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The Impact of Money Lending Institutions on Small and Medium Enterprises: A Case Study of Shalom Lending Enterprise

Dr. Isaac Owusu-Dankwa[1]

[1] Valley View University

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Abstract

Small and Medium enterprises are the promoters for economic growth in many economies and a key component for their success is the availability and provision of finance for their operations. The study examined the impact of money lending institutions on Small and Medium Enterprises (SMEs) in Ghana. Simple random sampling technique was employed in selecting 100 SMEs that constituted the sample size of the research. Structured questionnaire was designed to facilitate the acquisition of relevant data which was used for analysis. Descriptive statistics which involved simple tables were strategically applied in data presentations and analysis. The study revealed that significant number of SMEs benefitted from loans even though only few of them were capable enough to secure the required amount needed. Majority of SMEs accepted positive contributions of loans towards increasing their profits, stock and sales, thus placing them on a competitive ground. The study recommended that money lending institutions should review their interest rate downwards and also increase the duration for repayments as this would support and improve the contribution of SMEs to the economic development of Ghana.

Index terms— small and medium enterprises; microfinance institutions; lending.

1 I. Introduction

he Ghanaian economy has a large proportion of businesses in the small-scale and self-employed group which collectively fall under the small and medium enterprises (SMEs). SMEs by their nature are unique in their financial requirements and these have not been adequately and properly addressed by the conventional banking system. With the emergence of Non-Bank Financial Institutions, including money lending institutions, it is envisaged that the financial needs of this segment of the market which has remained outside the traditional banking scope, would be addressed (Mensah 2009).According to Abor and Quartey (2010), a small firm is an independent business, managed by its owner or part owners and having a small market share. They identified three major characteristics of such forms of businesses: the independence of its management, the ownership structure composed of very few investors, and their area of operations being confined to their local surroundings.

SMEs account for majority of firms in an economy and a significant share of employment. Like many other countries, SMEs in Ghana have the tendency to serve as sources of livelihood to the poor, create employment opportunities, generate income and contribute immensely to economic growth. They have been the engine for economic development of several developed countries such as the United States of America and Japan (Hallberg, 2001). Frimpong (2013) noted that SMEs in Ghana "provide about 85 percent of manufacturing employment, account for 90 percent of existing businesses in the country, and contributed 49 percent to the country's GDP in 2012. They contribute to employment creation, provision of basic goods and services, and generation of export and tax revenues for national socio-economic development" (p.1). He continued that "SMEs contribute greatly to economic diversification, exports, social stability, and also serve as a feeder line for the corporations of the future as it is from among them that most Multi-national companies (MNCS) and large corporations emerge. As such, SMEs capacity development emerges as a key instrument in poverty reduction and sustainable economic development efforts" (p.1). Mensah (2004) identified the unavailability of financing (both equity and debt) as the major handicap affecting the operation of the Small and Medium Enterprises (SMEs) sector. This he attributed to current investment laws prohibiting institutional investors from investing in private SMEs and the perceived high risk associated with such investment. Amoafo (2009) noted that although the dire need for financing especially among the poor has led to situations where property and other valuable materials have been used as collateral in the quest to secure finance, traditionally, the concept of helping the poor and SMEs has attracted attention from many a lending institution. Olawale and Obert (2010) argued that since small firms and enterprises do not receive funding from governments due to inadequate resources available to the government, SMEs are compelled to source for funds from private financial institutions at prevailing market rates, thereby affecting their expected impact on the society.

Against this background, this study was aimed at determining why SMEs seek for financial assistance, the reason for high default rate among SMEs and the impact of money lending on SMEs operations.

2 II.

3 Literature Review a) Definitions of Small and Medium Enterprises (SMEs)

There is no universally agreed definition of SME's even though many attempts have been made to present a workable and acceptable one. Gibson and van der Vaart (2008) bemoaned over the lack of an appropriate definition of an SME because there were varied ways of defining SMEs. SME's could be defined based on the number of employees, the value of assets held, the amount of level of turnover, or by a formula. They adopted the formula method and defined SME as "A formal enterprise with annual turnover in U.S. dollar terms, of between 10 and 1000 times of the mean per capita gross national income, at purchasing power parity, of the country in which it operates" (p.18). However, Arkoh (2013) identified a serious flaw in the above definition when applied to other parts of the world. He argued that most business in the developing world were reluctant to disclose turnover records making it difficult to classify them within the definition suggested by Gibson and van der Vart. He explained that in the Ghanaian context, the National Board for Small Scale Industries (N.B.S.S.I.) defined SME as an enterprise with turnover greater than $200,000 and not more than $5million equivalent.

According to Abor and Quartey (2010), a small firm is a self-regulating business, owned, controlled, and operated by either is full or part-time owners. These kind of firms do not have a large market share. Such business could be categorized into urban and rural enterprises; the former can be subdivided into organized and unorganized enterprises. Kayanula and Quartey (2000) noted that the organized types of SMEs mostly have paid employees with a registered office, whereas the unorganized category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home, and employ few or in some cases no salaried workers.

4 b) Contribution of SMEs to Economic Development

The contribution of SMEs to the development of any country, though usually underrated is very enormous. Kayanula and Quartey (2000) observed that SMEs activities enhanced economic growth through the judicious usage of scarce resources and improved local production. Through the provision of the needed products and services to both local and international clients, SMEs contribute immensely to a country's national product (Abor and Quartey2010). Frimpong (2013) made the following observation: Small and medium enterprises contribute greatly to the development of any nation. They account for a large share of new jobs in countries which have demonstrated a strong employment record and are known as a primary driver for GDP growth in most countries. Empirical studies have shown that SMEs contribute over 55 percent of gross domestic product (GDP) and over 65 percent of total employment in high income countries and also have contributed immensely to the economic growth of emerging markets (p.1).

From the economic perspective, Advani (1997) noted that small and medium enterprises provide a number of benefits. These enterprises have been recognized as the engines driving the growth objectives of developing countries, thus, potential sources of employment and income in many developing countries.

According to Tau (2013), SMEs have contributed significantly to economic development in India, South Africa, and Ghana and should be accorded all the needed support. He acknowledged that SMEs in India contributed almost 45 percent of the country's total manufactured products and employed over 32 million people. Its share of the export market amounted to about 40%.The situation in South Africa was not much different because SMEs contributed about 20 percent to GDP, 45 percent of exports, employed over 60 million people, and create over 1.3 million jobs every year.

The situation in Ghana is no different from other nations as noted by Tau (2013):"SMEs in Ghana provide about 85 percent of manufacturing employment, account for 90 percent of existing businesses in the country, and contributed 49 percent to the country's GDP in 2012. They contribute to employment creation, provision of basic goods and services, and generation of export and tax revenues for national socio-economic development" (p.1). He observed further that "SMEs contribute greatly to economic diversification, exports, social stability, and also serve as a feeder line for the corporations of the future as it is from among them that most Multi-national companies (MNCS) and large corporations emerge. As such, SMEs capacity development emerges as a key instrument in poverty reduction and sustainable economic development efforts" (p.1). Kayanula and Quartey (2000) added that SMEs also improved the efficiency of domestic markets and made productive use of scarce resources, thus facilitating long-term economic growth. Abor and Quartey (2010) expatiated on the fact that SMEs contributed to a country's national product by either manufacturing goods of value, or through the provision of services to both consumers and/or other enterprises. This included the provision of products and, to a lesser extent, services to foreign clients, thereby contributing to overall export performance.

5 c) Constraints to SMEs Development

In spite of the commendable contributions of SMEs, the sector still faces some challenges that seriously need to be addressed if its full potential was to be fully unleashed and tapped (Frimpong, 2013)

6 Year ( )

SMEs played a vital role, the sector facedvaried problems inhibiting it from achieving its intended goal of contributing towards the economic growth of a nation. Some of these problems included lack of raw materials, inadequate supply of power, landownership issues, lack of appropriate infrastructure, and inefficiency in the financial sector. Zaney (2013) added that SMEs had numerous inherent weaknesses that served as a serious constraint: lack of appropriate business, managerial, and accounting skills required for any successful business operation. Tau (2013) identified the following as the main glitches faced by SMEs in Ghana:

? Inadequate access to finance ? Inadequate market support in an increasingly competitive environment? Poor accounting culture among entrepreneurs ? Non-existent R&D investment/Product Innovation ? Lack of entrepreneurial knowledge

Frimpong (2013) opined that the "full benefits of SMEs have not been realized in Ghana largely due to the difficulty SMEs have over the years experienced in accessing capital, lack of entrepreneurial skills, lack of access to high quality and affordable business development services, erratic power supply, lack of adequate technical and management support services and limited access to information on market opportunities" (p.1). In addition, Kayanula and Quartey (2000) observed that the lack of skills in the small and medium enterprises sector as a whole, despite the numerous institutions providing training and advisory services they have received, has become a serious impediment. Aryeetey et al (1994) noted that another major hurdle faced by SMEs was their inability to acquire the requisite technology and information needed for their work. In the case of Ghana, they affirmed that the cumbersome procedure for registering and commencing businesses were key issues often cited. For example, World Bank Doing Business Report (2014) indicated Ghana's rank among 189 countries was 67 as against the sub-Saharan average of 142 and South Africa's position of 41. This report "sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations" (p.4). Ghana's ranking in the doing business topics are shown below: Dealing with construction permits 159 3.

Getting electricity 85 4.

Registering property 49 5.

Getting credit 28 6.

Protecting investors 34 7.

Paying taxes 68 8.

Trading across borders 109 9.

Enforcing contracts 43 10.

Resolving insolvency 116 Kayanula and Quartey (2000) indicated that the absence of antitrust legislation favored larger firms, while the lack of protection for property rights limited small and medium enterprises access to foreign technologies.

SMEs often have difficulty financing their growth and innovations due to their associated inherent risks. But without the necessary funding, they may never experience growth and contribute their quota to the development of the country. According to Cork and Nisxon (2000), poor management and accounting practices are hampering the ability of smaller enterprises to raise finance. This is coupled with the fact that small businesses are mostly owned by individuals whose personal lifestyle may have far reaching consequences on the activities and going concern of such businesses.

Subsequently, some of these businesses are unstable and may not guarantee returns in the long run. Kauffmann (2005) identified the high rate of credit default among SMEs as a major difficulty in their quest to obtain financial assistance.

7 III.

8 Methodology

The research was descriptive in nature and employed the survey method in assessing the impact of money lending institutions on small and medium

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Volume XIV Issue V Version I Year ( ) enterprises. In order to effectively conduct a valid analysis in the presentation and analysis of the data collected on the research field, the researcher used descriptive statistics such as tables to depict the relevant data. The study utilized primary sources of data in which structured questionnaire were extensively used. Source: The International Bank for Reconstruction and Development/The World Bank (2013)

The purpose was to generate data about the opinion and perceptions of SMEs owners in relation to the effectiveness of money lending to the performance of their companies and in addition provide means of analyzing the likely impact of money lending on SMEs.

To constitute sample size out of the population of the study, simple random sampling technique was used to select 100 Small and Medium Enterprises. The concept of simple random procedure allowed unbiased sampling and accorded the research work more scientific feature, thereby concretizing the validity of the research findings. Though all the companies were served with questionnaire even though only75 were retrieved. To assess the impact of money lending institutions on small and medium scale enterprises, (SMEs) the chi-square test was usedIV.

Findings and Discussions a) Determine why small and medium enterprises (SMEs) seek for financial assistance

The data gathered from the respondents as depicted in Table 2, indicated that majority of the SMEs needed financial assistance mainly to increase their working capital, which represents funds required for the day to day administration of the business. Lack of inadequate working capital would cripple the business and could result in liquidation. In addition, other reasons for which SMEs sought for financial assistance included the acquisition of assets, to settle existing debts, and as a means to securing raw materials. These findings affirmed the assertion by Manzur et al (2008) that SMEs faced varied challenges associated with the day-to-day running of their business such as inadequate raw materials, energy and power, marketing skill, lack of transportation, and finance. However, the major hurdle they faced was securing adequate working capital to operate their businesses. Table 3 showed data regarding the disadvantages associated with securing financial help from the perspective of the SMEs. According to Quainoo (2011), most of these loans taken from banks for asset finance have higher interest rates because of the long term nature of repayment. For example some banks finance assets for up to a period of seven years. Thus the high interest rates and the cumbersomeness in procedures deter SMEs from applying for such loans. Even though a number of the respondents strongly agreed that assistance from money lending institutions were also cumbersome, they preferred borrowing from them than from the conventional banks.

Some of the respondent strongly disagreed that they sought for financial assistance for the purpose of settling other debts that had incurred. However, they were quick to point out that reduction in interest rates by some financial institutions compelled them to seek for better offers.

They consequently used the newly acquired loans to pay off their existing loan balances and also pay off their creditors.

Cumbersome procedures was a disadvantage because according to the respondents, they fall on the financial institutions in times of emergency. Any delay resulting from such procedures had dire consequences such as losing their contracts which eventually affect their growth. In such times, there was an indication that all inflows had to be prioritized into settlement of the loan, so until that is achieved all other issues are put on hold.

This confirmed the conclusion by Frimpong (2013) that SMEs in Ghana have not always obtained the required amount of support from banks, financial institutions and other bigger corporate entities.

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Volume XIV Issue V Version I Year ( ) There was also reduction in loan amount as one of the disadvantages. This according to respondents' occurred a lot since they were sometimes denied the amount requested and given something less after their applications have been scrutinized by the financial institutions. Such situations cause undue stress since the SMEs are left with no option than to seek for additional assistance and most at times at higher costs.

The risk of losing collateral was identified as a great disincentive to taking a business loan because of the high risk of default. SMEs only lost collateral in extreme cases because most relationship managers agree with their business clients to restructure the loan repayment to suit their current inflows. These findings agreed with Buatsi (2002) that with the existence of high interest rates, collateral requirements and the cumbersome processes have often been mentioned as the main impediments to SMEs' access to bank loans in Ghana.

Notwithstanding the obvious challenges in securing financial assistance, some identifiable advantages were associated with obtaining such needed help from MFIs. Respondents' perception of these advantages are shown in Table 4. Financial assistance from MFIs were perceived to be less risky than those obtained from the conventional banks. This could be attributable to the relationship existing between the SMEs and the MFIs and the fact that in most instances collaterals were not required. Respondents also viewed loans secured from MFIs as being relatively cheaper. Although, MFIs charged higher interests for loans compared to conventional banks, SMEs still thought they were cheaper and this results from the ease with which such loans are secured. On the other hand, the perceived cheaper cost of the loans could be derived from lack of knowledge and understanding in the area of finance to compare actual cost of capital.

Obtaining of financial advice, mostly in interaction with account managers, was a major advantage. Such interaction led to a cordial interaction and the SMEs being advised on how to use the loans efficiently. These type of financial advice, on the other hand, could only be secured after the payment of huge sums of money as consultancy fees from financial advisors. Also, most of the MFIs do not require collateral in the granting of loans. For example, some grant loans based on the past records with respect to their cash flows and audited accounts. These findings showed that SMEs sought for financial assistance in order to grow and improve on their businesses and also limited some of the constraints that came their way. In so doing they preferred money lending institutions because their serves are affordable.

11 b) Why SMEs default in loan repayment

Respondents were asked to give their opinion on factors that made it difficult for SMEs to repay the financial help they had received (See Table 5). This affirmed the assertion by Frimpong (2013) that SMEs also suffer credit rationing from financial institutions due to their lack of reliable collateral or collateral mismatch between the type of asset held by SMEs and the type of assets required by banks for collateral. Even in cases where SMEs were granted these credit facilities, these are granted at comparatively high interest rate. When payments made by debtors are delayed, it also makes it difficult for them to repay their loans. Several respondents strongly agreed to irregular cash flow being the difficulty because when there is a reduction in sales, it also limits the rate at which cash flows into the business.

Management incompetency was also one of the factors that had contributed largely to the high rate of loan default. Management of SMEs have not been up to the required standards hence their inability to manage cash adequately, leading to difficulty in making repayments. The lack of accounting and management systems, inadequate internal controls, and a reliable organizational structure has been the basis for such managerial incompetency. Respondents also attributed the extent of loan default to unfavorable economic developments. Adverse situations like depreciation in the local currency, inflation, higher taxes on business and individual income, higher taxes on imported goods, rendered the local economy a difficult one in which to operate. Finally, natural disasters like flood and fire outbreak, which has devastated many of the market places where most SMEs operate has also contributed to the high rate of default as the SMEs lose their wares and they have to reinvest their savings or seek for loans to restart their businesses when such misfortunes occur.

12 c) Impact of money lending on SMEs operations

The study sought to determine the impact of loans on the operations of SMEs. Respondents were asked to indicate the extent to which they agreed or disagreed with the impact of loans on various aspects of their operations, namely, sales, profit, and stock levels. Data received was presented in Table 6.

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Volume XIV Issue V Version I Year ( ) The findings indicated that loans helped overall firm performance in diverse ways. Most respondents opted for increase in profit, stock levels, and sales as their definition for importance of loan in improving the overall firm performance. The data depicted in Table 6 indicated the extent to which respondents viewed the importance of the various variables to their firms' performance. Most respondents opted for increase in Most of the respondents agreed to the fact that the interest rate were too high. During the first half of the year 2014, the average interest rate on loan by MFIs was about 5% per month whilst the conventional banks' rate average about 30% per annum. Thus, SMEs were compelled to use a large proportion of their gains to pay their debt and its accumulated interest, and are left with little to support their business. Coupled with delayed payment by debtors, irregular cash flows, and reduction in sales, the level of loan default by SMEs has increased. This situation has arisen because SMEs are faced with a choice of either using their income to service their loans or meeting the demands of their customers which in the long term would increase earnings to service the loans in the future.

profit and stock as their definition for importance of loan with respect to improvement in overall firm performance. This affirmed the finding by Watson (2006) that profitability is an important determinant of firm growth; through the use of retained earnings. In determining the impact of loans on the operations of SMEs, the research sought to determine whether there were any negative impacts. Majority of the respondents admitted that they were not sure of any mismatch of funds, that is diverting loan granted into other ventures which originally was not the intended purpose, posing as a negative impact. However, the responses indicated that the various SMEs appreciated that pressure for repayment of the loan contracted, loan default, inadequate cash flows, and limited expansion were relevant negative impact that loans had on their operations (see Table 7).

14 d) Impact Analysis

The study concluded by examining the impact money lending institutions have had on SMEs in the area of profit, increase in sales and stock using the chisquare test. In Tables 8-10, a relative standard for accepting or rejecting the hypothesis was when $p > 0.05$. The p value is the probability that the deviation of the observed from that expected was due to chance alone (no other forces acting). In Table 8, it was observed that, 0.003, 0.026, 0.018 were all less than 0.05 which showed that there was a significant relationship between increasing sales through borrowing to settle debts, increase working capital and to source raw materials. Since 0.236 was greater than 0.05 it was observed that there is no significant relationship between increasing sales through borrowing to acquire assets. 9 indicated that, 0.000, 0.008, 0.012 were all less than 0.05 which showed that there was a significant relationship between increasing profit through borrowing to acquire assets, settle debts, and to source raw materials. Since 0.165 was greater than 0.05 it was observed that there was no significant relationship between increasing profit through borrowing to increase working capital. In Table 10 it was observed that, 0.003 and 0.000 were both, lesser than 0.05 which showed that there was a significant relationship between increasing stock level through borrowing to settle debts and to source raw materials. Since 0.078 and 0.168 were greater than 0.05, there was no significant relationship between increasing stock level and borrowing to acquire assets and increase working capital.

The chi-test analysis affirmed that there exist a positive impact on SMEs operations by financial assistance received from money lending institutions, thus affirming the conclusion by Robb and Robinson (2009) that the gains from leverage are significant, and that the use of debt increases the market value of a firm. There was no significant relationship between increasing

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Volume XIV Issue V Version I Year ( ) sales and stock through borrowing to acquire assets but there was a significant relationship between increasing profitability through borrowing to acquire assets. This affirmed that it was possible for SMEs that sought financial assistance to acquire assets to experience an increase in profit rather than in sales and stock. Also, an increment inprofit, sales and stock were dependent on borrowing to settle debt which made the hypothesis a significant one. In like manner, the results of the Chi-Square test showed 0.018, 0.012 and 0.000 < 0.05 accepting the hypothesis for the relationship between SMEs who borrow to source raw materials and increase in sales, profit and stock to be significant.

Finally, the hypothesis was rejected the notion that increase in profit and stock was dependent on borrowing to increase working capital, but there was a significant relationship between borrowing to source raw materials and increase in sales. The chi-test analysis also confirmed that money lending institutions had a positive impact on SMEs.

V.

16 Conclusion and Recommendations

Majority of small and medium scale enterprises obtain their external funds from money lending institutions when they are able to meet the appropriate requirements. However, most small and medium scale business obtained their startup capital from family and friends and personal savings. From the findings, it was concluded that majority of the small and medium scale enterprises agreed that loans from money lending institutions helped in the overall improvement of their performance, and have had a positive impact, even though much is still expected from them. Small and medium scale businesses are in genuine demand for finance to be able to compete with larger firms. The results of the chi-square analysis also confirmed a significant positive relationship between money lending institutions and Small and Medium Scale Enterprises (SMEs), that the use of debt by SMEs resulted in a positive influence.

Based on the research findings the following recommendations have been proposed by the researcher to resolve the problem associated with small and medium scale enterprises borrowing from money lending institutions.

? Cumbersome loan procedures -Frontline staff members who respond to loan enquiries should be well trained to be competent enough to answer all issues at once so that SMEs are not frustrated in their quest to secure financial help.

? Extension of loan repayment period -The duration for loan repayment must be extended to a period of six months, from the current four months, to facilitate easy and early repayment and to eliminate loan defaults and bad debts.

? Loan guarantors -It is recommended that guarantors are interviewed on their source of income and the relationship with the borrow (SME). This would benefit the money lending institutions in terms of loan recovery, since they would be assured that guarantors would be in the position to repay in case of default. ? Financial Services and Advice -SMEs should also seek and take advice from the financial institution on how to manage their cash flows effectively; this will motivate the money lending institution to give those loans easily without collateral. SMEs should have proper book keeping of their daily business activities so that they don't misuse funds meant for other purposes. ? Cost of loans/Interest on loans -SMEs are the engine of growth for developing economies like Ghana. Loans are usually one of the fastest means of acquiring credit for SMEs. This credit is what helps them in boosting their business and in effect economy growing as a result. Therefore the cost of such loans should be reviewed downwards to enable smooth repayment and increase in the demand for loans by SMEs to enable growth in their business which would impact positively on the economy as a whole. [1] [2]

1

Figure 1: © 1 2

1

Doing Business Topics		Year 2014
1.	Starting a business	128
2.		

Figure 2: Table 1 :

2

Reasons	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
1. For acquisition of assets						
Frequency	26	41	2	4	2	75
Percentage	34.67%	54.67%	2.67%	5.33%	2.67%	100.00%
2. To settle debts						
Frequency	5	8	3	26	33	75
Percentage	6.67%	10.67%	4.00%	34.67%	44.00%	100.00%
3. To increase working capital						
Frequency	60	15	0	0	0	75
Percentage	80.00%	20.00%	0.00%	0.00%	0.00%	100.00%
4. To source raw materials						
Frequency	36	19	5	13	2	75
Percentage	48.00%	25.33%	6.67%	17.33%	2.67%	100.00%

Figure 3: Table 2 :

3

Disadvantages of taking a business loan	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
1. High cost of capital						
Frequency	26	41	2	4	2	75
Percentage	34.67%	54.67%	2.67%	5.33%	2.67%	100.00%
2. High rate of default						
Frequency	26	41	2	4	2	75
Percentage	34.67%	54.67%	2.67%	5.33%	2.67%	100.00%

Figure 4: Table 3 :

4

Advantages of Microfinance loans		Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
1. Less risky							
	Frequency	26	41	2	4	2	75
	Percentage	34.67%	54.67%	2.67%	5.33%	2.67%	100.00%
2. Relatively cheaper							
	Frequency	26	41	2	4	2	75
	Percentage	34.67%	54.67%	2.67%	5.33%	2.67%	100.00%
3. Obtain other financial advice							
	Frequency	26	41	2	4	2	75
	Percentage	34.67%	54.67%	2.67%	5.33%	2.67%	100.00%
4. No collateral required							
	Frequency	26	41	2	4	2	75
	Percentage	34.67%	54.67%	2.67%	5.33%	2.67%	100.00%
5. Best practices to use loan efficiently							
	Frequency	26	41	2	4	2	75
	Percentage	34.67%	54.67%	2.67%	5.33%	2.67%	100.00%

Figure 5: Table 4 :

5

	High Interest Rate		Delayed Payment by Debtors		Irregular Cash Flow		Reduction in Sales		Management Incompetnecy		Economic Changes		Natu Disa
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq
Strongly Agree	53	71%	40	53%	35	47%	27	36%	9	12%	41	55%	43
Agree	17	23%	30	40%	29	39%	34	45%	25	33%	27	36%	21
Not Sure	1	1%	3	4%	7	9%	8	11%	24	32%	3	4%	7

Figure 6: Table 5 :

6

The degree to which the loans help the business with respect to overall firm performance	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
1. Increase in sales						
Frequency	52	22	0	1	0	75
Percentage	69.33%	29.33%	0.00%	1.33%	0.00%	100.00%
2. Increase in profit						
Frequency	56	13	4	2	0	75
Percentage	74.67%	17.33%	5.33%	2.67%	0.00%	100.00%
3. Increase in stock levels						
Frequency	56	14	5	0	0	75
Percentage	74.67%	18.67%	6.67%	0.00%	0.00%	100.00%

Figure 7: Table 6 :

7

What is the negative impact of the loan on the overall firm performance?		Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
1. Mismatch of funds							
	Frequency	8	18	36	13	0	75
	Percentage	10.67%	24.00%	48.00%	17.33%	0.00%	100.00%
2.	Undue pressure for						
repayment							
	Frequency	37	18	1	18	1	75
2	Percentage	49.33%	24.00%	1.33%	24.00%	1.33%	100.00%
3. Loan default							
	Frequency	37	12	13	13	0	75
	Percentage	49.33%	16.00%	17.33%	17.33%	0.00%	100.00%
4.	Affects cash flow for						
adequate reinvestment							
	Frequency	36	21	9	9	0	75
	Percentage	48.00%	28.00%	12.00%	12.00%	0.00%	100.00%
5. Limits expansion							
	Frequency	38	13	8	15	1	75
	Percentage	50.67%	17.33%	10.67%	20.00%	1.33%	100.00%

Figure 8: Table 7 :

8

Value	Degree of Frequency (df)	Asymp. Sig. (2-sided)

Figure 9: Table 8 :

9

Value	Degree of Frequency (df)	Asymp. Sig. (2-sided)

Figure 10: Table 9 :

10

Value	Degree of Frequency (df)	Asymp. Sig. (2-sided)

Figure 11: Table 10 :

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