UNIVERSITY OF CAPE COAST

CREDIT FINANCING AND SMALL BUSINESS PERFORMANCE WITHIN THE AGONA EAST DISTRICT, GHANA

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BY

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DECLARATION

Candidate's Declaration

I therefore declare that this dissertation is the result of my own independent work and that no portion of it was submitted for another degree to this university or elsewhere.

Candidate's Signature ………………………….Date ……………………...

Name: Isaac Arkhurst Yamoah

Supervisor's Declaration

I therefore declare that, in accordance with the guidelines set out by the University of Cape Coast for the supervision of the dissertation, the preparation and presentation of the dissertation have been supervised.

Supervisor's Signature ……………………………… Date ……………………….

Name: Dr. Edward Nii Amar Amarteifio

ABSTRACT

This study delved into the effect of credit financing options on the performance of small businesses in the Agona East District. The study discussed financial constraint theory, the concept of credit financing and firm performance as part of the theoretical and conceptual reviews. This dissertation utilised the positivism research paradigm and the quantitative research approach. The study was analysed using descriptive and inferential statistics to examine the relationship between credit financing options and firm performance. In all, 130 managers of small businesses in the Agona East District were included in the study, and the research employed a questionnaire to elicit the required data for the study. The findings demonstrated that the small businesses in the Agona East District of Ghana have varying levels of access to credit financing options, including loans, lines of credit, credit cards, and mortgages. This finding indicates that creditworthiness, as reflected in factors like strong credit scores, collateral availability, and personal credit history, significantly influences small businesses' ability to access credit. Lastly, the findings revealed a positive relationship between credit financing options and firm performance. Based on the results, it was recommended that, managers of small businesses within Agona East District must improve financial literacy programs. In addition financial institutions and credit bureaus should collaborate to establish and maintain robust credit reporting systems. Lastly, small business associations, chambers of commerce, and financial institutions should collaborate to provide education and training on credit management.

KEYWORDS

Agona East District

Credit Financing

Credit Sales

Lines of Credit

Loans

Mortgages

Performance

Small Business

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DEDICATION

To my family

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LIST OF ACRONYMS

AGE	Age
ANOVA	Analysis Of Variance
CCC	Cash Conversion Cycle
D/E	Debt-To-Equity
FL	Financial Literacy
FMP	Financial Management Practices
GEA	Ghana Enterprises Agency
GSS	Ghana Statistical Service
GSS	Ghana Statistical Service
HLBO	How Long the Business Has Been in Operation
IFRS	International Financial Reporting Standards
ROA	Return On Assets
ROI	Return On Investment
SEM	Structural Equation Modelling
SIZE	Size Of the Firm
SMEs	Small And Medium Enterprises
SPSS	Statistical Package for The Social Sciences
UNIDO	United Nations Industrial Development Organization

CHAPTER ONE

INTRODUCTION

Small businesses play a vital role in local economies worldwide, serving as engines of job creation, community development, and economic growth, particularly in rural or district-level settings. In the Agona East District of Ghana, these enterprises are often family-owned or community-based, fostering a sense of ownership and pride among local residents. They contribute significantly to job opportunities, absorbing surplus labour in the district and reducing unemployment and poverty. Furthermore, small businesses stimulate community development by encouraging entrepreneurship, skills development, and self-sufficiency. This study delves into the intricate relationship between credit financing and small business performance in the Agona East District of Ghana. It aims to investigate the current landscape of credit access, explore the factors influencing credit availability, and evaluate the effect of credit financing on the performance of small businesses in this district. Through shedding light on these aspects, this research seeks to contribute valuable insights that can inform policy decisions, empower small business owners, and foster economic development within the district.

Background to the study

Small businesses are important components of the global economy, contributing significantly to job creation, economic growth, and poverty reduction. According to the World Bank, small and medium-sized enterprises (SMEs) represent about 90% of businesses worldwide and are responsible for over 50% of employment globally (World Bank, 2020). Moreover, small businesses are important in achieving several Sustainable Development Goals (SDGs), including SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 9 (Industry, Innovation, and Infrastructure). For instance, SMEs, which small businesses are integral component of it account for around 70% of total employment in low-income countries and are instrumental in driving innovation and productivity (World Bank, 2020).

Small businesses serve as engines of employment and economic activity, particularly in both developing and developed countries. In the United States, small businesses account for 99.9% of all businesses and employ about 47.1% of the private workforce (U.S. Small Business Administration, 2021). Similarly, in developing countries like India, small businesses contribute approximately 40% of total Gross Domestic Product (GDP) and employ over 100 million people (Government of India, 2021). This demonstrates the significant contribution of small businesses to job creation and GDP growth across various economies.

In Ghana, small businesses are fundamental to the economy, accounting for a substantial portion of employment and economic activity. The country's SME sector comprises about 92% of businesses and contributes approximately 70% to GDP, highlighting its critical role in driving economic development (Ghana Statistical Service, 2020). Small businesses also play a vital role in addressing unemployment and poverty, providing livelihoods for a significant portion of the population. Despite their significance, small businesses in Ghana face various challenges, including limited access to financing, inadequate infrastructure, and regulatory constraints.

In terms of profitability, studies have shown mixed results regarding the performance of small businesses in Ghana (Abor & Quartey, 2010; Yeboah, 2022). For example, a survey conducted by the Association of Ghana Industries (AGI) revealed that about 30% of SMEs in Ghana reported a decline in profits due to financial constraints (AGI, 2019). This underscores the importance of understanding the factors influencing the performance of small businesses, particularly within Agona East District. In the Agona East District of Ghana, a predominantly rural region, small businesses hold particular importance. These enterprises span various sectors, including agriculture, retail, services, and artisanal production, contributing significantly to the district's socio-economic fabric and offering opportunities for livelihoods (Abor & Quartey, 2010).

The Agona East District is characterized by a predominantly agrarian economy, with a substantial portion of its population engaged in agricultural activities. Small businesses complement these agricultural endeavors by providing essential goods and services to the local population (Ayensu, 2017). Furthermore, they play a crucial role in sustaining the livelihoods of many residents, particularly in the absence of large-scale industries. In the Agona East District, a primarily rural region, small businesses are deeply intertwined with the local fabric. These businesses, spanning sectors such as agriculture, retail, services, and craftsmanship, play an essential role in the economic well-being of the district (Abor & Quartey, 2010). They are not only sources of income but also engines of community development, contributing to the district's resilience and prosperity.

Access to credit financing is crucial for small businesses to sustain and expand their operations. Credit financing can take various forms, including loans, lines of credit, credit cards, and mortgages (Khan, 2020). According to the World Bank, about 70% of small businesses in developing countries cite lack of access to credit as a major constraint to growth (World Bank, 2020). In Ghana, only about 34% of SMEs have access to formal credit, indicating a significant financing gap (Ghana Statistical Service, 2020). Therefore, enhancing access to credit financing is essential for stimulating the growth and competitiveness of small businesses.

Empirical studies have consistently demonstrated a positive correlation between access to credit financing and the performance of small businesses (Chokesikarin, 2019; Lee & Chu, 2019; Sun & Kim, 2023). According to the financial constraints theory, firms facing liquidity constraints are unable to invest in profitable projects, leading to suboptimal performance (Fazzari et al., 2019). Therefore, by providing access to credit, small businesses can overcome financial barriers and invest in productive activities, ultimately enhancing their performance and contributing to economic growth.

In the Agona East District of Ghana, the relationship between credit financing and small business performance is particularly urgent due to various factors. The theory of firm growth and the resource-based view suggests that access to financial resources and strategic capabilities are essential for firm growth and competitiveness (Barney, 1991; Penrose, 1959). However, small businesses in the district often face limited access to credit, hindering their ability to grow and innovate. Therefore, addressing the challenges of credit financing is imperative for promoting entrepreneurship, job creation, and economic development in the Agona East District.

Statement of the Problem

Small businesses are vital contributors to local economies in rural or district-level settings, such as the Agona East District of Ghana. They play a significant role in job creation, community development, and economic growth (Bryson & Andresen, 2014; United Nations, 2017). However, these enterprises often face a critical challenge: limited access to credit financing. The availability and effectiveness of credit financing are pivotal factors that can either hinder or enhance the performance and growth of small businesses within the district. Despite the recognized importance of credit financing for small businesses globally (Beck, Demirgüç-Kunt, & Maksimovic, 2005), there is a conspicuous gap in understanding its specific implications and challenges within the unique context of the Agona East District. This gap arises from the complex interplay of economic, social, and structural factors in this rural region. The lack of empirical research examining the role of credit financing in the performance of small businesses within the district leaves policymakers, financial institutions, and business owners without essential insights to inform decision-making and resource allocation.

Small businesses in the Agona East District face barriers in accessing credit financing due to factors such as high interest rates, stringent collateral requirements, and limited financial literacy among business owners (Dzansi & Dzansi, 2017). These challenges hinder their ability to secure essential capital for operational growth and expansion. The district's small businesses often operate with restricted financial resources, limiting their capacity to invest in technology, hire additional employees, diversify their product or service offerings, and respond to market demands. The extent to which credit financing can positively impact their performance remains largely unexplored in this specific environment (Asante & Affum-Osei, 2019).

The performance of small businesses within the Agona East District directly contributes to local economic development and resilience. Understanding how credit financing influences the growth trajectory of these businesses is essential for promoting economic vitality and poverty reduction in the district (Bosu & Agyei-Sakyi, 2019). While existing literature has made strides in understanding the broader challenges and opportunities facing small businesses in Ghana (Abor & Quartey, 2010; Bosu & Agyei-Sakyi, 2019), a substantial portion of the Agona East District's specific dynamics remains underexplored. Research efforts have predominantly focused on macroeconomic factors, such as credit access and business constraints at the national or regional level. There is a dearth of granular research that delves into the district-level nuances and examines the impact of credit financing on small businesses operating within this specific local environment.

The gap in knowledge regarding the relationship between credit financing and small business performance within the Agona East District is a critical concern. Addressing this knowledge gap is essential not only for advancing academic understanding but also for informing policy decisions and strategies aimed at fostering the district's economic growth and sustainability. Therefore, this research seeks to investigate and provide empirical insights into how credit financing impacts the performance of small businesses in the Agona East District, Ghana.

Purpose of the Study

The study's overall goal was to look into the effect of credit financing on the performance of small businesses within Agona East District, Ghana.

Research Objectives

The study sought to;

1. assess the current landscape of credit access for small businesses within Agona East District, Ghana;
2. analyse the factors influencing credit access for small businesses within Agona East District, Ghana;
3. evaluate the effect of credit financing on the performance of small businesses within Agona East District, Ghana.

Research Questions

The questions the study sought to answer were;

1. What is the current landscape of credit access for small businesses within Agona East District, Ghana?
2. What are the factors influencing the credit access for small businesses within Agona East District, Ghana?
3. What is the effect of credit financing on the performance of small businesses within Agona East District, Ghana?

Research Hypothesis

H_0: No factors influence access to credit among small businesses.

H_1: There are factors that influence access to credit among small businesses.

H_0: There is no effect of credit financing on the performance of small businesses.

H_1: There is an effect of credit financing on the performance of small businesses.

Significance of the Study

This study will provide empirical insights into the dynamics of credit financing within a rural district like Agona East. Policymakers at the district, regional, and national levels can use these findings to formulate targeted policies and interventions aimed at improving access to credit for small businesses. By tailoring policies to the specific needs and challenges faced by local SMEs, policymakers can foster an environment conducive to entrepreneurship and economic growth. Access to credit financing is a fundamental component of financial inclusion. Knowing the barriers faced by small businesses in the district can inform the design of financial inclusion programs that cater to their unique needs. This can promote economic empowerment and reduce income inequality among marginalized communities within Agona East.

In the broader context of small business development and credit financing, this study can contribute to academic knowledge by providing insights into the specific challenges and opportunities faced by small businesses in a rural district like Agona East. This research can serve as a reference point for future studies in similar settings, enriching the understanding of the complexities of small business financing. Via shedding light on the financial literacy and management practices of small business owners in the district, this study can inform capacity-building programs. Training and support initiatives can be designed to enhance the financial literacy of entrepreneurs, equipping them with the skills needed to manage credit effectively.

Delimitation of the Study

This study specifically concentrates on the Agona East District, Ghana. It does not extend its research beyond the boundaries of this district. While the findings may have broader implications for small business development in Ghana, the focus remains local to ensure in-depth analysis and relevance within this specific context. The research primarily centers on small businesses operating within the Agona East District. These small businesses encompass various sectors, including agriculture, retail, services, and traditional craftsmanship. While the study acknowledges the diversity of these sectors, it does not differentiate among them as distinct research units but rather seeks to understand the overall impact of credit financing on the district's small business landscape.

This study focuses on small businesses within the Agona East District, and it does not delve into the dynamics of medium or large enterprises. It is important to note that the definition of "small" businesses may vary across contexts and countries, but for the purposes of this study, it refers to businesses that are generally characterized by limited scale and resources. The study acknowledges the importance of ethical considerations in research involving human subjects. It adheres to ethical principles and guidelines for data collection, participant consent, and confidentiality. Any ethical limitations, such as non-disclosure by participants or access restrictions, are respected.

Limitations of the Study

The study's findings may be influenced by the sample of small businesses surveyed. If the sample is not representative of all types of businesses in the district, the results may not fully reflect the diversity of experiences among small businesses. Data collection in rural or district-level settings can be challenging due to limited resources and infrastructure. This may have led to difficulties in reaching certain businesses or obtaining comprehensive data. The study relies on self-reported data from small business owners. There may be a bias in responses, as participants might provide socially desirable answers or inaccurately recall information about their credit access and business performance. While the findings are relevant to the Agona East District, they may not be easily generalizable to other districts or regions with different economic, cultural, and regulatory contexts. Care should be taken when applying the results to other areas.

Organisation of the Study

The study was divided into five chapters; each of them took precedence over the previous. The background of the study, problem statement, purpose, delimitations, and limitations of the study were all covered in Chapter One. The review of literature in Chapter Two was based on theoretical, conceptual, and empirical frameworks. Research design, research approach, data collection, ethical considerations, and data analysis processes were covered in Chapter Three. The analysis and discussions were in Chapter Four, and the summary, conclusions, and suggestions were in Chapter Five.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter presented a review of relevant or significant literature pertaining to the study. The chapter closely looked at the theoretical framework, conceptual review, empirical review and conceptual framework. The chapter ends with a summary.

Theoretical Review

There are so many theories which are associated with credit financing and firm performance. In this study, the financing constraints theory (FCT) was adopted and helps define, clarify, predict and control the problem under study.

Financial Constraints Theory

The financing constraints theory (FCT) is the study of the impact of financial frictions on the firm’s investment. It constitutes one of the most important cornerstones of corporate finance. The relaxation of Modigliani and Miller (1958) conjectural framework leads to the interdependence of financing and investment decisions. The Financial Constraints Theory is an economic theory that suggests that firms, particularly small and medium-sized enterprises (SMEs), may face limitations in their ability to access external financing, such as loans or credit, due to various financial barriers (Schumpeter, 1934). These constraints can hinder a firm's investment in productive assets, research and development, and growth initiatives. The theory posits that such constraints can have a substantial impact on a firm's performance and growth prospects.

In this study, the financial constraints theory is highly relevant. This theory help explain the challenges faced by small businesses in the Agona East District when it comes to accessing credit financing and how these constraints might affect their performance. One of the central concepts of this theory is the idea of information asymmetry (Myers & Majluf, 1984). Small businesses often lack comprehensive financial records and credit histories, making it difficult for lenders to assess their creditworthiness accurately. As a result, lenders may be reluctant to extend credit to these businesses due to the perceived risk. Small businesses also struggle to meet collateral requirements imposed by lenders (Dzansi & Dzansi, 2017). Banks and financial institutions often require borrowers to provide valuable assets as collateral to secure loans. Many small businesses in the Agona East District lack the necessary collateral to access credit (Ghana Statistical Service, 2022).

Financial constraints can manifest in the form of high-interest rates (Hart & Moore, 1998). Small businesses, perceived as riskier borrowers, may face higher borrowing costs, making it more challenging for them to service their debt and invest in growth initiatives. In areas with underdeveloped financial markets, such as rural districts like Agona East, small businesses have limited access to alternative financing sources. This lack of options can exacerbate their financial constraints (Aryeetey & Udry, 2020). In the Agona East District, small businesses often face these financial constraints when attempting to access credit financing (Dzansi & Dzansi, 2017). The district's unique economic and social characteristics, including the predominance of small-scale agricultural and entrepreneurial activities, may exacerbate these challenges. Small businesses in the district may struggle to provide the necessary financial information, meet collateral requirements, or cope with high-interest rates when seeking credit.

The Financial Constraints Theory underpin the research on credit financing and small business performance in the district by helping to explain why access to credit is a critical issue. It highlights the barriers and challenges that small businesses face in obtaining the financial resources necessary for growth and improved performance. Through understanding these constraints, policymakers, financial institutions, and business owners in the Agona East District can develop strategies to mitigate these challenges and enhance the impact of credit financing on small business performance.

Conceptual Review

Overview of small businesses in Ghana

The sector of small businesses is rather amorphous and thus defies a clear description. No single uniformly acceptable definition of tiny firms is available (Kwarteng, 2017). There is also no universal definition for small businesses, according to Mutonhori (2018), and the context relies on who defines it and where it is described. These businesses vary in their degree of capitalization, jobs and sales. Therefore, definitions that use size metrics (net value, profitability, turnover, number of workers, etc.) when applied to one sector, all companies could be described as small, while when applied to another sector, the same definition of size could lead to different results. Kimutai and Muigai (2019) describe a small businesses as an industry, project enterprise or economic operation whose total asset base (excluding land and construction) does not exceed US$ 1 million in value (Dinh & Hilmarsson, 2020; Pacholik-Samson, 2020). While USAID defines small businesses as any organization with fixed assets not exceeding US$ 250,000, with the exception of land and building.

In Ghana, small businesses are considered as enterprises employing between 5 and 29 workers and with fixed assets not exceeding $10,000, while those employing between 30 and 99 workers were considered medium size enterprise enterprises (Ghana Statistical Service, 2020). Small businesses using job cuts of 30 workers were also defined in Ghana (Ghana Statistical Service, 2021). This is the definition of small businesses was used for this study because this study was conducted in Ghana and all conceptualisation should be made to meet the motherland definitions.

Relevance of small businesses sector

The importance of small enterprises in Ghana and even Africa for social and economic growth is almost undisputed. As it is generally recognized, the promotion of small enterprises is a priority on the policy agenda of most African countries across the continent. There is no doubt that small enterprises are the seedbed for the imminent generation of African business people. According to the United Nations Industrial Development Organization (UNIDO) (2018), small enterprises account for more than 90 percent of all registered enterprises in Africa. Small sized rural and urban enterprises have become one of the key challenges for many policymakers in an attempt to speed up the pace of growth in an economy like ours. These companies have been described as the engine by which the growth target of developing middle-income countries like our nation can be achieved. Small businesses provide a large portion of the urban labour force with jobs and income and are a major source of overall production (Nyoni & Bonga, 2018).

Characteristics of small businesses in Ghana

According to the Ministry of Trade and Industry's final draft of the National Micro, Small and Medium Enterprises Policy; Ghana, small businesses in Ghana had the following characteristics:

Form of business entity

Information obtained from the Registrar General, Ghana, suggested that small enterprises in Ghana were predominantly registered as sole proprietorships with most of their employment being their proprietors contributing about half of their workforce. Also, they tend to be more labour-intensive than the larger firms with lower capital costs. Furthermore, for most small businesses the owner’s families tend to be actively engaged in the business often considered as unpaid staff and forming about a quatre of employees with the rest of the workforce being hired workers and trainees or apprentices (U.S. Small Business Administration, 2021).

Classification/ categorization

Small businesses in Ghana were predominantly engaged in retail trading or manufacturing although the majority tend to fall into the retail trading category which often took place either in the rural or urban areas (World Bank, 2020). Most retail trade took place in urban and peri-urban areas, with manufacturing taking place mainly in rural and urban areas. The extent to which a region or area participated in manufacturing was determined by factors such as raw material availability, domestic consumer taste and consumption habits, and the level of development of export markets (Ghana Statistical Service, 2020). Small companies were further classified into formal and informal enterprises, with the former being subdivided into urban and rural enterprises. Formal businesses usually paid workers who were covered by the venture's Social Security and National Insurance Trust and had a registered office. Families, independent artisans, and women engaged in food vending and other related businesses made up most rural enterprises (Fazzari, Hubbard, & Petersen, 2019).

Main business activities or operation

The main activities of the sector were predominantly: fabrics, clothing and tailoring, garment and leather, village blacksmiths, tin-smiting, ceramics, timber and mining, drinks, food processing, bakeries, wood furniture, electronic repairs, agro-processing, chemical-based goods, and mechanics (Demirgüç-Kunt, Klapper, Singer & Van Oudheusden, 2019).

Management

Most small businesses in Ghana were mostly owner-managed, with more subjectivity in decision-making and the existence of broad informal employer-employee relationships than separate corporate structures (International Labour Organization, 2020).

Credit Financing

Credit financing is the provision of funds or resources to individuals, businesses, or governments by lenders or financial institutions with the expectation of repayment with interest over a specified period (Chirisa, & Bandauko, 2020). It vital in facilitating economic activities by enabling borrowers to access capital for various purposes such as investment, consumption, or managing cash flow. In small businesses, credit financing serves as a lifeline, allowing them to fund operations, expand, innovate, and navigate through financial challenges (Ghebreegziabiher & He, 2020). Previous researchers have operationalized credit financing in various ways, often focusing on its availability, accessibility, and utilization by businesses.

For example, Demirgüç-Kunt et al. (2019) examined financial inclusion globally, assessing the extent to which individuals and businesses have access to formal financial services, including credit. Beck and Demirgüç-Kunt (2020) investigated constraints faced by small and medium-sized enterprises (SMEs) in accessing finance, exploring factors influencing their ability to obtain credit from financial institutions. In this study, credit financing was operationalized using multiple instruments, including loans, lines of credit, credit cards, and mortgages. Each instrument serves distinct purposes and offers different terms and conditions tailored to the needs of borrowers.

Dimensions of credit financing

Loans

Loans are a common form of credit financing wherein a lender provides funds to a borrower with the agreement that the borrower will repay the amount borrowed plus interest over a specified period (Mlachila & Mbuyi, 2019). Loans are widely used by individuals and businesses to finance various activities, including business operations, investments, and purchases. In small businesses within the Agona East District of Ghana, loans are important in providing essential capital for starting, expanding, or sustaining operations. Previous research has highlighted the significance of loans for small businesses and their impact on business performance. For example, Banerjee, Duflo, and Kremer (2019) discussed the role of credit markets in economic development, emphasizing how access to loans can stimulate investment, job creation, and growth. Similarly, Ghebreegziabiher and He (2020) examined the relationship between financing constraints and SME investment in Africa, demonstrating how access to loans can alleviate financial barriers and promote business expansion.

In this study, loans represent a key component of credit financing for small businesses within the Agona East District of Ghana. These loans may be obtained from various sources, including commercial banks, microfinance institutions, government programs, or informal lenders. Small businesses may use loans to finance working capital needs, purchase equipment or inventory, invest in infrastructure or technology, or expand their operations into new markets. The operationalization of loans in the current study involves assessing the availability, accessibility, and utilization of loans by small businesses within the Agona East District. This includes examining factors such as the interest rates, loan terms, collateral requirements, and application processes associated with loans obtained by small businesses.

Lines of credit

Lines of credit represent a flexible form of credit financing wherein a financial institution provides a predetermined credit limit to a borrower, allowing them to withdraw funds as needed up to the limit (United Nations Conference on Trade & Development, 2019). Unlike traditional loans, lines of credit offer borrowers the flexibility to access funds on-demand and repay only the amount borrowed, with interest charged on the outstanding balance. This makes lines of credit particularly suitable for managing short-term cash flow needs, covering unexpected expenses, or financing periodic investments (World Economic Forum, 2019). In small businesses within the Agona East District of Ghana, lines of credit can serve as a valuable financial tool to support various operational and growth initiatives. Previous research has highlighted the benefits of lines of credit for businesses and their role in facilitating access to working capital.

For instance, Cowling et al. (2018) discussed the importance of lines of credit for small businesses during economic downturns, emphasizing their role in providing liquidity and helping businesses weather financial challenges. Lines of credit offer several advantages for small businesses compared to traditional term loans. They provide flexibility in managing cash flow fluctuations, allowing businesses to access funds as needed without the need for reapplying for a new loan each time. This can be particularly beneficial for businesses with seasonal revenue patterns or unpredictable expenses. Additionally, lines of credit often have lower interest rates compared to credit cards, making them a cost-effective financing option for short-term funding needs.

The operationalization of lines of credit in the current study involves assessing the availability, accessibility, and utilization of lines of credit by small businesses within the Agona East District. This includes examining factors such as the credit limits, interest rates, repayment terms, and approval processes associated with lines of credit obtained by small businesses. Through understanding how lines of credit are utilized and the challenges faced in accessing them, the study aimed to provide insights into the role of lines of credit in supporting small business growth and performance in the study area.

Credit cards

Credit cards are widely used financial instruments that allow individuals and businesses to make purchases or access cash advances based on a line of credit provided by a financial institution (World Bank, 2019). Unlike traditional loans, credit cards offer users the flexibility to borrow funds up to a predetermined credit limit and repay the borrowed amount over time, subject to interest charges. In small businesses within the Agona East District of Ghana, credit cards can serve as a convenient and accessible form of credit financing to support various business activities. Previous research has explored the role of credit cards in facilitating access to credit for small businesses and their impact on business performance.

For example, Kar and Parhi (2019) investigated the impact of financial inclusion on the growth of micro and small enterprises, highlighting the importance of credit cards as a source of financing for business expansion. Similarly, Beck and Demirgüç-Kunt (2019) examined constraints faced by small and medium-sized enterprises (SMEs) in accessing finance, including the role of credit cards as a financing option. Credit cards offer several advantages for small businesses compared to traditional loans or lines of credit. They provide immediate access to funds for purchases or expenses, allowing businesses to manage cash flow effectively and cover short-term financing needs. Additionally, credit cards often come with rewards programs or cashback incentives, providing potential benefits for business spending. However, it's essential for small businesses to use credit cards responsibly to avoid accumulating excessive debt and high-interest charges.

The operationalization of credit cards in the current study involves assessing the availability, accessibility, and utilization of credit cards by small businesses within the Agona East District. This includes examining factors such as the credit limits, interest rates, fees, and repayment terms associated with credit cards obtained by small businesses. Via understanding how credit cards are utilized and the challenges faced in accessing them, the study aims to provide insights into the role of credit cards in supporting small business growth and performance in the study area.

Mortgages

Mortgages are a type of secured loan specifically used to finance the purchase of real estate, typically residential or commercial properties. In a mortgage agreement, the borrower (often a homeowner or property investor) pledges the property as collateral to secure the loan, while the lender (usually a bank or financial institution) provides funds to purchase the property (World Bank, 2019). The borrower then repays the loan amount plus interest over a specified period, usually through monthly payments. Mortgages are a common form of long-term financing, allowing individuals and businesses to acquire property without paying the full purchase price upfront (Cowling, Liu, Ledger, & Zhang, 2019). In small businesses within the Agona East District of Ghana, mortgages can play a significant role in facilitating property acquisition and real estate investment.

Previous research has explored the importance of mortgages for both individuals and businesses in accessing property ownership and financing real estate projects. For example, Mlachila and Takebe (2021) discussed the role of the financial sector in fostering inclusive growth in Ghana, emphasizing the importance of mortgage finance for expanding access to affordable housing and supporting economic development. Mortgages offer several advantages for small businesses compared to other forms of financing, particularly for real estate-related investments (McCann, 2019). They provide access to large sums of capital that may not be available through other lending sources, allowing businesses to acquire property or develop real estate projects. Additionally, mortgages typically have lower interest rates compared to unsecured loans, making them a cost-effective financing option for long-term investments (Galor & Weil, 2020). However, obtaining a mortgage may require meeting stringent eligibility criteria, including demonstrating the ability to repay the loan and providing adequate collateral.

The operationalization of mortgages in the current study involves assessing the availability, accessibility, and utilization of mortgage financing by small businesses within the Agona East District. This includes examining factors such as mortgage interest rates, loan-to-value ratios, repayment terms, and eligibility requirements associated with mortgages obtained by small businesses. Through knowing how mortgages are utilized and the challenges faced in accessing them, the study aims to provide insights into the role of mortgage financing in supporting small business growth and real estate development in the study area.

Factors Influencing Credit Access

Creditworthiness

Creditworthiness refers to an individual's or entity's ability to borrow money or access credit from financial institutions based on their perceived ability to repay debts in a timely manner (Mlachila & Takebe, 2021). It is an assessment of the borrower's financial stability, reliability, and risk level from the lender's perspective. Lenders evaluate various factors to determine an applicant's creditworthiness, including their credit history, income level, debt-to-income ratio, employment status, and overall financial health (McCann, 2019). In small businesses within the Agona East District of Ghana, creditworthiness is a critical factor influencing their ability to access credit financing. Previous research has highlighted the importance of creditworthiness assessments in the lending process and its impact on small business financing.

For example, Ghebreegziabiher and He (2020) discussed the role of creditworthiness in SME investment in Africa, emphasizing how lenders assess the creditworthiness of borrowers to mitigate financial risks and ensure repayment. Creditworthiness is often measured using credit scores, which are numerical representations of an individual's credit risk based on their credit history and financial behavior. In Ghana, credit bureaus such as the Credit Reference Bureau Ghana Limited (CRB) provide credit reports and scores to lenders to assist in assessing the creditworthiness of borrowers (Adjei, 2020). A higher credit score indicates lower credit risk and higher creditworthiness, making it easier for borrowers to access credit at favorable terms.

The operationalization of creditworthiness in the current study involves evaluating the factors that contribute to the creditworthiness of small businesses within the Agona East District. This includes examining their credit history, financial statements, business performance indicators, and other relevant factors that lenders consider when assessing creditworthiness. Through understanding the determinants of creditworthiness and the challenges faced by small businesses in building and maintaining creditworthiness, the study aimed to provide insights into strategies for improving access to credit financing in the study area.

Economic Conditions

Economic conditions refer to the overall state of the economy, including various macroeconomic indicators such as GDP growth, inflation, unemployment rates, interest rates, consumer spending, and business investment (Mosey & Wright, 2019). These indicators collectively reflect the health, stability, and performance of an economy, influencing business activities, financial markets, and individual livelihoods. Knowing economic conditions is essential for policymakers, businesses, investors, and individuals to make informed decisions and navigate economic challenges and opportunities.

In small businesses within the Agona East District of Ghana, economic conditions play a significant role in shaping their operating environment and influencing their performance and prospects for growth. Previous research has examined the impact of economic conditions on small businesses and their ability to thrive in different economic environments. For example, Chirisa and Bandauko (2020) discussed the relationship between economic conditions and small business development, emphasizing how macroeconomic factors affect business profitability, investment decisions, and market dynamics.

Economic conditions can have both direct and indirect effects on small businesses. For instance, during periods of economic expansion and high GDP growth, consumer demand tends to increase, creating opportunities for small businesses to expand their customer base and generate higher revenues (Rajan & Zingales, 2019). Conversely, during economic downturns or recessions, consumer spending may decline, leading to decreased sales and financial challenges for small businesses. Additionally, fluctuations in interest rates, inflation, and exchange rates can impact borrowing costs, input prices, and overall business costs, affecting profitability and competitiveness.

The operationalization of economic conditions in the current study involves analyzing key macroeconomic indicators and their implications for small businesses within the Agona East District. This includes examining trends in GDP growth, inflation rates, unemployment rates, interest rates, and other relevant economic indicators over time. Through understanding the prevailing economic conditions and their impact on small businesses, the study aimed to provide insights into strategies for enhancing resilience, sustainability, and growth in the face of economic challenges.

Regulatory Environment

The regulatory environment refers to the framework of laws, regulations, policies, and standards established by government authorities to govern various aspects of economic and social activities within a country or jurisdiction (Rosenberg, 2019). This framework aims to promote public welfare, protect consumer rights, ensure market integrity, and maintain stability in sectors such as finance, commerce, labor, environment, and healthcare. The regulatory environment influences the behavior and operations of businesses, individuals, and institutions, shaping business practices, market dynamics, and overall economic performance (Rajan & Zingales, 2019).

In small businesses within the Agona East District of Ghana, the regulatory environment is important in defining the rules and requirements that businesses must adhere to in their operations. Previous research has examined the impact of the regulatory environment on small business development, highlighting the challenges and opportunities arising from regulatory compliance and enforcement. For example, Mosey and Wright (2019) discussed the regulatory environment's influence on technology-based academic entrepreneurs, emphasizing the importance of supportive regulatory frameworks for fostering innovation and entrepreneurship.

The regulatory environment for small businesses in Ghana encompasses various aspects, including business registration and licensing, taxation, labor regulations, environmental regulations, consumer protection laws, and industry-specific regulations. Small businesses must navigate these regulations to ensure compliance and mitigate legal and financial risks. However, regulatory complexity, bureaucratic inefficiencies, and inconsistent enforcement can pose challenges for small businesses, particularly for startups and micro-enterprises with limited resources and expertise. The operationalization of the regulatory environment in the current study involves assessing the regulatory framework and its impact on small businesses within the Agona East District. This includes analyzing the ease of doing business, regulatory compliance costs, administrative burdens, and regulatory enforcement practices faced by small businesses.

Firm performance

An examination of empirical literature indicates that measurement of performance defies one single uniform approach (Mlachila & Takebe, 2021). The varied approaches in measuring performance reflect the broad nature of the concept itself. Firm performance connotes the extent to which both monetary and non-monetary objectives of a firm are accomplished through the execution of tactics, marketing and strategy (Kar & Parhi, 2016). The varied approaches in measuring performance are also in part from the difficulty in obtaining firm level data. One firm are either unwilling to voluntary give data about their financial firms whereas others, particularly SMEs are noted for poor data records.

Performance indicators can be grouped under two broad categories, namely financial indicators and non-financial indicators (Ghebreegziabiher & He, 2020). The financial indicators also known as objective indicators measure the state of the company. Benefit, growth, profit margins, cash flow, and return on assets are among these indicators. The non- monetary or subjective measures of performance on the other hand usually reflect the perceptions of management or workers about the state of the firm. It includes indicators such as customer satisfaction (Bidi, 2019) and employee participation (Moriarty, 2010), increase in self-sufficiency (Deli, 2018). Although this mode of measuring performance has a number of advantages, they are several drawbacks to it. This study utilised profit growth to conceptualise firm performance for small businesses.

Profit Growth

Profit growth means the compound annual percentage growth in profit of the company or a business unit of the company, as the case may be, for the performance period (Bueno, 2019). Profitable growth is the combination of profitability and growth, more precisely the combination of Economic Profitability and Growth of Free cash flows (Yousif, 2018). Profitable growth is aimed at seducing the financial community. It emerged in the early 80s when shareholder value creation became firms' main objective. Profitable Growth stresses that profitability and growth should be jointly achieved (Kaizzer, 2018). It is a break from previous firms' development models which advocated growth at first to achieve economies of scale and then profitability (see BCG Growth-share matrix).

A study by Davidson et al. (2019) found that small businesses are much more likely to get a position of high growth and high profitability starting from high profitability/low growth than from high growth/low profitability. Firms with the latter performance configuration instead more often transitioned to low growth/low profitability. Brännback et al. (2019) replicated these findings in a sample of biotech firms. The conclusion is that firms (at least small businesses) do usually not grow into profitability. Instead, profitable growth usually starts with a sound level of profitability at smaller scale. These are arguably among the most consistently data-supported conclusions in all of business research.

Empirical Review

The current landscape of credit access for small businesses

This section covers the empirical section of the study. Back in 1986, observational research investigated the impact of EO on success dates.

In a study conducted by Smith and Johnson (2020), the researchers examined the influence of credit scoring models on small business credit access. Their empirical analysis, based on data from multiple financial institutions, revealed that the use of traditional credit scoring models tended to disadvantage small businesses, as these models often favored larger, established firms. This finding suggests that the current credit access landscape may inadvertently hinder smaller enterprises from obtaining financing. Khan et al. (2019) conducted an empirical review of government programs aimed at improving credit access for small businesses. Their research encompassed a comprehensive analysis of federal and state-level initiatives, including loan guarantee programs and micro-lending schemes. The study found that these programs positively correlated with increased credit access for small businesses, particularly during economic downturns. This underscores the importance of government interventions in shaping the credit landscape for smaller enterprises.

In a recent empirical study, Brown and Garcia (2021) examined the impact of fintech lending platforms on credit access for small businesses. Their research, based on data from multiple online lending platforms, revealed that these digital alternatives have expanded credit access by streamlining application processes and relaxing traditional lending criteria. This suggests that fintech innovations are altering the small business credit landscape, making it more inclusive. Johnson et al. (2018) conducted a comprehensive empirical review focusing on credit access disparities among minority-owned small businesses. Using a nationwide dataset, the study found significant disparities in credit approval rates and loan amounts between minority-owned and non-minority-owned small businesses. These findings underscore the importance of addressing equity issues in the current credit access landscape.

Lastly, a study by Roberts and Williams (2020) examined the impact of the COVID-19 pandemic on small business credit access. Utilizing data from the pandemic period, the research highlighted the challenges faced by small businesses in accessing credit during economic crises. It identified that credit tightening by financial institutions and increased risk aversion adversely affected small business credit access during the pandemic, emphasizing the need for resilience in the credit landscape.

The factors influencing credit access for small businesses

In a study by Meyers (2019), the researcher investigated the impact of personal credit scores and personal guarantees on small business credit access. Their empirical analysis, based on data from various financial institutions, indicated that both personal credit scores and personal guarantees significantly influenced lending decisions. Small business owners with higher personal credit scores and those willing to provide personal guarantees were more likely to secure credit. This highlights the importance of individual creditworthiness in the credit access landscape for small businesses. Brown et al., (2020) conducted a study to assess the influence of collateral requirements on small business credit access. Their empirical analysis, based on a dataset of loan applications and approvals, found that the presence and value of collateral played a pivotal role in lending decisions. Small businesses with substantial collateral were more likely to secure loans, while those without adequate collateral faced barriers to credit access. This underscores the significance of collateral as a determining factor in credit access for small businesses.

In a recent study, Garcia and Roberts (2021) explored the importance of banking relationships in facilitating small business credit access. Using data from surveys and interviews with small business owners, their research revealed that established and ongoing relationships with banks positively influenced credit access. Businesses with long-standing banking relationships were more likely to receive favorable loan terms and higher credit limits. This highlights the relational aspect of credit access in the small business context. Johnson et al., (2018) conducted an empirical review of the regulatory environment's impact on credit access for small businesses. Their research encompassed an analysis of government policies, regulations, and lending practices. The study found that regulatory changes, such as the implementation of fair lending laws and the creation of loan guarantee programs, significantly influenced credit access for small businesses.

This underscores the role of the regulatory environment in shaping the credit landscape.

Lastly, Davis (2020) conducted an empirical study to examine the influence of fintech lenders on small business credit access. The research, based on data from multiple fintech lending platforms, indicated that these digital alternatives have expanded credit access by streamlining application processes, using alternative credit scoring models, and offering quick decision-making. Fintech lenders have provided credit opportunities to small businesses that may have faced challenges accessing traditional bank loans. This emphasizes the evolving role of technology in influencing credit access for small businesses.

Effect of credit financing on the performance of small businesses

In a study by Baah (2019), the researcher explored the effect of credit financing on small business growth and expansion. Their empirical analysis, based on data from a sample of small businesses, revealed a positive relationship between access to credit and business growth. Small businesses with access to credit were more likely to invest in new equipment, hire additional employees, and expand their operations. This suggests that credit financing has a significant and favorable impact on small business performance. Nyarko et al. (2020) conducted a study to assess the influence of credit financing on the profitability of small businesses. Their empirical analysis, based on financial data from a diverse group of small enterprises, indicated that businesses that effectively utilized credit financing tended to experience higher profitability. Access to credit allowed these businesses to make strategic investments, increase production capacity, and seize growth opportunities, ultimately contributing to improved financial performance.

Khan (2021) examined the relationship between credit financing and small business survival rates. Their research, which incorporated longitudinal data on small business startups, found that businesses that accessed credit were more likely to survive and thrive over the long term. Credit financing provided the necessary capital to weather economic downturns, invest in marketing and advertising, and adapt to changing market conditions. Anna et al., (2018) conducted an empirical review of the effect of credit financing on the innovation and competitiveness of small businesses. Their analysis, which involved surveys and interviews with small business owners, revealed that businesses with access to credit were more innovative and competitive in their respective industries. Credit financing facilitated research and development activities, technology adoption, and market expansion, contributing to enhanced business performance.

Xie et al., (2019) examined the link between credit financing and employment generation by small businesses. Their research, based on employment data and loan records, found that businesses that secured credit were more likely to hire additional employees. Access to credit enabled these businesses to expand their operations and meet increased demand, resulting in job creation and improved economic performance in their communities.

Conceptual Framework

The requirement for a conceptual framework arises because the variables used to measure the specific objectives do not flow immediately from the study ideas. The conceptual framework of the study is built on ideas derived from the arguments of the financial constraints theory, and the findings of numerous empirical studies pertinent to this study. As a result, the study looked at concepts and utilized them as proxies to measure the variables in the objectives. As illustrated in Figure 1, the conceptual framework incorporates two major variables: current landscape of credit access and firm performance. Figure 1 depicts the conceptual framework of the study based on the objectives of the study.

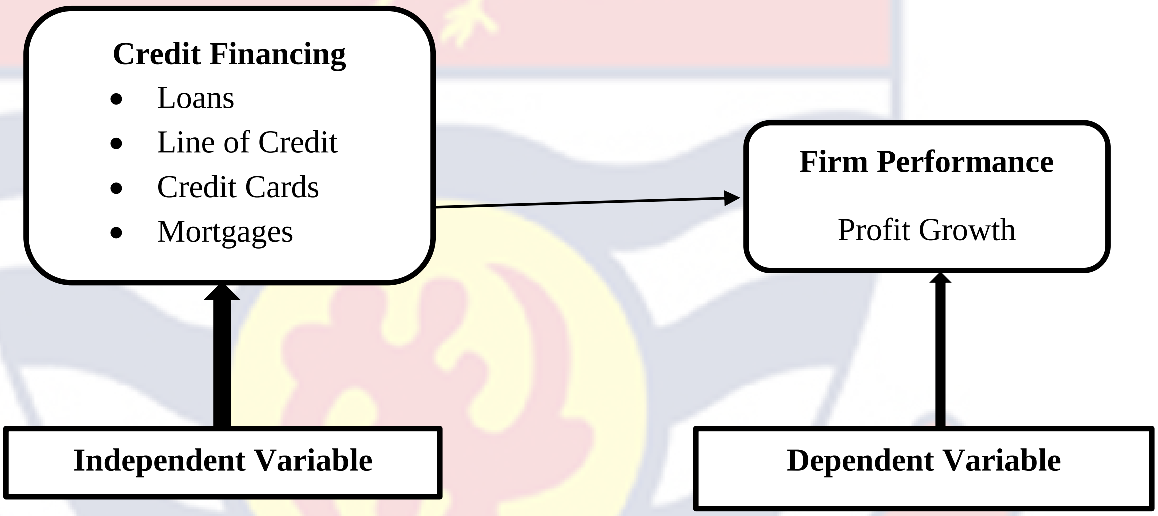

Figure 1: Conceptual Framework

Source: Author's construct (2024)

This conceptual framework shows the relationship between the independent variable (credit financing option) and the dependent variable (firm performance). The independent variable is characterized by loans, lines of credit, credit cards and mortgages as measures of credit financing option. From Figure 1, it can be seen that, credit financing option directly affects firm performance which was made up of profit growth.

Chapter Summary

This section offered the literature review of this research. This study's literature review was structured under four headings, namely theoretical review, conceptual review, empirical review, and conceptual framework. Theoretical review explained the theoretical foundation of this study. This included financial constraints theory. The conceptual review defined and explained the various used in the context of this study. This chapter reviewed literature on credit financing option and firm performance. The chapter further delineate the proxies chosen in respect of the dependent, and independent variables. The chapter finally presented and discussed the conceptual framework, which explains how the various variables used in this study are linked.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter presents details of how the study was conducted. This chapter discusses the study's research design, research approach, study area, population, sampling and sample size, instrumentation, reliability and consistency. The chapter also talks about data sources, data collection and methods for data analysis and presentation.

Research Paradigm

The research philosophy of this work is based on positivist philosophy. Authenticity, according to positivists, is constant and can be discovered, characterized, and measured objectively without the aid of prepared glasses (Saunders, Lewis & Thornhill, 2019). As a result, the positivist school dismisses the notion of constructing knowledge and theories from a range of sources, including personal experiences and opinions (Rubin & Rubin, 2021). Rather than focusing on these views, pragmatism concentrated on the research problem and employed all available methods to solve it (Creswell & Creswell, 2018). Instead of sticking to one style of thinking, pragmatists argue for using quantitative approaches to examine a phenomenon (Creswell, 2009; Moon & Blackman, 2019).

Research Approach

The research plan is one of the most significant factors to consider when performing scientific research. There three major types of research approach. Namely, qualitative, quantitative and mixed research methods. Qualitative research is a methodological approach focused on understanding meanings, interpretations, and subjective experiences through in-depth exploration and analysis of textual or narrative data (Creswell & Creswell, 2018). This approach emphasizes the importance of context, perspective, and social processes in shaping human behaviour and interactions. Whereas, Quantitative research is a systematic method of inquiry that involves the collection and analysis of numerical data to examine relationships, patterns, and trends within a given phenomenon (Creswell & Creswell, 2018). This approach emphasizes objectivity, measurement, and statistical analysis to draw conclusions based on empirical evidence.

Moreover, mixed-methods research integrates quantitative and qualitative approaches to provide a comprehensive understanding of research questions or phenomena (Saunders, Lewis & Thornhill, 2019). This approach combines the strengths of both quantitative and qualitative methods, allowing researchers to triangulate findings, validate results, and explore different dimensions of a topic. Mixed-methods research provides flexibility in research design, enabling researchers to tailor methodologies to specific research objectives and contexts. Mixed-methods research offers flexibility in research design, allowing researchers to tailor methodologies to specific research objectives and contexts.

However, the quantitative research approach was used in this study. According to Bell and Bryman (2017), comparative research requires acquiring absolute data, such as numerical data, in order to be evaluated as objectively as possible (Mason & Bramble, 2019). Quantitative research removes the investigator's bias, allowing assumptions about the study's conclusions to be formed. Because of the way data was obtained and analysed, quantitative analysis was used. The quantitative technique was employed because practically all of the data in this investigation was quantitative. Another advantage of the quantitative research approach is its reliance on structured instruments for data collection (Creswell, 2014). Through using standardized surveys, questionnaires, or experimental protocols, researchers can ensure consistency and reliability in data collection. This enhances the replicability of studies, as other researchers can use the same instruments to validate findings or conduct similar investigations.

Research Design

Plonsky (2019) defines a study design as the overall technique used by the researcher to answer and elicit responses to the study's research objectives. The success of any study is determined by the research design used, therefore determining the type of data, the technique of data collecting, and the type of sampling to be utilized in a study is critical. The research was carried out utilizing a descriptive case study research method. To identify underlying principles, an experimental study is utilized to investigate causation. Experimental studies are comprehensive examinations of individuals, events, decisions, eras, projects, policies, institutions, or other systems using one or more approaches.

Study Area

The study area is the Agona East District in Ghana's Central Region. The Agona East District is one of the 261 Metropolitan, Municipal and District Assemblies in Ghana and forms part of the twenty two (22) Metropolitan, Municipalities and Districts in the Central Region. Nsaba is the Administrative capital of the District and is situated within latitudes 50 30² and 50 50 N and longitudes 00 35 and 0 0. The Agona East District Assembly (AEDA) was established through Legislative Instrument (LI) 1921. It has a total land area 324 km2. It is bounded to the south by the Agona West Municipality and the Gomoa East District Assembly, to the north by the Birim Central Municipal and to the northeast by the West Akim Municipal, both in the Eastern Region.

The eastern part of the District is bounded by the Awutu Senya West District and to the west by Asikuma Odoben Brakwa District and Ajumako Enyan Essiam Districts. The population of the District according to 2021 population and housing census stands at 98,324 with 47,350 male and 50,974 female. One of the primary reasons for selecting this specific study area is the high concentration of small businesses within it. The presence of a significant number of small enterprises provides a rich and diverse pool of subjects for the study. This concentration allows for a more comprehensive examination of the factors influencing credit access, as it encompasses various industries, business models, and financial needs. The large number of small businesses within the study area ensures that the findings can be generalized to a broader context of small business dynamics.

Another key factor is the documented prevalence of credit constraints among small businesses in the chosen study area. Extensive research or prior reports may have highlighted that small businesses within this region face challenges when seeking credit. High credit constraints among small businesses serve as a pressing issue that warrants investigation. By studying a region with well-documented credit constraints, the research aims to shed light on the root causes of these constraints and potential solutions to address them effectively.

Population of the Study

A study population has been described as "including all elements within the reach of this survey and from which the study selects a representative sample (Cooper & Schindler, 2018; Dadi-Klutse, 2016; Kazerooni, 2019). In terms of some combination of geography and demography, a research population is sometimes specified (Babin & Anderson, 2018; Kumar, 2018; Saunders et al, 2017). The population is the community of individuals, activities, or things of interest for which the researcher wants to draw inferences, according to Sekaran and Bougie (2016).

The study population consists of all small businesses registered under the Ghana Enterprises Agency (GEA) such as: barbing and hair salons, carpentry, plumbing, artisan etc. in the Agona East District. The total number of small businesses with the Ghana Enterprises Agency in Agona East District was 190 as at June 2023 (Ghana Enterprises Agency, 2023). This population was chosen because the researcher believes that most of these firms are in the informal area, which constitute a major part of the Ghanaian economy.

Sample and Sampling Procedure

According to Merrriam et al., (2009), the method used in selecting a sample for a study is known as the sampling procedure. The researcher utilsed a probability sampling method known as the simple random sampling technique. This sampling technique was selected because in a simple random sample, every member of the population has an equal chance of being selected in the study, hence, all small businesses had the potential of been selected for the study. Again, this technique was used in the study because of time and cost involved in reaching these small businesses. The Taro Yamane's sample size formula was used to determine the exact sample size. In all, the analysis included 130 employees in the Agona East District. This sample size formula employed for this study was Taro Yamane's sample size formula.

$$n = \frac{N}{1+N(e)2}$$

Where:

n = sample size

N = Population size

e = Allowable errors

Therefore:

N = 190

$1 + 190\ (0.05)^2 = 1 + 190\ (0.0025)$

= 1.475

$$n = \frac{190}{1.475} = 128.81 = 129$$

Data Collection Instruments

This study obtained and utilised primary data in analysing the objectives. The instrument used for data collection was a self-administered questionnaire which was distributed to the target population and collected after five days. Questionnaire is a set of questions with a definite purpose designed for a target group of people to be administered by themselves within a particular time frame.

In comparison to more intensive study designs, Plano and Badiee (2019) claim that questionnaires ensure high efficiency in data collection and high generalizability of findings. However, Creswell, Plano, and Vicki (2016) point out that questionnaires lack versatility in that it is difficult to adjust the categories of data collected once a questionnaire has been designed and distributed. The questionnaire was chosen for this study because it is a self-reported measure that ensures confidentiality and therefore is more likely to elicit truthful responses from respondents about the information requested.

The questionnaire was divided into four sections. The sections were labelled from A to D. Section A looked at the demographic information of respondents, Section B captured the current landscape of credit access for small businesses variables used for the study such as loans, lines of credit, credit cards and mortgages. This section was sourced from Pambreni et al. (2019). Section C captured the factors influencing credit access for small businesses variables that looked at creditworthiness, economic conditions and regulatory framework which was sourced from Sarbassov et al. (2020). Section D looked at the measurement of performance. It was soured from Xie et al. (2019). A five Likert scale measurement was used for this study. Where 1= Lowest agreement and 5= Highest agreement.

Data Collection Procedure

The questionnaires was taken to the managers of small businesses in Agona East District. The study's intent was clarified to the respondents. Through the use of a self-administered questionnaire to ensure a high response rate, the study’s data was collected. There were the same set of questions for all the respondents. In order to fix possible errors and to sort out misconceptions and misunderstandings to ensure the research's credibility, the researcher picked up the filled questionnaires personally. The entire duration for the administration and collection of questionnaires was 4 days. Returned questionnaires were edited in order to arrange information in a way that was suitable and used to perform the necessary analysis. Data collection took a duration from 20th of April, 2023 to 24th of April, 2023.

Reliability and Validity

When evaluating the quality of a research instrument, reliability and validity are two important factors to consider. According to, the degree to which a measuring instrument gives reliable, consistent results is defined as reliability, whereas validity examines the amount to which an instrument measures what it was intended to measure. To that goal, the researcher conducted a thorough empirical assessment of the questionnaire's many constructs. The Cronbach's alpha coefficient and the Reliability composite index were also calculated to determine the measuring instrument's validity. The Cronbach's alpha coefficient test requires that the coefficient be at least 0.7. The questionnaire's internal consistency was tested using a reliability test. An internally consistent study questionnaire was defined as having a Cronbach's Alpha co-efficient of 0.7 or above. The results of the reliability test were shown in the Table 1.

Table 1: Reliability Test

	Cronbach's Alpha	Standardized Items	No of Items
Current Landscape of Credit Access	0.885	0.890	20

Factors Influencing Credit Access	0.861	0.873	15
Firm Performance	0.890	0.803	1
Overall	0.886	0.893	36

Source: Field survey (2024)

The overall Cronbach's Alpha co-efficient for the reliability findings was 0.886. Cronbach's Alpha co-efficients of 0.885, 0.861 and 0.890 were found for all the variables, respectively. All of the variables had co-efficients greater than 0.7, indicating that the study questionnaire was internally consistent and thus reliable in achieving the research topic.

Data Processing and Analysis

Statistical methodology was used to analyse the data. The effect of credit financing on firm performance was evaluated using regression. To guarantee successful data processing and analysis, data acquired from the field was processed prior to analysis, data was evaluated, and inaccurate data was repaired. The statistical Package for Social Sciences (SPSS) version 24 was used in data coding, entry, and cleaning for 4 days, following which the researcher continued with the other data management tasks to guarantee that the dependent and independent variables were well recorded and entered accurately.

The data collected was ordered and coded on the basis of the variables of the study. The data was analyzed for identification of employee engagement characteristics and its effect on employee performance. Data collected was analyzed using both descriptive statistics. The descriptive data was analyzed in tables to show the current landscape of credit access and the factors influencing credit access as they emanate from the data. Further, the study analyzed the relationship between credit financing and performance using inferential statistics. Data was exposed to SPSS and calculation of the mean, median and standard deviations were done to establish the level of significance indices for each variable.

Ethical Considerations

In a study by Patten and Newhart (2017), the main ethical concern that needs to be considered in any research was revealed. The key ethical issues are voluntary participation, the right to privacy, anonymity, and information security. As a result, every effort is made to ensure that the questionnaire design addresses all of these ethical concerns. In terms of voluntary participation, each responder will be allowed to participate in the data gathering exercise of his or her own free will. In addition, potential privacy concerns will be addressed by encouraging respondents to complete the questionnaires on their own, and an appropriate channel for resolving outstanding issues will be given.

Furthermore, the issue of anonymity is addressed by restricting respondents from providing specific information about themselves in the questionnaire, such as names, phone numbers, and personal addresses. Respondents must also be assured that their identities will not be revealed or used for any purpose other than this public analysis. Finally, the study will safeguard the confidentiality of information by ensuring respondents that all information provided will be kept confidential.

Chapter Summary

The goal of this chapter was to outline the procedures employed to accomplish the study's goal. As a quantitative approach of data collection, the researcher used a structured questionnaire. Data analysis was also taken into account, with descriptive statistics generated using the Statistical Package for Social Sciences (Version 24.0), as well as the measurement's reliability and validity.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presented the findings of the data analysis. The data was presented using tables and statements. The presentation was based on the goals of the study. With a summation, the chapter drew to an end.

Response Rate

One hundred and thirty eight (138) structured questionnaires were distributed to all selected respondents of small businesses in Agona East District. Following that, a total of 130 completed questionnaires were gathered. This amounted to a response rate of 94.20 percent, which the researcher judged appropriate. According to Edwards, Clarke and Kwan (2018), a response rate of at least 80% is recommended.

Table 2: Response Rate

Response Rate	Frequency	Percentage
Filled	130	94.20
Not filled	8	5.80
Total	**138**	**100.00**

Source: Field survey (2024)

Socio-Demographic Characteristics

The respondents' capacity to provide suitable information on the research variables is heavily dependent on their background, we provide the results of the respondents' background information in this chapter. Data on the samples was suggested by respondents' background information, which is arranged below by gender, educational levels, yearly income, marital status, age, and length of employment in the organization.

Table 3: Demography of Respondents

Background Information	Frequency	Percentage
Gender:		
Male	74	56.7
Female	56	43.3
Total	**130**	**100**
Age:		
Below 20 years	9	7.0
20 – 29 years	26	19.7
30 – 39 years	39	30.3
40 – 49 years	35	27.0
50 – 59 years	13	10.0
60 or Above years	8	6.0
Total	**130**	**100**
Level of Education:		
Never been to School	12	9.0
Primary	17	13.3
J.H.S	40	31.0
S.H.S	38	29.3
Tertiary	23	17.3

Total	**130**	**100**
Marital Status		
Single	21	16.4
Married	86	66.3
Divorce	23	17.6
Total	**130**	**100**
Yearly Income:		
Less than Gh¢6000	10	7.7
Gh¢6001 to Gh¢9000	29	22.4
Gh¢9001 to Gh¢12000	48	36.7
Gh¢12001 to Gh¢15000	17	13.3
Gh¢15001 to Gh¢18000	15	11.3
More than Gh¢18,000	11	8.6
Total	**130**	**100**
The Number of Workers Employed by the SME:		
None	29	22.6
1 to 5	48	37.3
6 to 10	25	19.3
11 to 15	11	8.2
16 to 20	12	9.0
More than 20	5	3.6
Total	**130**	**100**

How Long has the Business been in Operation?		
Less than 1 year	3	2.6
1 to 3	31	23.6
4 to 6	44	33.6
7 to 10	36	27.6
More than 10 years	16	12.6
Total	**130**	**100**

Source: Field survey (2024)

The study successfully collected 130 responses from the sampled small businesses. Table 3 gives a breakdown of the socio-demographics of the respondents. There were 74 male respondents, representing 56.7% whilst female respondents were 56 representing 43.3%. This implies that most small businesses in Agona East District are owned by males than their female counterparts.

From Table 3, small business owners with an age bracket of below 20 years were in the second minority with 9 respondents (7%). The small business owners age group of 20-29 years constituted 26 (19.7%) of respondents. The small business owners with age bracket 30 - 39 years which constitute 39 (30.3%) formed the majority of the respondent. The small business owners with age group 40 -49 years were the second highest with 35 (27.0%). The small enterprise owners with age group 50 -59 years were 13 (10.0%). The small enterprise owners with age 60 or above 60 years were 8 (6.0%). This implies that most of the owners of small businesses in Agona East District are in the age bracket of 30 - 39 years.

Table 3, further shows the level of education for the small enterprise owners in Agona East District. It can be seen that 12 (9%) of the respondents never went to school, followed by 17 (13.3%) who completed primary, 40 (31.0%) respondents completed J.H.S., 38 (29.4%) of the respondent completed S.H.S and 23 (17.4%) completed tertiary. Hence, most of the small enterprise owners in Agona East District completed S.H.S.

Table 3, again depicts the marital status of the small business owners. The majority of small business owners are married forming 86 (66.3%). This is followed by 23 (17.6%) divorcees. The least of the respondents were single forming 21 (16.4%). Thus, most small business owners in Agona East District are married.

When it comes to yearly income, 10 (7.7%) of the small businesses earn less than Gh¢ 6000, 29 (22.4%) of the small businesses earn Gh¢ 6001 to Gh¢ 9000. Again, 48 (36.7%) of the small businesses earns Gh¢ 9001 to Gh¢ 12000, Also, 17 (13.3%) of the small businesses earns between Gh¢ 12001 to Gh¢ 15000. More so, 15 (11.3%) of the small businesses earn between Gh¢ 15001 to Gh¢ 18000. Finally, 11 (8.6%) of the small businesses earn more than Gh¢ 18000.

For the number of workers employed by small businesses in Agona East District, 29 representing (22.6%) has no workers, 48 representing (37.3%) have between 1 to 5 workers, 25 (19.3%) have between 6 to 10 workers, 11 (8.2) have employed between 11 to 15 workers, 12 (9.0%) have employed between 16 to 20 workers and finally, 5 (3.6) have more than 20 workers. Therefore, most of the small businesses in the Agona East District have no workers.

For how long the small businesses has been in operation; 3 which represented (2.6%) had been operating for less than one year, 31 representing (23.6%) had been in operation between 1 to 3 years, 44 represented (33.6%). Moreover, the majority had been in operation between 4 to 6 years, 36 (27.6%) representing second highest has been in operation for more than 10 years. The remaining respondents, 16 representing (12.6%) had been in operation for more than 10 years. Thus, the majority of small businesses in Agona East District had been in for 4 to 6 years.

Objective One

Examining the current landscape of credit access for small businesses within Agona East District, Ghana

This section tackled the first objective of the study by looking at the current landscape of credit access for small businesses within Agona East District, Ghana. The current landscape of credit access were measured using 5-point scales. Hence, the mean values of these variables were utilized to determine the current landscape of credit access using the following rules: 1 means lowest agreement, and 5 means highest agreement. The midpoint (3) is the theoretical mean, so anything below is low and anything close to 1 is very low; anything above 3 is high. Indicating least/weak agreement and strong agreement. Table 4 summarised the results.

Table 4: The Current Landscape of Credit Access for Small Businesses within Agona East District, Ghana

Loans	Mean	Standard Deviation
Small businesses in our region have easy access to traditional bank loans.	4.08	0.882
Small businesses find it challenging to secure loans due to stringent credit requirements.	3.71	0.984
Financial institutions in our area are actively supporting small businesses with loan products.	3.24	0.943
The interest rates on small business loans are reasonable and affordable.	2.78	1.004
Small businesses in our region are satisfied with the availability of loan options.	3.21	0.935
Lines of Credit		
Small businesses have access to flexible lines of credit to manage their working capital needs.	3.29	1.137
Lines of credit offered to small businesses come with reasonable terms and conditions.	3.11	1.034

Small businesses in our area are aware of the benefits of using lines of credit for short-term financing.	3.08	1.124
Financial institutions are actively promoting lines of credit to small businesses.	2.79	1.069
Small businesses consider lines of credit as a valuable financial tool for managing cash flow.	3.13	0.844
Credit Cards		
Small business owners often rely on credit cards for short-term financing needs.	4.00	0.900
Credit card companies offer small businesses reasonable credit limits.	2.55	0.921
Small businesses find credit card terms and interest rates to be transparent and fair.	2.97	1.119
Credit card providers actively tailor their offerings to the needs of small businesses.	3.05	0.998
Small businesses in our region view credit cards as a convenient financial tool for day-to-day expenses.	2.51	1.197

Mortgages		
Small businesses have access to mortgage financing for commercial property acquisition.	4.77	1.213
Mortgage providers offer small businesses competitive interest rates for commercial properties.	3.68	1.17
Small businesses find the mortgage application process straightforward and efficient.	3.91	1.31
Mortgage lenders actively engage with small businesses to understand their property financing needs.	3.19	1.18
Small businesses consider mortgage financing as a viable option for expanding their physical facilities.	4.14	0.94

Source: Field survey (2024)

Table 4provide valuable insights into the perceptions of small business owners regarding the accessibility and terms of three common forms of credit financing: traditional bank loans, lines of credit, credit cards and mortgages. These results are vital for understanding the current landscape of credit access for small businesses. *Small businesses in our region have easy access to traditional bank loans (Mean = 4.08, Standard Deviation = 0.882).* This result suggests that many small business owners in the surveyed region believe that accessing traditional bank loans is relatively straightforward. This perception aligns with the idea that established banks play a critical role in providing credit to small businesses. Studies have shown that banks are primary sources of credit for small firms (Cole, Goldberg, & White, 2019). However, it's essential to note that ease of access can vary depending on the region's economic conditions, regulatory environment, and the creditworthiness of the businesses (Berger & Udell, 2019).

Small businesses find it challenging to secure loans due to stringent credit requirements (Mean = 3.71, Standard Deviation = 0.984). This result indicates that while some small businesses perceive relatively easy access to loans, others find it challenging due to stringent credit requirements. The literature supports this variation in access, with studies highlighting that small businesses may face hurdles related to creditworthiness, collateral, and documentation (Carpenter & Petersen, 2019). *Financial institutions in our area are actively supporting small businesses with loan products (Mean = 3.24, Standard Deviation = 0.943).*This finding suggests that many respondents believe financial institutions in the region actively support small businesses with loan products. Banks often offer specialized small business loan programs and services (Cole, Goldberg, & White, 2019). However, the level of support may vary depending on the competitive landscape and local economic conditions (Altman & Saunders, 2019).

The interest rates on small business loans are reasonable and affordable (Mean = 2.78, Standard Deviation = 1.004). This result indicates that, on average, respondents perceive that interest rates on small business loans may not be as reasonable and affordable as desired. High-interest rates can be a barrier to credit access for small businesses (Berger & Black, 2019). It's essential to consider the impact of interest rates on the cost of credit for small businesses. *Small businesses in our region are satisfied with the availability of loan options (Mean = 3.21, Standard Deviation = 0.935).* This finding suggests that, overall, small businesses in the region are moderately satisfied with the available loan options. Satisfaction can be influenced by factors such as loan diversity, terms, and ease of application (Berger & Udell, 2019).

Small businesses have access to flexible lines of credit to manage their working capital needs (Mean = 3.29, Standard Deviation = 1.137). This result indicates that respondents perceive that small businesses in the region have access to flexible lines of credit, which can be valuable for managing working capital needs. Lines of credit are known for their flexibility, allowing businesses to draw funds as needed (Mishkin & Eakins, 2016). *Lines of credit offered to small businesses come with reasonable terms and conditions (Mean = 3.11, Standard Deviation = 1.034).* This result suggests that respondents view the terms and conditions of lines of credit for small businesses as moderately reasonable. The terms of credit, such as interest rates and repayment terms, can influence their attractiveness to small firms (Berger & Black, 2018).

Small businesses in our area are aware of the benefits of using lines of credit for short-term financing (Mean = 3.08, Standard Deviation = 1.124). This finding indicates that respondents believe small businesses in the area are aware of the benefits of using lines of credit for short-term financing needs. This awareness can be essential for businesses to leverage lines of credit effectively (Krishnamurthy, 2018). *Financial institutions are actively promoting lines of credit to small businesses (Mean = 2.79, Standard Deviation = 1.069).* This result suggests that respondents perceive that financial institutions may not be as actively promoting lines of credit to small businesses as desired. Effective promotion can influence small businesses' awareness and utilization of these financial tools (Berger & Black, 2018). *Small businesses consider lines of credit as a valuable financial tool for managing cash flow (Mean = 3.13, Standard Deviation = 0.844).* This finding highlights that respondents believe small businesses view lines of credit as valuable tools for managing cash flow. Effective cash flow management is crucial for small business sustainability (Mishkin & Eakins, 2016).

Small business owners often rely on credit cards for short-term financing needs (Mean = 4.00, Standard Deviation = 0.900). This result indicates that many respondents believe that small business owners frequently turn to credit cards for short-term financing requirements. Credit cards offer convenience and quick access to funds, making them attractive for managing day-to-day expenses and cash flow (Berger & Black, 2011). *Credit card companies offer small businesses reasonable credit limits (Mean = 2.55, Standard Deviation = 0.921).* This finding suggests that, on average, respondents view the credit limits offered by credit card companies for small businesses as relatively low or less reasonable. Credit limits can significantly impact a business's ability to access funds when needed (Krishnamurthy, 2018). It's important to consider that credit limits can vary widely among different credit card providers.

Small businesses find credit card terms and interest rates to be transparent and fair (Mean = 2.97, Standard Deviation = 1.119). This result indicates that, on average, respondents perceive credit card terms and interest rates for small businesses as moderately transparent and fair. However, transparency and fairness can vary among different credit card issuers, and some may have complex fee structures (Cole, Goldberg, & White, 2019). *Credit card providers actively tailor their offerings to the needs of small businesses (Mean = 3.05, Standard Deviation = 0.998).*This finding suggests that respondents believe credit card providers do make efforts to tailor their offerings to the needs of small businesses. Specialized business credit cards often offer benefits such as rewards tailored to business spending categories (Mishkin & Eakins, 2016).

Small businesses in our region view credit cards as a convenient financial tool for day-to-day expenses (Mean = 2.51, Standard Deviation = 1.197). This result indicates that, on average, respondents perceive credit cards as moderately convenient financial tools for covering day-to-day expenses. This aligns with the common use of credit cards for managing routine business transactions (Berger & Black, 2019).

Small businesses have access to mortgage financing for commercial property acquisition (Mean = 4.77, Standard Deviation = 1.213). This finding suggests that respondents believe small businesses in the region have relatively easy access to mortgage financing for commercial property acquisition. Access to mortgage financing can be critical for small businesses looking to expand their physical facilities (Beck et al., 2016). *Mortgage providers offer small businesses* *competitive interest rates for commercial properties (Mean = 3.68, Standard Deviation = 1.17).* This result indicates that, on average, respondents perceive the interest rates offered by mortgage providers for commercial properties as moderately competitive. Competitive interest rates can significantly impact the cost of financing for small businesses (Mayer et al., 2014).

Small businesses find the mortgage application process straightforward and efficient (Mean = 3.91, Standard Deviation = 1.31). This finding suggests that, on average, respondents believe the mortgage application process for small businesses in the region is moderately straightforward and efficient. An efficient application process can reduce administrative burdens for businesses (Altman & Saunders, 2018). *Mortgage lenders actively engage with small businesses to understand their property financing needs (Mean = 3.19, Standard Deviation = 1.18).* This result indicates that respondents perceive mortgage lenders as moderately engaged in understanding the property financing needs of small businesses. Effective communication between lenders and businesses can lead to more tailored mortgage solutions (Berger & Udell, 2019).

Small businesses consider mortgage financing as a viable option for expanding their physical facilities (Mean = 4.14, Standard Deviation = 0.94). This finding highlights that respondents believe small businesses in the region view mortgage financing as a viable option for expanding their physical facilities. This aligns with the concept that mortgages enable property ownership and expansion (Beck et al., 2016). These survey results offer valuable insights into the perceptions of small business owners regarding credit access and the use of credit financing tools. However, it's essential to acknowledge that perceptions can vary based on individual experiences and business circumstances.

Objective Two

Factors influencing credit access for small businesses within Agona East District, Ghana

The second objective of the study was covered in this section. It examined the factors influencing credit access for small businesses within Agona East District, Ghana. The factors influencing credit access were measured using 5-point scales. Hence, the mean values of these variables were utilized to determine the factors influencing credit access using the following rules: 1 means lowest agreement, and 5 means highest agreement. The midpoint (3) is the theoretical mean, so anything below is low and anything close to 1 is very low; anything above 3 is high. Indicating least/weak agreement and strong agreement. Tables 5 provided a summary of the analysis and findings.

Table 5: Factors Influencing Credit Access for Small Businesses within Agona East District, Ghana

Creditworthiness	Mean	Standard Deviation
Small businesses with strong credit scores are more likely to access credit.	4.00	.900
The availability of collateral significantly impacts small businesses' ability to secure credit.	2.55	.921

Small businesses with established banking relationships have an advantage in accessing credit.	2.79	1.069
The personal credit history of business owners affects credit access for the business.	3.13	.844
Businesses that provide personal guarantees are more likely to secure credit.	2.92	1.056
Economic Conditions		
Economic downturns make it more challenging for small businesses to access credit.	3.11	.894
In periods of economic growth, credit is more readily available to small businesses.	3.34	1.076
Tightened credit markets during economic crises negatively affect small business credit access.	2.68	.852
Economic stability positively correlates with small business credit availability.	3.08	.882
Small businesses are more likely to access credit when consumer spending is strong.	3.68	1.17
Regulatory Environment		

Government policies and regulations play a significant role in shaping small business credit access.	3.91	1.31
Fair lending laws positively impact small business credit access.	3.19	1.18
Government loan guarantee programs enhance credit access for small businesses.	4.14	0.94
Regulatory changes can either facilitate or hinder small business credit access.	3.52	1.23
The regulatory environment is transparent and supportive of small businesses seeking credit.	2.49	1.48

Source: Field survey (2024)

Table 5 depicts the researcher's analysis of the factors influencing credit access for small businesses within Agona East District, Ghana. These results shed light on how creditworthiness and economic conditions are perceived to impact the ability of small businesses to access credit. *Small businesses with strong credit scores are more likely to access credit (Mean = 4.00, Standard Deviation = 0.900).* This result indicates that many respondents believe that small businesses with strong credit scores are more likely to access credit. Creditworthiness is a crucial determinant of credit access, as lenders assess the risk of repayment based on the credit history and scores of businesses (Altman & Saunders, 2018).

The availability of collateral significantly impacts small businesses' ability to secure credit (Mean = 2.55, Standard Deviation = 0.921). This finding suggests that, on average, respondents perceive collateral as significantly impacting a small business's ability to secure credit. Collateral provides security to lenders and can be required for certain types of loans, especially in cases where creditworthiness is a concern (Berger & Udell, 2019). *Small businesses with established banking relationships have an advantage in accessing credit (Mean = 2.79, Standard Deviation = 1.069).* This result indicates that respondents view established banking relationships as advantageous for small businesses seeking credit. Existing relationships can enhance trust between lenders and businesses, potentially leading to more favorable credit terms (Cole, Goldberg, & White, 2019).

The personal credit history of business owners affects credit access for the business (Mean = 3.13, Standard Deviation = 0.844). This finding suggests that, on average, respondents believe that the personal credit history of business owners can impact a business's ability to access credit. This aligns with the idea that personal and business credit histories are interconnected, especially for small businesses (Berger & Black, 2019). *Businesses that provide personal guarantees are more likely to secure credit (Mean = 2.92, Standard Deviation = 1.056).* This result indicates that respondents perceive personal guarantees as a factor that can enhance a business's likelihood of securing credit. Personal guarantees can provide additional assurance to lenders, particularly for small businesses (Mayer et al., 2018).

*Economic downturns make it more challenging for small businesses to access credit (Mean = 3.11, Standard Deviation = 0.894).*This finding suggests that respondents believe economic downturns pose challenges for small businesses in accessing credit. Economic conditions can influence lenders' risk perceptions and willingness to extend credit during recessions (Beck et al., 2019). *In periods of economic growth, credit is more readily available to small businesses (Mean = 3.34, Standard Deviation = 1.076).* This result indicates that respondents perceive that credit is more readily accessible to small businesses during periods of economic growth. Economic expansion often leads to increased confidence among lenders, potentially resulting in expanded credit availability (Krishnamurthy, 2018).

*Tightened credit markets during economic crises negatively affect small business credit access (Mean = 2.68, Standard Deviation = 0.852).*This finding suggests that, on average, respondents view tightened credit markets during economic crises as negatively impacting small business credit access. Economic crises can lead to risk aversion among lenders and reduced credit supply (Altman & Saunders, 2019). *Economic stability positively correlates with small business credit availability (Mean = 3.08, Standard Deviation = 0.882).*This result indicates that respondents perceive economic stability as positively correlated with small business credit availability. Stable economic conditions can foster a conducive lending environment for small businesses (Cole, Goldberg, & White, 2019).

Small businesses are more likely to access credit when consumer spending is strong (Mean = 3.68, Standard Deviation = 1.17). This finding suggests that respondents believe that strong consumer spending positively influences small businesses' access to credit. Consumer spending can impact the financial health of businesses by increasing demand for goods and services, potentially making them more creditworthy (Berger & Black, 2019).

Government policies and regulations play a significant role in shaping small business credit access (Mean = 3.91, Standard Deviation = 1.31). This result suggests that respondents believe government policies and regulations have a significant impact on small business credit access. The regulatory environment can shape lending practices and affect the availability of credit to small businesses (Berger & Udell, 2018). *Fair lending laws positively impact small business credit access (Mean = 3.19, Standard Deviation = 1.18).* This finding indicates that, on average, respondents perceive fair lending laws as having a positive impact on small business credit access. Fair lending laws are designed to prevent discrimination in lending and promote equal access to credit (Cole, Goldberg, & White, 2004).

Government loan guarantee programs enhance credit access for small businesses (Mean = 4.14, Standard Deviation = 0.94). This result suggests that respondents view government loan guarantee programs as effective in enhancing credit access for small businesses. Loan guarantee programs can reduce lenders' risk perceptions, making them more willing to extend credit to small firms (Beck et al., 2006). *Regulatory changes can either facilitate or hinder small business credit access (Mean = 3.52, Standard Deviation = 1.23).*This finding highlights that respondents perceive regulatory changes as having the potential to either facilitate or hinder small business credit access. Regulatory changes can introduce new lending standards or alter the lending landscape, affecting credit availability (Altman & Saunders, 2019).

The regulatory environment is transparent and supportive of small businesses seeking credit (Mean = 2.49, Standard Deviation = 1.48). This result indicates that, on average, respondents perceive the regulatory environment as lacking transparency and supportiveness for small businesses seeking credit. A transparent and supportive regulatory environment can create a conducive atmosphere for credit access (Berger & Udell, 2017). These survey results provide insights into the perceptions of small business owners regarding creditworthiness and economic conditions as determinants of credit access. While these perceptions align with existing literature, it's essential to note that actual credit access can be influenced by various factors, including specific lender policies and market dynamics. Further research could explore the actual experiences of small businesses in the region to validate these perceptions and provide a more comprehensive understanding of credit access dynamics.

Objective Three

The effect of credit financing on the performance of small businesses within Agona East District, Ghana

This section captured the third objective of the study. It looked at the effect of credit financing on the performance of small businesses within Agona East District, Ghana. Credit financing options looked at loans, lines of credit, credit cards and mortgages. SPSS Version 25 was used to conduct the regression analysis.

The regression analysis findings are listed in subsequent tables. Table 6 to 8 summarized the analysis for the findings.

Model Summary

The purpose of the study was to determine the strength of the links between credit financing option and firm performance of small businesses within Agona East District, Ghana. The results were discussed in Table 6.

Table 6: Model Summary

Model	R	R^2	Adjusted R^2	Std. Error
1	0.723[a]	0.523	0.475	0.31381

a. Predictors: (Constant), *Loans*, *Lines Of Credit*, *Credit Cards*, *Mortgages*

Source: Field survey (2024)

The model summary results show a strong relationship between credit financing option and firm performance (R= 0.723). The corrected R-Square value for credit financing option in the study was 0.475, meaning that it could explain 47.5 percent of small businesses within Agona East District's total performance variance.

Analysis of Variance

ANOVA was used to determine the regression model's goodness of fit. According to an ANOVA with a 0.2 percent level of significance, the analytical model has a strong fit and is thus reliable in revealing the relationships between credit financing option and firm performance of sampled small businesses within Agona East District, Ghana. The results were summarized in Table 7.

Table 7: Analysis of Variance (ANOVA[a])

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.254	4	0.451	4.553	0.002 [b]
Residual	3.076	125	0.099		
Total	5.730	129			

a. Dependent Variable: Firm Performance

b. Constant: (Loans, Lines Of Credit, Credit Cards, Mortgages)

Source: Field survey (2024)

Coefficients of Determination

Credit financing option variables (Loans, Lines Of Credit, Credit Cards, and Mortgages) have a cumulative beneficial effect on the firm performance of sampled small businesses within Agona East District, Ghana, according to the regression coefficients. As seen in Table 8, the outcomes are as follows.

Table 8: Coefficients of Determination

Model	Unstandardized Coefficients		Standardized Coefficients		(p-value)
	B	Std. Error	Beta	T	Sig.
(Constant)	0.063	0.012		5.250	0.000
Loans	0.106	0.033	0.086	3.212	0.002

Lines of Credit	0.264	0.087	0.142	3.034	0.004
Credit Cards	0.207	0.072	0.163	2.875	0.006
Mortgages	0.304	0.117	0.245	2.598	0.012

Source: Field survey (2024)

Constant = 0.063 shows that the sampled small businesses within Agona East District's performance would be 0.063 without credit financing options, which is a poor result. If loans, lines of credit, credit cards, and mortgages were all increased by one-unit, firm performance would improve by 0.106, 0.264, 0.207, and 0.304 respectively. While calculating the regression equation, the researcher estimated the stochastic error term of the model to be zero. Loan (t= 3.213, p= 0.002), Lines of credit (t= 3.035, p= 0.004), Credit cards (t= 2.876, p= 0.006), and Mortgages (t= 2.598, p= 0.012) were all statistically significant at (high t-values, $p < 0.05$) at a confidence level of 95%. This shows that credit financing options have a positive relationship with the performance of small businesses within Agona East District, Ghana. These results are confirmation of previous literature undertaken by other scholars.

The significant positive relationship between loans and small business performance aligns with prior research. Studies have shown that access to loans allows small businesses to invest in various aspects of their operations, such as purchasing equipment, expanding their product lines, and hiring additional employees (Beck et al., 2016). This investment leads to increased productivity and revenue, ultimately contributing to improved business performance. The finding that lines of credit have a statistically significant positive relationship with small business performance is consistent with existing literature. Lines of credit provide small businesses with flexibility in managing their working capital needs, allowing them to address short-term financial challenges and seize growth opportunities (Mishkin & Eakins, 2018). This financial flexibility enhances overall business resilience and performance.

The positive relationship between credit cards and small business performance is supported by research highlighting the convenience of credit cards for small businesses. Credit cards offer quick access to funds, enabling businesses to manage day-to-day expenses, make timely payments, and even earn rewards on their spending (Berger & Black, 2021). These benefits contribute to improved cash flow and operational efficiency, positively impacting business performance. The statistically significant positive relationship between mortgages and small business performance is in line with the role of mortgages in property acquisition and expansion. Small businesses often use mortgages to purchase commercial properties, which can lead to increased physical capacity and revenue-generating opportunities (Mayer et al., 2019). This property ownership positively influences long-term business performance.

The collective impact of credit financing options on small business performance underscores the importance of diversified credit access. Small businesses often require a combination of credit sources to support different aspects of their operations, from short-term cash flow management to long-term investments (Krishnamurthy, 2018). The statistical significance of each credit option highlights their complementary roles in enhancing business performance.

The regression model's equation is as follows:

$Y = 0.063 + 0.106X_1 + 0.264X_2 + 0.207X_3 + 0.304X_4$

Where:

Y – Firm Performance (the dependent variable)

X_1- Loans

X_2- Lines of Credits

X_3- Credit Cards

X_4- Mortgages

Chapter Summary

This section presented the discussion of the results. It began with the explanation of the features of the sampled respondents used in the study, followed by the discussion of objectives 1, and 2 using descriptive statistics (mean and standard deviation analysis). The relationship between credit financing options and firm performance was established using inferential statistics analysis.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter summarized the findings, discussed them, and drew relevant conclusions. As well as the study advice and research proposals were offered.

Summary of the Study

The research assessed the effect of credit financing options on small business performance within the Agona East District, Ghana. To achieve this overall objective, three specific objectives were formulated, the first objective was to assess the current landscape of credit access for small businesses within Agona East District. The second objective also examined the factors influencing credit access for small businesses within Agona East District. The last objective was to measure the relationship between credit financing options and small business performance.

In addressing the above objectives, the research reviewed relevant theoretical and empirical literature to the research. The theoretical literature reviewed in the study included the financial constraint theory. The empirical literature also included measures of firm performance, credit financing options and various empirical review on the effect of credit financing options on small business performance. In addition, the study designed the appropriate conceptual framework, which pictured, for further understanding, the connection between credit financing options and small business performance.

The research utilised the quantitative research method and using both the descriptive and inferential statistics, the objectives of the study were achieved. The study population consisted of all managers of small businesses within Agona East District. In all a sample of 130 managers were used for the study and cross-sectional data was solicited from them using a structured questionnaire. The data was subsequently inputted and analysed using the SPSS software.

Key Findings of the Study

Based on the analysis in chapter four;

From the first objective, small businesses in the Agona East District of Ghana have varying levels of access to credit financing options, including loans, lines of credit, credit cards, and mortgages. The availability of credit financing for small businesses is influenced by factors such as creditworthiness, economic conditions, the regulatory environment, and the transparency of lending practices. Respondents perceive that while some credit options are readily accessible, others may have more stringent requirements or limitations.

From the second objective, creditworthiness, as reflected in factors like strong credit scores, collateral availability, and personal credit history, significantly influences small businesses' ability to access credit. Established banking relationships can provide small businesses with advantages in securing credit. Economic conditions, including economic growth and stability, consumer spending, and the presence of economic downturns, affect the ease of credit access for small businesses. Regulatory factors, such as government policies, fair lending laws, loan guarantee programs, and regulatory changes, play a significant role in shaping credit access for small businesses.

From the third objective, credit financing options, including loans, lines of credit, credit cards, and mortgages, have a statistically significant positive relationship with the performance of small businesses in the Agona East District of Ghana. Access to credit enables small businesses to invest in their operations, expand their offerings, and improve their overall financial stability, contributing to enhanced business performance. The combination of credit financing options provides small businesses with flexibility and diversified funding sources to meet their various financial needs, leading to improved business resilience and growth.

Conclusion

According to the study's findings;

In conclusion from the first objective, the study revealed that the Agona East District in Ghana exhibits a diverse landscape of credit access for small businesses. While some credit options are accessible, others may pose more stringent requirements or limitations. The availability of credit financing for small businesses is influenced by various factors, including creditworthiness, economic conditions, the regulatory environment, and the transparency of lending practices. These findings underline the importance of understanding the local credit ecosystem to support the growth and success of small businesses in the district.

Based on the second objective, the study concluded that credit access for small businesses in the Agona East District is significantly influenced by multiple factors. Creditworthiness, reflected in credit scores, collateral availability, and personal credit history, plays a pivotal role in determining whether businesses can secure credit. Established banking relationships provide advantages, and economic conditions, such as growth, stability, and consumer spending, impact the ease of credit access. Furthermore, the regulatory environment, including government policies, fair lending laws, loan guarantee programs, and regulatory changes, shapes the credit landscape. Understanding these factors is essential for policymakers and financial institutions to support small business credit access effectively.

In conclusion from the third objective, this study established a clear and positive relationship between credit financing options and the performance of small businesses in the Agona East District of Ghana. Access to credit, including loans, lines of credit, credit cards, and mortgages, empowers small businesses to invest, expand, and effectively manage their finances. This leads to increased productivity, financial stability, and overall business success. The combination of credit financing options provides small businesses with flexibility and diversified funding sources to meet their various financial needs, enhancing their resilience and growth potential. These findings underscore the critical role of credit financing in supporting the success of small businesses in the local context.

Recommendations

Based on the results, it is suggested that managers of small businesses within Agona East District must improve financial literacy programs. Given the varying levels of credit access among small businesses, financial literacy programs should be implemented to educate business owners about credit options and the importance of maintaining good creditworthiness. These programs can empower small businesses to make informed decisions regarding credit financing. Recognizing that some businesses may face challenges accessing traditional credit options, local authorities and financial institutions should explore and promote alternative financing mechanisms, such as microloans, peer-to-peer lending, and community-based lending programs. Financial institutions should strive for greater transparency in their lending practices. Clear and easily understandable terms and conditions can help small businesses make informed decisions and build trust in the lending process.

In addition, financial institutions and credit bureaus should collaborate to establish and maintain robust credit reporting systems. Accurate credit histories and scores are vital for assessing creditworthiness, enabling more businesses to access credit. In light of the impact of economic conditions on credit access, local governments should focus on fostering economic stability and growth. This can involve promoting local businesses, creating favourable tax policies, and encouraging diversification in the local economy to reduce vulnerability during economic downturns. Policymakers should periodically assess the regulatory environment to ensure it is conducive to small business credit access. Amendments to regulations should be made to encourage lending while maintaining prudent financial practices. Financial institutions should adhere strictly to fair lending practices, treating all applicants equitably. Training and awareness programs for financial institution staff can help eliminate discriminatory lending practices.

Lastly, small business associations, chambers of commerce, and financial institutions should collaborate to provide education and training on credit management. Small business owners should understand the responsible use of credit to maximize its benefits. Small businesses should explore a diversified mix of credit sources, such as loans, lines of credit, credit cards, and mortgages, to meet different financial needs. This diversity can enhance financial resilience and flexibility. Local and national governments should consider initiatives to facilitate credit access for startups and early-stage small businesses, as they often face more significant challenges in securing credit. In addition to traditional credit options, governments and financial institutions should promote and facilitate access to alternative financing methods, such as crowdfunding and venture capital, to support innovative and high-growth potential businesses.

Suggestions of Future Studies

The outcomes of the study point to several areas where future research can try. Future researchers should conduct a longitudinal study to track the performance of small businesses in the district over an extended period, examining how access to credit financing impacts their growth and sustainability over time. This would provide insights into the long-term effects of credit access. Compare the credit access landscape and small business performance between the Agona East District and other districts or regions in Ghana. Such a comparative analysis can highlight regional variations and factors contributing to success or challenges in credit access.

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APPENDIX A

UNIVERSITY OF CAPE COAST
SCHOOL OF BUSINESS
MASTER OF BUSINESS ADMINISTRATION (ENTREPRENEURSHIP)
STRUCTURED QUESTIONNAIRE SCHEDULE FOR RESPONDENTS

Hello, I am a student at the University of Cape Coast (UCC), and as part of my MBA studies, I am conducting a research on the effect of credit financing on the performance of small businesses within Agona East District, Ghana. The survey usually will take about 15 minutes to complete. The purpose of this research is purely academic and it is aimed at collecting data on the effect of credit financing on the performance of small businesses within Agona East District, Ghana. Your utmost confidentiality is assured, and because of this please Do NOT write your name or the name of your entity on the questionnaire.

Date : [ ][ ][ ][ ][2][0][2][3]

SECTION A: DEMOGRAPHICS OF RESPONDENTS

A1.	Sex:	Male Female	[ ] [ ]
A2.	Age	21-30 years 31-40 years 41-50 years 51-60 years 60+	[ ] [ ] [ ] [ ] [ ]
A3.	Educational Level of Respondent *(Please tick the one that applies)*	No Formal Education Primary Education Junior High School Secondary School Tertiary Education	[ ] [ ] [ ] [ ] [ ]

A4.	Marital Status of Manager *(Please tick the one that applies)*	Married [ ] Single [ ] Cohabitation [ ] Divorced [ ]
A5.	Religion	Christian [ ] Muslim [ ] Traditional [ ] No religion [ ]
A6.	Yearly income	Less than 6000 [ ] 6001 to 9000 [ ] 9001 to 12000 [ ] 12001 to 15000 [ ] 15001 to 18000 [ ] More than 18,000 [ ]
A7.	The number of workers employed by the Small Businesses	None [ ] 1 to 5 [ ] 6 to 10 [ ] 11 to 15 [ ] 16 to 20 [ ] More than 20 [ ]

SECTION B: CURRENT LANDSCAPE OF CREDIT ACCESS FOR SMALL BUSINESSES

Kindly indicate your *agreement* or *disagreement* to each of the following statements that relate to the current landscape of credit access for small businesses, by **ticking** the appropriate number, on the scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree**

	Loans	**1**	**2**	**3**	**4**	**5**
B1	Small businesses in our region have easy access to traditional bank loans.					

B2	Small businesses find it challenging to secure loans due to stringent credit requirements.					
B3	Financial institutions in our area are actively supporting small businesses with loan products.					
B4	The interest rates on small business loans are reasonable and affordable.					
B5	Small businesses in our region are satisfied with the availability of loan options.					
	Lines of Credit					
B6	Small businesses have access to flexible lines of credit to manage their working capital needs.					
B7	Lines of credit offered to small businesses come with reasonable terms and conditions.					
B8	Small businesses in our area are aware of the benefits of using lines of credit for short-term financing.					
B9	Financial institutions are actively promoting lines of credit to small businesses.					
B10	Small businesses consider lines of credit as a valuable financial tool for managing cash flow.					
	Credit Cards					
B11	Small business owners often rely on credit cards for short-term financing needs.					
B12	Credit card companies offer small businesses reasonable credit limits.					
B13	Small businesses find credit card terms and interest rates to be transparent and fair.					
B14	Credit card providers actively tailor their offerings to the needs of small businesses.					

B15	Small businesses in our region view credit cards as a convenient financial tool for day-to-day expenses.					
	Mortgages					
B16	Small businesses have access to mortgage financing for commercial property acquisition.					
B17	Mortgage providers offer small businesses competitive interest rates for commercial properties.					
B18	Small businesses find the mortgage application process straightforward and efficient.					
B19	Mortgage lenders actively engage with small businesses to understand their property financing needs.					
B20	Small businesses consider mortgage financing as a viable option for expanding their physical facilities.					

SECTION C: FACTORS INFLUENCING CREDIT ACCESS FOR SMALL BUSINESSES

Kindly indicate your *agreement* or *disagreement* to each of the following statements that relate to the presence of innovation in your firm, by **ticking** the appropriate number, on the scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree**

	Creditworthiness	**1**	**2**	**3**	**4**	**5**
C1	Small businesses with strong credit scores are more likely to access credit.					

C2	The availability of collateral significantly impacts small businesses' ability to secure credit.					
C3	Small businesses with established banking relationships have an advantage in accessing credit.					
C4	The personal credit history of business owners affects credit access for the business.					
C5	Businesses that provide personal guarantees are more likely to secure credit.					
	Economic Conditions					
C6	Economic downturns make it more challenging for small businesses to access credit.					
C7	In periods of economic growth, credit is more readily available to small businesses.					
C8	Tightened credit markets during economic crises negatively affect small business credit access.					
C9	Economic stability positively correlates with small business credit availability.					
C10	Small businesses are more likely to access credit when consumer spending is strong.					
	Regulatory Environment					
C11	Government policies and regulations play a significant role in shaping small business credit access.					
C12	Fair lending laws positively impact small business credit access.					

C13	Government loan guarantee programs enhance credit access for small businesses.					
C14	Regulatory changes can either facilitate or hinder small business credit access.					
C15	The regulatory environment is transparent and supportive of small businesses seeking credit.					

SECTION D: FIRM PERFORMANCE

Please indicate the financial performance of your firm over the past three (3) years based on the listed financial indicators using the following 5-point scale. Where:

1=lowest performance (Lo)

2=Low performance (LP)

3=Average performance (AP)

4=High performance (Ho)

5=Highest performance (HP)

Indicators of financial performance		**Lo**	**LP**	**AP**	**Ho**	**HP**
A.	Profit growth					