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FACTORS INFLUENCING ACCESS TO FINANCE BY MICRO, SMALL AND MEDIUM ENTERPRISES IN MERU COUNTY, KENYA

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Abstract

Micro, Small and Medium Enterprises (MSME's) have the potential to contribute significantly to economic growth and poverty reduction in a country through increased production and employment. Their survival and growth even though depends on their ability to access finance. In the Kenyan context this realization led to change of policy through the enactment into law of the MSE Act of 2012. This study is therefore an attempt to establish factors influencing access to finance by MSME'S. The study focused on the MSME's (demand side) in establishing the factors influencing their accessibility to finance. The study adopted a descriptive survey design collecting both primary and secondary data through a questionnaire. The target population was 22,451 MSME's in Meru County, Kenya. The study selected an information rich region within the target population and arrived through probability sampling to a sample of 86 respondents. The study revealed that information asymmetry, business risks and transactional costs influence access to finance. The transactional cost emerged as the most critical factor or the most significant predictor to access to finance.

Keywords: Finance, Enterprises, Business Risk, Transactional Costs, Information Asymmetry

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INTRODUCTION

According to the Economic Survey of Kenya of 2005 Micro, Small and Medium Enterprises (MSME's) offered employment to 50-70% of the employable population. Access to finance by the MSME's has been cited as a complicated affair between the financiers and the MSME's. Financial needs of entrepreneurs and small businesses are diverse and enterprise specific. Thus, generalizing the results of the few research studies on financing small enterprises available is risky, but some patterns seem to be emerging regarding enterprise's needs. In this light the researcher will limit the empirical review on finance which is just an element of capital.

According to (CGAP, 2013; Sia and Nails, 2008) the small and micro entrepreneurs have very small capital base, their starting capital is usually sourced from their meager savings, loans from friends and relatives. This in turn affects the cash flow of the business limiting the kind and level of transactions that the entrepreneur can carry out. In the startup phase of the business life cycle, small firms in developing countries often depend on informal sources of funding and tend to experience basic problems like managing cash flow through short-term loans and own savings.

A pilot study carried out in South Africa showed that most very small enterprises need a short term line of credit to weather brief (sometimes overnight) cash flow gaps (CGAP, 2013). The need for the entrepreneur to maintain a saving buffer is always advisable, because income is often unpredictable while business partners, families and friends can be unreliable. As very small businesses grow, their needs extend beyond short-term lending and savings into other financial products, such as cash transfers, long term debt, current accounts. It has further been noted that the banks and other financial institutions prefer to extend these financial products to formal and large businesses thus leaving the small enterprises underfunded.

According to Mwarari (2013), the Kenya MSME's tend to face three kinds of problems which she cites as financial support, business opportunities to be able to grow, businesses diversification and good business practices. She ranks financial support on a higher scale and continues to insist that the sector will never realize the full potential of growth if the financial challenges are not addressed. To her the age and size of the firm do play a big role in determining the capital structure of the enterprise. The availability of finances is determined by the kind of capital mixture that the entrepreneur feels will drive the business to the intended goals. Mwarari decries the discrimination meted out on the newer and smaller firms when seeking for financial support from financial institutions. On the same note she insists the need of Kenyan financial institutions to look beyond the collaterals when evaluating the financial applications from the entrepreneurs.

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As discussed in Tracy and Tracy (2007) capital is vital for setting up the business and running it. The sources of capital identified by Tracy and Tracy (2007) for small scaled business enterprises are but not limited to:

i. Family, friends, and close business associates have been one of the primary sources of capital. They have played a vital role in ensuring entrepreneurs are able to launch their business and even sustain them. This is the main source of finance in Kenya and other developing country (Mwarari, 2013). The range of capital raising options from family and friends stretches from the founders of a business tapping their own credit worthiness or resources (savings, home equity, or credit cards) to relatives or a trusted business associate stepping up with the needed seed money to launch the enterprise. Generally, this type of capital tends to be for lower financial value in terms of and usually taken in form of equity or part ownership rather than a debt due to uncertainty of success of the business.

ii. The second source of financing that a small entrepreneur may resort to as indicated by Tracy and Tracy (2007) in the business world are the large number of private capital sources available. These include venture capitals (VCs), investment bankers, angels or white knights, and similar types of private investment groups. Private capital sources come in a variety shapes, sizes, and forms, but all tend to gravitate towards a common set of criteria: The dollar size of the capital commitment is generally much larger and these groups tend to be more risk-based capital sources and look for higher returns from equity driven transactions.

iii. Debt capital sources including banks, leasing companies, government-backed programs (microfinance in our country’s context), asset-based lenders, factoring companies. For almost any debt-based need, some type of lender is readily available in the market. These groups, similar to private sources, tend to look for a common set of characteristics when extending capital in the form of debt: Security of some sort - an asset or personal guarantee, for example -must be present and Debt providers tend to look for more stable business environments where a company has been in business for an extended period of time and has a proven track record.

iv. Other means include internal mechanisms within a company. For example a company generates positive internal cash flow and reinvests this asset internally as needed. Also a company utilizes creative forms of unsecured financing from vendors, partners, customers, and so on to provide a real source of capital. On the other hand a company may looks for gifts. Governments, universities, and nonprofit

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> organizations have resources available in the form of grants, low interest rate loans (with limited downside risk), incentive credits, and so on, which are intended to be used for special interests or purposes. The general idea is to provide this capital to an organization that will use it in the best interest of the general public. (Tracy and Tracy, 2007)

HongboDuan, Xiaojie&Hongbo (2009) writing on MSME's financing point out that MSME's depend on the government owned financial institutions to access credits. This limits their source of finance and more so considering the lethargic and bureaucratic nature of these institutions. They further point out that due to lack of collaterals and guarantees the MSME's in china have found it hard to access loans from even the state controlled financial institutions thus limiting the contribution of MSME's in economic development.

Problem Statement

MSME's are a key component of the economies throughout the world. In Kenya, MSME's have the potential to contribute significantly to economic growth and poverty reduction through increased production and employment. This role has long been recognized by the Government of Kenya. Vision 2030, Kenya's long-term development plan, places a strong emphasis on the sector. One of the pillars in vision 2030 that was defined to spur growth of SME's is financial pillar that led the government to set up a youth fund for youthful entrepreneurs. However according to Youth entrepreneurship Report of 2009 by Mars Group the total government allocation stood at kshs 2.4 billion but the uptake by the youthful entrepreneurs stood at kshs 1.5 billion. Thus this study would like to establish the factors affecting MSME's access to finance.

While MSME's face many constraints, the lack of appropriate financial products and services invariably appears in surveys and analysis as one of the leading hurdles to realizing growth. Therefore this study seeks to establish whether information asymmetry, business risks and transaction cost maybe factors affecting access to finance of MSME's.

This study was guided by the general and specific objectives. The general objective of the study was to establish the factors influencing access to finance by MSME's in Meru County, Kenya. The specific objectives of the study are:

i. To investigate the influence of information asymmetry on MSME's accessing finance in Kenya.
ii. To determine the influence of risk on access to finance of MSME's in Kenya
iii. To establish the effect of transaction cost on access to finance of MSME's in Kenya

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THEORETICAL REVIEW

This study situates its arguments on credit rationing theory, market failure theory and information asymmetry theory.

Credit Rationing Theory

According to Keiding (2013) the financial institutions are mostly private entities which are guided by profit maximization objective. Contrary to this objective not all individuals who apply for financing are granted access. Thus the market for credits is not balanced through the price mechanism. Individuals may be denied credits even if they are willing to pay arbitrarily high interest rates. De Meza and Webb (1987) states that the credit market is not like the normal market where demand is equivalent to supply as the borrowers who are willing to pay higher interest rates may find it difficult when it comes to repayments.

Credit rationing is defined as a situation in which there is an excess demand for commercial loans at the prevailing commercial loan rate (Stiglitz and Weiss 1981, and Modigliani, 1969). They further identify two types of credit rationing: 1. *Pure credit rationing:* Occurs when some individual's gets loan while at the same time identical individuals with the same characteristics do not get. The identical individuals are vying at the same credit and non-credit terms; 2. *Redlining:* a situation that occurs when an identifiable group of individuals cannot access a given supply of credit at whichever rate of interest unless the credit supply is increased.

The scenario arises due to the fact according to Hodgman (1960), the borrower would be unable to repay the loan due to the increased interest rates. That is the cost of borrowing would turn out to be higher than the return on investment. Due to the cost of the loan the lender may desist from lending to a borrower who demands for credit when the interest rates are higher. With time this view was abandoned when Weiss and Stiglitz developed a better explanation where they related credit rationing to the information asymmetry that exists within the actors in the financial markets.

According to Stiglitz and Weiss (1981) theory credit rationing arises when the financial institutions realize their expected returns are below their expectations. The non-monotonic relationship between the expected returns and interest rates arises due to the following factors or reasons:

i. The adverse selection effect; occurs when the interest rates is not able to screen the capable borrowers from the rest. That is the borrowers who are able to evaluate their projects and stay within safer projects parameters. The borrowers with safer projects are supposed to drop out of the market when the interest rates

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rise beyond the expected returns. The financial institution considers the applicants going for higher interest rates more risky.

ii. The adverse incentive (moral hazard) effect; Stiglitz and Weiss argue that an increase in interest rate shifts the choice of the borrowers towards riskier projects which again puts the financial institutions expected returns at risk or higher probability of bad debts portfolio.

Credit rationing is sometimes done deliberately to cushion the financial institutions on foreseeable risks. In instances that the institutions cannot be able to mitigate risks that may arise due to the free market principles being followed the institutions may decide to ration credit however much the borrowers who demand funds are willing to pay higher interest rates. It is an example of market imperfection, or market failure, as the price mechanism fails to bring about equilibrium in the market. The imperfection refers to the absence of equilibrium in spite of willing borrowers. In other words, at the prevailing market interest rate, demand exceeds supply, but lenders are not willing to either loan more funds, or raise the interest rate charged, as they are already maximizing profits. Thus creating a link to the information asymmetry, that tends to exist between the lender and the borrower. This theory tends to explain the financing gap that may exist within the finance market.

Market Failure Theory

The proper role of banks and microfinance institutions as a starting point for the analysis of MSME's financing should be approached in light of establishing their limiting factors. The following theory justifies the reason behind the inefficient supply of finances to MSME's in the market. According to private market efficiency theory as discussed by Mendes (2004) posits that under certain circumstances private markets will allocate goods and services among individuals efficiently in the sense that no waste occurs and that individual tastes are matching with the economy's productive abilities. The hue and cry of MSME's seems to point to failure of MSME's in meeting all the requirements' as the policy of lending in financial institutions stipulates. Banks and MFIs most of them being private entity's do try and are able to provide efficient outcomes and if the MSME's were providing the right atmosphere, then there would be little or no scope of lack of finances. In many cases, however, conditions for private market efficiency are violated from the demand side through factors like information asymmetry, lack of clear risk management policy among others.

According to Marlow (1995) while discussing market failure theory he put it that under ideal conditions related to competition, information and the absence of externalities, private

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competitive markets allocate resources efficiently. For financier (debt and equity providers) to play a legitimate role the ideal conditions must be present and efficiency must be the most important criterion for directing resource allocation. "Market failure" occurs therefore when financial service providers in the markets do not allocate goods or services efficiently. The existence of market failure provides an efficiency-based rationale for concluding that MSME's are being limited in access to finance.

Information Asymmetry Theory

This theory was first introduced by Akerlof's in 1970. His argument was that in many markets the seller uses some market statistics to measure the value of the goods he is selling. In this scenario of the credit market the buyer sees the average prices of the loans (credit) in the market he is intending to buy while the seller has more intimate knowledge of each specific loan product. According to Akerlof (1970) this puts the seller at a more advantage thus able to sell goods of less than average market quality. In such circumstances the limitation of the information available to the buyer may lead to the seller offering less than average quality of goods in the markets which eventually leads to reduction in size of the market.

Information asymmetry theory assumes that at least one party to a transaction has relevant information whereas the other(s) do not. Some asymmetric information models can also be used in situations where at least one party can enforce, or effectively retaliate for breaches of, certain parts of an agreement whereas the other(s) cannot. Spence & Stiglitz (2001) demonstrated that market may break down completely in the presence of asymmetric information and the three distinct consequences emerging, adverse selection, moral hazard, & monitoring cost.

Information asymmetry has been found to increase the transaction costs. In a research conducted by Jensen and Thursbay (2001) they found that a licensee of a technology or invention sometimes incurs more cost in a bid to transfer technology from the inventor. This arises due to the fact that the inventor may retain valuable information pertinent to the invention but not contained in the patent or contract document. In the entrepreneurship perspective where there are instances of information asymmetry both the financial institution and the entrepreneur may turn to several methods to bridge this gap. The entrepreneur according to Leland and Pyle (1977) may decide to invest or to put her personal finance in the business. This is referred to as signaling or a show of commitment on the part of the entrepreneur that the business he or she wants to be funded by the financial institution is a going concern and she is in it for long term. In other instances the financial institution may go for co-financing. On the other hand the financial

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institutions have been resorting to offering financial guarantees, information brochures, branding their credit facilities all this is geared towards reducing the information asymmetry.

To further reduce the information gap between the seller and the buyer both of the parties can resort to evaluating product qualities on their own dimensions. According to Stigler (1961) products have search, experience and credence qualities which customers can use in determining whether to purchase the products. Also the sellers can build some indicators surrounding these qualities to guide the customers in their search. Stigler offers an exposition on the three qualities stating that search qualities are those characteristics that can be used to evaluate a product before purchase, experience are those characteristics that can be used only after purchase and credence is hard to evaluate even after experiencing the product. This third quality needs more than constant promotion and organizational image to maintain within the customers mind. Through this discourse we can infer that Stigler implies that repeat customers are easier to serve and are more preferred than first time buyers. This may be the reason why financial institutions prefer repeat customers.

Financial institutions are called upon to identify credence indicators that are identifiable by their customers to facilitate the evaluation mechanism by interested entrepreneurs searching for finance. Richheld & Sasser (1990) show that the reason why financial institutions prefer repeat customers is due to less cost involved in transacting business with them. The information gap between the institution and the customer has drastically reduced due to the attribute of experience. He continues to impute that firms should develop capabilities and resources within the firm that are contingent on the service qualities they are providing.

The three results of the asymmetric information syndrome on the financial or more precisely the credit market are best reflected in the sourcing of external funds by the SME's. The transaction between the borrowers offers the best example/s to study their practical implications. Most MSME's have to inevitable take recourse to the external source of financing for them to meet their objectives. The borrowed funds come with some conditions, which have to be met by parties to these transactions. Both the parties to this financial transaction have to exchange the relevant information between each other. Do, both the parties pass on the symmetric information is a moot question. It is proved by several examples in the domestic and the global finance that symmetric information is theoretical and whereas the asymmetric information is a reality.

Conceptual Framework

The conceptual framework model below shows the various factors that impede access to finance. These factors need to be addressed exhaustively for MSME's to access finance.

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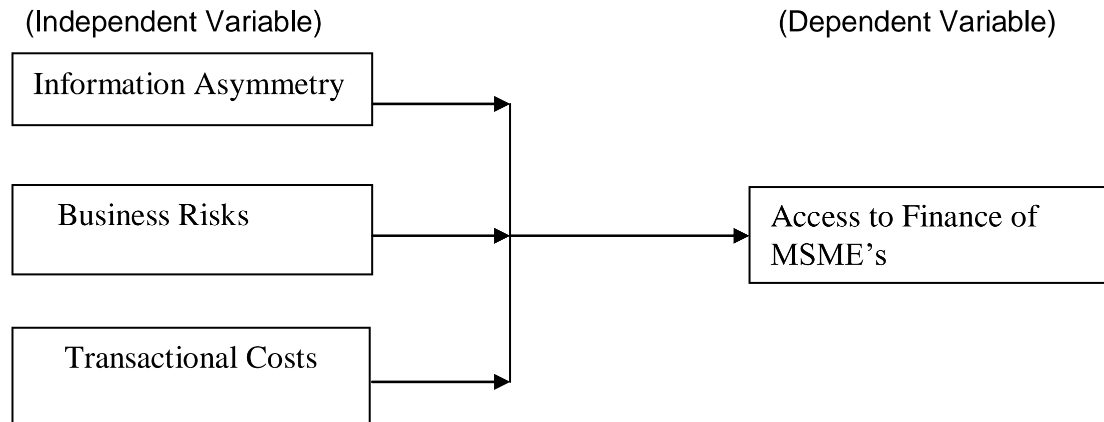
Figure 1: Conceptual Framework



Research Gap

Within the geographical context of the study, Karanja, Mwangi and Nyakarimi (2014) did a study to determine factors influencing access to credit services by women entrepreneurs in Kenya. Since they focused mainly on the supply side factors; thus their study failed to cover the demand side factors that influence access to credit services. Machira, Njati, Thiane and Huka (2014) on the other hand did a study on the accessibility of Women Enterprise Fund among small and micro women enterprises owners in Kenya. This study focused on the demographical characteristics and technical skills factors influencing access to the fund by women entrepreneurs. Wangai and Omboi (2011), also did a study on factors influencing demand for credit among small scale investors. Their study limited itself to the individual characteristics of the borrower and their influence towards access to credit facilities. Thus these studies tend to fail to capture the influence of the holistic environment in which the borrower operates in and its effect in accessing credit facilities. Therefore this study sought to establish the factors influencing access to finance by MSME's in Meru, Kenya.

RESEARCH METHODOLOGY

The study adopted a descriptive survey design. The researcher focused on the factors influencing access to finance by MSME's. The target population was 22,451 in Meru County. Out of this target population those that had consistently operated for more than five years were found to be 8,612.

According to Mugenda & Mugenda (1999), Gay (2002) and Creswell (2003), do suggest that 10% of the population is enough to be used as a sample when the population is big. Thus eighty six (86) of the total population of MSMEs who had consistently operated for more than five years were randomly sampled and subjected to this study.

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During the pilot study the reliability and validity of the research instrument were tested. The pilot group consisted of 10 individuals with the same characteristics as the sample. In this study a multiple-item measure in which each answer to each questions were aggregated to form an overall score were used to check on reliability establishing that the Cronbach's alpha at 0.74, thus confirming a high internal reliability while validity was tested through the use of content analysis. A self-completion questionnaire with closed ended questions was developed and administered to the respondents.

Quantitative data collected was analyzed by the use of inferential statistics and presented through percentages and frequencies. The information was displayed by use of bar charts and in prose-form. The study also used regression analysis to establish the factors influencing access to finance by MSME's in Meru County.

ANALYSIS & FINDINGS

Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 86 respondents from which 55 filled in and returned the questionnaires making a response rate of 63.95 %, this response rate was satisfactory to make conclusions for the study as Cooper and Schindler (2003), states that a response rate of between 30 to 80% of the total sample size can be used to represent the opinion of the entire population. The researcher conducted a correlational and regression analysis to establish the factors influencing access to finance by MSME's.

Correlational Analysis

Table 1. Correlational Analysis

Correlations					
		Amount borrowed/accessed	**Information Assemtry**	**Business Risk**	**Transaction cost**
Pearson Correlation	Amount borrowed	1.000	.225	-.144	.930
	Information Assemtry	.225	1.000	-.179	.189
	Business Risk	-.144	-.179	1.000	-.202
	Transaction cost	.930	.189	-.202	1.000
Sig. (1-tailed)	Amount borrowed/accessed	.	.040	.147	.032
	Information Assemtry	.040	.	.096	.084
	Business Risk	.147	.096	.	.070
	Transaction cost	.032	.084	.070	.

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From the table 1 we can deduce that the correlation between amount borrowed and information asymmetry is $r(51) = .225$, $p < .05$. This is an indication that there is a positive though not a very strong association between information asymmetry and amount accessed. The correlation is significant and not due to chance as $p<0.05$. The correlation between amount borrowed and business risk is deduced from the correlational table as $r(51) = -.144$, $p= .147$. This is an indication of a negative association between the two variables though very weak. The correlation is not significant as p - value is greater than 0.05.

On the other hand Table 1 on Correlational analysis indicates that $r(51) = .930$, $p< 0.05$ between amount accessed and transaction cost. The association between amount accessed and transaction cost is positive and very strong. The correlation between the two variables is significant and not due to chance as p – value is less than 0.05. This is at 95% confidence level.

Regression Analysis

A multiple regression analysis was conducted to find out the effect of Information Asymmetry, Business Risk and Transaction Cost on access to finance by MSME's. The request for information about the business by the lender, level of security by the borrower and amount borrowed were used as proxies for information asymmetry, business risk and access to finance respectively. This gave rise to the following model

$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu_i$

Where;

Y: Amount Accessed by the MSME's from a financial institution

X_1: Information Asymmetry factor

X_2: Business Risk factor

X_3: Transactional cost factor

β_0: Is the Y intercept: β_1 to β_3 are coefficients of the variables

And $\mu_i$is the error term

Table 2. Multiple Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.114	.699		4.163	.872
	Information Assemtry	.430	.381	.058	1.129	.264
	Business Risk	.280	.268	.054	1.047	.300
	Transaction cost	.625	.082	.930	17.885	.000

a. Predictors: (Constant), Transaction cost, Information Assemtry, Business Risk

b. Dependent Variable: AMOUNT BORROWED/ACCESSED

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From Table 2 above the following final regression model is constructed:

$Y= 2.144 + .430X_1 + .280X_2 + .625X_3$

From the above model, the only significant variable is transactions cost. The regression coefficient β_3= 0.625, indicates a positive relationship. The t-value is 17.885 and p-value is 0.000, which indicates that the difference is statistically significant. This means that transactional cost is a good predictor of the amount borrowed than the other predictor variables. The contribution of the transactional cost to the amount borrowed is 0.625 to each unit increase of transactional cost.

The result on transactional cost being a good predictor of amount borrowed by an MSME's is corroborated by other researches that have been conducted. The World Bank report (2001), indicates that the transactional cost as one of the major determinant of access to credit by MSME's in Africa. This is supported by Kimuyu and Omiti (2002), who found out that the interest rate, was a good predictor of the amount accessed by the MSME in Kenya. Bernejee and Duflo (2004), studied detailed information on 233 small and medium sized borrowers from a bank in India before and after being eligible to borrow and found out that they were only able to borrow when the transactional cost was subsidized. In Kenya a research carried on financial liberalization as cited in ROK (2006), reported that that a decline in the interest rate from 30.4% in 1997 to 13.2% in 2005 lend to a double increase in the lending sector. This implies that transactional cost in Kenya is a good predictor of the amount borrowed. To be able to explain the regression model results there is need to consider the model summary as represented in the table below.

Table 3. Model Summary

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.933[a]	.871	.863	.856	1.550

The result of regressing the three (3) independent variables against amount accessed by the MSME's is displayed in Table 3.0 above. It shows that R (0.933), the correlation of the three (3) independent variables with the dependent variable. After all the inter correlation among the three (3) independent variables are taken into account the R square is found to be (0.871). R^2 is a measure of how much variability in the outcome is accounted for by the predictors (independent variables). This is the explained variance and is actually the square of the multiple R $(0.933)^2$. Thus only 87.1% of the three variables influence the dependent variable. In testing the robustness of the model the researcher used the Durbin-Watson statistic. This statistic tries

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to establish the presence of serial correlation in the residuals. The value of 1.55 is nearer to 2 which is an indicator of lack of serial correlation in the residuals.

CONCLUSIONS

The research found that differences exist on the nature of information requested and availed to the financial institutions and information expected to and provided by the MSME's. This information asymmetry may be a contributing factor towards the amount of loan advanced by the financial institutions. The study concludes that information asymmetry though not a significant factor influences access to finance by MSME's.

In business risk management it was found to be an important factor that influences loan accessibility by the MSME's. This research established that 47.6% of the MSME's have high credit risk exposure due to them operating more than two loans. This raises their credit risk profile which the lenders may not be aware of. The research is consistent with the literature review that established that MSME's have poor credit risk mitigation measures.

Transactional cost has been established to be a significant predictor. This discrepancy or scenario may be construed to the need of the financial institutions in cautioning themselves from lack of access of tangible information or records on business performance of MSME's. Also to shield themselves from the poor risk management policies and procedures by the MSME's they may have increased the transactional cost according to the amount of money borrowed. All of the three research questions were supported, which were information asymmetry, business risks and transactional costs. The transactional cost emerged to be the most critical factor or the most significant predictor. This shows the importance of demand side factors in determining the amount the financial institutions take into consideration when lending MSME's.

RECOMMENDATIONS

In view of the above conclusions, the MSME's sampled in this study possess different requirements for them to access finance from financial institutions. The implication is that any attempt to improve access to finance by MSM's has to focus on these three variables.

Overall it seems that information asymmetry affected the amount accessed by the borrowers. The following recommendation is made to address this factor. The MSME's do need to change the mode of operations and how they manage information relevant for one to qualify for financing. This requires change on the way information is shared but also how it is utilized by the entrepreneurs. The information storage and exchange between the financial institutions and MSME's would create a high level of trust. The financial institutions should create a common

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platform for sharing information on the borrowers. This would minimize risks due to serial defaulters. Thus this study recommends that managers should take strong personal stands on the need for change on information collection storage and dissemination.

There is recognition of the need to train the MSME's on good business risk management practices. Thus the researcher does recommend for the MSME's to uphold the culture of record keeping coupled with simple bookkeeping to mitigate on the numerous business risks identified. This would in turn reduce the amount of time spent in processing the loan application and the number of contacts a borrower makes to the financial institution. This would in turn reduce the transaction cost of the loan. The financial institutions should be in the forefront in ensuring that the MSME's do adhere to the minimal requirements for a business to access a credit facility.

LIMITATIONS & FURTHER RESEARCH

This study is faced with the problem of generalizing the research findings to all the MSME's in Kenya. This is attributed to the diversity of environmental characteristics in the various regions in Kenya.

The research focused on the demand side of finance thus other researchers may focus on the supply side factors influencing access to finance by MSME's. This would inform us on the extent of information asymmetry experienced, risk mitigation strategies employed when lending to MSME's. This would also shed light on why transactional cost is the most significant variable among the factors influencing access to finance by MSME's.

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