Access to Versus Usage of External Finance by Micro Small and Medium Enterprises in the Kumasi Metropolis

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Abstract
The main aim of this study was to analyze access to and usage of external finance by micro, small and medium manufacturing enterprises (MSMMEs) in the Kumasi Metropolis. According to Beck, Demirgüç-Kunt and Honohan, (2009), access to finance refers to the possibility that individuals or enterprises would make use of financial services, including credit, deposit, payment, insurance and other risk management services. Access to finance should be distinguished from the actual use of financial services, because non-use of finance can be voluntary or involuntary. Voluntary non-users of financial services have access to but do not use financial services either because they have no need for those services or because they decided not to make use of such services due to cultural, religious or other reasons. Using a sample size of 361 micro, small and medium manufacturing enterprises in the Kumasi Metropolis, it was found that whereas 34.35 percent of respondents used external finance, 42.38 percent of respondents had access to external finance. Thus, access was broader than usage. Though access was reasonably high, a number of respondents who could not access external finance could not do so because of various reasons that prevented them from assessing external finance. Notable among them were high cost of finance, cumbersome application process, long time in securing external finance and collateral requirements. It is recommended that providers of external finance should create conditions that will encourage owners/managers of MSMEs to access external finance. These include reducing the cost of finance, simplifying the application process and relaxing the collateral requirements.
Keywords: access to finance, usage of finance, voluntary exclusion, involuntary exclusion, external finance, micro, small and medium manufacturing enterprises.

1. Introduction

Access to finance continues to be a major challenge to micro, small and medium enterprises MSMEs) all over the world. The difficulty in accessing finance has been described as the most significant constraint facing MSMEs in both developed and developing countries (Mina, Lahr & Hughes, 2012; Beck, 2007; Cassell, 2006; Mensah, 2004). According to Lashitew (2011), lack of financial access is argued to be one of the most binding constraints for small firms, especially in developing countries. In a survey conducted by Beck (2007), access to and cost of finance were ranked among the most constraining features of the business environment of MSMEs. Specifically, the cost of finance was rated by over 35 percent of the MSMEs mostly in developing countries as a major growth constraint.

Lack of access to financing is consistently cited by MSMEs as one of the main barriers to growth (IFC, 2009). According to Olawale and Asah (2011), one of the factors limiting the survival and growth of small and medium enterprises (SMEs) in South Africa is non-availability of debt financing. There is considerable evidence to support the contention that MSMEs, in particular, face a number of obstacles and problems in accessing finance, mainly because of their limited resources and perceived risk by lenders (Cassar & Holmes, 2003). This is particularly problematic and worrisome for policy makers, given that MSMEs and entrepreneurship are widely recognized as being the key sources of dynamism, innovation and flexibility in the advanced industrialized economies, emerging markets and developing economies, and are major net job creators in these economies (OECD, 2006a; 2006b). In developing economies in particular, MSMEs make significant contribution to employment and national income. Without access to finance, MSMEs are unable to invest, thus impairing their capacity to: improve productivity; raise competitiveness; promote innovation; generate employment; and contribute to economic growth and development (OECD, 2006b).

In Ghana, access to finance continues to be a major problem confronting MSMEs. It was ranked as the most problematic factor in business operations in Ghana according to a Global Competitiveness Report 2010-2011 (World Economic Forum, 2010). Mensah (2004) asserts that there are many who believe that the single most important factor constraining the growth of the MSMEs sector is the lack of finance.

A survey of small and medium-sized enterprises in Accra, Kumasi and Takoradi by Aryeetey *et al*., (1993) cited in Aryeetey (1996) indicated that about 63 percent of the firms in the study applied for bank loans for their present businesses. On the average, firms applied at least twice for loans but only 50 percent had their loan applications approved. For micro enterprises, only 30 percent of applications were successful. Micro enterprises had to put in an average of three applications before one was successful.

According to the Association of Ghana Industries (AGI), cost of credit and access to credit remain the most critical factors limiting the growth of businesses operating in Ghana. Access to credit was ranked among the top six and cost of credit was ranked among the top three problems that firms face in doing business in Ghana (AGI, 2010).

2. Theoretical Framework

2.1 Access to Finance

Access to finance refers to the possibility that individuals or enterprises would make use of financial services, including credit, deposit, payment, insurance and other risk management services (Demirgüç-Kunt, Beck & Honohan, 2008). Demirgüç-Kunt, Beck and Honohan (2008) indicate that a distinction should be made between firms or individuals that voluntarily exclude themselves from accessing external finance. Thus access to finance and usage are not the same.

Access to finance should be distinguished from the actual use of financial services, because non-use of finance can be voluntary or involuntary (see Figure 1). Voluntary non-users of financial services have access to but do not use financial services either because they have no need for those services or because they decided not to make use of such services due to cultural, religious or other reasons (Demirgüç-Kunt, Beck & Honohan, 2008).

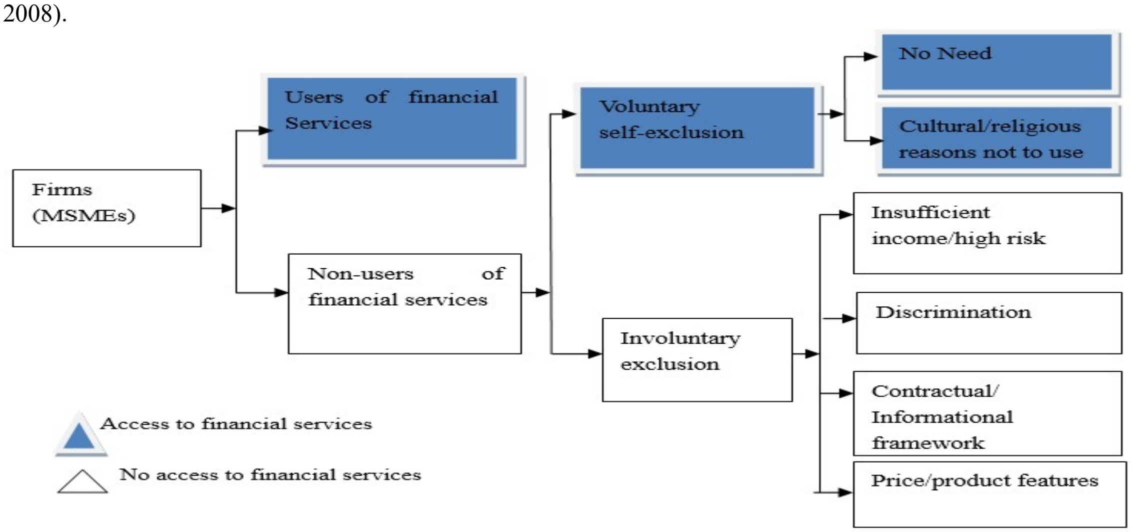

Figure 1: Distinction between Access to and use of financial services
Source: Beck, Demirgüç-Kunt and Honohan (2009)

However, for the involuntarily excluded, it is important to distinguish between four different groups in order to formulate proper policy advice (Figure 1). First, there is a group of households and firms that are not considered bankable because their incomes are too low or they pose too high a lending risk. Rather than trying to include them in the financial system, non-lending support mechanisms might be more appropriate. The other three involuntarily excluded groups need to overcome (a) discriminatory policies, (b) deficiencies in the contractual and informational frameworks, or (c) price and product features. Any of these problems can exclude large parts of the population, especially in the developing world, and call for specific policy actions (Beck, Demirgüç-Kunt & Honohan, 2009).

Access to finance is broader than usage. Usage has the advantage of being directly observable. However, it is argued that the consumption or use of financial services may not be equivalent to access to such services, as there is a group of persons or firms who voluntarily exclude themselves from consumption. Thus, the group with access would be greater than the group of current consumers of financial services, and would be defined by users of financial services and voluntary exclusion (Kumar, 2005).

Voluntary non-use is driven by lack of demand and therefore does not pose problems for policy makers. As Beck and de la Torre (2006) point out, it would be wrong to argue that voluntary self-exclusion constitutes a problem of access, except in cases where self-exclusion reflects unduly low levels of financial literacy or is a psychological response to past systematic discrimination. Therefore, in analyzing the problem of access to finance, the distinction between access and usage of finance must be clear. This is because whereas usage may not be crucial when it comes to policy, access is crucial.

2.2 Measuring Access to Finance

To identify firms with demand for external finance, differentiation is made among firms that are accessing external finance, rejected and discouraged firms and firms with no need for external finance. Following from Hainz and Nabokin (2009), firms are classified into the following groups to have demand for external finance:

a. firms that are accessing external finance;
b. firms that applied for an external finance, but were rejected; and
c. firms that were discouraged from applying for external finance.

In order to provide evidence on MSMEs which access external finance, the firms are divided into two based on their response to questions whether they have applied for external finance and whether they got it or not. If the firms answered 'yes', to both questions, they are classified as "access to external finance". If they answered 'No' to the first question, there may be two possibilities. One possibility is that they do not need external finance (voluntary exclusion). Such firms do not have problem with access to external finance and are included in 'access to external finance'. Others may not have access to external finance due to the reason that they applied but were rejected or did not apply for external finance thinking their application will get rejected. Firms with demand for external finance that did not have access to external finance are classified as being financially constrained (b, c). This group comprises discouraged firms and firms that applied for external finance but were rejected. All of these firms are classified as non-users of external finance and categorized as "no access to external finance" in this study.

3. Methodology

3.1 Research design

This study is descriptive survey research utilizing quantitative methodology in both data collection and analysis. The study used questionnaire to collect data from owners/managers of micro, small and medium manufacturing enterprises (MSMMEs). Data was analyzed using descriptive statistics. Descriptive statistics provided a summary of the characteristics of respondents and responses relating to access to finance. The descriptive statistics that were used in this study were mainly frequency distribution, mean and standard deviation.

3.2 Area of Study

The study was conducted in the Kumasi Metropolis. Kumasi, Ghana's second largest city is located in the transitional forest zone and is about 270 km north of Accra, the capital city of Ghana. Kumasi is also the capital of ancient Asante Kingdom and presently Ashanti Region. It is between latitude 6.350 - 6.400 and longitude 1.300-1.350, an elevation which ranges between 250-300 meters above sea level with an area of about 254 square kilometers (Agbenorku, De-Graft Johnson, Nyador, & Agbenorku, 2012).

Kumasi was chosen for this study because it is noted for its good industrial and commercial activities. These industries are scattered in almost all the suburbs of the metropolis, with the majority concentrated at Ahensan, Kaase, Asokwa, Anloga, Suame Magazine and Chirapatre areas (Sarfo-Afriyie, 1999). There is a vehicular parts production and service industry located at Suame Magazine which is the second largest industrial area in the metropolis. The famous Suame Magazine has some of the most matured micro and small-scale enterprises in Africa (Adeya, 2006). According to the National Industrial Census, the Ashanti Region accounted for 27 percent of establishments, 22 percent of employees, 11 percent of output and 16 percent of census value added (Ghana Statistical Service, 2006). The MSMMEs in this city, which constitute about 70 percent of all manufacturing establishments in Ashanti Region, cut across various areas of production in the manufacturing sector such as wood, furniture and other wood products; chemical, pharmaceutical and health products; food products and beverages; footwear, textile, jewelry and wearing apparels; books and stationery; and fabricated metal products and machinery.

3.3 Population and sample size

The target population for the study comprises 4400 MSMMEs in the Kumasi Metropolis in the database of the Ghana Statistical Service as at December 2012. The unit of analysis in this study were MSMMEs. The MSMMEs were chosen because of the fact that MSMMEs dominate the manufacturing sector and the manufacturing sector is a very important sub-sector in the Ghanaian industry. This study used a sample size of 10 percent of the target population. Amedahe (2002) suggests a minimum of 10 percent as ideal sample size for a study if the population is large.

3.4 Sampling Technique

This study used stratified random sampling technique to select the respondents. According to Groebner, Shannon, Fry and Smith (2000) stratified random sampling is a statistical sampling method in which the population is divided into homogeneous subgroups called strata so that each population item belongs to only one stratum. Stratification ensures that the sample is well spread out among the relevant subgroups. It also ensures that the sample will accurately reflect the population on the basis of the criteria used for the stratification (Zikmund, Babin, Carr & Griffin, 2010).

The sampling frame was made up of all the owners/managers of MSMMEs in Kumasi that were on the database of Ghana Statistical Service, and was stratified based on size, according to the number of employees;

micro enterprises (1-9), small enterprises (10-29) and medium enterprises (30-99). The advantage of stratified sampling is that it adds an extra ingredient to random sampling by ensuring that each stratum within the population is represented. This offers increased possibility of accuracy and increased precision and reliability of estimates (Singh & Belwal, 2008).

After the stratification, systematic random sampling method was used to select MSMMEs from each stratum to be included in the study. Sample enterprises were selected systematically, using a random start and fixed interval. Within each stratum, the first sample enterprise was identified by the random start. The second sample enterprise corresponded to the random start plus the interval. The remaining sample enterprises were identified by adding successive multiples of the interval to the cumulative sum, until the end of the ordered list is reached, to derive the required number of enterprises for each stratum. The sampled enterprises from each stratum were then pooled to form the sample for the study. The use of systematic random sampling is supported by Kothari (2003) who argues that random sampling ensures that no bias occurs in the selection of sample units.

4. Results and discussion

4.1 Response rates

A total of 361 completed questionnaires were collected out of the 440 that were distributed, yielding an 82 percent response rate. These consisted of 190 micro enterprise, 126 small enterprises and 45 medium enterprises. According to Hart (1987), response rates in business surveys vary from 17 percent to 60 percent, with an average of 36 percent. The response rate of 82 percent was found to be above the acceptable range for such a survey and was deemed acceptable for making statistical inferences from MSMMEs in Kumasi.

4.2 Demographic characteristics of respondents

The background characteristics of the study participants are presented in Table 1.

The ages of the respondents ranged from up to 24 years to over 55 years. From Table 1, the modal age category was 35-44 year group (37.12%). This was followed by those whose age fell within the 25-34 year group (34.63 %). The percentages of respondents in the other age categories were 16.34 percent for those in the range 45-54 years and 6.65 percent for 55 years and above. Only 5.26 percent of respondents were 24 years or below.

In terms of gender, majority of the entrepreneurs in the study were males (70.91%). Females constituted 29.09 percent of the entrepreneurs in the study. This is perhaps due to the fact that this study focused on entrepreneurs in the manufacturing industry which is male dominated. Females are usually interested in the other sectors like service and commerce industries.

Table 1 shows the different educational levels of the entrepreneurs surveyed. Almost a third (30.47%) of entrepreneurs had a junior high school education, followed by those with senior high school qualification (24.93%). This finding is consistent with that of Dzisi (2008) who found that majority of women entrepreneurs in her study had lower educational qualification. A very small percentage of the respondents had doctoral degree (0.55%) while 5.54 percent had a master's degree. The rest of the respondents had primary school (5.26%), no education (5.82%), technical, vocational or commercial education (8.59%), diploma (9.14%) or bachelor's degree (9.70%).

Table 1: Demographic characteristics of sample

Variable	Category	Frequency	Percentage
Age	Up to 24	19	5.26
	25-34	125	34.63
	35-44	134	37.12
	45-54	59	16.34
	55 and above	24	6.65
	Total	**361**	**100**
Gender	Male	256	70.91
	Female	105	29.09
		361	
Level of Education	No Formal Education	21	5.82
	Primary	19	5.26
	Junior High School	110	30.47
	Senior High School	90	24.93
	Vocation/Technical School	33	9.14
	Diploma	31	8.59
	Bachelor's Degree	35	9.70
	Master's Degree	20	5.54
	Doctorate Degree	2	0.55
	Total	**361**	**100**

Source: Survey Data (2013)

Though majority of the respondents had junior high school and senior high school qualifications, people with higher educational qualification are gradually establishing their own businesses. The entrepreneurs with higher education (diploma and above) were 24.38 percent of the respondents. One major reason that accounts for this is because it is becoming difficult for graduate from tertiary institutions to secure jobs in the formal sector and therefore they set up their own businesses.

4.3 Access versus usage of external Finance

Following the model by Beck, Demirgüç-Kunt and Honohan (2009) and Hainz and Nabokin (2009), the study sought to determine access versus usage of external finance among MSMMEs in the Kumasi metropolis over the past five years. A set of questions were asked to determine whether a firm had access to finance or not.

Owners/managers were asked to indicate whether they had sought external finance over the past five years. Table 2 shows that 48.5 percent of firms in the study sought external finance whereas 51.5 percent did not seek external finance. For those who sought external finance, 70.90 percent were successful whilst 29.10 percent were unsuccessful.

Table 2: Usage of External Finance

	Sought External Finance?		Got the External Finance?		Usage of External Finance	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
Yes	175	48.50	124	70.90	124	34.35
No	186	51.50	51	29.10	237	65.65
Total	**361**	**100.00**	**175**	**100.00**	**361**	**100.00**

Source: Fieldwork (2013)

Table 2 indicates usage of external finance. Whereas 34.35 percent of the respondents used external finance, non-usage was 65.65 percent. However, access to external finance goes beyond usage. In order to determine access, we needed to determine voluntary and non-voluntary exclusion by looking at the reasons why external finance was not used.

4.3.1 Reasons for Not Seeking External Finance

The reasons why 51.50 percent of entrepreneurs had never sought external finance in addition to start-up finance are summarized in Table 3. The main reason was because cost of external finance was too high (14.46%). This is followed closely by the fact that the entrepreneurs wanted to maintain control over their businesses (14.11%).

Table 3: Reasons why Firms did not Seek External Finance

Reasons for not seeking external finance	Frequency	Percentage
Would like to keep business small	8	1.38
Would like to maintain control of the business	82	14.11
Cost of external finance is high	84	14.46
Seeking process is complicated	58	9.98
Time to raise external finance is long	59	10.15
Can get money from retained earnings	60	10.33
Business is not growing	31	5.34
Do not know how to access external finance	27	4.65
Assume application will be denied	29	4.99
Application processes are too burdensome	68	11.70
Collateral requirements are too strict	45	7.75
Do not have information about sources of external finance	30	5.16
Total	**581**	**100.00**

Source: Fieldwork (2013)

Other reasons why some MSMMEs never sought external finance were that application processes were too burdensome (11.70%); they could get the funds needed from retained earnings (10.33%); the time to raise external finance was long (10.15 %); seeking process was complicated (9.98%) and collateral requirements were too strict (7.75%). Other respondents indicated other reasons such as: their businesses were not growing (5.34%); they did not have information about sources of external finance (5.16%); they assumed application would be denied (4.99 %); they did not know how to access external funds (4.65 %) or they wanted to keep the business small (1.38%).

From the literature, the first two reasons can be described as voluntary self-exclusion (Beck, Demirgüç-Kunt & Honohan, 2009; Hainz & Nabokin, 2009). This implies that 15.49 percent of the respondents who did not seek external finance voluntarily excluded themselves from accessing external finance. Thus, the remaining 84.51 percent did not access external finance due to some obstacles and therefore they were classified under non-voluntary exclusion. In order to determine access we needed to find out firms that had access to finance compared to those that actually used external finance. From Table 2, usage of external finance among the MMSEs in Kumasi Metropolis was 34.35 percent. However, a further analysis showed that access to finance among the firms was 42.38 percent as shown in Table 4. This indeed shows that access is broader than usage.

Table 4: Access to External Finance

	Sought External Finance		Got the External Finance?		Voluntary Exclusion?		Access to Finance	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Yes	175	48.50	124	70.90	29	15.60	124+29=153	42.38
No	186	51.50	51	29.10	157	84.40	51+157=208	57.72
Total	361	100	175	100	186	100	361	100

The reason why access is broader than usage is that not all who have access to finance really made used of finance. This group of firms includes those firms that voluntarily excluded themselves from using external finance.

4.4 Reason for failing to get External Finance

Many firms in the study applied for external finance but not all of them were successful in getting it. As indicated in Table 2, 29.10 percent of those who applied for external funding failed to get it. From Figure 2, one third (33.33%) of the respondents indicated lack of collateral as the reason why they failed to get the external finance they sought. The second major reason for not getting external finance was that they did not meet the requirements (29.41%). Other reasons why they failed to get the external finance were poor credit record (13.73%), poor quality of financial information (7.84%) and poor business performance or lack of experience (3.92%). Insufficient information, poor prospects for management, new business start-up and no reason given each accounted for 1.96 percent of why firms failed to secure the external finance they applied for.

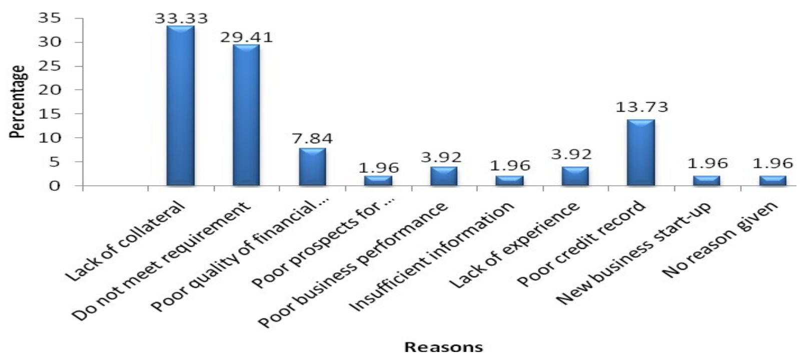

Figure 2: Reasons for Failing to Access External Finance
Source: Fieldwork (2013)

4.5 Types of External Finance Sought

For those who applied for external finance, the researcher wanted to find out the type of external finance that was sought for. The respondents were asked to indicate all the types of external finance they applied for. The result is shown in Table 5. More than half of the respondents (51.23 %) sought for loan from the bank.

Table 5: Types of External Finance

Type of external finance	Frequency	Percentage
Family and friends	28	9.82
Angel financing	5	1.75
Venture capital	3	1.05
Trade credit	27	9.47
Bank overdraft	6	2.11
Hire purchase	28	9.82
Government scheme	23	8.07
Leasing	19	6.67
Loan from bank	146	51.23
Total	**285**	**100.00**

Source: Fieldwork (2013)

This finding is in line with other studies that have shown that banks are the main source of external finance for MSMEs across countries (Beck, Demirgüç-Kunt & Maksimovic, 2008; Beck, Demirgüç-Kunt & Martínez Pería, 2008).

According to Stephanou and Rodriguez (2008), banks are by far the largest suppliers of external (formal) finance to MSMEs and they tend to dominate the domestic financial system in most countries. Family and friends and hire purchase each accounting for 9.82 percent were the second largest source of external finance sought by MSMMEs in the study. Other sources of finance were trade credit (9.47%), government scheme (8.07%), leasing (6.67%), and bank overdraft. Angel financing (1.75%) and venture capital (1.05%) were the least sought source of external finance.

4.6 Reasons for Seeking External Finance

In the literature, MSMEs seek finance after start-up for several reasons such as preventing liquidity problems, replacing existing assets, and purchasing fixed assets. Thus, to further ascertain why MSMMEs in this study sought finance, respondents were asked to indicate the purposes for which external finance was sought. They were to select as many as may be applicable.

Table 6: Reasons for Seeking External Finance

Purpose	Frequency	Percentage
Prevent liquidity problems	76	15.61
Increase the level of current assets	116	23.82
Replace existing assets	92	18.89
Refinance current debt	39	8.01
Meet recurrent expenditure	84	17.25
Purchase fixed assets	74	15.20
Others	6	1.23
Total	**487**	**100.00**

Source: Fieldwork (2013)

From Table 6, the major reasons why firms sought external finance were to increase the level of current assets (23.82%), to replace existing assets (18.89%), to meet recurrent expenditure (17.25%), prevent liquidity problems (15.61%), purchase fixed assets (15.20%) and refinance current debt (8.10%). Other reasons why MSMMEs sought external finance included the expansion of their businesses in other regions and expansion of facilities and this accounted for 1.23 percent of the responses.

4.7 Problems Encountered in Seeking External Finance

Micro, small and medium manufacturing enterprises encounter a number of problems when seeking external finance. These include: high cost, delay in getting the funds they apply for, high collateral requirement, among others.

The respondents were asked to rank these problems on a scale of 1 to 5 where 1 means not problematic at all and 5 means extremely problematic. Two most pressing issues raised by MSMMEs in the study were high collateral requirements (mean= 3.96 and standard deviation of 1.093) and cost of external finance (mean=3.92 with a standard deviation= 1.131).

Table 7: Problems MSMEs Face When Accessing External Finance

Problems	Not Problematic at All	Slightly Problematic	Moderately Problematic	Highly Problematic	Extremely Problematic	Mean	Std Dev.
High cost of accessing external finance	3.1	8.8	22.2	24.7	41.3	3.92	1.131
Time to get external finance is too long	4.1	12.8	19.4	30.0	33.8	3.74	1.164
Lack of knowledge of available sources of external finance	11.5	20.2	27.1	16.8	24.3	3.20	1.324
High collateral requirements	2.2	11.8	12.1	34	39.9	3.96	1.093
Too much paperwork required	4.2	11.6	21.6	31.6	31.0	3.73	1.133
Complex application and processing procedures	5.3	13.8	25.2	27.4	28.3	3.57	1.188
Lack of understanding of the various external finance available	16.5	18.4	28.6	19.0	17.5	3.00	1.317

Source: Fieldwork (2013)

About 34 percent and 39.9 percent of respondents rated high collateral requirement as highly problematic and extremely problematic respectively.

Other issues considered as problematic in raising external finance were: time to get finance being too long (mean=3.74 and standard deviation = 1.164), too much paper work (mean=3.73 and standard deviation=1.133) and complex application and processing procedures (mean=3.57 and standard deviation=1.188).

Two problems that were considered as less problematic in accessing external finance were lack of knowledge of available sources of external finance (mean=3.20 and standard = 1.324) and lack of understanding of the various external finances available (mean=3.00 and standard deviation= 1.317). About 17 percent of the respondents rated lack of understanding of the various external finances available as not problematic at all with 18.4 percent rating it as slightly problematic. However, 19 percent of respondents rated it as highly problematic and 17.5 percent as extremely problematic.

From Table 7, it could be deduced that all the problems that MSMMEs faced in accessing external finance had mean index of 3.00 and above. This means majority of the respondents rated the problems as moderately problematic to extremely problematic. The standard deviations relative to the means suggest consistency in responses to high collateral requirement, followed by high cost of accessing external finance with lack of understanding of the various external finances available and lack of knowledge of available sources of external finance at the bottom.

4.8 Factors Influencing Access to External Finance

A number of factors may affect the ability and willingness of MSMMEs to access external finance. Respondents were asked to rank these factors in order of importance. From Table 8, the most important factor that influenced access to external finance was low interest rate with a mean index of 4.35 and a standard deviation of 0.930. Low interest rate was rated by 59.2 percent of respondents as extremely important factor that influenced access to external finance with only 1.2 percent of respondents saying it was not important.

This was followed by low collateral requirements (mean=4.24 and standard deviation=0.975), low processing costs (mean=4.13 and standard deviation=1.00) and low costs of accessing external finance which had 4.05 mean index and a standard deviation of 0.944.

Table 8: Determinants of External Finance Accessibility

Factors	Not Important	Slightly Important	Moderately Important	Highly Important	Extremely Important	Mean	Std. Dev.
Ease of accessing external finance	3.1	8.0	23.8	25.0	40.1	3.90	1.110
Low costs of accessing external finance	1.9	4.7	16.3	40.0	37.2	4.05	0.944
Low interest rates	1.2	4.0	11.3	24.2	59.2	4.35	0.930
Low processing costs	3.1	3.1	15.4	32.6	45.8	4.13	1.000
Low collateral requirements	2.8	2.8	12.6	30.3	51.4	4.24	.975
Simple loan application procedure	2.5	9.4	18.1	29.7	40.3	3.95	1.088
Guarantee from government	8.2	11.2	18.8	23.0	38.8	3.75	1.286

Source: Fieldwork (2013)

Guarantee from government with a mean index of 3.75 and a standard deviation of 1.286 was the least factor that influenced MSMMEs access to external finance. Even though guarantee from the government was rated the least factor that influenced access to external finance, almost 39 percent of respondents rated government guarantee as extremely important. This shows that all the determinants of external finance were considered relevant by respondents in accessing external finance.

In terms of reliability or consistency of the responses, the standard deviations show that the variability in response is small for low interest rate (0.930) followed by low cost of accessing external finance (0.944). Guarantee from government received the highest variability according to the standard deviation (1.286) which suggests lack of consensus from the respondents.

5. Conclusion

The findings of this study have made it clear that access and usage are not the same among MSMMEs in the Kumasi Metropolis. Whereas 34.35 percent of the respondents used external finance in their operations 42.38 percent had access to external finance. It is clear that when we consider only usage of financial services, the numbers may be small and hence misleading. In discussing the issue of access to finance, we need to go beyond usage else we will have a misleading picture.

For those who could not access external finance, a number of reasons were given. Two most pressing issues raised by MSMMEs in the study were high collateral requirements and cost of external finance and inability to meet the requirements from providers of funds. They argued that the ability and willingness of MSMMEs to access external finance were highly influenced by these factors. It is important that measures are taken to encourage MSMEs to access external finance. Though more than 40 percent of the firms in the study had access to external finance, majority did not have access. This is not good for the growth of the MSMEs in general and those in the manufacturing sector in particular. The government and other stakeholders need to seriously consider reducing the cost of external finance which seems to be a major determinant of access to external finance. It is also recommended that providers of external finance should create conditions that will encourage owners/managers of MSMEs to access external finance. These include simplifying the application process and relaxing the collateral requirements.

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