

Banks and Companies Relationships: Evidence from the Guinea Republic in West Africa

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Abstract

This paper provides a better understanding of the relationship between banks and companies in the Guinea Republic concerning the different services that result from their collaboration and the difficulties that most companies on the verge of bankruptcy face. Financial/banking markets have become unavoidable in our socioeconomic life. Today they have become the machine of sustainability. Financial and banking institutions are the necessary canals of the impact of actors in entrepreneurial life. The financial and banking markets influence entrepreneurs' decisions and attitudes, including their business models, by setting the requirements for access to financial and banking services. This qualitative study analyses the relationship between banks and companies in the Guinea Republic. The study has adopted a case study methodology to analyze the relationship between banks and companies. The results of our study show that the relationship between Banks and companies in the Guinea Republic deserves more attention from all public and private decision-makers to make both economic sectors efficient. The significance of this research resides, to the best of our knowledge, it is the first to examine the banking-firm connection in the Guinea Republic context. Therefore, it provides essential insight. This study will inform the banks, firms, and State executives about the issues related to this relationship. The authors hope that the findings of this study and the recommendations will enable the heads of banks and companies to improve existing systems to solve the problems between the two businesses (Banks-Companies) in Guinea.

Keywords: bank, company, relationship, Guinea republic, challenge, sustainability

1. Introduction

1.1 Overview of the Guinean Economy

A coastal country in West Africa, Guinea shares its borders with six countries (Guinea-Bissau, Senegal, Mali, Sierra Leone, Liberia and Côte d'Ivoire) with 12.7 million inhabitants in 2017 and 13,497,244 inhabitants in 2021. As the country's largest employer, the agriculture sector plays a crucial role in poverty reduction and rural development, providing income for 57 per cent of rural households and employment for 52 per cent of the labor force. The real GDP of Guinea increased by 5.2%, which is higher than the 1.4% rate anticipated before the pandemic's start and just below the 5.6% pace in 2019. With significant growth in mining activity, the economy of Guinea has demonstrated resilience in the face of the global epidemic.

In addition, "On June 18, 2020, the World Bank approved additional financing of \$10.9 million to help Guinea cope with the COVID-19 pandemic. Despite this contribution from the World Bank, the coronavirus pandemic continues to negatively impact critical sectors of the country's economy following the various health measures taken by the authorities to fight the virus.

Despite these advantages, Guinea's socioeconomic indices are still poor. The country's population is 13.1 million, with a GDP of USD 15.4 billion in 2020; Guinea is at the bottom of the HDI ranking, ranking 178th out of 189 countries in 2019. According to a comparative study of the business climate in countries south of the Sahara in 2020 by Doing Business, Guinea is 122nd, far from the regional average of 80.1 for the countries of (Sub-Saharan Africa). The neighboring countries such as Burkina Faso, Gambia, Mali, Guinea -Bissau are in this ranking, all above the West African average.

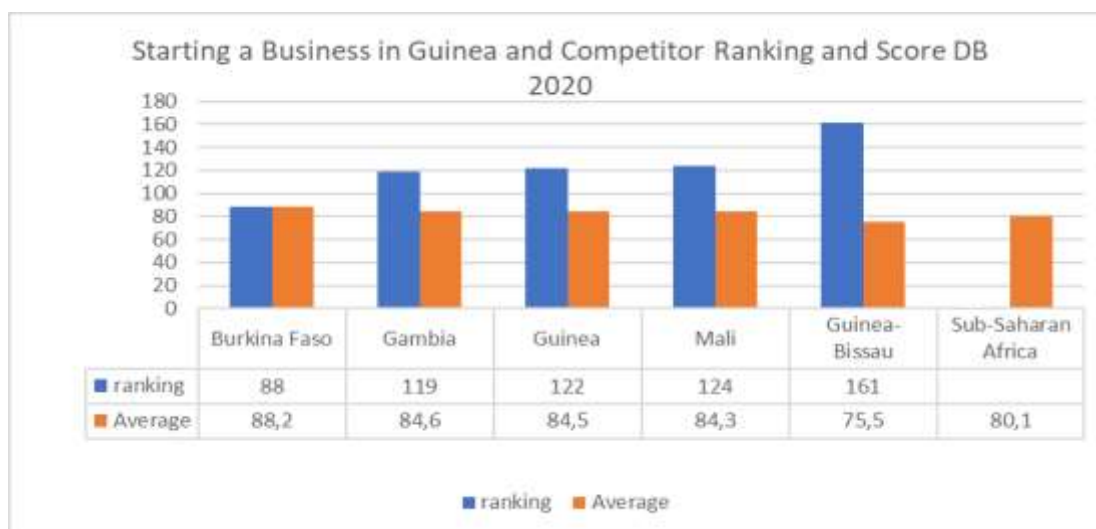


Figure 1. Ranking and Score Doing Business 2020: Creating a Business Score (Guinea & comparator economies)

Source: World Bank, *Doing business 2020*

Moreover, figure 1 above displays the statistical details of the country's status in business and economy compared with some neighbouring countries. This ranking by Doing business shows that Guinea Republic, despite all its economic potential of the soil and subsoil, the country still needs to manage to rise to the standard average of the sub-region, which is 80.1. It demonstrates that the authorities must find ways and means to ensure that the regulations in force exploit the country's resources. Nevertheless, prerequisites must not be overlooked for this desired level of development to be achieved, including the fight against corruption and clientelism and the establishment of an effective and efficient management system of national resources. For the comparison ranking of the economy, Guinea Republic has an average of 56.9: Guinea Rank: 122 (World Bank, 2020).

1.2 Business Climate in Guinea since 2014

In order to promote foreign investment and support the private sector in the country, the Guinean government, in 2013, proceeded with the installation of a one-stop physical shop to create companies and assist entrepreneurs in effectively establishing their businesses (MCIPPP, 2018). In Guinea, in four years, this policy of the Guinean authorities through (APIP-Guinea) has allowed the installation of 40,000 companies in all sectors of income-generating activities combined. They believe that meeting shareholder demands should be the primary goal of corporate governance. Because of this problem, businesses will be more open, and consumers will trust them more (Tunay & Yüksel, 2017). In the present study, we try to understand the relationship between banks and companies in the Guinean business world.

Therefore, while the business climate has improved in recent years, much remains to be done. The country ranks 156th out of 190 in the Doing Business 2020 ranking. In a bank-business relationship, the Bank can increase the firm's value by providing ongoing financing and effective oversight (Yahyaoui & Faouzi, 2013). In the Guinea context, progress in terms of the time and cost of setting up businesses is effective in the country. However, the business climate remains undermined by the weakness of the legal framework, the inadequacy of energy and transport infrastructure (only 25% of the asphalted road network, just over 1000 km of railways), administrative burdens and corruption.

Research on corporate governance has gone beyond the simple study of the relationships between shareholders and managers to go further by focusing on privileged interests related to power-sharing within companies (Yahyaoui & Faouzi, 2013). No theory exists to globally recognize and qualify the company's relationships with its partners (Ambroise, Maque, and Prim-Allaz 2014).

In addition, Guinea's good performance in the 2021 evaluation with the U.S. Department of State's Millennium Challenge Corporation (MCC) program, published on November 9, 2020, shows that the country is making progress despite some issues related to rapid development. However, with some difficulties, it could record its best result with nine (9) indicators validated against seven (7) last year. The result of implementing an ambitious reform program for the business environment and financing significant projects to improve the daily lives of Guineans is the government's responsibility. However, one should note that access to relevant information also

leads to opportunistic intervention by the Bank, which could harm the performance of firms.

Additionally, it is essential to note that a nation's transition to a contemporary innovation economy might be slowed or prevented by corporate governance distortions (Iacopetta & Peretto, 2021). Although rich in mineral, gold, and bauxite deposits, Guinea's economy primarily depends on agriculture and other rural pursuits (Saliou Ly & Dou, 2020). Despite the presence today on Guinean territory of more than 40,000 companies, most of these owners need help finding bank financing. However, due to the unavailability of reliable information on financial products available in banks regarding the debt acquisition procedure and administrative burden, they still need help regarding good relationships with the banks in Guinea. This situation is causing substantial job losses and reduced economic growth. Moreover, it will undoubtedly negatively impact the rapid take-off of the country toward the emergence desired by the population. Figure 2 presents the investigation results conducted by (APIP-Guinea) from 2014-2018.

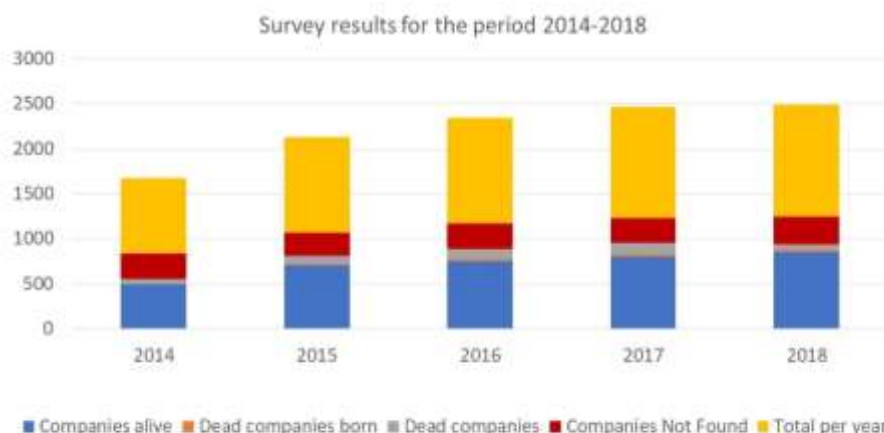


Figure 2. Survey results for the period 2014-2018

Source: APIP_Guinea 2020

It is essential to mention that business creation is not only a source of employment but also promotes the economic growth of a country. To enable companies to operate fully and safely, we need a good business climate, which is the basis of all sustainable development.

1.3 Problem Statement and Study Significance

According to the latest survey on the mortality of Guinean companies conducted by the Private Investment Promotion Agency (APIP-GUINEE) in January 2020, the connection between banks and most businesses in Guinea is not glowing. Business leaders need help obtaining credit and financing from banks to start their businesses. This State of affairs in the Guinean corporate governance ecosystem; a study by APIP-GUINEE shows that banks' financing conditions impose a specific structuring and discipline that could benefit companies' survival. This study looked at the mortality rate of companies created between 2014 and 2018. Thus for (APIP-GUINEE), this rate is a serious indicator of a country's financial health and the economic environment of companies (Y.S. Consulting, 2020). In the strategic management of enterprises nowadays, corporate innovation is an economic development engine. The occurrence of having a bank as a stakeholder is known as bank shareholding (Lai, Li, and Chan, 2020). Many factors can affect good corporate governance (Napitupulu et al., 2020), such as the organizational structure, the political State of the country and the relationship with the investment bank. Law L/2013/060/CNT of August 12 2013, on banking regulations in the Guinea Republic, sets out the rules relating to the exercise of activities and the supervision of credit institutions to support services intended to facilitate the development of businesses.

Despite the many efforts of the State for reasonable regulation of the banking sector and also to establish a good relationship between private customers, corporate customers, and banks, there is still a lot to do in the Guinean banking sector. Companies that confirm this statement face difficulty in their quest for bank loans due to the extreme conditions imposed by banks. These difficulties were also mentioned in a recent study by BILIVOGUI & FENG WENFANG 2022. Hence the importance of this present study: is to determine the true causes of good or bad relations between banks and companies, the types of difficulties encountered by companies seeking bank loans, and how Guinean banks support Guinean companies in difficult times. We hope the study will be of

paramount importance, allowing decision-making actors to review their strategies for regulating the banking sector in the context of granting credit to companies based on the present research results.

2. Research Methodology

2.1 Methodology Description

The present study has established the following boundaries to clarify the research theme: a field of study, a set date, and the visibility and investigation of the concepts. To make a specific study's research topic fruitful, ideal, and referential, a researcher might use a variety of research methodologies. This study employed a case study technique to examine the various interactions between banks and businesses, issues with corporate finance, and the needs of financial actors in the Guinea Republic regarding how they view the country's banking supervision laws. Therefore, the authors have explored the relevant databases of Guinean officials' institutions and some international ones about the topic and analyzed those data in light of the current situation of banks' and companies' relationships in Guinea. And then, the study selected fifteen (15) out of twenty-one (21) banks and one hundred (100) companies and entrepreneurs, which were surveyed to help us answer the different questions of the study on the bank-company relationship in Guinea.

The author developed a questionnaire sheet for research respondents for the field survey at the level of account managers and banks. For the first time, the study preferred direct contact and an email interview to reconfirm their answer. Secondary data are from the database of the Central Bank and the directory of companies in Guinea. These bank account managers influence the Guinean financial market for banks and their level of evolution in their respective sectors for companies. This study selected seven (7) questions for banks or bankers that allowed us to achieve the research objectives (Table 1). As for companies and entrepreneurs, the study has adopted only one main question on the relationship between banks and companies. They had the opportunity to express themselves about the research topic in general. Each question in the survey had a specific characteristic distinguishing it from one question to another.

2.2 Data Sources

The study approach to data collection adopted is a qualitative study, which was adopted by (Pope & Mays, 1995). They argued that qualitative research aims to develop concepts that help us understand social phenomena in natural (rather than experimental) settings, emphasizing the participants' meanings, experiences, and views. Following the observation and analysis of data from datasets, reports from the World Bank, the International Monetary Fund, and the Central Bank of the Guinean Republic (BCRG) on the business climate in Sub-Saharan Africa in general and in the Guinea Republic in particular, as well as the database of Doing Business. Next, let us talk about the climate for private investment and reports from the Agency for the Promotion of Private Investments. To guarantee that the findings of qualitative research are acknowledged and respected, it is essential to define qualitative research, emphasize the added value of qualitative findings, and be concerned about the calibre of the qualitative approach (Nelson, 2008). Because of this, the research approach will be meticulous in the data collection to increase the likelihood that the findings will be consistent. The authors hope that the process will make it possible to comprehend this research question and the issues raised properly. For the comparability of the data to be achievable, it will be necessary for the data gathered on the websites mentioned above to be consistent with the realities of the field of research.

2.3 Research Objectives

The present research aims to analyze the relationship between banking and enterprise in the Guinea Republic, to find out how banks maintain this relationship, make an overview of the Guinean economy, and determine the leading causes of companies' difficulties obtaining financing. Then adopt corrective measures to overcome the brake on the country's economic development.

However, the authors will respond to the following questions about conducting this research project:

- 1) How do banks manage to support companies in difficulty?
- 2) What are the challenges facing companies in Guinea?
- 3) What causes Guinean companies' difficulties with the banks?

2.4 Sample size Determination

At the end of December 2020, sixteen banks or bankers from a total of twenty-one credit institutions, including eighteen banks, one specialized financial institution, and two leasing institutions, agreed to take part in the study by answering questions about their relationships with companies in the Guinea Republic. The authors used the directory of Guinean businesses to determine the legal status of the companies they chose. After a serious study

of this directory, one hundred fifty companies were chosen to participate in our research. Of the one hundred and fifty companies, one hundred agreed to answer questions on the condition of anonymity.

2.4.1 Description of Participants (Banks and Companies)

This part of the study concerns the size of banks, and companies, the gender of participants, their age, responsibility, and educational level.

Table 1. Size of banks

<i>Size/Type</i>	<i>Total bank balance sheet (%)</i>	<i>Absolute frequency (AF)</i>	<i>Relative frequency (RF) in %</i>
Great	49,4	3	19
Average	30,7	5	31
Small	19,6	8	50
Total	100	16	100

Source: Author's Survey Compilation

Table 1 describes the statistics of the total bank balance sheet for the total number of banks in Guinea and the study's absolute and relative frequency of participants (banks). In the Guinea Republic, three majors' banks have a total balance sheet of 49.4%, an absolute frequency of 3, and a relative frequency of 19%, which makes them the most important banks in the country. For the medium category, they add up to a balance sheet total of 30.7%, an absolute frequency of 5, and a relative frequency of 31%. There are a lot of medium-sized banks, but most of them focus on a balance sheet total of 19.6%, which gives them an absolute frequency of 8 and a relative frequency of 50%.

Table 2. Legal status of companies

<i>Enterprise Status</i>	<i>Absolute frequency (AF)</i>	<i>Relative frequency (RF) in %</i>
S. A	35	35
SARL	40	40
GIE	25	25
Total	100	100

Source: Author's Survey Compilation

Table 2 shows statistics on the legal status of the companies that took part in the study. According to the Guinean Business Directory, a large majority of companies are of the limited liability company (SARL) type, followed by public limited companies (SA), economic interest groups (EIG), family businesses (EF), and large companies (GE). Statistics show that among the participants in the survey, public limited companies (SA) represent an absolute frequency of 35 or 35% of the total number of participants. Limited liability companies cumulate 40 or 40% of the participants. Finally, the economic interest groups cumulate a total of 25 or 25%.

Table 3. Business sector

<i>Sectors of activity</i>	<i>Absolute frequency (AF)</i>	<i>Relative frequency (RF) in %</i>
Service sector	60	60
Industry	13	15
Agriculture sector	27	27
Total	100	100

Source: Author's Survey Compilation

Participating businesses make up the vast majority, with an absolute frequency of 60% and a relative frequency of 60%. It includes businesses in the service industry. Most of Guinea's businesses are in the tertiary sector, which explains why they make up the majority. The industrial or secondary sectors represent an absolute frequency of 13 participants or 13%. The reason for this small weight is that the industrial sector needs a lot of resources and a highly skilled workforce. Lastly, the absolute frequency of the agricultural or primary sectors is 27, or 27% of the relative frequency.

Table 4. Gender of participants (Bankers/Corporate)

<i>Sex</i>	<i>Absolute frequency (AF)</i>	<i>Relative frequency (RF) in %</i>
Masculine	76	66
Feminine	40	34
Total	116	100

Source: Author's Survey Compilation

Statistics show that 76 participants are male and have a relative frequency of 66%, and 40 participants are female, with a total relative frequency of 34%. This low rate is because there are not many female entrepreneurs in Guinea compared to the number of male entrepreneurs.

Table 5. Age of participants

<i>Age</i>	<i>Absolute frequency (AF)</i>	<i>Relative frequency (RF) in %</i>
18_25	13	11
26_30	27	23
31_40	38	33
41_50	28	24
+50	10	9
Total	116	100

Source: Author's Survey Compilation

The study's statistics show that most participants have an age range of 31_40, for an absolute frequency of 38 or 33%. Then come, respectively, 24% (41_50), 23% between (26_30) and 18_25, or a relative frequency of 11%, and the age group over 50 years, or 9%.

Table 6. Responsibility of participants (Banks and Companies)

<i>Functions</i>	<i>Absolute frequency (AF)</i>	<i>Relative frequency (RF) in %</i>
Banks / Bankers: (Credit managers, internal controllers, account managers)	16	14
Companies / Entrepreneurs: (Manager, Junior Manager, Associate, Accountant)	100	86
Total	116	100

Source: Author's Survey Compilation

Table 6 shows that the sixteen banks that took part in the study represent a relative frequency of 14% concerning the function of the participants. The authors preferred this level's credit managers, internal controllers, and project managers. This choice makes sense because these workers are always talking to customers, looking for ways to get money. As for companies, the first choice is entrepreneurs, who are generally their company's leaders. Specifically: The general manager, junior managers, partners, and accountants. However, it has a relative frequency of 86% for every 100 businesses or entrepreneurs.

Table 7. Participants Educational Level

<i>Educational Level</i>	<i>Absolute frequency (AF)</i>	<i>Relative frequency (RF) in %</i>
High school	19	16
Ferry	32	28
University Above	39	34
N/A	26	22
Total	116	100

Source: Author's Survey Compilation

Study participants have different educational levels. In the majority, 39 participants, 34% have a university level of training and more, then comes the baccalaureate level with an absolute frequency of 32 or 28%, and those who have not answered this part (N/A) have an absolute frequency of 26 or 22%; finally, those who have a high school level of training (19) or 16%.

Table 8. Marital status of participants

<i>Marital Status</i>	<i>Absolute frequency (AF)</i>	<i>Relative frequency (RF) in %</i>
Married	70	61
Bachelor	42	36
Widower	4	3
Total	116	100

Source: Author's Survey Compilation

The majority of participants in the study have married status, for an absolute frequency of 70, or 61%; then, 36% have single status, for an absolute frequency of 42 participants, and finally, there is the widower status, which comprises 3% of participants.

3. Results

3.1 Difficulties for Companies in Terms of Financing

In the Guinea Republic, the study reveals that most companies struggle to adapt to banks' requirements for obtaining loans. In addition, this study shows that 22% of companies financed by family competition have closed their doors, compared to 12% financed by the bank. It is due, on the one hand, to family businesses' lack of adequate training in business management and, on the other hand, to the fact that they do not have a consulting structure that can help them find solutions to various problems.

Thus, the study sees a correlation between companies and banks that imposes a particular discipline in structuring companies in the context of financing. In Guinea's business environment, the results of the analysis of recent studies show that companies, whether resilient or not, in practice common difficulties, including four (4), as represented in figure 3 below:



Figure 3. Common difficulties encountered by the companies

Source: Author's Compilation

Access to finance is a significant obstacle that leads Guinean entrepreneurs to stop their activity; there are also some constraints related to the need for more explicit information on the products of financial institutions. Entrepreneurs need to learn what the banks offer them, so some companies close their doors. Another factor is the high rate of financing, which entrepreneurs consider an obstacle to obtaining credit from banks. However, it should also be noted that the complexity of the procedures for obtaining financing remains another significant difficulty in the banking ecosystem in the Guinea Republic in recent decades.

3.2 The Guinean Banking Landscape

The Guinean banking system continues to grow from year to year; according to the 2020 report of the Central Bank of the Guinean Republic, it includes 21 credit institutions, including 18 Banks, one specialized financial institution and two (2) leasing institutions. The Central Bank of Guinea regulates Guinea's Banking system, and over 95% of Guinea's commercial banks are foreign-owned (Manoj, 2019).

The Guinean banking industry is strengthening. In terms of network, we had 184 Branches and 189 AMT in 2020; the sector registered 24,270 new customers (16,480 individuals and 7,790 companies), bringing the total number of customers to 71098. The number of employees decreased by 58 people, from 2,322 at the end of 2019 to 2,264 at the end of 2020. The drop in the number of employees could explain the advent of COVID-19 and the sale of shares in one of the country's leading banks.

Guinea's active banking sector has three central banks that account for 48.9% of the sector's balance sheet total, 49.4% of deposits collected and 52.3% of loans distributed. The average Bank accounts for 31.5% of the sector's balance sheet total, 30.7% of deposits collected and 27.6% of loans distributed. Of the eight, small banks account for 19.6% of the sector's balance sheet total, 19.9% of deposits collected and 20% of loans distributed.

Despite the COVID-19 pandemic, total banking sector assets increased by 21.8% to GNF 34,218 billion at the end of December 2020, compared to the end of December 2019. The increase in the balance sheet makes it possible to consolidate the following:

- GMF's cash use of 5,062 billion (36.7%), including Treasury Bill subscriptions, which increased by 51.5%; and;
- GMF's non-cash jobs of \$1,057 billion (7.4%), including fixed assets, increased by 40.6%.

The change in balance sheet liabilities is mainly due to the 23.5% increase in non-cash resources, in particular, customer deposits (20.7%), other short-term resources (69%) and equity (9.5%). On the other hand, cash resources contracted by 21.7% due to lower advances from foreign correspondents (-41.8%) and local banks and institutions (-53.4%).

3.3 How Do Banks Manage to Support Companies in Difficulty?

Two leading players dominate economic life: on one side, the Bank and, on the other side, the company. The latter, the Enterprise, is defined as: "an economic and social structure that brings together human, material, intangible (service) and financial resources, which are combined in an organized way to provide goods or services to customers in a competitive (market) or non-competitive (monopoly) environment with an objective of profitability. A company is usually a legal structure: a company - limited, joint-stock, limited liability, corporate. For us, the Bank is a company, but not a company like any others, because of its careful management and the types of products it manages. One can affirm that the Bank is: a company that trades in money: it receives capital placed in accounts (savings or not), exchanges money, lends money at rates and for variable commissions, executes on behalf of third parties all operations of this kind and takes care of all financial services." (Zineldin, 1995; Omri & Bellouma, 2008).

The relationship that exists between these two magical actors in economic life is one of reciprocal dependence. On the one hand, the Bank is a significant source of financing for companies that turn to it, for example, in times of difficulty. On the other hand, because the services provided to businesses are not gratuitous, businesses are essential to the existence of banks. Added to this is that these same companies make deposits of funds within the banks, allowing the banks, in turn, to finance their partners in need of financing. This type of exchange of services reflects a relationship between banks and enterprises dating back a century. Therefore, this relationship is based on the financing needs of the company and the financing risk that the Bank takes. However, it is necessary to resort to specific national and international regulations, such as the Basel I and Basel II agreements and domestic legislation, for a perfect relationship between the two parties.

Being a banker means knowing how to research, analyze, and produce information about a prospect or customer. This control of information, combined with know-how in risk management, justifies the existence of a financial intermediary. The specificity of banks among these intermediaries is that they follow the management of deposit accounts (Diamond & al., 2007; Douglas, 1984), whose analysis constitutes a prosperous source of information on, at the same time, the financial situation of a customer and his financial behaviour.

Generally, the Bank preserves its interests by preserving the company's integrity in challenging times because decrying a company in difficulty could scare away its partners, shareholders, suppliers, and customers. However, the Bank can know the critical situation of its corporate client without putting it into liquidation and, at the same time, look for processes that can relieve the latter of its difficulties, such as refinancing or bank financing (short-, medium-, or long-term credit). The possession of sufficient information on the company's management (information asymmetry) allows it to assess the capacities of possible continuation. Banking decisions' signal role seems particularly important when a company is struggling. The credibility of banking decisions is paramount.

3.4 The Bank-Company Relationship According to Banks

The sampling process for the banks and companies selected should note that choice took much work, given the non-formalization of the 90% of companies located in Guinean territory. The present results of informality are significant and confident for the whole population considering, according to (APIP_Guinea,2020) data. However, the study had bet on forty (40) companies of the legal form of Limited Liability Company (LLC), thirty-five (35) Limited Companies (S.A.) and twenty-five (25) Economic Interest Groups (E.G.). Sixty (60) of the total participants of the research, thirteen (13) others in the industrial sector and twenty-seven (27) in the agricultural sector or primary sector (Table 2 & 3). Thus, the study focused on the basics of a strong relationship, the reason for agreeing or refusing credit to companies, and how banks rescue companies in difficulty.

❖ *Among other things, research questionnaire and answers collected:*

Table 9. Survey questions and Analysis

N °	QUESTIONS	PARTICIPANT'S Opinions
Q1	What foundations are a strong relationship between their Bank and their corporate clients?	70% of those in charge of affairs considered seniority a solid basis for a relationship. 20% preferred the trust between the company and its banker. And 10% on the business line of the Enterprise. This percentage of 70% suggests to us that new companies are struggling to adapt to the Guinean financial market and that banks are not paying attention to the cries of hearts of these entrepreneurs.
Q2	Do companies request the credits generally granted?	90% of the responses of our Sixteen (16) surveyed banks state that not all the requested credits one can get. This refusal is usually due to seniority, industry, or financial situation, according to the accounting documents of the Enterprise. We no doubt confirm that in Guinea, the relationship between banking and Business has not improved like most countries in the West African sub-region.

Q3	What factors can influence the decision to grant credit to companies?	In descending order, 70% of the business managers opted for: The financial health of the company; the nature of the entrepreneur (level of training, differentiation between the ownership of the entrepreneur and that of the company); the business sector of the company, the guarantees and also the region of execution of the project. We note that the financial health of enterprises is a primary influencing factor in the provision of loans to the Enterprise. In the same vein, we will say that only the financially established company benefits from a solid relationship with banks but also interest rate reductions.
Q4	What types of guarantees do they require from the company for granting credit?	65% of respondents agree that personal and real collateral is necessary for the entrepreneur to safeguard against the risk of default, i.e., the danger of non-repayment of loans leading to failure. Then, 70% of business managers claim to take into account accounting documents and financial statements to obtain information about their corporate clients. Moreover, 30% went through customers, suppliers or competitors.
Q5	What might be the reason for their breakup with one of their clients?	In the responses collected, 70% consider non-compliance with the commitments of the client company as usually the basis for a breakup between bank-company. In the same survey, 30% consider the insolvency and information asymmetry of the company as an element of breaking the bank-company relationship.
Q6	What are the failure indicators of the enterprise customers? Moreover, these failures are due to what?	Our business managers let us believe that non-payment on time, frozen accounts, requests for payment extensions, repetitive operating loss, but also poor customer relations, that is to say, with partners. They let us understand that mismanagement and not knowing the company is the leading cause of the failure of companies, but also an environmental degradation of the company is part of it.
Q7	What are the accompanying measures in the face of a company in difficulty?	For the 75%, try to contact the contractor as soon as possible to find out the fundamental basis of the problem and suggest possible solutions. The possible solutions concern the deadlines for settling debts, such as rescheduling debts, possible reduction of the interest rate, and an arrangement or relief between the Bank and the company.

Source: Author's Survey Compilation

The finding of this study shows that rescheduling loans are the most preferred way to support a company in difficulty. Only 25% of companies in difficulty benefit from credit renewal. When asked why companies support companies in challenging times, the surveyed banks let us understand that only debt recovery matters for banks. Neither the reputation nor the ties with the companies shake the banks.

Seeking to find out the reason for not supporting the company in its difficult situation, we find that the deterioration of the company's financial situation is a primary factor, but also the inadequacy of the guarantees provided by the company. In the vast majority of cases, our study shows that banks prefer liquidating troubled companies with no other rescue plan, such as the injection of new credit.

In the Republic of Guinea, the bank-company relationship has a great deal of room for improvement for the enjoyment of both sides. On the one hand, support struggling companies without discrediting them. On the other hand, those companies adapt to the significant changes in their booming environment.

3.5 The Bank-Company Relationship According to the Companies/Entrepreneurs

The creation of enterprises makes a significant contribution to the creation of jobs and the acceleration of economic growth. Understanding and analysing the external environment is essential to any influential bank & company connection and any operation of bank strategy because it enables both to adapt every aspect of their rapport to shifting circumstances (Zeldin, 1995). Indeed, a better business climate favours the development of companies and entrepreneurship, creates wealth, and builds sustainable growth. During the focus group session, the business owners also provided their opinion on the relationship between the Banks and companies in the Guinea context. We had required compliance with several criteria, namely:

- *Reasons to stay only in the context of the investigation;*
- *No speech at the moment when someone already has the speech;*
- *Thirty (30) minutes of communication per speaker.*

Among the respondents, 80% believe that they are considered if they are in an excellent financial situation; on the contrary, the Bank will neglect them or their affairs in case of bankruptcy. The 20% feel they have confidence in their Bank because of the annual results of their financial year. They then add diversity to their activities. This revelation challenges us about the premature mortality of Guinean companies. Indeed, according to a study by APIP-Guinea conducted on 5,547 companies, only 1,403 are still in business or have a business survival rate of 5%. This same study reveals that one of these companies leading causes of mortality is the poor relationship between bank financing and the complete lack of support for financing.

In addition, 75% admit to needing more confidence in their Bank, which motivates a second partnership with other local banks, microfinance institutions, family members and acquaintances for financing purposes. Only 10% admit to having one hundred per cent confidence in their Bank, and only 15% let us understand that they have a fifty per cent degree of confidence in their Bank. In addition, most of those who trust their Bank are in the industrial sector, and guarantees are much more critical than in other sectors. On the other hand, the service industry receives less from banks due to the Republic of Guinea's settlement and non-regulation of the sector.

Regarding the credit request, 90% of the respondents say that their credit request has never been successful and that those in charge do not provide genuine grounds for the rejection. Only 10% have at least once benefited from bank credit but needed support during the dirty moments of their financial management. They added that the banks' interest rates are incredibly high, up to 25% annually. One can say that the Bank-Company relationship in the Guinea Republic is to the benefit of Banks and not companies because banks would instead liquidate a company in difficulty than save it by renewing loans, reducing interest rates, or rescheduling the maturity.

Table 10. Problems raised by Guinea enterprises regarding their relationship with banks

<i>No.</i>	<i>Problems raised by Guinea enterprises regarding their relationship with banks</i>	<i>Af</i>	<i>FR%</i>
1	The short duration of credits (0-1 year)	16	16
2	High-interest rates, high administrative costs	20	20
3	Slowness in administrative procedures	13	13
4	Political Factors	21	21
5	The level of training of entrepreneurs	11	11
6	Breaking promises (Business bankruptcy)	12	12
7	Impacts of business lines	7	7
TOTAL		100	100

Source: Author's Survey Compilation

4. Discussion

The impact of bank mergers on the lending relationship and the implication of advantages, as well as the reaction of the target bank's customers to the purchase of their Bank and the subsequent changes in the banking relationship, are still not well examined in the literature (Avramidis & al., 2022). However, the findings of our study revealed that access to finance is a significant obstacle that leads Guinean enterprises to stop their activity; there are also some constraints related to the need for clear information on the products of financial institutions.

Among these problems, we can also mention the need for more clear visibility in the organizational structure of companies on the contribution or profitability of their businesses. Additionally, they need help getting bank backing or loans to implement their business plan or boost their profitability potential. Because of the information asymmetry, this idea is crucial to both the literature on firm-bank relationships and the philosophy of modern banking. The above idea is crucial to the theory of modern banking and the research on firm-bank connections because of the implications of information asymmetry (Pasiouras & al., 2021). In the bank-firm relationship, the Bank is always looking for customers it can trust and who have visibility into its business model (Omri & Bellouma, 2008).

As in the banking business, where clients regard trust as a deciding element in whether they continue or quit their relationship with their Bank, trust is essential in a high-risk and high-involvement relationship (Khan, Ferguson, & Pérez 2015). This study will extend the knowledge in bank-firm literature to the extent that it is a first in the Guinean context that we know, and it will provide the scientific world with a new insight into the Guinean bank-firm relationship and its constraints. As institutions, banks exist to aid in resolving the prevalent informational asymmetries in the loan markets. Relationships with borrowing corporations may develop not only as their logical consequence but also as the primary source of informational issues (Avramidis & al., 2022).

Understanding and analyzing the external environment is essential to any effective bank-company relationship and any execution of banking strategy because it enables the two parties to adapt every aspect of their relationship to shifting circumstances (Zineldin, 1995). The results of our study respond to the questions we asked ourselves to conduct this research; the data analysis allowed us to understand in depth the difficulties that both parties (Bank-Enterprise) encounter in their relationship in the Guinea context.

Therefore, our study also reveals the high guarantees banks require, the high-interest rate, the lack of support for companies, the complexity of administrative procedures, and banks that give credit to certain companies. However, they only sometimes assist these companies in efficiently managing these credits, negatively impacting the excellent relationship between Guinean banking institutions and national entrepreneurs. To this state of

affairs are added the limited means made available to entrepreneurs by the State and international organizations, which are insufficient to meet local entrepreneurs' demands.

Indeed, we have set ourselves the objective for this study to answer four major questions: Q1: How do banks manage to support companies in difficulty? Q2: What are the challenges facing companies in Guinea? Q3: What are the main types of failures? Q4: What are the causes of the difficulties that Guinean companies have with the banks? Our research has allowed us to understand the causes of these problems that negatively impact the banking-company relationship in the Guinea Republic. In addition, the answers from the questionnaire sent to the seven account managers (Q1 to Q7) let us understand the mechanisms put in place by banks to maintain their relationships with companies.

5. Conclusion and Recommendation

5.1 Conclusion

The purpose of this study was to determine, for the first time, how Guinean banks can keep in touch with struggling businesses, the methods by which these businesses can receive assistance, and lastly, the point at which a business is deemed bankrupt. It follows that the bank-enterprise relationship reduces to a simple intermediation relationship. That is, the Bank is mainly the provider of funds through its possible participation in the capital while influencing the company's investment decisions and financial policy, unlike some countries in the West African sub-region where the bank-enterprise relationship goes beyond simple financial intermediation.

Furthermore, a quality corporate-bank relationship allows the Bank to save on collecting reliable information and determining the necessary amount granted to companies. Consider that a firm-bank partnership closes the knowledge gap between lenders and borrowers. When that occurs, the degree of information opacity between the lending firms and their borrowers determines how much of an impact the firm-bank connection has on bank loan costs (Chandera & Setia-Atmaja, 2020). In other words, the Bank can better understand the customer's operating environment and prospects if relationships are frequent and satisfying. In this confidence perspective, the company offers advantages such as more accessible access to capital and meagre interest rates. The literature cites this as one of the primary factors influencing businesses' decisions to forge numerous connections (Pasiouras et al., 2021). Nevertheless, on the contrary, a less concentrated banking relationship reduces the Bank's incentive to make investments in the company.

The results of this paper show that the relationship between banks and firms in the Guinea Republic deserves more attention from all public and private decision-makers to make both economic sectors efficient, given many internal and external difficulties facing companies, including, among others: the high guarantees required by banks, the high-interest rate plus 25%, the lack of support for companies, the complexity of administrative procedures, and the non-support of companies in their effective and efficient management of the loans granted.

Regarding aid mechanisms for complex firms, in most cases, the Bank prefers the liquidation of non-viable undertakings to viable undertakings to preserve its financial autonomy or, in other words, to avoid the risk of the Bank's financial failure. As (Grandi & Ninou Bozou, 2022), given the ongoing discussion around banking consolidation in the European Union, it is suggested that understanding the relationship between banking concentration and loan access is all the more critical in the EU. That means the relationship between banks and firms is subject to debate in Guinea and the European Union.

Furthermore, it can be added the non-application of the texts of banking laws adopted by the State officials, as well as the limited means made available to entrepreneurs by the State and international organizations to respond to their quests for bank credit. In the same vein, the findings discovered that most Guinean companies need to learn the fundamentals of a relationship with their banking partner. Something that complicates, in most cases, the obtaining of the Bank's services. However, the study highlights the existing relationships between banks and companies in the Republic of Guinea for obtaining bank loans, notwithstanding some issues.

This research has limitations due to the sample size of credit institutions and companies selected. However, these credit institutions, sixteen (16) banks and one hundred (100) companies—are carefully selected to at least represent the accurate demography of these institutions in the Guinea Republic. Elsewhere, the impact of the corporate banking relationship could be quite different between business managers, banks, entrepreneurs, and company executives. Despite the difficult access to some classified "*secret*" data, our work could be completed and continued from different angles. In the future, research should focus on the loyalty mechanisms of corporate customers, who, until now, have had little confidence in their banks. Nevertheless, also on the management of Guinean banks' relations with SMEs, which occupy more than 90 per cent of the country's private sector.

5.2 Recommendation

Based on the findings, this paper strongly recommends that the Guinean authorities, at the highest level, put regulatory legislation capable of facilitating the acquisition of credits at a reasonable rate and providing the necessary support for local entrepreneurs. Then, national banking institutions communicate the products available at their bank level and the mechanisms for obtaining these credits. However, they also reduce the duration of the procedures for processing applications for access to credits and project financing. Companies agree to share with banks all the necessary information related to their organizational structure, mode of operation, financial status, and prospects. However, that will allow banks to have clear visibility of their activities and facilitate granting bank loans.

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