Assessing the Correlation between Financial Records of SMEs and Access to Credit in Ghana

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Abstract: The purpose of this study was to find out the correlation between financial records of small scale enterprises and access to credit. The study showed that less a number of Small Scale enterprises (SSEs) keep petty cash voucher, payment voucher, credit not, debit note, and tally or bin card as source documents. This however does not translate into complete set of books and for that matter only a majority keep sales day book and a less number keep purchase day book, return inwards, general journal and cash book. Study showed that Small Scale Enterprises (SSEs) are asked to provide financial records and collateral security as a requirement in accessing credit. The study showed us that Small Scale Enterprises (SSEs) faces challenges such as no security to pledge and default on previous loan in accessing credit. The study also revealed that Small Scale Enterprises (SSEs) faces challenges in loan repayments such as short durations, high interest rate, high monthly repayments, and low turnover. The study realized that small scale enterprises should be given training on basic book principles and they should be taught some source documents and their usefulness and above all the importance of financial record keeping and its enhancement in accessing credit. The study also realized that some small scale enterprises are not registered and moreover they do not have tax identification number and the researchers recommended that government and other stakeholders should educate small scale enterprises on the need to register and have tax identification number.

Keywords: Financial Records, Access to Credit, Loan Defaults, SME's, Educate

Background of the Study

It is worthy to note that, it is hard for the Small Scale Enterprises (SSEs) face a lot of challenges in accessing credit from the financial institutions since they lack proper financial records as a requirement (William, 2008). The SSEs inability, many times to live beyond their first few months of existence has been attributed partly to lack of finance.

Meanwhile, a number of Small Scale Enterprises have not given much attention to book keeping in relation to their business transactions, despite its importance in the success of businesses. This could be lack of sound knowledge in book keeping practices by owners or respective managers.(Onaolapo and Adegbite, 2014).

Cited by Appiah – Kusi F. (2009) in Richard G. P et al (2008), "sound financial management is crucial to the survival and wellbeing of small enterprises of all types. Studies of reasons for small business failure inevitably show poor or careless financial management to be the most important cause. Cited in Accounting Recording Systems and Tax Revenue Assessment by Appiah – Kusi F.(2009) ,According to Fredrick W. D (2002). "Good records serve as an early warning system to let the business know whether changes need to be made in the enterprise. Indeed, operating without records is like flying in dense fog with no instruments"

According to Ismail and King (2007), the development of a sound accounting system in SSEs hinges on owners level of accounting knowledge and skills. Some authors have argued that small businesses use professional accounting firms for preparation of annual reports and for other accounting needs (Keasy& Short, 1990; Bohman&Boter, 1984). Lalin and Sabir (2010), reports that the main drivers why SSEs prepare financial statements is pressure from regulatory authorities.

Hussein (1983) notes that, a good accounting system is not only judged by how well records are kept but by how well it is able to meet the information needs of both internal and external decision-makers. Clute and Gitman (1980) uphold that it is common for qualified accountants to do a good job of keeping records up to date. Interestingly, however, others argue that the high cost of contracting professional accountants has left Small Scale Enterprise (SSE) owners with no better option but to relegate management of accounting information (Evaraert et al., 2006; Jayabalan&Dorasamy, 2009).

According to World Bank (2006); Ghana is characterized by low capital formation, Small Scale Enterprises (SSEs) are the best option to address this problem. Small Scale Enterprises (SSEs) tend to be more effective in utilization of local resources using simple affordable technology. Small Scale Enterprises (SSEs) play a fundamental role in utilizing and adding value to local resources.

In addition, development of Small Scale Enterprises (SSEs) facilitates distribution of economic activities within the economy and foster equitable income distribution. Other relevance of Small Scale Enterprises (SSEs) to the socio-economic development of Ghana includes innovation, contribution to the growth of GDP, job creation and many others. Bookkeeping or financial recordkeeping therefore is an essential ingredient for the success or failure of Small Scale Enterprises (SSEs) in developing countries.

According to Abubakari S. (2011), in spite of the significant gains from the growth of SSEs to the Ghanaian economy, there are a number of challenges facing the sub-sector. Among many of these challenges in Ghana is lack of access to finance and these have been largely due to lack of business records to enable them access credit from banks. It is estimated that 25 to 30% of SSEs fewer than 5 years collapse every year (Ministry of Trade and Industry 2004).

THEORITICAL ISSUES

Financial Records:
The Ghana Revenue Authority, Registrar General Department, National Board for Small Scale Industry (NBSSI), the Ghana Companies Code and the International Accounting Standard Board (IASB) insist on businesses either small or large to keep proper accounting records and report financial information not only because they understand the proactive benefits from maintaining organized and accurate financial information of a business but they have also seen the "horror stories" that actually happen to those who do not. (www.accountingaisle.com).

Definition of Small –Scale or Micro Enterprises (SMEs):
In Boapeah et al, (1993) opinion, the number of employees in Ghana is the common criterion used in official circles to classify firms by size. As contained in its industrial Statistics, the Ghana Statistical Service (GSS) considers firms with less than 10 employees as Small Scale Enterprises and their counterparts with more than 10 employees as Medium and Large-Sized Enterprises. Ironically, the GSS in its national accounts considered companies with up to 9 employees as small and medium enterprises.

An alternative criterion used in defining small and medium enterprises is the value of fixed assets in the organization. However, the National Board of Small Scale Industries (NBSSI) in Ghana applies both the fixed asset, number of employees and capital criteria. It defines a Small Scale Enterprise as one with not more than 9 workers, has plant and machinery (excluding land, buildings and vehicles) not exceeding 10million cedis (US $9506, using 1994 exchange rate).

Credit (loan or overdraft)

Credit (from Latin credit,   "(he/she/it) believes")   is the trust which   allows   one   party   to provide money or resources to another party where that second party does not reimburse the first party immediately (thereby generating a debt), but instead promises either to repay or return those resources (or other materials of equal value) at a later date. In other words, credit is a method of making reciprocity formal, legally enforceable, and extensible to a large group of unrelated people.
The resources provided may be financial (loan or overdraft), or they may consist of goods or services (consumer credit). Credit encompasses any form of deferred payment. Credit is extended by a creditor, also known as a lender, to a debtor, also known as a borrower.

Types of Credit
Business loan
A business   loan is   a loan specifically   intended for business purposes. As with all loans, it involves the creation of a debt, which will be repaid with added interest. There are a number of different types of business loans, including bank loans, mezzanine financing, asset-based financing, invoice financing, microloans, business cash advances   and   cash   flow loans.(https://en.wikipedia.org/wiki/Business_loan).

Susu:
Cited by Gariba F. 2015 in Aryeetey et al.(1994) identify two forms of susu—single-collector susu system and rotating susu system, also known as Rotating Savings and Credit Associations (ROSCA). These susu systems serve both as deposit and lending institutions to SSEs. Whereas with the single or individual collector susu system, individuals usually save with the collector who offer them credit on demand, the rotating susu system involves members of the same economic activity coming together to form a saving club where the deposit or lump sum is paid to a member of the club in rotation cited by Gariba F. 2015 in (Aryeetey and Gockel, 1990).
Hence, the susu system provides not only an avenue for savings but it is also a source of credit to SSEs. Cited by Gariba F. 2015 in Aryeetey and Gockel (1990) a study of 1000 market women indicates that about 65 percent of the market women indicated that they had access to credit facilities from their susu collectors and an estimated 77 percent of these market women save with these susu collectors. This is because of the easy access to the collector who comes regularly; and the fact that collectors accept small sums.

Group Loan
The group loan is a business credit facility that is designed to finance groups of 5 to 10 entrepreneurs. This loan is provided to groups of entrepreneurs with valid individual businesses. The loan is applied to facilitate business performance and growth and is again applied because of its

flexible loan term repayment plan. Eligibility criteria for Group Loan are; Form or join a group of 5-10 entrepreneurs, Individuals must have valid businesses that have been operating for at least 6 months, Applicants must be at least 18 years old and each must have a valid ID card, Applicants must have letters of recommendation from the local leader of their place of residence. Benefits of group loan are; No collateral needed, Guarantorship from group members, Loan installments can be conveniently done through your mobile phone, Flexible loan term up to 12 months, Free insurance to cover the business on unforeseen events and free life insurance for the client, spouse and 4 children who are below the age of 18, and the loan is delivered within 5 working days from the date all applications are received.(http://www.finca.co.tz/products/small-group-loan-2/).

Books of Prime entry

Sales Day Book:
The sales day book is a manually-maintained ledger in which is recorded the key detailed information for each individual credit sale to a customer, including:
- Customer name
- Invoice number
- Invoice date
- Invoice amount

This information is usually added to the sales day book at the end of each business day, based on the company's copies of all customer invoices issued. The daily total of the sales listed in the sales day book is then transferred into the sales ledger. Thus, the most detailed recordation of credit sales is the sales day book, with only daily totals of credit sales appearing in the sales ledger. The sales day book is only used in manual accounting systems. It is not used in computerized accounting systems, since accounting software automatically stores and aggregates all customer invoices prepared through the computer system; there is no need to prepare a sales day book
(https://www.accountingtools.com/articles/what-is-the-sales-day-book.html)

Purchases Day Book
A purchases day book is an accounting ledger in which purchasing transactions are recorded. This book is most commonly found in manual accounting systems, where purchases are recorded by hand in a ledger. The purchases day book is used to keep purchasing transactions from overwhelming the general ledger, which can be a major problem in a manual record keeping environment.
 The basic information recorded in a purchases day book is as follows:
- Transaction date
- Name of the supplier
- Supplier invoice number

- Supplier invoice amount
At regular intervals, and always at the end of a reporting period, the transactions in the day book are summarized and carried forward (posted) to the general ledger. If anyone were to research a transaction, they would need to return to the day book in order to find the specifics of a transaction.
(https://www.accountingtools.com/articles/2017/5/16/purchases-day-book)

General Journal
The **journal** is the point of entry of business transactions into the accounting system. It is a chronological record of the transactions, showing an explanation of each transaction, the accounts affected, whether those accounts are increased or decreased, and by what amount. (http://www.netmba.com/accounting/fin/process/journal/

 Cash Book
A cash book is a financial journal that contains all cash receipts and payments, including bank deposits and withdrawals. Entries in the cash book are then posted into the general ledger. Larger firms usually divide the cash book into two parts: the cash disbursement journal that records all cash payments, such as accounts payable and operating expenses, and the cash receipts journal, which records all cash receipts, such as accounts receivable and cash sales. (http://www.investopedia.com/terms/c/cash-book.asp)

Asset Register
An asset register is a list of the assets owned by a business. It contains pertinent details about each fixed asset to track their value and physical location. The register shows the quantity and value of things like office equipment, motor vehicles, furniture, computers, communications systems and equipment. It also shows where these assets are kept or used. Sometimes a serial number is also put on the item and recorded. Any assets that are sold are also recorded here. (bizconnect.standardbank.co.za)

Petty cash voucher
This is where the information for recording in the petty cash book can be obtained. Thus it is a document used to record petty expenses like, taxi fares, postage, etc. in certain cases; the receipt book can be used to get such information. Eric, O.(2008).

Payment voucher
This is a document which can be used as proof that a monetary transaction has occurred between two parties. In business, a payment voucher can be used for a variety of purpose, sometimes taking the place of cash in transaction, acting as a receipt, or indicating that an invoice has been approved for payment.(http://www.businessdictionary.com/defintion/payment-voucher.html)

Ledger Accounts

Ledger accounts are where the double entry records of all transactions and events are made. They are the principal books or files for recording and totaling monetary transactions by account. A company's financial statements are generated from summary totals in the ledgers. (http://kfknowledgebank.kaplan.co.uk/KFKB/Wiki%20Pages/Ledger%20Accounts.aspx)

Electronic Record Keeping and Computer Accounting Software:

An electronic recordkeeping system is an automated information system for the organized collection, processing, transmission, and dissemination of information in accordance with defined procedures." (http://dlis.dos.state.fl.us/RecordsManagers).

Computer Accounting Software is a type of bookkeeping and accounting system where data is processed without human intervention through the use of a computer and installed software programs.

The individual modules may be linked together called integrated Accounting System which automatically update all other related accounts. The complexity of this depends on the size of the firm usually not practiced by Small-Scale Enterprises".

Below are some computer accounting software used in making electronic book – keeping:

Quick books

Is set of software solutions designed to manage payroll, inventory, sales and other needs of a small business. The software's features include marketing tools, merchant services, product and supplies, training solutions. . Each solution is developed according to different industries and their needs. Intuit's products for construction contractors include the Simple Start Plus Pack, Quickbooks Pro, Quickbooks Premier Contractor and Quickbooks Enterprise Solutions: Contractor. These products are designed to meet contractor's needs based on company size.

These software solutions are used to monitor expenses, create invoices and reports, track change orders and job status, and manage inventory, customers, vendors and employees.

(http://whatis.techtarget.com/definition/QuickBooks)

Excel-Spreadsheet Accounting Record Keeping:

Excel is an electronic spreadsheet program. An electronic spreadsheet is a computer software program that is used for storing, organizing and manipulating data. Electronic spreadsheet programs were originally based on paper spreadsheets used for accounting. As such, the basic layout of computerized spreadsheets is the same as the paper ones. Related data is stored in tables which are a collection of small rectangular boxes or cells organized into rows and columns. Spreadsheets are often used to store financial data. Excel provides the basic framework to develop simple and manageable financial models. Though excel framework is unstable for certain type of analysis, but still it functionalities and compatibility make it an ideal tool for finance decision making. Formulas and functions that are used on this type of data include:

- Performing basic mathematical operations such as summing columns or rows of numbers.
- Finding values such as profit or loss.
- Calculating repayment plans for loans or mortgages.
- Finding the average, maximum, minimum and other statistical values in a specified range of data.
- Carrying out *What-If* analysis on data - where variables are modified one at a time to see how the change affects other data - such as expenses and profits. (https://www.thoughtco.com/what-is-microsoft-excel-3573533)

Tally Accounting Software:

Tally is powerful accounting software, which is driven by a technology called concurrent multi-lingual accelerated technology engine. It is easy to use software and is designed to simply complex day to day activities associated in an enterprise. Tally provides comprehensive solution around accounting principles, inventory and data integrity. Tally also has feature encompassing global business. Tally software comes with easy to use interface thus making it operationally simple. Tally accounting software provides a solution around inventory management, stock management, invoicing, purchase order management, discounting, stock valuation methodology, etc. Tally accounting software also comes with drill down options, which can track every detail of transaction. It helps in maintaining simple classification of accounts, general ledger, accounts receivable and payable, bank reconciliation, etc. The technology employed by tally makes data reliable and secure. Tally software supports all the major types of file transfer protocols. This helps in connecting files across multiple office locations. Tally accounting software is capable of undertaking financial analysis and financial management. It provides information around receivables turnover, cash flow statement, activity consolidation and even branch accounting. Tally accounting software is east to set up and simple to use. A single connection can support multiple users. It can be easily used in conjunction with the Internet making possible to publish global financial reports. Tally accounting software can seamlessly connect with various Microsoft applications. (http://www.managementstudyguide.com/introduction-to-tally-and-its-features.htm)

Sage Package Accounting Software:

Sage Accounting is an accounting and business management solution that has been built for compliance with International Financial Reporting Standard (IFRS) as well as local taxes in West Africa. Sage Accounting is supper-smart solution that

brings all the elements of your business together, enabling you to control your finances and maintain your relationships with your customers, suppliers and staff. All components in the Sage Accounting range are fully integrated and share a common interface.
(http://www.sage.com/africa/software-solutions/accounting-software/sage-50-accounting-africa-edition)

Financial Records
According to Abubakari S. (2011) the most important users of Small Scale Enterprise's financial records or statements among which he mentioned was the banks. The banks make good use of the financial statements of Small Scale Enterprises when it comes to granting of credit to them. Abubakari S. (2011) further stated that in the last few years, however, providing information to the bank is becoming more and more important in many Europe countries, such as the UK, Spain and Italy.

According to Adomako & Frederick (2012), Small Scale Enterprises that keep financial records and present certain type of information improve their access to bank credit. Adomako & Frederick (2012) stated that, Audited financial statements are very useful in accessing credit from financial institutions. Often, banks require audited financial statements before granting credit. Adomako & Frederick (2012) stated that, 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.

Collateral Security
Cited by Adomako & Frederick 2012 in (storey, 1994; Berger and Udell, 1998), previous researchers suggests that bank financing will depend upon whether the lending can be secured by collateral. Commercial banks often insist for security before giving out loans for business purposes. This is an essential feature in getting loan as collateral security serves as guarantee for recovering of loans given out by commercial banks in case of repayment default. (Daniel A., 2015).

Collateral Requirement
A study was done on challenges faced by Small & Medium Enterprises (SMEs) in obtaining credit in Ghana. Based on the responses received through the questionnaires circulated, it became evident that SMEs in Ghana like most SMEs in other countries are faced with major challenges in accessing credit. These challenges were revealed by the study to include, the inability of SMEs to provide collateral and other information needed by banks such as audited financial statement couple with the high cost of loan in terms of high interest rates make it extremely difficult to access bank loans (Vuvor&Ackah, 2011). Cited by Jane A.,Agnes N. & Ondabu I.,(2014) in Gangata

&Matavire, (2013) in their study on challenges facing MSEs in accessing finance from financial institutions, found out that very few MSEs succeed in accessing funding from financial institutions, the main reason being failure to meet lending requirements, chief among them being provision of collateral security.

Cost of Credit
According to Jane A.,Agnes N. & Ondabu I.,(2014), The cost of credit accessibility refers to the amount of money the entrepreneurs pay in process of borrowing money from financial institutions. The key indicators of cost in this respect are processing fees, negotiation fees, interest rates, personal insurance, legal fees and travelling expenses that the entrepreneurs meet in the process of acquiring credit.

Despite SSEs strong interest in credit, commercial banks' profits orientation may deter them from supplying credit to SSEs because of the higher transaction cost and risk involved. First, SSEs loan requirement are small so the cost of processing the loan tend to be high relative to the loan amounts,(Vuvor &Ackah ,2011).

Audited Financial Records
Effect of poor financial records keeping of Small Scale Enterprise is that, the owners cannot perform financial analysis to establish trends to know whether their businesses are doing well or not. They cannot understand and predict business environment and this can lead to business failure. Effective working capital management would also be a problem for them without keeping good financial records. Inadequate or poor financial records affect users such as government agencies, financial institutions, investors and other users in decision making and economic planning.(Abudu, D.& Ibrahim, A., 2015). Small Scale Enterprises in Ghana end up getting loans at higher interest rates because banks considered them as high risk borrowers due to their inability to provide proper financial records.

RESEARCH APPROACH

Research design
According to Creswel & Clarl (2011) Research designs are procedures for collecting, analyzing, interpreting, and reporting data in research studies. This study used descriptive study design and adopted a survey approach. A descriptive survey attempts to describe characteristics of subjects or phenomena, opinions, attitudes, preferences and perceptions of persons of interest to the researchers (Bell 1993).

The research design and methodology adopted for the data collection, including the questionnaire administered during the study are all discussed in this chapter. The chapter forms

the basis for the data analyses and interpretation of findings from the study in the successive chapters of this study

Population of the study:

The population of this study consisted of one hundred (100) small-scale enterprises in the study area. Firstly, most of the SSEs/SMEs are located in this area, so the banks and micro financial institutions since is the capital town of the region. With the objectives of the study in mind, selecting this area afforded the researchers the opportunity to contact SSEs operators who have made numerous contacts with different bank and micro financial institutions for financial support and therefore have a lot of experience to share.

Secondly, it was easier for the researchers to approach these SSEs/SMEs operators since the researchers are also located in the same region and precisely in the municipality. Choosing any other region would mean traveling a long distance just to make contact with the SSEs operators, which would have been very difficult considering the time frame of this project work.

Sampling Size and Techniques:

Two types of sampling procedures were used, that is cluster and purposive sampling technique was used. Cluster sampling was used for the selection of owners of small scale enterprises. This technique was used because of the geographical size of the study, which was divided into clusters concentrated in the study area.

Among the predominant small scale enterprises were engaged in provision stores, garment stores, chemical shops, stationery shops, mineral water, and drinking spots. Base on this, forty (40) small Scale enterprises were selected using simple random technique. This is because of its large size and having fairly the same characteristics in terms of capital, size ownership and educational background of the enterprises. The benefit of simple random sampling was that each member of the population chosen had equal chances of being chosen.

Purposive sampling was used for the financial institutions selected since they small and they are deliberately selected because their main function is to provide credit and savings facilities to small scale enterprises in the Municipality.

The sample of the small scale enterprises comprises of forty (40) respondents engaged in provision stores, garment stores, chemical shops, stationery shops, mineral water, drinking spots among others.

In selecting the sample, the Municipality was divided into clusters and the clusters were randomly chosen. The cluster sampling was chosen because; the population was very large and spread over a wide geographical area. Businesses within the selected group were listed and samples of them were

chosen. The sample forms a good representation of the population since it is impossible to interview everybody to solicit their views for the study. To this end, a total of forty (40) Small Scale Enterprises (SSEs) will be considered. This sample size is deduced from the formula below using the population of the study area;

$$\frac{N}{1+N(\alpha)^2}$$

Where N = Population and α = Margin of error.
Using a population of 100 and a margin of error of 4%, the sample size calculate will be;

$$\frac{100}{1+100(0.04)^2} = 86.21$$

Even though the sample size calculated is 86.21, but a total of 40 Small Scale Enterprises (SSEs) will be interviewed. This is to enhance the predictive power of the study.

Instruments

This research study deals with human institution in a social setting of a particular area hence the instruments used in gathering data included, questionnaires, interviews, observations and documentary evidence.

Questionnaires

This instrument consists of a series of questions and other prompts for the purpose of gathering information from respondents. Questions on the questionnaires were both open-ended and close-ended. Where open-ended are those questions that provided room for the respondent to give his/her own answers and close-ended are those questions in which options are given to the respondents to choose from.

The questionnaires were distributed personally by the researchers to random sampled population within the study area. Each of the SSE chosen was given a questionnaire. Respondents with language problems were administered with the assistance of the researchers in terms of interpretations. Others without language problems were required to fill and collected after one to four days.

Interviews

This instrument is made up of conversation between one party called the interviewer and another called the interviewee for the purpose of eliciting some useful information. It is a form of gathering information. Face-to-face structured interviews with purposive sampled microfinance and a bank were conducted. The interview was conducted on the loan Officers for the purpose of eliciting information on the requirements for accessing credit by Small Scale Enterprises (SSEs). Due to time constrains, they found it difficult to have a face-to-face interaction with us which took the researchers about one to two weeks to have a comfortable discussion to gather information required from them.

Observations

The researchers also adopted this method in gathering data by visiting the premises of purposively selected micro financial institutions to observe how SSEs go through in accessing credit and interact with some of them about what they do demand from them before credit is been granted to them. We also interacted with the loan Officers concerning one or two issues about credit accessibility.

This observation also consist a snap- shot visit to SSEs to observe how financial records are kept as soon as there is a transaction between the business and the customers. We didn't leave out the customers; we observed the way they behaved after the service rendered to them, and we also interacted with them to see whether they are given documents to prove that they actually bout the items from the enterprise.

Documentary Evidence

Most of the microfinance institution showed as documents regarding their mission and vision which was geared towards the provision of credit facility of the ordinary business man most importantly SSEs. They went further to point out documents which points out the criteria for accessing credit by SSEs. The researchers also visited SSEs which they were shown some documents used to record transactions that further proved they keep financial records and that what information they give out to us is utmost good faith.

Sources of Data

The collection of data represents a pre-requisite for carrying out a research and can be derived from a number of sources. These sources are classified into secondary and primary data (Clarke and Dawson 1999). Neil (1985), pointed out that secondary data is material that has been gathered previously and primary data consist of new material collected by the researcher for the purpose at hand by the use of questionnaires, interview schedules, observation, participation etc.

The secondary sources of data collected for the purpose of this study includes, news, internet, journals, thesis, Banks and micro financial institutions. The primary sources of data

for the purpose of this study collected consist of face-to-face structured interviews with the micro financial institutions selected in the Wa Municipal. A structured questionnaire was used to gather data from respondents (SSEs).

Data Analysis Technique(s)

Collected questionnaires have to be managed properly if any use has to be made of it. It is important that raw data is handled properly and processed in order to transform it for the purpose of extracting conclusive information.

Data collected for this research was analyzed qualitatively and quantitatively. A very good care was taken through the answered questionnaire to verify clarity of expressions, legibility, unanswered questions and other discrepancies. This was done to facilitate consistency of thought as well as to make coding and analysis easier.

Each questionnaire item was vetted and numbered serially according to sequence in which they were received. The field data was presented in the form of tables, charts and frequency tables using a computer assisted programs like SPSS and Excel which were used to analyze the data.

RESULTS AND DISCUSSION

This section deals with the background of and findings of the study. It will analyze and interpret the data collected from the study. An aspect of it will deal with the data collected from women entrepreneurs and those in respect of data collected from Sinapi Aba Trust both of which are in respect of the research questions.

BACKGROUND ANALYSIS:

This section deals with the findings of the study. The findings from the questionnaires administered, it consist of four parts; the background question, research question one, two and three.

Background question

Figure 1.
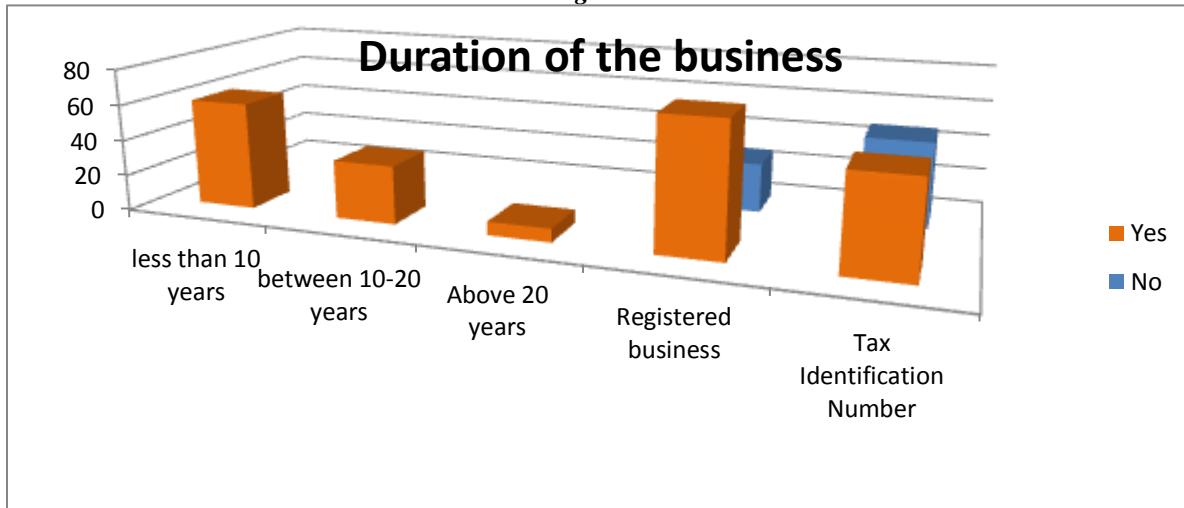
Source: Field Survey and Responses from enterprises, July 2017.

From *figure 1* above, it shows the responses from Small Scale Enterprises on some background questions. We received 100% responses from the forty (40) questionnaires administered. From *figure 1* above, 60% of the enterprises are in operation less than 10 years now, 32.5% were between 10 to 20 years and 7.5% were above 20 years. This means that on average over 90% of the Small Scale Enterprises are below twenty (20) years in operation and that form the majority as can be seen in *figure 1.* This also shows that Small Scale Enterprises are still growing and it was realized that day in and day out new Small Scale Enterprises come into existence perhaps because they easy to form.

From *figure1* again shows the registration of Small Scale Enterprises. From the responses, 72.5% indicates that their enterprise has been registered and 27.5% did not register

their business as at the time this study was undertaken. This means that majority of the Small Scale Enterprises in the Wa Municipality have been registered.

The minority that is not registered perhaps do not know the importance of registering their business which the registrar General of Small Scale Enterprise should undertake this initiative to educate small scale entrepreneurs about that to help develop this sector.

Again, from the 100% responses on Tax Identification number, figure1 shows that 52% of the Small Scale Enterprises (SSEs) are having Tax identification number and 47% do not have tax identification number. This could also mean that some of the registered SSEs have not registered with tax authority in order to have tax identification number.

Types of Businesses Small Scale Enterprises operate

Type Of Business	Frequency	Percent	Valid Percent	Cumulative Percent
Trading	25	62.5	62.5	62.5
Manufacturing	5	12.5	12.5	75.0
Services	3	7.5	7.5	82.5
Others	7	17.5	17.5	100.0
Total	40	100.0	100.0	

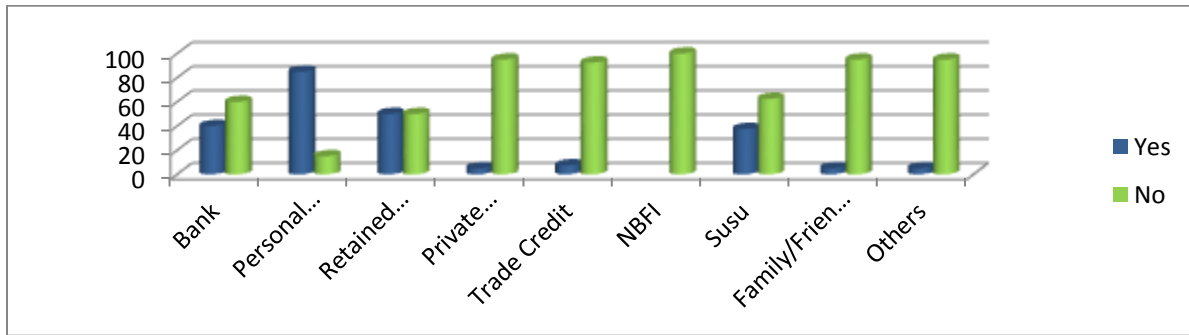Source: Field Survey and Responses from enterprises, July 2017.

Figure 2
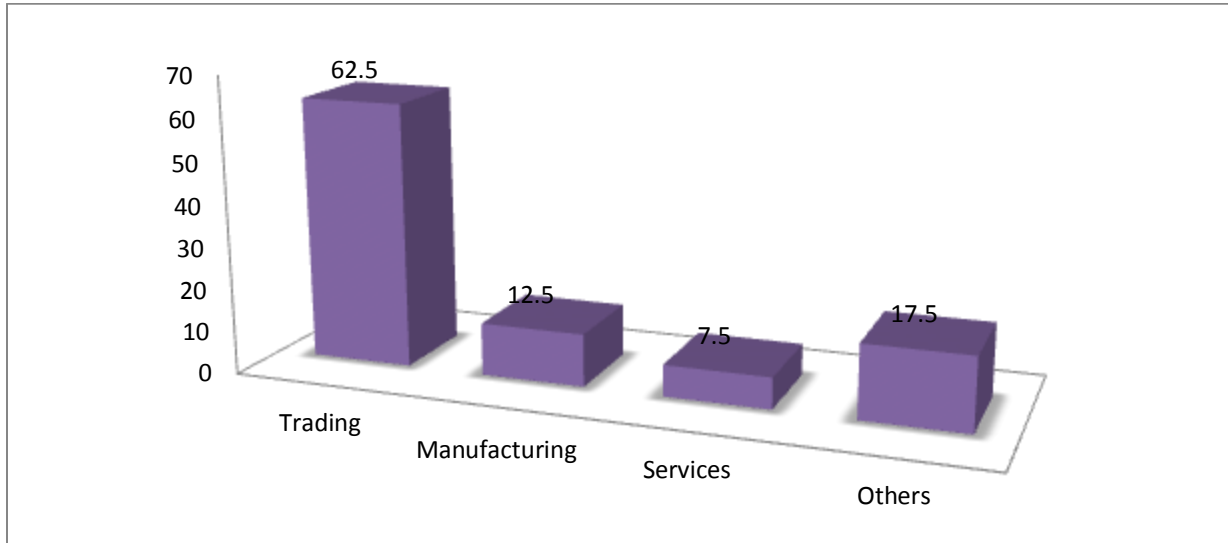
Source: Field Survey and Responses from enterprises, July 2017.

From *table 1,* 62.5% represents trading, 12.5% also engaged in manufacturing, 7.5% render services and 17.5% represents others. This clearly shows that majority of the SSEs in the Wa Municipality engage in trading.

Figure 3.

Sources of funds for small scale enterprises

Source: Field Survey and Responses from enterprises, July 2017.
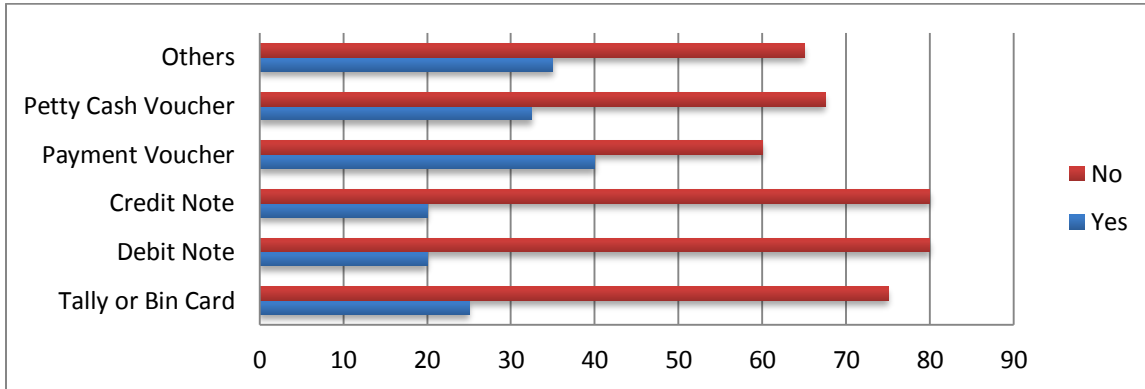
From the figure 3 above, 40% of the respondents had their sources of funds from the bank and 60% of them do not have their sources of funds from the bank. 85% of the respondents had their sources of funds from personal savings and 15% of them do not have their sources of funds from personal savings. 50% also had their sources of funds from retained profit and 50% also do not have their sources of funds from retained profit. 5% of the respondents also had their sources of funds from private institutions and the remaining 95% also did not have their sources of funds from private institutions. 7.5% of the responses from small scale enterprises had their sources of funds from trade credit and 92.5% did not have from trade credit. 100% of the enterprises did not have their sources of funds from Non-Banking Financial Institution (NBFI). 37.5% also had their sources of funds from Susu and 62.5% also did not have from Susu. 5% had their funds from family and friends and 95% did not have from family and friends. 5% of the respondents had their sources of funds from other sources and 95% did not have from other sources.

Types of Records Kept by Small Scale Enterprises (SSEs)

**Business Documents**

Figure 4

Source: Field Survey and Responses from enterprises, July 2017.

From figure 3 above, 25% use Tally or Bin card 75% do not use Tally or Bin card. 20% of the respondents use Debit Note and 80% do not use Debit Note. 20% of the respondents use Credit Note and 80% do not use Credit Note. 40% of the respondents use Payment voucher and 60% of the respondents do not use Payment voucher. 32.5% of the respondents use Petty cash voucher and 67.5% do not use Petty cash voucher. 35% of the respondents use other business documents and 65% do not use other business documents.

Accounts Books

Figure 5
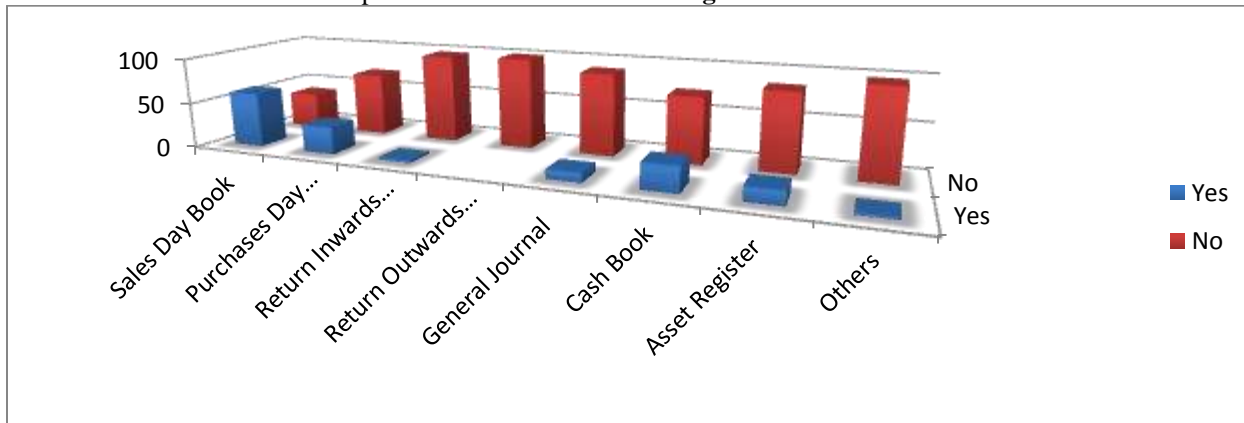
Source: Field Survey and Responses from enterprises, July 2017.

From figure 4 above, 60% of the respondents keep Sales Day Book and 40% do not keep Sales Day Book. 30% of the respondents keep Purchases Day Book and 70% do not keep Purchases Day Book. 2.5% of the respondents keep Return Inwards Books and 97.5% do not keep Return Inwards Books. 100% of the respondents do not keep Return Outwards Books. 10% of the respondents keep General Journal and 90% of the respondents do not keep General Journal. 27.5% of the respondents keep Cash Book and 72.5% do not keep Cash Book. 15% of the respondents keep Asset Register and 85% of the respondents do not keep Asset Register. 2.5% of the respondents keep other books of accounts and 97.5% do not keep other books of accounts.

Requirement of Small Scale Enterprises (SSEs) in accessing credit

Figure 6
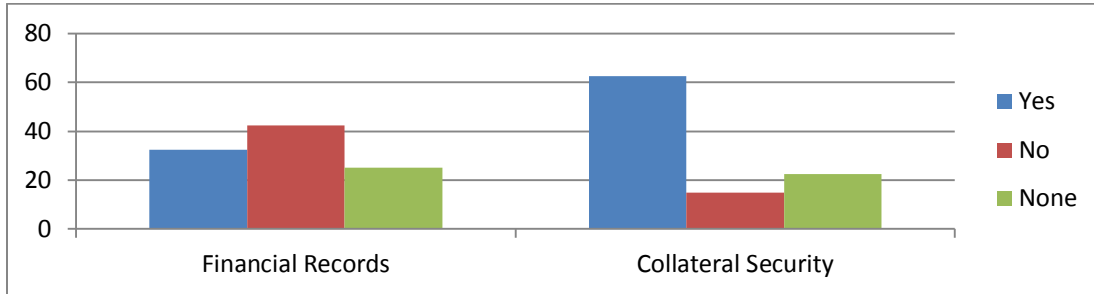
Source: Field Survey and Responses from Small Scale Enterprises, July 2017.

From figure 5 above, 32.5% of the respondents are asked to provide financial records as a requirement for accessing credit and 42.5% of the respondents are not asked to provide financial records as a requirement for accessing credit. 25% of the respondents represent those who have never applied for credit.

Again, from figure 5.0 above, 62.5% of the respondents are asked to provide collateral security as a requirement for accessing credit, 15% of the respondents are not asked to provide collateral security as a requirement for accessing credit and 22.5% of the respondents represent those who have never applied for credit.

Requirement for accessing credit by Wa Workers Cooperative Credit Union
The finance Officer provided us the requirements for accessing credit in the Wa Workers Cooperative Credit Union for Small Scale Enterprises (SSEs). He stated the following;

a) Accounts holder
One of the first item he mention is that if you want credit or before u qualify for credit u must have an accounts with them, that is you become a member of the credit union and accounts must have been six(6) months old. He generalized it for all applicants for credit. That means that if you are operating a small scale enterprise you should have an account with them before you can apply for credit. He further stated that it is based on your accounts that would determine the amount you are qualifying to. He again added that, it also shows as financial records for the business.

b) Collateral
The next item he added is collateral. He said though is mostly difficult for small scale enterprises to provide

collateral but this forms part of the requirements and is always strictly followed. He said the collateral is any property or other assets that the borrower offers as a pledge to secure the loan, if the borrow stop making the promised loan payments they can seize the collateral to recoup the loan.

c) Guarantor
He again stated that in lieu of the collateral guarantor is added to the requirements. He said due to inability of the small scale enterprises to provide collateral. He stated that the guarantor must be an accounts holder in the credit union that is must be a member. The guarantor must have savings which can cover part or all the loan which will be used a pledge to secure the credit and if the borrower stops making the promised loan payments the guarantor will pay.

Requirement for accessing credit by GN Bank
The loan Officer of GN Bank briefly stated the requirement for accessing credit by Small Scale Enterprises (SSEs). He stated the following;

i) The Enterprise must have an account with them and if the enterprise does not have, must first open an account with them to enable loan repayments.

ii) Must have been in business for at least one (1) year. That means must have financial records of the business for the past one year.

 iii) The enterprise must have a collateral security in order to sign the collateral deed or deed of lien and guarantors (two) to provide securities or guarantees whether by way of mortgage.

Challenges Small Scale Enterprises go through in Accessing Credit
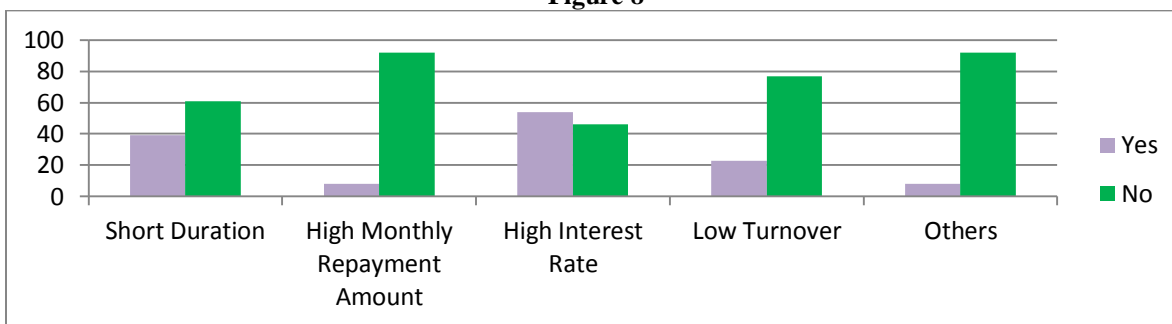
Figure 7.0
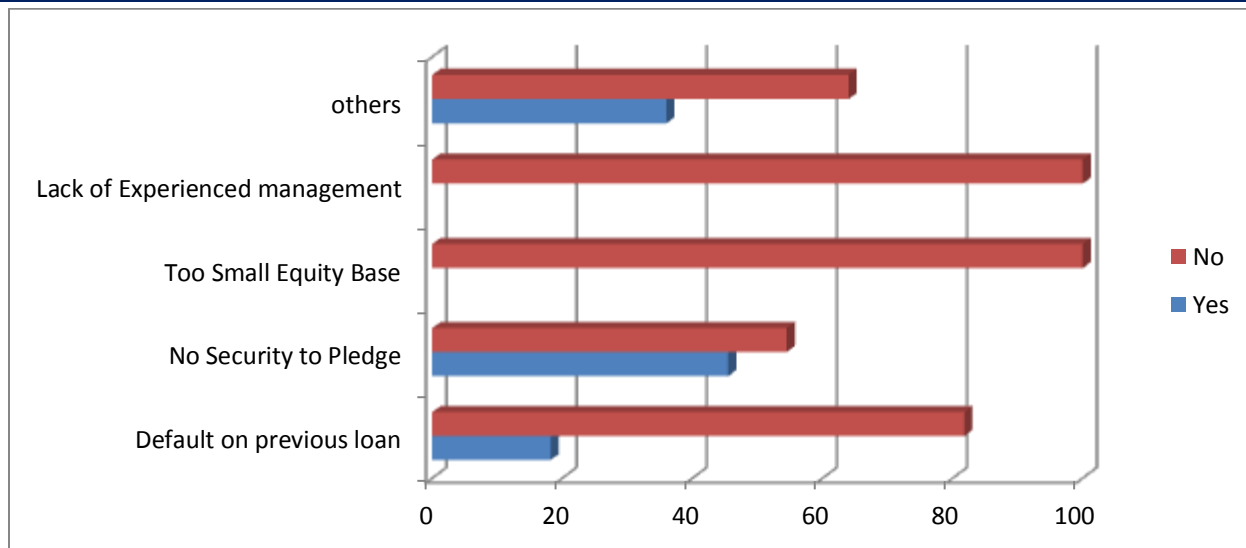
Source: Field Survey and Responses from enterprises, July 2017.

From figure 7 above, 18.2% of the respondents default on previous loan repayments and 81.8% do not default on previous loan repayments. 45.5% of the respondents do not have security to pledge and 54.5% of the respondents have security to pledge. 100% of the respondents do not face a challenge as a result of too small equity base. 100% of the respondents do not face a challenge as a result of lack of experienced management. 36% of the respondents face other challenges in accessing credit and 64% of the respondents do not face other challenges in accessing credit.

Problems faced in loan repayments

Figure 8

Source: Field Survey and Responses from enterprises, July 2017.

From figure 8 above, 39% of the respondents from Small Scale Enterprises face short duration in loan repayments as a problem and 61% do not face short duration as a problem in loan repayments. 8% of the respondents face high monthly repayments amounts as a problem in loan repayments. 54% of the respondents face high interest rate as a problem in loan repayments and 46% do not face high interest rate as a problem in loan repayments. 23% of the respondents also face low turnover as a problem in loan repayment and 77% do not face low turnover as a problem in loan repayments. 8% of the respondents also face other problems in loan repayments and 92% of the respondents do not face other problems in loan repayments.

Summary:
The research was undertaken to come out with this project work which shows that access to credit by Small Scale Enterprises (SSEs) can be enhanced based on proper financial record keeping.

i) The study showed that most of the Small Scale Enterprises (SSEs) are young in their operation and the study also showed that more are coming into existence because is easy to form. The study also revealed that most of them had their startup capital from their own personal savings.

ii) The study showed that most of the Small Scale Enterprises (SSEs) are registered with the Registrar General and that most of them have Tax Identification Numbers registered with the Ghana Revenue Authority (GRA).

CONCLUSION

iii) The study also revealed that most of the Small Scale Enterprises (SSEs) are into trading.

iv) The study also showed that most of the Small Scale Enterprises (SSEs) have their sources of funds from their own personal savings.

v) The study also showed that most of the Small Scale Enterprises (SSEs) do not keep records on their own, is the service of a sales person.

vi) Again the study showed that less a number of Small Scale enterprises (SSEs) keep petty cash voucher, payment voucher, credit not, debit note, and tally or bin card as source documents. This however does not translate into complete set of books and for that matter only a majority keep sales day book and a less number keep purchase day book, return inwards, general journal and cash book.

vii) The study showed that most of the Small Scale Enterprises do not bank their sales daily.

viii) The study also revealed that most of the Small Scale Enterprises (SSEs) do not prepare bank reconciliation statement.

ix) The study showed that Small Scale Enterprises (SSEs) are asked to provide financial records and collateral security as a requirement in accessing credit.

x) Again the study showed us that Small Scale Enterprises (SSEs) faces challenges such as no security to pledge and default on previous loan in accessing credit.

xi) The study also revealed that Small Scale Enterprises (SSEs) faces challenges in loan repayments such as short durations, high interest rate, high monthly repayments, and low turnover.

5.3 Recommendations:
With regards to the research carried out in the Wa Municipality on "Financial Record Keeping of Small Scale Enterprises and Access to Credit" and through thorough analysis of the research findings the following recommendations were made.

Firstly, providing training to owners and managers of Small Scale Enterprises (SSEs) in such areas as preparation of financial accounts would not only promote their demand for credit but also increase their access to credit. Small Scale Enterprises (SSEs) must have their financial accounts examined by independent external auditors. There is the need to ensure proper record keeping of Small Scale Enterprises (SSEs) through the use of computer and application of simple accounting software

program that enhances accurate and timely preparation and report.

Secondly, Small Scale Enterprises (SSEs) should be encouraged to register their businesses and become formal. In this regard, the processes as well as costs involved in registering and licensing of firms need to be checked in order to remove obstacles. This would help build confidence in lending institutions when providing credit to SMEs as they know the owners of the firm and their ownership rights.

Moreover, National Board of Small Scale Industries (NBSSI) should follow up on enterprises trained in basic bookkeeping and accounting to ensure that the SSEs follow what they were taught. National Board of Small Scale Industries (NBSSI) as a matter of urgency source finance from Non-Governmental Organizations (NGOs) and other agencies to help SSEs prepare their financial records so that they can meet the demands of their financial institutions.

Furthermore, in accessing loan by the SSEs, they are required to provide some sort of security which most of the SSEs are not able to meet. The researchers suggest that the MFIs should look at the kind of the firm as well as the ease of recording cash inflows than the security requirement. This will help those who cannot provide security to also have access to loan to expand their businesses.

Again, in accessing loan by the Small Scale Enterprises (SSEs), they are required to provide some sort of security which most of them are not able to meet. The researchers suggest that the Micro Financial Institutions (MFIs) should look at the kind of the firm as well as the ease of recording cash inflows than the security requirement. This will help those who cannot provide security to also have access to loan to expand their businesses.

Finally, the researchers found out that group loan which reduces default risk is not practiced. The researcher therefore suggests that in order for the Small Scale Enterprises (SSEs) to attract sound credit facility, the group loan should be encouraged by the both the Micro Financial Institutions (MFIs) and Small Scale Enterprises (SSEs) so that the default risk will reduce. This when done will increase the chances of them to secure a loan for their operations.

Conclusion
After thorough analysis of the research findings the following general conclusions were made.
Based on the responses received through the questionnaires circulated, the research revealed the illiteracy on the use of basic accounting and bookkeeping procedures is generally

high and it therefore suggested that National Board of Small Scale Industry (NBSSI) and other agencies responsible for the growth of Small Scale Enterprises (SSEs) should set up their training activities especially in basic bookkeeping procedures and accounting principles. Small Scale enterprises lack technology in use of accounting software in book keeping records and therefore Small Scale Enterprises (SSEs) should stop using manual bookkeeping and adopt computerized bookkeeping records to enhance reliable records, complete records automation of records and preparation of timely financial statements which will facilitate credit accessibility when the need arises.

These challenges were revealed by the study to include, the inability of Small Scale Enterprises (SSEs) to provide collateral and other information needed by banks such as audited financial statements couple with the high cost of loan in terms of high interest rates, short duration make it extremely difficult to access bank loans.

The study also revealed that sources of funds for Small Scale Enterprises (SSEs) include bank, personal savings, retained profit and Susu. The major sources of funds are personal savings followed by retained profit. However, the challenge is that the Small Scale Enterprises are not able to access credit from the Bank and Micro Financial Institutions due to the inability to provide financial records and collateral security as requirements for accessing credit and other challenges in previous loan repayments such as High interest rate, and short duration.

Finally, Small Scale Enterprises (SSEs) are not exploiting other avenues such as Ghana Venture Capital Trust Funds, Micro-finance and Small Loans Centre (MASLOC) among others to access loans to operate their businesses other than the banks and non- bank financial institutions. Even though these two institutions remain the major source of credit for SSEs, the SSEs inability to meet the stringent requirements of these institutions make these sources unviable unless there is a total change in the financial institutions lending methodologies, which will relax the criteria of these institutions to allow SSEs easy access to loans.

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