



GROUNDING THEORY APPROACH ANALYSIS OF ACCESS TO FINANCIAL CREDITS BY SMALL AND MEDIUM SIZE ENTERPRISES IN THE CENTRE REGION OF CAMEROON

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Abstract: This study seeks to explore the difficulties faced by small and medium size enterprises in gaining access to financial credits from main stream commercial banks in the centre region of Cameroon. The study is qualitative, and follows the philosophical orientation of subjectivism ontology and interpretivism epistemology. A sample of 15 SMEs operators was purposively selected and data was collected via in-depth-interviews, and analysed using the Grounding Theory Approach. The validation of the analysis was supported by the concept of theoretical saturation through series of comparative analysis involving open coding, axial coding and selective coding processes. Results revealed that the lack of credibility by SMEs is the major impediment to inclusive finance. Auxiliary challenges exposed were: credit risk, red tape and inadequate collateral. Proposed solutions to inclusive finance include: government policy, contextual appraisal and the development of loan insurance, enhancement of state's financial credibility, and the sensitisation of entrepreneurs. Other recommendations involved: simplified and flexible collateral requirements by commercial banks, contextual loan appraisal, and the provision of guaranteed fund by the government to financially buttress the bank of SMEs to attain the objective of low cost credit to SMEs operators.

Keywords: SMEs, SME operators, Commercial Banks (CBs), Credit Access

Introduction

This study explore why access to financial credits is still a main constraint to most SMEs operators in the Centre region of Cameroon. This research is precipitated by the vision of Cameroon economic emergent plan of 2035 (GESp, 2010; Kum, 2018) as such there is need for the private sector to be actively involved in the economic development of Cameroon. According to (Business in Cameroon, 2013), the Guarantee Fund for Small Businesses, an institution created by presidential degree

No 84/510 on 13 June 1984; defined SMEs as any individually or jointly owned investment of at least 51% of capital, and managers are Cameroonians with turnover of not more than 1 billion FCFA, and with aggregate investment of not more than 500 million FCFA, and that the level of burrowing in the short-run does not exceed 200 million FCFA.

Different authors have defined the term bank based on structural and functional elucidations. R. P Kent defined a bank as an institution which collects idle money

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temporarily from the public, and lends to other people as per their needs, whereas Sir John Pagette defined a bank as a financial institution which collects money in current, savings or fixed deposit account; collects cheques as deposits and pays money from the depositors' account through cheques. Collecting deposits from those with surplus funds at a lower interest rate, and giving it out at a higher interest rate is the main function of a bank. The process of giving it out at an interest rate, and higher than the principal is termed bank loan.

According to (COBAC, 2012), there has been a decrease in the cost of financial credits for large companies, whereas an increase for the SMEs. Before the sub-prime crisis of 1998, most African countries had excellent economic performance caused by macro-economic reforms such as increase in the prices of raw materials which constitute a major source of revenues. The reality of today's global economic performance revealed that developed countries are experiencing recessions, and by extension, African economies. According to (Monga, 2008), there have been a drop in the economic activities in Cameroon between 2006 and 2007 resulting to a dropped in the turnover of SMEs from 1,107 to 442 Billion FCFA. SME's contribution to job creation and economic development cannot be undermined in developed as well as developing economies.

According to statistics, SMEs account for about 98% of the total 93,969 companies existing as per the last census of company in Cameroon conducted in 2015. According to (MINPMESSA, October 2008) about 37,000 companies had been created between 2010 and March 2015. Reports from CFCE revealed that 12,000 SMEs were formed in 2014. It should be noted SMEs cover more than 95% of all firms in Sub-Saharan Africa (Fjose, Grunfield, & Green, June 2010). Based on the aforementioned reviews, assertions could be made that the presence of SMEs is vital in every economy; though they are confronted by the challenge of inadequate funds, hence, SMEs are highly likely to suffer from insolvency.

Government hopes for an emerging economy lies on entrepreneurs, and most especially, the private sector. The creation of the Cameroon bank for Small and Medium Size Enterprise in 2013 with a capital of over 10 Billion FCFA, is yet to solve the dilemma of financial access by SMEs in Cameroon.

The purpose of this study is to explore reasons why access to financial credits is still a major problem for SMEs in Cameroon by evaluating the following objectives: To identify constraints to access to financial credits, to explore solution to the problem of financial credit, and to develop a model on access to financial credits by SMEs in Cameroon. This study is significance for future scholarly research in the area of inclusive finance, and to enhance financial literacy of existing and future entrepreneurs on the issue of access to financial credits by SMEs.

Literature Review

Theoretical underpinnings

Two theoretical backgrounds underline this study: The Resource-Based View Theory and the Bank Capital Channel Model. According (Sowah, 2003), proponents of the Resource-Based View (RBV) theory consider finance as the growth-enabler for any business. The financial system is the vessel that carries the lifeblood through the economic system. The theory states that, strategic management complements financial resources by concentrating firm's effort to appropriately use funds to grow (Degraevl, 2012). This theory goes further to highlight that, though money is an indispensable factor for growth, it must be backed by appropriate management skills. Constraints to financial credits access impede economic growth and entrepreneurship. The relevance of the Resource-Based View theory explained that, SMEs must access financial resources to grow and contributes to economic development. SMEs capital financing in relation to interest rate is explained by the Bank Capital Channel Model. Proponents of this theory opined that a change in interest rate will affects the lending propensity



by banks. This theory explained that credit-worthy firms have adequate collateral and would experience low default risk (Aliero & Yusuf , 2017). The capital gearing for SMEs is highly external due to insufficient equity. Such situation often creates a financial gap leading to external or debt financing by proprietors' of SMEs (Oluntula & Obamuyi, 2008).

Empirical Review

Definition of SMEs within the business context

SME as aforementioned contributes greatly to job creation, wealth creation and economic stability. Also they have been no standard definition for SME; it varies based on type of activity, geographical location, the regulations governing the area. In America it based on the number of employees, so companies who have less than 500 permanent staff are said to be SMEs. In Cameroun there exists no standard definition for SME, but the definition for SMEs according to law N-2015/010 of 16/07/2015 on the promotion of SMEs in Cameroon reveals the classification of SMEs in three categories including: Very Small Enterprises, Small Enterprises and Medium Enterprises. According to this law, a company is considered to be an SME; if it employs not up to one-hundred (100) people within its operations, and the turnover excluding taxes does not exceed three billion Francs CFA.

According to the Cameroon National Institute of Statistics, SMEs account for more than 90% of Gross National Product (GDP) and 34% of the Gross Domestic Product (GDP). An enterprise is an entity that undertakes an economic activity of any form: self-employed persons and family businesses engaged in crafts or other activities and partnerships or associations regularly engaged in an economic activity (EU 2003/36). The term SME is used to describe a small business in the private sector. Bolton Committee (1971) was the first institution to produce a generally accepted definition for SMEs. They came up with two types of definitions from two different points of view namely: economic and statistical. Under the

“economic” definition, a firm is classified as a small if it meets the following criteria: It has a relatively small portion of the market share, it is managed by owners without any formal management structure, it is independent and do not form part of a larger organization. With respect to “statistical” definition, the following criteria are used for classification: Measuring the size of the small firm sector and how much it contributes to GDP, employment, exports, comparing the extent to which the small firm sector’s economic contribution has changed over time, applying the statistical definition in a cross-country comparison of the small firms’ economic contribution. The Bolton committee, therefore, classifies small and medium firm base on different characteristics in different sectors. The World Bank from 1976 defined a small firm as that with a total fixed assets value without land of 250,000 USD. The United states Agency for International Development (USAID) refers to small firms as firms with not more than 50 employees and one which sells more than half of its output

Financial Credits (FC)

Financial credit can be defined as the process by which individuals, firms and governments obtain money from financial institutions, and which they most refund at an agreed date and at a pre-defined interest rate. According to financial reporting on the banking activities in Cameroon apart from main stream banks, the other financial institutions are: Insurance companies, micro-financial institutions, hire purchase/leasing companies, real estate companies, loan funds for investing in real estate, investment corporations and recovery corporations (Halle , 2000). Also, there are prudential regulations that have been put in place and monitored by the Banking Commission for Central African States (COBAC) – “the banking police”. According to COBAC, loans should not exceed 15% of the business capital.

The contributions of SMEs to the Cameroonian economy cannot be neglected. This can be seen by the importance that the Cameroon government gives to this sector of the



economy through the creation of Ministry for SMEs, and later the creation of the bank for SMEs. There are several ways to finance business activities: internal and external. The simplest category finance is the debt-equity dichotomy (Owusu & al, 2017). However, several studies have concluded that risk loving and less control-averse manager will opt for debt financing rather than equity in order to maintain control (Daskalakis, & al 2013; Luukknonen, & al, 2013). The finance for SMEs is vital and indispensable. Studies have showed that many SMEs have failed due to lack of funds which leads to the dilemma of undercapitalization and insolvency. From these studies, a conclusion can be drawn that, the presence of funds is an important factor for survival of any business.

According to (Watson & Everett, 1999), the reason why SMEs must be provided with financial services is because it helps SMEs to mobilize resources for future use. In the economic point of view, resources relate to: land, labor, capital and entrepreneur. Providing SMEs with financial credits will help expansion as such profitability. Access to finance allows small businesses to undertake productive investments and contribute to the development of nation and eradicate poverty in most of Sub-Saharan African countries (Beck & Demirguc-Kunt, 2006). (Wamba, 2001) revealed that, SMEs constitutes a basic element of strategy of economic and social development. Furthermore, (Tadesse , 2009) opined that, SMEs are considered as a major source of employment. (Fillion, 2007), added that, the importance of SMEs is not limited to job creation, but SMEs also participate in the stability of the economy, modernization of the informal sector, poverty reduction, preservation of the culture of the people, industrialization, and as well as technological advancement.

Criteria of financial credits

Loan examinations from the banking point of view consist of an analysis of the bank's lending policies, credit administration and the quality of the loan portfolio.

Loans to business enterprises for commercial or industrial purposes are commonly described as commercial loans. They may be secured or unsecured, and may have short or long-term maturities. Appraisals are professional judgments of the financial instruments. The criteria in this study refer to the tools that have been used to analyze financial credit. However, the most popular appraisal tool is the 5Cs model. The collateral requirement is a key component of the 5Cs. Collateral refers to the extent to which assets are committed by the borrowers to a lender as a security for debt repayment in case of a default (Gitma, 2003). The main idea is that, in case of insolvency, the assets should be able to recover the amount of the principal. To finance SMEs and accept loan proposals, the collateral requirement by most banks is 100% or more, or equals to the full amount of credits (Mullei & Bokea, 2000). It is evident that most SMEs are denied and discriminated funds due to the high risk associated with inadequate collateral (Osano & Languitona, 2016).

The problem of access to financial credits by SMEs cannot be solved without thorough examination of the factors which are used by the banker to make a decision to offer credits to companies. One major part in the loan appraisal process is to analyze the company's information mainly: the objectives, overall market conditions, the balance sheet, the profit and loss statement and the personality traits of the debtor (Sapora, 1994). In addition, (Vernier & Flament, 2004) identified that personality trait is a determinant factor to make decision on credits request. However, (Papin , 2007) revealed that it is difficult to determine psychological profile that can guarantee success or failure of a business.

Constraints to access financial credits

The financial sector plays a central role in every economy, and it is highly regulated. The banks are the most regulated institutions. In Cameroon, the banking sector has been blamed for making little contribution to the growth of the economy (International Monetary



Fund(IMF), 2009). This is probably due to stringent regulatory measures implemented on financial institutions by COBAC. The report of the African Development bank (AfDB, 2009) stated that, the rate of penetration of the banking services is low despite the presence of excess liquidity. Banks mainly rely on short-term deposits, and provide services to very few individuals who have a decent occupation, and to corporate bodies who are considered less risky. This leaves the greater part of the population and SMEs without any form of financial services.

Furthermore, studies have revealed that SMEs do not have access to finance due to the unavailability of collateral, and also due to information asymmetry by banks. According to (Ampenberger, Demirguc-Kunt, & Maksimovic, 2008), the main difficulty for SMEs to obtain debt finance is due to lack of information when compared to large firms. (Pandula , 2011) classifies barriers to credit access by SMEs into three (3) main categories: the firm's characteristics, the financial characteristics and entrepreneurs' characteristics. Under the firm characteristics: size, age, and ownership or share structure. The financial characteristic includes: interest rate. The entrepreneur's characteristics includes: level of education, experience training and network and association.

According to (Halle , 2000) , the progressive investment and development in most countries cannot be achieved without a secured legal and commercial environment. The study of (Beck & Demirguc-Kunt, 2006) identified that the weakness of the financial and legal system is an obstacle to the access of finance products. Studies carried out by (Bigsten , 2003)(Bigsten 2003; Yitayal, 2004), in developing countries observed that, the lack of collateral requirements, high risks, information asymmetries, small credit transactions, and the distance between lenders-borrowers are the major causes for credit variation among the different and existent sources of credit available to companies. There are three main factors that can cause a

change in access to credit: deregulation of financial services, consolidation within the banking industry and loss of small banks and lastly competition as a result of deregulation (Dennis, 2008).

Moreover, constraints to access to credit are a problem that has existed for long. According to (Portes, 1998), the inability of SMEs to meet the standard of formal financial institution to request for a loan provides a platform for other financial institutions to attempt to fill the gap. This gave rise to the growth of micro-financing. According to (Leffleur , 2009), the gap that exists between SMEs and bank financing systems can be resolved by financial systems which are contextual. Furthermore, avenues should be set-up to permit risk sharing and perceived risk by banks by promoting a sustainable guarantee of funds to facilitate access to credit by banks.

Methodology

In this study, the ontological dimension appropriate is subjectivism. The reality under study is access to financial credit by SMEs which is viewed subjectively to ascertain the objective of this study. What constitute acceptable sources of knowledge in this study (Tennis, 2008); is the epistemology of interpretivism. The research approach is the inductive and axiological philosophy is value-bias. The research design is an exploratory case study analysis (Kuhn, 1962, 1970; (Mugenda & Mugenda, 1999) Creswell 2003). The research objective is to explore factors responsible for low credit access by SMEs in the case of Centre region of Cameroon. Data are qualitatively analyzed using the grounded theory approach (Glaser & Strauss , 1967) involving: open, axial, and selective coding processes (Wicker, 1985 ; Corbin, Juliet, & Strauss, 1990). The analysis of data observed in this study is concluded based on a hybrid approach involving: constructivist and systematic grounded theory approaches with the intention to generate a model explaining the phenomenon of credit access within SMEs in the center region of Cameroon.



The population constitutes SMEs owners in the Centre region of Cameroon who must be knowledgeable with respect to the operation of SMEs and financial related issues such as: credit and loan facilities offered by banks. According to (Rees , 1997), inclusion criteria relates to participant characteristics relevant for the study. The SMEs’ owners chosen were those with functional bank accounts and financially literate. A purposive sample sampling technique was used to select fifteen (15) participants for the study. Data collection was systematic

done (Bruns & Grove , 2005) . Data was collected within the periods of June and July, 2019 using a face to face interview using in both English and French languages. According (Polit & Hungler , 1995) research instrument has to be valid measurement for a study. Expert validity of interview questions and pilot study was completed. Findings were checked for validity and reliability based on the following parameters: credibility, dependability, conformability and transferability

Data Presentation, analysis and findings

Research Question One: What are the difficulties faced by SMEs operators to access financial credits from a mean stream commercial banks?

Table 1: Initial Coding Process

RES	DESCRIPTION/ NARRATIVES
1	[...]Collateral Security ,High Risk, Difficulty to recover loan, Follow up
2	[...]Uninsured Loan, The state does not honour engagement on public contracts ,The absence of a business plan for private projects, The collateral security are poor
3	[..]Lack of Collateral security
4	[..]Inconsistent or Immature project, SMEs are illegal companies difficult to locate
5	[...]The bad credit history SMEs have over the past years ,Government does not usually meet datelines payment in the case of contracts
6	[...]Unstructured nature of SMEs, Individualistic entrepreneurs, Non-respect of the legal entity concept, Accounting data is not kept properly, Uneducated entrepreneurs, Unstructured or required collateral security
7	[...] They request for so many documents, Long procedure and bureaucracy Small loan amount, high interest rate and short refund datelines
8	[...]Lack of credibility, Personal contribution towards loan, No collateral security
9	[..] No collateral security, The rate of turnover of the bank account
10	[..] They do not finance SMEs who are start-ups, Collateral security, Excessive expenses incurred during the loan appraisal process , High Interest rate
11	[...]Excessive delay in payment by the states, The economic situation of the country
12	[...] Collateral security, State delay in payment , Economic difficulties
13	[...] Collateral security, Follow up, Stringent appraisal process
14	[...]Collateral security , Risk of loss
15	[...] Length loan appraisal process , The absence of collateral security



Evidence of theoretical saturation

Resp	Codes	Abbrev	Description /Narratives	TS
1	Collateral	COL	[...] Collateral	
	RISK	RISK	[...] Security , High Risk, Difficulty to recover loan, Follow up	
2	Collateral	COL	[...]Collateral are poor,	
	RISK	RISK	[...]Unsecured loan	
	State Credibility	SCRED	[...]The states does not	new
	MGT	MGT	[...]Business plan	new
3	COLL	COL	[...]Lack of Collateral security	
4	MGT	MGT	[...]Inconsistent projects	
	RISK	RISK	[...]SMEs are illegal companies difficult to locate	
5	S CRED	SCRED	[...]The bad credit history SMEs have over the past years	
	G CRED		Government does not usually meet datelines payment in the case of contracts	

Above are the codes gotten from the response of the final respondents who answered the first main research question? The respondent’s names are being represented by their codes which can be gotten from table 3. From here all respondents will be represented by those codes. The above responses have not been refined and have been verified by the respondents to actually represent their idea.

Table 2: Axial Coding Process

Q1	Codes /Description/narratives	Category
difficulties SMEs face to access credit from banks	[...] Lack of collateral security, Inappropriate collateral security, No standard or required collateral security, No or unavailability of collateral security	Collateral security
	[...]High interest rate, Short repayment period, Smaller amounts relative to total amounts demanded	Unfavourable term of loan
	[...]Difficulty to recover the loan, Failure of SME to refund loan on time, No appropriate follow-up ,High rate of loan default in the past, Loan are not insured, No confidence, Low bank account turnover	Credit risk
	[...]Unhonoured loan engagement by the state, State delay to pay public contracts, The loss of confidence in state institutions in the eyes of the bank, Unfeasible projects, SMEs are not credible	Credibility
	[...]The absence of a business plan, Too many documents to be provided for loan appraisal, Too many procedures and bureaucracy , Lengthy appraisal process	Red Tape



[..]Individualistic Entrepreneurs, The principle of separate legal business entity is violated, No accounting or record keeping, Many formed in existent SMEs	The unstructured nature of SMEs
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Table 3: Refinement and Downsizing of Codes.

InterviewQ1	Sub Categories / Narratives /Description	Categories
What are the difficulties SMEs face to access credit from banks	[...]Lack of collateral ,Inadequate collateral	Collateral
	[...]High interest rate, Short repayment period, Smaller amounts relative to total amounts demanded	Unfavourable term of loan
	[...]Loan Default, Loan Delinquency ,Uninsured Loan	Credit risk
	[...]States Credibility, SMEs credibility	Credibility
	[...]Stringent appraisal process, Excess administrative requirement,	Red Tape
	[...]Legal entity, Inadequate accountability	Unstructured SMEs

After the regrouping, it was realized that some respondents said the same thing twice using different words, as such regrouping helps researcher to eliminate redundant information.

Table 4: Further Regroupings into Sub-Categories.

Interview question	Sub-categories/Description/narratives	Core Categories
What are the difficulties SMEs face to access credit from banks	[...]Collateral Security (CS), Credibility (CB), Unstructured, Nature of SMEs (UNS)	Factors Within SME control
	[...]Red Tape (RT), Unfavorable Loan Term (ULT), Credit Risk (CR)	Factors Outside SMEs control

Table: Selective Coding Process

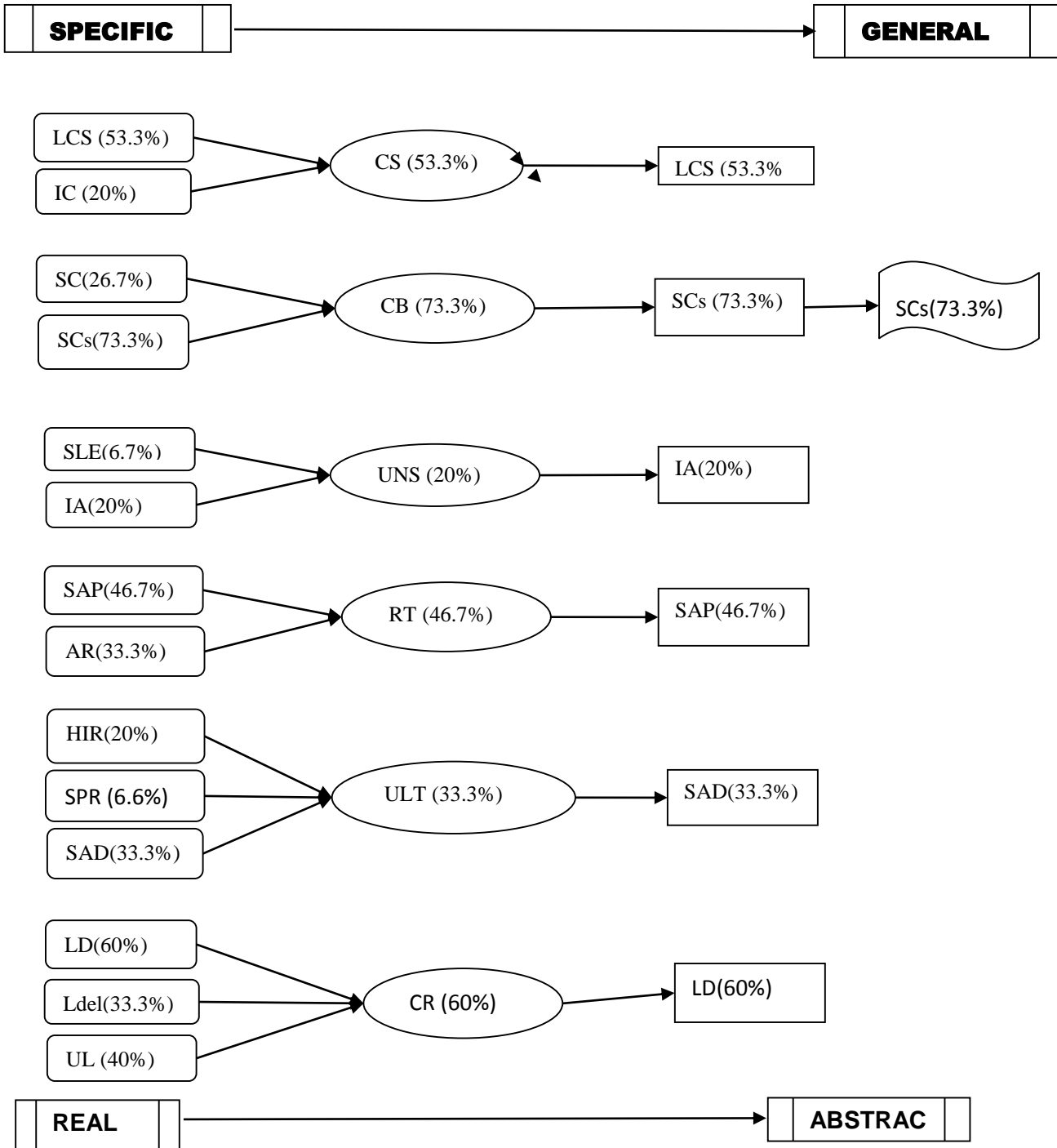
CAT	SUB-CATEGORIES/CODES	RATING	SELECT CAT %	THEME
Collateral Security (CS)	Lack of Collateral security (LCS)	53.3%	(LCS/CS: 53.3%)	(SCs/CB)
	Inadequate Collateral (IC)	20%		
Credibility (CB)	State’s Credibility (SC)	26.7%	(SCs/CB: 73.3%)	
	SME s Credibility (SCs)	73.3%		
Unstructure d Nature of SMEs (UNS)	Separate Legal Entity (SLE)	6.7%	(IA/UNS: 20%)	
	Inadequate Accountability (IA)	20%		
Red Tape (RT)	Stringent Appraisal Process (SAP)	46.7%	(SAP, RT: 46.7%)	



	Administrative Requirement (AR)	33.3%		
Unfavorable Loan Term (ULT)	High Interest Rates (HIR)	20%	(SARD/ULT: 33.3%)	
	Short Repayment Period (SRP)	6,6%		
	Small Amounts Relative to Demand (SAD)	33,3%		
Credit Risk (CR)	Loan Default (LD)	60%	(LD, CR: 60%)	
	Loan delinquency (LDel)	13.3%		
	Uninsured Loan (UL)	40%		



Figure 1: Structural Model Based on First Grouping.





MEMO WRITING MODEL BASED ON FIRST GROUPING.

The codes transcribed from the interview have been grouped into six categories; Collateral Security, Credibility, Unstructured Nature of SMEs, Red Tape, Unfavourable Loan Term and Credit Risk, as can be seen in table 5 and figure 4. The unedited codes as transcribed from the interview are shown on table 4. The researcher then grouped the code in to the above-mentioned groups (downsizing and reframing of the initial codes as seen in table 6) to ease analysis and avoid repetition. All codes that represent or talk of the same thing are been reframed to a single code (category) and refined to sub categories as seen in table 7. The final codes are explained below;

- I. Collateral security comprises of all codes that represents respondent's belief that the major constraints to access to credit by SMEs from banks is as result of collateral security. SME owners and managers pointed that this point depicts the absence of collateral security or inadequate collateral security.
- II. Credibility category here contains all codes that depicts that, the reasons why SMEs face difficulties to obtain loans from banks is a two sided effect: SMEs have a bad loan history in banks and the Cameroon government does not honour its payment engagement on loans obtained by SMEs managers to deliver public services (public contracts).
- III. Unstructured nature of SMEs category explains all codes representing inadequate accountability and the fact that the principle of a separate legal entity. In adequate accountability represents the fact that most SMEs owners do not keep proper accounting records. Any code which explains

respondent's seeking to link the difficulty in credit access as a result of the nature of the SMEs in our context.

- IV. Red Tape Category explains that the main difficulty faced by SMEs is the stringent loan appraisal process the SMEs go through in order to obtain a loan and it equally depicts the excessive administrative requirements SMEs must fulfill to be able to qualify to be granted financial credit.
- V. Unfavourable Term of Loan explains that difficult loan agreements SMEs are faced with even when they are granted the loan, they include; high interest rate and short repayment dateline.
- VI. Credit risk simply explains that the difficulty SME faced to obtain loans from banks is mainly due to the high risk of loan delinquency, loan default and coupled with these two points the loans are uninsured

The research was carried out in two phases, in the initial phases, 13 respondents were interviewed through face-to-face interviews and their response analyzed and grouped into categories. The second phase, 2 people were interviewed via phones and their response analyzed and their responses did not lead to a separate category from the one obtained by the first phase of the interview process. As such the researcher was able to conclude that a point of theoretical saturation had been attained. In simple terms the last 2 respondents had no new ideas and they kept repeating what the previous 13 respondents said

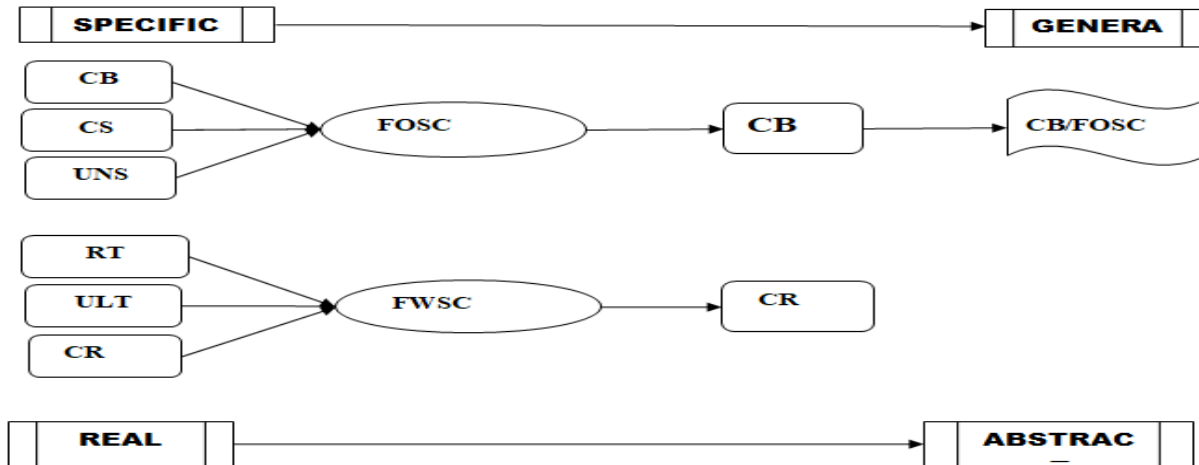


even though using different words. So, the researcher ended his data collection at this point of the research.

From the above figure it can be seen that the main reason why SMEs faced difficulties to obtain loans from banks credibility, precisely the credibility of SMEs.

Figure 2: Structural Model Based on Second Grouping.

MEMO WRITING MODEL BASED ON SECOND GROUPING.



The tables 8 as represented by figure 5 are the application of Strauss and Corbin, (1998) who believe that the researcher reduces data from many cases into concepts and sets of relational statements that can be used to explain, in a general sense, what is going on. Here the researcher compresses the concepts (codes and categories) from a broad nature to a simple nature so as to ease the process of developing the theory. At the end of the coding it can be seen that the main difficulty SME owners and managers face to access financial credit is mainly due to the fact that they lack credibility in the eyes of commercial banks and other financial institutions. Some other reasons include the credit risk, red tape and the lack of collateral security.

4.3.2 Research Question Two: What could remedy the aforementioned concern?

Table 5: Open Coding.2

REP	Description /Narratives
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1	[...]No proposed Suggestion
2	[...]The states should insure loans up to 10 million for Small enterprise and up to 20 million for large for medium, States should repay loan at the maturity date, The banks should hire engineers to follow real estate project and other projects
3	[...]A guarantee fund for SMEs should be created by the states to help the bank of SMEs
4	[...]The states should put in place a good legal system to sanction SMEs whose location cannot be identified (fictitious SMEs)
5	[...]The government should refund loan at maturity dates
6	[...]The SME sector should be structured ,A special accounting and tax system should be designed for them so that their financial performance can be evaluated when they come to request for loan and not just end at the Global tax system and the categories from A to D, The Bank



	of SMEs should do sensitization to make SMEs aware of what services the offer and clear conditions on which a loan are given and the condition of the loans
7	[...]Long term loans, low interest rate and appropriate loan amount ,The government should in place policies that will enhance the growth of SMEs, SMEs owners should be educated and if possible, branches to train entrepreneurs should be opened at higher institutes like ENAM
8	[...]The bank should do proper follow up for instance the bank could recover its money by ensuring that all cash receipts and payment above a certain amount fix by the banks should be done via the company s account
9	[...]The loan appraisal process should not look at Collateral security as the core element to consider but credibility and business turnover, SMEs should become more credible
10	[...]The loan appraisal process must be lightened
11	[...]The government should ensure the repay loans

	on public contracts at maturity date
12	[...]The rate of personal contribution required by banks should be reduced , The Collateral requirement must be lightened
13	[...]The states should regain the confidence it had in the eyes of commercial banks through full loan repayment at maturity dates
14	[...]Government should provide finances to SMEs at low or no interest rates
15	[...]The loan appraisal process must be shortened ,The collateral needs or requirement must be reduced

Above are the codes gotten from the response of the final respondents who answered the second main research question. The respondent’s names are being represented by their codes which can be gotten from table 10. From here all respondents will be represented by those codes. The above responses have not been refined and have been verified by the respondents to actually represent their idea.

Table 6: Axial Coding Process.2

Q2	Codes /Description/narratives	Category
What are the possible solutions to the problem of access to credit by SMEs?	[...]The states should Insure loans for SME, The state should pay for contracts and loans within the timeline	State’s Credibility
	[...]The state should put in place a strong legal system to sanction illegal SMEs, The creation of a guarantee fund for SME to complement the effort of the Bank of SME, Appropriate policy	A safe legal environment
	[...]SME sector should be structured within the Global tax system, A special accounting System and financial statement for SMEs	Restructured SMEs
	[...]The collateral requirement should be reduced, The Interest rate should be reduced ,Appropriate loan amounts should be given, Banks should do appropriate follow-up (all cash receipt and payment above a minimum amount should be done through the bank), Banks should have external consultant who do project appraisal for them in construction sites	Contextual appraisal
	[...]SMEs should be sensitized on bank activities and reliable	Sensitization of



	policies , Entrepreneurs should be educated on the functioning of banks and the keeping of Financial information	entrepreneurs
	[...]Trust should be enhanced by solving the problem of information gap Loans should be insured by insurance companies	Insured loan.

Table 7: Refinement and Downsizing of Codes.2

Interview Q	Sub Categories	Categories
What are the possible solutions to the problem of access to credit by SMEs?	[...]State’s Insurance, State’s Compliance.	States Credibility
	[...]The legal system, Government Policy, A guarantee fund	Appropriate Gov’t Policy
	[...]Restructuring of the Global Tax System, Adapted record keeping	Restructured SMEs.
	[...]Collateral security, Interest rate, Follow Up	Contextual Appraisal
	[...]Entrepreneur ‘s Sensitization, Entrepreneur ‘s Education	Sensitization of Entrep
	[...]Enhance Trust, Loan Insurance	Insured loans

After the regrouping, it was realized that some respondents said the same thing twice using different words, as such the researcher went further to do regrouping which helped in they eliminate redundant information.

Table 8: Further Regroupings into Sub-Categories.2

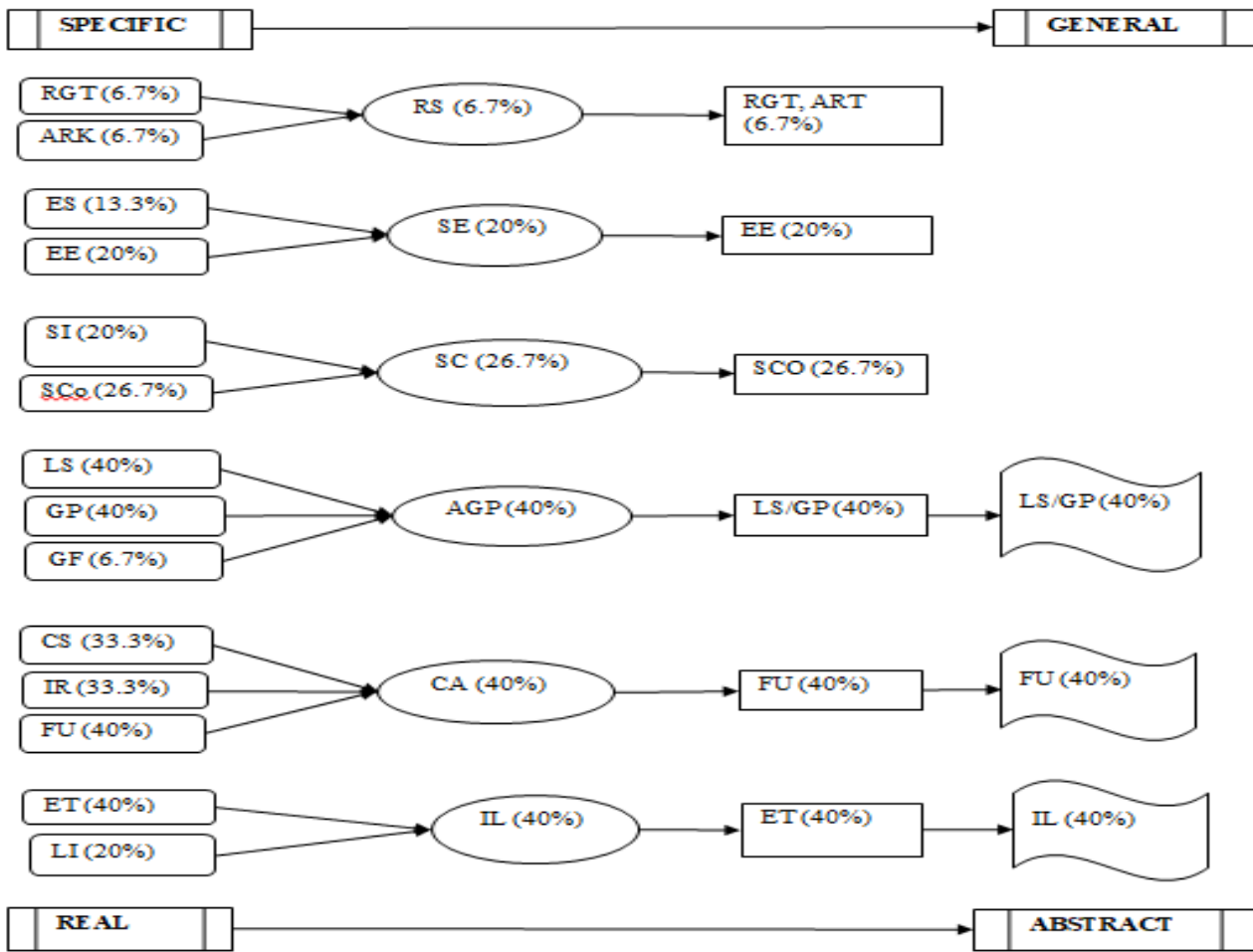
Interview Q	Sub-categories	Core Categories
What are the possible solutions to the problem of access to credit by SMEs?	[...]Restructured SMEs (RS), Sensitization of Entrepreneurs (SE)	Factors Within SME control (FWSC)
	[...]States Credibility (SC), Appropriate Government Policy (AGP), Contextual appraisal (CA), Insured Loan (IL)	Factors Outside SMEs control (FOSC)



Table:

CATEGORIES	SUB-CATEGORIES/CODES	RATING	SELECT CAT %	THEME
Restructured SMEs (RS)	Restructuring of the Global Tax System (RGT)	6.7%	(RGTS, ARK/RS: 6.7%)	(LS, GP / RT) (FU/CA) (ET / IL)
	Adapted record keeping (ARK)	6.7%		
Sensitization of Entrepreneurs (SE)	Entrepreneur 's Sensitization (ES)	13.3%	(EE/SE: 20%)	
	Entrepreneur s Education (EE)	20%		
State's Credibility (SC)	State's Insurance (SI)	20%	(SCO/SC: 26.7%)	
	State's Compliance (SCo)	26.7%		
Appropriate Government Policy (AGP)	The legal system (LS)	40%	(LS, GP / RT: 40%)	
	Government Policy (GP)	40%		
	A guarantee fund (GF)	6.7%		
Contextual Appraisal (CA)	Collateral security (CS)	33.3%	(FU/CA: 40%)	
	Interest rate (IR)	33.3%		
	Follow Up (FU)	40%		
Insured Loan (IL)	Enhance Trust (ET)	40%	(ET: IL 40%)	
	Loan Insurance (LI)	20%		

Table



MEMO WRITING MODEL BASED ON FIRST GROUPING.

The codes transcribed from the interview have been grouped into six categories; Restructured SMEs, Sensitization of Entrepreneurs, State’s Credibility, Appropriate Government Policy, Contextual Appraisal and Insured Loans, as shown on table 11 and figure 6. The unedited codes as transcribed from the interview are shown on table 10. The researcher then grouped the code into the above-mentioned groups (downsizing and reframing of the initial codes as seen in table 12) to ease analysis and avoid repetition. Codes are reframed and refined into sub-categories as seen in table 13. The final codes are explained below:

- I) Restructured SMEs comprises of all codes that represents respondent’s belief that the major solution to access to credit by SMEs from banks can be solved by restructuring the sector. SME owners and managers pointed that the main solution to this problem could be restructuring or organising SMEs into sectors within the Global tax system and design a record keeping and financial record which is be bespoke within the context.
- II) Sensitization of Entrepreneur category here contains all codes that depicts that, the solution



faced by SMEs face to obtain loans from banks could be solved by using a two sided approach that is Entrepreneur s education and Entrepreneurs sensitization.

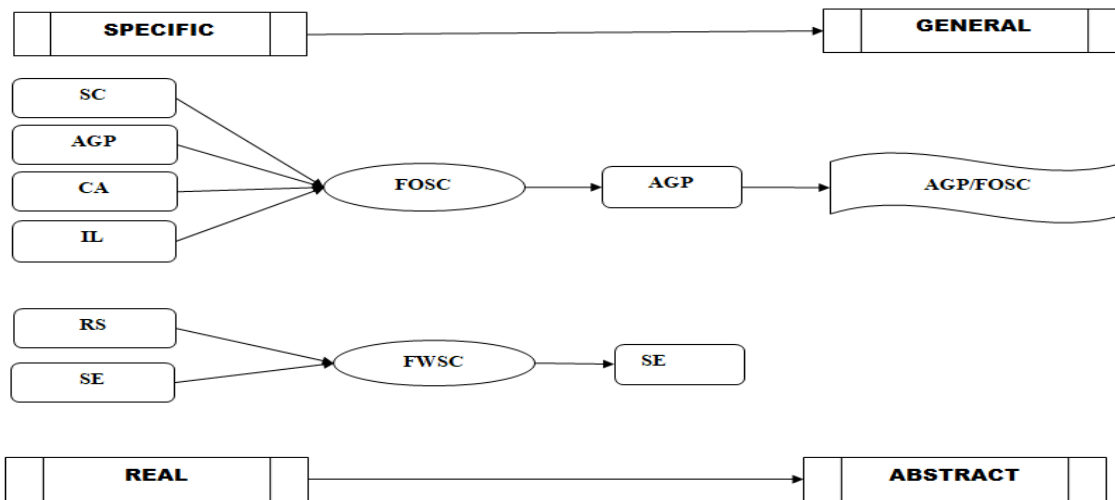
- III) State's Credibility category explains all codes representing State's Insurance and State's Compliance. State's Insurance represents the fact that most SMEs loans for Small and medium size enterprises should be insured to a minimum amount of 10 and 20 million respectively by the Cameroon government. Any code which explains respondents' seeking provide a solution to the problem of access to credit by SMEs by highlighting that the government must respect various loan terms in the case of public contracts falls under the category State's credibility with a focus on State's compliance to the term of loan.
- IV) Appropriate Government Policy Category explains that a remedy to the difficulty faced by SMEs is the government putting in place appropriate policies like a good legal system, a favorable business environment and the creation of a guarantee fund.
- V) Contextual appraisal explains that a main solution to the difficulty of SMEs to obtain loans from banks could be; Commercial Banks (CBs)

lightening the collateral requirement, interest rate and carry out proper follow up to prevent the loan from becoming delinquent.

- VI) Insured loan simply explains that a solution to the problem of credit access is enhancing trust through proper information sharing between fund lenders and fund providers and also loans should be insured by insurance companies.

The research was carried out in two phases, in the initial phases, 13 respondents were interviewed via phones and their response analyzed and grouped into categories. The second phase, 2 people were interviewed via phones and their response analyzed and added no new categories to that of the first phase. As the researcher concluded that, the research had reached a point of theoretical saturation. The response of the last 2 respondents had no new ideas and they kept repeating what the previous 13 respondents said even though using different words. So the researcher stopped. From the above figure it can be seen that the main solution to the problem of credit access is; a good legal system, favourable government policy, proper follow up after loan delivery and lastly enhancing trust between SME owners and managers through proper information dissemination.

Figure 3: Structural Model Based on Second Group. 2



MEMO WRITING MODEL BASED ON SECOND GROUPING.

The tables 11 as represented by figure 7 are the application of Strauss and Corbin, (1998) who believe that the researcher reduces data from many cases into concepts and sets of relational statements that can be used to explain, in a general sense, what is going on. Here the researcher compresses the concepts (codes and categories) from a broad nature to a simple nature to ease the process of developing the theory. At the end of the coding it can be seen that major solution to the problem of access credit access to SMEs is mainly: designing appropriate government policy and to a minor extend contextual appraisal and the development of loan insurance. Some other reasons include the state's credibility, Restructuring of the SME and Entrepreneur sensitization.

Discussions and Conclusion (2-3 paragraphs)

5.1 SUMMARY

In Cameroon SMEs account for about 98% of the private sector as statistics gotten from the NIS. The contribution of SMEs in the Cameroon to employment, economic growth and even tax revenue to the government cannot be minimized. The importance SMEs have in the eyes of the

Cameroonian government can be seen through the creation of the Ministry and the bank of SMEs. The problem is SMEs are faced with the problem of credit availability or better credit access. Credit is indispensable for the survival of SMEs in every economy. SMEs are generally characterized by low capital due to the fact that most SMEs are sole proprietorships as such it is difficult for the individuals to be able to generate income for the proper functioning of a business. As such there comes the need and the importance of bank credit to SMEs. But however, when most SMEs approach banks to request for loans they are not granted loans.

This study seeks to explore the difficulties SMEs face when they go to request loans from CBs and this study equally highlights recommendations to solve this problem SMEs are confronted to. The method used to arrive at this conclusion was mainly the use of primary sources gotten through interviews. The sampling technique which will be used to carry-out this research is non-probability and the type being used was convenience sampling. The primary objective of this study is exposing the factors that serves as impediments to access to financial credit and



solutions to remedy the problem of credit access by SMEs.

The qualitative research method of grounded theory was used to analyze the data from which the themes emerged. From a sample of fifteen (15) respondents who met the criteria of been SME owners and managers and having bank accounts. This study revealed that the impediments to credit access by SMEs is mainly due to the fact that SMEs lack credibility in the eyes of commercial banks and other financial institutions. Some other reasons which serves as an impediment to credit access by SMEs operators from banks are as follows; credit risk, red tape and the lack of collateral security.

Furthermore, this study highlighted that the remedy to the states problem of credit access by SMEs include the following; the design of appropriate government policy, contextual appraisal and the development of loan insurance. Other solutions to this problem are as follows: enhancement of State's credibility, Restructuring of the SMEs and Entrepreneur sensitization.

5.2 LIMITATIONS

This study highlights some reasons which might have caused the information obtained from this research to be distorted or inaccurate;

The researcher made a request to four (4) different commercial banks and approval was obtained from just a single commercial bank, the researcher believes that this might cause the result of the study not give a true image of the problem SMEs face to obtain loans from banks. Also not forgetting that this study seeks to reveal the problems and possible solutions to this problem SMEs face. Researcher believes that bank policy varies from one bank to another and it might not always be the same difficulty SMEs operator face across different banks as such the research was obtained from SMEs operators of as single bank as the study fails to give a holistic view of the problem and the solution to the problem SMEs fail to obtain a loan.

Another limitation of this research is, it fails to do a comparative analysis between difficulties that Small Enterprises and the ones that medium enterprises face, there exist a difference between them based on the varying credibility, amount requested and their size.

Also, another limitation of this study, is after thorough assessment and observation Micro-Financial Institutions (MFIs) is the main financial service provider to the SMEs but this study was conducted considering solely Commercial banks without considering MFIs. As such researcher believes this research might fail to give a true picture of the problem and the remedy to the problem SMEs face.

5.3 CONCLUSION

The problem of access to credit by SMEs is a main problem based by SMEs in developing and developed economies. In the case of Cameroon SMEs are confronted with the problem of access to credit because most SMEs are not credible and moreover they are confronted with red tape, excessive collateral requirement each time they approach banks to request for loans and couple to that fact that SMEs are exposed to high credit risk. This study suggests that to solve this problem appropriate government policy and loan insurance either through the creation of a guarantee fund to enforce the bank of SMEs or insuring loans through insurance companies. Other solutions to this problem is the enhancement of State's financial credibility, sensitization of entrepreneurs, proper follow up and lastly restructuring of SMEs. As such if academicians, investors, members of the civil society, SME operators, the management of banks and MFIs and government want the problem of credit access by SMEs in Cameroon to be a story of the past the following points identified by this study must be looked into with scrutiny.

5.4 RECOMMENDATION

Credit is very important for the survival of SMEs without the availability of credit SMEs are going to face difficulties for expansion, survival and growth. As such credit is paramount for any SME. As such solving this



problem will go a long way to improve the functioning of the private sector. Cameroon has a vision to be emergent by 2035 and this will be impossible without private sector involvement. Furthermore, SMEs account for 98% private sector as such researcher believes that for an economy to experience economic growth the SME sector must be fully involved. To ensure that the participate in growth there must be a favorable environment; that is political, economic, social and legal environment which favour SMEs. This study is concerned with the economic environment which is not very favourable to SMEs. The element is study focuses of the economic environment is access to financial credit by Banks to SMEs

This study recommends the following;

- The CBs should lighten the collateral security requirement from SMEs due to the fact that their size and their structure does not permit them to provide to own real estate property but the banks should consider other factors like Entrepreneurs personality and the market opportunities like market size and the presence of market dominants in the industry where the SME is operating.
- The government should create a guarantee fund that will come to enforce the bank of SMEs. The bank SMEs alone cannot be able to solve this problem of credit access by SMEs.
- The banks should design a loan appraisal process that matches with our economic context due to the high dependence ratio in Cameroon and the low propensity to save and high propensity to consume as such a high rate of personal contribution to the project for which the loan is needed by SMEs is unrealistic in our context.
- The SME should be re-structured within the global tax system as well as a financial record keeping framework that will enable proper evaluation of financial performance and follow up of SMEs by banks.

- The Cameroon government should put in place policies that enhance the growth of SMEs such policies should be towards tax reduction for SMEs, a good legal system to sanction fictitious SMEs and equally the Cameroon government should equally honour its credit engagement towards CBs and individuals who obtain loans from CBs to deliver public services and they government should ensure that engagements are respected when they mature.

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