the two parties and possible challenges not captured in this study. While individual challenges of the two parties (i.e. SMEs and financial institutions) have been identified in different studies, this study reconciles them to identify the correlation and variation among them. It is hoped that reconciling them in a single study will better visualise them, providing a better ground for identifying their remedy.

Moreover many researchers (e.g. Harif *et al.,* 2011; Waari *et al.,* 2015) have confirmed that SMEs face challenges shown in Figure 1 in their attempt to access credit facilities. In this study, these challenges are expressed at two levels or from two perspectives. The first perspective is designated 'SMEs'. Invariably, situations perceived by SMEs as challenges to their access to credit facilities from financial institutions are denoted 'SMEs'. The second perspective is denoted 'Financier'. Thus situations perceived by employees of the bank as challenges hindering SMEs' access to credit facilities from Stanbic Bank among SMEs are denoted 'Financier'.

Since 'SMEs' and 'Financier' represent several challenges, they are constructs made up of two main collections of variables. The first collection represents challenges faced at the firm level, whereas the second collection represents challenges faced at the macro-economic level. Firm-level challenges are those challenges faced as a result of hindrances encountered by:

- Stanbic Bank ('Financier') for which it could not provide credit facilities to some SMEs; and
- Hindrances encountered by SMEs ('SMEs') for which they could not access credit facilities from Stanbic Bank.

Moreover, reasons (challenges) for which SMEs could not obtain financial resources from Stanbic Bank should be consistent with reasons for which the bank could not offer credit facilities to some SMEs. This consistency is an embodiment of the hypothesised relationship between the two constructs. If this relationship is confirmed, it could be concluded that at least some challenges are common to both financiers and borrowers and that the perceptions of these parties resonate to some extent. Commonality of some challenges to the two parties would thus strengthen existing evidences produced only from the perspective of borrowers or SMEs. Considering the TOC, a remedy of at least challenges common to financiers and borrowers would contribute to improved access to credit facilities from Stanbic Bank by SMEs.

METHODOLOGY

In this study, the quantitative research approach was primarily employed. The rationale for using this research method is in harmony with Creswell's (2003) argument that a quantitative research approach is more appropriate when the research is aimed at testing some relationships or hypotheses. Similarly, Williams (2007) contended that any research involving estimation of some parameters in the face of inferential assumptions must be conducted as a quantitative research. It is factual that this study was basically aimed at estimating the amount of relationship and variance between challenges perceived by financiers and borrowers. The researchers, therefore, deemed the quantitative research method appropriate for this study.

A cross-sectional research format was also employed in this study. Invariably this study employed cross-sectional data collected from customers and employees of a chosen financial institution in Ghana. The main reason for opting for a cross-sectional format was the study's interest to collect within one just time period.

In this study, the population was customers and employees of Stanbic Bank in Ghana. Specifically, the study focused on SMEs and bankers affiliated to selected branches of Stanbic Bank in Accra. The study was limited to Accra given that it is the city with the largest number of branches of the bank in the country and a host to a large number of SMEs. Branches chosen were the Ring Road Branch, Makola Branch and Head office branch. These branches were preferred and chosen because most potential respondents were affiliated to them as either employees or SMEs. For instance, credit management employees who formed the target population of employees were exclusively affiliated to the head office and Ring Road branches. In addition, office locations of potential SMEs were concentrated in Accra Central with close proximity to branches of the bank studied implying that these businesses and their bankers could easily be located and surveyed.

The target population of this study was SME customers of Stanbic Bank. The target population was also made up of credit risk management employees at the selected branches. Credit risk management employees were chosen owing to the fact that they are responsible for developing and implementing policies on credit management and SMEs lending. They were, therefore, in the best position to provide valid and credible information. Undoubtedly, it is most appropriate to focus on SMEs since the subject matter of the study was to do dual perspective analysis of credit access challenges, with SMEs representing one such perspective.

Employees in the target population were selected using two criteria to maximise data integrity: (1) an employee must have spent at least 12 months in the bank as a credit risk management employee; and (2) employees must have been regular participants in credit risk management activities. On the part SMEs : (1) they must have saved with the bank for at least 2 years; and (2) they must have attempted accessing credit facility from the bank for at least once. These criteria were used to ensure that responding SMEs had the needed knowledge about challenges associated with accessing credit facilities from Stanbic Bank.

With the assistance of the human resource and marketing managers of Stanbic Bank, the list of all SMEs and employees who met these criteria were identified and shortlisted. These lists became the sampling frame of the study. Table 1 shows the number of SMEs and employees selected for each branch.

Purposive sampling method was used to select both SMEs and employees. This sampling method was used because, as argued by Creswell (2003), it enables the researcher to select respondents who possess the most appropriate characteristics to provide the requisite insights. Though this sampling method is often used for qualitative studies, they are also useful in quantitative studies when the general population is heterogeneous (Williams, 2007; Creswell, 2003). A heterogeneous population is one with so much diversity so that most of the attributes in it are unwanted by the researcher (Barreirro and Albandoz, 2001). The researcher, therefore, needs to use some criteria like ones mentioned above to specify and select respondents of interest.

The selection of members of the sample, in terms of SMEs, was however, random. This was done by generating random numbers in Ms Excel that represented all participants. An automatic systematic random process was activated using the Random Number Generation function. Numbers selected were corresponded to SMEs, which became part of the sample. It must be noted that each SME was represented by its Chief Executive or a senior employee. Moreover, the researcher collected data on a sample of 97 SMEs instead of 902 SMEs since the statistical software used in analysing data (SPSS) computes correlations based on an equal number of data observations of the dependent and independent variables. This means that collecting data on more than 97 SMEs would have been unnecessary since a maximum of 97 data observations could be obtained on financiers. The researcher made sure that the number of SMEs selected from each branch was proportional to the population size in each branch.

Table 1: Target Population and Sample Sizes

	Population		Sample	
Branch	Employees	SMEs	Employees	SMEs
Head office	53	1,456	53	302
Ring Road	26	875	26	269
Makola	18	2,432	18	331
Total	97	4,763	97	902

According to Krejcie and Morgan (1970), a sample for a quantitative study must be representative of the population. Williams (2007) also argued that using a non-representative sample may lead to misleading findings. In view of this argument, Krejcie and Morgan (1970) provided a model for determining sample size in research studies based on the population size available. Since the population of employees was small for each branch, the researcher decided not to take a sample of them. Therefore, all eligible employees (in the target population) were surveyed. The population sizes of SMEs were too high; hence samples were drawn from them using Krejcie and Morgan's (1970) model. Table 1 shows the corresponding sample sizes and the overall sample size.

A primary data source was used in this study. This means that primary data was entirely used in testing the hypothesised relationships. Primary data was used owing to the fact that they best represented the perceptions of employees and SMEs. Invariably, perceptions representing challenges identified from the perspectives of financiers and SMEs did not exist in the form of applicable secondary data. Data used were also continuous and discrete. For instance, a respondent was required to assign a discrete value to a preferred level of agreement as follows:

Not at all – 0; Low extent – 1; Moderate extent – 2; High extent – 3; Very high extent – 4; Not sure – 5.

The structured questionnaire was designed to measure three main constructs. The first extraneous construct was made up of the demographic variables (e.g. gender, educational level, type of SMEs). The second construct was denoted “Financier” (i.e. challenges from the perspectives of employees), while the third was denoted “SMEs” (challenges from the perspective of SMEs).

The second and third constructs were measured using separate questionnaires. However, they were all based on items measured using the five-point Likert scale – 0 being the smallest item and 5 being the largest item, where 0 stands for *Not at all* and 5 stands for *Not sure* as shown above. Please refer to Appendix A for questionnaires used in each case.

One goal of the researcher was to ensure that the instrument used in data collection was substantially reliable and valid. So some measures were taken to achieve adequate validity and reliability of the questionnaires. To ensure validity of the questionnaires, they were designed to elicit the needed data by ensuring that their items related to the research objectives and hypotheses. Moreover, all questions in the questionnaires were made close-ended, as recommended by Morse (2002). The statements or questions were made simple and concise, making readability easy. The questionnaires were made relatively short in length, encouraging respondents to fill them on time.

Reliability was monitored and achieved by using the questionnaires in a pilot study of 20 participants each for SMEs and employees. In the pilot study, some additional errors were identified in the questionnaires and corrected. Data collected in the pilot was used to conduct a test of dimensionality using Chronbach’s alpha in SPSS Version 21. The alpha values obtained for the Financiers’ and SMEs’ questionnaire were 0.876 and 0.711 respectively, hence considered reliable (Drost, 2011).

Prior to data collection, the researchers wrote letters to the heads of human resources or administration of the chosen branches to inform managements about the study and asking for a convenient time to administer the questionnaires. subsequently, dates were set for administering questionnaires. The researchers administered the questionnaire on these dates by hand delivery to SMEs.

It took two weeks to collect data under intensive conditions. Most employees were surveyed using email delivery system, while a few responded by means of hand delivery. In the data collection process, questionnaires were administered to SMEs at their offices after they were informed about the study by means of a phone call and an initial visit. Similarly, all employees were initially informed about the study either by means of a phone call or email before questionnaires was administered to them.

Out of 97 questionnaires, 89 of them were completed and returned (for employees of the bank). Of those returned, 5 were discarded owing to critical errors made by respondents. So a considerable response rate of 87% was achieved. This substantial response rate was achieved as a result of some ethical measures taken during data collection. For instance; the researchers used a formal procedure to inform the managements of the selected branches of the bank. This step encouraged management of each branch to provide staff members who assisted in data collection. With respect to SMEs, 91 questionnaires were accurately completed and returned. However, the researchers only used 89 most accurately filled questionnaires since any extra questionnaire would not be recognised in the analytical software.

SPSS version 21 was used to analyse data. Prior to data analysis, completed questionnaires were coded and entered into SPSS. Data entered were checked for anomalous items such as outliers. Since normality of data was a basic requirement for validity of findings, it was verified using the Shapiro-Wilk's test and estimates of Skewness and Kurtosis. Afterwards, Factor Analysis was used to reduce the dimension of the Financiers' and SMEs' constructs to single variables.

In data analysis, the arithmetic mean was used to estimate the extent to which a variable was perceived as a challenge. The hypothesis stated was analysed using Pearson correlation and ordinary least squares regression, which were collectively a robust method use to analyse the relationship between the two constructs. In this analysis, Financiers' was treated as the dependent variable, while SMEs were treated as the independent variable. Pearson correlation test was used to estimate the strength of the relationship between the two constructs. Regression analysis was used to estimate important statistics such as the variation shared by the two constructs. The goal of the regression analysis was not to predict the outcome variable (Financiers') but to identify how much of variation the SMEs' construct accounted in Financiers' and how much of variation the error term accounted. The researchers did not depend on the predicted unstandardized coefficient owing to uncertainty about the randomness of the data and whether sufficient assumptions had been met to perform prediction. Findings of the study are presented in the next section.

EMPIRICAL RESULTS

Table 2 shows results of the normality test.

Table 2: Test of Normality

	Shapiro-Wilk		
	Statistic	df	p-value
SMEs	.791	89	.308
Financiers	.870	89	.543

In Table 2, a variable associated with normally distributed data should have a p-value greater than a cut-off value (the level of significance), which is chosen to be 5%. The higher the p-value the more normally distributed data of the variable is. In Table 2, all variables have normally distributed data ($p > .05$). However, Financiers ($p = 0.543$) have quite a higher normality of data when compared to SMEs. The fact that data associated with these variables are normally distributed provides a basis for using parametric statistical tools in this analysis.

Table 3: Descriptive Statistics – Challenges Unique to SMEs

Variable	N	Mean	Std. Deviation	Std. Error
Poor financial records keeping	**89**	**2.31**	**1.32**	**1.33**
Lack of formal education that affects owners' business management abilities	**89**	**2.01**	**1.11**	**1.87**
Lack of collateral security	89	4.78	2.12	1.06
Stringent lending criteria set by the bank	89	4.62	2.09	1.06
Short loan repayment period	89	4.09	1.03	3.86
Lack of guarantor	89	4.42	1.98	1.13
General poor credit worthiness of your business	**89**	**2.51**	**1.32**	**1.44**
Total	***89***	***3.58***	***1.57***	***1.68***

Table 3 shows descriptive statistics that reveal the extent to which variables were perceived as challenges. In this table, variables highly perceived as challenges have mean scores closer to 5, which is the highest value on the measurement scale. Variables lowly perceived as challenges have low mean scores which are close to 1, the lowest value on the measurement scale. On the basis of these criteria, the first two variables and the last variable are lowly perceived as challenges. "Lack of formal education that affects owners' business management abilities" has the smallest mean score (M = 2.01, SD 1.11). "Poor financial records keeping" (M = 2.31, SD = 1.32); and "general poor credit worthiness of your business" (M = 2.51, SD = 1.32) also have small mean scores. Therefore, these three variables, based on the perceptions of SMEs, do not represent strong challenges faced by them in accessing credit facilities from Stanbic Bank. The other variables however have large mean scores, suggesting that they are highly perceived as challenges faced by SMEs.

Table 4: Descriptive Statistics – Challenges faced by both SMEs and Financers

Variable	N	Mean	Std. Deviation	Std. Error
Inflation that may affect the profit	89	4.21	2.02	1.03
Government regulations	**89**	**2.02**	**1.16**	**1.50**
Bank of Ghana policy rate	**89**	**2.11**	**1.15**	**1.60**
Lack of skilled labour in SMEs	**89**	**1.99**	**1.22**	**1.34**
Lack of adequate capital on the part of SMEs	89	4.3	2.31	0.81
High interest rate on loans and in the capital market	89	4.61	2.11	1.04
Exchange rate fluctuation that may affect the profit of SMEs	89	4.38	1.88	1.24
Total	**89**	**3.37**	**1.69**	**1.22**

Table 4 shows descriptive statistics that reveal the extent to which some variables were perceived as challenges. Based on the criteria used earlier, variables in bold case are lowly perceived as challenges – since they have a small mean score. “Lack of skilled labour in SMEs” has the smallest mean score (M = 1.99, SD = 1.22). “Bank of Ghana policy rate” (M = 2.11, SD = 1.15); and “Government regulations” (M = 2.02, SD = 1.16) also have small mean scores. Therefore these three variables weakly represent challenges faced by SMEs. The other variables however have large mean scores, suggesting that they are highly perceived as challenges faced by SMEs.

Table 5: Descriptive Statistics – Challenges Unique to Bankers

Variable	N	Mean	Std. Deviation	Std. Error
Defaults from customers including SMEs	**89**	**4.52**	**2.09**	**1.03**
Government and Bank of Ghana regulations that affect entry and exit of competitors	**89**	**4.01**	**1.92**	**1.09**
Lack of trust in the industry as a result of activities of unregistered and dubious microfinance institutions	**89**	**3.21**	**1.08**	**2.75**
Issues in credit risk management in the bank (Lack of adequate information on SMEs)	**89**	**3.43**	**1.42**	**1.70**
Frequent changes in bank policy	89	2.31	0.89	2.92
Total	89	3.496	1.98	0.89

Table 5 shows descriptive statistics that reveal the extent to which variables were perceived as challenges that limit access to credit facilities among SMEs by banks. Based on the criteria used, all variables are highly perceived as challenges – since they have mean scores close to 5. “Defaults from customers including SMEs” has the largest mean score (M = 4.52, SD = 2.09), followed by “Government and Bank of Ghana regulations that affect entry and exit of competitors” (M = 4.01, SD = 1.92). “Lack of trust in the industry as a result of activities of unregistered and dubious microfinance institutions” and “Issues in credit risk management in the bank (e.g. lack of adequate information on SMEs)” also have high mean scores, though their mean scores are lower that the first two variables in Table 5.

Table 6: Descriptive Statistics – Challenges faced by both SMEs and Financers (Based on Bankers’ perception)

Variable	N	Mean	Std. Deviation	Std. Error
Inflation that may affect the profit of both SMEs and bank	89	4.33	1.22	2.91
Government regulations	89	4.12	2.32	0.77
Bank of Ghana policy rate	89	4.09	2.33	0.75
Lack of skilled labour in SMEs and bank	**89**	**2.21**	**2.01**	**0.55**
Lack of adequate capital on the part of SMEs and bank	89	4.32	2.12	0.96
High interest rate on loans and in the capital market	89	4.52	2.11	1.02
Exchange rate fluctuation that may affect the profit of banks and SMEs	89	4.32	1.88	1.22
Total	89	3.99	2.00	1.17

Table 6 shows descriptive statistics indicating the extent to which variables were perceived by bankers as challenges limiting access to credit facilities among SMEs. In this table, “Lack of skilled labour in SMEs and bank” has a mean score closer to 1 (M = 2.21, SD = 2.01), hence it is perceived to be a weak challenge. Other variables such as “Inflation that may affect the profit of both SMEs and bank” have high mean scores or mean scores closer to 5 (M = 4.33, SD = 1.22). These variables are therefore highly perceived as challenges. When compared to the perceptions of SMEs, “Government regulations” (M = 4.12, SD = 2.32) and “Bank of Ghana policy rate” (M = 4.09, SD = 2.33) have high mean scores or mean scores close to 5. That is, while SMEs did not see these two variables as challenges limiting access to credit facilities, bankers did so. Since bankers have better knowledge on these variables as a result of their involvement in the banking sector, their opinions could be given a higher weight. Hence *government regulations* and *changes in Bank of Ghana policy rate* are major challenges.

Having known challenges faced by SMEs in accessing credit facilities from the perspective of banks and borrowers (Bankers) and knowing that a good number of challenges were perceived by both parties, there is the need to know the extent to which their perceptions relate, or the extent to which challenges perceived by SMEs and bankers relate.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.789[a]	.623	.621	.63553

a. Predictors: (Constant), SMEs

Table 7 shows the model summary of the prediction of *Financiers* from *SMEs*. Firstly, R represents the strong positive correlation between the two constructs. In this table, SMEs accounts for 62.3% of the variation on Financiers, reflecting a high effect of SMEs (challenges perceived by SMEs) on Financiers (challenges perceived by bankers). The error term (i.e. other challenges not captured in this study and possibly challenges not common to SMEs and financers) thus account for 37.7% of the total variation.

Table 8: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	117.318	1	117.318	290.460	.000[b]
	Residual	71.087	176	.404		
	Total	188.404	177			

a. Dependent Variable: Financiers' b. Predictors: (Constant), SMEs

Table 8 is an associated ANOVA test. This test is used to verify if the regression analysis is a better way of verifying the linear relationship between SMEs and Financiers. This test is done at 5% significance level. From the table, the test is significant, F=290.46, $p < .05$. This result makes way for interpreting the coefficients table below.

Table 9: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-.283	.236		-1.199	.232	-.748	.183
	SMEs	.989	.058	.789	17.043	.000	.875	1.104

a. Dependent Variable: Financiers'

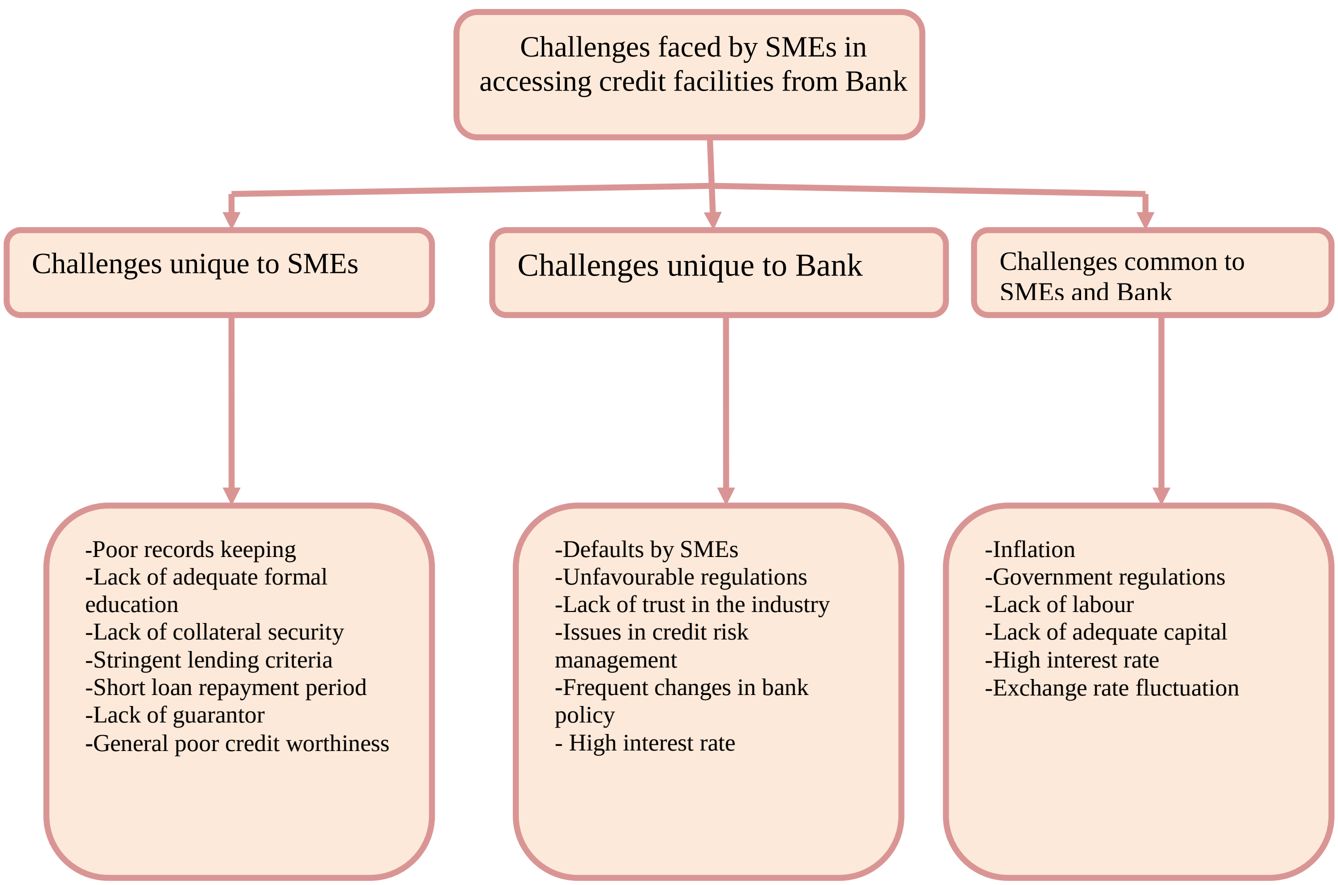
Table 9 shows the coefficients of the prediction of Financiers from SMEs. It can be seen that SMEs significantly predicts Financiers at 5% significance level ($t = 17.04$, $p < .05$, $\beta = 0.99$). Moreover, a unit change in SMEs alters the conditional mean of Financiers by 0.99 within a confidence interval of 0.88 and 1.1.

The regression analysis, therefore, indicates that challenges perceived by SMEs and bankers are highly related. In the equation above, the coefficient of SMEs is positive, indicating that perceptions of SMEs change along with those of bankers. If, for instance, SME respondents are not able to provide collateral security in accessing credit facilities, this situation would be perceived by both SMEs and banks as a challenge. Invariably as this challenge increasingly manifests itself among SMEs, the higher it is perceived by bankers.

The variation of 37.7% in the regression model represents challenges not captured or found in this study. Since challenges unique to SMEs are entirely different from challenges unique to bankers, they would be uncorrelated. Possibly therefore, these challenges are also part of the variation of the error term.

In Figure 2, a framework of challenges perceived by SMEs and bankers is shown. It can be seen that challenges faced by SMEs in accessing credit facilities are in three categories. The first category contains challenges uniquely faced by SMEs. Examples are: lack of collateral security, bank's stringent lending criteria, to mention but a few. Though "Poor records keeping" and "Lack of adequate formal education" are perceived weak challenges, they cannot be ignored. This is because not all SMEs entirely agreed that they are not challenges.

Figure 2: A Reconciliation Framework of Challenges Faced by SMEs in Accessing Credit Facilities from Financial Institutions



The second category is the set of challenges unique to the bank. Some of them are "default by SMEs", and "unfavourable regulations" from BoG. The third category is the set of challenges faced by both SMEs and the bank. With respect to the regression analysis, the variation of 62.3% or a larger part of it is accounted by this third component, possibly with a small part of this variation accounted by challenges unique to SMEs and banks. The variation accounted by the regression model (i.e. 62.3%) could also represent the extent of consistency in responses of SMEs and employees in terms of all challenges facing SMEs in accessing credit facilities from Stanbic Bank. All or most of the variables making up components 1 and 2 and other challenges not captured in this study account for all or a greater part of the residual variation, 37.7%, with a little or not part of this variation accounted by challenges common to SMEs and banks.

It is unlikely that variables in Figure 2 represent all challenges faced by SMEs in accessing credit facilities from financial institutions, but the framework is relevant to academic debate on the basis of the idea that it could serve as a guide in examining challenges in specific contexts. Moreover, it suggests the need to identify other challenges not captured in this study (in view of the residual variation, 37.7%) and to relook at whether some variables (e.g. interest rate) could be reconceptualised as challenges faced by both SMEs and banks. This framework could also guide researchers in using more robust statistical methods (e.g. Principal Component Analysis) to reclassify these challenges.

DISCUSSION OF RESULTS

According to the findings, some variables are, to a high extent, perceived as challenges faced by SMEs in accessing credit facilities from Stanbic Bank. These challenges are exclusively faced by SMEs. Some of them are: lack of collateral security, stringent lending criteria set by the bank, and short loan repayment period. Some variables (e.g. Poor financial records keeping; lack of formal education that affects owners' business management abilities) were on the other hand perceived as challenges at a low extent. The realisation of these challenges (i.e. those weakly and strongly perceived) is supported by the literature, at least empirically. For instance, Cofie (2012) and Torgbor (2014) are among several researchers who identified these challenges in a Ghanaian context. Moreover, Richardson *et al.* (2004) and Saleh *et al.* (2008) have confirmed these challenges in foreign countries. However, as to whether some of these challenges are weak or strong as identified in this study is not an attribute of the literature.

Among SMEs, some challenges were perceived to be faced by both borrowers and Stanbic Bank. These challenges are high inflation, lack of adequate capital, and high interest rate on loans and in the capital market. To SMEs therefore, these challenges prevent access to credit facilities by hindering both borrowers and Stanbic Bank. For instance, inflation is an economic variable that affects all businesses. In this regard, an SME may not be able to generate cash flows up to the expectation of lenders, while the lender may also be unwilling to offer credit (even if SMEs qualify for it) owing to the fear that SMEs would be unable to repay loans in the face of high inflation. Also, lack of adequate capital may prevent Stanbic Bank from issuing credit facilities to some SMEs, even if they qualify for them, whereas SMEs may not qualify for credit facilities as a result of not having up to some amount (of capital) in their bank account or on their financial statement. These thoughts are supported by Wrenn (2007), Muhammad *et al.* (2010) and other writers on the subject of SMEs lending. As a result, the realisation of these challenges is supported by the literature, including the adaptation of the theory of constraints and theory of financial management by Zairani and Zaimah (2013).

It must be noted that “Government regulations”, “Lack of skilled labour” and “Bank of Ghana policy rate” were weakly perceived by SMEs as challenges faced by both Stanbic Bank and borrowers. Based on the perception of bankers however, “Government regulations” and “Bank of Ghana policy rate” are highly perceived challenges. Interestingly, Ghana Banking Survey (2014) recognised these two variables as major challenges limiting bank lending in Ghana.

“Defaults from customers including SMEs” and “government and Bank of Ghana regulations that affect entry and exit of competitors” in the banking industry are some of the challenges uniquely faced by Stanbic Bank. Bankers, to a low extent, viewed “Frequent changes in bank policy” as a challenge. Moreover, all challenges highly perceived by SMEs to hinder both SMEs and Stanbic Bank had high mean scores based on bankers’ opinions, except “Government regulations” and “Bank of Ghana policy rate” which were, to a low extent, perceived by SMEs but perceived to a high extent by bankers. Also, “Lack of skilled labour in the bank” is consistent at the two levels as a weak challenge. At large, the realisation of all challenges, whether based on the perceptions of bankers or SMEs, is not at variance with previous researches (e.g. Zairani and Zaimah, 2013; Torbgor, 2014).

A new window for debate has been evoked by the results of this study which can be seen in terms of the high correlation between SMEs and Financiers with respect to their perceived challenges. In the regression analysis, this correlation is translated into a variation of 62.3%, with a smaller variation of 37.7% accounted by the error term. These variations suggest two main situations:

1. Challenges perceived by SMEs and bankers are consistent with each other, and are logically dimensional with respect to the third component in Figure 2; and
2. All identified challenges, or at least those faced by both SMEs and the bank, are truly factors that limit access to credit facilities among SMEs.

As a result of the above two implications, Figure 2 represents a valid framework for guiding future debate on challenges perceived both by borrowers and lenders. Practically, attempts to find remedies to these challenges in research would be eased if the framework is used as a guide. This is because future researchers would only need to look for other challenges not captured in it, if need be, while using those in the framework as primary challenges supported in the literature. Though Figure 2 largely squares with the framework of Ackah and Vuvor (2011), Waari and Mwangi (2015), and Torgbor (2014), it is more empirical and captures some new variables. Generally, the realisation of these challenges and the framework is backed by the theory of constraints.

CONCLUSION

Several challenges are perceived to be facing SMEs in accessing credit facilities from Stanbic Bank. These challenges are in two categories. The first category contains challenges perceived to be faced by only SMEs. Some of these challenges are lack of collateral security; stringent lending criteria set by the bank; short loan repayment period; and lack of guarantors. The second category contains challenges perceived to be faced by SMEs and Stanbic Bank. Some of these challenges are inflation; lack of adequate capital, high interest rate on loans and in the capital market and exchange rate fluctuation.

As a result of several variables (challenges) commonly perceived by both bankers and SMEs, there is a strong positive relationship between challenges perceived by SMEs and challenges perceived by bankers. This relationship is sufficiently strong, with 62.3% of the total variation (effect) accounted. The regression analysis, therefore, indicates that challenges perceived by SMEs and bankers are highly related. This means that a change in the perceived challenges of SMEs causes a change in the perceived challenges of bankers or financiers.

Therefore, to boost access to credit facilities among SMEs, there is the need to remedy challenges presented in Figure 2, especially those with high mean scores and those common to both SMEs and bankers. But since this framework possibly does not contain all challenges of SME lending, it is recommended that future researchers build on the framework by introducing new variables.

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