VERY SMALL ENTERPRISES (VSE) IN THE AFRICAN FINANCING ECOSYSTEM, ADVERSE SELECTION, FINANCING AND GUARANTEES. ABOUT-FACE ANALYSIS OF TRADITIONAL FINANCIAL INSTITUTIONS OVER THE LAST DECADE 2014-2024 IN BURKINA FASO

Wendsongré Jean Claude YANOGO
Université du Québec en Outaouais-UQO, Canada
Jeanclaude.yanogo@uqo.ca

Abstract: The financing ecosystem in Africa does not take sufficient account of the specific nature of very small enterprises (VSEs). These VSEs, which can be likened to the informal sector, contribute more than 30% of GDP in African countries economies, which is why we need to find ways and means of facilitating their access to credit. The challenges are enormous, with asymmetric information between MSEs and lenders leading to adverse selection or even refusal of funding. Traditional financing institutions, such as banks, which are constrained by regulations, have practices that are better suited to medium-sized and large businesses, which are also the best organized. Their offers are not adapted to very small businesses, which are required to provide guarantees to the very few which are eligible for financing. Microfinance institutions (MFIs) have been the revolutionaries of VSE financing; MFIs have been able to offer financial products tailored to the needs of VSEs in return for guarantees that are relatively easy for them to obtain. MFIs offer a range of guarantees, including pledges on tools and equipment, joint and several guarantees and pledges. With this flexibility, MFIs have been able to develop close relationships that have enabled them to gain a better understanding of MSEs' activities, which has reduced the effects of information asymmetry and encouraged better structuring of loans adapted to MSEs. Over the last decade, however, the financing ecosystem in Burkina Faso has undergone several changes, with traditional players leaving their comfort zones to try their hand at microfinance and mesofinance through specialized subsidiaries. New institutions have emerged that specialise in the small business segment, such as Cofina, Atlantic microfinance (Amifa), Coris Méso finance and Witti Finance, to name but a few. This study consists of a survey of one hundred VSEs to understand the phenomena hindering their growth.
Keywords: Very Small Enterprises (VSE), Guarantee, Financing, Bank, Mesofinance

LES TRES PETITES ENTREPRISES (T.P.E) DANS L'ÉCOSYSTEME DU FINANCEMENT EN AFRIQUE, SELECTION ADVERSE ET FINANCEMENT SOUS GARANTIE. ANALYSE DE LA VOLTE-FACE DES INSTITUTIONS FINANCIERES TRADITIONNELLES SUR LA DERNIERE DECENNIE 2014-2024 AU BURKINA FASO

Résumé : L'écosystème du financement en Afrique ne prends pas suffisamment en compte la spécificité des Très Petites Entreprises (TPE). Ces TPE assimilables au secteur informel contribuent à plus de 30% du PIB dans les économies des pays africains ; une raison qui explique la nécessite de trouver les voies et moyens pour faciliter leur accès au crédité. Les défis sont énormes, l'asymétrie d'information entre TPE et bailleurs de fonds conduit à la sélection adverse, voire au refus du financement. Les institutions classiques de financement telles les banques contraintes par la règlementation, ont des pratiques plus adaptées aux entreprises de moyennes et grandes tailles qui sont aussi les mieux organisées. Leurs offres ne sont pas adaptées aux TPE à qui des garanties réelles sont demandées aux quelques rares élues au financement. Les institutions de microfinances (IMF) ont été les révolutionnaires du financement des TPE ; les IMF ont su proposer des produits financiers adaptés aux besoins des TPE en contrepartie de garantie relativement facile à mobiliser par ces derniers. Parmi les garanties que demandes les IMF, il y a les gages sur les outillages et matériels, le cautionnement solidaire, le nantissement etc. À cette flexibilité, les IMF ont su développer des relations de proximité qui leurs ont permis de mieux cerner les activités des TPE, ce qui a réduit les effets de l'asymétrie d'information et favoriser de meilleure structuration des crédits adaptés aux TPE. Sur la dernière décennie, l'écosystème du financement a néanmoins connu une évolution dans le cas Burkinabé à l'étude. En effet, des acteurs traditionnels ont quitté leur zone de confort pour s'essayer à la microfinance et le méso finance à travers de filiales spécialisées. On a vu apparaitre de nouvelles institutions qui se sont spécialisées sur le segment de la petite entreprise ; c'est le cas de Cofina, Atlantic microfinance (Amifa), Coris Méso finance, Witti Finance, pour ne citer que celles-ci. La présente étude consiste à une enquête menée auprès de cent TPE afin de comprendre les phénomènes qui entravent leur croissance.

Mots clés : Très petites entreprises (TPE), Garantie, Financement, Banque, Mésofinance

Introduction

Very Small Enterprises (VSEs) play an important role in economies, particularly in the countries of the South. Often confused with the informal sector, VSEs struggle to access structured finance through the banking system. Generally created from the personal savings of the promoter and support from his family network or through tontines (Zogning and Mbaye, 2015), the VSE is also an economy with strong social roots (Simen, 2017). The family is often heavily involved in production and management, resulting in a domestic type of management (Weber, 1995; Simen, 2017). However, VSEs and the informal sector account for at least 30% of the GDP of most African economies, which is something that merits attention. Understanding this type of enterprise and the challenges they face is essential if we are to propose solutions tailored to their needs. The aim of this study is to understand the major problems that stand in the way of the growth of these very small businesses. In particular, we look at access to finance, the constraints relating to the collateral generally required in financing and we explore the financing ecosystem over the last decade from 2014 to 2024.

1. Context

In the literature, a VSE is defined as a business with between 1 and 10 employees (Um-Ngouem, 2006) and a turnover of between 1 and 5 million CFA francs (Ntsama, Um-Ngouem and Abessolo, 2003). The VSE is a form of individual enterprise whose activity is based partly or wholly on the promoter, who is often a craftsman, a farmer, a small trader, a shopkeeper, a transporter, etc. This non-exhaustive list of what best represents the activity of VSEs in the African context is reminiscent of the activities of the informal sector. This sector, the majority of which is made up of VSEs, plays an important role in African economies. On average, the informal sector accounts for around 30% of African economies according to IMF reports. In Nigeria, one of Africa's economic powerhouses, the informal economy accounts for 56% of GDP. In Burkina Faso, the informal economy accounts for 23% of GDP. Compared with the economic realities of developed countries, the informal economy is 7% in Switzerland and 8% in the United States. But VSEs are also the poor relation when it comes to financing on the continent. They do not generally meet the financing criteria of traditional banks. For a long time, until the early 2020s, only the decentralized financial system attempted to meet the financing needs of VSEs. One of the difficulties often cited by banks is the lack of structured information on VSE activity. The asymmetry of information between MSEs and lenders is at the root of adverse selection, which does not favour access to credit for MSEs. Notwithstanding this reality, microfinance institutions (MFIs) stand out relatively better and have succeeded in capturing the needs of MSEs through tailored financing. Microfinance institutions offer relatively flexible financing mechanisms compared with the traditional banking system. When banks are able to assess the financing risk on the basis of the information they receive, they generally require collateral in the form of mortgages, pledges, collateral or even surety. Far from incriminating the financing mechanism, which we know is in line with the spirit of governance by banking regulations, it is nevertheless worth noting a paradox in the African case. Given that very small businesses and the informal sector in general account for over 30% of GDP in Africa, it is surprising that the existing financing mechanisms do not take sufficient account of them. Until 2016, the financing landscape comprised the banking system, the decentralized financial system and specialized public funds. With the exception of the decentralized financial system, which is doing a great deal to finance VSEs, the public financing funds remain derisory, while the banking system has financing models that are ill-suited to VSEs. A survey we carried out in 2016 on around a hundred VSEs revealed the difficulties they face in their quest for growth. The survey revealed that very small businesses have high expectations in terms of financing. Similarly, the difficulty of accessing finance ranked first among the reasons hampering their growth. Between 2016 and 2023, our observation of the West African financing landscape in general, and Burkina Faso in particular, reveals the emergence of new players. Who are they? What has motivated their emergence? Is this an ecosystemic readjustment of the financing offer? We propose to carry out a retrospective analysis based on data from the 2016 survey, to identify the underlying reasons undermining the growth of VSEs. Then, an ex-post survey of VSEs surveyed eight years later will enable us to see how the reality on the ground has changed. A literature review and observation of the financing landscape will enable us to see how the ecosystem of players involved has evolved.

2. Theoretical framework

2.1. Pecking order theory

The pecking order theory is based on the principle that there is an asymmetry of information between managers and financial backers, which makes the former apprehensive about external financing. According to this theory, as a matter of principle, the manager of a small business will prefer financing that does not expose him to a loss of control of his company. In other words, instead of establishing a partnership with the possibility of opening his capital to potential financiers, the small business owner prefers financing that does not expropriate him, even partially. In this situation, where the owner is adamant about having absolute control over his business, he will prefer a bank or similar financing. This position of the solitary manager, who is generally ill-equipped to use credit, accentuates the negative effects of asymmetric information. This information asymmetric explains the inability of the lender to correctly assess the demand for financing, the real destination of the funds with the risk of asset substitution, and the inability to monitor post-financing performance (Goyer, 1995; Ngongang, 2015). Asymmetric information is at the root of adverse selection in the credit market, causing banks to ration their financing to the detriment of companies deemed to be riskier (Stiglitz and Weiss, 1981; Psillaki, 1995; Berger and Allen, 1998).

2.2. *Information Asymmetry, Credit Rationing and VSEs*

According to Yan (1997), rationing exists if the lender's offer does not fully satisfy the borrower's demand. Very small businesses represent the most opaque part of the productive fabric, with the greatest asymmetries of information, and are paradoxically the most in need of financing (Berger et al., 2005; Ngongang, 2015). For Sylvie Cieply and Bernard Parañaque (1997), the bank-business relationship is a complex relationship based on imperfect and incomplete information. This is because, unlike banks, which know little about the actual destination of the sums lent and the real level of risk, businesses know in advance where the funds will go and often have a much better idea of the level of risk (Calomiris and Hubbard, 1990). Most VSEs do not have a structure and history that provide objective answers to the banks' questions about their capacity to absorb credit and their ability to repay. Agency conflicts between owners and lenders are significant; it is difficult for the banker or risk capital provider (the principal) to control the actions of the manager (the agent), especially given the lack of transparency of information, and this situation leads to an increase in agency costs (Adam, 1989; Jensen and Meckling, 1976). The lack of control over information leads to inadequate or even inappropriate types of financing that are unsuited to the needs of VSEs.

3. Methodology

The data was collected from a survey of one hundred VSEs. The survey, which was carried out eight years ago, produced raw data which served as the basis for our primary analysis. The interest of having data of this age lies in the fact that we are seeking to measure the evolution of the discourse of promoters of VSEs between two periods of time. In fact, we will update their opinions on the issues raised above by surveying some of VSEs who took part in the survey in 2016. This step will enable us to understand whether their assessments have changed over time. Next, a literature review combined with an observation of the ecosystem of the financing offer will enable us to see whether there have been any changes tending towards better consideration of the needs of VSEs.

3.1. Sampling and validity of survey data

The data comes from a survey of one hundred (100) VSEs in Ouagadougou. To maintain the random nature of the choice of MSEs for the study, the survey covered as many districts of the city of Ouagadougou as possible. The team of interviewers consisted of four students, all with a degree in sociology and with experience of fieldwork. A preliminary meeting was held to train the interviewers to master the parameters of the questionnaire and to assimilate the random nature of the choice of SMEs to be interviewed. During the preliminary meeting, a pre-test simulation was carried out, enabling us to reframe the questionnaire. The itineraries were carefully chosen to avoid duplication and with the aim of reaching many business sectors, all using a random approach. The survey focused on VSEs located in the city of Ouagadougou in the vicinity of business centers and in outlying areas. The random approach consisted of questioning VSEs in any sector of activity encountered on the respondent's itinerary.

3.2. The Survey Questionnaire

The approach consists of letting the interviewee express himself freely in response to the questions asked. The questionnaire was formulated to measure the weight of the companies in the sample, making a clear distinction between sector of activity and size, based on the number of employees. The criterion of the number of employees was used to determine whether the company was a VSE, which, as we noted in the introduction, had between 1 and 10 employees. Despite its bias, with promoters sometimes ignoring the parents who contribute alongside them, this criterion is the easiest to use because the one based on turnover is difficult to apply and VSEs communicate little on that criterion. The survey also looks at parameters relating to the concentration of the problem of access to finance by the type of loan applied for, and according to the duration of the loan. This enables us to observe parameters relating to guarantees, transformation risk (final destination of the loan), and the effects on the appropriate or inappropriate structuring of the loan. In addition to the nature of the VSE (legal form) and its size (by the number of employees), here are the central dimensions on which the questionnaire focused.

-The bankability of SMEs: Used to determine which VSEs have a bank account or a credit card.

an account with an institution. This variable is very important in the survey because it determines the main condition for access to finance.

-Sector of activity: This determines the sector in which the VSE operates.

The analysis will reveal which sectors are more concentrated, and which sector has had the greatest access to financing.

-Whether or not the MSE has access to financing: Used to determine whether the VSE has received financing.

-Type of competition (Duration): Identifies the type of competition according to the duration granted to the SME. It may be a short-term loan, a medium-term loan or a long-term loan.

-The nature of the loan: This is used to determine the nature of the loan, depending on whether it is a credit facility, investment, stock financing, market financing, discounting, or surety.

-Guarantees required for the competition: Used to determine the guarantees required to cover the risk of financing VSEs.

-What the VSE thinks about bank guarantees: Allows you to find out the VSE's view of bank guarantees required.

-Obstacles to VSE growth: This point highlights the VSE's view of the obstacles to their growth.

3.3. Data analysis and processing

3.3.1. Data analysis

The data was analyzed using Excel software. A pivot table was created for this purpose, on which all the information collected on the one hundred cards representing the sample population was entered.

3.3.2. *Data Processing*

Filters for each variable give us a glimpse of their weight, and cross-tabulations of the variables allow us to measure the impact. The data are analyzed and presented in this document in tables and graphs. The analysis allows us, for example, to determine *the rate of bank penetration among the population surveyed*, *the weight of the sectors of activity*, *the loans most frequently granted, the guarantees generally required*, and *the other obstacles to the growth of VSEs*. Cross-referencing the variables by filtering allows us to see dimensions that are abstract a priori, such as information asymmetry.

4. Survey results

We use descriptive statistics as a tool for analysis, using Excel software. Analysis of the data reveals results that are summarized in the tables and graphs below.

- **Analysis of data from the survey on access to finance**

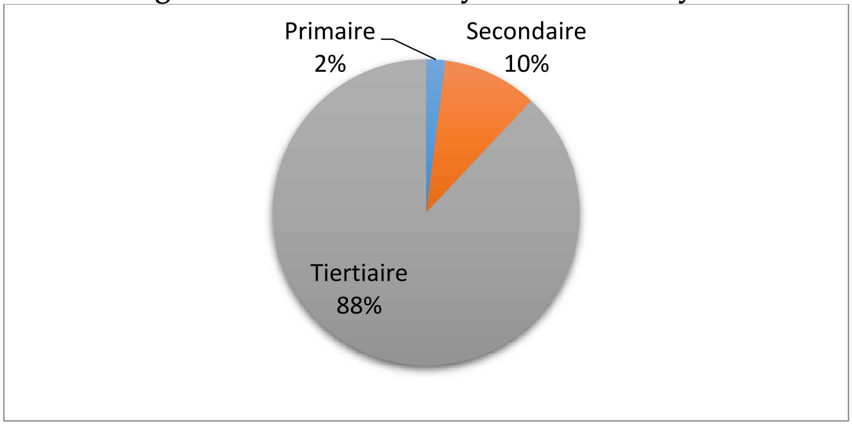
Table 1: Access to finance

	MSE account holder with a financial institution	MSEs who replied that the guarantee was an obstacle	VSEs having benefited from Financing	Very small business receiving financing with HUP in Guarantee
No. of VSEs	88	89	16	7
%	88%	89%	16%	7%

Source : By the author *PUH = Permis Urbain d'Habiter (Urban Housing Permit) (leads to land title and serves as a guarantee)

The survey revealed that of the total population surveyed, only fifteen (15) MSEs were promoted by women and the other 85 by men. Out of the 100 MSEs surveyed, 88 had an account with a financial institution, of which 16 said they had received financing. We also note that 89 MSEs replied that the guarantee was an obstacle to accessing finance. Out of the sixteen that had received financing, seven (07) had provided a real guarantee in the form of an Urban Housing Permit (UHP).

Figure 1: Sector of activity of SMEs surveyed



Source: By the author based on survey data

The graph above shows that most SMEs out of the 100 surveyed are in the tertiary sector (88%), followed by the secondary sector (10%) and the primary sector (2%). We note that this statistic is due to the fact that the survey took place in the city of Ouagadougou, where the primary sector is not sufficiently visible. Since agribusiness (agriculture and livestock breeding) is an activity carried out in outlying areas and rural areas, this may explain the low percentage of MSEs in the primary sector covered by the survey. However, the tertiary sector, dominated by service and purchase-resale activities, is characteristic of VSEs. This sector is characterized by the diversity of its activities, which are changing rapidly in line with the population's consumption habits and the dynamics of technology. As for the secondary sector, there are a few VSEs that are mainly involved in the small-scale processing of agricultural products, soap manufacturing and printing. Because the secondary sector very often requires substantial productive investment at the start-up stage, very small businesses that succeed in this sector very quickly move into the medium and large enterprise category.

- **Major obstacles to SME growth**

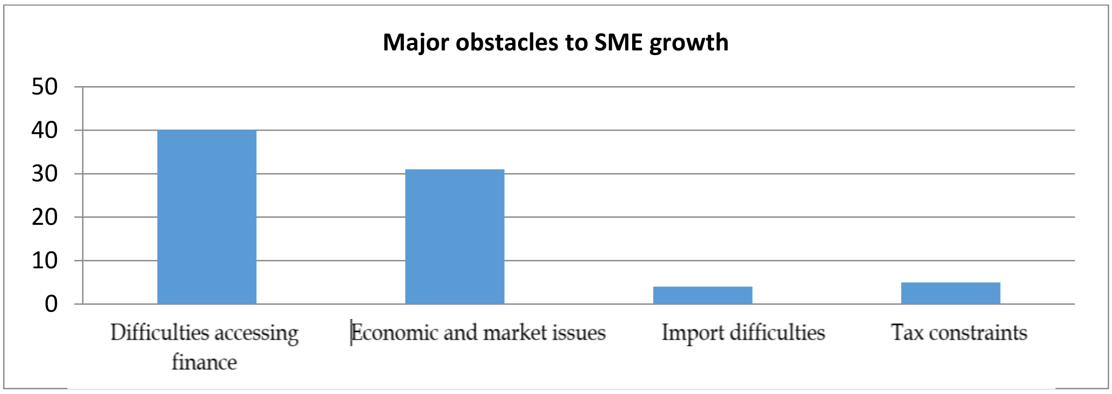
The following table and graph present statistics on the major obstacles to the growth of VSEs identified by the survey.

Table 2

	Major obstacles to SME growth			
	Difficulties accessing finance	Economic and market issues	Import difficulties	Tax constraints
Number of SMEs	40	31	4	5
%	40%	31%	4%	5%

Source: By the author based on survey data

Chart No. 2



Source: By the author based on survey data

The table above shows that 40% of the MSEs surveyed consider *Difficulties in accessing finance to be* a major obstacle to the growth of MSEs, ahead of the other criteria. A further 31% of MSEs felt that the *Economy-Market issue* was a major obstacle to MSE growth. Obstacles relating to *tax constraints* and *import difficulties* follow with 5% and 4% respectively. We note that difficulties in accessing finance remain a concern for MSEs, even though they would like to see an improvement in the business climate by indexing the Economy-Market issue. The survey reveals that only fifty-three (53) MSEs surveyed report having more than one employee. Generally, promoters do not declare the relatives who gravitate around their business and who contribute to production, which is a source of bias in terms of the actual number of employees. Analysis of the data also reveals that the types of credit granted to MSEs claiming to have received financing include stock financing, investment credit and market financing. These loans are dominated by short-term loans.

- **Guarantees, the main constraint on access to finance.**

The survey reveals that 88% of the MSEs questioned have an account with a financial institution, which shows that MSEs are willing to open to modern finance and hope to benefit from financial support. Unfortunately, at the same time, 89% of the MSEs surveyed see collateral as a major obstacle to accessing finance. We also note that 40% of the VSEs surveyed rank *the problem of access to* finance as *a major obstacle* to their growth, well ahead of difficulties relating to the *economy-market issue*, *import difficulties* and *tax constraints*. It should also be noted that of the 31% of MSEs that identified *economic-market issues as a* major obstacle, a third identified *difficulty accessing finance* as the central obstacle, well ahead of *import difficulties* and *tax constraints.*

Table 3

	The Guarantee is a barrier to access to finance	The Guarantee is not a barrier to access to finance	No answer	Number of SMEs citing Difficulties accessing finance as a major obstacle
Difficulties accessing finance	34	4	2	40

Source: By the author based on survey data

The table above shows that of the 40% of SMEs that identified difficulties in accessing finance as a major obstacle, 34% found the guarantee to be the explanation for this difficulty. *In the light of the above, we can deduce that the securities (guarantee) constraint explains the difficulty in accessing finance*, which is indexed by the SMEs surveyed as the main obstacle to their growth.

- **Asymmetric information helps to create mistrust between very small businesses and financial institutions: guarantees are at the heart of credit structures.**

Because they do not have relevant information on very small businesses, financial institutions are convinced, rightly or wrongly, of the high risk involved in financing them. This leads financial institutions to make financing for VSEs conditional on the production of real guarantees that cover the risk incurred. Analysis of the survey data reveals a range of information that highlights the asymmetry of information. In particular, the 88% of respondents who had a bank account compared with the derisory percentage (16%) of those who had received financing. When 89% of respondents said that collateral was an obstacle to accessing finance, this confirms the reluctance of financial institutions to respond to requests for finance from VSEs.

- **A Wrongly shared lack of knowledge about VSEs**

Financial institutions are not always able to identify the activities of very small businesses, which are highly diversified. Identifying and understanding their activities requires a local approach and dynamic monitoring. In practice, the size of the portfolio per account manager in financial institutions in Burkina Faso, for example, is very large. On average, there are between 50 and 300 SMEs and VSEs per manager's portfolio, which leaves the managers no time to get to know each of the companies in their portfolios. Overloaded by the size of their portfolios, account managers' day-to-day work often boils down to receiving the entrepreneurs who come to meet them. Follow-up work is only carried out if there is an ongoing commitment that presents a risk of stagnation. In this context, we can note that the majority of financial institutions do not have a perfect knowledge of the VSE and do not develop actions to better know them and make themselves known. Moreover, analysis of the survey data shows that the MSEs in their suggestions (see table 9 below) invite the financial institutions to focus their actions more on knowledge of MSE activities.

Table 4: Suggestions from MSEs surveyed for improving access to finance

	Invites banks to work on getting to know SMEs better	Invites banks to review guarantee conditions	Other suggestions
Number of SMEs	15	55	30

Source: By the author based on survey data

The table shows that 70% of MSEs, in their suggestions for improving conditions of access to finance, want financial institutions to get to know them better. These MSEs believe that better knowledge of their activities can contribute to smoother financing conditions. Other suggestions made by the MSEs surveyed were along the same lines, with some MSEs asking financial institutions to find an alternative to mortgage collateral, which requires land title. These MSEs felt that, at the outset, many promoters did not have a property portfolio that they could offer as collateral. Other suggestions for the creation of a dedicated MSE bank suggest that MSEs feel that financial institutions do not take their real needs into account.

- **Better credit structuring helps very small businesses access finance**

Analysis of the survey data shows that 16% of VSEs who said they had received financing did not find it difficult to provide the requested guarantees. The asymmetry of information highlighted the lack of mutual knowledge between SMEs and financial institutions contributes to credit structures that are generally unsuited to the needs of

VSEs. Constrained by prudential regulations, financial institutions, because they do not have sufficient information on VSEs, tend to structure loans with risk cover geared towards the high hypothesis (which consists of protecting themselves to the maximum, or even beyond the level of risk incurred). The implementation of guarantees entails high costs in terms of notary fees and other bank charges, which add to the cost of the loan. This cost of credit, combined with a structure that is not aligned with the VSE's expressed needs, is likely to create problems rather than solutions for the VSE. For example, there may be insufficient investment, or an overdraft may be granted instead of a repayable loan. This can lead to repayment difficulties that can ultimately put the VSE out of business.

An analysis of the collateral provided by MSEs in receipt of financing reveal pledges on rolling stock, pledges on productive equipment, etc. It can therefore be seen that structuring financing as an alternative to mortgage collateral by introducing real collateral such as pledges on rolling stock (motorbikes, vehicles, etc.) can help to improve MSEs' access to financing. Guarantees over business assets could also be an alternative, as most very small businesses are increasingly registered in the commercial register and covered by regular lease contracts. Goodwill, the very essence of the business, can serve as a guarantee because it plays a key role for the VSE (customer goodwill, geographical location, customer loyalty, etc.). Alongside other real guarantees, we believe that organizing VSEs into cooperatives can lead to a pooling of guarantees that will open the door to financing to a greater number of people. Eight years ago, only certain MFIs and national funds accepted pledges on rolling stock and production equipment. Some banks were working in tandem with SOFIGIB set up by banks and the government to establish a guarantee fund that promotes access to finance for very small businesses.

4.1. The verification interview eight years after the initial survey

We wanted to understand whether MSEs' assessment of financing conditions had changed over time or not. To do this, we contacted five of the VSEs that had taken part in the survey; they had freely provided their telephone contacts at the time of the survey. Out of the five VSEs contacted, four were still in business and one had closed. Our questions focused on what they saw as the main obstacles to growth.

Unanimously, the four VSEs identified constraints on access to finance. And to our question as to whether the problems remain the guarantees, three of the four who had, in the meantime, benefited from credit acknowledged that guarantees remained a constraint, but pointed out that institutions had appeared with favorable credit offers for which the guarantees requested were production equipment, sureties and pledges. The four MSEs interviewed also acknowledged an improvement in the monitoring of their activities, indicating that they received regular visits from their financial partners.

4.2. Documentary review and observation of the financing ecosystem

4.2.1. State of play in 2016,

The financing ecosystem looked like this:

- Thirteen banks that offer classic financing products adapted to companies of a certain size and an organization capable of providing guarantees. These are BSIC, Banque Atlantique, BDU, ECOBANK, Coris Bank, BCB, Orabank, IBBank ex BHBF, UBA, CBAO, Vista Bank ex BICIAB, BOA and Société Générale, and two approved credit institutions, Alios Finance, SOBCA, SBE, FIDELIS and SOFIGIB;
- On 31 December 2015, there were six national funds: FAARF, FASI, FAIJ, FAPE, FBDES and AFP-PME.
- There were 153 microfinance institutions on 30 June 2014 (dominated by the Caisses populaires network); although there were also other MFIs such as MicroCred, Première-Agence de microfinance (PAMF), Prodia, Coopec Galor, BTEC, and several local savings and credit cooperatives (Lefaso.net, 2014).

4.2.2. The evolution of the financing ecosystem

- The open-source documentary analysis and observation have enabled us to note the creation of new banks on the Burkinabe market, which will increase from 13 in 2014 to 16 banks in 2024. The new entrants to the market are Wendkouni Bank, Banque Agricole du Burkina Faso (BADF) and Banque Postale du Burkina.
- The analysis also enabled us to note 153 MFIs active in 2014 (Burkina Ministry of Economy and Finance, 2014). This number fell to 124 MFIs in the January 2024 decree from the same ministry. This drop in numbers can be explained by

the closure of some MFIs, and even the withdrawal of authorization for others. An analysis of the list of institutions authorized to operate as MFIs published in January 2024 shows that around fifty MFIs had their authorization withdrawn between 2014 and 2024. However, around twenty new MFIs appeared between 2014 and 2024. We note the arrival of big players on the scene such as COFINA, an institution that has made meso finance its niche. Meso finance is a new concept that takes up the activities of microfinance and aims primarily to facilitate access to finance for very small businesses and SMEs. The financial press has given a great deal of coverage to the success of COFINA, guided by the vision of its CEO Jean Luc Konan. COFINA began its activities in Côte d'Ivoire. COFINA quickly conquered other countries in West Africa (including Burkina Faso) and Central Africa. The concept of meso finance, which is emerging in the literature, and which seems to have met the expectations of very small businesses, very quickly attracted other atypical players: subsidiaries specializing in meso finance backed by traditional banks. In Burkina Faso, this phenomenon has affected the financing ecosystem, which has seen the emergence of Atlantic Microfinance (Amifa), Coris Méso finance, and very recently Witti-finance (Economiste du Faso, 2023).

4.2.3. Why the sudden upsurge in interest in VSEs?

The sudden interest shown by the traditional banking players in microfinance and mesofinance is an about-face. For a long time, these players ignored the VSE segment and a large proportion of SMEs, offering only products designed and adapted for companies of a certain size and organization. As a result, financing conditions were inaccessible to very small businesses. In 2018, Jeune Afrique ran the headline: *"Microfinance: la concurrence s'accroît en Afrique de l'Ouest (Jeune Afrique, 2018)", highlighting the* emergence of new players on the market. To return to the case of specialized subsidiaries such as Atlantic microfinance and Coris méso finance, which are backed by traditional banks (Banque Atlantique, a subsidiary of Banque Populaire du Maroc, and Coris Bank International, respectively), we see this as a turnaround that reflects an awareness of the reality of the ecosystem of financing needs. For these banks, it is a question of anticipating the risk of market loss if they remain stuck in their traditional banking market. Through microfinance and mesofinance, they have the advantage of being able to forge close, long-term relationships with very small businesses, supporting them through their specialized subsidiaries in the hope of eventually bringing them back into the traditional banking system. This observation leads us to believe that from 2016 to 2024, the lines have truly moved in the right direction in favour of VSEs, even if efforts still need to be made to facilitate their access to finance.

4.3. *Ideas for improving access to finance for VSEs*

4.3.1. *Supervision and formalization of VSEs*

It is vitally important that VSEs work to earn the trust of financial institutions. To do this, we suggest that the government should give more support to the missions of the Maison de l'Entreprise in Burkina Faso and other affiliated training structures, in order to develop training and financial education for VSEs.

We would also encourage very small businesses to form cooperatives. The umbrella organizations of very small businesses should consider setting up a mutual guarantee fund to support them. To reduce information asymmetry and its corollaries of mutual distrust, VSEs should use the services of consultancy firms or certified financial intermediaries to draw up financial statements and business plans that will serve to improve their relations with financial institutions.

4.3.2. *Developing close relationships with very small businesses*

Except for certain MFIs such as the Réseau des Caisses populaires, financial institutions do not maintain close relations with VSEs. This situation is not conducive to mastery of VSE activities and creates apprehension. It is up to the financial structures to initiate local communication actions to ensure that their activities and financing offers are better understood by VSEs. Similarly, finding an alternative to the problem of mortgage guarantees in the structuring of loans for VSEs appears to be an absolute necessity if we want to promote access to finance for VSEs. Without calling into question compliance with prudential rules by financial institutions, we suggest that they place much more emphasis on the experience and morality of the promoter, to which they could add pledges on their personal assets. In the Burkina context, this could involve pledging a motorbike (which most VSE promoters have) or a vehicle, a guarantee on the business or a third-party guarantee. The relationship between financial institutions and VSEs should be a long-term one, with the aim of supporting VSEs with structuring finance based on appropriate guarantees until they have access to property that they can use to obtain substantial bank loans.

4.3.3. Better organization of national business support funds

It is essential to optimize the work of the National Funds. To do this, we propose grouping certain Funds into a single, more robust Fund capable of financing the large number of VSEs. Another alternative could be to merge almost all the Funds to create a bank dedicated to financing VSEs and SMEs. At the time of writing, the government of Burkina Faso has undertaken to merge several national funds into one. The former Fonds d'Appui au Secteur Informel (FASI), Fonds d'Appui à la Promotion de l'Emploi (FAPE) and Fonds d'Appui aux Initiatives des Jeunes (FAIJ) have been abolished to create the Fond Faso-Kuna-wili. The Burkinabé government has complained that the operating costs exceed the amounts granted in funding. Combining the funds is in line with our conclusions.

Conclusion

This study enabled us to identify the difficulties faced by VSEs, which remain the poor cousins of financing. Aware of the need to make themselves known to financial backers, many VSEs are formalizing, training, and informing themselves. On the other hand, traditional players such as banks are showing renewed interest in meso finance, which targets VSEs and SMEs. So, there is hope: it is up to VSEs to continue their transformation to reveal as much of their potential and seriousness as possible in order to reduce information asymmetry to its simplest expression. Nevertheless, financial institutions must develop initiatives to get closer to VSEs in order to better identify their needs. Among the urgent actions that need to be taken are the urgent need to develop all-inclusive training programs on basic management skills for VSEs, training in business ethics, and coaching. As for financial institutions, they could help to develop these training and coaching initiatives for VSEs. Similarly, it seems that training for account managers could contribute to better management of the MSEs in their portfolios. The size of the managers' portfolios should be reduced in order to encourage good local management, which would reduce information asymmetry and its corollaries. Despite the potential limitations of this study, we believe that it will contribute to a better understanding of the difficulties faced by VSEs.

Bibliography

Adam, M. A. (1989). Financial theory and SMEs. Science and Technology News, pp. VOL 7 N.3 P.59-64.

Calomiris, C. W and Hubbard, R. G. (1990), Firm Heterogeneity, Internal Finance and Credit. Rationing Economic Journal, Royal Economic Society, vol. 100 (399), P. 90-104, March

Coulibaly N. (2018), Microfinance : la concurrence s'accroît en Afrique de l'Ouest; Jeune

Africa, November 2018; www.jeuneafrique.com/mag/645932/economie-entreprises/microfinance-la-concurrence-saccroit-en-afrique-de-louest/

Goyer, M., (1995), "Corporate Finance, Banking Institutional Structure and Economic Performance: A Theoretical Framework", Working Paper, MIT.

Jensen, M. and Meckling, W. (1976), "Theory of the Firm: Managerial Behaviour, Agency

Coasts, and Ownership Structure", Journal of Financial Economics, Vol. 3, P. 305-360 Um-Ngouem, M.-T. (2006). Les nouveaux défis de la TPE dans les pays du Sud.

Revue internationale P.M.E., 19(1), 119-141. https://doi.org/10.7202/1008492ar

Paranque. B and Cieply S (1998), "Le rationnement des petites entreprises sur le marché du Banques et marchés, 33 p. 5-17

Psillaki M., (1995), Rationnement du crédit et PME, Revue Internationale PME 8, p. 67-90.

Simen, S. F. (2017), Pratiques de GRH dans les très petites entreprises sénégalaises :

relevance of a management that reconciles tradition and modernity. XXVI International Conference on Strategic Management, Jun 2017, Lyon, France. halshs-01782042

Stiglitz , J. E. , Weiss A. (1981), "Credit Rationing in Markets with Imperfect Information", American Economic Review, Vol. 71, P. 394 - 404.

Ntsama, E., M.-T. Um-Ngouem et L.M. Abessolo (2003), Définition de la PME, de la micro-enterprise and crafts in Cameroon, Study report commissioned by MINDIC / AFD.

Weber, M. (1995), Économie et société, Paris, Plon (first edition, 1921).

Yan, Y. (1997), "Credit rationing, Bankruptcy Cost and Optimal Debt Contract for Small Business", Working Paper, Federal Reserve Bank of Cleveland, No. 9702, March,

Zogning N. F. J., Mbaye A. A. (2015), Le financement des PME et la performance du public sector: an international perspective, Montréal, Parmitech.