

Determinants and Constraints of Agro-based SMEs Access to Finance: Evidence from Ghana

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Abstract – This study explored the determinants and constraints of the access to finance of Agro Based SMEs in the Cape Coast Metropolis, Ghana. The research utilized primary data using a structured questionnaire. Sixty (60) SMEs in the Metropolis were selected using the simple random sampling technique. To ensure data reliability and validity, a pilot test was conducted for confirmation. Results show that Agro-based SMEs prefer personal savings as the first means of finance. Also, collateral, owner's gender, sector of business, availability of audited financial statements, firm's performance and firm size are the determinants of Agro-based SME's access to financing. The major challenges faced by Agro-based SMEs in financing their businesses result conclude a lack of the expertise to prepare sophisticated financial statements, less repayment period, unclear financial plans to execute business, non-availability of enough MFIs and bureaucracy. It is recommended that Agro-based SMEs should cultivate the habit of savings personally to serve as the basis for their working capital to reduce over-reliance on banks and microfinance institutions. Additionally, Government interventions like MASLOC must be enhanced to allow more SME owners in SME businesses to access financing.

Keywords – Agro-Based Products, Small and Medium Scale Enterprises (SMEs), Finance

1 Introduction

Globally, finance has been classified in diverse job research as one of the essential reasons in ascertaining the sustenance and development of SMEs in both developing and developed countries (Biekpe, 2004). Getting sources of finance paves way for SMEs to go through profitable investments to enlarge their jobs and to get the modern technologies. The enormity of the contribution of SMEs to economic development have been very significant. Measures geared toward the SME area are usually focused on the foundation that SMEs are the heart of financial growth, on the other hand market instability and organizational vulnerabilities retards their development. Finance accessibility by SMEs has rouse interest by scholarship and rule-makers globally for many decades. Discussions about the challenge of getting funding by SMEs in Mozambique was done in conferences and numerous debates with the aim of aiding the line of funding for Small and Medium Size Enterprises and to formally merge it supplement in the local economy (MIC, 2007). The reason being finance is an important key feature in analyzing the development and sustainability of SMEs, as cited in ACCA (2009). Beck and Demirguc-Kunt (2006) also cited that, the getting finance gives way to small business to go on increased investments, supplement to the growth of the economy, and reduce of poverty in most of Sub-Saharan African countries. As equally important as internal finance, outside funding for medium and small size businesses is also important for growing fresh business. To add to, in absent of outside finance, SMEs might not be in position to contend in the world market, to enlarge their jobs and connect jobs with the bigger businesses. By the study conducted by Jasra, Hunjra, Rehman, Azam and Khan (2011) of all the elements that are mainly supplementing their duty in the accomplishment of small and medium business namely, money revenues, marketing strategy, technological and government support and entrepreneurial skills, it concluded that money revenues resources are the essential element that influence the SMEs achievement. Yeboah and Koffie (2016) also stated that the access to finance of SMEs should be a key priority of all governments if they are to attain their full capabilities moving from start-ups to growth-oriented business firms. It is generally agreed between academic and business fields that Small and Medium Scale Enterprises in Ghana are engulfed with challenges, and one of key problems adversely affecting their investment and business expansion is the inefficient external capital mobility. Gaining monetary help stands to be bone of SMEs stay in spite of the undisputable work of SMEs in resource development and productivity as a better employment generator and money creator. Nyanzu and Quaidoo (2017) postulated that gaining finance is essential to SMEs growth and performance as far as money involves the lifeblood of all jobs. Testable facts over the world indicate that gaining money thwart the performance of SMEs, impedes their investment and creation and slow SMEs

development (Dauda & Nyarko, 2014; Mohammed & Obeleagu-Nzelibe, 2014).

Ayyagari, Demirguc-Kunt & Maksimovic (2011) observed that with regards to the World Bank Enterprise Survey (WES), the challenge of gaining money is held together than others such as bribery or basic facilities. Beck and Cull (2014) saw that challenges of money are the largest in low-income nations whilst institutions in Sub-Saharan Africa (SSA) nations as much as double out of Africa stated the presence and cost of money as the major essence of development challenge. In Ghana, Nkuah et al (2013) stated that a major figure of SMEs researched in Ghana stated gaining finance and especially credit as a dominant constraint. Normally, SMEs have always been recounting challenges in giving monetary aid to their works (Beck & Cull, 2004, Sloty, 2009).

In the enterprise analysis (World Bank, 2011), 45% of medium enterprises and 51% of small enterprises within Sub-Saharan Africa were postulated as seeing gaining money as a significant hindrance and it depreciates with size. It ended by saying that only 38% of big (100 and more employees) enterprises mention access to finance as their major obstacle. Access to finance in general is especially essential for SMEs, as much as these SMEs are not able to help themselves financially by retained earnings or equity financing. As stated in Olomi and Urassa (2008), the getting finance is big obstacle in enlarging businesses and beginning to operate it have always been said by SMEs and probable workers. Over the decades, policy makers have complained about small and medium-sized enterprises (SMEs) inadequacy of getting money (MIC, 2007). While it is of interest to note that much have been documented about SME helping in terms of money, they fail to study and analyze reasons and constraints of getting money from the bank by SMEs, particularly agricultural SMEs (Gamage & Sadoi, 2013).

After the year onwards, various research has been done in this field of study. There have been various factors which have been analyzed that affect the access to finance as identified. Nyameck, Gockowshi and Nkamleu (2008) postulated that the gender of the owner of business doesn't impact its capacity to take to credit.

As also stated in Abdul (2015), age was of a big essence in acquiring financing. He postulated that a growth in farmer's age improves the capacity to be granted credit, which examined the dynamics prompting access to credit and the way if influence food security. Okunade (2007) also studied and stated that the marital status of a business owner or entrepreneur is statistically insignificant with the access to finance and that access to credit to nuptial farmers are less likely to get. Essien and Arene (2014) concluded that farmers with higher educational background have higher opportunity of securing credit as compared to farmers with no formal education. They concluded that edification and admittance to finance are positively correlated.

Nouman. Saddiqi, Asim and Hussain (2013) stated in the findings that there is a positive correlation and effect of farmer's experience and access to finance, which implies that a farmer's experience increase it access to finance. The study revealed that, farmer's experience was positive with the access to acquire financing. Chena, Maria and Teno (2018) postulated that

awareness is positively correlated with the access to finance as well as household size stated in Essien and Arene (2014) and also in Chandio, Jiang, Rehman and Liu (2017). This indicates an increase in size of family increases likelihood of a farmer getting access to finance. Mensah, et al (2019) concluded in the study that marital status, education, practice, age and family magnitude are the key aspects that prejudiced the farmer's capacity to admittance finance in the research in Asunafo North District, Ahafo Region.

The issue is also dominant in the Cape Coast Metropolis where commercial banks desire to advance to government and enormous scale enterprises or trade in foreign exchange to the demerit of SMEs. Business performance of the SME sector has been accorded much recognition and premium is placed on ensuring that small and medium enterprise operators receive adequate assistance and finance to boost their performance. As the greatest obstacle defined by research which significantly hinders their growth, the study objectives at categorization out the largest obstacles SMEs, specifically agro-based SMEs face in the Cape Coast and Ghana as a whole and look at its determinants and constraints since is of overall agreement of SMEs profitability, include agro-based ones are significant for mutually economic and social development of developing countries.

The Ghana Enterprise Agency, an apex governmental body for the development and promotion of the small and medium scale Enterprises (SMEs) sector in Ghana has a core mandate and as part of it, is to facilitate the access to finance for SMEs and have identify the access to finance as a major problem due to budgetary constraints. Despite written documents on SME money getting remains more, studies on the determinants and constraints in the Agro base SMEs is very limited from the Ghanaian context. Also, an extensive look at the document concerning this part shows that there is a much space gap in understanding of the factors and constraints of access to money in the Agro-based SMEs. This research aims to fill the gap by investigating to provide testable facts on the factors of gaining finance of Agro base SMEs in the Cape Coast Metropolis and the way these constraints connect to SMEs working in Ghana. The main objective of this research is to find out the determinants and constraints of access to finance of Agro-based medium and small-size firms in the Metropolis. Specifically, the research sorts: To determine sources of Agro-based SMEs financing, analyze the determinants of Agro-based SMEs financing as well as examine the constraints of Agro-based SMEs financing.

2 Literature Review

The financing of SMEs is very important for their survival, growth and development. As a result, there is a need aimed at SMEs to gain a way to an effective and efficient provision of money to develop and compete in the market. The form of financing for SMEs can be classified as external and internal. According to Kira and He (2012), internal finance constitutes those

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funds from receivable accounts, retained earnings, sales of assets, savings etc. As a result of the inadequacy of internal finance, most SMEs resort to external finance to achieve their growth and survival prospect in the market. The external finance constitutes borrowings from banks, relatives, and governmental and non-governmental agencies. The principal area of outside financing is the banks, for SMEs in emerging republics in cases where the financial market is fledgling and small (Klonowski, 2012). According to Fraser (2005), about 80% of SMEs in the United Kingdom (UK) used external finance during the last three years, but regarding start-up businesses the percentage allocations were: personal savings 20%, bank 10% and friends and family 6 %. In Ghana, most SMEs use internal finance due to their inability to acquire funds from external sources.

2.1 Sources of Finance to Agro-based SMEs

Credit is a life wire to the development economic activities in every nation. It provides funds for business start-ups and operational costs as well. There are two major sources of Small and Medium Enterprises (SMEs) financing established in Ghana namely: official and casual sources. Official sources comprise savings and credit banks, investment banks, commercial banks, as well as rural banks set up consciously to offer credit assistance to domestic businesses. The additional formal sources comprise funds provided by the government or with the funding of donor agencies.

The informal sources include relatives, friends, Non-Governmental Organizations (NGOs), private money lenders, and some *susu* collectors. This has been proved by several credible research works. According to Ganesan, Haron, Ismail and Pitchay (2017), their study into the financing of Small and Medium Enterprises (SMEs) concluded that there are two basic types of financing available to SMEs namely: debt and equity. Petty, Palich Hoy & Longenecker (2014) also conducted research into the financing of Small and Medium Enterprises (SMEs) and proposed that debt and equity financing remain the two basic financing sources available to Small and Medium Enterprises (SMEs) with the former being short to medium term while the latter is long term respectively. The research focus on the following sources of finance: Angel Investor, Savings and Loans Companies, Credit Unions, Close Friends and Family Relations.

2.2 Empirical Review of Determinants

Avevor (2016) used non-probability sampling to investigate the obstacles encountered by Small and Medium Enterprises when getting capital from financial companies in Ghana. From the financial institutions' perspective, the results from the research indicated that access to finance is driven by turnover, collateral, guarantors, balance sheet balances, management team, business registration certificate and credibility of the entrepreneur/borrower. The study used primary data and a descriptive survey method.

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Musah (2015) studied the financing gap of SMEs in Ghana using a structured questionnaire with stratify sample method where rudiments of the population were put into six layers. He employed the dualistic logistic deterioration to examine the elements of credit constraints and how these determinants explain credit constraints. He found that SME possessor features such as marital status gender and business characteristics - ownership, magnitude and segment are the factors influencing SMEs financing. The study revealed that microfinance loans, bank loans, and borrowing from friends and family were the major sources of SMEs financing.

Wangmo (2016) investigated the financial constraints of small and medium enterprises (SME) in Developing Countries. The study results showed that the drivers of SME financing include the size of the firm, collateral, information, firm sector, owners' gender and owners' education level. The study employed a sequential explanatory mixed method approach to investigate SME financing constraints from the SMEs' perspective in research Phase I and the banks' perspective in research Phase II.

2.3 Empirical Review of Constraints

As stated in Beck (2007), getting finance is seen as the main obstacle by over 30 per cent of SMEs and some key constraints to the access to finance by SMEs as compared to large firms are bank paperwork, collateral requirements, the need for special connections, interest rate payments and banks' lack of lending resources. Information asymmetries and transaction costs were also stated to drive the variation in getting funds over institutions of varying sizes, particularly SMEs. Credit constraint is defined by Organization for Economic Cooperation and Development (2006) as occurring when Small and Medium Enterprises cannot obtain financing from banks, capital markets or other suppliers of finance when they have the capability to use those funds productively. Levy (1993) saw inadequate finance access as the major obstacles to Small and Medium Enterprises (SMEs) compared to large organizations.

Ackah and Vuvor (2011) also supported this view by indicating that, SMEs' access to finance has been a problem raised continuously by many researchers as a major obstacle to industrial growth. This was partly attributed to the inaccessibility of indemnity to support these amenities as demanded by the credit organizations. Most times these properties intended to be used as security lack the proper documentations which makes them rightful owners to be used as securities for credit facilities.

Aryeetey (1994) strengthened this claim by asserting that from the private sector problems related to the finance point of view, dominated all other restraints. This group stated that the obtainability of guarantee played a pertinent function in accessing credit since it provided an incentive for repayment in cases of default. (Afrane, 2003; Aryeetey, 2005) were also of the view that one key constraint to SMEs was inadequate access to investment for either asset acquisition or working resources and both. This was to help run the day-to-day operations of the business as well as the purchase of assets. Nguyen (2014) also revealed in his study on the accessibility of credit and

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SMEs in Vietnam that Small and Medium Enterprises (SMEs) were having inadequate access to credit because they were considered riskier than large firms. He also asserted that access to external financing was greatly influenced by provision of collateral and government assistance. In Vietnam, recent research conducted by Vietnam Chamber of Commerce (VCC) indicated that 75 percent of Small and Medium Enterprises would like to seek bank loans but only 30 percent succeeded due to complicated lending procedures and high-interest rates.

3 Research Methodology

3.1 Design, Participants, and Procedure

The methodology detailed description of the process that was used in the research. Specifically, the processes cover the research design and area, population, the sampling procedure and data collection instruments used, as well as data processing and scrutiny. The research was conducted within the Cape Coast Metropolis. The population of the Metropolis according to 2010 population and housing census stands at 169,894 with 82,810 males and 87,084 females. The study used a descriptive survey design for the research. It is a scientific method which involves observing and describing the situation of a subject without influencing it in any way. Descriptive research involves gathering data that describe events and then organize, tabulate, depict, and describe the data collected. The research adopted descriptive survey research approach as far as the goal of the investigator is to define the attitude of people who responded to the investigation, results nature and conclusions in a way that gives solutions the study inquiries in the research.

A list of registered SMEs within the Metropolis was obtained from the Enterprise Agency (GEA) metropolitan office, Cape Coast. The list indicated a total of agro-based 122 SMEs duly registered with the Registered Generals'. Since our focus was on the Agro Based SMEs, SMEs in that category were only selected for the study. Introductory letter was given by the Regional Manager of NBSSI to contact these SMEs. The lists of SMEs obtained from NBSSI were categorized into the following segments: restaurants, pesticides/weedicides sellers, poultry farms (livestock rearing), agro forestry (crop production) and fishing. The list of SMEs obtained from NBSSI had already been categorized into various industrial classification. However, sample size of 60 was drawn from the 122 SMEs based on Krejcie and Morgan (1970).

Table 1: Sampled SMEs for the study

Nature of SMEs	Population	Sample size
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Restaurants	25	12
Pesticides Sellers	16	8
Poultry farm (livestock rearing)	33	16
Crop Production	16	8
Fishing & Cold Stores	33	16
Total	122	60

Source: NBSSI data, 2018.

The sampling frame of 122 registered SMEs was obtained from the Ghana Enterprise Agency (GEA) office in Cape Coast. The data obtained from the GEA enabled the researcher to employ the stratified sampling procedure where rudiments of the population were input in five strata. The stratified sampling was adopted with the aim making the sample more representative of the population under study. Each of the sectors above founded an echelon out of which defendants were nominated grounded on the technic of simple random sampling. After different strata have been developed, the researcher utilized the simple random sampling technique at the SMEs sector to pick respondents from each group. Respondents were collated based on those who picked papers labelled 'participate' in the shuffling bowl without replacement. The simple random sampling safeguarded that every SME are equally gamble of being sampled to circumvent partiality (Mutiria, 2017).

Employing statistical formulae for calculating sample size where the total population is known, the sample size was calculated to be about 60 SMEs at estimated variance of 0.5; precision level of 5%; 95% of confidence level with Z value at 1.96 and response rate of 90% owing to face-to-face survey. In each sector of SMEs, simple random sampling technique was used to select the sample out of the total SMEs in that sector.

Self-administered questionnaire was used in gathering the data required. The questionnaire which was made up of 40 items and grouped in five (5) sections – A, B, C, D and E. Section A elicited information on demographic details of the population. Section B was used to elicit much more information on the firm characteristics. Section C was used to elicit information on the business. Section D was then used to elicit information on the sources of Agro-based SMEs financing. Factors of the getting finance of SMEs in the Agro sector in the Cape Coast Metropolis. Section E elicited information on the constraints Agro-based SMEs faced in getting finance in the Cape Coast Metropolis of the population whiles Section F elicited information on the determinants of access to SMEs financing. Under Section D, each respondent was asked to rate the Sources of Agro-based SMEs finance: Angel Investors, Savings & Loans Companies, Credit Unions, Close friends & family relations and Cooperative Mutual Fund on a 1-10 rating scales on how these sources have contributed to their businesses.

A scale of one to ten, or scale from one to ten, is a general and largely vernacular concept used for rating things, people, places and ideas The scale has 10 as a maximum score, as a denotation of exceptionally high

quality or of another attribute, usually accompanying 1 as its minimum, although some common variants have a minimum of 0. Such a scale is similar in function to other rating scales, such as star ratings which are typically out of five.

4 Results

Descriptive Survey and regression statistics were used mainly in the analysis of the data gathered. The extents of relationship between each of the determinants as well as the constraints of Agro-based SMEs financing was ascertained with the use of correlation. The determinant and constraint variables are considered as the random (dependent) variables and the access to Agro-based SME financing as independent variable. Regression analysis was again used to measure the impact of these determinants and constraints on the access to finance of these Agro-based SMEs. The multiple linear regression model was specified as follows:

$$Acc_Fin_t = \beta_0 + \beta_1 Coll_i + \beta_2 Own_Gen_i + \beta_3 Ava_Fin_sta_i + \beta_4 Fir_Per_i + \beta_5 Sec_Firm_i + \beta_6 Siz_i + \varepsilon_i$$

Where, *Acc_Fin* is access to finance, *Coll* is collateral, *Own_Gen* is owner's gender, *Ava_Fin_sta* is Availability of Audited Financial statements, *Fir_Per* is firm's performance, *Sec_Firm* is Sector of firm and *Siz* is size of the firm. Table 2 provides a description and expected signs of the variables.

Table 2: Description and expected sign of variables.

Variable name	Variable description	Type of variable	Expected sign
Collateral	Firm's collateral	1= Firm has collateral 0= Firm has no collateral	+
Owner's Gender	Sex of owner	1= Male 0= Female	+/-
Availability of Audited Financial statements	Financial statements of the firm	1= Firm has financial statements 0= Otherwise	+
Firm's Performance	Net sales of firm	1= high 0= Otherwise	+
Sector of firm	Agro-based SMEs	1= Agro-based SMEs 0= Otherwise	+/-

Size of firm	Total number of employees	1=SMEs (1-99employees)	+/-
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0= Otherwise

Source: Author's Construct (2020)

4.1 Descriptive statistics

Descriptive statistics including percentages and frequencies were employed to analyze the demographics. Multiple regression was also used to achieve the research objectives with the results presented in sequence with the objectives.

Table 3: Demographic Analysis

Variable	Sub-scale	Respondents Frequency (N)50	Percentage (P)100%
Gender	Male	29	58
	Female	21	42
Position	Manager	6	12
	Owner	20	40
	Owner and manager	24	48
Age	Up – 19 years	1	2
	20-24years	-	-
	25-29years	6	12
	30-34years	33	66
	35-39years	10	20
	40-45years		-
Qualification	Never been to School	-	16
	JHS/Middle School	8	40
	Senior High School	20	12
	HND	6	22
	Bachelor	11	10
Number of Years in Business	Less than 3years	27	54
	3-6years	12	24
	7-10years	11	22

Source: Field survey (2020)

4.2 Sources of Agro-Based SMEs Financing

This sought to determine the sources of Agro-based SMEs financing. In relation to the main sources of available to SMEs in the researched area, all the respondents indicated they have heard of any Sources of Finances.

Table 4: Sources of Agro-Based SMEs Financing

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Sources of finance	Frequency	Percent- age	Ranking
Cooperative Mutual Fund	3	6	3
Angel Investors	1	2	4
Credit Unions	6	12	2
Friends and Close Relatives	3	6	3
Savings and Loans	37	74	1
Total	50	100	

Source: Field survey (2020)

In considering the sources of finance individually in order of preference, the results in Table 4 revealed that 74% of them prefer savings and loans as the first means of finance, followed by finance from credit Unions, then friends and close relatives emerged the third choice and lastly angel investors. Therefore, the main finance source preferred by majority of Agro-based SMEs is savings and loans. It can also be deduced that some of the respondents indicated their reliance on more than a source of finance.

4.3 Determinants of Agro-based SMEs financing

This sought to analyze the determinants of the finance of Agro-based SMEs. To achieve this particular objective, multiple regression analysis was performed. The variables considered in the regression analysis are sector of business, performance, availability of audited financial statements, owner's gender, collateral and firm characteristics. The regression result is displayed in Table 5.

Table 5: Determinants of Agro-based SMEs Financing

Variables	Coefficient	Standard Error	T-Value	Significance level
Constant	0.652***	.048	13.648	0.000
Collateral	0.030**	.015	2.016	0.046
Owner's Gender	0.147*	.078	1.884	0.062
Availability of Audited Financial statements	0.214**	.093	2.289	0.024
Firm's Performance	-0.713***	.175	-4.083	0.000
Sector of firm	-0.132***	.018	-7.508	0.000
Size of firm	0.289***	.019	15.235	0.000
R		0.823		
R-Square		0.678		
Adjusted R-Square		0.662		

Source: Field survey (2020)

***, **, * denote 1%, 5% and 10% Significance level respectively

Table 5 shows estimates of the multiple linear regression for the determinants of Agro-based SMEs access to finance. The R square value of 0.678 implies that 68% of variations in Agro-based SMEs access to financing is explained by sector of business, performance, availability of audited financial statements, owner's gender, collateral and firm characteristics. A very high prediction level in the model is achieved per the 0.823 R-value. The results show that collateral, owner's gender, sector of business, availability of audited financial statements, firm's performance and firm size are the determinants of Agro-based SMEs access to financing.

From the result, the coefficient of collateral was optimistic and significant at a significance level of 5%. This suggests that an increases in Agro-based SMEs owners' pledge of collateral increases his/her ability to access to finance. Collaterals are a very essential to Agro-based SMEs' access to finance especially in the lending decisions of financial institutions. According to Bester (1987), collaterals serve a selection device for lenders; debtors with stumpy ratio of nonpayment revealed themselves by accommodating collateral requests that will be unappealing for high-risk mortgagors. Hence, the accessibility of indemnity can be a sign indication for mortgagor's capacity to refund loan. Gender had a positive coefficient and statistically significant at a significance level of 10%. This shows that gender influences Ago-based SMEs financing. Owner's gender reflects the cultural attributes, economic, political and social prospects concomitant with being gender (Peprah, 2016).

Table 6: Constraints of Agro Based SMEs Financing

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Constraints	Mean	Std. Deviation	Ranking
I am unable to access financial assistance from financial institutions because they complain I don't keep proper documentation of my business.	1.840	1.1132	10
I don't know of any financial institution where I could seek assistance from.	1.640	.9848	12
I don't have any collateral to benefit from any credit facility from financial services.	1.820	1.1192	11
I do not patronize any financial services because they would deduct all the money before it gets to me.	1.840	1.0568	9
The staff of these financial institutions demands percentage of the loans before they process loans forms.	1.980	.9366	8
I do not patronize the services of any financial institutions because of the high interest rate they charge.	2.020	.6848	6
The bureaucracy involved in getting financial assistance from these financial institutions is a complete turnoff for me.	2.040	1.4280	5
I lack the expertise to prepare sophisticated financial statement to qualify me for financial assistance.	2.540	1.2811	1
Less comfortable with the period in which I have to repay the loan.	2.440	1.0333	2
Non adequate information provided before a loan is offered by the MFI that lends to me.	1.900	1.1650	7
Non availability of enough MFIs to open the competition for lower interest rate.	2.180	1.0240	4
I lack clear financial plans to execute my business	2.360	1.1205	3
Information asymmetry also deter the company from securing a loan	1.980	.9366	8

Source of Reports: Field survey (2020)

4.4 Constraints of Agro-based SMEs Financing

Agro-based SMEs faced numerous setbacks in accessing finance. The third objective of the study is crafted to find out the challenges faced by SMEs in financing their businesses. The findings are displayed in Table 6.

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Table 6 presents the constraints of Agro Based SMEs Financing. From the results, majority of the respondents agreed that lack the expertise to prepare sophisticated financial statement to qualify me for financial assistance is the major obstacle faced by Agro-based SMEs in financing their businesses as indicated by high mean score of 2.540. This is followed by less comfortable with the period in which I have to repay the loan with a mean of 2.440. Lack clear financial plans to execute business was the next constraint that affect Agro-based SMEs to access loans in their operation.

Clear evidence of respondents' responses to that particular statement of mean value of 2.360. In most cases, SMEs are ignorant about the focus of their business. The inability of borrowers to know the strategic focus of their business normally result in failure of Agro-based SMEs to access credit. The fourth constraint was non availability of enough MFIs to open the competition for lower interest rate with a mean score of 2.180. Most of the Agro-based SMEs claimed that low interest rate is their prime choice because, if interest rate is high, it increases the total cost of borrowing and eventually erodes their profit margin. Even though banks cannot survive without interest charges on services rendered it is quite human to charge realistic rates. Aryeetey (2005) asserted that a major challenge to their financing is the access to finance because of their higher risk perception and informational barriers of these SMEs.

5 Discussion

Bureaucracy involved in getting financial assistance from these financial institutions is a complete turnoff for SMEs in accessing finance. Studies have also found that access to external financing was greatly influenced by political influence in loan approval process. In Vietnam, recent research conducted by Vietnam Chamber of Commerce (VCC) indicated that 75 percent of Small and Medium Enterprises (SMEs) would like to seek bank loans but only 30 percent succeeded due to complicated lending procedures which was a result of political influence in the process. Ramsden and Bennett (2005) argued that insufficient information can be inhibitory because small and medium enterprises endeavouring to advance finance fall short with information symmetry. SME may be ignorant of any source of financing available. However, lack of information was less viewed by the respondents in this study with a mean of 1.900.

Results from the study conclude that lack of expertise to prepare sophisticated financial statement, less repayment period, unclear financial plans to execute business, non-availability of enough MFIs and bureaucracy are the major constraints faced by Agro-based SMEs in financing their businesses. The results support the findings of Beck (2007), Belas, Rahman, Rahman, Schonfeld (2017).

6 Recommendations

The recommendations of the research were premised on the summary and conclusions from the results and discussion. Agro-based SMEs should cultivate habit of savings personally to serve as the basis for their working capital so as to reduce over reliance on banks and microfinance institutions.

Government must also develop policies and initiatives with the Central Bank to allocate more resources of their financial portfolio to Savings and Loans Companies as well as Credit Unions so that the needs of agro-based SMEs can be catered externally. Government can also liaise with private entities in the financial sector to leverage more of their loan portfolios to these agro-based SMEs by subsidizing it. The National Board for Small Scale Industries which has now been reformed into the Ghana Enterprise Agency must be given a policy direction to undertake more financial skills training on business management of SMEs owners so that they can develop audited financial statements and to also bookkeeping which in the long run helps to develop the financial status of the firm and also a clear plan as to the direction the firm want to go. Government must also discuss with the financial institutions to lengthen their loan repayment period. Subsequently, rotating savings and Cooperative Societies must be improved because they are essential channels for augmenting small and medium firm's access to finance. Agro-based SMEs should keep proper bookkeeping to show inflows and outflows which form the basis of cash flow to be used as requirements for loan accessibility. Finally, Efforts by the Agro-based SMEs to improve their access to credit should be centered more on their internal factors such as size.

7 Conclusion

The outcomes of analyses as summarized above leads to a number of conclusions which are discussed below. The study concludes that personal savings, borrowing from friends and relatives, micro finance and lastly, borrowing from banks meaningfully add up to Agro-based small and medium enterprises access to financing. Similarly, collateral, owner's gender, sector of business, availability of audited financial statements, firm's performance and firm size play a significantly role in Agro-based SMEs access to financing. Even though these factors may vary slightly from one credit institution to the other when assessing financing, the bottom line is most of them surface during credit accessibility. In addition, the challenges faced by Agro-based SMEs are not quite endangering, however, they need the utmost attention since the success or failure of Agro-based SMEs to a significant extent, is dependent on their access to financing.

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