



## **1. INTRODUCTION**

The issues of small business financing and the availability of suitable banking services are a subject of considerable interest to SMMEs and SMMEs-support institutions. This brief report examines perceptions held by SMMEs in South Africa about the extent and quality of services provided by banks on a range of factors including accessibility of bank, friendliness of banking staff, access to credit, financial advisory services, and service charges among others. Evidence from this survey shows a variation of levels of SMMEs satisfaction with their banking services. It revealed dissatisfaction in key services areas such as bank charges and financial advisory services.. The survey was conducted together the SMMEs Business Confidence Index survey which covered owners/managers of SMMEs throughout the country. Out of a sample of 1607 SMMEs owners selected for the banking survey 103 responses were received.

## **2. EMPIRICAL EVIDENCE**

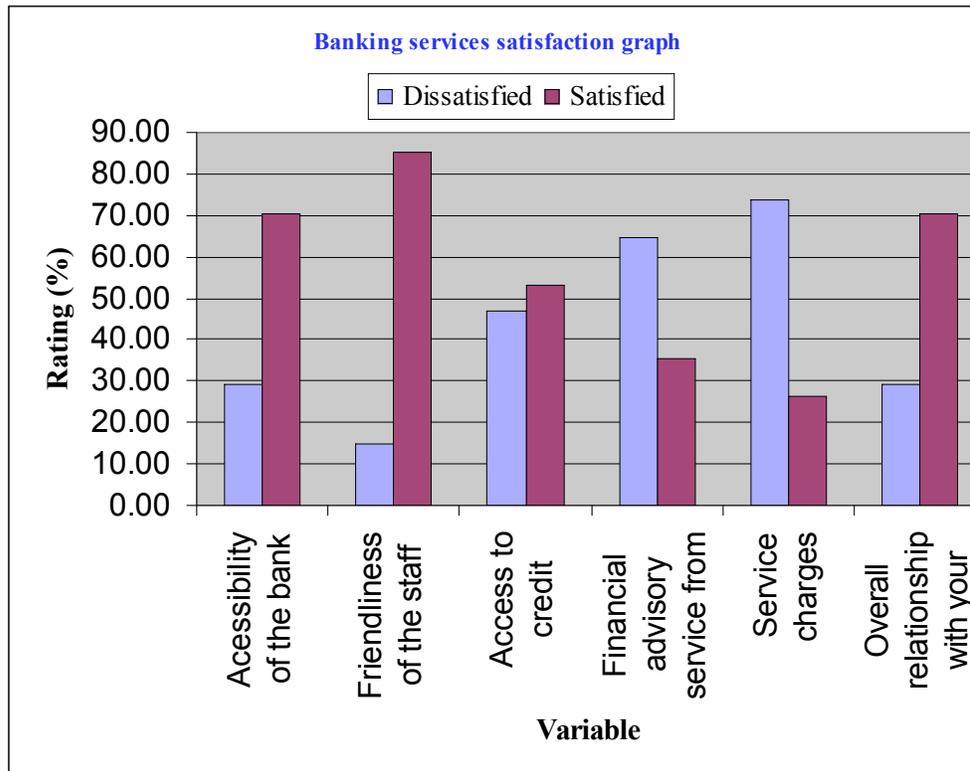
### **(a) Service Ratings**

The findings provide some interesting and important insights into SMMEs' relationships with their banks. Respondents were surveyed on six variables: accessibility of the bank, friendliness of the staff, access to credit, financial advisory service from their banks, the value vs. the service charges and the overall relationship with their banks. They were asked to indicate whether they were satisfied or dissatisfied with respect to the aforementioned variables. Below are the findings.

- In terms of the location and accessibility of the banking facilities to the SMMEs, 70.59% indicated that they were satisfied as opposed to 29.41% who stated they were dissatisfied.
- Friendliness of the staff: here, an overwhelming majority of 85.30% expressed that they were satisfied while 14.70% stated that they were dissatisfied.
- Access to credit: a moderately high number of the respondents, representing 52.94%, indicated their satisfaction whereas 47.06% expressed dissatisfaction.
- Financial advisory service: here, about 35.29% indicated that they were satisfied whilst majority of the respondents, about 64.71% expressed dissatisfaction.
- Value vs. the service charge: majority, 73.53%, were dissatisfied with the service charges whilst about 26.47% expressed satisfaction.

- Overall relationship with the bank: in this case, most of the respondents, 70.59% indicated that they were satisfied whilst the 29.42% indicated they were dissatisfied.

The following graph represents the summary of these findings.



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### **(b) Challenges**

The survey identified the following as some of the challenges faced by SMMEs with respect to banking.

- Difficulty in accessing competent banking staff on business issues;
- Petty bureaucratic procedures resulting in delays in service delivery;
- Long queues at enquiries
- Banks being not very supportive to SMMEs
- High bank charges and high demand for security

### **(c) Propensity to Change**

Respondents showed the least inclination to change when they were asked whether they would continue to operate with their banks in the next six months. While only 11.76% expressed their intentions to change banks, 88.24% indicated that despite the challenges they would continue operating with their banks.

### **3. CONCLUSION**

The findings strongly indicate that SMMEs' are generally not happy with the core services they receive from their banks. However, when asked whether they will consider changing their banks they were very reluctant to do so because they felt that the situation will be similar in other competing banks. The main worry to SMMEs is bank charges and advice services provided by their banks.

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