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## THE OPERATIONS OF SAVINGS AND LOANS AND THE PERFORMANCES OF BUSINESSES IN ACCRA

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### ABSTRACT

Savings and Loans operations in Ghana represent significant development and performance of most businesses and therefore maintaining these Savings and Loans operations is important. However, there seems to be paucity of studies on the operations of savings and loans companies' effects on the performances of businesses in general and Greater Accra in particular. This research seeks to bridge this knowledge gap by analyzing the operations of savings and loans companies' effects on the performances of businesses in the Greater Accra Region of Ghana. The study will be guided by three research objectives. Study methods include the use of questionnaire for data analysis. A total of 40 respondents (20 staff of Savings and Loans companies and twenty (20) small business operators (men and women) who took part in this study were randomly purposively selected. The results indicate that small businesses in Accra township sourced start-up capital from savings and loans companies, personal savings and support from friends and families. It also emerged from the study that the business operators that were unable to receive entire amount requested from the financial institutions attributed it to failure to meet the credit requirements, failure to provide the required collateral security and the absence of active account with the financial institutions. Again the study found that credit received by the business operators in Accra township was utilized for the expansion of business. The study further found that business operators in Accra township are confronted with several challenges in accessing credit facilities from Savings and Loans Companies. These challenges include bureaucracy, lack of opportunity to take second loan, high risk and uncertainty, high level of interest rate on credit,

low level of knowledge about credit sourcing and shorter repayment period. It is recommended that to enhance small and medium business operators in Accra township access and acquisition of credit facilities from Savings and Loans companies should be efficiently utilized.

**Keywords:** Operations, Savings and Loans, Performance, Businesses, Accra.

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## INTRODUCTION

Access to capital for business operations all over the world is not easy to come across as investors are usually interested in multi-national firms that have already made impact in their field of operation. Due to this, new businesses struggle in their quest to make an impact in the world of commerce. A World Bank report in 2010 showed that about 90 percent of small enterprises are robbed of new investment opportunities due to limited credit facilities (Asiama, 2007).

Bank of Ghana report on 2007 shows that there is inadequate access to financial resources available to small and medium scale enterprises compared to larger organizations and hence the grave consequences for their growth and development. Vast majority of businesses in many developing countries especially Ghana is dominated by the Small Medium Enterprise (SME) market and has evolved as the key supplier and service provider to large corporations over the years. In Ghana businesses are said to be a characteristic trait of the production landscape and have been noted to provide about 85% of manufacturing employment and are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana (BoG, 2010).

According to CGAP (2010), about 90% of businesses are declined access to loans from the formal financial intermediaries in developing economies. This is attributed to failure to satisfy conditions such as collateral requirement (Asiama, 2007). In Ghana, there has been a consistent up comings of new and already existing savings and loans institutions in every part of the country especially the Greater Accra Region of Ghana. Savings and loans institutions are preferable by most businesses due to some services they provide (BoG, 2010). Savings and loans institutions in Ghana are backed by PNDC Law 328 as such savings and loans have gained greater visibility and are perceived as a relevant component of the financial support to businesses in Ghana (World Bank, 2010).

The inability of the business men and women to meet the standard of the formal financial institutions for loan consideration provides a platform for informal institutions such as savings and loans companies to attempt to fill the gap usually based on informal social networks, and this is what gave birth to micro-financing. However, it is reported that "the interest rates of these institutions are higher than the traditional banks (Mensah, 2004). It is against these backdrops that the current study seeks to assess the operations of savings and loans and the performances of businesses in the Greater Accra Region of Ghana.

### Problem Statement

The Banking Industry in Ghana for the past decade has experienced an influx of new entrants of Savings and Loans in recent years (Wright, 2000; Robinson, 2003; Mensah, 2004; Lisa, 2009). The Ghanaian economy, like all other developing economies, has a large proportion of business in the small-scale and self-employed group. These people have needs which are not being satisfied by the traditional banks resulting in a situation of a large amount of funds in the hands of players in this market thus remaining outside the banking system. It is hoped that

the Non-Bank Financial institutions, which comprise various categories of organizations, including savings and loan companies, will service this part of the market which remains outside the traditional banking scope and thus assist in mopping up these funds (Diagne & Zeller, 2001; Daniels, 2004; Sambrook, 2005; Asiama, 2007).

The aforesaid clearly shows that business growth is an important area of study in many developing countries as there is yet to be a conclusive approach and definite factors of business growth despite the fact that it is every entrepreneur's wish to have their businesses grow (Basu, Blavy & Yulek, 2004). The Savings and Loans industry has become support institution in the sustenance and survival of businesses in Ghana. Savings and loans institutions/companies as part of their core business provide credit to small medium enterprises.

An informal discussion with entrepreneurs in the business industry in Greater Accra Region of Ghana revealed that there is great reliance on credit as tool for business growth and profitability. However, most entrepreneurs acceded to the fact that they are faced with a challenge of inadequate capital in their businesses and this inhibits their growth. Some Savings and loans institutions also argue that credit obtained by entrepreneurs are misappropriated. Another constraint is that many businesses lack managerial and business skills. There is the need to build these capacities in addition to financial resources in order to achieve growth.

The number of Savings and Loans institutions in Accra continues to grow rapidly. However, their wide presence does not correspond with the extent of reduction in the major challenges that affect the growth of businesses in Accra. Despite the influx of Savings and Loans companies in Accra, business men and women are still lamenting about inadequate credit for their operations (Ahiawodzi & Adade, 2012). This study is designed to analyze the operations of savings and loans companies' effects on the performance on small and medium scale enterprises in the Greater Accra Region of Ghana.

### **Research Objectives**

The main objective of this study is to analyze the operations of savings and loans companies' effects on the performances of businesses in the Greater Accra Region of Ghana. The study will be guided by three research objectives.

1. To assess the types of businesses who access support from savings and loans companies in the Greater Accra Region of Ghana.
2. To examine the adequacy of loans given by Savings and Loans companies to business operators in Accra.
3. To find out the challenges business operators face in accessing credit facilities from savings and loans companies in Accra.

## **LITERATURE REVIEW**

### **Supply-Leading Finance Theory**

The need to attain economic stability and survival by business operators necessitates the invention and creation of Savings and Loans Companies. The supply leading finance theory was adopted for this study. Supply-leading finance is the provision of loans in advance of the demand for credit for the purpose of inducing economic growth (Sambrook, 2005). Supply leading finance as the creation of Savings and Loans instruments in advance of demand for them by business operators in an effort to stimulate growth. Thus this strategy seeks to make the allocation of capital more efficient and to provide motivation for growth through the financial system. The assumption of the supply-leading finance theorists is that economic

growth in developing areas like Accra could be encouraged through the financial system. Therefore, financial incentives in the form of subsidized credit were provided to business operators in advance of the demand for them as defined by Kessey (2014).

This was done based on the belief that savings of Small and Medium Scale Enterprises or business operators was not enough for the inputs they required and could not pay the commercial cost of credit. Business operators need much more capital than they can afford to save (Kelly, 1997; Kessey, 2014).

### **Empirical Literature on the Roles of Savings and Loans Companies in the Development of SME's (Business Operators)**

Improving the livelihoods of the poor has become a priority for most governments in developing economies as part of their efforts to increase the levels of human development. In order to achieve such goal the provision of microfinance has been identified as one of the key instruments to enhance the livelihood of low-income households in developing countries, (Kessey, 2014).

According to Ghana Microfinance Institutions Network (2003), Savings and Loans Companies play three broad roles in development and these are;

1. It helps very poor households meet basic needs and protects against risks;
2. It is associated with improvements in household economic welfare; and
3. It helps to empower women by supporting women's economic participation and thus promotes gender equity.

Available literature on financial services provided by microfinance institutions also indicates that Savings and Loans Companies enables low-income households engage in pre-entrepreneurial activities and micro-enterprises to increase their livelihoods. The benefits of the micro financing to households and micro-enterprises will in turn have positive implications for their macro economy (Ghana Statistical Service, 2010).

According to the Ghana Statistical Service Report in 2010, development practitioners, policy makers, and multilateral and bilateral lenders, recognize that providing efficient Savings and Loans Companies services for the poor in urban and rural areas is important for the following reasons.

1. Savings and Loans can be a critical element of an effective poverty reduction strategy. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, build their assets gradually, develop their microenterprises, enhance their income earning capacity, and enjoy an improved quality of life. Microfinance services can also contribute to the improvement of resource allocation, promotion of markets, and adoption of better technology; thus, microfinance helps to promote economic growth and development;
2. Without permanent access to Savings and Loans Companies, most poor households will continue to rely on meager self-finance or informal sources of microfinance, which limits their ability to actively participate in and benefit from the development opportunities;
3. Savings and Loans can provide an effective way to assist and empower poor women, who make up a significant proportion of the poor and suffer disproportionately from poverty; and
4. Savings and Loans can contribute to the development of the overall financial system through integration of financial markets.

The use of savings facilities by low-income households enables them to store funds for future use and build credit history. This is of particular importance as many low-income households lack the types of collateral acceptable by commercial banks that are required to access loans from this source of finance. The flexible and convenient credit facilities provided by microfinance institutions enables low-income households to borrow funds to cover emergencies that they cannot meet from their levels of current savings. This can reduce the poverty gap and poverty headcount, even though real income may not increase (Robinson, 2003).

In Ghana the concept of savings and loans is not new. The tradition of individuals or groups saving and/or taking small loans from individuals and groups within the framework of self-help to start businesses has been in existents before the evolution of savings and loans companies in Ghana. A typical example can be sited as far back as 1955 where there is evidence suggesting that the first credit union in Africa was established in the northern region of Ghana by Canadian Catholic missionaries. Nonetheless, Susu which is one of the savings and loans schemes is considered to have originated from Nigeria which later spread to Ghana in the early twentieth century (Asiama, 2007). The savings and loans sector has thrived and evolved over the years into its present state due to the financial sector programmers and policies that were undertaken by different governments since independence (Asiama, 2007). There are three broad categories of savings and loans institutions. These policies are:

1. Formal suppliers such as rural and community banks, savings and loans companies.
2. Semi-formal suppliers such as financial non-governmental organizations (FNGOs), credit unions and cooperatives.
3. Informal suppliers such as rotating and accumulating savings and credit associations, Susu collectors and clubs, moneylenders, traders and other individuals (Asiama, 2007).

## **METHODOLOGY**

### **Research Design**

The research is a descriptive survey through which views and opinions were sampled from respondents. Ampofo (2020) views descriptive survey as a design that portrays accurately the characteristic of particular individual situations or groups. In other words, the descriptive survey is a research method that is non-experimental and deals with the relating among non-manipulated variable. A descriptive survey also provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. It includes cross-sectional and longitudinal studies using questionnaire or structured interviews for data collection, with the intent of generalizing from a sample to a population (Kusi, 2012; Creswell, 2013).

The descriptive survey was considered the most appropriate design for conducting this research because information gathered from the descriptive research can be meaningful or useful in diagnosing a situation since it involves describing, recording, analyzing and interpreting conditions that exist. The descriptive survey was again considered the most appropriate design for conducting this study because it is the one that deals with things as they currently are (Ampofo, 2020).

### **The Study Area**

The location for this study is the Greater Accra Region of Ghana. As compared to their counterpart of other Regions of Ghana it seems there are more savings and loans companies operating in Accra and businesses are not booming as it is supposed to be and it has been an issue of concern among business operators and this need to be investigated into. The location for the study is within the researcher's locality hence reducing the cost as well as risk involved in travelling. This makes the data collection process easy and convenient.

### **Population**

The target population consisted of all the workers of Multi- Credit savings and loans and Sinapi- aba savings and loans and small business operators registered in the Greater Metropolitan Assembly. These respondents were selected because they are more likely to have knowledge about the operations of savings and loans companies' effects on the performances of businesses in the Greater Accra Region of Ghana. The total population of the respondents was numbered hundred (100). These groups of respondents were selected because they have in-depth knowledge about the topic under study

### **Sample Size and Sampling Techniques**

A total of 40 respondents were selected for this study comprising of twenty (20) workers from the savings and loans companies and twenty (20) small business operators (men and women) within the Accra township. Simple random sampling technique was employed in selecting the respondents. Simple random sampling means that each member of the sampling population has an equal chance of being selected. It called for a sufficiently large sample to ensure that the sample reflected the population (Kusi, 2012).

Also the purposive sampling technique will be used in selecting all the savings and loans workers. Ampofo (2020) explains that the purposive sampling is used when the researcher identifies characteristics of the population of interest and selects the elements or subjects with those characteristics. Thus the sample is chosen arbitrary on the basis of some characteristics possessed by the subject and deemed important for the research.

### **Instrumentation**

Questionnaire was used to collect data from respondents in this study. The questionnaire was both close ended and open ended questions with options like (strongly agree, Agree, Disagree, Strongly Disagree and Uncertain/ Not Sure). It was divided into five sections which are as follows: Section A - Personal data and Section B - provides questions on the types of businesses who access support from savings and loans companies in the Greater Accra Region of Ghana, Section C examine the adequacy of loans given by Savings and Loans companies to business operators in Accra and Section D on the challenges business operators face in accessing credit facilities from savings and loans companies in Accra. Questionnaires required less time and money compared to other methods like focus group discussions (Ampofo, 2020).

### **Validity of the Instruments**

A research instrument is said to be valid when it measures what it is supposed to measure. Face validity is in relation to the misunderstanding and misinterpretation of the question. This was checked by way employing pretesting method.

Content validity on the other on other hand refers to the capacity of the instrument to prove adequate coverage of a topic. Adequate preparation of the instrument under guidance of the supervisor, expert opinion and pre-testing of the question helped established the content validity.

**Reliability of the Study**

Reliability has to do with an instrument consistently producing the same result every time it is used. The test retest method was used to test for the reliability of the instrument. The questionnaires were administered to some workers in non-banking institutions who give loans to business operators and some business men and women in the Accra township which has the same socio- demographic as that of the study area. The same questionnaires were administered to them after two weeks.

**Data Collection Procedure**

The researcher obtained an informed consent from the respondents stating the purpose and objectives of the study and the cooperation of the research participants. Permission was sought from the managers of the saving and loans companies to seek their approval to conduct the study. The managers of the savings and loans companies conveyed a meeting with their staff and informed them about the purpose of the research and their cooperation. The participants were told of the purpose, time, venue and how to answer the questionnaires. They were also assured of their confidentiality and anonymity. The researcher self-administered the questionnaires. The respondents responded to all the questionnaires.

**Data Analysis Technique**

Analysis of data provided facts and figures that enabled interpretation of the results and reaching conclusions from the findings of the study. All items of the questionnaires were coded. Items in the form of liker scale were rated between 5-1, with 5 being the highest and 1 being the lowest. Questionnaires were edited to ensure that clear, legible, relevant, and appropriate responses had been provided. The coded items and their corresponding frequencies were fed into the computer using the excel programmer. Data were analyzed using simple percentages and frequencies.

**PRESENTATION, ANALYSIS AND DISCUSSION OF DATA****Introduction**

The purpose of the study was to analyze the operations of savings and loans companies' effects on the performances of businesses in the Greater Accra Region of Ghana. The study will be guided by three research objectives. This was done through the use of structured questionnaire in the data collection process. In analyzing the results of the data collected through the study, the researchers have divided this chapter into the following sub-divisions:

- i. Biographical data
- ii. To assess the types of businesses who access support from savings and loans companies in the Greater Accra Region of Ghana.
- iii. To examine the adequacy of loans given by Savings and Loans companies to business operators in Accra.
- iv. To find out the challenges business operators face in accessing credit facilities from savings and loans companies in Accra.

**Biographic Data of Respondents**

Section A of the questionnaires gathered data on the respondent's biography which is presented in the table below. Table 1 presents the gender of participants who responded to the questionnaire items. From the table, 40 respondents were given questionnaire.

Table 1  
*Sex Distribution of Respondents*

Sex	Frequency	Percentage (%)
Male	25	62.5%
Female	15	37.5%
<b>Total</b>	<b>40</b>	<b>100%</b>

Source: Field Survey (2021)

All responded to the questionnaire. Out of the 40 respondents, 25(62.5%) were male while 15(37.5%) were females. The implication is that; the male respondents dominated relatively in the survey.

Table 2  
*Age Distribution of Respondents*

Age	Frequency	Percentage (%)
Below 25	5	12.5%
25-30	20	50%
31-35	10	25%
36-40	5	12.5%
Above 40	-	-
<b>Total</b>	<b>40</b>	<b>100%</b>

Source: Field Survey (2021)

The age distribution of the sample population is presented in Table 2. The table shows that majority of the respondents were between 25-30 years representing 20(50%) of the respondents. This was followed by those between 31-35 years who also recorded 10(25%), followed by those below 25 years and above 40 years respectively recording 5 (12.5%) each. The implication of this is that, majority of respondents were older from 25 years.

Table 3  
*Highest Level of Education of Respondents in the Savings and Loans Companies*

Response	Frequency	Percent
1st Degree	10	50%
Masters	4	20%
Diploma	6	30%
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)

Table 3 shows that 10 (50%) the respondents had a first degree while 6 (30%) of the respondents had diploma and the remaining 4 (20%), have a master's degree. A deduction from the above is that majority of the respondents from the savings and loans companies selected for the study is holding first degree.

Table 4  
*Highest Level of Education of Respondents (Business Operators)*

Response	Frequency	Percent
1st Degree	5	25%
Masters	-	-
Diploma	5	25%
Prim-SHS	10	50%
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)



Table 4 shows the educational level of business operators who access loans at the savings and loans companies. Results from table 4.4 shows that 5 (25%) the respondents had a first degree while 5 (25%) of the respondents also had diploma and the remaining 10 (50%), have attended Primary to SHS. The implications of this are that majority of business operators who access loans from the savings and loans companies are SHS graduates.

Table 5  
*Working Experience of Respondents from the Savings and Loans Companies*

Response	Frequency	Percent
0-5 years	10	50%
6-10 years	7	35%
11-15 years	1	5%
Over 15 years	2	10%
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)

Table 5 shows that majority of the respondents from the saving and loans companies 10 (50%) has worked from 0-5 years, while 7 (35%) of the respondents has worked for 6-10 years, followed by 2 (10%) has worked for over 15 years while 1 (5%) has also worked for 11-15 years.

Table 6  
*Working Experience of Respondents (Business Operators)*

Response	Frequency	Percent
0-5 years	5	25%
6-10 years	2	10%
11-15 years	3	15%
Over 15 years	10	50%
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)

Table 6 shows that majority of the business operators respondents 10 (50%) has worked from over 15 years, while 5 (25%) of the respondents has worked for 0-5 years, followed by 3 (15%) has worked from 11-15 years while 2 (10%) has also worked for 6-10 years. This means that majority of the business operators who access loans from the saving and loans companies has worked above 5 years.

**Research Question 1:** what type of business do savings and loans companies support in the Greater Accra Region of Ghana?

One aspect of the questionnaire gathered data on the type of business savings and loans companies support in Accra township and the relevant data is presented below.

Table 7  
*Type of Business Who Savings and Loans Companies Support*

Response	Frequency	Percent
Sole Proprietor	35	87.5%
Partnership	3	7.5%
Family Business	2	5%
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Field Survey (2021)

Table 7 shows that majority of the business who savings and loans companies support is sole proprietorship which recorded 35 representing 87.5%, followed by business partnership which recorded 3 representing 7.5% and family business recorded the least as 2 representing 5%. This means that the business the selected savings and loans companies (Multi Credit and Sinapi Aba) support in the study area is sole proprietorship.

Table 8  
*Registration of Business*

Response	Frequency	Percent
Yes	25	62.5%
No	15	37.5%
<b>Total</b>	<b>40</b>	<b>100.0</b>

Source: Field Survey (2021)

Table 8 shows that majority of the respondents 25 (62.5%) indicated that the businesses that the savings and loans companies support is registered while 15 (37.5%) indicated that the business operators that the savings and loans companies support is not registered. This means that the businesses that can access loans from the selected savings and loans companies are either registered or not registered as a business company.

Table 9  
*Number of Employees Employed by the Business Operators*

Response	Frequency	Percent
None	15	75%
1-4	4	20%
5-9	1	5%
10-14	-	-
15 and above	-	-
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)

Table 9 shows that majority of the respondents who are business operators has employed non representing 15 (675%). Also 4 representing 20% indicated that they have employed 1-4 people while 1 representing 5% indicated that 5-9 people has been employed after establishing the business.

**Research Question 2:** Do business operators in Accra township receive adequate credit facilities from Savings and Loans companies?

The access and adequacy of credit facilities from Savings and Loans Companies is important for the survival and growth of business in the Accra township. The major areas discussed were source of start-up capital, source of operational credit, source of information about the financial institution, interest on loan and the amount received by the business operators, utilization of credit facilities and the means through which the loan is repaid. The result of the section is presented in tables below.

Table 10  
*Access to Loans from Savings and Loans*

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
<b>Source of startup capital</b>		
Savings and Loans	17	85%
Banks	-	-
Family and friends	1	5%
Personal savings	2	10%
<b>Total</b>	<b>20</b>	<b>100.0%</b>
<b>Source of Operational Credit\</b>		
Savings and Loans		
Banks	18	90%
Family and friends	-	-
Personal savings	1	5%
<b>Total</b>	<b>1</b>	<b>5%</b>
	<b>20</b>	<b>100.0</b>
<b>Payment of loans by business operators</b>		
Business earnings		
Personal savings		
Group savings	18	90%
	1	5%
	1	5%
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)

Table 10 shows access to loans by respondents (business operators). The table shows that majority of the respondents (business operators) 17 representing 85% indicated that their startup capital comes from savings and loans, followed by 2 representing 10% indicated that their startup capital is personal savings while 1 representing 5% indicated that their startup capital comes from family and friends contributions.

Also majority of respondents (business operators) 18 representing 90% indicated that their source of operational credit is through savings and loans while 1 representing 5% indicated that the source of operational credit is through personal savings and 1 representing 5% also indicated that the source of operational credit is through family and friends.

Moreover, majority of respondents (business operators) 18 indicating 90% indicated that they pay their loans through business earnings while 1 representing 5% indicated that the loan is paid through personal savings and 1 also representing 5% indicated that the loan access is paid through group savings.

Table 11  
*Purpose of Which Loan was Acquired*

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Expand my business	20	100%
Family Up Keep	-	-
Buy Inputs	-	-
Buy New Equipment's	-	-
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)

The result of table 11 shows that out of the total 20 respondents, all the 20 representing 100% utilizes the acquired credit facilities from the savings and loans companies for the expansion

of their business operations. This therefore implies that the business operators in the Accra township predominantly rely on credit from the savings and loans companies for the expansion of their business.

Table 12  
*Forms of Credit Facilities by Savings and Companies*

Response	Frequency	Percent
Commercial loans	-	-
Individual loan	-	-
Micro credit	-	-
Group Loans	-	-
All the above	20	100%
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)

The result of table 12 shows that out of the total 20 respondents, all the 20 representing 100% indicated that the savings and loans companies selected (Multi Credit and Sinapi Aba) in the Accra township gives commercial loans, individual loan, micro credit and group loans. This therefore implies that the many business operators in the Accra township can access their credit facilities.

Table 13  
*Growth of Business after Accessing Loans from the Savings and Loans Companies*

Response	Frequency	Percent
1. Very Poor Improvement	-	-
2. Poor Improvement	-	-
3. No Change	-	-
4. Improvement	10	50%
5. High Improvement	10	50%
<b>Total</b>	<b>20</b>	<b>100.0</b>

Source: Field Survey (2021)

The table above shows the growth of business after accessing loans from the savings and loan companies. Majority of the respondent 20 representing 100% indicated that the loans have brought improvement in their business operations in the Accra township.

**Research Question 3:** What are the challenges business owners in Accra township face in accessing credit facilities from savings and loans?

One aspect of the questionnaire gathered data on the challenges business owners in Accra township face in accessing credit facilities from savings and loans. Respondents were presented with a list of constraints usually reported in the literature as hindering business operator's accessibility of credit facilities. The task of each respondent was to indicate their level of agreement to the challenges as part of the difficulties in accessing credit facilities and the relevant and the relevant data are presented in table 4.14 below.

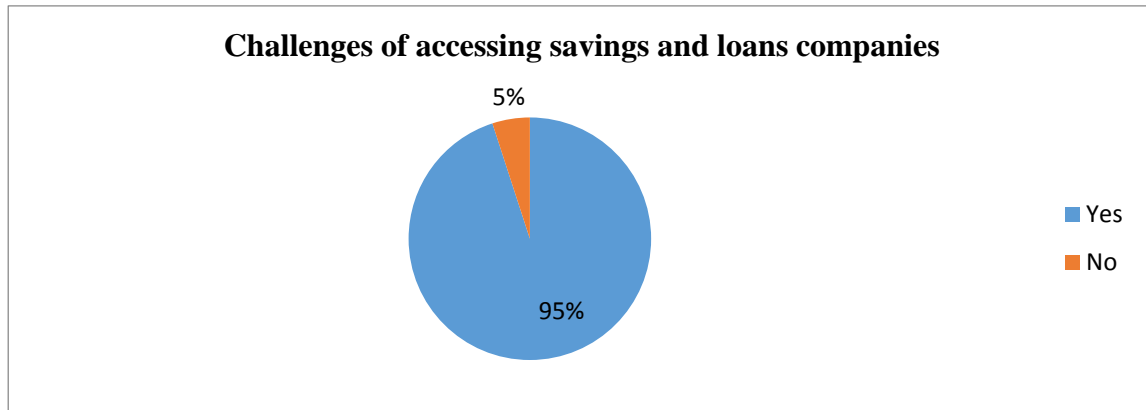


Figure 1: Business Operators confronted by challenges in accessing credit facilities  
Source: Field Survey (2021)

The result of Figure 1 shows that the majority 19 (95%) of the business operators are confronted by challenges in accessing credit facilities from the savings and loans companies whereas 1 (5%) believed otherwise. the inventory of challenges confronting the business operators in accessing credit facilities from the savings and loans companies.

Table 14

*Challenges Business Operators Face in Accessing Credit Facilities*

Challenges in Sourcing Credit Facilities	Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure	Total %
Non-availability of start-up capital	20 (50%)	10 (25%)	0 (0%)	5 (12.5%)	5 (12.5%)	40 (100%)
High cost of financing	15 (37.5%)	15 (37.5%)	0 (0%)	10 (25%)	0 (0%)	40 (100%)
High level of interest rate on credit	20 (50%)	20 (50%)	0 (0%)	0 (0%)	0 (0%)	40 (100%)
Bureaucracy and huge volume of paper work	5 (12.5%)	5 (12.5%)	20 (50%)	10 (25%)	0 (0%)	40 (100%)
Difficulty in repayment in event of business failure	20 (50%)	20 (50%)	0 (0%)	0 (0%)	0 (0%)	40 (100%)
Longer distance to credit source	10 (25%)	20 (50%)	0 (0%)	10 (25%)	0 (0%)	40 (100%)
Low level of knowledge about credit sourcing	20 (50%)	10 (25%)	0 (0%)	0 (0%)	10 (25%)	40 (100%)
Shorter repayment period	10 (25%)	10 (25%)	0 (0%)	10 (25%)	10 (25%)	40 (100%)
lack of opportunity to take second loan	20 (50%)	10 (25%)	10 (25%)	0 (0%)	0 (0%)	40 (100%)
High risk and uncertainty	20 (50%)	20 (50%)	0 (0%)	0 (0%)	0 (0%)	40 (100%)
Amount given is too small	10 (25%)	10 (25%)	10 (25%)	10 (25%)	0 (0%)	40 (100%)

Source: Field Survey (2021)

The majority of the surveyed respondents 30 out of 40 representing 75% agreed that non-availability of start-up capital is a critical challenge of the business operators in accessing credit facilities. Also majority of respondents 30 representing 75% agreed that high level of interest rate on credit is regarded as a major challenge of small business operators in Accra township in accessing credit facilities. This finding of this study is consistent with the study by Asiana (2007) that also reported high interest rate of credit facilities for business operators as major challenge.

Again, all the respondents 40 (100%) agreed that the difficulty in repayment in event of business failure is a major challenge of the business operators in the Accra township in

accessing credit facilities. Also majority of respondents 30 (75%) agreed to the low level of knowledge about credit sourcing as a challenge in accessing credit facilities from savings and loans companies in the Accra township. In addition majority of respondents 30 (75%) agreed that lack of opportunity to take second loan is a critical challenge of the business operators in the Accra township in accessing credit facilities from savings and loans companies.

## **KEY FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **Key Findings**

The study sought to analyze the operations of savings and loans companies' effects on the performances of businesses in the Greater Accra Region of Ghana. With regard to the objectives, the findings are discussed in subsections below.

The study revealed that small businesses in Accra township sourced start-up capital from savings and loans companies. The operational credit of the business operators was also sourced from personal savings, friend and family and Savings and Loans Companies. The businesses are therefore deemed to rely predominantly on the informal financial sector as source of credit. On average, business operators receives an amount of GH¢5,000.

The business operators are required to save with the financial institutions to be legible to access credit facilities. The majority of the business operators were able to receive the entire requested amount from the financial institutions. The business operators that were unable to receive entire amount requested from the financial institutions attributed it to failure to meet the credit requirements, failure to provide the required collateral security and the absence of active account with the financial institutions. Therefore the amount of credit accessed is perceived woefully inadequate for the business operators to efficiently run their operations. It is based on this that the government of Ghana desires to add its efforts to the financing of small medium enterprises in Ghana.

Again the study indicated that the credit received by the business operators in Accra township was utilized for the expansion of business. The study further found that, business operators in Accra township are confronted with several challenges in accessing credit facilities from Savings and Loans Companies. These challenges include bureaucracy, lack of opportunity to take second loan, high risk and uncertainty, high level of interest rate on credit, low level of knowledge about credit sourcing, shorter repayment period, total amount applied for is not realized, difficulty in repayment in event of business failure are just to mention a few.

The main objective of administering credit to business operators from the Savings and Loans Companies is to improve their asset, profit and production of their business. However the study revealed that there isn't much significant change in these areas.

### **Conclusions**

The small business operators in Accra township predominantly rely on the Savings and Loans Companies. The business operators rely on personal savings, friends and family, Savings and Loans Companies as start-up capitals and to also run their operations. Some of the major forms of credit facilities advanced to the business operators are personal loans, commercial loans, micro credit, and group loans. The business operators utilized the credit facilities accessed from the financial institutions efficiently. The acquired credit facilities were utilized predominantly for the purchase of raw materials.

Each of the surveyed Savings and Loans Companies (Multi Credit and Sinapi Aba) advanced loan facilities to business operators who are willing to do business with them. The access to

the credit facilities led to improvement in the assets, sales, profit, production and investment of the business.

The challenges to business operators in accessing credit facilities from the Savings and Loans Companies includes lack of opportunity to take second loan, high risk and uncertainty, high level of interest rate on credit, low level of knowledge about credit sourcing, high cost of financing, non-availability of start-up capital, shorter repayment period, non-realization of total amount applied for and others.

### **Recommendations**

Based on conclusions and findings of the study, it is recommended that to enhance small and medium business operators in Accra township access and acquisition of credit facilities should be efficiently utilized.

Most businesses are owned and managed by people with lower level of formal education as such they are not conversant high volumes of paper work therefore Savings and Loans Companies should use minimal paper work in the underwriting of their loans.

In addition, the Savings and Loans Companies in Accra township should reduce their interest rate on loans so that different groups of business operators can access their loan facilities.

A favourable repayment period should be negotiated between the Savings and Loans Companies and the business operators. A favourable grace period should be allowed for delinquent credit payment to ensure greater level repayment of acquired loans.

Many business operators lack the requisite credit sourcing knowledge and therefore rarely make any attempt to source credit for business activities. The Savings and Loans Companies should organize workshops and seminars for business operators to educate them on the procedures to be followed in sourcing credit facilities.

The government of Ghana should expand its financial and technical assistance to small and medium enterprises in the country. Considering the dominance of the small businesses in terms of employment generation, the government in its policy to reduce the unemployment level could stimulate the efforts of the private businesses by granting them soft loans.

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