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**Abstract**

This paper reports on a study conducted by collecting data from both the demand and supply sides of formal finance to understand the perceptions of each party towards the other, regarding financial credit offered by commercial banks in the Cape Coast Metropolitan Area of Ghana. The study is an empirical investigation of perceptions and attitudes respectively of the two parties and consequently the co-existence expected of them – the commercial banks, as an important source of business funding and the small and micro-enterprise owners (SMEOs), as valued customers. Findings of the study point to the fact that SMEOs, especially the unregistered ones have a very blinkered understanding of the banks' financial credit procedures. The consequence of which, is the perceived rigid prudential measures by banks, weak locus of loan/overdraft applications and bargaining power in terms of credit quantum, interest rates and their resultant payment defaults. The banks on the other hand, would be required to do much more in terms of education on their products and procedures. In addition, their loan-repayment patterns and interest rates were found to be rigid and indiscriminate respectively and as a result, had made them unattractive to the SMEOs. The study recommends the importance of building a healthy business partnership between the two parties as a means to improve access to finance by this SME sector.

**Keywords:** Small and Micro-Enterprises (SMEs); Small and Micro-Enterprise Owners' (SMEOs); Small and Medium Enterprises (SMES); Commercial Banks; and Cape Coast Metropolitan Area (CCMA)

**Introduction**

Cape Coast is the capital and the only metropolis in Central Region. In the year 2002, the Ghana Statistical Services (GSS) reported that, Central Region was the fourth poorest of the ten regions in Ghana. Small and micro-enterprises (SMEs) in various sectors are physically dominant. Coincidentally, it is alleged that SMEs have a key role to play in Ghana's socio-economic developments. The level of contribution these businesses can make to the overall development is largely dependent on their size, capital and possibly, growth attained by their operations. Critical of the

aforesaid however, is size, which also determines their capacity. Fact is that the major determinant of a business size is its available capital or funding. This notwithstanding, some business commentators have constantly discarded the notion that in both developed and developing countries, finance has been the problem in developing and establishing Small and Medium Enterprises (SMES). They rather maintain that, it is how the finance is applied by the respective business unit. In Ghana for instance, Logli (1981) maintained that the crucial problem for small-scale entrepreneurs is not always one of finance but also how to handle the technical, managerial and

commercial sides of their activities. Similarly in Africa, he noted, the people in this category of business are those who have served as apprentices or under experienced artisans. In contrast, Bosa (1969) maintained that finance is rather the root cause of the problems and was supported by the studies of Levy (1993), Keasey and Watson (1994).

Africa remains a developing continent with South Africa as her country with the largest economy and much improved in the areas of private sector development and growth. Ghana's situation is similar to South Africa. The government has attempted various options to improve both interest in SMEs and their access to finance. In this regard, it started with SMEs capacity development agencies such as the National Board for Small Scale Industries (NBSSI), the Business Advisory Centres (BACs), Regional Development Commissions like the Central Region Development Commission (CEDECOM), Intermediate Technology Transfer Units (ITTUs), National Vocational Training Institutes (NVTIs), National Council on Women and Development (NCWD) and the 31<sup>st</sup> December Women's Movement (DWM). The more recent initiatives are the Small and Medium Enterprises Unit (SMEU), Entrepreneurial Development and Training Programme (EDTP) and the inclusion of Entrepreneurship as a compulsory course unit in all relevant undergraduate programmes of study in the country's tertiary institutions. In addition, SME development financial institutions like the Agricultural Development Bank (ADB), National Investment Bank (NIB), Rural Banks, Savings and Loans Schemes as well as the Micro finance and Small Loans Centre (MASLOC) have been deliberately established to facilitate all forms of SME access to finance.

In a recent attempt to create awareness of the importance of the SMEs, Ghana identified the private sector of her economy as the 'engine' of growth. This to a considerable extent has been received with mixed interpretations, owing to the fact that, SMEs continue to shoulder the lone-task of securing financial credit, especially from the formal banking sector. It is obviously the case that the improved levels of commitments and relationship as well as the

realized co-existence by the government and the SMEs cannot be quickly established between the banks and the SMEs. For an effective relationship to exist, leading to mutual benefits, theory by Binks et al (1992) suggests that there are certain roles expected from the partners in the relationship to determine the nature of the benefits to be realized. That is, the SMEs are expected to meet certain criteria for the banks to be able to assist them with their financial needs. For these roles to be fulfilled, all told, it is important that expectations from both parties are well understood specifically by the SMEs and the commercial banks respectively.

### **Statement of the Problem**

Over the last decade, the government of Ghana has initiated deliberate policies and programmes aimed at making the private sector economy, the 'engine' of her economic growth and transformation. This indeed, appears visible in the government's commitment in this sub-sector of the economy. However, what remains unknown is as to whether the opportunities provided SMEOs are inadequate or that, the policies and programmes themselves do not meet the purposes for which they have been initiated and established respectively.

Granted the relatively high levels of poverty in Africa and by extension Ghana, funding of SMEs appears in dire deficit to one's efforts to properly develop and establish SMEs in Ghana. Critical of SMEOs slack sources of funding, alleged, is that sought from commercial banks. This situation has further led to different speculations by business commentators, interest groups and varying study conclusions (see Bosa, 1969; Levy, 1993; Keasey and Watson, 1994 against Logli, 1981 respectively).

It is worthy of note that, the nature of banks-SMEs relationship is that the commercial banks tend to operate devoid of a good knowledge of the needs and how the SMEs run their businesses. From his study, Eyiah (2001) reports that, the main reasons forwarded for this situation is that the clients (SMES) are regarded as high-risk and unprofitable. This orientation, he noted, is not only typical to Ghana but a reality in the developing countries. The underlying problems for the banks' stance are not known. Equally, the SMEs' response to the

banks' perceptions about them as well as their own perceptions about the banks have not been heard. The possible cause(s) for each party's stance have been examined in this study.

### **Objectives of the Study**

The study has been precipitated by recent pronouncements and debates on rising unemployment and poverty levels due to lack of avenues for funding SMEs in Ghana. More specifically, the paper explores perceptions of SMEs towards commercial banks and vice versa in Ghana. A good understanding of this is expected to improve the ability of commercial banks to better solve or assist with the financial needs of SMEs. Similarly, if the real difficulties of SMEs are identified and addressed, they will be attracting the necessary funding for their establishments and growth, principally needed for the desired economic growth. Thus, the paper explores the issues that are needed to be taken into consideration in developing long-term relationships between with SME clients and commercial banks whilst minimizing the latter's risks in this all important market segment.

### **Literature Review**

According to the International Labour Organization (ILO), no single definition can capture all the dimensions of "small" or "medium" business size. Equally important is the issue of non-existent single definition to reflect the differences between firms, sectors or countries at different levels of development. In an attempt, the United Nation Commission for Trade and Development – UNCTAD (2000), defines a micro-enterprise among other things, as a "business involving one to five people (typically a sole trader)". It defines a small enterprise among other things to mean a "business employing six to fifty persons". That of a medium-sized enterprise has been defined to be "employing fifty-one to two hundred and fifty persons; and above which threshold is a large enterprise".

There are several prior studies on the private sector economies the world over, in specific areas of their establishment and funding of small and micro business units. More

specifically, commercial banks'-SMEs relationship has been topical. For instance, the International Finance Corporation (IFC) in the year 2007 reported that SMES comprise of 80 percent of the private sector in Africa. As a result of this, they maintain, many governments have given policy priority in supporting the development of this sector. In an earlier study to identify other SMEs growth problems given the then existing support mechanisms between the various governments and the SMEs, the IFC (2000) reported a peculiar problem with the bank and SME relationship in developing countries. That, "... lack of expertise in the banks... and the risks associated with lending to less-established entrepreneurs means that smaller companies in the region often cannot access the cash they need to develop and expand". A similar view was concluded by Schoombee (2007) that, "although the government has addressed the issue of access to finance, banks are still not interested in serving micro-enterprises".

Though the IFC has established finance programmes especially in the poor countries, these initiatives might not bear any meaningful results, if the attitude of banks towards SMEs and vice-versa in countries like Ghana does not change. Eyah (2001) maintained that, empirical and theoretical analysis exists which support the, "...importance of developing a closer working relationship between the bank and the SMEs in addressing the problem thereby improving the latter's access to bank loans". See also Boots and Thakor (1994), and Seal (1998). Quite recently, Christian (2005) in an article supported the problems SMES face in accessing finance by noting that SMES in South Africa are often quoted as not being able to access money from banks to grow their businesses. By his assertion, this has been the biggest inhibitor of growth, as SMES contend that banks just do not know how small businesses work.

In a related attempt to look at the perceived lack of healthy business relationship between the commercial banks and the SMES in South Africa, Bbenkele (2007) noted that, the SMES in the urban areas rather have lower levels of negative perceptions on services offered by the commercial banks than their counterparts in the

rural areas and called for an educative working relationships between SMES and the banks. He noted specifically that the lack of information flow and poor attention placed on SMES had led to them mistrusting and wrongfully perceiving the banks not to be very useful in assisting them.

In his views on the problem of unattractiveness of the banks to SMEs due to their respective perceptions and banks' excess prudential policies, Eyiah (2001) noted that such situation rather tends to create mistrust between SMEs and banks. He continues further that the situation may further be compounded by the realities of business uncertainty as a result of SMEs' susceptibility to volatile markets and economic conditions. In addition to this, are the high transactional costs related to doing business with SMEs which make the cost of lending to SMEs high-risk and unattractive. In Ghana unfortunately, this has led commercial banks not doing much in terms of financial intermediation to the SMEs and the relative poor. Binks et al (1992), in their relationship theory suggests that, for an effective relationship to exist leading to mutual benefits, there are certain roles expected from the partners in the relationship to determine the nature of the benefits to be realized. That is, the SMEs are expected to meet certain criteria for the banks to be able to assist them with their financial needs. For these roles to be fulfilled, all told, it is important that expectations from both parties are well understood specifically by the SMEs and the commercial banks respectively. This theoretical position has been adopted and explored by the study.

### **Methodology and Data sources**

The study is aimed at determining perceptions and revealing attitudes SMEs have towards commercial banks and vice versa, given the situation that the banks have what the SMEs need and without which need being satisfied would lead the SMEs to suffer whilst the banks are smoothly run. All things being equal, it is expected that once these pieces of information are revealed, they should lead to developing strong banking relationships with SMEs (Bbenkele, 2007). There are no reliable data on the number of SMEs in the CCMA. In order to

obtain a reasonable sample, the metropolitan area was divided into 10 zones and these zones were chosen based on their concentration of SME units. It is equally not yet known as to the percentage of revenue generated from the SMEs by the CCMA. Better-still, a purposive sampling technique was used in selecting the respondents to achieve a complete coverage in terms of industry classification within the metropolis. Initial interview schedule was tested in the zones and based on the responses; a final interview schedule was made and used for data collection around the following major issues:

- a. to determine the SMEs' knowledge about possible financial credit offered by the banks;
- b. to determine the level of understanding of SMEs' by the banks;
- c. to determine aspects which SMEOs consider important in building relationships with commercial banks;
- d. to determine aspects which the banks consider important in building relationships with SMEOs; and
- e. to reveal both the behaviours of banks and SMEOs which help or hinder the development of relationships with one another leading to the respective firm decisions aimed at effective co-existence in the interest of the economy of Ghana.

A qualitative research methodology was used to collect data. The study collected primary data through direct interviews with respondents via the use of focus group discussion with 50 SMEOs groups of two (2). It is a cluster sampling where a minimum of 30 respondents were considered acceptable for the sample. In all, 50 SMEO groups of both sexes participated. On the supply side of finance, responsible officials of the Agricultural Development Bank (ADB), Barclays Bank, National Investment Bank (NIB) and Ghana Commercial Bank (GCB) were also met for appropriate discussions. SMEOs who were available and were willing to participate were used. Further, the selected SMEOs were those by virtue of their activities either employed a maximum of 25 people or were those with a possible need of

financial credit or loans between GH¢<sup>1</sup>2,500 to GH¢10,000 or currently in business with annual revenue of GH¢7,500 to GH¢60,000. A five-day reconnaissance survey of the metropolis was undertaken. All SMEs concentrated zones in the metropolis were noted with the assistance of five HND graduate research assistants. A team of two each including the researcher observed discussions between SMEOs and the four selected commercial banks in turns. They also sought out information regarding SMEOs initial sources of capital and subsequent cash injection whenever the need arose. Discussions with both parties' participants were permitted to be recorded. A total of 100 SMEOs were interviewed from the study area. The breakdown is as follows:

**Metro Area Number of groups**

Kotokoraba	13
Ntsin	7
Ayeko-Ayeko	4
Aquarium	3
Bakano	3
Aboom-M'Sam	4
Abura	6
Pedu	4
Amamoma-UCC	3
Eyifua-Poly	3
<b>Total</b>	<b>50</b>

**Empirical Results**

The results of the study are presented in three broad areas namely perceptions of SMEOs towards commercial banks and those of the banks towards the SMEOs as well as the factors deemed important in building relationships with one another.

**Perceptions of necessity of banks in assisting SMEOs**

Schiffman and Kanuk (2005) maintained that perceptions are important in marketing as "individuals act and react on the basis of their perceptions and not on the basis of objective reality". The perceptions which are revealed by both parties will eventually be held as being

contributive in one way or another in meeting financial needs from the respective sides. The main perceptions held about the SMEOs by the banks are presented below:

As commercial banks, they are profit-making concerns with all their efforts geared towards reducing costs and other associated business risks in order to report profit(s). They lament further that they borrow from the Central Bank at a prime rate and the amounts borrowed (by the nature of their business) are then retailed to parties in need of financial assistance at terms considered prudential for their business growth.

The study established that since the readily amounts of loans were themselves borrowed, the banks had always maintained measures aimed at full recovery of the loans in practically short-periods. This makes them put the SMEOs on more stringent terms, especially with their underlying perception that with the calibre of people running SMEs and in some cases, their nature of businesses, some SMEOs may choose the worst case scenario of total non-payment of their loans as an option to any pattern of repayment. Further, they regard the SMEOs to be lacking entrepreneurial skills as well as financial management techniques.

Some perceptions held about the SMEOs are offensive and ranges from a view that most of them are school drop-outs to tricksters who may abscond with relative amounts at their disposal. Others include the alleged practice that, with the little glimpse of success or improvement in their businesses, the SMEOs normally lose their business focus and ruin all their initial efforts and success as well as goodwill.

In the light of these perceptions, the banks' strategies are geared towards early recovery of loans or better still, a greater proportion through a costly loan. In their attempt to hedge the risks in this market segment is the effect of a heightened requirement of the SMEOs to provide collateral security as the acid test. The banks further perceive that the SMEOs find it difficult to disclose their full business affairs to them, a situation that has placed the SMEOs least understood by the banks. Where their business records were provided, the already underlying perception about their competence and entrepreneurial skills had undermined such

<sup>1</sup> A prefix for the local currency, the Cedi. Gh¢ 1.50 was equivalent to USD\$1.00 (30 June, 2009)

disclosures as having been window-dressed. A bank official reported that, *"those you may initially not trust will prove you wrong and those you may be convinced about will rather put you in trouble or disappoint you in the end, so you see...it is a difficult situation"*. With the banks holding such views on the SMEOs if extreme care is not exercised in the two parties dealings with each other, it portends a degenerated situation where the SMEOs may hold distanced positions from the commercial banks, perhaps, after the first or few encounters with each other.

#### **SMEOs' perceptions towards the banks**

The study results show that SMEOs have the same needs and aspirations of corporate finance just as big companies or corporations for the purpose of acquiring land, plant, equipment, expansion, branches and for working capital adjustments as and when the planned stages come. The main sources of their capital are from remittances from friends and relatives overseas, support from partners in informal relationships and government support programmes. It was interesting to observe that Susu<sup>2</sup> savings and Credit Unions emerged as a very common source of capital for most of the SMEOs interviewed. However, when capital requirements were higher, most SMEOs indicated that overseas remittances were used with very insignificant number indicating the use of commercial banks through their informal partners who are salaried workers.

The fact that commercial banks have hardly featured as a source of finance to the SMEs suggests that commercial banks do not have a specified plan for SMEOs which has accounted for their failure to meet the needs of these important business units. This view was very common among SMEOs who were not well-established or properly registered or have educational backgrounds up to the basic high school level. This difficulty is explained by the lack of collateral security, indiscriminate interest rates and excess bureaucracy on the banks' apprehension of SMEOs' loan repayment potentials. As a result, their

perceptions were negative and did not regard their relationship with the banks as partners but one of mistrust.

Other negative perceptions emerged with the banks being tagged as exploitative, self-centred and misunderstanding. By the size and nature of their business, the SMEOs maintain that their profit margins are not considered in fixing the interest rates, which they say, are very high coupled with rigid loan repayment patterns. A common displeasure among SMEOs were instances where they had to pay high interest rates between eight (8) and twelve (12) percent on-top of the base rate of around 18 percent. Similar situations were reported by the Harris (2004) and Bbenkele (2007). Respondents described the banks to be over-reliant on collateral for all sizes of loans.

Of critical importance is perhaps the underlying factor of the above negative perceptions that the less-established SMEOs do not understand the banks' procedures for financial credit in the form of loans as well as the associated consequences of decisions made by bank officials. As a direct result, SMEOs' expectations appear high and very prompt. Any attempt for bank officials to adhere to laid-down procedures with loan applications is seen as being non-caring and insensitive to the SMEOs' growth.

Also alleged is the perceptions that, the bank simply do not target the SMEOs in their marketing activities and promotions, let alone finding them. Such isolation, they maintain, makes the SMEOs feel psychologically left-out by the banks in their partnerships.

#### **Factors considered important for building required relationships**

Theory on the required relationships between the commercial banks and the SMEOs suggests that in order for it to be effective and mutually beneficial in the long-term, both parties need to bring something of value to the exchange process. The most important exchange episode is the exchange of information, nature of environment in which the transaction takes place and the manner in which the exchange process is managed (Bbenkele, 2007). If any of these three important episodes are lacking,

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<sup>2</sup> A form of savings where contributors are given the total contribution at a time in turns until all members have been served

suspicion sets-in and the exchange might not meet the expectations of both parties.

Firstly, there should be information disclosure from both the banks and SMEOs. On the banks' side, there is the need for them to disseminate information on their services or products as well as the laid-down procedures and the reasons to the SMEOs especially the less-established. This information is expected to highlight the difficulties they face to satisfy the needs of the SMEOs and the consequences of their actions as individual authorizing officials. On the other hand, the SMEOs especially, the less-established are also expected to group in order to collectively assess their strengths, weaknesses, opportunities and threats so that they will be able to present their situation and difficulties (which might require some special attention) to the banks.

Whilst information does not seem to be targeted on SMEOs from the banks and vice-versa, the study's results state that the SMEOs are not comfortable in disclosing information on assets in case they over-expose themselves if the business venture is in financial problems and also for tax purposes. Further, it was reported that they would hide information on their liabilities to make themselves look good. Such orientation is known by the banks and this makes them use a more prudential approach in evaluating loan/overdraft facilities they solicit for. This brings about controls leading to suspicions in the exchange process, even where the required has been provided. With the aforesaid attitude, unfortunately, the relationship tends to be a short-term measure and does not in any way lead to the long-term. What is required of both parties is to ensure that a workable level of trust exist in the relationship. When this happens, both parties, especially the SMEOs are more likely to fully disclose the required information. The studies of Seal (1998) and Bbenkele (2007) support the importance of trust between the parties.

The next issue to tackle is that, the environment in which the exchange episodes take place is relatively important for the required healthy or working relationship between the commercial banks and SMEOs. Such environment can either be seen to be friendly or intimidating and

this will obviously influence the perceptions formed by either party in the exchange process. This calls for the SMEOs especially to be warmly received and painstakingly listened to at all times by the banks.

However, the results reveal some interesting perceptions and expose further insights into the perceptions SMEOs have about commercial banks. The unregistered or less-established SMEOs reported that, they "rather feel nervous, scared, sometimes belittled, feel somehow unwanted and uncertain of the outcome of their applications, feel bad and maintains their perceptions that commercial banks only favour or listen well to the well-established and big corporations and that they are less attended to and are always going to have poor services in the end". This suggests that the banks are perhaps partially focused or have non-caring attitude towards the SMEOs and this does not help the required efforts at the relationship. In addition, such a situation makes majority of the SMEOs feel that they are at the mercy of commercial banks and as such, at their slightest discretion, banks do things which do not promote trust and confidence building.

The study noted that these negative perceptions differ from responses of the well-established (those registered with the registrar of companies and meeting the sample criteria) SMEOs who felt "welcome, happy, always assisted and comfortable with the commercial banks but for the interest rates and in some cases, their repayment patterns." This implies that different relationship strategies are required for SMEOs at different levels or growth stages. It may be recalled that the commercial banks had reported a perception that the SMEOs, especially the less-established ones, have always wanted other considerations other than laid-down criteria which have always made their assistance prolonged and in most cases unsuccessful.

The SMEOs need to know, not only the services offered by the banks but procedures and the consequences of decisions made by bank officials in their career. The banks on the other hand, are expected to better understand the peculiar nature of SMEOs especially, the less-established ones. Anything short of these causes problems in the required relationship.



However, effort to correct the existing situation was undoubtedly seen as something that would be time-constrained, commitment oriented and expensive due to the large numbers of SMEs but nevertheless important for the commercial banks to undertake. It is suggested that information dissemination through mass media channels like radio, television, workshops and network or associational interactions might improve the situation.

### **Discussion**

The discussions are made on both prior studies and the empirical results of this study.

The SMEOs enumerated specific positive behaviours as necessary in building a long-term business relationship with the commercial banks including being well-informed on the products and procedures and respecting responsible bank officials on their duties. They also pointed out a number of unwanted behaviours from the commercial banks which would enhance the relationships. Both their admission and concession to their negative behaviours and readiness to shelve others for a healthier relationship with the commercial banks is indeed refreshing to note. Among some of the behaviours needed from the SMEOs to maintain and build good relationships with the banks are:

(a) To be prepared to disclose full information willingly regarding their assets and other collaterals as well as keeping proper books of account in order to maintain positive cash flows for the commercial banks to know them better. This would be further enhanced by opening bank accounts and properly maintaining them to trace the banking behaviour of SMEOs;

(b) The SMEOs are required to adhere to banks' laid-down procedures and requirements for loans/overdrafts. To this effect, they are required to invest more time to know specific loan(s) requirements in order to provide the specific conditions by banks. This is expected to solve some bank perceptions about their entrepreneurial competence and the needed financial management techniques;

(c) SMEOs need to reignite their existing ten (10) focal units through the Forum for Small Scale Business Association (FOSSBA) for them

to be much more relevant and beneficial. When this is done, they can open communication with the commercial banks on general corporate co-existence as well as mutual understanding and respect. This is expected to solve selective decisions by banks which some SMEOs might be suffering as a result. In addition, it may become easier for parties in the relationship, especially in situations when the SMEs are doing well or when they are in difficulties. This would undoubtedly provide the banks an idea of how to assist at present and in future; and

(d) It is generally the expectation of the study that SMEOs would maintain honesty in all aspects of their operations, especially; the conduct of financial transactions by injecting moral judgments as well as prudent management of their cash flows in order to reduce unwanted withdrawals and / or overdrafts on their accounts.

On the side of commercial banks, the behaviours required for better relationship with the SMEOs are:

(a) The dissemination of information regarding their products and conditions not only to their 'valued' corporate customers but also to all types of set-ups including the SMEOs especially, the less-established ones. This position is expected to open avenues to the SMEOs to carefully study their options or opportunities with the banks in order to collectively engage themselves on possible consideration and concessions based on a reasonable mutual understanding, respect and trust. In addition, the effect of such engagement is expected to eliminate the stand-offs between the two parties so that the SMEOs would be well-informed in all aspects of their partner's operations including the dos' and don'ts'.

(b) At all times, the prevailing rules and procedures of the banks are expected to be observed by the SMEOs so that the processes leading to access loans would be smooth especially where the SMEs have properly identified their opportunities and requirements with mutual understanding. This situation is expected to deal properly with perception by the banks that the SMEOs do not know their own businesses, let alone effectively managing them. Conversely, the banks would see the

SMEOs as serious, business-like and incorporate them in all aspects of their customer planning; and

(c) It is equally expected that the banks would realize, as a matter of urgency that, the SMEs market is large and may be profitable if carefully evaluated and engaged. This way, their problems and opportunities may need serious considerations in order to assess whether special concessions in terms of interest rates, payment patterns as well as some otherwise general application formalities and guidelines may be customized to promote, especially the less-established SMEs. A similar situation was found by Morgan (1989).

It is a natural phenomenon that, parties to a good relationship physically visit each other occasionally. In view of this it is expected that the banks exhibit certain simple practices in the form of occasional visits and devote time for the SMEOs especially, the less-established ones at their premises. These actions would better expose the banks to understand the environment in which the SMEs operate in. It is expected that this would help to improve the relationship building. As all these were not being practiced by both parties at present, the exchange environment is generally not good.

### **Conclusion**

The study concludes that, the needs and prospects of the SME sector of the economy should be clearly partitioned with respect to their capitalization and relative size of needs. This is due to the fact that serious differences exist within the group with respect to their needs, satisfaction and aspirations. The study has established clearly that the less-established SMEs rather have more negative perceptions on the services offered by commercial banks than the well-established. This is explained by the fact that there are low levels of sophistication in aspects of business set-ups which obviously affects the smooth process of operations as well as the way and manner information is generated and disseminated. It is obvious that in the absence of targeted information provided at the respective levels or business units, it would be uneasy for them to understand the banks' loan procedures, other services and requirements.

Equally critical is the absence of openness between the two parties regarding information disclosure and especially the resultant effect on the SMEs' operations has made matters worse. There are deep levels of mistrusts, suspicions and isolation between the commercial banks and the SMEs which have degenerated into the stand-point of SMEOs mistrusting and wrongfully perceiving the banks not to be very useful in assisting them. On the banks' perceptions about the SMEOs as risky and unprofitable, the study concludes, was very subjective and in some cases, prejudiced by mere comfort of customer availability; a position supported by the findings of Aldag and Stearns (1987). To obtain the required relationship and corporate co-existence, both parties are expected to sensitively re-evaluate the disadvantages associated with their current view-points and attitudes towards one another.

### **Recommendations**

The study recommends that avenues for timely, relevant and frequent information be created at both the SMEOs' end and that of the banks, to enhance the much needed efforts at long-term dyadic business relationships between the two parties. This will make it easier for them to define information to be shared, required behaviours from both parties and the benefits to be realized by them. It appears at the moment that, the commercial banks have nothing to gain by getting closer to the SMEOs or have nothing to lose by isolating them. A position, the study concludes, as very subjective and prejudiced. The study however has provided information to show that SMEOs foresee benefits in establishing a long-term business relationship with commercial banks.

In addition, deliberate policies and strategies aimed at changing perceptions and attitudes with both parties in order that they have the required and respective confidence for their mutual benefits are recommended. This though, might require some third-party assistance from any of the capacity-building agencies mandated to facilitate both the SMEOs' access to finance and growth prospects. More specifically the government, through the Metropolitan, Municipal and District Assemblies (MMDAs) Common Fund may serve as an addition to the

financial intermediating agents. Under this, given the fact that the above agencies maintain records on all business units in their superintending areas for obvious reasons, they may be more effective to serve as collateral for especially the less-established SEPs, a situation similar to the commercial banks' corporate loans concept. Still on the grounds of their mandate and might, the MMDAs could be further assertive as a source of reference on SMEOs to all other financial facilitators including the MASLOC scheme and NGOs. This is expected to provide a uniform grounds of assessment on the existence, performance or otherwise, given the large numbers of SMEs involved.

Most encouraging is the fact that, the SMEOs have acknowledged improved relationship as the cardinal factor to aid the process of getting them assistance and will dare not miss the opportunity on the basis that the expectation from the commercial banks is clear. Therefore, it remains a unique call on the commercial banks to rise up to the challenge in the supreme interest of the economy of Ghana to equally roll-out a reciprocate and fresh plan of action specifically targeting the SMEOs this time, whilst maintaining some prudential measures at their relocated level but equally engaged in the relationship building practices to eliminate or at least reduce the negative perceptions in the SMEs market. To this end, co-existence and mutual benefits would be prioritized, SMEOs would be on their feet and the economy would have improved for the simple good reason that this time, the commercial banks have decided to treat SMEOs differently for the benefits of the Economy of Ghana.

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