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THE CHALLENGES BEHIND SMES' ACCESS TO DEBTS FINANCING IN THE GHANAIAN FINANCIAL MARKET

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ABSTRACT: *Despite the fact that financial institutions have identified the SME sector as a fast growing sector in the country, there are several constraints serving as bottlenecks to SMEs in accessing finance from financial institutions. This study examines difficulties SMEs face in accessing loan, difficulties financial institutions face in lending to SMEs and the impact of loan on the profitability of SMEs. In conducting this study, questionnaires were administered to SMEs. Credit officers in the selected banks were interviewed. The following major findings came to the fore; Interest rate on loan to the SMEs is extremely high, Repayment periods on loans to SMEs are too short making it very difficult to embark on any developmental or expansion projects, most SMEs, do not understand terms and conditions, and also oblivious of the interpretation of the percentage charged on the loans. It was also found out that small business owners normally give false information when accessing loan from financial institutions. The study suggested that government should institute some form of tax incentives to financial institutions involved in SME lending and formulate regulatory laws to help loans recovery. SME associations must be established to unite them and serve as guarantors whenever loans are accessed*.

KEYWORDS: SME, debt financing, financial institutions

INTRODUCTION

Small and medium-sized enterprises (SMEs) are the backbone of all economies. They are considered as key component and players in national growth and development. They are often described as proficient and prolific job creators, the seeds of big businesses and the lubricant of national economic engines. The dynamic role they play in developing countries have been exceedingly emphasized, they are a major source of economic development in developing countries. They also play a key role in the economic development of developed countries. According to Kayanula and Quartey (2000), SMES seem to have advantages over their big size competitors in that they are able to adapt more easily to market conditions and they are also able to withstand hostile economic conditions because of their flexible nature. They are labour intensive and more likely to succeed in smaller urban centres and rural areas where they contribute to a more equitable distribution in the regional wealth thus slowing down the flow of migration from rural to urban areas.

In recognition of the enormous potential roles of SMEs in economic development, measures and programmes have been designed and policies enunciated and executed by successive governments, donor agencies, and multilateral agencies to encourage their development and

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to make them more vibrant yet the challenge of access to debt finance has not been addressed. One of such programmes is Ghana Enterprise Development Commission(GEDC) which aims at assisting Ghanaian businessmen to enter into fields where foreigners mainly operated but became available to Ghanaian after the Alliance Compliance order in 1970. Another one was Private Enterprise Foundation (PEF), it was established to train managers of SMEs, Micro finance and Small Loans Centre (MASLOC) which were to establish branches in all regions to provide micro finance services to small businesses was established only to see the light of misappropriation and funds being directed to political party members. Most of the schemes were not restricted as a result most beneficiaries were the big companies liquidation of the lending schemes was difficult, for example, Austria Import Support Program in collaboration with the government of Ghana provided financial assistance to about twenty businesses in Ghana to purchase machinery, equipment and raw material from Austria. This facility was issued in 1990 and supposed to be liquidated in 1996 but as at the year 2001 only one beneficiary had paid. It has been worrisome that despite all the incentives, policies, programmes, and support aimed at revamping SMEs, they have performed rather below expectation. Most of the lending schemes are accompanied with directives and mainly imports. They often cited reason for their failure as inadequate finance. According to Parker et al. (1995) world bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to investment. Access to finance is limited because financial institutions perceive SMEs to have high default rates and risks.

It has been shown that there is a high co-relation between the degree of poverty, hunger, unemployment, economic well being (standard of living) of the citizens of countries and vibrancy of the respective country's SMEs (Onugu, 2005). If Ghana is to solve its main problem of unemployment and able to secure employment for the increasingly population and improve the standard of living of it citizens, then one sure way is to vigorously pursue the development of SMEs through the provision of adequate finance. It is time to address issues stagnating SMEs given the aggravating level of poverty in Ghana and the need to achieve a better Ghana economy. It is in view of this that this study seeks to explore the challenges of SMEs in accessing debts finance in the Ghanaian financial market and to recommend some solutions to these problems.

LITERATURE REVIEW

Challenges of SMEs in accessing loans in financial institutions

The fact that SMEs have not made the desired impact on the Ghana economy in spite of all the efforts and support of succeeding administrations and governments gives a cause for concern. It underscores the conviction that there are fundamental issues or problems, which face SMEs but which up till now have either not been addressed at all or have not been wholesomely tackled. A review of literature reveals indeed that access to loan is the main problem. The following researchers confirmed it.

Lack of adequate financial resources places significant constraints on SME development. Cook and Nixson (2000) observe that, notwithstanding the recognition of the role of SMEs in the

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development process in many developing countries, SMEs development is always constrained by the limited availability of financial resources to meet a variety of operational and investment needs. SME owners in Europe, when asked about the most important problems they faced, they mention access to finance first, ahead of issues such as ‘’taxation’’, lack of skill, access to public procurements, unfair competition, labour law, access to the single market and so forth (European Commission Report, 2008). In Ghana, the major problem face by SMEs is access to credit (Boapeah, 1993). A few of the challenges of SMEs in accessing loans are discussed below;

Stringent conditions

In many cases, SMEs are not able to access loans from financial institutions because of the conditions attached to the loan. Financial institutions refuse to lend to some small enterprises because they do not have acceptable collateral. Previous researchers have suggested that, bank financing will depend upon whether the lending can be secure by collateral (Storey, 1994; Berger and Udell, 1998). Collateral in the form of assets is only a way for financial institutions to recover their money in event of default. Without adequate collateral, banks have limited or no ways to protect the loan assets. The financial institutions demand collateral in order to mitigate the risk associated with the loans. SMEs with good business plans not back by adequate collateral are normally refuse credit because financial institutions cannot afford to take any chances of non-repayment of loans. Financial institutions always insist that this collateral requirement is fulfil.

Strict vetting of credit applications

Banks are also strict when vetting credit applications of small businesses. According to Appenteng, the vice president of the Association of Ghana Industries (AGI), (2010) banks are more stringent when appraising credit applications of SMES hence subjecting them to cumbersome credit procedures. The procedure of vetting loan applications waste so much time that loans are delayed and issued when intended purposes have expired.

Short period for repayment

At times, loans received are less than requested and short periods are giving for the repayment of the loans. Ricupero (2002) states that commercial bank loans extended to SMEs are often limited to a period far too short to pay off any sizeable investment and Abereijo and Fayomi (2005) notes that the majority of commercial bank loans offered to SMEs are often limited to a period far too short to pay off any sizeable investment.

Unaware of factors financial institutions take into considerations

Small enterprises do not know factors financial institutions take into consideration before lending to its customers. Financial institutions generally do not lend to whoever would be willing to pay higher interest rates, because doing so would attract riskier borrowers. They have ways of checking credit worthiness of their customers. They lend to businesses, which they are convince that they have the ability to repay the loan (Ocansey, 2006). It has been observed that a key factor that make the SMEs unable to access financial assistance was the lack of understanding in the operations of banks and vice versa. Consequently, in effect SMEs suffer from the frustration of delay in accessing bank credits or denied completely.

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Banks demand things like audited financial information, convincing business plan, and bankable proposal before they lend to small business. Most small enterprises do not have technical capacity to do these things. This makes it difficult for them to access loans.

Government institutions and development partners to help SMEs

Successively Governments after independence have set up institutions to assist SMEs because of the persistent financing gap; Governments and development partners to stimulate the flow of financing to SMEs over and above what is available from exiting private sector financial institutions have launched many interventions. The problem is that most SMEs are not aware of the existence of these institutions.Schemes introduced by government, either alone, or with the support of donor agencies to increase the flow of financing to SMEs. The schemes have included the following:

• Business Assistance Fund: The Business Assistance Fund was operated in the 1990s to provide direct government lending to the SME sector. The program was widely seen to have been abused politically, with most of the loans going to perceives government supporters.
• Ghana Investment Fund: In 2002, the Ghana investment Fund Act (Act 616) was passed to establish a fund to provide for the grant of credit facilities by designated financial institutions to companies. However, the scheme was never implemented.
• Export Development and Investment Fund (EDIF): Under this scheme, companies with export programs can borrow up to $500,000 over a five-year period at a subsidized cedi interest rate of 15%. While the scheme is administered through banks, the EDI board maintains tight control, approving all the credit recommendations of the participating banks. (Mensah, 2004)

Guarantee Facilities

Section 13 of the Loans Act of 1970 (Act 335) empowers the Government of Ghana (GoG) to provide government guarantee to any external financiers who wish to advance funds to any Ghanaian organization and the terms of such facility require the provision of guarantee from the Government. Guarantee facilities are contingent liabilities of the Government. The onus for repaying the facility lies with the borrower and not the Government. The facility crystallizes and becomes liability due from GoG if the borrower is unable to honour his/her loan obligation and the Government is called upon to settle the facility as a guarantor.
Currently, the only government-supported loan guarantee scheme in operation is operated by Exim guaranty Company which is majority-owned by the Bank of Ghana (Mensah, 2004).

Financial Illiteracy

Financial illiteracy and complexities is a major problem throughout the world and has been identified as one of the key reasons why SMEs are unable to access loans.
Most SMEs, which are not able to properly comprehend the lengthy terms and conditions, are also oblivious of the interpretation of the percentage charged on the loans and become alarmed when the repayment periods tend to be longer than expected.
It is thought that microfinance institutions are doing a good job by providing loan facilities for SMEs, but they sometimes do not tell the truth. Some of these institutions take advantage of their educational weakness, and for one reason or the other, refuse to give details and explain the interest

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rates and its implications on the loans lend to small business. This becomes a problem when they have to re-pay the loans. (Donkor, 2012)

Challenges of financial institutions in lending to SMEs

The financial system in every country plays a key role in the development and growth of the economy. Lemuel (2009) stated that, the traditional commercial banks that are key players in the financial systems of nearly every economy, have the potential to pull financial resources together to meet the credit never there is a huge gap between supply capacities of the banks and the demanding needs of SMEs. Financial institutions in Ghana face many challenges, which prevent them from lending to SMEs. Some of the constraints of financial institutions are discussed below;

High transaction Costs

Like all other businesses, banks incur costs to do a business, they incur costs to assess credit, process and monitor loans. Transaction costs directly related to profitability. The higher the cost of processing a transaction the lower is the return. SMEs' loans often consume time to assess, monitor and manage. According to Zavatta (2008), irrespective of risk profile considerations, the handling of SME financing is an expensive business.

Many bankers perceive that small business require much more advisory support-hand than large corporate client does. All these involve cost.

Lack of reliable information

Small business owners are not transparent or do not open up of their businesses to outsiders. For some reasons, they do not give the true information about their assets, liabilities, profits and others to tax collectors, their employees and outsiders. Access to external finance depends on an open trade of information between the one receiving the fund and the giver. More transparency and better dialogue between SMEs and financial institutions can help to solve some of the challenges SMEs face in accessing loans. The refusal of small business owners to give right information about their business to outsiders make it difficult to assess creditworthiness and also difficult to lend. If true and quality information are supplied to banks and other financial institutions, it would be easy to assess creditworthiness of businesses and reduce risk of default. This would also enable financial institutions to give small enterprises good terms of payments. In Ricupero (2002) part of the reluctance of banks to lend SMEs is the banks' inability to evaluate risk because of lack of reliable financial information.

Lack of adequate financial statements

Most SMEs do not prepare financial statements. SMEs are not requiring by law to prepare financial statements. Even in highly developed economies, such as those in the European Union, SMEs are not required to report on their financial performance in a standardized manner if they do not reach a significant threshold in total assets, turnover and/or number of employees. This means that many SMEs in developed and developing countries do not produce reliable financial information, which could be used by creditor or investors. (Ricupero, 2002). Bass and Schrooten (2005) concluded that the lack of reliable information leads to comparably high interest rates even if a long-term relationship between borrower and bank exists. In a situation like this, having audited financial statements play a major role. Audited financial statements are very useful in accessing credit from financial institutions. Often, banks require audited financial statements before granting credit. For

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example, Berry and Brian (1994) found that lenders in the UK pay much attention to accounting information in order to deal with the loan applications of small firms. Given the reduced information risk arising from audited financial statements, potential lending institutions may offer low interest rates as well. In other words, audited financial statements improve borrower's credibility and therefore reduce risk for lenders. Sacerdoti (2005). The ability of borrowers to provide adequate financial statements and the establishment of credible credit bureaus and financial data bases are essential to encourage the expansion of credit, promote competition in the banking systems, and thereby reduce the cost of credit to borrowers. In many countries, banks are reluctant to extend credit to SMEs because of the inability of the borrower to produce formal financial statements and audited accounts. Strengthening accounting and auditing is therefore a key requirement for widening access to banks by SMEs. In many countries, however, the accounting profession is not well regulated, and the quality of accounts varies widely, hampering transparency.

Opaqueness of Small Enterprise

Banks face two basic problems: the opaqueness in small enterprises and small size of transactions. They do not want to relinquish control over to outsiders and they personally want take control of every aspect of their business. According to Zavatta (Op. cit.) one of the problems of financial institutions in lending fund has to do with unwillingness of small enterprises to relinquish control over the company to outsiders. It is quite widespread among SME. Most SMEs do not keep proper books of accounts.

Credit Rating Agency

One of the challenges that financial institutions face in lending to SMEs is to make an accurate risk assessment of loans applications without generating high cost per application. One of the ways of assessing risk of loans is using credit rating agency or credit bureau. Sacerdoti (2005) in advanced countries databases centralizing information on borrowers are frequently established by the private sector; however, in a number of continental European countries including France and Italy, these have been established and maintained by central bank.

The credit rating agencies publish general financial details of many companies, together with a credit rating. They also produce a special report on creditworthiness of companies if requested for fees. In the absence of credit rating agencies, it has become difficult to assess creditworthiness of customers and it is costly to generate information about the repayment morale of potential enterprise. Information provided by rating agencies help to reduce risk of default. This information infrastructure is not common in Africa. Zavatta (Op. cit.), the ''information infrastructure'' it is still largely undeveloped. There is lack of credit bureaus and other mechanisms for collecting and exchanging information on payment performance. This inevitably exacerbates the informational asymmetries between enterprises and lenders/ investors.
In IMF Working Paper (Access to Bank Credit in Sub-Saharan Africa: Key Issues and Reform Strategies) prepared by Sacerdoti (2005), stated that, to foster a credit culture, it is essential that progress be made in area of credit information.

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METHODOLOGY OF THE STUDY

The study employed both exploratory and descriptive research design. The purpose was to portray the accurate situations pertaining in the small businesses and the banking environments. The population of the research was SMEs and banks in Ghana. In Ghana, SME is defined by National Board for Small Scale Industries (NBSSI) as business which employs form 30 to 99 with fixed assets of not less than 100,000 U. S. Dollars excluding land and building. These businesses are seen as the backbone of the economy of Ghana. This is because they account for about 50% of the Gross Domestic Products in Ghana and also serve a safety valve for the country's perennial unemployment problem. These businesses are geographically spread which ensure evenly distribution of goods and services. On the other hand the formal financial sector has about 27 registered banks that are in competition with many savings and loan, rural banks and non-financial institutions spread out in every part of the country.

Both probability and non-probability sampling techniques were used. In the case of probability sampling, stratified sampling was used to group the SMEs into service, trade and manufacturing so as to ensure fair selection of all the groups. Quota sampling was also used for distribution of 300 questionnaires among the groups with each having 100. Also, purposive by accessibility sampling was used for the selection of the ten banks. The study targeted the owners of the SMEs and the loan officers of the banks who closed attached to the loans.

The data obtained were mainly primary sourced through the use of questionnaires and interviews. Questionnaires were self administered with opened ended and closed ended questions. Proper guidance was offered to ensure accurate supply of information. Due to the busy nature of the banking sector, semi-structured interview was designed to solicit information from the loan officers of the banks and this was done face-to-face.The Statistical Package for Social Sciences and Microsoft excel were used for data presentation and analysis, and the data was qualitatively and quantitatively analysed.

DATA FINDINGS AND DISCUSSIONS

This chapter discusses the findings uncovered by the administration of the questionnaires and interviews. It comprises the challenges encountered by SMEs in accessing debt finance as well as the challenges the financial institutions face in providing credits to the SMEs in Ghana.

The Problems Encountered By SMEs in Accessing Credit in Financial Institutions.

Major Constraint to the Growth of SME

SMEs in developing countries are faced with lots of challenges in their operations and this was reflected in the responses received from the target respondents. Fig 1 below shows the various challenges faced by SMEs in Ghana.

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Constraints	Percentage %
Technology	14
Competition	36
Lack of finance	46
Irregular power supply	4
Taxes	0
Total	**100**

Table 1: Major Constraint to Growth

The above shows participants rankings of the major problems facing the growth of their businesses in order on importance. 46% of the participant ranked lack of finance as the major constraints to the growth of their business followed by competition, which recorded 36%. Technology was ranked as the third major constraint to the growth of SMEs with just 4% thinking that irregular power supply also constrained their growth. This result reinforces the theory by Cuevas et al (1993) where they indicated that access to bank credit by SMEs has been an issue and continues to be raised by numerous studies as a major constraint to growth, which was also supported by Aryeetey et al. (1993) that from the view point of private sector, problems related to finance dominate all other constraints to business expansion. These go to also indicate that finance for SMEs particularly in Ghana is still a major problem even though the number of banks operating in the country has increased tremendously since 1993 when Aryeetey et al. came out with their studies. With a total based on the number of banks (www.bog.gov.gh) and number of non-bank financial institutions operating in the country one would expect that access to credit by these SMEs will greatly improve as competition among lending institutions becomes keen. But this expectation has not been met since the results confirm the numerous theories that lack of access to credit and bank loans remain a key constraint that needs attention to resolve in order to enhance SMEs growth.
This notion was also in line with Schiffer and Weder (2001), who found that the smaller the size of a firm the more difficult it is to attract loans from financial institutions.

Lending Rate

High cost of credit is the major constraints facing small and medium size businesses in Ghana and it is the main problem hampering the development of industrialization in Ghana.

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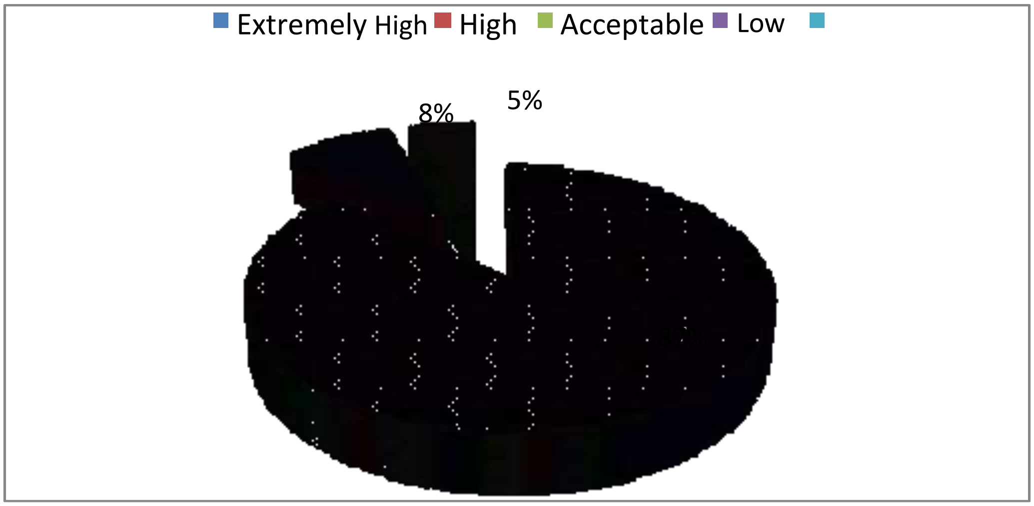

Figure 2: Lending Rate

The above figure shows the opinion of respondents on the level of interest rate charges on loans by the financial institutions. 87% of the responses received from participants saw the interest rates on loans to be extremely high. 8% of the total respondents think the rates were high with just 5% saying the rates were manageable. One significant thing is that among the respondents, none saw the interest rates charged on loans by the financial institutions to be low. This result support

Appenteng (2010) who said, some savings and loans companies charged as much as 10 percent per month which when accumulated would be over 100 percent interest rate per annum. It is more difficult for firms paying such high interest rate to obtain excess profit after being able to settle this high cost of debt. The extremely high interest rate group pays interest between 7% and 10% per month. 8% of the respondents, which indicated that the rates charged by the financial institution are high, also pay interest of 5% to7% per month, with just 5%, which may be termed "fortunate" service their debts at a maximum rate of 21% per annum. This puts the businesses under intense pressure and eventually making the business unprofitable.

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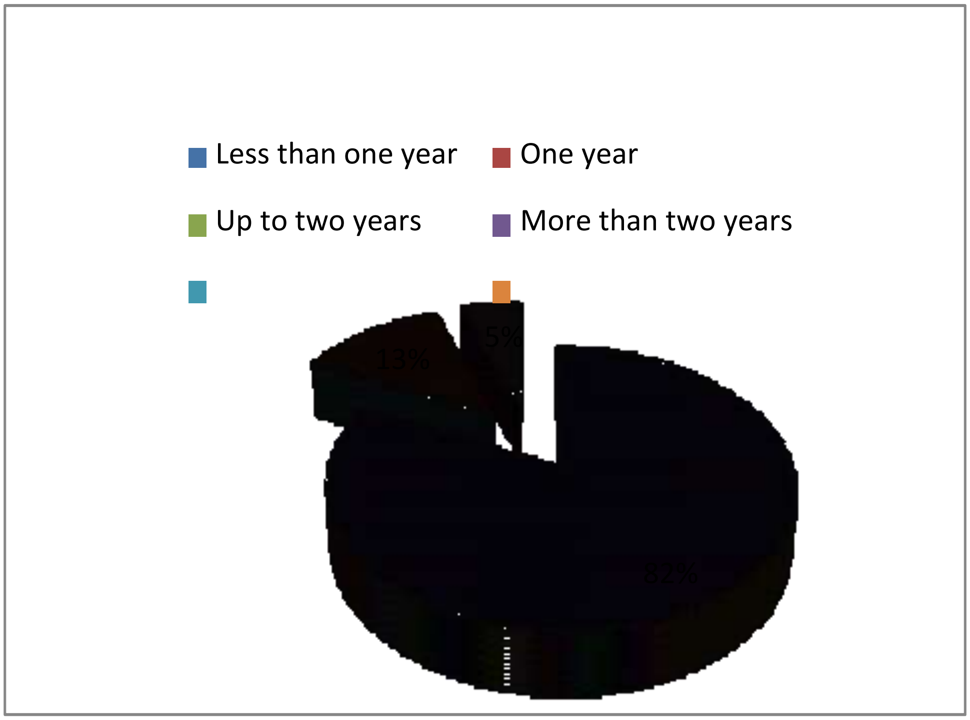

Figure 3: Maturity Period

One of the difficulties faced by SMEs in accessing debts in the financial institutions is the period of repayment; the repayment period for loans given to SMEs is too short. The above figure shows the loan repayment duration indicated by respondents in this study. It can be seen that 82% were given a repayment period of less than one year, whilst 13% a repayment period of one year and 5% indicated a repayment period of two years. The result is in consonance with Ricupero's (2002) position that commercial bank loans extended to SMEs are often limited to a period far too short to enable them pay off any sizeable investment. Abereijo and Fayomi (2005) also made a similar observation when they stated that the majority of commercial bank loans offered to SMEs are often limited to a period far too short to pay off any sizeable investment.

Understanding Interest Calculations

Many loan beneficiaries have complained that financial institutions do not explain how interests are calculated on their loans. The researcher therefore investigated this phenomenon and has arrived at the following; 65% of respondents confirmed the assertion that financial institutions do not educate loan beneficiaries / applicants on how interests are calculated. 35% however revealed that they were informed about the modes of interest calculation. It is therefore important that financial institutions involve loan applicants in the computation of interests to exonerate the financial institutions from any perception of fraud activities.This accentuate the opinion of Donkor (2012) that, it is thought microfinance institutions are doing a good job by providing loan facilities for SMEs, but they sometimes do not tell the truth. Some of these institutions take advantage of their educational level, and for one reason or the other, refuse to give details and explain the interest rates and its implications on the loans to small business owners. The effect is realised when they begin the repayment of the loan.

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Meeting loan approval criteria

From the survey conducted, it was realized that SMEs are unable to meet the banks requirement. Most SMEs fail to obtain guarantors and collateral require by the banks, some also fail to prepare financial statements of their businesses and as such being denied of the loan. The result is in line with ECA (2001) which states that banks and other financial institutions have no confidence in SMEs as they are perceived as high-risk ventures with high rates of failure. As a result prohibitive collateral conditions are set up to prevent SMEs from obtaining loans. that most guarantors are not willing to offer support due to the nature and management style of the SMEs. There were only 3.83% of the respondents who faced the challenge of cash flow and 1.09% faced with other challenges such as lack of business plan.

Default payment of Loans

It was estimated that about 64% of respondents have had default in the payment of loan with only 36% being able to repay back loans received from financial institutions within the regulation time. Some of these defaulters close down their businesses and run away which affect the banks financial performance. As a result of the high default rate financial institutions are compelled to charge high interest rates. Further research revealed (figure 4.5) some factors that accounted for the high default rate. 43.8% complained of low turnover, 29.2% high monthly instalment payment, and short duration of repayment constituted 7.29% while 10.42% complained of high interest rates and other interesting findings such as poor management of account receivables of these SMEs. However, it is believed that with proper management of SMEs receivables, they should have enough cash to boost up their working capital to run their operations and also meet their financial obligations.

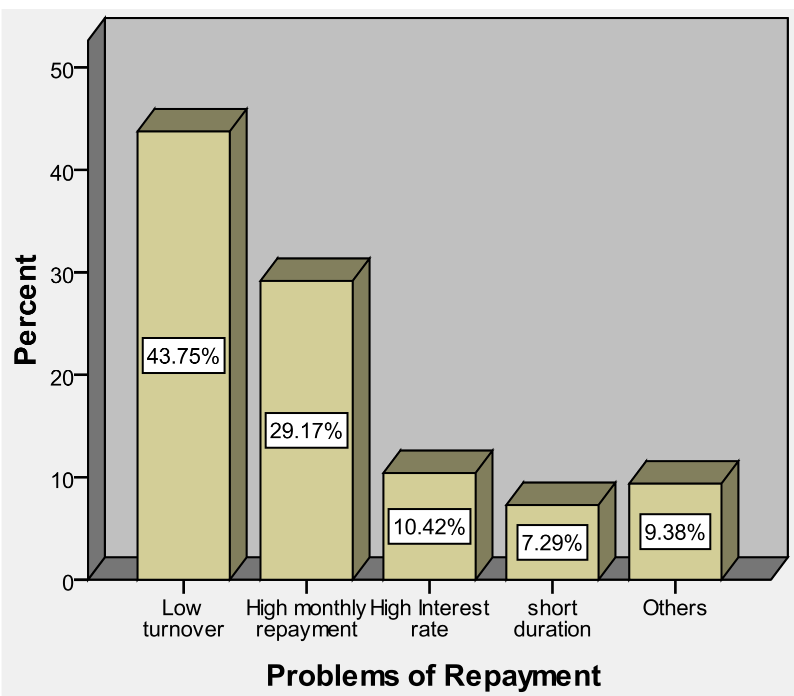

Figure 4: Responses on Problems of Repayment periods and interest rates

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The difficulties faced by financial institutions in providing loans to SMEs

Many challenges were revealed when the loan officers in the selected banks in Ghana were interviewed. Some were exactly what the SMEs gave while others were different. Below are the challenges given by the officers of the banks:

History of High Default Rate

In the interview conducted, 50% of the respondents indicated that SMEs are characterised with high default rate. 50% default rate is a very high risk and would hinder every institution from granting credit facility. Many businesses lacked the accounting and management capacity to demonstrate their ability to service a loan, land tenure issues limited businesses' ability to raise the collateral that the banks required to allay perceived risk, the legal and court systems made it difficult for banks to seize collateral when borrowers defaulted, and the absence of credit bureaus made it difficult for banks to assess borrowers' credit history. To add to the risk, the International Monetary Fund (IMF, 2003) concluded that, because they have focused largely on government debt, banks may have limited expertise in evaluating risks associated with private sector lending.

False information's about businesses

From the survey conducted 50% of the respondents agreed that small business owners habitually give false information about their business when applying for loan while 33.3% of the respondents mildly agreed. However, 16.7% disagreed to the fact that SMEs provide false information about their business when apply for loan. To justify their claim, it was indicated that SMEs may give false information out of ignorance. If true and quality information are supplied to banks and other financial institutions, it would be easy to assess creditworthiness of businesses and reduce risk of default. This would also enable financial institutions to give small enterprises favourable terms of payment. This finding is in line with what Ricupero (2002) said, part of the reluctance of banks to lend SMEs is the banks' inability to evaluate risk because of lack of reliable financial information.

It was also identified that poor record keeping of SMEs is the difficulty of the financial institutions to assess their financial performance. Moreover the most of the loans obtained are not used for it intended purposes. Sometimes the owners of the business use the loan to solve personal issues and later find it difficult to pay because no turnover was accrued to service the debt.With regard to the demand of collateral, it was further explained that the property must be insured for it acceptance. However some of these SMEs provide collaterals that are covered with false documents. Some of the properties may not bear the name of the business or the co-signer and it may be impossible to secure the loan.

Moreover, most SMEs were known to be sole proprietorships and do not operate the account of the business as separate entity from their personal account. As a result the banks may be unwilling to provide loan facility to businesses that have no accounts with them.

IMPLICATION TO RESEARCH AND PRACTICE

The research may contribute to the existing knowledge and by so doing create environment necessary for SME financing. This is through the identification and exploration of challenges

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confronting SMEs' access to debt financing and to find out appropriate mechanisms that would encourage demand and supply of this debt financing. The major contribution of this research to the body of knowledge is that many challenges such as high default rate, inability to calculate interest by the SMEs, provision of false information, lack of collateral and many others have been examined on how they affect SMEs' access to debt finance.

It is expected that this research will open the way for the availability of long-term debts so as to complement the internally generated funds which will enhance growth and expansion of businesses when these challenges are carefully addressed.

This work will add to the body of knowledge by making sure SMEs are encouraged to seek debt financing when the government and other institutions and donors allocate financial resources to support the growth of SMEs in Ghana. For example, when information is available to be assessed by SMEs and the financial institutions, good relationship will be encouraged. It is also to make sure that financial market (banks) does not concentrate on growth-oriented businesses but rather focus on SMEs that have been denied so long a time when their challenges are considered.

It is hoped that the findings and recommendations of this study will contribute to the body of knowledge by providing information to the Bank of Ghana on the appropriate model and strategy that need to be developed in order to ensure long-term debt delivery to the SMEs in Ghana.The results of the study will offer directions to the management of financial institutions through reduction of risk in providing debt and develop attractive products to support the SMEs. The research will therefore promote competition among the banks in their service delivery to the small businesses thereby expanding their area of investments.

However, the outcome of the study can be implemented if the Business Associations, institutions and the Ghana Association of Banks in collaboration with the Bank of Ghana will organise routine workshops and seminars on some issues that emerged and recommended in the study. These recommendations may include; introduction of information technology (database), implementation of monitoring schemes and establishment of a model which will facilitate long-term finance.

RECOMMENDATIONS AND CONCLUSION

In the light of the above discussions the following could be recommended:
The government should introduce tax reduction incentive to the banks that involve in providing long term debt finance to SMEs. This may encourage the financial institutions to lend to SMEs.
The bank of Ghana by their regulations should help banks come out with innovative packages such as SME department. This department may be responsible for offering education, monitoring and collection of SMEs' debts.In order to reduce the high default rate and the perception of risk the government of Ghana should formulate supportive laws that will ensure smooth retrieval of loans by the banks. Accurate database on businesses must be set up for their proper monitoring. All SMEs must be registered under an established institution.The SMEs must form Associations which will address their financial issues. The association may serve as guarantors whenever long term loans are applied.

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Finally, SMEs are known to be the strong force behind the economic growth and development of the country. Because they are widely spread, they are able to respond to the needs of the mass. In spite of the increasing number of financial institutions, government interventions and donor supports, demand and supply of debt finance continue to be a challenge. It needs the collaborative efforts of all the stakeholders to address the challenges in order for SMEs to access adequate debts needed for business expansion.

FUTURE RESEARCH

The study may be extended to explore the effects of SMEs' debts on profitability performance. This may find out how SMEs access to loan affects their profitability and how the supply of loans affects banks financial performance. Profitability ratios may be used for the analysis.

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