

Preface

This monograph on the Determinants of Bank Involvement with SMEs is an excerpt from my doctoral study at the University of Glasgow (UK). It is a comprehensive yet concise reference text that brings together all facets of SME banking theories and empirical studies in one text. This study contains the latest policy debates on money creation and credit rationing and the relative role of demand-side and supply-side factors affecting SME financing. Readers will understand the borrower-specific, lender-specific and business environment drivers of (and obstacles to) bank finance for SMEs as well as the determinants of loan contract terms, particularly the risk premium and collateral. Readers will also understand how loan officers acquire proprietary information on SMEs and apply various lending techniques, such as financial statement lending, relationship lending and credit scoring to the loan underwriting process. This monograph also features recent trends on the rise of alternative finance intermediaries such as online peer-to-peer lenders and the competitive implications for traditional banks providing loans to SMEs.

Findings from this monograph will thus be of particular interest to commercial bankers, bank-dependent small-business borrowers as well as policy makers, and researchers in central banks, development banks, development agencies and international financial institutions. First, economic policy makers can understand from this study the factors affecting lenders' decisions to lend to SMEs including the factors that affect the quantity and cost of credit available to SMEs, which are crucial for improving SME lending policies. Second, banks may especially benefit from this study as it might help them to understand the profitability and economics of their lending methods, policies and business models and how to improve their SME risk management practices. Third, it is intended that the findings of this survey will also help improve the knowledge of bank-dependent SME borrowers with respect to understanding banks' requirements and expectations for loan applicants

and users of loanable funds in order to better satisfy their banking and financial needs. The monograph can be used by academics as a textbook or supplementary material for business students taking banking and finance theory courses at undergraduate and postgraduate levels. It can also be used by institutions that offer professional courses in SME Banking. This book will also appeal to business consultants, investors, project financiers and business creditors.

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