Analyzing The Factors That Impede MSMES Access to Finance In Khyber Pakhtunkhwa: Case Of Peshawar And Bannu

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Abstract

Micro, small and medium enterprises are the building blocks of any economy across the globe. By and large, 40% share to GDP is contributed by the MSMEs across the world and in Pakistan as well. But unfortunately, banks just offer 7-8% of the total loans/funds to MSMEs which is pretty nominal amount. The main purpose of conducting this research study was to examine the hurdles that refrain MSMEs access to finance of banks especially in Khyber Pakhtunkhwa. For that purpose, 410 MSMEs from retailing, wholesaling, manufacturing and services sectors in Peshawar and Bannu were randomly surveyed through personally-administered questionnaires. Items of Questionnaire was partially adopted, adapted and developed so as to fulfil the needs of research study. Questionnaire of the study contained 39 items in total. Correlations, multiple regression analysis along-with normality test (Shapiro-wilk test) were conducted for analysis purpose. After analysis, researcher came to the conclusions that, low financial literacy and training of MSMEs entrepreneurs, cumbersome requirements of banks and non-credible recordkeeping by MSMEs were the main hurdles that impeded the MSMEs access to finance of banks in Khyber Pakhtunkhwa. On the basis of research findings, researchers recommended that, policymakers should take a closer look over those prescriber problems and eradicate by creating such environments of skill developments and training whereby the entrepreneurs and related workforce of MSMEs can enhance their financial know-how and skills. Furthermore, banks should restructure their loan granting requirements in such a way that MSMEs can meet those requirements easily. Lastly, MSMEs are supposed to adopt sophisticated accounting techniques and get rid of daybook approaches (i.e. Roznaamcha) so as to their business transaction records credible and ultimately get full financial access to banks.

Keywords: GDP, MSMEs, Shapiro-Wilk test. Daybook (Roznaamcha).

The evolution of small and medium enterprises started when humans began to start valuing the available resources by cultivating the fruits, veggies and grains etc. so as to survive. And that value addition to available resources took a shape of small and medium enterprises. after Millions of years of expertise in such valuable activities, construction of houses, infrastructures, food products and cloth making, modern era's businesses in the shape of small and medium enterprises came into existence. All the technologies, expertise and techniques which are available in present world is the result of such a long journey of

evolution when humans started adding values to those necessities that they needed for survival and further innovation and inventions are on the go and providing new possibilities for growth and development of industries (Evolution of SMEs, 2017). When Pakistan came into being in 1947, Pakistan was provided with scarce resources such as weak industrial units and weak infrastructure etc. As at that time, Pakistan's economy was agricultural based and industrial contribution to GDP was round about 8% and out of which 2.2% was shared by large companies while the remaining part was contributed by SMEs. The authoritative powers regarding small and medium enterprises were shifted to provinces in 1972 and as a result, Sindh small industries corporation, Sarhad industrial development board, Punjab small industries corporation were formed and they started their leading roles. In case of Baluchistan, all the authority regarding the SMEs was shifted to industries department (Kamal, 2009). It is an undeniable fact that small and medium enterprises are very crucial for the economic development and sustainable growth of the nation all over the world because SMEs act like a facilitator in economic development of emerging economies, all over the world (Obokoh, 2008). Small and medium enterprises are playing their exclusive part in creating jobs, socio-economic development all over the world (Ladzani & Vuuren, 2001).

A big example is United states of America (U.S) where micro, small and medium enterprises have reshaped the whole economy by creating lots of jobs, introducing innovative services and products and opened a new chapter of foreign markets that totally gave United States a leading edge in the world of business (Scarborough & Zimmerer, 1996). It is a fact that unemployment rate has dropped down in many countries around the globe in these modern days just because of small and medium enterprises (Yilmaz, 2014). The role of micro, small and medium enterprises (MSMEs) in Japanese economic development is noteworthy as those MSMEs provided lots of opportunities of jobs creation, for the betterment of Japanese people and for other economies of the world so as to operate there (Ministry of International Trade and Industry, 1997). Although the micro, small and medium enterprises (MSMEs) in Taiwan have weak structure, scarce resources and small scaled but still they contribute 98% to the nation GDP and thus making their huge contribution economic development of Taiwan by creating numerous jobs social stability of Taiwan (Scarborough & Zimmerer, 1996). It is believed by some researchers that entrepreneurs have a crucial role so as to fully implement the plan of United nations regarding economic development of millennium (Alvarez and Barney, 2014). Therefore, the development of micro, small and medium enterprises sector cannot be ignored because that sector has the potential to create employment, process the raw material and semi-finished goods for large enterprises and huge contribution to GDPs of world economies (Udechukwu, 2003). Despite the developmental role of small and medium enterprises in

emerging economies, they are refrained from accessing fines/funds, they face capital retention problems as they have small capital bases (Ngehnevu & Nembo, 2010). But unfortunately, most of small and medium enterprises are shutting down and weakened due to smaller access to finance/funds of banks (small and medium enterprises finance, 2015). Commercial banking sector usually give their first priority for lending their money to large-scaled companies which they seem as more trustworthy and this is the case in many countries of Africa. Commercial banking sector usually refuse the small and medium enterprises sector while lending the loans because they see SMEs sector as riskier when offering loans (Aryeetey, 2008). In those countries which are in development phases, SMEs are showing their beneficial presence in development of those economies. 60% jobs 40% of total GDP in emerging and transition economies are being contributed by Small and medium enterprises. Round about 0.6 billion jobs are required in the next two decades so as to meet the worldwide requirements for workforce especially in Saharan Africa and Asia, according to our approximations (Small and medium enterprises finance, 2015). Large organizations are more likely to get financing from banks than small and medium enterprises. SMEs hardly get funds or financing through internal sources such as from friends, family so as to start new businesses. It is estimated that, round about 50% of small and medium enterprises are unable to access finances/funds of banks and that percent will even be more shocking if both registered and unregistered SMEs are calculated. By and large 70% of small micro and medium enterprises (SMMEs) are unable to get access to banks financing in emerging economies. That lack of access to financing varies from country to country but Asian and African countries are suffered more. The registered small and medium enterprises around the world need financing of $1.2 trillion and if both registered and unregistered SMEs are counted then they require round about $2.6 trillion which simply means that SMEs lack that much amount for financing (Small and medium enterprises finance, 2015). With context of above discussion, it is very crucial to find and analyse those impediments that are being faced by the micro, small and medium enterprises (MSMEs) in success to finance. For that purpose, it is necessary to evaluate the present situation of micro, small and medium enterprises and recommend the fruitful solutions so to eradicate those hurdles which in turn will definitely improve the MSMEs access to finance of banking sector and hence boost their financial health and make their sustainable growth possible.

A very devastating situation prevails and it is important to mention that a nominal share of 7-8% in total finances/funds of banks is granted to MSMEs sector while MSMEs constitute 95% of total enterprise of Pakistan. Large share of total funds/finances is being offers to corporations (Tawab, 2016). A research study should be conducted so as to find the obstacles faced by the MSMEs entrepreneurs in accessing

the finance/funds of banks and after then to come up with fruitful recommendations for solving that dilemma.

Current study covers the area of MSMEs and researcher of current study will examine the impediments hindering in the way of MSMEs growth because access to funds/finance is a nightmare for that sector. Fruitful recommendations will be furnished which will definitely help the stakeholders so as to cope with that dilemma and flourish the MSMEs sector.

Literature Review

Financial Literacy, Training & MSMEs Access to Finance:

People usually misperceive the financial education as business education while in reality it is not the case. Financial education teaches lots of skills regarding finance that helps entrepreneurs to make and take decisions for managing their investments in the right way (Nelson and Wambugu, 2008). Ganbold (2008) conducted his research study on the financial access of small and medium enterprises of Mongolia. Lower level of knowhow of SMEs high ups regarding financial access to banks, irregularities of information and risk factor, small and medium enterprises. They concluded that, SMEs with lack of financial know-how had lower access to financing than larger organizations. Kefela (2010) conducted his research study on the encouragement of financial access of consumers to banks by endowing the financial education/know-how of consumers in developing economies. Researcher stated that, financial education is very important because it will increase the financial access of consumers. Wachira & Kihiu (2012) worked on the effect of financial education on the financial access of families in Kenya. They stated that uneducated people which are constrained from financial access of banks should be given financial education so as to inverse the trend by plunging the investment in financial education program. Korutaro Nkundabanyanga, Kasozi, Nalukenge and Tauringana (2014) conducted their research study on the relationships between banks condition for lending credit, financial knowledge and financial access of small and medium enterprises to banks. They stated in their study that, a significant and positive relationship was proved between financial knowledge and financial access of small and medium enterprises to banks. Ahmed et al. (2015) worked on evaluating the role of technology in making the financial access of small and medium possible. They founded that, financial education along with other factors was responsible in constraining the financial access of SMEs. Abubakar (2015) conducted his research study on the financial education and development of entrepreneurs in Africa. After analyses it was found that, financial literacy and training was a big hurdle for SMEs in Africa. Osano & Languitone (2016) conducted a research study on the obstacles that hindered the small and medium enterprises from financial access in

Maputo, Mozambique. They founded that, knowledge about financial opportunities had a direct relationship with financial access of small and medium enterprises. Adomako, Danso, Ofori and Damoah (2016) worked in their research study on the moderating effect of financial education on the association of business growth of small and medium enterprises and their financial access in Ghana. After analyses it was found that, financial education had a significantly positive effect on the financial access and business growth of small and medium enterprises. Chowdhury & Zahurul (2017) worked on the obstacles that refrained the small and medium enterprises of Bangladesh from financial access of banks. After analyses they came to the conclusion that, training and education of entrepreneurs was proved to be the hurdle that refrained small and medium enterprises for financial access of banks. Rao, Kumar, Gaur and Verma (2017) worked on the perceptions of entrepreneurs of Indian small and medium enterprises regarding financial access. They founded that, absence of knowledge about financial products of banks had no effect on the financial access of small and medium enterprises to banks. Okello Candiya, Bongomin, Mpeera Ntayi., Munene, & Akol, Malinga (2017) worked on the association between growth and financial access of small and medium enterprises in developing countries. They concluded that, the moderating effect of financial knowledge on the growth and financial access of small and medium enterprises was significantly positive. Njue & Mbogo (2017) worked on Kenyan SMEs regarding their financial access to products of banks. They concluded that, low level of financial know-how had a negative impact on SMEs access to finance. Naegels et al. (2018) conducted their research study on the financial access of female entrepreneurs in Tanzania. After analyses of the data, it was found that, female businesswomen had a perception that they weren't financially illiterate and therefore they might be refrained from full financial access. Based on above discussions, following hypotheses were drawn:

H1: *Financial Literacy and Training is a significant hurdle for MSMEs access to finance.*

Cumbersome Requirements & MSMEs Access to Finance:

The effects of cumbersome requirements (such as interest rates, short payback periods, guarantors, mentors, collateral requirements and complex application processes) on financial access of MSMEs entrepreneurs have been discussed in this part of literature. Ahmed et al. (2015) worked on evaluating the role of technology in making the financial access of small and medium possible. Researchers came up with conclusions that, lack of collaterals was the factor that refrained SMEs access to finance. Lee et al. (2015) conducted their research study on the financial access of innovative small and medium enterprises after financial crunch. They stated that, credit conditions were more tough for non-innovative small and medium enterprises than the innovative ones in

financial crunch. Osano & Languitone (2016) conducted a research study on the obstacles that hindered the small and medium enterprises from financial access in Maputo, Mozambique. They found that, collateral requirements had direct relationship with financial access of SMEs. Frid, Wyman, Gartner and Hechavarria (2016) conducted their research study on financial access of financially weak entrepreneurs in United states of America. Researchers concluded that, financially weak entrepreneurs had limited access to finance of banks and they received low credit when they applied for loans. Such inequality between financially weak and financially strong entrepreneurs was prominent as far as loans of banks were concerned. Obokoh, Monday & Ojiako (2017) conducted their research study on the financial access of small and medium enterprises to microfinance banks in Nigeria. After analysis it was found that, cumbersome requirements of banks such as high interest rates charged by banks were the factors that impede SMEs from financial access of banks. Chowdhury & Zahurul (2017) worked on the obstacles that refrained the small and medium enterprises of Bangladesh from financial access of banks. Researchers stated that, collateral requirements and high interest rates were the hurdles that restricted small and medium enterprises from financial access of banks. Rao et al. (2017) worked on the perceptions of entrepreneurs of Indian small and medium enterprises regarding financial access. They found that, Hurdles that refrained the entrepreneurs of small and medium enterprises in accessing loan of banks were cumbersome processes of banks for granting loans and high interest rates.

Pham (2017) worked in his research study on the factors that refrain the small and medium enterprises from accessing finance of banks in Phu Tho province of Vietnam. Researcher concluded that, 64 percent of newly established small and medium enterprises had no access to finance of banks due to cumbersome requirements of collaterals and high interest rates. Van Klyton & Rutabayiro-Ngoga (2017) worked on the small and medium enterprises access to finance and prevailing values in Rwanda. After analyses, they came up with research finding that, tough requirements of collateral were the cause that hindered small and medium enterprises from full financial access. Liang, Huang, Liao and Gao (2017) conducted their research study on the impacts of loan provided to small and medium enterprises and credit guarantee on the efficiency of banks in South Korea. After analyses it was found that, if banks are ensured with guarantors by small and medium enterprises, then it will definitely increase the cost efficiency of banks. Nyaga (2017) conducted their research study on the factors related to financial access of small and medium enterprises in Kenya. After analyses of data it was found that, collateral requirements and other cumbersome requirements of banks were positively related to the constrains of financial access of small-scaled dairy farmers to banks. Njue & Mbogo (2017) worked on Kenyan SMEs regarding their financial access to products of banks. According to their results of study, factor that had an impact on financial

access to banks by small and medium enterprises collateral requirements of banks that shown a negative impact on the financial access of small and medium enterprises to banks products and they were responsible for hindering the SMEs from accessing finance of banks. Matamanda & Chidoko (2017) compiled a research study on Zimbabwean firms regarding their financial access to banks. They concluded with the results that the obstacle that hindered small and medium enterprises from accessing finance was the unavailability of collateral requirement. Pham & Talavera (2018) worked on the gender discrimination, obstacles in financial access of small and medium enterprises and social capital in Viet Nam. After analyses it was found that, women entrepreneurs had high chances to get financial access of banks with low interest rates than male counterparts as requirements of banks were not that tough for female entrepreneurs as compared to male counterparts. Naegels, Mori and D'Espallier (2018) conducted their research study on the financial access of female entrepreneurs in Tanzania. After analyses of the data, it was found that, female entrepreneurs often perceived high interest rates, guarantor requirements and collateral requirements as hurdles for them in accessing funds of banks. Based on literature discussed above, following hypotheses were designed:

H2: *Cumbersome processes/requirements of banks are significant hurdles for MSMEs access to finance.*
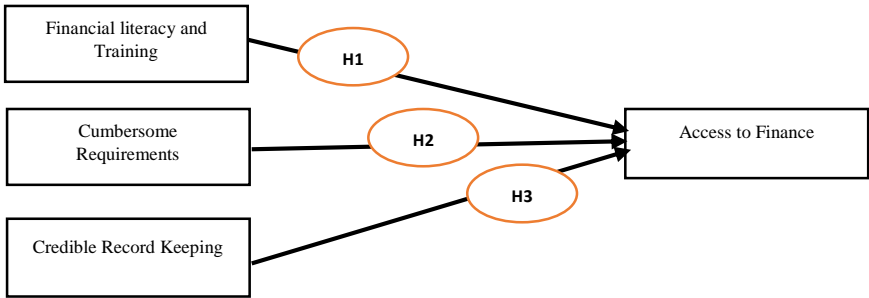
Credible recordkeeping & MSMEs access to finance:

Credible recordkeeping literally means using such techniques that may lead to trustable business transactions record. Ansong et al. (2017) stated in their stated that, if the managers of small and medium enterprises adopt and implement the recording keeping techniques of business transactions, then it will portray the good will or good reputation of the firm which in turn will make it possible of that firm to get full access to finance/funds of banks. Ganbold (2008) conducted his research study on the financial access of small and medium enterprises of Mongolia. He founded that, irregularities of business information hindered SMEs access to finance. Developing countries are far more affected than developed ones regarding financial access of banks. Ahmed, Beck, Mcdaniel and Schropp (2015) worked on evaluating the role of technology in making the financial access of small and medium possible. Researchers came up with conclusions that, factor that was involved in refraining the financial access of small and medium enterprises was proved as non-credible recording keeping by small and medium enterprises, Gabriel (2015) investigated the factors that may have impact on the financial access by SMEs in Kenya, in the division of Westland. He came up with conclusion that, the gap that is present between SMEs and large organizations in perspective of accessing loans of banks must be reduced as much as possible by practicing sophisticated financial records.

Rao et al. (2017) worked on the perceptions of entrepreneurs of Indian small and medium enterprises regarding financial access. They found that, Hurdles that refrained the entrepreneurs of small and medium enterprises in accessing loan of banks was proved as low standard business information provided by small and medium enterprises. Quartey, Turkson, Abor and Iddrisu (2017) conducted their research study on the growth of small and medium enterprises and the hurdles for small and medium enterprises in the economic community of west African states. They discovered that, financial access of small and medium enterprises is determined by the worthiness of business information regarding firms. Ansong, Agyei & Marfo-Yiadom (2017) conducted the research study to find whether creditors prefer the reputation of enterprises in Ghana or not while granting loans. It was found that, the reputation of the firm had significant and positive impact on the financial access to banks. It means that, if the managers of small and medium enterprises adopt and implement the recording keeping techniques of business transactions will make it possible for those firm to get full access to finance/funds of banks. Ferrando, Popov & Udell (2017) worked on the financial access of small and medium enterprises and the sovereign stress. After analyses it was found that, those small and medium enterprises which were having credible business record were allowed to access the funds of banks.

Carvalho (2017) worked on the impacts of loans granted by banks on the capital structure of small and medium enterprises in Europe. After analyses through probit model it was found that, the levels of leverage of small and medium enterprises can be increased and decreased by enhancing the credit history of small and medium enterprises according to their demands. Kanyare & Mungai (2017) worked on the business performance of retailing SMEs and their financial access to banks in Kenya. They sated that, small and medium enterprises should reach their business to the level that they enable their business to fulfil the requirements of banks by maintaining credit business records so as to get full access to finance. Nyaga (2017) conducted their research study on the factors related to financial access of small and medium enterprises in Kenya. Researcher stated that, small-scaled dairy farmers should make it possible to adopt credible bookkeeping so as to get full financial access to banks. Matamanda & Chidoko (2017) compiled a research study on Zimbabwean firms regarding their financial access to banks. They found that, irregularity of information regarding small and medium enterprises was proved to be a factor that refrained them from full financial access of banks. Based on above literature, following hypothesis is formulated:

H3: Credible recordkeeping is a significant hurdle for MSMEs access to finance.

Research Methodology

Research Design

Current study is cross sectional and descriptive in nature because the variables used in current study are compiled so as to find the phenomena of obstacles faced by the entrepreneurs of MSMEs in accessing funds or financing. Data to be used in present study will be primary and secondary in nature. Primary data was gathered through questionnaires while secondary data might be collected from Khyber Pakhtunkhwa small industries development board (KPSIDB), SMEDA, newspapers, research papers, conference proceedings, and other online sources etc. Three independent variables (i.e. financial literacy & training, cumbersome requirements, credible recordkeeping) and one dependent variable (as access to finance) were included in existent study. Data gathered through questionnaires was analyzed through correlation matrix, normality test, multiple regression analysis, and tables.

Population and Sample Size

Researcher has selected the MSMEs of Khyber Pakhtunkhwa province as target population. And after then, MSMEs located in two districts of Khyber Pakhtunkhwa were being selected as a sampling frame which are Peshawar and Bannu. Micro, small and medium enterprises (MSMEs) located in those two districts will be surveyed by the researcher for current study. Respondents Sample size selection was a difficult task to do because a question arises in mind regarding its range i.e. how much should a size be? But this problem was solved by Malhotra and Birks (2000, p.409) and they stated that, a sample size of 200-2500 respondents is best enough to address any phenomena. So the researcher of current study surveyed a sample size of round about 410 respondents.

Instrument of Survey

Questionnaire of present study has 39 questions in total that covered all the three independent variables. 15 questions asked about demographics, banking services profile and business profile while 24 were constructed to cover all the three independent variables and one dependent variable. Items of Questionnaire were partially adopted and adapted from research studies of Njue & Mbogo (2017), Wchira & Kihiu

(2012), Beck & Kunt (2006), Van Hulten (2012) and Pham (2017 and developed with experts' team so as to fulfil the needs of research study.

Results and Discussions

Demographic Profile

Demographic profile part of questionnaire consisted of nine questions. First question was asked about the gender of entrepreneurs and it was found that, 264 (64.4%) entrepreneurs were male while 146 (35.6%) were female counterparts. Similarly, respondents were asked about their age and it was found that, 106 (25.9%) entrepreneurs aged between 18-35 years, 201 (49.0%) entrepreneurs ages range was in between 36-55 years and 103 (25.1%) entrepreneurs were above 55 years. Entrepreneurs were asked about their mother language and it was known that, 178 (43.4%) entrepreneurs were Pashto speakers, 132 (32.2%) were Urdu natives while 100 (24.4%) entrepreneurs were speaking languages other than Pashto and Urdu. Entrepreneurs were asked if they could speak and understand languages other than their native languages and the it was found from total responses that, 113 (27.6%) entrepreneurs could just comprehend and speak languages one language while 297 (72.4%) entrepreneurs were able to speak and understand more than one language. Entrepreneurs were asked about their ethnicity and it became clear that, 410 (100.0%) were Muslim while researcher didn't find non-Muslim entrepreneurs. Entrepreneurs were asked about their educational level and it was found that, 344(83.9%) entrepreneurs were literate while 66 (16.1%) were illiterate. Entrepreneurs were asked about business training or business degree and it became clear from overall responses that, 40 (9.8%) entrepreneurs had attained either training or got business degrees while 370 (90.2%) entrepreneurs hadn't. After then, entrepreneurs were asked if their business were inherited to them, it was found that, 158 (38.5%) entrepreneurs had inherited businesses while 252(61.5%) entrepreneurs were self-made businessmen/businesswomen. Entrepreneurs were asked that for how long have their businesses been in operation, it was clearly found from overall responses that, 91 (22.2%) businesses had been operating since 0-2, 122 (29.8%) businesses from 3-5 years, 58 (14.1%) from 5-10 years whereas 139 (33.9%) businesses had been in operations for more than 10 years.

Reliability Testing

Cronbach's alpha is the broadly/commonly used measure of testing the reliability of data (Cortina, 1993). 410 surveyed questionnaires were analyzed. All of the Cronbach's alpha values for present research study ranged from 0.703 to 0.806 that represented the reliability of the data. In other words, that range presented the goodness of data and acceptance for further analysis.

Table 1. *Reliability Statistics*

Variables	N of items	Cronbach's alpha
Financial Literacy & Training	6	0.714
Cumbersome Requirements	8	0.703
Credible Recordkeeping	5	0.806

Validity of the Construct

In order to validate the construct for measuring respondent views about financial literacy & training, cumbersome requirements and credible record keeping Confirmatory factor Analysis (CFA) through SPSS_AMOS was performed. As the construct is measuring three different but inter connected factors having various items. Results of CFA indicate that the three factor model of MSME's are loaded well on their relevant factors. The values of (x^2/df= 2.303), (CFI= .91) and (RMSEA=.01642).

Table 2. *Fit Indices of 3 Factor Model of hurdles for MSME's*

Factor	x^2/df	GFI	NFI	CFI	AGFI	RMESA
Hurdles for MSME's	2.303	.942	.897	.903	.906	.01642

Most important assumption of CFA are to determine its convergent and discriminate validity. In this regard we also follow the statistical procedure approved by Fornell and Larcker (1981). According to the statistical procedure PVC valves explain the proportion of various number of items in any factor. The PVC indices for three factors are given below

PVC value for Financial Literacy & Training (FLT) is 0.60
PVC value for Cumbersome Requirements (CR) is 0.52
PVC value for Credible Record Keeping (CRC) is 0.46

In the preceding step we also assess the shared variances among the three factors of hurdles faced by MSME's. Results from table (4.4) indicate that there is no higher correlation among the variables. Hence the construct can be used for further analysis. Finally the reliability of the variables also investigate through Joreskog Rho value. The values of Joreskog Rho for (FLT) is (0.80), CR (0.71), CRC (0.73).

Table 3. *Convergent and Discriminate Validity*

	FLT	CR	CR-C	Construct Reliability (CR)
FLnT	0.60			.80
CR	0.49	0.52		.71
CR-C	0.38	0.34	0.46	.73

FLnT= Financial Literacy and Training; **CR**= Cumbersome Requirement;
CR-R= Credible Record Keeping.

Normality Tests

Normality of the data is a preliminary step for conducting parametric tests in statistical measures. that include t-tests, ANOVA, regressions and correlation matrix (Field,2009, pp.822). Shapiro-Wilk test is vastly commended by the researchers for testing the normality of the data, but along with that graphical examination must also be included (Ghasemi & Zahediasl, 2012).

Table: 4. *Descriptive Statistics*

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
FLnT	410	3.6136	.008	.121	-.187	.240
C.R	410	3.4323	.032	.121	-.126	.240
CR.R	410	3.3942	.053	.121	-.061	.240
ATF	410	3.6505	.041	.121	-.065	.240
Valid N (list wise)	410					

Skewness and Kurtosis

According to the results, the skewness indices of FLnT (0.008), C.R (0.032), CR. R (0.053) and ATF (0.041) are within the range of normality (+0.242 and -0.242) and the kurtosis indices for FLnT (-0.187), C.R (-0.126), CR. R (-0.061) and ATF (-0.65) are within the range of normality (+0.48 to -0.48). All results prove the normal distribution of the data. Results are shown in table (4.5).

Table: 5. *Tests of Normality*

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	Df	Sig.	Statistic	df	Sig.
ATF FLnT		.049	410	.021	.993	410	.058
	C.R	.043	410	.067	.996	410	.420
	CR.R	.038	410	.170	.997	410	.612
a. Lilliefors Significance Correction							

Shapiro-Wilk Test

As discussed above, Shapiro-Wilk test has been conducted on the data to the normality of outcome variable (i.e. ATF) across all the predictor variables (i.e. FLnT, C.R, CR. R). According to results, p-values of FLnT (0.058), C.R (0.420) and CR. R (0.612) are above 0.05 which means that the data is normally distributed.

Table 6. *Correlations among Variables*

		FLnT	C.R	CR.R	ATF
FLnT	Pearson Correlation	1	.621**	.615**	.761**
	Sig. (2-tailed)		.000	.000	.000
	N	410	410	410	410
C.R	Pearson Correlation	.621**	1	.535**	.752**
	Sig. (2-tailed)	.000		.000	.000
	N	410	410	410	410
CR.R	Pearson Correlation	.615**	.535**	1	.707**
	Sig. (2-tailed)	.000	.000		.000
	N	410	410	410	410
ATF	Pearson Correlation	.761**	.752**	.707**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	410	410	410	410

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations Analysis

It should be noted that, the items of instrument were designed in reversed order so as to fulfil the needs of the study by letting all the predictor variables in line with outcome variable, so the results were interpreted accordingly. According to results, the correlation value between financial literacy and training (FLnT) and access to finance (ATF) was $0.761^{**\ (p\ \leq\ 0.01)}$ which means that, there was a significantly positive relationship between FLnT and ATF. Similarly, the correlation value between cumbersome requirement (C.R) and access to finance (ATF) was $0.752^{**\ (i.e.\ P\ \leq\ 0.01)}$ which means that, there was a significantly positive relationship between C.R and access to ATF. Last result in the table shows that, the correlation value between credible recordkeeping (CR. R) and access to finance (ATF) was $0.707^{**\ (i.e.\ p\ \leq\ 0.01)}$ which means that, there was a significantly positive relationship between CR. R and ATF. Correlations results are shown in table (4.7).

Regression Analysis

In multiple regression the effect of more than one predictor variables on the outcome variable is analysed in social sciences research studies (Sekaran & Bougie, 2013, pp.315-317).

Table 7. *Coefficients and Collinarity Information's*

Model		95.0% Confidence Interval for B		Collinearity Statistics	
		Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.223	.195		
	FLnT	.261	.389	.503	1.989
	C.R	.357	.499	.577	1.733
	CR.R	.236	.367	.584	1.712

a. Dependent Variable: ATF

Tolerance and Variance Inflation Factor (VIF)

Commonly used measures for analyzing the multi-collinearity issue are Variance inflation factor and tolerance values. 10 is the cutoff value for variance inflation factor and 0.10 is for tolerance. (Sekaran and Bougie, 2013, pp.319). According to the results, VIF values for FLnT (1.989), C.R (1.733) and CR. R (1.712) are below 10 and tolerance value is 0.419. Similarly, tolerance values for FLnT (0.503), C.R (0.577) and CR. R (0.584) are above 0.10 which means that multi-collinearity issue doesn't exist between predictor variables. Results are shown in table (4.8)

Table 8 *Multiple Regression Analysis Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.869[a]	.756	.754	.41405

a. Predictors: (Constant), CR.R, C.R, FLnT

According to the results, the R-square in model summary shows that the model used in present research study explains 86.9% variance in the dependent variable is caused by the independent variables of research study which is statistically highly significant. So the data is reliable to be analyzed. Table 9 describes the model summary.

Table: 9: *ANOVA*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	215.688	3	71.896	419.372	.000[b]
	Residual	69.603	406	.171		
	Total	285.292	409			

a. Dependent Variable: ATF, b. Predictors: (Constant), CR.R, C.R, FLnT

According to the results mentioned in ANOVA table (4.11), the data is statistically significant because the p-value is 0.00 which is below alpha-value 0.01. This also shows that, hypotheses of present research study are acceptable but this alone doesn't clear the picture regarding all of the hypotheses of study i.e. which hypothesis to accept and reject. So the significance levels for each variable in coefficients table will be examined. Figures of ANOVA are shown in table. 4.10)

Table 10. *Multiple Regression Results*

Model	Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	-.014	.106		-.132	.895	-.223	.195		
FLnT	.325	.032	.346	10.003	.000	.261	.389	.503	1.989
C.R	.428	.036	.382	11.848	.000	.357	.499	.577	1.733
CR.R	.301	.033	.290	9.043	.000	.236	.367	.584	1.712

a. Dependent Variable: ATF

According to the results, the p-value for FLnT is 0.00 which is less than 0.05 (alpha-value) and this means that, FLnT has a statistically significant contribution to ATF, so the hypotheses H1 is accepted. The p-value for C.R is 0.00 which is less than 0.05 (alpha-value) and this means that, C.R has a statistically significant contribution to ATF, so the hypotheses H2 is accepted. the p-value for CR. R is 0.00 which is less than 0.05 (alpha-value) and this means that, CR. R has a statistically significant contribution to ATF, so the hypotheses H3 is accepted.

Conclusion

The main purpose of conducting this research study was to analyse the factors that impede MSMEs access to finance in Khyber Pakhtunkhwa. After reviewing the previous literature, six variables were selected as predictor variables and one variable as an outcome variable. 410 MSMEs from retailing, wholesaling, manufacturing and services sectors in Peshawar and Bannu were randomly selected and surveyed through personally-administered questionnaires. According to results, all of the predictor variables were proved to be positively correlated to one another and with an outcome variable as well. Furthermore, results showed that all the hypotheses of present research study were accepted. Financial literacy & training was proved to be a significant hurdle for MSMEs access to finance, so hypothesis H1 was accepted which stated that Financial Literacy and Training is a significant hurdle for MSMEs access to finance. This result was totally in line the previous research studies of Ahmed et al. (2015), Abubakar (2015), Chowdhury & Zahurul (2017), and Naegels (2018). According to hypothesis H2, Cumbersome processes/requirements of banks are significant hurdles for MSMEs

access to finance and according to results, Cumbersome requirements were proved to be the significant hurdles for MSMEs access to finance and this finding supported the results of Ahmed et al. (2015), Osano & Languitone (2016), Frid et al. (2016) and Rao et al. (2017). Similarly, credible recordkeeping was also proved to be the significant hurdle in the financial access of MSMEs and this supported the hypothesis H3 which stated that Credible recordkeeping is a significant hurdle for MSMEs access to finance and this result was totally in line with the results of Ahmed et al. (2015), Rao et al. (2016), Kanyare & Mungai (2017) and Matamanda & Chidoko (2017).

Hypotheses	**Results**
H1: Financial Literacy and Training is a significant hurdle for MSMEs access to finance.	**ACCEPTED**
H2: Cumbersome processes/requirements of banks are significant hurdles for MSMEs access to finance.	**ACCEPTED**
H3: Credible recordkeeping is a significant hurdle for MSMEs access to finance.	**ACCEPTED**

Recommendations

Financial literacy & training is very important for economic growth and development of micro, small and medium enterprises because this will ensure full access to funds/loans of banks and that in turn will increase the capacity of MSMEs to invest in good projects increase their financial health. Government should invest in establishing institutes regarding skill development which can better help the entrepreneurs of MSMEs to capitalize their financing skills and know-how so that they may make and take wise decisions regarding savings, investing and designing best business plans that fit their business needs. Financial literacy & training can enable the entrepreneurs of MSMEs to use funds/loans acquired from banks effectively and efficiently which will definitely compel banking sector to prefer them while offering loans/funds. Okello et al. (2017) also emphasized the need of financial literacy & training especially countries and stated that, financial literacy & training is crucial for MSMEs in developing countries because this will flourish the financial skills and knowledge of entrepreneurs to forecast the financing options in advance that seem to be a good fit for their businesses. Entrepreneurs of MSMEs are supposed to development the skills of their managers and their own as well regarding making and taking good financial decisions by attaining the training workshops and courses in national incubation centres etc. which will help them better to select best financing options for their businesses sustainability and growth. Financial knowledge & training help MSMEs to increase their profits, productions and their competence to compete their rival counterparts in the market. Government should design such a

sophisticated curriculum that covers all the requirements of today's modern times. It is the responsibility of government to embolden the development of micro, small and medium enterprises by instigating credit-guarantee schemes and review the polices regarding high interest rates on loans by subsidizing the interest charges as MSMEs require more funds with lenient interest rates. Along with that all, government must make such policies that may compel the banking sector to provide full financial access to MSMEs sector and depict accurate information regarding interest rates and make their cumbersome requirements lenient. For banks, this is very important to make sure that the procedures regarding defining, procuring, analysing and synthesizing the business transaction information do not refrain MSMEs from getting funds/loans which sequentially will hike the performance of both financiers and MSMEs. To maintain the trustworthiness of supply chain finance, banks should prudently consider how to create uniform rules of transaction and so on. MSMEs must make junctions with business associations and search for credit schemes. Business associations must make it possible that MSMEs adopt credible recordkeeping techniques such as imparting the sophisticated software for recording the business transaction and adopting the accounting techniques which in turn will ensure the worthiness of business records and reduce the information asymmetry and ultimately reinstate the trust of banking sector on MSMEs.

Future Research Directions

Future studies must include new independent variables such as political influence, age if the firm and innovativeness to examine their impacts on MSMEs access to finance. Furthermore, research should be extended to other provinces of Pakistan as well.

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