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COMMERCIAL BANKS' LOAN AND CAPITAL FORMATION IN SMALL AND MEDIUM-SCALE ENTERPRISES: A STUDY OF UNITED BANK FOR AFRICA (UBA) BRANCH, ZAKI-BIAM, BENUE STATE

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Abstract

This study examined the role played by commercial banks in generating finance for SMEs in United Bank for Africa. A sample of 39 was drawn from the staff of UBA and SMEs Managers/operators that have account with the bank. A cross-sectional survey design was adopted for the study and the instrument used for data collection was questionnaire. This questionnaire was tested and confirmed for reliability and validity before usage. Ordinary least square regression with the aid of SPSSv25 statistical tool was employed for testing the formulated hypotheses. Findings indicate that short terms loan is positively related to SMEs capital formation, banks overdraft is positively related to SMEs capital formation and discounted bill of exchange is positively related to SMEs capital formation. Based on the study's findings, recommendations in the following forms were made. Tat the government should cut down interest rate on loan because the high interest rates on loan could undermine profits and cause a loss of investment. They should develop policy frame work that will help increase access to loan

and overdrafts to SMEs. In addition, banks as one of their statutory functions should help SMEs in discounting bills of exchange**.**

1.0 Introduction

To increase national revenue, more services and products can be produced but capital accumulation is one of the requirements for this. For additional build up of capital, one would need savings and investments. A high savings rate can Help can be gotten from a high rate of savings in order to put a speed to the accumulation of funds that are needed for capital goods' manufacturing. According to Tuovila (2019), the World Bank in determines capital formation by evaluating the change in the net savings. Savers are at liberty to invest their extra funds in bonds and stocks provided savings rate are at climb. More of the money saved, result to availability of more money for investing and this will eventually be of benefit to capital growth. Tuovila (2019) revealed that, all things being equal, the rise in the GDP of a country is in tandem with the country's capital formation rate and vice versa.

Unsurprisingly, finance is considered as one of the critical components in the development and growth of Small and Medium Enterprises (SMEs). For industrial firm whether small or large, requires funding for working capital, new investment generation and rehabilitation needs as well as capitalization, (Akabueze, 2002). Finance is a requirement for the upkeep of equipment that broke, purchase of raw materials, replacement of obsolete plant equipment and machineries so as to keep the firm ongoing. In spite of this, most blossoming young enterprises lack laudable business plans, feasibility studies and some sorts of collateral to meet the requirements of bank that will persuade such banks to make loans available for the enterprises. Majority of these SMEs though with low capital creation tends to generate capital from friends and family by way of loans (Muhammad, Olusegun & Sonny, 2018). Majority of these SMEs as result of this sometimes rely on available resources for their operations funding (i.e. contribution from friends, family and the owner).

Internal funding is sometimes insufficient for SMEs to grow and stay afloat. As a result, borrowing money from outside sources (debt financing) becomes a necessity. With this, the government of Nigeria has established the Small and Medium Enterprises Equity Investment Scheme (SMEEIs), a program led by commercial banks that is aimed at helping SMEs in increasing their development and resolving financing challenges.

These commercial banks provide such services as overdrafts, discount bills of exchange and short-term loans. Small and medium-sized businesses (SMEs) are projected to benefit greatly from this in order to continue serving as significant engines of industry, social cohesion, economic growth and job creation. According to Okey, (2016), around the world governments have all began to focus their attention and efforts on expanding the sector of SME to stimulate economic growth

All organizations pass through equipment malfunctions as well as wear and tear age in their facilities and factories, thereby which needs a minimum of capital investment that will keep the organization going forward. On the other hand, what may appear to have hurt organization's ability in dealing with the ever rising need for worn-out maintenance of machines/equipment, raw materials acquisition, obsolete tools replacement, and seeking of help from the outside is a terrible economy. In the words of Oluwarotimi and Adamu (2017), external sources of money permits many of the established SMEs to grow faster; for finance at the early-stage, there is reliance on bank overdrafts, loans, credit from suppliers and bills of exchange. In light of the foregoing and by acknowledging that SMEs plays an essential role in the development of the economy, the government of Nigeria has given all the commercial banks a permission to devote a portion of their annual revenues for funding SMEs as way of fully participating in the acknowledgement campaign. However, there still exist diverse opinions. More so, none of the highlighted studies above were particularly conducted in Zaki-Biam neither is any of them carried out in Benue State. A research gap, due to the aforementioned concerns exist which this study tried to fill.

The central objective of this study is to ascertain the effect of commercial banks loans in generating finance for SMEs; a case of United Bank for Africa Zaki-Biam branch, Benue State.

2.0 Conceptual Clarification

2.1 Capital Formation

For businesses that are production-based, the usage of capital is often refers assets and not just assets but physical ones which is required for product making. Plants, machinery, facilities and equipments are some of the examples of these assets. These assets are utilized in the product manufacturing and not consumed, unlike raw materials that are consumed. Even if they are not factories, physical assets are used by small businesses to create their products: sewing machine used by a seamstress is capital; an oven of a baker is capital; welding equipments used by a welder is capital hammer and saw used by a carpenter are capital; etc. Capital, although serves as

a measure of tangible or physical assets, the company's reinvestment of income or profits is also its reflection. A term which refers to the collective cash amount, shares and bonds that is sold and purchased for revenue production is known as financial capital. Typically, financial capital used to describe intangible assets of businesses that are "product" which generates money (Smyth, 2019). Other assets (such as cash) and capital can be differentiated in that capital assets creation serves the purpose of delivering value or revenue on a continuous basis to the organization. Tuovila (2019) asserted that the formation of capital involves capital goods purchase such as tools, equipment and transportation assets. Capital goods required by businesses are to replace equipments that are out of date but still being used in the production of services and goods. When assets of capital form gets to the end of their usefulness, production begins to suffer if an organization finds it unable to replace the capital assets. Generally, more of capital formation in an economy will result to a faster aggregate income growth (Tuovila, 2019).

Smyth (2019) uncovered that capital formation is a term that is often used to describe net increases or change in fixed assets such as equipment, facilities and machinery as well as intangible financial assets such as stock. The process of capital accumulation is what is known as capital formation. Capital accumulation's reason is for the company's assets expansion through profits and investments such that income, wealth and/or profits are enhanced. For companies in a manufacturing sector, accumulation of capital is synonymous to upgrading and replacement of equipments as well as development of capacity through upgraded facilities, production new lines, and some other ways. In some instances, new line might be an investment of higher-yielding for companies that deal with assets that are intangible.

2.2 Capital Formation's Sources for Small and Medium Scale Enterprises in Nigeria

Funding of businesses for SMEs especially, is difficult. To meet their expansion aspirations, working capital requirements and asset demands, funding from all accessible sources are required. Identified in this study are external and internal sources of finance for SMEs:

According to Bello (2015), **internal sources** of finance include:

(a) Personal Savings or Owner's Savings: These are cash that are saved over a long time with the intention of financing a firm by the entrepreneur. It is typical in Nigeria that, small and medium-sized businesses' start-up capital first comes from this source. For businesses starting up at onset, this source of capital is relatively not an expensive capital source. However, the owner's savings

increasing will be contingent for business expansion. A slow expansion rate will be experience for businesses that depends on this source of capital.

(b) Retained Earnings: This is a company's "distributable earnings that is reinvested in the business for future growth". Maximization of the value of consumption in terms of both money and time is what all entrepreneurs will want. To actualize this, a portion of their wealth or income is delayed for consumption in order to be able to at a later date, consume more. These entrepreneurs may decide to borrow the current value of what they have in order to make more future profit it their own. Company that needs more money always make used of this source of capital.

(c.) Asset Disposal: Businesses tends to disposed off as their revenue source such their assets that are out of date or obsolete. On the other hand, surplus assets are overtime or one-time source of funds for businesses that may become usable or accessible at any time. Selling out-rightly of plants, buildings, equipment and machinery as well as other investments, are some of the examples of assets disposed off.

(d.) Depreciation: This is a resource reserve that is costless. For small and medium-sized firms in Nigeria, it is low-cost yet, another finance source. This reserve is hidden because, while "it is charged to profit and loss as a cost, there is no actual cash flow out of the business". It is seen as a part of the cost of an asset that an organization uses over the lifetime of such asset.

e.) Relatives and friends' loans: This is the kind of money in form of a loan to the owner of a business that usually comes from either friends or family members for the purpose of helping a business owner to finance their business start up or business growth. The most common among the source of financing debt is not often from commercial institution designated for lending but from friends and family members.

According to Bello (2015) the external sources of capital include;

Loans from Commercial Banks: One of the essential sources of capital for start-up and efficient operation of any business is a bank loan or credit. However, according to (Nnanna, 2001) "errors in credit risk management damage banks and, in certain cases, the banking system as a whole, a loan is a legitimate source of funding for SMEs". In Nigeria, the balance sheets of most commercial banks, the most significant element of risk is loan to SMEs. Due to their position and nature in the economy, banks until today remain the most renowned official credit source for

businesses (Ayeni-Agbaje & Osho, 2015). According to the results of an assessment of Nigerian businesses conducted by World Bank in 2001, majority of businesses lacks credits access despite an established fact that a good 85 percent of them had links with banks. This provides an explanation to why, SMEs in Nigeria contributes to GDP of only 10% as compared to their counterparts of 40% contributions in Thailand, India and Indonesia, in as much as 80% of enterprises in the Nigerian industrial sector belongs to the category of SMEs (WEACI, 2002).

Micro-lending institutions and development banks such as the Bank of Industry (BOI), the Nigerian Industrial Development Bank (NIDB), community banks (CB), the People's Bank of Nigeria (PBN) also assist in the area of capital sources for small and medium-sized enterprises. The Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB), the Bank of Industry (BOI) and the Nigerian Export and Import Bank (NEXIM) are all components of the Nigerian Export and Import Bank (NEXIM). In order to ensure that the sector of SMEs continue growing, the Nigeria government through various interventions has put billions of naira into these institutions to encourage them to lend to the SMEs sector and for SMEs to access in form of loans.

Hire Purchase: A hire-purchase agreement, financial in nature, between two persons; a hire-purchase company known as hirer and the hirer's client known as the hiree, where the latter (hiree) is allowed to take ownership of commodities or equipment without making full cash payment at the point of taking away the commodities or equipment. The legal title of equipment stays with the hirer until the hiree fulfils or exercises all the right of option to purchase agreement and, at which point he becomes the equipment's owner.

Equipment Leasing: Instead of than owning or purchasing an asset, leasing firms provides and enters into a lease arrangement with other companies in need, where the borrower is allowed to make used of an asset for given period of time for charge fee. Without purchasing equipments, SMEs can get and make use of this form of short-term financing for what they need.

2.3 Capital Formation's Challenges to SMEs in Nigeria

Researcher and scholars has in recent time paid attention to the subject of funding of SMEs. All of credit risk, loan difficulty, incorrect bank loan terms, cost of capital, and equity capital inadequacy are issues that have become recurring in SMEs financing (Obidigbo 1990). In Nigeria today, according (Terungwa, 2011), a big management concern for SMEs is financing.

The following challenges are encountered and can lead to failure of small and medium-sized enterprises (Udechukwu & Olorunshola, 2003; Obidigbo, 1990):

Accurate accounting and proper records that would be providing financial picture for the financial situation of the company that are reliable.
Entrepreneurs' failure to segregate the company's assets from their personal holdings, thereby, bringing difficulty in making corporate assessment.
Due to the fact that promoters are concerned about bank dominance or hijacking, they are leery about dilution of control.
The inability to make available accurate and timely documents/information by entrepreneurs that would loan application's accelerated processing.
Lacks of a strong framework for corporate governance by SME management

2.4 Small and Medium Enterprises (SMEs)

Just like other industrialized countries, Nigeria, has also enacted National Policy to define what constitutes micro, small, and medium businesses in their territory and also address the challenges facing them. A classification method is employed for this definition and it is based on two criteria: assets and employment (buildings and land excluded) as shown below:

S/N	**Assets** (₦ in Million; excl. land and buildings)	**Employment** (Number of Employees)	**Category**
1	50 or less than 500	50 to 199 Employees	Medium Enterprises
2	5 to less than 50	10 to 49 Employees	Small Enterprises
3	Less than 5	Less than 10 Employees	Micro Enterprises

Source: SMEDAN and National Bureau of Statistics Collaborative Surveys, (2021).

Micro enterprises: These are businesses with, in exclusion of buildings and land, have less than five million naira (₦5,000,000) of total assets and also have less than ten (10) employees.
Small enterprises: These are businesses whose total assets after excluding buildings and land add up to more than five million naira (₦5,000,000) but not up to than fifty million naira (₦50,000,000). Also, its total number of employees is more than ten (10) but not up to forty-nine (49) employees.
Medium Enterprises: These are businesses who values more than Fifty Million Naira (₦50,000,000) but less than Five Hundred Million Naira (₦500,000,000) in total assets excluding land and buildings and a staff strength of fifty (50) to ninety-nine (199) employees.

From this classification, If a conflict exist on the assets and employment criteria, e.g., a company has staff strength of say seven (7) workers and on other hand, the company is worth N7 million in total assets excluding buildings and land, the classification for employment-based takes prevalence and in this case, the company categorization will be micro enterprises (National Bureau of Statistics Collaborative Survey 2013). Fifty (50) definitions in 75 countries of small-scale enterprise based on factors like nation type, production, installed capacity utilization, capital, employment and other more relevant characteristics to industrial strategies of each country are identified by the United Nations (UN) Industrial Development Organization (UNIDO). However, excluding operations of informal category, the SMEs sub-sector in Nigeria is estimated to accounts for approximately 87 percent of all businesses.

In agreement with the Small and Medium Industries and Equity Investment Scheme (SMIEIS), the Central Bank of Nigeria uncovered that, any business with asset base of less than N200 million (roughly $1.43 million) at maximum, excluding working capital and land as well as 10 employees at minimum is an SME (otherwise known as a small business) (SMIEIS 2002; Sanusi 2003; Sanusi 2004; Akubueze 2002; Udechukwu 2003). Additionally, the National Council of Industry in 2001 put the SMEs' definition at a modification to which was used for the construction of the above definition.

2.5 Commercial Banks and SMEs' Capital Formation

Nwosa and Oseni (2013) covering the years 1992 to 2010 investigated the effect of bank loans to SMEs' industrial production in Nigeria. Error correction modelling methodology was adopted; the study revealed that loans from banks to the SMEs sector had short-term and long-term significant effect on industrial production.

Omah, et al., (2012) conducted a study on the impact of post-bank consolidation on the performance of SMEs in Lagos, Nigeria. The study adopted a survey design. It uncovered that SMEs, due to their history of finance in Nigeria, suffers from availability enhanced access to funding via banks. They also do not absolutely have good relationship with financial institutions.

Olutunla and Obamuyi (2008) examine the relationship that exists between bank loans, profitability, age of operation and SMEs' size using an effects-fixed regression model. It revealed that there exists a link between bank loans and profitability of SMEs.

Obasan and Arikewuyo (2012) conducted a study on the "influence of pre-post bank consolidation on SMEs' access to credit in Nigeria". Ordinary least square method was applied. It revealed that, the consolidation of banks has failed to develop a competitive and viable sector for SMEs that would have in returned enhance economic growth and job creation in Nigeria.

Ahiawodzi and Adade (2012) explored the "impact of financing on the growth of SMEs in Ghana's Volta region's Ho Municipality" using survey and econometric methods for measurement. This study's findings uncovered that finance access has a beneficial significant effect on the growth of SMEs in the Ho Municipality,

The "influence of Nigeria's 2004 banking changes on SME loan borrowing" was investigated by Mamman and Aminu (2013). Applying chi-square test, this study revealed that the banking reform in 2004 had no significant influence on loan financing by SMEs in Nigeria. Also, access to bank loans by SMEs in Nigeria was found to be hampered with by hurdles in different varieties.

Thus, we propose that;

H_{01}: SME capital formation is not significantly affected by the short-term loans from United Bank for Africa Plc.

H_{02}: Overdrafts from United Bank for Africa Plc has little impact on SMEs' capital formation.

H_{03}: United Bank for Africa Plc's discount bills of exchange does not affect to capital formation of SMEs.

3.0 Methodology

This study has opted for a cross-sectional survey design. A sample size of 39 employees was arrived at using Taro Yamane (1960) formula and systematically selected from the available employees of United Bank for Africa Plc Zaki-Biam (senior cadres, middle cadres and lower cadres) as well as Small and Medium Enterprises operators who have accounts with United Bank for Africa. A researcher designed questionnaire serves as the instrument for data collection. This instrument was put to content and face validity while reliability was determined using Cronbach Alpha and a value of 0.83 was found, indicating that the research instrument is confirmed reliably for use. Data analysis for the study was done via Ordinary least square regression with the aid of Statistical Package for the Social Sciences version 23.0 (SPSS, vS23).

A Model was developed for the purpose of this study in order to capture all the independent variables (short terms loan, banks overdraft and discounted bill of exchange) and the dependent variable (capital formation) as below.

Regression Equation: $Y = a+b_1x+e$ ---------- (i)

Models Conceptualization Using Study Variables:

Model One : $CaF = a + b_1STL + b_2BOv + b_3DBE + e$ ---------- (ii)

Where;

STL = Short-Term Loans
BOv = Bank Overdrafts
DBE = Discounted Bill of Exchange

a = Constant

b = Coefficient of Independent Variable

e = Error Tolerance

CaF = Capital Formation

4.0 Results and Discussions

The results of the regression as shown in Table 1 below indicated that the three predictors of commercial banks' loan considered in this study (short terms loan, banks overdraft and discounted bill of exchange) explained 17.0% of the variance in SMEs capital formulation (Adj. $R^2 = 0.170$, $F(3, 35) = 0.177$, $p<0.000$),

Table 1: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	

1	.122[a]	.151	.170	1.29339	.015	.177	3	35	.000	.423

a. Predictors: (Constant), Discounted Bill of Exchange, Bank Overdraft, Short-Term Loan

b. Dependent Variable: Capital Formation

Source: SPSS, 2024.

From the result of the regression analysis of variance (ANOVA) Table 2 as shown below, the predictor variables (short terms loan, banks overdraft and discounted bill of exchange) are all significant predictors of SMEs capital formulation with F(0.177), p > 0.000 explaining 0.151 or 15.1% of the variation in SMEs capital formulation.

Table 2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.886	3	.295	.177	000[b]
	Residual	58.550	35	1.673		
	Total	59.436	38			

a. Dependent Variable: Capital Formation

b. Predictors: (Constant), Discounted Bill of Exchange, Bank Overdraft, Short-Term Loan

Source: SPSS, 2024.

Analysis for the regression coefficients for short terms loan, banks overdraft and discounted bill of exchange as well as SMEs capital formulation is shown in Table 3 below. This coefficient is identified in the column labeled as B. The table result indicates that a change in short terms loan, banks overdraft and discounted bill of exchange by 1% will result to a positive increase in SMEs capital formulation by 14.0%, 7.7% and 8.5% respectively.

Table 3: Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	2.416	.635		3.803	.001	1.127	3.706					
	Short-Term Loan	.140	.179	.004	1.978	.000	.367	.360	.053	.003	.003	.810	1.235

Bank Overdraft	.077	.176	.081	1.981	.000	.434	.280	.096	.073	.073	.820	1.220
Discounted Bill of Exchange	.085	.192	.076	1.962	.000	.305	.476	.091	.075	.074	.946	1.057

a. Dependent Variable: Capital Formation

Source: SPSS, 2024.

4.1 Test of Hypotheses

During the test of hypotheses and taking cognizance of the decision rule, a null hypothesis was rejected when $p < 0.05$ and accepted when otherwise. Based on this, all the three null hypotheses for this study were rejected since none of them had a p-value of greater 0,05. As shown in Table 4 below, all the hypotheses had p-values of 0.000. The test of hypotheses results is in Table 4 below:

Table 4: Test of Hypotheses

Regression Models		Unstandardized Coefficients		T	Sig.	
		B	Std. Error			Remarks
Model 1[a]	Short-Term Loans (H_{01})	.140	.179	1.978	.000	Rejected
Model 2[b]	Bank Overdraft (H_{02})	.077	.176	1.981	.000	Rejected
Model 3[c]	Discounted Bill of Exchange ($H0_{03}$)	.085	.192	1.962	.000	Rejected

a. Dependent Variable: Capital Formation

Source: SPSS, 2024.

The finding reveals that discounted bills of exchange are positively connected with SMEs capital development because of the high correlation value (R) of 71.6 percent. In this study, the R square is.513 (51.3%), meaning that changes in discounted bill of exchange explain for 51.3 percent of the variation in SMEs capital formation. The relationship (37.882, p0.05) indicates that the overall prediction of the independent variable to the dependent variable is statistically significant, so we reject the null hypothesis and accept the alternate hypothesis that United Bank for Africa Plc discount bills of exchange has a significant effect on SMEs

4.2 Discussions

Commercial banks' loan and capital formation in small and medium-scale enterprises

The study's initial premise was that short-term loans would have an impact on SMEs' capital generation. The data imply that short-term loans from UBA plc are positively connected with SMEs capital formation. According to the findings, changes in short-term loans explain variation in SMEs capital accumulation. According to the significant F-test, the overall prediction of the independent variable to the dependent variable is statistically significant (36.36, p0.05), and the model is fit. The findings are similar to that of Mamman and Aminu (2013), who discovered that short-term loans had an effect on SMEs capital formation. The findings are similar to those of Nwosa and Oseni (2013), who found that short-term loans affect SMEs capital formation.

The impact of bank overdrafts on SME capital accumulation was the subject of the second study hypothesis. According to the research, bank overdraft is positively connected with SMEs capital generation. The R square is 0.461 (46.1%), indicating that bank overdraft account adjustments account for 46.1 percent of the variation in SMEs capital formation. According to the significant F-test, the relationship (30.77, p0.05) indicates that the independent variable's overall prediction of the dependent variable is statistically significant. This finding is consistent with findings by Ahiawodzi and Adade (2012) who found that overdraft, had an impact on bank capital generation. Similarly, the findings back with Charles' (2002) research, which found that bank overdraft has an effect on SMEs' capital development.

Finally, the third hypothesis examined the influence of discounted bills of exchange on the capital development of SMEs. Discounted bills of exchange are positively linked to SMEs capital generation, according to the research. According to the data, fluctuations in discounted bill of exchange account for 51.3 percent of the variation in SMEs capital formation. According to the significant F-test, the relationship (37.882, p0.05) indicates that the independent variable's overall prediction of the dependent variable is statistically significant. This result is supported by the findings of Omah et al., (2012) and Obasan and Arikewuyo (2012), which showed that the discounted bill of exchange had an impact on SMEs capital formation.

5.0 Conclusions

Banks have been forced to lend to Small and Medium Scale Enterprises due to macroeconomic volatility and uncertainty in the business climate. As a result, access to the credit market for SMEs in Nigeria is extremely difficult. Furthermore, such services as overdrafts and short-term loans come with a very high interest rate of more than 26% and are heavily collateralized. In a world where SMEs rely largely on bank loans, this situation might be dangerous. As a result, many SMEs are unable to obtain bank loans, which has major implications for their growth.

Lack of infrastructure is one external issue that stymies the growth of small and medium-sized businesses. Many banks attribute their inability to fund SMEs to the country's weak economic climate, citing, for example, poor public utility performance as one of the factors putting fund managers in jeopardy. In addition to the external issues that stifle SME growth, low managerial practices, a high rate of business failure, low accounting standards, a lack of skilled staff, and financial indiscipline are just some of the problems.

The following proposals are based on these issues, and if implemented, will assist to improve the status of our economy in general, and small and medium-sized businesses in particular.

This study recommended the following;

According to my perspective, the following tips will assist SMEs in expanding and developing more effectively: Interest rates are unfriendly to investors because they can erode earnings and lead to a loss of investment. The government should cut interest rates. Official interest rates in Nigeria are as high as 23.6 percent, making bank loans to small and medium-sized businesses challenging.

The government should issue Local Purchase Orders to Small and Medium Scale Enterprises with prompt payment in order to enable their access to bank credits, since this will encourage their growth and allow banks to accept such contract papers as collateral.

Banks should target potential borrowers and group them together for their core operations.Soft loans should then be made available to these Small and Medium Scale Enterprises, repayable within a certain period of time, before others in that strategic group can benefit from the program. The notion is that by utilizing this process, other SMEs in this strategic core will place subtle pressure on the benefiting group to return in order for others to profit from the scheme. By taking into account the creditworthiness of the borrowers, this will surely promote healthy capitalization among Small and Medium-Sized Enterprises.

When it comes to assisting small businesses, banks should prioritize relationship financing. This will assist in resolving the problem of insufficient asset-based collateral. This can be more effective if the borrowers show a high level of responsibility, discipline, and integrity.

5.1 Limitations and Suggestions for Further Studies

The study was limited to only one bank, future studies should different banks to see if the same result would be obtained. Also, a longitudinal approach should be considered as this study explored a cross sectional approach.

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