

**(Factors Influencing the Access to Funds and their Impact on Financial
Performance: an Analytical Study on Micro, Small and Medium-Sized Enterprises
(MSMEs) in the West Bank, the State of Palestine)**

By

PhD candidate

Correspondent author: MAI AL SAIFI

Abstract

Micro-, Small- and Medium-Sized Enterprises (MSMEs) make contribution in driving economic growth and innovation, and therefore require effective and supportive infrastructures to support the financial needs of the MSMEs. However, the accessibility of fund is based on the economic and political stability of the country. The disputed nature of Palestinian territories directly impact the West Bank in the State of Palestine, which is creating more complications of the accessibility of finance for MSMEs in the state. The access to finance is significant for MSMEs to realize their business objectives such as those related to performance and growth. The current study aims to investigate factors influencing the access to funds and their effect on financial performance at MSMEs in the West Bank in the State of Palestine. Moreover, this study intends to contribute to the knowledge in the context of accessibility of funding for MSMEs in the West Bank. The study shows that there are several important factors that can influence the accessibility of funds and MSMEs' performances, such as crowd funding, lack of financial literacy, low government support, financial institutions' terms and conations, banking competition, and weak legal environments. The results of this study also reveal that there is a weak positive link observed of crowd funding and banking competition with MSMEs' performance and accessibility of funding. On the other hand, results highlighted the strong negative association found between MSMEs' performance and accessibility of funding with lack of management skills, low government support, financial institutions' terms and conditions, and weak legal environments.

It is also found that crowd funding has a significant weak positive influence on accessibility of funding.

Keywords: "MSMEs, Funding, Financial Impact, West Bank, Palestine"

Background

Micro-, Small- and Medium-Sized Enterprise (MSMEs) contribute to driving economic growth and innovation, therefore requiring effective and supportive infrastructures to support their financial needs. However, the accessibility of funds is based on a country's economic and political stability (Ruziev & Webber, 2019; Wasiuzzaman et al., 2020). The disputed nature of Palestine directly impacts the West Bank region of Palestine (WBOP), which is creating more complications of the accessibility of finance for MSMEs there.

Previous investigations on entrepreneurship reveal a general consensus that one of the major problems faced by the MSMEs is the availability of debt finance (Moy & Luk, 2003; Barbu et al., 2019; Calabrese et al., 2020; Hassanein & Adly, 2008). In the absence of access to capital, the growth and operational ability of the MSMEs are at risk, but the availability of the funds is embedded with the local market. The local context includes the economic, social and political factors that directly impact the accessibility of finance for MSMEs (Wack, 2015; Martin & O'Connell, 2018). The amount and type of finance available to an MSME directly affect its potential growth and the economic growth of the country, which is why it gains the attention of political decision-makers (Wiklund & Shepherd, 2003; Wasiuzzaman, 2019; Ansong, 2017). Some researchers explored the role of crowdfunding in the innovation of MSMEs (Schenk, 2015; Chauvin, 2015;

Ibrahim, 2018; Eldridge et al., 2019; Di Pietro et al., 2018; Hobbs et al., 2015; Hervé & Schwienbacher, 2018; Zugrav, 2018; Matthew, 2017; Cillo et al., 2019), and some other researchers investigated the role of crowdfunding as a solution to the credit crunch (Harrison & Baldock, 2015; Ridley, 2016). However, there is a lack of research on the accessibility of crowdfunding in unstable economic and social capital states like Palestine.

Because of the lack of a legal infrastructure and unstable business environments, there are issues of funding accessibility in underdeveloped and developing countries (Fleming & Sorenson, 2016; Ma & Liu, 2017). Numerous researchers indicated that digital environments could facilitate the access of crowdfunding only in economically and legally stable developed countries, because of the lack of investors protection to invest funds in crowdfunding projects (Borst et al., 2018; Datta, et al., 2019; Nevin et al., 2017; Sahaym et al., 2019; Laurell et al., 2019; Kaminski et al., 2018). Palestine, however, is a politically and economically unstable country, therefore, these types of the studies could not be applied to improve the access of crowdfunding in Palestine.

The access to finance is significant for MSMEs to realize their business objectives such as those related to performance and growth (Motta, 2020; Cowling et al., 2018; Ansong, 2017). Moreover, there are many issues faced by MSMEs while working in developing countries including Palestine, such as the lack of suitable financing facilities from banks when required, limited availability of capital & knowhow of finance, and missing capacity for identification of novel financial products. Additionally, the growth of MSMEs in developing countries has faced considerable restrictions due to the lack of financial management expertise (Song et al., 2018).

According to Kawasmi and White (2010), 87% of the workforce is employed in MSMEs, but they are facing challenges with respect to accessing and managing finance

at the start of business. The study by Authority (2009) highlighted that there is a high level of political instability and corruption in Palestine that is directly influencing the growth and performance of small businesses. Another study on the success and failure of small businesses in Palestine indicated that there is a 94% chance of failure for small businesses because of inadequate capital and improper financial records (Baidoun et al., 2018). It was found that small businesses in Palestine cannot grow because of the low adoption of technology, high resistance for innovation adoption, uncertainty, and complexity (Abualrob & Kang, 2016). However, the study by Qashou and Saleh (2018) highlighted that adoption of advanced technology and digital marketing tools can enhance the growth of small businesses in Palestine. Palestine's economy is strongly dependent on small businesses, but due to the environment of violent conflict and the Israeli troops' control over Palestine, small businesses are unable to get funding support and supportive business environments (Azoulay & Ophir, 2012). Although most of the above discussed literature has highlighted the challenges with respect to small businesses in Palestine, there is limited literature to propose a model to improve the MSMEs' accessibility of finance in Palestine.

The current study aims to investigate factors influencing the MSMEs' access to funds and their effect on financial performances in the West Bank in the State of Palestine (WBOP). This study intends to contribute to the knowledge in the context of accessibility of funding for MSMEs in the West Bank in the State of Palestine.

Literature Review

Difficulty in accessing finance is one of the critical factors constraining the development of micro-, small-, and medium-enterprises (MSMEs), especially in a

developing country like Palestine. Different researchers had identified various financial, governmental, and institutional factors that hinder the accessibility of funding (Moy & Luk, 2003; Barbu et al., 2019; Calabrese et al., 2020; Hassanein & Adly, 2008), but these factors are contextual and different in nature, so we cannot blindly employ such research results in the West Bank in the state of Palestine. There is still a lack of research on accessibility of crowdfunding in unstable economic and social capital states like the West Bank.

There are three main reasons for which MSMEs are of paramount importance. Firstly, MSMEs place heavy reliance on external financing much of which comes from loans from the banks (Berger & Udell, 1995). Secondly, there also exists information asymmetry concerning the lender/borrower relationship in the context of MSMEs (Audretsch & Elston, 2002). Thirdly, MSMEs represent 99.8% of the active enterprises in the non-financial business economy of Eurozone, and as such, two out of every three persons are employed in MSMEs. This means that MSMEs have a share of 66.7% in the employment sector. Further, they also make up 58.6% of the value in the non-financial sector (Eurostat Pocketbooks, 2011). The fragmentation of the enterprise system feature has not seen any declination recently (OECD, 2004). However, there are various reasons for which MSMEs in developing countries remain smaller compared to those in developed countries. One of the main reasons is the limited availability of financing from the banks (Confapi, 2001; Federconfidi, 2004; Schich, 2018). This keeps the equity base of the businesses small and as a result, they remain small over time. On average, small businesses have a high interest ratio of financial debt to total financial debt in addition to equity which is more than that of medium sized and large organizations (Schich, 2018). The main factor in financial debt is the borrowing from banks (74%) which is a

component higher than the classes of other organizations (Banca d'Italia, 2005). The establishment and growth of small businesses depend largely on imperfections in the credit markets. Due to information asymmetry in the market concerning the relationship between lender and borrower, the higher interest ratio is charged by the lenders to protect their interest (Duarte et al., 2018) therefore, information literature gets importance in accessibility of finance for MSMEs.

The resources which generate a sustainable competitive edge for a firm involve capabilities, assets, processes of the organization, knowledge, and information (Slater et al. 2006; Wanjira et al., 2015; Teece, 2012; Mwila & Ngoyi, 2019; Song et al. 2007). Therefore, financial growth can be achieved only when internal capabilities are strong, as they are strongly linked with the financial growth of a firm. However, most firms have unequal distribution of resources as each entrepreneur starts from a different resource foundation (Teece, 2012; Mavimbela & Dube, 2016). It is by building on the basis of such resources along with the external ones that the firm can achieve growth over time (Sabir et al., 2019). Moreover, the current research argues that financial literacy and access to capital are also critical elements of resources, enabling the entrepreneur to generate a competitive edge for his firm (Song et al. 2007). It is with the combination of these two resources that the firm can achieve growth. This has also been highlighted by existing studies on the subject. A firm is able to gain competitive edge over other firms when it efficiently utilizes these two critical resources (Siyanbola, 2018).

Furthermore, a number of studies highlighting the challenges facing MSMEs in access to capital, capacity to repay the loan, sanctioned loans, and the impact these have on the performance of the MSMEs are included in the literature review of the current research. Multiple factors were highlighted by Thomas (2017) in regards to

the performance of MSMEs. The two factors shortlisted for studying their effect on MSMEs were the credit and finance. The research argues that access to finance is one of the most critical elements which MSMEs face, and is directly influential on their performance. This factor includes a number of other elements such as high interest rate, limited access to capital, bureaucratic hurdles to obtain financial support, and low skills of managing finances; all of these affect the productivity and performance of the organization (Thomas, 2017). Nevertheless, the presence of MSMEs is considered to be the cause of lack of expansion, low sales and slow development, and often result in businesses collapsing during the initial two years of their launch, so questions have been raised about their performance. However, MSMEs are unable to compete in international markets, as their number of customers are limited, and they also face issues of slow growth (Asare, 2014; ITC, 2016). Such challenges have been attributed by earlier research to lack of managerial skills, missing strategies related to business, low R&D capacity in technological fields and difficulty in accessing finance (Bowen et al., 2009; Song et al., 2018; Asare, 2014; Hewa et al., 2020; AlMaskari et al., 2019; Mackenzie et al., 2015; Haselip et al., 2015). The primary focus of such research, and others, was on accessing the finance and other managerial competencies, whereas financial literacy was not investigated in depth by them.

Das (2017) identified the issues, opportunities, and challenges facing the MSMEs in the context of the Indian economy, finding out that flow of credit is one of the pressing issues they face. However, there are different policy initiatives introduced by the Indian government to provide support to MSMEs and promote easy lending and borrowing among them and the financial institutions (Shihadeh et al., 2019). The availability of finance from banks enhances the success and growth of MSMEs

(Golovko & Valentini, 2011). Chaitra & Al Malliga (2016) studied the performance and growth of MSMEs, and showed that the inadequate facility of capital affected the growth of the Small-Scale Industries (SSI). The research also showed the total credit from banks to MSMEs. However, banks appear to be reluctant to providing financial assistance to MSMEs because of their limited performance potential and lack of infrastructure. Therefore, banks find it glamorous to lend to the bigger organizations as such organizations also represent safe lending units for the banks, which in turn affect the available funds for MSMEs (Al-Malliga, 2016). The prominent focus of Biswas (2014) and Agnese et al.'s (2018) research was on credit guarantee schemes. Such schemes are increasingly becoming popular for the MSMEs sector over past decade. Banks are more inclined to issue loans under such schemes as part of debt financing solutions (Biswas, 2014; Agnese et al., 2018).

The above studies clearly confirm that lack of accessibility of funds impacts the performance of the MSMEs. Moreover, Joseph (2015) found that the sources of credit also have an effect on the performance of MSMEs. Joseph's (2015) study concluded that credit programs with high interest rates and constraining terms and conditions are generally avoided by MSMEs, but the irony of the situation is that banks or lending institutions have particularly constraining terms & conditions for MSMEs in order to protect the money they lend. This, as a result, has negative impacts on the performance of MSMEs (Joseph, 2015). In fact, the focus of the research was entirely on informal credit, but it did point out that the performance of MSMEs is improved when they have access to credit. Additionally, Triloknath & Deeksha (2015) observed that despite the acceleration in provision of credit facility to businesses, the proportion of MSMEs having such facility remained same since the year 2000, i.e., it remained at 14% even though the MSMEs sector expanded

phenomenally. The research analysis also showed that there is less growth in availability of credit facility to MSMEs despite the significant contribution they make to the economy in the manufacturing and employment sectors, and in the export sector as well. Overall, this means that when the credit facility is constrained for MSMEs, the lack of the accessibility of funds negatively influences their economic growth as well as the country's (Triloknath & Deeksha., 2015).

In actuality, there is no dearth of studies covering the growth aspects of MSMEs with relation to their accessibility of funding (Wiklund et al., 2009; Shava, 2018). The relationship between growth of a company and financial access is another significant research stream in this context (Ruziev & Webber, 2019; Pop et al., 2018; Martí et al., 2018). In fact, financing turns out to be a more significant operational aspect of a company because availability of the funding is like fuel for running the business. In case of inadequate availability of financing, a company does not enjoy good financial health and its growth potentiality is at great risk (Nistor & Popescu, 2013). Conclusions are made by researchers on the basis of these traditional concepts that growth of a company is positively related to its access to finance (Cowling et al., 2018; Rahaman, 2011; Clegg, 2018). One key perception related to companies is that an MSME having strong financial health can outclass other MSMEs, which is directly linked with their accessibility of funds (Carbo et al., 2018).

Similarly, Anwar (2014) investigated the impact of disbursement of credit on MSMEs' performance. Their research showed that there is a significant positive effect of credit disbursement on the support of MSMEs. However, Biswas (2014) observed that access to finance is not free from challenges for MSMEs. High cost of credit, lack of availability of debt financing, and hard collateral requirements are the

chief financial constraints which MSMEs face in relation to financing their businesses, particularly when the lending institution is a bank. Moreover, as it has been stated previously, some financial institutions like banks are discouraged to provide funds for MSMEs due to their legal infrastructure, but the legal infrastructure is not universal all over the world; therefore, this research is only focused on the West Bank of Palestine.

This research is exploring and identifying the factors that impact the accessibility of funds for MSMEs in the West Bank. There is an alternative to loans which is commonly used in developing and developed countries, called crowdfunding. This current work will discuss crowdfunding as a funding alternative for MSMEs. The next section will explore the concept of crowdfunding and how it began, and how it has become a prominent element in the financial crosses in the world.

Research Method

For the purpose of the current research, the researcher intended to collect personal perceptions of the MSMEs to identify the major issues that impact their accessibility to funds in the WBOP. This aim necessitated selecting a quantitative approach was expressed through the questionnaire and secondary data that was collected to understand the MSMEs in Palestine as drawn from the competent authorities in the State of Palestine. As MSMEs have limited financial and human capitals, therefore, their owners are mostly operating as managers and are responsible for taking major decisions. Approximately 420 MSME owners/managers were contacted in person for collecting data using a questionnaire. After several in-person visits and telephonic/email reminders, the researcher was able to collect 330 questionnaires

from MSMEs owners. However, about 11 of these questionnaires were missing more than 10% of the information, therefore, as per the recommendation of Hair (2010), these questionnaires were discarded for the final analysis. There were 319 valid remaining questionnaires, which means the present study's response rate is 75.95-percent. The study has gathered the important descriptive characteristics of MSME owners with respect to their gender, age categories, and level of education.

Hypotheses

H₁: The demographic features of MSME owners and the characteristics of MSMEs can positively/negatively impact the accessibility of funding.

H₂: Crowdfunding is positively linked with the accessibility of funding.

H₃: Lack of financial literacy of MSME owners is negatively linked with accessibility of funding.

H₄: Low government support has a negative relationship with accessibility of funding.

H₅: Financial institutions' terms and conditions are negatively associated with accessibility of funding.

H₆: Banking competition is positively associated with accessibility of funding.

H₇: Weak legal environments for MSME owners are negatively linked with the accessibility of funding.

Data Analysis

Preliminary analysis is an essential step as it can provide statistics about data normality otherwise statistical results and conclusion may be misguided (Cain et al., 2017; Mardia, 1970). According to Hair (2010), the kurtosis and skewness test is the best statistical method for measuring data normality, and data is considered normal when the statistical value falls between -1 and $+1$. Findings reveal that the plotting values for this study show a bell-shaped curve, which means data is normal and it can be used for further preliminary analysis. Heteroscedasticity is also essential to measure as it can bring different values for standard deviation of independent variables which can negatively influence the results of regression analysis (Cook & Weisberg, 1983; Carapeto & Holt, 2003). The heteroscedasticity is measured using a variance inflation factor (VIF) and tolerance as recommended in the study of Kline (2006). The statistical values of VIF and tolerance is 2.01 and 0.31 respectively, which fall within the acceptable range as defined by Kline (2006). Furthermore, results of this study highlighted that the standardized residual centrality value is near to zero which means there is no heteroscedasticity, and results of linear regression will be free from error. Overall, the statistical test of heteroscedasticity were normal which confirmed there is no fear of multi-collinearity, as multi-collinearity can exaggerate the value of independent variable which can negatively influence the linear regression results. The final preliminary analysis is to measure auto-correlation as it can examine the features of data with the purpose to investigate the degree of similarity which can exist in the same variables during different time intervals (Yee-Loong Chong et al., 2014). The Durbin–Watson test is used as recommend by Yee-Loong Chong et al. (2014) and results of this test reveal a value

of 2.01, which means there is no sign of either positive or negative auto correlation in the data of this study. Based on these primarily analysis results, the researcher now can move forward for further analysis as per the proposed hypotheses of this study.

Characteristics of MSMEs

There are many micro-, small- and medium-sized companies in the West Bank that play a major role in supporting the local economy of the region, and their presence represents an economic vital indicator of growth and development. There are some important characteristics of MSMEs which are categorized as per age of MSMEs, number of employees, ownership type, MSMEs sector, legal status, invested capital, feasibility work, and estimate annual turnover. These MSMEs are operating in a country which has not any national currency, and as a result, these MSMEs can deal in three different currencies (Jordanian Dinar, Israeli New Shekel, and United States Dollar). Therefore, data about invested capital and annual turnover is collected in different currencies. These demographic characteristics of MSMEs have been presented in Table (1).

Table (1): Characteristics of MSMEs

Variable	Categories	Frequency	Percentage%
Age of MSMEs	Below 6 years	108	33.9%
	6 to 10 years	79	24.8%
	11 to 15 years	43	13.5%
	16 to 20 years	85	26.6%
	Above 20 years	4	1.3%

	Total	319	100.0%
MSEMs as per number of employees	Equal/less than 4 employees	246	77%
	5 to 9 employees	45	14%
	10 to 19 employees	30	9%
	Total	319	100.0%
Ownership of MSMEs	Individual	230	72.1%
	Family business	85	26.6%
	Private joint company	4	1.3%
	Total	319	100.0%
MSMEs Sector	Wholesale trade	73	22.88%
	Retail business	85	26.65%
	Services	92	28.8%
	Manufacturing	21	6.6%
	Contracting	13	4.0%
	Craft	35	10.97%
	Total	319	100.0%
Legal Status	Not registered	219	68.7%
	Registered	100	31.3%
	Total	319	100.0%
Invested Capital (Jordanian Dinar)	Above a million	٢٩	٩,١%
	250 thousand to less than 1 million	٦١	19.1%
	100 thousand to less than 250 thousand	١٥٠	47.0%
	40 thousand to less than 100 thousand	٥٤	16.9%
	5 thousand to less than 40 thousand	١٦	5.0%
	less than 5 thousand	٩	2.8%
	Total	٣١٩	100%
Feasibility/pre-planning work	Yes	187	59%
	No	132	41%
	Total	319	100.0%
Estimated annual turnover (USD)	Up to 20000	59	18.6%
	20001 to 50000	63	19.9%
	50001 to 100000	81	25.3%
	100001 to 400000	62	19.6%
	Above 400000	54	17.0%
	Total	319	100.0%

The data about the age of MSEMs is categorized into five age ranges: below six years, 6 to 10 years, 11 to 15 years, 16 to 20 years, and above 20 years. Findings reveal that most MSMEs (i.e., 108) are newly established as they are less than six years old. The second most prominent category is 6 to 10 years with 85 MSMEs, whereas only 4 MSMEs fall between the maximum age category of above 20 years. The total number of employees within MSMEs is categorized into equal/less than four employees, 5 to 9 employees, 10 to 15 employees. There are 246 MSMEs which

fall in the range of equal/less than four employees. The second most prominent category is 5 to 9 employees in 45 MSMEs. Finally, 35 MSMEs have 10-15 employees.

The ownership type of MSMEs is categorized as per individual, family business, and private joint company. 230 owners of the MSMEs in this study have individual ownership. There are 85 MSMEs which are under the ownership of family business and finally only 4 MSMEs which are operating as a private joint company. The data is also collected to reflect MSMEs' sector categories: wholesale trade, retail business, services, manufacturing, and craft. Findings highlight that 92 MSMEs are operating in the services sector, 85 MSMEs fall in retail business sector, 73 MSMEs are operating in wholesale trade and 35 MSMEs fall in the craft sector. Finally, 21 MSMEs are operating in the manufacturing industry while the remaining 13 enterprises are in the contracting sector.

The study has also collected data about legal status to find how much strong/weak the legal status of these MSMEs is. Results reveal that majority of the MSMEs (i.e., 219 MSMEs) are not registered and therefore have no legal status, while the remaining 100 MSMEs have valid legal status. The legal status is very helpful especially when applying for loans as it helps in collateral and applying for credit guarantee. The data collected also reflects the invested capital and is categorized into different ranges of Jordanian Dinar: above a million, 250 thousand to less than 1 million, 100 thousand to less than 250 thousand, 40 thousand to less than 100 thousand, 5 thousand to less than 40 thousand, and less than 5 thousand. There are 150 MSMEs that fall in the range of 100 thousand to less than 250 thousand, while only 29 MSMEs crossed the maximum range of invested capital (i.e. above one million). Most of tax exemptions are given based on higher invested capital (i.e.

above one million) which is more favourable for these 29 MSMEs and larger organizations.

The data is also gathered with respect to feasibility work, where all participating MSMEs are asked how many owners have completed the feasibility work before starting the MSME. There are 187 MSMEs which have started after completing the feasibility work, while 132 MSMEs are did not have any feasibility report prior to starting their business. These statistics show that their management with respect to feasibility report is weak which negatively influences the MSMEs' performance. The estimated annual turnover of MSMEs is categorized into US dollars in the following ranges: up to 20 thousand, 20 to 50 thousand, 50 to 100 thousand, 100 to 400 thousand and lastly over 400 thousand. Of the total MSMEs in this study, 81 fall in the range of is 50 to 100 thousand. The second highest number is 63 MSMEs which fall in the range of 20 to 50 thousand. Lastly, 54 MSMEs have annual sales of above 400 thousand US dollars.

Common Method Variance (CMV)

CMV is a major concern especially when a researcher is collecting data from a single source and uses cross sectional time horizon. Therefore, the suggested measures of a previous study by Podsakoff et al., (2003) are used with the purpose to remove the concerns with respect CMV. According to Podsakoff et al. (2012), exploratory factor analysis (EFA) as well as common latent factor (CLF) are applied to remove this issue. The purpose of EFA is investigating the variance explained by a single factor by comparing it with the variance highlighted by major factors of this study. Results of the EFA reveal that the percentage of cumulative variance of the major factor is

81.89-percent, while the variance highlighted by a single factor is only 29-percent which meets the acceptable standards (i.e. <50 percent for single factor) of Podsakoff et al. (2012). Moreover, the researcher has applied the CLF test through confirmatory factor analysis and CLF is attached with indicators of latent factors. In the CLF test, standardized regression estimates are calculated without and with CLF and it is found that these values are below 0.20 which means they are acceptable standards and the researcher can say that data is free from CMV.

Descriptive Analysis

Hair (2010) argued that the mean value can help to find out the average value, and standard deviation is helpful to find the coefficient of variation. Furthermore, Hair (2010) explained that a high standard deviation value (i.e. >1) means that there is very high variation in data. Hair (2010) also stated that there is no good or bad standard deviation, but it just shares how much variation prevails in data. For example, results of this work reveal that standard deviation values ranged from 2.18 to 8.88 which means the highest variations exist in demographic variables (Table 2).

Table (2): Mean and Standard Deviation for Investigated Variables

Variables	Mean	Standard deviation
MSMEs owner age	41.09	8.88
MSMEs owner gender	31.09	6.11
MSMEs owner qualification	34.89	6.22
Age of MSMEs	21.56	2.18

MSEMs as per number of employees	36.45	5.88
Ownership of MSMEs	28.13	4.44
MSMEs Sector	32.04	5.12
Legal status (LS)	33.09	5.66
Invested Capital	29.91	4.99
Feasibility	37.10	5.94
Annual turnover	36.33	5.91

The minimum and maximum values of scale are given, which ranged from strongly disagree (1) to strongly agree (5). The mean value of crowdfunding (1.88) means that most the responses fall between strongly disagree to disagree. Furthermore, the mean values of lack of financial literacy, low government support, financial institutions' terms and conditions, and weak legal environment (i.e., 1.77, 1.21, 1.58, 1.44 respectively) mean that most the responses of participants have fallen between strongly disagree to disagree. On the other hand, the mean values of accessibility of funding and MSMEs' performance fall between agree to strongly agree. The mean value of crowdfunding and banking competition fall between neutral to agree.

Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) is one of most common tests that can measure the factor structure within the set of observed variables (Brown, 2015). The basic objective of CFA is to highlight whether the proposed model is appropriate for further analysis or not (Brown, 2015; Kline & Santor, 1999). Researchers have stated that the usage of CFA can help to measure the construct reliability which can ensure

the internal consistency among the items which are used in a questionnaire (Brown, 2015; Kline & Santor, 1999). As per the recommendation of Byrne (2013), the researcher of this study has used different thresholds for measuring CFA such as Goodness of Fit Index (GFI), Root-Mean Square Error of Approximation (RMSEA) standard of acceptable, and Comparative Fit Index (CFI). Furthermore, the study of Byrne (2013) and Brown (2015) provided the threshold values which can be used to check the appropriateness of a model, such as $\chi^2/df < 3.0$, CFI-GFI-IFI-BBNNFI > 0.90 , RMSEA < 0.08 . According to the recommendation of Byrne (2013), composite reliability (CR) is also measured to extract the internal consistency of scale, while the average variance extracted (AVE) is applied to check whether the reliability position of scales is appropriate or not. Byrne (2013) provided the threshold of AVE (i.e. $>.5$) and CR values (i.e. $>.6$) acceptance.

Table (3): CFA and scale reliability results

Variables	χ^2/df	RMSEA	CFI	GFI	IFI	BBNNFI	CR	AVE
Threshold acceptable indices	2.17	.67	.91	.96	.94	.95		
Crowd funding							.71	.62
Lack of financial literacy							.77	.59
Low government support							.70	.64
Financial institutions							.65	.53

**Terms and
conditions**

Banking

.82 .55

competition

Weak legal

.78 .58

environment

Accessibility of

.84 .60

funding

MSMEs

.85 .67

Performance

The results of CFA revealed the following statistical values: $\chi^2/df=2.17$, $RMSEA=.67$ $CFI=.91$ $GFI=.96$ $IFI=.94$ $BBNNFI= 0.95$). These CFA values meet the acceptance standards of Byrne (2013) and Brown (2015). Based on these values, this study can further use this model for finding the relationship between proposed hypotheses. The results of this study also reveal that the values of CR are also acceptable as they ranged between 0.65 to 0.85 which are above the acceptable standards of Byrne (2013). Finally, findings highlighted that the values of AVE are also acceptable as they ranged between .53 to .67 which are above the acceptable standards of Byrne (2013). Overall, the internal consistency of scales, reliability position of scales, and appropriateness of proposed models are met with acceptable standards, therefore the researcher can use these variables confidently for further analysis.

Correlation Analysis

Coefficient of correlation has been applied in this study by using *Pearson correlation* coefficient, also referred to as Pearson product-moment correlation coefficient (PPMCC). For better explanation, three tables have been designed so that all the demographic variables (i.e., related to MSMEs owners and MSMEs characteristics) are examined in relationship with predictors and dependent variables. In table 4, this study has investigated the correlation between demographic variables (i.e., gender, age, and education of MSMEs owners), independent variables (i.e., crowd funding, lack of financial literacy, low government support, financial institutions' terms and conations, banking competition, and weak legal environments) and dependent variables (i.e., accessibility of funding and MSMEs' performance).

Table (4): Correlation Analysis

Variables	G	A	E	CF	LOFI	LGS	FITAC	BC	WLE	MP	AOF
Gender (G)	1										
Age (A)	.86	1									
Education (E)	.33	.19	1								
Crowd funding (CF)	.11	.87	.73	1							
Lack of financial literacy (LOFI)	.53	.29	.73	.51	1						
Low government support (LGS)	.76	.47	.18	.98	.30	1					
Financial institutions terms and conditions (FITAC)	.43	.29	.43	-.49	.09	.39	1				
Banking competition (BC)	.16	.27	.13	.27	-.61	.17	.21	1			
Weak legal environment (WLE)	.23	.38	.53	.11	-.22	-.15	.43	.39	1		

MSMEs performance (MP)	.15	.18	-.13	.18*	-.33*	-.63*	.13*	.16*	-.47**	1
Accessibility of funding (AOF)	.15	.19	.16	.16*	-.39*	-.55**	.11*	.13*	.61**	.43

Significant *p < .05, ** < .01.

Table 4 above highlights correlation results where there is an insignificant relationship between demographic characteristics of MSME owners (i.e. gender, age and education), predictors, and dependent variables. Therefore, we cannot further use demographic characteristics of MSME owners in relationship with accessibility of funding and MSMEs performance. However, there is a significant weak positive link found of crowd funding and banking competition with MSMEs' performance and accessibility of funding. Conversely, there is a significant strong negative association found of MSMEs' performance and accessibility of funding with lack of management skills, low government support, financial institutions' terms and conditions, and weak legal environments. Therefore, these independent and dependent variables can be further used for statistical analysis.

Table (5): Correlation Analysis

Variables	A	ME	E	MS	CF	LOFI	LGS	FITAC	BC	WLE	MP	AOF
Age of MSMEs (A)	1											
MSMEs as per number of employees (ME)	.16	1										
Ownership of MSMEs (OM)	.23	-.19	1									
MSMEs sector (MS)	.12	.15	.17	1								
Crowd funding (CF)	.12	.13	.11	.19	1							
Lack of financial literacy (LOFI)	.33	.19	.33	.24	.51	1						

Low government support (LGS)	.26	.27	.28	.12	.98	.30	1					
Financial institutions terms and conditions (FITAC)	.31	.21	.31	.25	-.49	.09	.39	1				
Banking competition (BC)	.06	.09	.31	.12	.27	-.61	.17	.21	1			
Weak legal environment (WLE)	.13	.18	.25	.15	.11	-.22	-.15	.43	.39	1		
MSMEs performance (MP)	.16	.11	.04	.17	.18*	-.33*	-.63*	.13*	.16*	-.47**	1	
Accessibility of funding (AOF)	.19	.13	.09	.24	.16*	-.39*	-.55**	.11*	.13*	.61**	.43	1

significant *p < .05, ** < .01.

In Table (5), findings highlight that there is an insignificant link found between demographic characteristics of MSMEs (i.e., age of MSMEs, MSMEs as per employees, ownership of MSMEs, MSMEs sector), independent and dependent variables. Therefore, we cannot further use demographic characteristics of MSMEs in relationship with their performance and accessibility of funding. However, there is a significant weak positive link found of crowd funding and banking competition with MSMEs performance and accessibility of funding. Conversely, there is a significant strong negative association found of MSMEs' performance and accessibility of funding with lack of management skills, low government support, financial institution terms and conditions, and weak legal environment. Therefore, these independent and dependent variables can be further used for statistical analysis.

Table (6): Correlation Analysis

Variables	LS	IC	F	AT	CF	LOFI	LGS	FITAC	BC	WLE	MP	AOF
Legal status (LS)	1											
Invested capital (IC)	.09	1										
Feasibility (F)	.11	.13	1									
Annual turnover (AT)	.09	.14	.21	1								
Crowd funding (CF)	.19	.22	.19	.29	1							
Lack of financial literacy (LOFI)	.23	.12	.17	.19	.51	1						
Low government support (LGS)	.22	.23	.21	.22	.98	.23	1					
Financial institutions terms and conditions (FITAC)	.31	.21	.31	.25	-.49	.09	.39	1				
Banking competition (BC)	.06	.09	.31	.12	.27	-.61	.17	.21	1			
Weak legal environment (WLE)	.18	.22	.29	.31	.11	-.22	-.15	.43	.39	1		
MSMEs performance (MP)	.14	.13	.24	.19	.18*	-.33*	-.63*	.13*	.16*	-.47**	1	
Accessibility of funding (AOF)	.09	.16	.19	.14	.16*	-.39*	-.55**	.11*	.13*	.61**	.43	1

significant *p < .05, ** < .01.

In Table (6), correlation test results reveal that there is an insignificant relationship between demographic characteristics of MSMEs (i.e. legal status, invested capital, feasibility, annual turnover), predictors, and outcome variables. At this point, the proposed hypotheses such as that suggesting that the demographic features of MSME owners and the characteristics of MSMEs can positively/negatively impact the MSMEs performance and accessibility of funding cannot be further tested as there is an insignificant relationship found between demographic and outcome

variables. Therefore, we cannot further use demographic characteristics of MSME owners in relationship with MEMEs' performance and accessibility of funding.

Regression Analysis

Table (7): Regression Results

Description	DV: Accessibility of funding		
	B	SE	T-value
IV: Crowd funding	.14	.05	2.71*
IV: Lack of financial literacy	-.25	.03	-3.22*
IV: Low government support	-.41	.02	-4.96**
IV: Financial institutions terms and conditions	-.17	.05	-2.88*
IV: Banking competition	.23	.05	3.01*
IV: Weak legal environment	-.21	.04	-3.19**

Notes: N = 319; *p<0.05; **p<0.01; ***p<0.001; IV: Intendent variable, DV: Dependent variable B=Unstandardized Coefficients; SE= standard error.

To test the proposed hypotheses based on literature review and qualitative study results, the researcher has used liner regression. The results of this study highlight that crowd funding has a significant weak positive influence on accessibility of funding (H1A: B=.14, SE=.05, t= 2.71*). The crowd funding is one of the ways which can enhance the options for accessibility of funding for MSMEs. The second

hypothesis is also significantly accepted (H2A: $B=-.25$, $SE=.03$, $t= -3.22^*$) as there is a negative relationship found between the lack of financial literacy and accessibility of funding. Furthermore, low government support and weak legal environments are significantly negatively associated with accessibility of funding (H3A: $B=-.41$, $SE=.02$, $t= -4.96^{**}$; H6A: $B=-.21$, $SE=.04$, $t=-3.19^{**}$ respectively). The low government support in terms of corruption in MSMEs funding and lack of tax exemptions increased challenges with respect to options and resources for funding. Furthermore, there is a significant negative relationship (H4A: $B=-.17$ $SE=.05$, $t=2.88^*$) found between financial institutions' terms and conditions and accessibility of funding. On the other hand, there is a statistically significant positive impact (H5A: $B=.23$, $SE=.05$, $t=-3.01^*$) found of banking competition on accessibility of funding (Table 7.).

Table (8): Regression Results

Description	DV: MSMEs Performance		
	B	SE	t-value
IV: Crowd funding	.10	.04	2.58*
IV: Lack of financial literacy	-.21	.05	-3.11*
IV: Low government support	-.43	.03	-5.13***
IV: Financial institutions terms and conditions	-.15	.05	2.93*
IV: Banking competition	.17	.05	3.38*
IV: Weak legal environment	-.35	.04	-4.69**

Notes: N = 319; * $p<0.05$; ** $p<0.01$; *** $p<0.001$; IV: Intendent variable, DV: Dependent variable B=Unstandardized Coefficients; SE= standard error.

Finally, the hypothesis testing showed the following:

Table (9): Summary of Hypotheses Testing

Summary of hypotheses	Accepted/Rejected
H0A: The demographic features of MSMEs owners and characteristics of MSMEs can positively/negatively impact the accessibility of funding.	Rejected
H1A: Crowd funding is positively linked with the accessibility of funding.	Accepted
H2A: Lack of financial literacy of MSMEs owner is negatively associated with MSMEs accessibility of funding.	Accepted
H3A: Low government support has negative relationship with MSMEs accessibility of funding.	Accepted
H4A: Financial institutions terms and conditions is negatively associated with MSMEs accessibility of funding.	Accepted
H5A: Banking competition is positively associated MSMEs accessibility of funding.	Accepted
H6A: Weak legal environment for MSMEs owners is negative relationship with the MSMEs accessibility of funding.	Accepted

Six hypotheses are approved based on the statistical analysis, while one hypotheses are rejected based on statistically insignificant relationships based on P-values.

Results and Discussion

It has been established that different factors such as financial institutions' terms and conditions, banking competition, weak legal environments, and lack of financial literacy affect the accessibility of funds for MSMEs in WBOP. As expected, findings reveal that crowd funding has a significant weak positive association with MSMEs' performance ($H1A=.10$, $SE=.04$, $t= 2.58^{**}$) as some of their owners are taking benefit from crowd sourcing and investing money, therefore their performance levels are improved. The second hypothesis is also significantly accepted ($H2A=-.21$, $SE=.05$, $t= -3.11^*$) as there is negative relationship found between lack of financial literacy and MSMEs' performance. MSME owners believe that they do not have financial literacy skills, therefore there is low funding options available to them, which negatively influences their performance. Similarly, low government support and weak legal environments are have a significant negative influence on MSMEs' performance ($H3A=-.43$, $SE=.03$, $t= -5.13^{***}$; $H6A=-.35$, $SE=.04$, $t=-4.69^{**}$ respectively). The low government support in terms of corruption in MSMEs funding and lack of tax exemptions increased the challenges for MSMEs. Moreover, there is a significant weak negative impact ($H4A=-.15$, $SE=.05$, $t=-.2.93$) found between financial institutions' terms and conditions and MSMEs performance. On the other hand, there is a statistically significant positive impact ($H5A=.17$, $SE=.05$, $t=-3.38^{**}$) of banking competition found on MSMEs performance., Table (8)

earlier confirms that financial institutions' terms and conditions, banking competition, weak legal environments, banking competition and lack of financial literacy impact the accessibility of funds, and these factors also impact the financial performance of MSMEs in the WBOP. Therefore, the major objective of this discussion is to identify the root causes behind the factors that impact the accessibility of funds in MSMEs in the WBOP.

At this stage, we can confidently state that these factors are barriers and issues for the accessibility of funds for MSMEs in the WBOP. However, there is need to understand what are the root causes behind these factors and how they can be resolved to improve the accessibility of funds. The next section is going to discuss these factors one by one and will investigate the relevant subjective context of each of them. Following that, a solution will be proposed in the form of a final framework of this research through combining the discussion on these factors.

The institutional isomorphism is a theoretical approach to describe and explore how systems of financial institutions in Palestine can provide sufficient access to the funds for MSMEs in the West Bank. As DiMaggio and Powell (1983, p. 147) stated; "organizational change is less and less inspired by competition or by the need for efficiency". This current work has already established that there are different issues of the accessibility based on the mimetic factors of the financial institutions. Mimetic isomorphism stems from organizational ambiguity and uncertainty (DiMaggio and Powell, 1983). Moreover, it has also been found that there is a lack of the government influence in Palestinian in establishing and supporting MSMEs, and the official policy is developed in the context of large-scale firms. It is very understandable that there is uncertainty in the country and there is also uncertainty in the government policies to uplift the MSMEs in WBoP, which further generated

the issues stated above. Therefore, the above framework shows that the coercive and normative forces of the financial institutions of Palestine can improve the accessibility of funds for MSMEs.

The normative isomorphism originates from the values associated with professionalism as well as from emerging legal professional practices who are working in financial institutions and banks, which lead to creating normative factors of the institutions. In this regard, it is quite important to grow and expand such networks that provide new ideas, narratives and models to the lenders, government and businesses to increase their level of competition, knowledge, skills and learning process. If applied, normative isomorphism can bring change at the institutional level in the WBOP.

Furthermore, it has been identified that the relationship between banks and firms indicate that soft information gathering over the passage of time benefits the lender through potential capital providers. Consequently, information monopoly is created for the MSMEs who have strong networking with the banks and political influence on the institutions, which is creating discrimination within the institutions. In such circumstances, firms are expected to pay more than the usual market prices or interest rates than those who do not have connections, relations or political influence on the lending organizations. Numerous researchers have backed up these claims with empirical evidence stating the lock-in effect and all the costs that are associated with it when a business does not have a connection with the lending organization, particularly in developing countries (Hale and Santos, 2009; Farinha and Santos, 2002; Agarwal and Hauswald, 2010). It is also identified that the social networking of the MSMEs with the lending organisations also improves their accessibility, in addition to improving the financial literacy of their owners and managers, especially

in the WBOP. Therefore, it has been advised in the above framework that there is a need to create social networks, seminars and trainings for the lenders and MSMEs which could trigger the functional literacy at the institutional level, and in turn enhance their capability to solve issues and acquire funds.

According to DiMaggio and Powell (1983), originates from external organization's cultural and legal environmental expectations and from political influence on the institutions. In this current work, it has been found that there is a political involvement in the accessibility of funds for some organisations because they have political influence within the country that make it easier for them to access funds. The lack of political involvement by the MSMEs results in a lack of support for these businesses because the government is more focused on the large organisations. Therefore, political attention is important to provide the required infrastructure and legal requirement for MSMEs to improve their accessibility of funds in the WBOP. Moreover, it is largely debated that small- and large-scale firms are economically different, and this issue is further extended to the policy makers arguing on the pros and cons in the job opportunities of skilled as well as unskilled labor virtues of locations, economies of scale, production cost, allocated investment capital and ownership structure.

As it has been established in this research that MSMEs are playing a vital role in the economy of the West Bank, therefore the government should improve the legal and business infrastructure that could improve their accessibility of funding. As far as Palestinian economy is concerned, a survey was conducted to compare two alternatives and to answer the question whether the policy makers in Palestine focus on the MSMEs or the large-scale firms. Sabir (1998) highlighted the benefits of MSMEs, like higher level of labor productivity and higher ratio of assets turnover

and inventory turnover, which are not as high in the large-scale firms even though there are better opportunities available to large scale firms regarding external financing. For example, it has been found that a lack of the history of the track record of a business creates ambiguity for the lenders to provide them with finance, therefore the government's involvement can improve the legal infrastructure and credibility infrastructure of these businesses, which will in turn improve their information for the lenders to securely provide funds. Additionally, there's a lack of government policies to secure the lender's interest; for example, the loan terms and conditions are not securing the lender's funds in case of liquidation of the business. The competition types of isomorphism competitive is also part of coercive. The competitive environment also considers the competition of banks and lenders to provide funds for businesses and individuals. Additionally, the competition within the market also considers the competition among the businesses within the country, which trigger their understanding and learning to access the required funds for their businesses. As DiMaggio and Powell (1983) put it, "Organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness" (DiMaggio and Powell, 1983; p, 147). This was confirmed in the findings of this current work, where organisations that have more networking and political relation with the banking sector have better access to funds for their businesses. Therefore, the government can improve the social networking through arranging seminars and online networking for MSMEs, and creating business policies within the country that could improve the confidence of these MSMEs to getting more political power to access the required information and resources. Seminars, trainings and organizational networking can also promote the organisational level collaboration to raise their voice for the government to solve

their issues, which can give them collective political power. Therefore, based on the above framework, the course of forces can deal with the issues of policies and legal infrastructures to facilitate and improve the accessibility of funds for MSMEs in the WBoP. It will also improve the overall policy of the institution that will directly lead towards the accessibility of funds. Additionally, it is also shown in the above framework that the normative factors will directly improve the institutional capability to improve the accessibility of funds for MSMEs because the trainings, seminars and networking of the organisations can trigger the joint and collaborative learning environment for the organisations, the lenders and government in the WBoP. This will directly improve the institutional capability to deal with issues, and consequently, it will improve their accessibility of funds. This study has provided a detailed understanding regarding the aforementioned elements.

Finally, due to weak legal infrastructures, bogus or no land registry of MSMEs is one of the major barriers that face MSMEs, and they are unable to fulfil the legal documents for collateral purpose. Due to the war situation and political instability in the West Bank, it is not an easy to attract international investors for financial support, which further reduces the MSMEs' funding options. Moreover, the lack of government support is another significant barrier, as the government has imposed many direct and indirect taxes, duties, fees, and customs on MSMEs. As a result, newly established and some older MSMEs may not have very good financial statements, which then decreases their accessibility of funding from financial institutions. Furthermore, results revealed that MSME owners are not happy with the tax policies as most of the tax exemptions are given based on invested capital which is favourable to large organizations; That is why government tax policies are not very encouraging for MSMEs' growth and development. Additionally, results of

this study revealed that there is a high level of uncertainty, ambiguity, and increasing rate of corruption and inflation which limited the opportunities for MSMEs to grow at a faster rate. Although there are options available for crowd funding, it was found that the country's poor economic conditions, high failure rate of MSMEs, situation of war and terror, and weak legal infrastructure created uncertainty for public, and therefore, the public is less likely to put their savings into a risky business environment.

Conclusion

This study aimed to investigate the most relevant financial factors affecting the accessibility of funds and MSMEs' performance in the West Bank of Palestine. The research objective is achieved by collecting data from MSME owners and applying the statistical data analysis method. It is concluded that there are several important factors that can influence the accessibility of funds and MSMEs' performance, such as crowd funding, lack of financial literacy, low government support, financial institutions' terms and conditions, banking competition, and weak legal environments. Moreover, results of this study reveal that a weak positive link is observed between crowd funding and banking competition with MSMEs' performance and accessibility of funding. On the other hand, results highlighted the strong negative association found between MSMEs' performance and accessibility of funding with lack of management skills, low government support, financial institutions' terms and conditions, and weak legal environments. It is also found that crowd funding has a significant weak positive influence on the accessibility of funding.

Furthermore, findings of this study reveal that crowd funding is one of the ways which can enhance the options for funding for MSMEs. Crowd funding has a significant weak positive association with MSMEs' performance as some of MSME owners are taking benefit from crowd sourcing and investing money, therefore their performance level is improved. In the context of financial literacy, there is a negative link found between the lack of financial literacy and accessibility of funding as well as MSMEs' performance. MSME owners believe that they do not have sufficient financial literacy skills and therefore have lower funding options, which negatively influences their performance. In addition, the low government support in terms of corruption and lack of tax exemptions increased challenges for MSMEs' performance. Results show that low government support and weak legal environments have a significant negative association with the accessibility of funding. Moreover, there is a significant negative relationship found between the financial institutions' terms and conditions and the accessibility of funding. Conversely, there is a positive impact found of banking competition on the accessibility of funding and MSMEs' performance.

The second research objective of this study was to identify the impact of important financial factors on MSMEs' accessibility of funds from different financial institutions. With regards to the financial institutions' terms and conditions, results reveal that credit history, financial statements, experience, business address, ID copies, guarantees, investment details, sales records, profit details, start-up period, and salary details are some of the requirements that financial institutions request that can strongly and negatively influence the accessibility of funding. Some strict terms and conditions require financial literacy and experience; however, most MSME owners cannot fulfil these terms and conditions, and as a result, cannot improve the

performance of their business. For example, most of the newly established MSMEs that require financial funding are unable to show the profit details and sales records that financial institutions require. Furthermore, financial institutions are charging high interest rates for those MSMEs which are unable to provide collateral as well as having the risky debt to equity ratio. Therefore, the owners of these MSMEs prefer to use their social circle (friends and families) for managing the financial needs of their business. Moreover, the lack of financial literacy is also a major challenge as there is lower collaboration between government and financial institutions for educating the management of MSMEs. As a result, most of the MSME owners lack awareness regarding what are the feasible financial funding options for them. Results also reveal that lower social and professional networking among MSME owners has created more challenges to gather information and skills that can increase the accessibility of funding options.

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