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INFLUENCE OF COMMERCIAL BANKS' CAPACITY BUILDING LENDING STRATEGY ON GROWTH OF MSES IN KENYA

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Abstract

Purpose: The purpose of the study was to establish the influence of commercial banks' capacity building lending strategy on the growth of SMEs in Kenya.

Methodology*:* The researcher used purposive sampling to select respondents. The sample size was comprised of 352 respondents. The study used questionnaires to collect data from the field. Both quantitative and qualitative data gathered was coded and analyzed using Statistical Package for Social Sciences (SPSS) computer software. Descriptive statistics was used to analyze the data in frequency distributions and percentages which were presented in tables and figures. Inferential statistics were used to analyze qualitative data.

Results: The study found out that commercial banks' capacity building have a positive and significant effect on MSEs growth. (r=0.656, p=0.001).

Unique Contribution to Theory, Practice and Policy*:* The study recommends for commercial banks to train their employees on how to handle clientele needs. Commercial banks need to embark on major training programmes and address their efforts to professionalize SME account managers. In fact, bank staffs dealing with SMEs need a sound knowledge of entrepreneurs and their businesses in order to develop an affinity with their clients and offer them solutions adapted to their needs. The actions which banks need to take include a better selection of new account managers for SMEs. They need to look for candidates with an adequate background and experience in small business or with entrepreneurial skills, who can be flexible and sensitive to SMEs issues. ***Keywords****: capacity building, growth, SMEs.*

1.0 INTRODUCTION

1.1 Background of the Study

In developing countries like South Africa and Ghana, despite efforts to overcome the widespread lack of financial services and the expansion of credit among small business of these countries, the majority still have only limited access to bank services to support their private initiatives (Braverman and Guasch, 2006).

A number of factors affect the growth of African MSEs, including the business environment and the quality of the labour force. However, a crucial element in the development of the MSE segment is access to finance, particularly to bank financing, given the relative importance of the banking sector across the continent. African MSEs are more financially constrained than in any other developing region (Stephanou & Rodriguez, 2010). Only 20 percent of MSEs in Sub-Saharan Africa have a line of credit from a financial institution compared, for example, with 44 percent in Latin America and Caribbean, and only 9 percent of their investments are funded by banks versus 23 percent in Eastern Europe and Central Asia. The study found that the MSE is a strategic priority for the banks in the region. MSEs are considered a profitable business prospect and provide an important opportunity for crossselling (Calice, 2012).

The participation of Kenya government in the financial sector dates back to the late 1960s when the government aimed to make the sector more responsive to the borrowing needs of the Kenyan public. This was in order to offset the tendency of financial corporations to invest their funds abroad and hence living out the common citizen from development participation (Central Bank of Kenya Annual Report, 2009).

Kenya's commercial banking sector comprises of 3 public, 28 local (private), 11 foreign (private) and two Islamic (private) as at 31st Dec. 2013 (CBK & Kenya Bankers Association, 2013). Financial sector in most of the developing countries are characterized by fragility, volatile interest rates, high risk investment and inefficiencies in the intermediation process. The industry further differs in ownership, structure, financial liberalization level and accounting treatment of various streams of income. Different regulations do exist for all institutions and some are standard across foreign banks, locally owned private banks and financial parastatals (RoK, 2010).

Most banks have dedicated units serving MSEs, to which they offer largely standardized products though the degree of personalization is growing. And albeit advanced transaction technologies based scoring and risk-rating systems remain relatively underdeveloped, banks are gradually automating their risk management frameworks to achieve efficiency gains (Calice, 2012). The findings were broadly akin to those of similar studies in other geographical contexts, suggesting that banks in the region have enthusiastically embraced the MSE segment and are making substantial investments to develop their relationship with MSE clients. Kariuki (2011) studied on bank's credit access in Kenya and established that MSEs were faced with higher nominal interest rates at higher inflation rates in the latter half of the 1980s. Moreover, the explicit transaction costs of borrowing were found to be high in relation to interest costs.

1.2 Statement of the Problem

One of the biggest obstacles in MSEs is access to either start-up or expansion capital. Lacking sufficient credit, entrepreneurs are seldom able to take advantage of discounts on new materials, and are unable to extend credit to their customers. Credit and capital have been found to be the greatest perceived needs of small businesses (Liedholm & Mead, 2009). They require working capital to survive and buy equipment. Various lending institutions like K-Rep, Faulu-kenya and Jamii Bora Bank have introduced products that enhance lending to MSEs. Despite the loan facilities offered by these institutions, the MSEs Performance, growth and existence still remains unknown. Studies on micro-enterprises suggest that most of them do not grow, although approximately 40% does actually grow (Baud & Bruijne, 2013). Micro and small enterprises have a high mortality rate. Many are started every year but very few see their third birthday (Ngugi, 2012). Micro and small enterprises do not grow at the expected rate to become medium enterprises hence the missing middle phenomena (Ngugi, 2013).

Reports from Kenya Bankers Association show that 80% of lending by banks is to corporate and government clients (KBA, 2014). Worked out, this leaves only about 20% of lending by banks shared between individual borrowers and the MSEs. Yet up to 40% of the country's GDP is attributed to the MSEs. Could this trend be reversed by the commercial banks' lending strategies? This was the subject of this study.

Despite abundant literature on MSEs Loan, there still remains a gap in literature on the effect of the loan to the micro and small enterprises. Kombo, (2010) has researched on challenges faced by physically impaired people in access of services offered by KCB. In a study on utilization of micro finance by small entrepreneurs in Kenya, (Ndung'u, 2010) highlights how the MSEs have utilized credit extended to them. There is no research that has been done on commercial banks 'c lendingapacity building strategies and thus exist a research gap. This study was therefore aimed at assessing the influence of commercial banks' capacity buiding lending strategies on the growth of micro and small enterprises in Kenya.

1.3 Objectives of the Study

The objective of the study was to establish the influence of commercial banks' capacity building lending strategy on the growth of SMEs in Kenya

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Human Capital Theory

Human Capital Theory was proposed by Schultz (1961) and developed extensively by Becker (1964). Schultz (1961) in an article entitled "Investment in Human Capital" introduces his theory of Human Capital. Schultz argues that both knowledge and skill are a form of capital, and that this capital is a product of deliberate enterprise growth. The concept of human capital implies an investment in people through education and training. Schultz compares the acquisition of knowledge and skills to acquiring the means of production. The difference in earnings between people relates to the differences in access to education and health. Schultz argues that investment in education and training leads to an increase in human productivity, which in turn leads to a positive rate of return and hence of growth of businesses. This theory emphasizes the value addition that people contribute to an organization. It regards people as assets and stresses that investments by organizations in people will generate worthwhile returns.

Human Capital Theory is associated with the resource based view of strategy developed by Barney 1991. The theory proposes that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by its rival. For the employer, investments in training and developing people are a means of attracting and retaining people. These returns are expected to be improvements in performance, productivity, flexibility and the capacity to innovate that should results from enlarging the skills base and increasing levels of knowledge and competence. Schuler (2000) suggests that the general message in persuasive skills, knowledge and competences are key factors in determining whether organizations and firms will prosper. According to Hessels and Terjesen (2008), entrepreneurial human capital refers to an individual's knowledge, skills and experiences related to entrepreneurial activity. Entrepreneurial human capital is important to entrepreneurial development.

Previous empirical research have emphasized that human capital is one of the key factors in explaining enterprise growth. Brüderl *et al*. (1992) argues that greater entrepreneurial human capital enhances the productivity of the founder, which results in higher profits and, therefore, lower probability of early exit. Moreover highly educated entrepreneurs may also leverage their knowledge and the social contacts generated through the education system to acquire resources required to create their venture (Shane, 2003).

In addition to education, specific human capital attributes of entrepreneurs, such as capabilities that they can directly apply to the job in the firm, may be of special relevance in explaining enterprise growth. The specific human capital can be attained through precise trainings and previous experience. More focused business training can provide entrepreneur with a specific knowledge, compared to a formal education. This kind of specific human capital also includes knowledge of how to manage a firm, that is, entrepreneur-specific human capital. In particular, entrepreneurs with great industry-specific and entrepreneurspecific human capital are in an ideal position to seize neglected business opportunities and to take effective strategic decisions that are crucial for the success of the new firm (Collombo & Grilli, 2005).

2.2 Empirical Review

Eshetu & Zeleke (2012) conducted a longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sample of 500 MMSEs from 5 major cities in Ethiopia. According to this research, that lasted from 2006-2011, the factors that affect the long term survival of MMSEs in Ethiopia are found to be adequacy of finance, level of education, level of managerial skills, level of technical skills, and ability to convert part of their profit to investment.

The findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). The study further indicated that participation in social capital and networking schemes such as *Iqub* was critically helpful for long-term survival of the enterprises. Businesses that did not participate in *Iqub* schemes regularly were found to be 3.25 times more likely to fail in comparison with businesses that did, according to the study.

Kuzilwa (2012) examined the role of credit in generating entrepreneurial activities. He used qualitative case studies with a sample survey of businesses that gained access to credit from a Tanzanian government financial source. The findings reveal that the output of enterprises increased following the access to the credit. It was further observed that the enterprises whose owners received business training and advice, performed better than those who did not receive training. He recommended that an environment should be created where informal and quasi-informal financial institutions can continue to be easily accessed by micro and small businesses.

A study by Mwania (2011) on the effect of Biashara Boresha Loan (BBL) on Performance of Micro and Small enterprises owned by Kenya Commercial Bank (KCB) Ruiru branch customers with objectives to review the lending procedures of Biashara Boresha loan, to assess the effect of BBL on MSEs performance and to find out the challenges faced in lending to MSEs, found out that besides BBL, there are other influences believed to have an effect on business performance. It also found no conclusive results on the relationship between entrepreneurs' level of education and business performance. Of the 51% respondents who received training in their areas of business, 49.5% reported that their businesses were doing well, concluding that relevant training can produce positive results in the running of businesses.

According to a study done by Wagema,(2006), which sought to identify critical factors that influence access to bank credit by MSEs is indicated that entrepreneurial orientation is a direct determinant of access to credit by MSEs. Further, knowledge-based resources gained from maturation (age), training, previous startup experience and vicariously through entrepreneurial parents were found to be associated with greater levels of entrepreneurial orientation. Overall, these findings support the literature that underscores the primacy of entrepreneurial factors, over operating environment in facilitating small enterprises' access to bank credit.

Beck, & Demirguc-Kunt, (2006) argued that banks that lend to SMEs recognize that the competence and experience of their staff are crucial in competing effectively for SMEs' business and for managing the credit risk inherent in SME banking. For this reason, some banks have embarked on major training programmes and addressed their efforts to professionalize SME account managers. In fact, bank staff dealing with SMEs need a sound knowledge of entrepreneurs and their businesses in order to develop an affinity with their clients and offer them solutions adapted to their needs. The actions taken by banks include, a better selection of new account managers for SMEs. They look for candidates with an adequate background and experience in small business or with entrepreneurial skills, who can be flexible and sensitive to SMEs issues.

3.0 RESEARCH METHODOLOGY

The researcher used purposive sampling to select respondents. The sample size was comprised of 352 respondents. The study used questionnaires to collect data from the field. Both quantitative and qualitative data gathered was coded and analyzed using Statistical Package for Social Sciences (SPSS) computer software. Descriptive statistics was used to analyze the data in frequency distributions and percentages which were presented in tables and figures. Inferential statistics were used to analyze qualitative data.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

The return rate provides a profile of respondents who participated in this study. A total of three hundred and fifty two (352) questionnaires were given to the respondents (MSEs owners and credit officers). A total of three hundred and thirty-seven (337) questionnaires were returned giving a return rate of 95.73% as shown in table 1.

Table 1: Response rate

Response	Returned	Percent (%)
MSE s' owners	331	95.66
Credit officers	6	100
Total	337	95.73

The average return rate was 95.73% which was considered appropriate for the research findings of the study. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50 percent is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50 percent are acceptable to analyze and publish, 60 percent is good and 70 percent is very good. This implies that the research finding was comprehensive enough to give good reliability.

4.2 Demographic information

The study sought to establish the characteristics of the respondents such as gender, level of education, type of business and number of employees working

4.2.1 Gender of the respondents

The study also sought to establish the gender of the respondents. This aimed at establishing whether the view of all gender was accommodated in the study. The results on gender of the MSEs is as in table 2

Table 2: Distribution of MSEs Owners by gender

Gender	MSEs owners	%
Male	184	55.6
Female	147	44.4
Total	331	100

Table 2 shows that the respondents for this study were predominantly male MSEs owners, Out of 331 respondents, 55.6% were male. This agrees with a study by Ellis, Cutura, Dione, Gillson, Manuel & Thongori (2007) that in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 74%:26%. Other studies that have identified male domination in the formal and informal sectors include Gakure (2001) and Gakure (2003).

Further, the credit officers were requested to indicate their gender. The results on gender of the credit officers is as in table 3.

Table 3: Distribution of Credit officer by gender

Gender	Credit officers	%
Male	3	50
Female	3	50
Total	6	100

Table 3 shows that the respondents for this study were equal in number (50%). This disagrees with a study by Ellis, Cutura, Dione, Gillson, Manuel & Thongori (2007) that in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 74%:26%. Other studies that have identified male domination in the formal and informal sectors include Gakure (2001) and Gakure (2003).

4.2.2 Level of education of the respondents

The respondents were requested to indicate their level of education. The results are presented in table 4.

Table 4: Distribution of MSEs Owners by academic qualification

Education level	MSEs owners	%
Primary	-	-
Secondary	31	9.4
College	174	52.6
University	122	36.9
Total	327	100

Table 4 shows the level of education of the MSEs owners. Majority of the MSEs owners 174 (52.6%) had a college level as their highest level of education, 122(36.9%) had university level as their highest level while only 31 (9.4%) had secondary level to be the highest level of education. This finding is consistent with that of Kimemia (1990) who argued that employees need technical skills to apply skills and use techniques from education, training and experience, human professional experience is necessary to work effectively with the people and conceptualize and analyze complexities.

Further, the credit officers were requested to indicate their level of education. Results are presented in table 5.

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Table 5: Distribution of credit officers by academic qualification

Education	Credit officers	%
Primary	-	-
Secondary	-	-
College	3	50
University	3	50
Total	6	100

Table 5 shows the level of education of the credit officers. 50% of the credit officers had a college level as their highest level of education, while another 50% had university level as their highest level. This finding is consistent with that of Kimemia (1990) who argued that employees need technical skills to apply skills and use techniques from education, training and experience, human professional experience is necessary to work effectively with the people and conceptualize and analyze complexities.

4.2.3 Type of Business

The respondents were requested to indicate on the type of business they operated in. The results are presented in table 6.

Table 6: Type of business

Business	Frequency	Percent
Manufacturing	66	19.9
Trade	123	37.2
Service	142	42.9
Total	331	100

Results in Table 6 shows 42.9% of the respondents who were the majority were operating in the service industry, 37.2% were in trade industry while only 19.9% of the respondents were in manufacturing industry.

4.2.4 Length of Business operation

The respondents were requested to indicate the length of business operation. The results are presented in table 7

Table 7: Length of operation

Length of operation	**Frequency**	**Percent**
Less than 1 year	64	19.3
1 to 3 years	148	44.7
3 to 5 years	94	28.4
5 to 10 years	25	7.6
Total	331	100

Results in table 7 shows that majority (44.7%) of businesses had been in operation for between 1-3 years, 28.4% had been operation for 3 to 5 years, and 19.3% had been operation for less than one year while 7.6% had been in operation for 5 to 10 years.

4.2.5 Number of employees

The respondents were requested to indicate on the number of employees in their enterprises. The results are presented in table 8

Table 8: Number of employees

Employees	**Frequency**	**Percent**
1- 5 employees	262	78.1
6-10 employees	57	17.2
11-50 employees	12	3.6
Over 50 employees	4	1.2

Results in Table 8 shows that 78.1% of the MSEs had between 1-5 employees, 17.2% had between 6-10 employees, 3.6% had 11-50 employees.

4.2.6 Years worked in the bank

The credit officers were requested to indicate on the number of years they had worked in the bank. The results are presented in table 9

Table 9: Years worked in the bank

Duration	**Frequency**	**Percent**
Less than 2 years	1	16.7
3 to 5 years	2	33.3
Over 5 years	3	50
Total	6	100

Results in table 9 revealed that 50% of the respondents who were the majority had worked for over 5 years, 33% had worked for 3 to 5 years while 16.7% had worked for less than 2 years. This implies that majority of the respondents had worked in the organization for a long period. This finding is consistent with that of Ngui (2014) who found out that 65% of the respondents have worked in the sector for over five years, a period considered long enough for an employee to understand the operations of their respective duties

This finding is consistent with that of Randoy et al, (2006) who found out that one's experience depends on the number of years of service in the sector involved. It is assumed that the longer one worked in an organization, the more they understand the organization and hence the higher the ability to articulate issues pertaining to the organization (Afande, 2013).

4.3 Descriptive statistics

4.3.4 Influence of Commercial banks' capacity building on growth of MSEs

The forth objective of the study was to explore the influence of commercial banks' capacity building on growth of MSEs in Kenya. The MSEs owners were asked to indicate if bank officials visit their premises to train their staff on the available bank services.

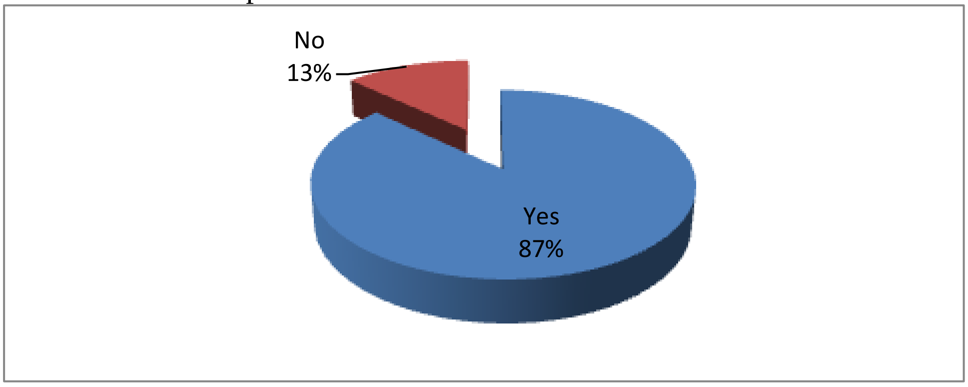

Figure 1: Bank officials visits

Figure 1 show that 87% of the MSEs' owners receive bank officials who come to train them on the available bank services while 13% did not. According to a study done by Wagema,(2006), which sought to identify critical factors that influence access to bank credit by MSEs is indicated that entrepreneurial orientation is a direct determinant of access to credit by MSEs. Further, knowledge-based resources gained from maturation (age), training, previous startup experience and vicariously through entrepreneurial parents were found to be associated with greater levels of entrepreneurial orientation.

For those who answered that they receive bank officials who come to train them on the available bank services, they were further asked to indicate on the frequency of visit. Results are presented in table 10.

Table 10: Frequency of visit

	Once a year	2 times a year	3 times a year	4 times a year	5 times a year
Frequency of visits	6.30%	40.80%	40.50%	8.10%	4.20%

Results in table 10 indicates that 40.8% of the MSEs' owners responded that they are visited by bank officials two times a year, 40.5% indicated three times a year, 8.1% indicated 4 times and year, 6.3% indicated once a year while only 4.2% of the respondents indicated 5 times a year. This imply that majority of MSEs receive fewer number of trainings in a year.

Credit officers were requested to indicate number of trainings, number of job rotations and number of interviews they conducted over the last five years (211-2015). Results are presented in Table 11.

Table 11: Number of trainings

Year	less than 2 trainings	2-3 trainings	more than 3 trainings	Mean	Std. Dev
2011	50.0%	33.3%	16.7%	1.67	0.82
2012	50.0%	50.0%	0.0%	1.50	0.55
2013	33.3%	50.0%	16.7%	1.83	0.75
2014	16.7%	66.7%	16.7%	2.00	0.63
2015	16.7%	50.0%	33.3%	2.17	0.75
Average				**1.83**	**0.70**
Year	**less than 2 job rotations**	**2-3 job rotations**	**more than 3 job rotations**	**Mean**	**Std. Dev**
2011	50.0%	16.7%	33.3%	1.83	0.98
2012	16.7%	50.0%	33.3%	2.17	0.75
2013	33.3%	33.3%	33.3%	2.00	0.89
2014	16.7%	50.0%	33.3%	2.17	0.75
2015	0.0%	50.0%	50.0%	2.50	0.55
Average				**2.13**	**0.79**
Year	**less than 2 interviews**	**2-3 interviews**	**more than 3 interviews**	**Mean**	**Std. Dev**
2011	16.7%	83.3%	0.0%	1.83	0.41
2012	33.3%	50.0%	16.7%	1.83	0.75
2013	50.0%	50.0%	0.0%	1.50	0.55
2014	66.7%	33.3%	0.0%	1.33	0.52
2015	33.3%	33.3%	33.3%	2.00	0.89
Average				**1.70**	**0.62**

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Results in Table 11 showed that majority of the respondents indicated that they have conducted between 2-3 trainings, 2-3 job rotations and 2-3 interviews over the last five years, as showed by the mean scores of 1.83, 2.13 and 1.70 respectively. Beck, & Demirguc-Kunt, (2006) argued that banks that lend to SMEs recognize that the competence and experience of their staff are crucial in competing effectively for SMEs' business and for managing the credit risk inherent in SME banking. For this reason, some banks have embarked on major training programmes and addressed their efforts to professionalize SME account managers. In fact, bank staff's dealing with SMEs need a sound knowledge of entrepreneurs and their businesses in order to develop an affinity with their clients and offer them solutions adapted to their needs. The actions taken by banks include a better selection of new account managers for SMEs. They look for candidates with an adequate background and experience in small business or with entrepreneurial skills, who can be flexible and sensitive to SMEs issues.

The summary mean for each sub variable is provided in Table 12.The results show that number of job rotations has the highest mean of 2.13, meaning that it has a greater influence on growth of MSEs. Number of trainings was ranked second with mean of 1.83 then finally number of interviews with a mean of 1.70

Table 12: Summary of influence of Collateral on growth of MSEs

Sub-variable	**Mean**
Number of job rotations	2.13
Number of trainings	1.83
Number of interviews	1.70

4.4 Regression analysis

4.4.1 Influence of commercial banks' Capacity building on growth of MSEs

The results presented in table 13 present the fitness of model used of the regression model in explaining the study phenomena. Capacity building explained 4% of growth in MSEs.

Table 13: Model Fitness

Indicator	**Coefficient**
R	0.182
R Square	**0.033**
Adjusted R Square	0.030
Std. Error of the Estimate	3.58517

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant

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Table 14: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	145.531	1	145.531	11.322	**.001**
Residual	4228.777	329	12.853		
Total	4374.309	330			

Table 14 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that capacity building is good predictors of MSEs' growth. This was supported by an F statistic of 11.322 and the reported p value (0.001) which was less than the conventional probability of 0.05 significance level.

Regression of coefficients results is shown in table 15

Table 15: Regression of Coefficients

Variable	B	Std. Error	t	sig
(Constant)	5.388	0.54	9.979	0.000
Capacity building	0.656	0.195	3.365	**0.001**

Results in table 15 shows that capacity building have a positive and significant effect on the growth of MSEs ($r=0.656$, $p=0.001$). This means that a unitary increase in capacity building will lead to a decline in the growth of MSEs by 0.656 units. Demirguc-Kunt, (2006) argued that banks that lend to SMEs recognize that the competence and experience of their staff are crucial in competing effectively for SMEs' business and for managing the credit risk inherent in SME banking. For this reason, some banks have embarked on major training programmes and addressed their efforts to professionalize SME account managers. In fact, bank staff's dealing with SMEs need a sound knowledge of entrepreneurs and their businesses in order to develop an affinity with their clients and offer them solutions adapted to their needs. The actions taken by banks include a better selection of new account managers for SMEs. They look for candidates with an adequate background and experience in small business or with entrepreneurial skills, who can be flexible and sensitive to SMEs issues

The specific model was;

MSE growth $=5.388+0.656X$

Where X is Capacity building

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study concluded that capacity building has a positive and significant effect on the growth of MSEs. Capacity building of staff for preparedness is perhaps the most important task. Banks that lend to SMEs recognize that the competence and experience of their staff are crucial in competing effectively for SMEs' business and for managing the credit risk inherent in SME banking.

5.2 Recommendations

The study recommends for commercial banks to train their employees on how to handle clientele needs. Commercial banks need to embark on major training programmes and address their efforts to professionalize SME account managers. In fact, bank staffs dealing with SMEs need a sound knowledge of entrepreneurs and their businesses in order to develop an affinity with their clients and offer them solutions adapted to their needs. The actions which banks need to take include a better selection of new account managers for SMEs. They need to look for candidates with an adequate background and experience in small business or with entrepreneurial skills, who can be flexible and sensitive to SMEs issues.

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