

**SMALL-MEDIUM ENTERPRISES AND CREDIT
ACCESSIBILITY IN KATHMANDU VALLEY**

A Thesis

By:

Laxman Parajuli

Shanker Dev Campus

Class Roll No.: 2959/072

MBS 2nd year symbol: 390213/074

T.U. Regd No.: 7-2-123-3-2010

Submitted To:

Office of the Dean

Faculty of Management

Tribhuvan University

*In partial fulfillment of the requirement for the degree of
Master of Business Studies (MBS)*

Kathmandu, Nepal

July, 2024

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

Laxman Parajuli

Entitled:

SMALL-MEDIUM ENTERPRISES AND CREDIT ACCESSIBILITY IN KATHMANDU VALLEY

has been prepared as approved by this Department in the prescribed format of the
Faculty of Management. This thesis is forwarded for examination.

.....
Srijana Khadka Asso. Prof. Dr. Sajeeb Kumar Shrestha Asso. Prof. Dr. Krishna Prasad Acharya
(Thesis Supervisor) (Head of Research Department) (Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva-voce of the thesis

presented By:

Laxman Parajuli

Entitled:

SMALL-MEDIUM ENTERPRISES AND CREDIT ACCESSIBILITY IN KATHMANDU VALLEY

It is found that the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the

Degree of Master's in Business studies (M.B.S)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that the thesis entitled “**SMALL-MEDIUM ENTERPRISES AND CREDIT ACCESSIBILITY IN KATHMANDU VALLEY.**” submitted to the faculty of management, Tribhuvan University, Kathmandu is an original piece of research under the supervision of **Srijana Khadka**, Lecturer of Shanker Dev Campus, Kathmandu, and is submitted in partial fulfillment of the requirements for the Degree of Master’s in Business Studies (M.B.S). This thesis has not been submitted to any other university or institution for the award of any degree.

Laxman Parajuli

Shanker Dev Campus

Class Roll No.: 2959/072

T.U. Regd No.: 7-2-123-3-2010

MBS 2nd year symbol: 390213/074

ACKNOWLEDGEMENTS

I would like to express my special thanks of gratitude to my thesis Supervisor, **Srijana Khadka**, for supporting me to complete this thesis. She has provided me with valuable advice, guidance, insight and encouragement without which this thesis would not have been completed. I would like to express my gratitude for my supervisor for believing in my ability to carry out this thesis.

I would like to express my gratefulness to **Asso. Prof. Dr. Krishna Prasad Acharya**, Campus Chief and **Asso. Prof. Dr. Sajeeb Kumar Shrestha**, head of research department who provided me the opportunity to write this thesis.

I would further extend my thanks to those who have directly or indirectly helped me to carry out and complete this thesis by providing various data and information which are used to carry out this thesis and further role of library staffs and Central Library was crucial for this thesis.

Finally, to my family and friends who continuously supported me in every difficulty, i faced in my life. There are not enough words to express my deep gratitude for all of your love and support. Thank you for always being there for me.

Laxman Parajuli
Researcher

TABLE OF CONTENT

<i>Title</i>	<i>i</i>
<i>Recommendation</i>	<i>ii</i>
<i>VIVA-VOCE Sheet</i>	<i>iii</i>
<i>Declaration</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>ix</i>
<i>List of Figures</i>	<i>x</i>
<i>Abbreviations</i>	<i>xi</i>
<i>Abstracts</i>	<i>xii</i>
CHAPTER I	1
INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem	3
1.3 Objectives of the Study.....	6
1.4 Significance of the study	6
1.5 Limitations of the study	7
1.6 Organization of the study	7
CHAPTER II	8
REVIEW OF LITERATURE	8
2.1 Theoretical Review.....	8
2.1.1 Small and Medium-Sized Enterprises (SMEs)	8
2.1.2 Credit Accessibility.....	10
2.1.3 Alternatives of Credit Accessibility by SMEs	12
2.1.4 Financial Institutions Credit and Development of Micro Enterprises	14

2.1.5 Challenges Preventing SMEs From Accessing Credit.....	15
2.1.6 Pecking order Theory	16
2.1.7 Trade off Theory	17
2.1.8 Cognitive Capital Construct.....	18
2.2 Review of Related Studies.....	20
2.2.1 Review of International Journals and Articles.....	20
2.2.2 Review of Nepalese Journals and Articles.....	24
2.3 Research Gap	26
CHAPTER III.....	28
RESEARCH METHODS	28
3.1 Research Design	28
3.2 Population and Sample and Sampling Design.....	28
3.3 Nature and Sources of Data	28
3.4 Data Procedure.....	29
3.5 Method of Data Analysis.....	29
3.5.1 Descriptive Statistics.....	29
3.5.2 Correlation Analysis	31
3.5.3 Regression Analysis.....	31
3.6 Research Framework of the Study and Definition of Variables.....	32
CHAPTER IV	35
DATA ANALYSIS AND PRESENTAION.....	35
4.1 Data Presentation	35
4.1.1 Profile of the Respondents	35
4.1.2 Business Operation	36

4.1.3 Business Capital	37
4.1.4 Major Source of Financing	37
4.1.4 Rating on Credit Services	38
4.1.6 Statistical Analysis of Collateral Security	40
4.1.7 Statistical Analysis of Presence of Lending Institutions.....	41
4.1.8 Statistical Analysis of Literacy Level	42
4.1.9 Statistical Analysis of Interest Rate Charged.....	43
4.1.10 Statistical Analysis of Credit Accessibility.....	44
4.1.12 Overall Descriptive Analysis	45
4.2 Inferential Analysis.....	46
4.2.1 Correlation Analysis	46
4.2.2 Regression Analysis	48
4.3 Major Findings of the Study	51
CHAPTER V.....	55
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	55
5.1 Summary.....	55
5.2 Conclusion	56
5.3 Recommendations.....	57

Bibliography

Appendix

LIST OF TABLES

Table 1 Respondents Profile	35
Table 2 Business operation	36
Table 3 Business Capital	37
Table 4 Major Source of Financing	38
Table 5 Rating on Credit Services	39
Table 6 Statistical Analysis of Collateral Security	40
Table 7 Statistical Analysis of Presence of Lending Institutions	41
Table 8 Statistical Analysis of Literacy Level	42
Table 9 Statistical Analysis of Interest Rate Charged	43
Table 10 Statistical Analysis of Credit Accessibility	44
Table 12 Descriptive Statistics	45
Table 13 Correlation Analysis	47
Table 14 Model summary	49
Table 15 ANOVA	49
Table 16 Regression Analysis	50

LIST OF FIGURE

Figure 2.1 Theoretical Framework	32
----------------------------------	----

ABBREVIATIONS

AD	:	Anno Domini
ATM	:	Automated Tailor Machine
BS	:	Bikram Sambat
CA	:	Current Assets
CB	:	Commercial Banks
C.L	:	Current Liabilities
CRR	:	Compulsory Reserve Ratio
EBL	:	Everest Bank Limited
EPS	:	Earning Per Share
e.g.	:	Example
F/Y	:	Fiscal Year
IT	:	Information Technology
i.e.	:	That is
JVBs	:	Joint Venture Banks
Ltd	:	Limited
NRB	:	Nepal Rastra Bank
SD	:	Standard Deviation
T.A	:	Total Assets
TU	:	Tribhuvan University

CHAPTER I

INTRODUCTION

1.1 Background of the Study

SMEs are defined as businesses that have a comparatively modest market share based on factors including ownership, revenue, assets, and workforce size. Companies that are independent in the sense that they are significant enterprises that are managed directly by owners or co-owners rather than by means of a pre-existing management structure. SMEs are essential to the people and economy of every nation, developed or emerging. SMEs improve living standards and produce jobs for all stakeholders—employers and employees alike. They are an invaluable source of knowledge and ideas about entrepreneurship (Wairimu, 2015).

The ability of a company or individual to obtain outside funding to address cash flow issues is known as accessibility to credit (Osoro & Muturi, 2013). The lender's evaluation of the borrower's capacity to repay the loan determines the borrower's eligibility for either long-term or short-term credit. According to (Monteiro, 2013), SMEs frequently have trouble obtaining financing since nonbank lenders are reluctant to accept the information they provide, which is frequently unpublished. The main focus of this study is the financing options available to SMEs.

Minh (2012) discovered that a firm's financial leverage influences its chances of acquiring bank loans in Vietnam, even in situations when company characteristics are not the main factor affecting SME financing. Furthermore, collateral availability has a major influence on a loan's repayability, according to a Malaysian study on the factors influencing loan access (Haron, Said, Jayaraman, & Ismaili, 2013). Furthermore, research carried out in Ghana has demonstrated that factors that contribute to the difficulty of obtaining a bank loan include the lack of collateral, excessive borrowing charges, and unaudited financial papers (Ackah & Vuvor, 2011). Ubon and Chukwuemeka (2014) looked at the effects of gender, enterprise age, and social capital on access to informal funding in Nigeria. Unregulated, high-interest credit sources like moneylenders, societies, and the like are referred to as informal

credit access. Conversely, controlled credit providers such as banks and dealers that offer somewhat greater credit at a reduced interest rate are referred to as formal credit access. In most developing countries, traditional banks typically hesitate or refuse to lend money to small and medium-sized enterprises (SMEs). This decision is heavily influenced by the size, age, education, and collateral of the business. Rather, they favor lending money to well-known businesses that have been around for a while and have maintained solid credit histories and financial records. Due to their need for collateral, SMEs have the most difficulty obtaining loans from traditional banks. The age and size of SMEs, the lack of a business plan, collateral, financial data, bank criteria, the management style, experience, and educational background of the owners are some of the variables that might be causing this (Abdesamed & Wahab, 2014). Commercial banks favor well-organized financial records and documentation over small and medium-sized enterprises, especially when combined with suitable collateral in the form of tangible assets. SMEs, however, can have trouble obtaining enough collateral. Lack of capital is another issue that SMEs deal with as a result of knowledge asymmetry.

In addition to other strict conditions, the majority of financial institutions and non-financial organizations demand physical asset collateral in order to lower the repayment default rates on loans to small and medium-sized firms (SMEs). Finance to SMEs was viewed as riskier than lending to large, established firms, according to a research by Hall and Fang (2004). Commercial banks that provide loans to small and medium-sized enterprises (SMEs) face several obstacles when trying to get reliable and accurate information on the companies' financial and operational status. Because of this, it is challenging for startups to obtain capital from commercial banks, especially if they do not have enough collateral to support their claims (Kravchenko, 2011). Furthermore, most commercial banks would want to oversee the businesses to whom they extend loans in order to ensure that the money is being utilized for the objectives and for the reasons specified in the original agreement. Compared to large, well-established enterprises, small and medium-sized businesses are more likely to face credit limitation requirements from commercial banks. Because of this, keeping an eye on small and medium-sized enterprises (SMEs) is more difficult than keeping an eye on large, well-known firms (Alhassan & Sakara, 2014).

1.2 Statement of the Problem

Despite being often regarded as the economic engine, small and medium-sized enterprises (SMEs) may face financing rejections due to their inherent instability. It is acknowledged that there has been a substantial risk for some time, and that both governmental and non-governmental organizations must act swiftly and effectively in response. The importance of SMEs to Nepal's development cannot be overstated. Without enough loans available to small businesses, the economy would collapse. Because they are unable to obtain bank loans, many SMEs do not have enough money. Even willing bank business partners don't get all the money they want. Banks and other financial institutions will limit bank lending going forward. This system of operation prevents certain firms from getting any loans at all while making loans available to others. Moreover, a lot of companies who apply for loans don't receive the full amount of funding they were hoping for.

According to Joseph (2013), there exists a favorable correlation between loan accessibility and financial features such as company registration, accurate transaction and financial operation documentation, and effective business planning. They came to the conclusion that asset ownership is a prerequisite for obtaining credit from financial institutions based on the observation that every entrepreneur who was granted a loan claimed to possess fixed assets, real estate, commercial items, and dwellings. Properties may be used as collateral, depending on the loan amount sought. additional than asset ownership, there were additional criteria that affected lending availability.

A 2013 study by the European Commission (EC) found that for small and micro-sized businesses, access to financing is a critical determinant of the start-up, growth, and expansion of their businesses. It was reported that, in comparison to large businesses, they have relatively different requirements and notably different finance challenges. The study's findings appear to indicate that small firms are less important than other funding sources like bank loans and other financial products since they lack the capacity to create equity capital. Since banks are less able and willing to supply the financing that this sector depends on, the requirements of SMEs have

received more attention as a result of the present economic situation. This is explained by a considerable decline in loan availability (European Commission report, 2013).

Stiglitz and Weiss (1981) state that one aspect taken into account when assessing a borrower's creditworthiness is the value of their collateral. Banks utilize both loan contracts with higher interest rates and lower collateral values as well as loan contracts with lower interest rates and lower collateral values to screen out potential customers. Even in situations where risk characteristics aren't always obvious, lower risk borrowers may pledge larger amounts of collateral than riskier borrowers since it is less expensive to provide this guarantee to those who are less likely to lose the collateral they have pledged. The borrower is discouraged by the prospect of losing collateral. Therefore, the prospect of collateral encourages a higher level of effort to satisfy loan criteria and conditions, thereby reducing the probability of a borrower defaulting. Collateral can therefore be utilized to help resolve moral hazard problems (Aghion & Bolton, 2012).

According to Vuvor and Ackah (2011), small and medium-sized businesses in Ghana have major challenges while attempting to get financial resources, much like SMEs in other nations. SMEs find it very difficult to obtain bank loans because they are unable to provide the collateral and other documents that banks want, such as audited financial records, and since borrowing money comes with a significant cost in the form of high interest rates. According to research by Yildirim et al. (2013), SMEs face greater financial obstacles than bigger businesses. Consequently, obstacles to advancement and creativity are generated. Yeboa et al. (2014) found that a considerable proportion of banks still lack well-defined organizational frameworks for overseeing the financial interactions of small and medium-sized businesses (SMEs). It's also feasible that using due diligence techniques meant for larger businesses might harm small and medium-sized businesses.

The ability of owners to acquire capital for small and medium-sized firms is strongly positively correlated with their age, length of business ownership, and educational background. The study's findings suggest that a small business owner with a higher degree would find it simpler to secure capital and grow their enterprise. Higher educated small business owners would be more knowledgeable about and capable of understanding the loan procedures (Hussein, 2015). Data from the Balogun et al. (2017) study show that full credit accessibility is adversely connected with the owner's gender, type of company ownership, and collateral, but favorably linked with the owner's age, tax number, location, and style of firm ownership. The poll also found that a lack of owners' equity, collateral, and cash flow statements prevented small and medium-sized businesses (SMEs) from obtaining full finance.

SMEs play a major role in the growth of the national economy, particularly in terms of lowering poverty and generating employment. However, many of them in Nepal are unable to realize their full potential due to several obstacles that hinder their operation and expansion. The principal factor contributing to the inadequate growth and performance of small and medium-sized businesses (SMEs) is the restricted availability and accessibility of financing. The primary goal of the study was to identify the variables influencing the loan acquisition process for small and medium-sized enterprises in the Kathmandu Valley. To try to fill the gap left by earlier research, the following questions are presented in light of the numerous empirical assessments on problem statements.

- i. .How are SMEs in the Kathmandu Valley doing in terms of collateral security, lending institutions' presence, literacy rate, interest rates, and loan accessibility?
- ii. .Is there a connection between the availability of credit for SMEs in the Kathmandu Valley, the existence of lending institutions, the literacy rate, the interest rate, and collateral security?
- iii. .What effect do lending institutions' presence, literacy rates, interest rates, and collateral security have on SMEs' ability to receive loans in the Kathmandu valley?

1.3 Objectives of the Study

This study's primary goal is to look at the funding possibilities that small and medium-sized businesses in the Kathmandu Valley have access to. The following are other goals of the study:

- i. To examine status of collateral security, presence of lending institutions, literacy level, and interest rate charged and credit accessibility of SMEs at Kathmandu valley.
- ii. To examine the relationship between collateral security, presence of lending institutions, literacy level, and interest rate charged and credit accessibility of SMEs at Kathmandu valley.
- iii. To analyze the impact of collateral security, presence of lending institutions, literacy level, and interest rate charged on credit accessibility of SMEs at Kathmandu valley.

1.4 Significance of the study

The study was motivated by the SMEs' increasing significance in the Nepalese economy as well as the persistent challenges they face in conducting business. It is acknowledged that one of Nepal's development methods for advancing the nation's economy, generating employment, encouraging innovation, and ending poverty is through small and medium-sized companies (SMEs). The results of the survey will provide Nepalese small- and medium-sized company owners a better idea of the crucial elements affecting their capacity to obtain capital. The governments of Nepal and other countries will find the study's conclusions useful in developing planning-related policies. Additionally, this will help them create a plan that targets all retailers, with a particular emphasis on small and medium-sized businesses (SMEs). By concentrating on the requirements of small and medium-sized firms, academic institutions and non-governmental organizations will also be able to train the less fortunate in addition to teaching them about the realities of conducting business and finding places where grants or contributions might be provided. Scholars and researchers believe that this study will be helpful in establishing the framework for more research into the variables influencing small and medium-sized businesses' capacity to get loans.

1.5 Limitations of the study

Every research project has some restrictions. Several restrictions have been placed in order to guarantee that, given the limits of time, space, and data available, this study is accurate, significant, and important. The following are a few of the study's limitations:

- The research includes only SMEs in the Kathmandu Valley.
- The sample size was quite small—there were only 385 SME samples.
- The study's findings cannot be applied to all comparable firms because of the differences in each one's operations and business practices.
- The current investigation makes use of certain statistical methods and instruments.
- A wide range of factors affect how well SMEs function and how easily they may obtain finance. However, the study only takes into account a small number of demographic variables that are connected to the performance and accessibility of loans for small and medium-sized businesses.

1.6 Organization of the study

There are five chapters in this research. The first chapter is devoted to the introduction. This section contains links to the issue statement, aims, research justification, limits, and study structure. A review of the literature is included in the second chapter. This section consists of an empirical evaluation that includes a review of relevant theoretical concepts and literature as well as an examination of reports, journals, previous theses, and other sources. Among other topics covered in the third chapter are the study design, data sources, data gathering techniques, and data analysis procedures. It also discusses the study's research methods. The study's methodology and findings are explained in the fourth chapter. This chapter has many subheadings that are contingent upon the kind of data that are accessible. A summary of the subjects covered and their ramifications concludes Chapter 5. The end of the research contains the references and appendices.

CHAPTER II

REVIEW OF LITERATURE

A literature review is a published research that examines significant facets of the state of knowledge at the moment. It could contain significant findings in addition to advancements in theory and methodology pertaining to a certain topic. This chapter summarizes the literature on theories and models related to the factors influencing SMEs' ability to get loans. An estimating methodology and pertinent empirical studies are also included in this section. It also looks at empirical studies on the variables affecting SMEs' performance and credit availability.

2.1 Theoretical Review

The combination of macroeconomic, bank-specific, and firm-specific variables is a major barrier to SMEs' loan availability. The contractual arrangements, the lending traits of SMEs, the competitiveness between SMEs, the laws affecting banks, and the absence of demand are further opposing variables. The International Labor Organization observes that many nations' businesses start out small and seldom grow to recruit more than two or three people (Amentie, Negash, & Kumera, 2016). The International Labour Organization (ILO) claims that, similar to many other nations, businesses typically begin as tiny, subsistence-level ventures and very seldom get the opportunity to grow above two or three employees.

2.1.1 Small and Medium-Sized Enterprises (SMEs)

It is commonly known that small and medium-sized businesses, or SMEs, are essential to the global development of the social economy. This appears to be the situation in Nepal, where SMEs play a major role in the development of both urban and rural regions as well as the generation of revenue and jobs. Depending on the nation, "small and medium-sized businesses" (SMEs) can signify a variety of things. Most industrialized countries refer to businesses with 10 to 250 workers (or, in some cases, 500 employees) as "small and medium-sized companies" (SMEs). Small and medium-sized businesses (SMEs) are typically thought of as being in the middle of the firm size distribution. It is larger than "micro-enterprises," which are frequently unregistered companies with less than a few employees (Jaques, 2000). SMEs often

have a well-organized organization. In this particular setting, businesses with 250–500 employees might easily be ranked among the biggest in the nation, if not the largest, in many tiny and developing countries. Globally, there are several varieties of SMEs, and each has functioned differently as a result of various constraints, including managerial difficulties and/or a lack of funding (Fowel, 1998). Numerous small and medium-sized businesses (SMEs) are at different stages of growth. Consider how consistent the vast majority of SMEs' market share, size, and technological developments are. As a result, a significant percentage of small and medium-sized businesses (SMEs) are involved in the retail or service industries. In their current state, unprecedented numbers are failing or halting. In today's complex modern market, other SMEs are technologically astute professionals who close major gaps in product or service offerings. People in developing countries view small and medium-sized companies (SMEs) as a means of reducing and eventually eliminating poverty; the Nepalese strategy for precisely this purpose reflects this mindset.

Diverse national and international academics have differing viewpoints about small and medium-sized businesses (SMEs). Due to their function as economic seedbeds, small and medium-sized enterprises (SMEs), which typically employ between 10 and 250 people, have the potential to be significant development engines in modern economies. According to Ainley (2005), strict regulations and restricted input accessibility account for a large share of the underrepresentation of small and medium-sized firms (SMEs) in developing countries. Scarcity of funding is frequently a major contributing element. Donors tend to focus more on microenterprises, or small firms, when they want to assist the genuinely disadvantaged. On the other hand, the target market for the assistance associated with microfinance loans is often small and medium-sized firms (SMEs), their marginally larger and occasionally more active counterparts (Voibly, 2004). Diverse approaches are emerging to cater to the financial requirements of small and medium-sized businesses (SMEs). These options include relocating commercial banks "down-market," bringing micro-credit institutions "up-market," and creatively using venture capital investment strategies. According to one school of thought, governments may help small and medium-sized businesses (SMEs) by removing pointless legal and regulatory barriers that prevent SMEs from receiving finance. Policies that encourage

more competition in the financial sector as a whole are also thought to benefit smaller borrowers, such as SMEs, particularly. Additionally, external factors like promoting the creation of credit information systems and modifying collateral rules could have an impact. Additionally, they might play a selective pump-priming function, such as aiding in the partial security of commercial lenders' entry into the SME lending market. Private investors also have a big influence; they could collaborate with government organizations. Enterprises with substantial profit potential but high risk may be able to draw in "angel investors" from within their own nation (World Bank, 2002). It should be mentioned that donor support for traditional microfinance schemes has allowed millions of low-income people to access basic financial services. The International Monetary Fund (IMF) states that in order to support the development of dynamic, competitive economies in emerging nations, greater attention has to be directed to small and medium-sized commercial firms' capacity to accelerate economic growth (IMF, 2000).

It's uncommon to come across a small or medium-sized company. The term "SME" in the US refers to a wide range of metrics and meanings that vary throughout countries and publications that provide definitions for SME. In most countries, small and medium-sized enterprises (SMEs) make up the majority of commercial organizations and account for over 90% of all registered firms. They are essential to generating new jobs and advancing sustained economic growth. Previous studies have shown that a country's wealth increases in direct proportion to the number of small and medium-sized businesses (SMEs) that are doing well.

2.1.2 Credit Accessibility

Credit is defined by the American Bankers' Association (2001) as money that has been lent to a person. Typical credit options include credit cards, personal loans, overdrafts, and mortgage loans. The terms of your debt repayment agreement with a creditor, such as the length of the agreement (60 or 48 months), may be related to these requirements. Microfinance institutions, or MFIs, are the main international source of foreign investment for SMEs worldwide, according to the Organization for Economic Cooperation and Development (2006). As a result, the banking system has to be ready to lend money to the SME market. Apart from these inflexibilities, there

are also other variables including institutional, macroeconomic, and regulatory aspects that might potentially bias the whole banking system against lending to small and medium-sized businesses. Government support for industrialization and/or import substitution may provide large domestic enterprises privileged credit access, and macroeconomic policies may cause an excess of local savings. Small and medium-sized enterprises (SMEs) find it challenging to obtain financing due to these circumstances, nevertheless, since they disproportionately target big borrowers with restrictions and efforts.

According to Chowdhury (2002), local market competitiveness among Bangladeshi microfinance enterprises is driven by credit conditions, such as loan quantities, interest rates, and repayment schedules. The argument goes on to say that whereas certain MFIs and borrowers choose a package with high interest rates linked to a significant loan amount, others choose a package with low interest rates linked to a smaller loan amount. Financial institutions evaluate loan applications from relatively modest and basic enterprises using standard credit score methodologies. Numerous factors, including assets, financial flows, and company features, are quantified by these techniques. The borrowers may find this onerous, as well as the clauses aimed at protecting their loans. But as Katto (2008) points out, the lack of collateral has a detrimental effect on SMEs' performance.

A significant portion of Nepal's small- and medium-sized enterprise (SME) sector is dependent on entrepreneurs. These business entrepreneurs lessen poverty, provide jobs, and boost the economy monetarily. The United Nations Development Organization (UNIDO) defines small and medium-sized enterprises (SMEs) as businesses in developing nations employing one to ninety-nine people (Narteh, 2012). The research looks at the financial challenges experienced by managers and owners of small and medium-sized businesses in Kenya during the course of the preceding 20 years. Kenya's small and medium-sized firms (SMEs) face financial challenges that keep them from growing and turning a profit, despite their significance. One obstacle to getting money, according to Gaitho (2013), was not being able to offer collateral. There were some variations even though this researcher's results were similar to those

of the earlier researcher. Furthermore, in addition to a lack of collateral, Gichuki et al. (2014) demonstrated that high processing costs and a short payback period hindered SME access to finance. Makena et al. (2014) made the groundbreaking revelation that cultural norms function as a barrier to loan acquisition.

Furthermore, Makena et al. (2014) found that SMEs struggled to get financing because they lacked knowledge. The findings of Gaitho (2013) indicate that banks were forced to raise the cost of borrowing due to the lack of credit information, forcing them to include a risk premium in their credit pricing. In addition, the author makes the case that the establishment of a credit reference bureau (CRB) makes it easier for banks to assess loan applications as it allows them to share credit information on possible borrowers. By reducing the possibility of bad debts, banks may exchange credit information with more individuals and so increase the availability of credit, which lowers credit prices. According to Moyi (2013), SMEs find it challenging to get loans because of their limited access to technology and permanent work locations. Technology-enabled, strategically positioned companies beat their competitors in finance and loan application information availability.

2.1.3 Alternatives of Credit Accessibility by SMEs

SME owners still don't fully comprehend bank financing possibilities, despite the fact that there are more and more alternative finance sources accessible for entrepreneurship (Bruton, Khavul, Siegel, & Wright, 2015). Alternatives to bank lending, such as crowdsourcing, peer-to-peer technology, and microfinance, are unofficial loans with higher interest rates that are utilized to capitalize on opportunities that are challenging to fund conventionally. Bruton et al. (2015) state that small business owners only select alternative financing sources, such as those that have lower service fees and don't ask them to give up control of their companies. One of the most important factors in the growth, success, and development of SMEs is financial availability. Through platform-mediated procedures, new financial options merge several, generally small, individual transactions. When they are unable to get traditional loan sources, owners of small and medium-sized firms turn to other sources of finance (Bruton, Khavul, Siegel, & Wright, 2015). Yet, discouragement and the selection of alternative funding sources may have distinct relationships based

on the rate of development among equity and loan providers as well as between established, developing, and intermediate economies. Microlending and other alternative forms of financing are propelled by altruistic goals and other internal motives.

The necessity of expanding the range of alternative financial instruments available to small and medium-sized firms (SMEs) in order to enhance their financing alternatives has been brought to light by the economic slump. Historically, traditional bank finance has been the main source of funding for SMEs (Wehinger, 2014). Small and medium-sized businesses (SMEs) find it more difficult to get credit due to a variety of factors, such as lack of credit agency rating, lack of access to pertinent financial data, excessive reliance on local markets, narrower range of borrowing options, lack of real collateral, and increased uncertainty about future cash flows. Due to their lack of access to the financial markets, small and medium-sized enterprises (SMEs) have fewer alternatives than large companies when it comes to raising outside cash. Despite this vulnerability, relatively little research has been done on how SMEs may switch from depending on community banks to alternative external lending sources.

According to Holton and McCann (2013), due to financial limitations, small and medium-sized enterprises (SMEs) are less likely to engage in growth-promoting activities including recruiting, marketing, investing, exporting, and importing. The financial crisis resulted in a significant financing vacuum that hindered economic progress and recovery. The life cycles of SMEs, their goals for development, and their perspectives influence credit practices (Fraser et al., 2015). Moreover, no thorough understanding of different reserve, equity capital, and loan default treatment situations has been produced. The reserve banking system changed gradually, with each phase of the revolution relying only on a spartan understanding of the system's behavior at that specific time. Later attempts to fix errors did not take into account the system's long-term features. Because of this, a SME owner's access to outside funding may rise as their business expands and gains expertise, enabling them to better support the cycles of financial growth inside their organization (Fraser, Bhaunik, & Wright, 2015). Financial options include crowdsourcing, peer-to-peer lending, supply chain finance, leasing, and venture capitalists may be able to assist in addressing the present funding shortage, according to Fraser et al. (2015). Furthermore, there are

funding strategies like crowdsourcing, bricolage, and bootstrap finance that can assist a small business in getting off the ground (Fraser, Bhaunik, & Wright, 2015). Examining the effects of various funding sources on long-term growth may aid policymakers in selecting the financing strategy that has the highest probability of being successful in the long run. Small and medium-sized businesses (SMEs) might receive assistance in meeting their credit demands from venture capital firms, angel investors, credit guarantee funds, and other alternative funding sources (Karadag, 2015).

A company's ability to develop is greatly impacted by financial constraints, which manifest themselves in a number of distinctive ways. Bank loans and trade credit, as seen from the perspective of the receiving small and medium-sized firm, are inadequate replacements for conventional sources of funding. According to a research by Bottazzi et al. (2014), financial constraints exacerbate the inverse relationship between average growth and size (i.e., lowered growth rates characteristic of large organizations become even lower among limited enterprises). It would appear that larger organizations are less able to utilize their diversified structure as a result of financial limitations given the lower negative correlation between growth volatility and size for more severely constrained companies compared to unconstrained firms (Bottazzi, Secchi, & Tamagni, 2014). Because of this, small and medium-sized enterprises (SMEs) are more likely to turn to trade credit—an unsatisfactory substitute—when faced with financial constraints.

2.1.4 Financial Institutions Credit and Development of Micro Enterprises

Micro firms, despite their modest size, are essential to the nation's social and economic development. They distribute industry among the nation's regions, create jobs, improve income distribution, make effective use of limited resources, and support the growth of creative private enterprises (Bendera, 1997). Consequently, the nation's indigenous private sector contributes more when small and medium-sized firms (SMEs) are involved (Mkude, 2004). The capacity of small and medium-sized businesses (SMEs) to expand is mostly reliant on the funding they get from both internal and external sources. External funding sources, such as financial institution loans, equity investments, and gifts from friends and family, become essential if

internal funding sources are insufficient. To enhance the private sector's involvement in Nepal's development process, the proportion of small and unregistered enterprises has to rise. It has been noted that one of the primary barriers to the establishment and growth of individual and small enterprises is their incapacity to get the capital required to launch and grow (Mkude, 2004).

According to research, small and medium-sized businesses (SMEs) significantly contribute to GDP and employment in a number of countries worldwide. 40% of Uganda's GDP is made up of SMEs, with manufacturing contributing more than 50% and wholesale and retail sales more than 80%. Small and medium-sized enterprises (SMEs) account for more than 42% of the nation's GDP (gross domestic product). Japan's economy is mature, yet 38% of its GDP is made up of small and medium-sized businesses (SMEs). SMEs contribute between 35 and 50 percent of GDP in Italy, Ireland, Israel, Portugal, and Spain, according to World Bank estimates (ILO, 2001). It is still debatable what part financial institutions should or shouldn't play in achieving this objective.

2.1.5 Challenges Preventing SMEs From Accessing Credit

Small and medium-sized enterprises may experience difficulties obtaining trade credit due to insufficient financial services and goods, strict rules or regulations, or a lack of knowledge on the part of banks and SMEs. Certain SMEs, such as start-ups and very young businesses that often lack sufficient collateral or businesses whose activities have the potential to create substantial profits but also offer a considerable risk of loss, may find it difficult to secure bank funding. The expansion and development of the building sector is hampered by several obstacles. Among these include limitations on trade, tax regulations, corporate policies, policy constraints, and a weak financial system. Uriyo (2004) lists a number of other concerns, such as fluctuating tax rates and policies of the government, labor laws, corruption, capital costs, and fierce rivalry for few possibilities.

Angela and Motsa Associates (2004) state that enterprises have several challenges when trying to get trade credit, especially from banking institutions. These challenges

include a high risk of failure, the inability to use their own collateral, the absence of collateral security, the inability to make a significant contribution, being placed on a blacklist, and the inability to evaluate credible financial statements and/or business concepts. Foxcroft et al. (2002) state that the most frequent worry is that there isn't enough collateral. This presents a unique problem for business owners looking for operating cash. A money offer might also result from being placed on a blacklist or lacking the necessary financial documentation. According to the study's findings, a large number of applicants for employment who were rejected were, in reality, sensible individuals.

Banks are hesitant to lend to some types of small and medium-sized enterprises (SMEs), such as start-ups and small businesses that don't have enough collateral, as well as companies that have high potential returns on investment but also carry a high risk of failing, according to the Organization for Economic Cooperation and Development (OECD) (2006). These conversations suggest that SMEs encounter a number of challenges when attempting to secure funding. Therefore, it's critical to identify and understand the challenges that small and medium-sized enterprises (SMEs) in the South African construction sector encounter when submitting financing proposals.

2.1.6 Pecking order Theory

Pecking Order Theory takes transaction costs and asymmetric information into account. This idea states that businesses follow the financial hierarchy and obtain funding from both internal and external sources. This idea holds that a business won't go to outside investors for funding until all of its internal resources have been exhausted. According to this hypothesis, when a company needs outside funding, it would give preference to debt over equity since the latter would require issuing shares, which would be the equivalent of "bringing external ownership" into the company. When accessible, internal financing is preferred by businesses. Should this be the company's course of action, outside funding will be required. This won't pose a risk or impair the organization's capacity to operate. This is important to small and medium-sized firms (SMEs) since most small business owners do not possess sufficient real estate or other assets that may be used as collateral for a loan and

because SMEs are the target market for outside investment. As a result, people like learning from a range of sources (Gebreyohannes, 2015). This strategy aims to fund strong investment ideas internally rather than externally, therefore lowering the chance that they will be neglected because of this risk. Businesses are more likely to use debt financing than equity financing if retained earnings are insufficient. This is because debt lenders are less likely to make mistakes in their assessment of the firm than stock investors are since they have a prior claim to the company's assets and income. Managers will only consider equity financing as a last option when employing this strategy. Consequently, corporate gearing could not have a target or optimum level, in contrast to the trade-off strategy. Rather, it signifies a company's requirement for outside funding.

Myers (1994) first introduced this theory, arguing that companies would want to finance their needs in a hierarchical fashion, starting with cash on hand, borrowing money, and then acquiring shares from outside sources. There are instances when small enterprises decide to choose "funding sources that cause the least amount of disruption to their operations." since of this, companies may have a variable debt-to-equity ratio, which is better than the optimum ratio since it is supported by the need for outside funding for the company. For the most part, the pecking-order model clarifies how particular company characteristics may influence the decision to employ leverage. According to Myers, some organizations choose which additional funding source to pursue in a preset order. Additionally, an organization's apprehension about disruption or reduction in authority might affect the choice of suppliers. According to Myers (1994), loans secured by collateral may be able to reduce the financing's asymmetric information costs. Differences in the parties' knowledge might lead to the problems of moral hazard, also known as hidden action, and/or adverse selection, often known as hidden information. Collateral-backed loans can offset these expenses because of the asymmetric information costs associated with financing.

2.1.7 Trade off Theory

The advantages and disadvantages of borrowing money are illustrated, together with the tax benefits of debt and the cost of borrowing (the expenses of debt associated with bankruptcy). When selecting the appropriate debt to equity ratio for financing, a

business seeking to optimize its overall value would take this trade-off into account. This theory might potentially explain the variations in debt-to-equity ratios between companies, but not within the same industry. This theory explains why businesses often obtain a portion of their capital from debt and a portion from equity. When determining how much debt and equity to use for financing, a firm seeking to maximize its overall worth will take this trade-off into account (Linus, 2013). Many theoretical justifications exist for the choices that businesses within their industry make on the types and combinations of funding sources. According to this theory, the business would look for the best possible gearing ratios to balance the tax benefits of having more debt with the potential long-term financial pressure that comes with higher debt levels (Brierley, 2001). Managers that consider information asymmetries between lenders and borrowers will only consider raising stock when the company's shares appear to be cheap, in addition to other non-tax benefits of debt. Investors respond to a public new stock offering by discounting both new and existing shares.

Companies must weigh the trade-offs between a number of variables, such as agency costs, the tax advantages of using debt, and the possibility of bankruptcy (Cassar and Holmes, 2001). Refusing to take on new debt allows businesses to lower their cost of capital and decrease the increased risk of liquidation. Businesses take on debt to take advantage of tax benefits in return for the expenses of bankruptcy and agency. This implies that the optimal debt-to-equity ratio for the business will change as expenses and benefits do (Modigliani & Miller, 1963). It seems sense that managers would draw on a range of resources to lower the cost of capital while protecting the business against factors that may compromise its operational viability.

2.1.8 Cognitive Capital Construct

Similar to this, Bridge (2013) found that businesses frequently employ social capital to build social networks in order to access resources that would be out of reach otherwise. Strong interpersonal links that will facilitate resource sharing are more likely to be formed when people converse and develop relationships. Bhatt and Altinay (2013) provided evidence of how social entrepreneurial companies in India got over resource constraints by utilizing social networks. Business owners may help their staff develop a culture of trust and cooperation, which may help them establish goodwill with outside investors and eventually secure finance for their enterprises.

According to a 2013 research by Adama and Nadif, businesses depend on social capital to gain the skills and resources necessary for long-term survival. By using members' cooperation, trust, and compassion, managers may create networks with other like-minded businesses and get finance for their venture.

In order to get access to resources and information that they would not otherwise have, members of a network trade meaning systems and language, a process known as social capital, according to Jonsson and Lindbergh (2013). Individuals with comparable objectives and linguistic backgrounds are more likely to trust one other, which facilitates information sharing and helps them acquire the resources needed to operate their businesses. Pearson et al. (2008) explain how the family and the business work together to enhance group knowledge and collaboration in order to achieve long-term goals using the cognitive component of social capital. Nothing can stop people from cooperating to achieve a common objective. Nevertheless, the cognitive concept of capital has several shortcomings. It is detrimental to motivation that a large number of members have left the network due to a lack of new information. Cooperation Access to capital and information for small and medium-sized enterprise (SME) company owners would be facilitated by their sharing of expertise, beliefs, and operational procedures.

According to Prasad et al. (2012), small business owners in the US depend on social capital to get the money they need to keep their businesses running during recessions. In order to get financial resources and attain long-term, sustainable performance and success, small business owners must work together. If internal financing sources are insufficient, entrepreneurs can use social capital, according to Jonsson and Lindbergh (2013), to get outside investment at any stage of the company's growth. The scholars created the three concepts of social capital that Jonsson and Lindbergh employed to describe how businesses exchange resources in order to stay in business. Without any collateral, startups might be able to use their social capital to build outside networks that help them get funding for their projects. Company owners that use social capital have access to resources and information that can help them expand their businesses, claims Stephens (2013).

2.2 Review of Related Studies

When doing a literature review, researchers must consider the work of other academics, unlike when conducting an empirical study. This kind of research essay combines information and facts from several theoretical sources. The collection of all literary works is probably going to cause further problems. The empirical review incorporates all pertinent data to provide logical conclusions. Numerous studies have examined the relationship between SMEs' success and their financial accessibility. The following empirical queries were examined in this part from the perspective of the entire investigation.

2.2.1 Review of International Journals and Articles

Bin et al. (2021) evaluated the main determinants determining loan availability and their consequences on the sustainability of SMEs in Cameroon using data from the World Bank enterprise survey. According to the results of both the probit model and the linear regression models, experience, interest rates, corruption, collateral security, and loan size are the main determinants of credit. Credit has a positive impact on SMEs' ability to survive in Cameroon. The authors recommended that the government create an entrepreneurial policy that would enable SMEs to get financing in light of the findings.

In order to improve understanding of how small and medium-sized businesses operate, Qalati et al. (2021) looked at how technology, structure, and environment interact. They also looked at the impact of social media adoption as a mediating element. Items were developed to evaluate the various goals of social media in businesses in order to improve the evaluation of social media use. This study used closed-ended questionnaires to collect data. A structural equation model, or SEM, was used to examine 423 responses. The study discovered that organizational structure, technology, and the surrounding environment all have a big influence on how well small and medium-sized businesses function. It is imperative to acknowledge that the extensive utilization of social media positively influences the operations of small and medium-sized enterprises (SMEs). The report clarifies why firms should invest in social media in addition to assisting them in realizing the advantages of social media.

Sanni et al. (2020) looked at how small and medium-sized businesses' (SMEs) performance was impacted by deposit money banks' loan availability. 128 participants were chosen at random from among the 382 who took part in the study. Utilizing information gathered from the primary source, owners and managers of SMEs were requested to reply to a survey. The data were examined using descriptive statistics and partial least square structural equation modeling. The study's findings indicate that the performance of small and medium-sized enterprises (SMEs) is positively impacted by interest-related charges and the availability of credit from depository money institutions ($T=10.795, =0.043$) ($T=10.690, =0.458$). In summary, SMEs in Kwara State have financial challenges since they are unable to take use of deposit money institutions' lending capacities.

Chandrayanti et al. (2019) investigate the relationship between firm characteristics and business performance as well as the loanability of a small business using actual data. 221 small companies in the West Sumatera area of Indonesia took part in the study using a survey instrument. analyzing the data using the Lisrel 8.72 Structural Equation Model. The study's findings demonstrate that these business attributes significantly and favorably affect the availability of funding. The relationship between a company's attributes and the availability of loans is mediated by the business's success. It implies that stronger firm characteristics will lead to better small company operations. This will make it harder for small businesses to get capital. Therefore, in order to facilitate small businesses' access to finance, a plan to improve the firm's quality is advised.

Erdogan (2019) examined how SME perceptions of bank finance accessibility were shaped from a firm-level perspective. Based on the results of a logistic regression study, small and medium-sized companies (SMBs) are more likely to have high expectations for obtaining a bank loan if they had previously interacted with their original bank. Generally speaking, banks lend more to enterprises with two employees than to those with three or more. Even if a firm with several owners submits a better loan application than one with just one owner, banks may still be concerned about agency. Businesses that turn a profit or break even think it's easier for them to obtain bank financing than it is for others. More than any other sector, small businesses in the services industry are excited about obtaining bank loans.

The effect of business attributes and collateral components on SMEs' loan availability in Nairobi Central Ward was examined by Mutuku et al. (2019). Data for this study were gathered using a questionnaire, and the research design employed was a descriptive survey. The study made use of descriptive, diagnostic, regression, and correlation analysis. The results showed a strong correlation between business characteristics, credit accessibility, and collateral worries. Along with operating duration and annual turnover, the study indicates that business characteristics are among the elements that affect credit processing. The authors noted that lending institutions tended to favor collateral features like personal guarantors and that having too much collateral restricted the availability of loans.

From the viewpoints of banks and SMEs, Oke et al. (2019) assessed the impact of business attributes on bank financing accessibility in North Central Nigeria. The primary data source for the study was modified versions of the Financial Literacy Questionnaires from the OECD and the World Bank. Samples consisting of 280 SMBs and 207 loan officers were selected from the populations of 448 banks and 1,030 SMBs. From the perspective of small and medium-sized enterprises (SMEs), the results show that company age, incorporation status, and industry are the firm-specific features that affect SMEs' capacity to secure bank funding, while firm size is irrelevant. The significance levels for these variables are 0.05, 0.01, and 0.10, respectively. The banks think that their choice to lend money to a small and medium-sized business (SMEs) in North Central Nigeria is influenced by all of the selected firm variables that are statistically significant at the 0.01 level. Descriptive statistics, a binary logit regression model with marginal effect, and Kruskal Wallis H were used to examine the data. The study's conclusions indicate that small and medium-sized businesses (SMEs) in North Central Nigeria face severe capital constraints as a result of their ignorance of or inadequate investigation of all firm-related issues that affect their ability to secure bank financing.

Wlodarczyk et al. (2018) state that a variety of factors affect how much credit is available to Polish small and medium-sized businesses, including company size and age, financial performance, the duration of a company's relationship with a financial institution, and features unique to the banking sector. The results indicate that small and medium-sized enterprises in Poland and other European countries have less access to capital than their bigger counterparts. The availability of bank credit is

closely related to a company's size, liquidity, profitability, and overall banking system health.

A number of the challenges encountered by Bangladeshi companies seeking bank finance were described by Choudhary and Alam (2017). The researcher collected information from 86 small and medium-sized businesses (SMEs) in order to meet the goals. A questionnaire for interviews was utilized by researchers to get information from their interviewees. For this purpose, secondary data were also used. According to a recent poll, small and medium-sized businesses (SMEs) in Bangladesh face a number of obstacles when trying to get bank loans. These include, among other things, exorbitant interest rates, inadequate collateral security, and dishonest conduct on the part of bank staff.

Ogoi (2017) investigated the strategies used by small- and medium-sized business (SME) owners in Kenya to get funding to support the growth and profitability of their enterprises. We conducted semi-structured interviews with four financeable small- and medium-sized company owners in Kakamega Town, Kenya, in order to gather primary data. Additional information was derived from business records. Every data interpretation was put through a member screening procedure to make sure the results were valid. The study's findings showed that the banks' growing demands for collateral as a condition of lending make it difficult for SME business owners to secure the capital they need to keep their operations running. The study indicates that small and medium-sized business owners may enhance the growth and profitability of their companies by utilizing their professional experience, training, informational resources, and group financing strategies.

Pham (2017) examined the factors influencing loan availability for small and medium-sized firms (SMEs) in the Phu Tho region of Northern Vietnam that have been in business for less than 42 months. Quantitative data was collected in 2015 from 259 SMBs. The regression study's findings indicate that the primary factors influencing newly established SMEs' capacity to obtain bank loans are their business plan, the size of their organization, and networking (knowledge trust, emotional trust, and approachability). A lack of government support was one of the reasons why 165 observations, or 64%, of the recently established SMEs in the sample were unable to obtain a bank loan: onerous collateral requirements, unfavorable interest rates, poor business plans, inadequate networking, and inadequate business strategies. The results

show that having a strong business strategy has a significant influence on the bank lending ratio (total bank loans over total capital) among the explanatory factors identified. For the writers, these outcomes have political repercussions.

The factors impacting trade credit to small and medium-sized construction enterprises (SMEs) in South Africa's Gauteng Province were examined by Balogun et al. (2016). A questionnaire survey of 179 small and medium-sized contractors in the Gauteng region was used to collect the data. SPSS version 22, a statistical program for the social sciences, was used to examine the data. The findings demonstrated that important variables influencing loan accessibility in South Africa include managerial expertise, the availability of a business plan, the firm's relationship with financial institutions, location, size, tax identification number, and incorporation.

The factors influencing SMEs' ability to obtain loans were determined by Osano and Languitane (2016). Discussion topics included the banking industry's structure, loan possibilities, collateral restrictions, and services for small businesses in need of support. The sample size for the research was 2,725 persons. The sample size for the study included 242 SMEs and 324 bank employees. A descriptive and inferential study design was used in the investigation. Structurally designed questions were used to collect the primary data. The study discovered correlations between the financial sector's structure and the creditworthiness of SMEs, as well as between funding expertise and financing accessibility for SMEs, collateral requirements and financing accessibility for SMEs, and SMEs' help and creditworthiness. The study's findings are significant because they will aid in the government's creation of initiatives, financing sources, and other regulations that will increase SMEs' access to finance. This research indicates that SMEs should get small business support services to improve their access to finance. It also implies that new financial planning and funding initiatives are required to help SMEs. It is also mentioned that all parties involved in the financial sector should have access to and comprehension of pertinent information on the financing options available to small and medium-sized enterprises.

2.2.2 Review of Nepalese Journals and Articles

According to Silwal and Mool's 2020 study, finance is scarce for small and medium-sized firms (SMEs) in the Kathmandu Valley. Conveniently selected for the research,

101 SMEs in the Kathmandu Valley responded to standardized questionnaires. This research focuses on the characteristics of SMEs and their networks as well as loan accessibility. An informal and descriptive comparative research methodology was used in this study. According to the study's findings, an owner's gender has a negative influence on loan availability, while their level of education has a beneficial impact. Financial accessibility is mostly unaffected by a company's age, but negatively by its scale.

The challenges and constraints that Nepal, a landlocked least developed nation, had as they attempted to integrate into global value chains (GVCs) with a focus on exporting were examined by Kharel and Dahal (2020). The few secondary data presently available (including business-level information) is integrated with qualitative source data in this article. According to its findings, Nepal lacks a clear regulatory framework for small and medium-sized firms (SMEs), much alone a strategy for these businesses to grow abroad or participate in global value chains. Incentives for small and medium-sized businesses are mostly absent from the literature. Policy uncertainty has emerged from the removal of some incentives by another piece of legislation. A poor duty drawback plan, a poorly designed framework for businesses, high tariffs on intermediate and raw material goods, and workers without the necessary knowledge and education are all contributing reasons. These are just a few of the nation's most urgent problems. Furthermore, this study covers a broad variety of important topics, such as trade facilitation, endowments, market access, nontariff measures, and logistics. In this order, non-tariff measures, market access, endowments, and logistics/trade facilitation are discussed.

Adhikari et al. (2020) conducted study to further our awareness of the primary financial challenges that small enterprises in Nepal confront. 403 primary data points were supplied by small business owners who took part in the survey. Key informant interviews and standardized questionnaires were used in this study. Five points were on a Likert scale. Both quantitative and descriptive approaches were used to examine the original data. Less than 1% of respondents believe that a number of issues make it difficult for small firms to get the capital they need to operate. Unlike the beliefs held by more than 90% of respondents.

Khanal (2019) examined Nepal's efforts for SME finance. According to the report, family properties provide, on average, thirty-three percent of the initial money received by small business owners. On the other hand, 16% of the company's original capital came from banks and other financial institutions, with the remaining 26% coming from the owners' own funds. Investment options include remittances, cooperative loans, venture capital, and informal borrowing. On the other hand, 85.9% of lenders granted loans to SMEs that pledged their houses and land as security. Only 6.4% of loans to small enterprises were based on assets that could be transported, while 1.3% of loans were based on machinery and equipment. Subsidized loans may be available to 19% of small enterprises. The government refinancing program that is offered to small and medium-sized firms (SMEs) is mostly unknown to them. There was evidence that several banks had broken a National Retail Bank (NRB) rule that forbade financial institutions from collecting service fees.

The financial instrument mobilization in small and medium-sized enterprises (SME) was examined by NRB in 2019. The Industrial Business Act of 2073 states that the target demography for this research is small and medium-sized businesses. In the research, primary and secondary statistics are both utilized. According to the study, SMEs in Nepal have created almost 17 lakh new job possibilities and contributed 22% of the country's GDP. Remarkably, the survey found that, on average, thirty-two percent of the sources of their ancestral assets were found to be consistently active. Of these, 26% came from their own savings, 16% came from banks and other financial organizations, and the remaining portion came from other sources. Studies reveal that more than half of all operating SMEs take out loans from banks and other financial establishments, and that 85% of SMEs get financial instruments from commercial banks.

2.3 Research Gap

The state of a company's finances is one important factor that affects it in many different ways. The primary reason for the slow growth of microeconomic firms is the limited accessibility of capital and financial services. A very small portion of the material that was reviewed originated in developing nations, such as Nepal, where there is a scarcity of scholarly research on SMEs and the means by which they get business finance. Western Hemisphere nations were the focus of most of the

evaluated material. There are fewer chances for small and medium-sized firms (SMEs) to expand successfully when the macroeconomic climate is less favorable. Small and medium-sized enterprises (SMEs) with ties to the economy and bigger organizations should particularly be aware of this. The study cited above suggests that in order to support SMEs and promote economic growth, a detailed analysis of the dynamics of SMEs is required. An empirical study is required to get a deeper understanding of the relationship between loan accessibility and the expansion of small and medium-sized firms (SMEs) in Nepal, given the significance of SMEs to the country's economy and the risks they face due to their location. This study looked at a number of variables, including collateral security, the presence of lending institutions, the literacy level of business owners, and the interest rate charged by financial institutions, in order to determine whether SMEs in Nepal could access credit. Statistical tools like descriptive analysis, correlation analysis, and regression analysis were used in this process. Similar to this, characteristics of the business and its owner were used as moderators for SMEs' loan performance and accessibility.

CHAPTER III

RESEARCH METHODS

3.1 Research Design

A descriptive and causal comparative design is used in the study. Among other things, it is selected because it answers the questions of how much, who, what, which, when, and when. A descriptive study might be appropriate if the description is instructive. Additionally, descriptive research is necessary since it provides the foundation for identifying variables and creating theoretical frameworks that can be evaluated using a variety of formulae. Not to mention, the potential that descriptive research provides to examine a scenario or behavior that cannot be duplicated in an experiment for ethical or practical reasons makes it essential. The methods and procedures to be followed in order to gather the data needed for the inquiry are laid out in the research design. Convenience sample approaches are utilized to achieve the goals of a study while doing descriptive or informal research.

3.2 Population and Sample and Sampling Design

The study population comprises all SMEs operating within the Kathmandu Valley. The study used a large sample size since it was difficult to locate business owners in the Kathmandu Valley who represented a range of ages and genders. The technique used to collect samples from non-probability sampling that are practical for the researchers to obtain is called convenience sampling. Therefore, convenience sampling was used to choose the study's sample size, which is comprised of 385 SMEs from various Kathmandu Valley locales.

3.3 Nature and Sources of Data

The original source provides the data needed for analysis. A sample population is given pre-structured questionnaires to complete in order to collect responses for primary sources of data. Subsequently, the responses are gathered for data analysis. A five-point Likert scale, ranging from Strongly Disagree to Strongly Agree, forms the basis of the pre-structured questionnaires. The key information and data for the questionnaire data collecting approach are mostly gathered via email or in-person meetings with sample respondents.

3.4 Data Procedure

The respondents provided us with information, or raw data. A simple presentation cannot be made using the knowledge. Therefore, data has to be adequately processed and formatted. The data from the research are only then made accessible. Data processing is the term for this method. Tables have a specific purpose in presentations. The calculation is performed using a scientific calculator and the SPSS 25.0 edition computer application.

3.5 Method of Data Analysis

The many data that were gathered from primary sources are labeled and calculated correctly in order to get the accurate results of this investigation. When processing and analyzing tabular data to provide a descriptive analysis, statistical techniques are used in combination with other tools. In accordance with the needs of the subject, statistical tools take precedence over other tools. Consequently, the research makes use of statistical techniques including the average, standard deviation, correlation, and regression model. SPSS 25.0 is used for data analysis. The following are the tools that were used in this investigation:

3.5.1 Descriptive Statistics

There is a distinction between descriptive and inferential statistics in statistical terminology. Simply describing what is or what the data suggests is achievable using descriptive statistics. One use of inferential statistics is trying to reach wider conclusions than those based on the available data. To find out what the general population may think based on sample data they gathered, for instance, researchers tried to use inferential statistics. Alternatively, conclusions concerning the reliability of any group difference seen in this research or whether it may have happened by mistake might be made using inferential statistics. Thus, using the study's data, the researcher draws inferences about broader situations using inferential statistics, while the author utilizes descriptive statistics to explain specific data points. The data analysis in this paper is done using descriptive statistics.

i. Mean

The arithmetic mean is the most widely used and understandable method for calculating central tendency. In statistics, "average" refers to any measure of central tendency. If $X_1, X_2, X_3, \dots, X_n$ are the given n observations, then their arithmetic mean, frequently denoted as \bar{X} , is as follows: The arithmetic mean is defined as the sum of the numerical values of all the observations divided by the total number of observations.

$$\bar{X} = \frac{\sum X}{n}$$

Where,

$$\text{Arithmetic Average} = \bar{X}$$

$\sum X$ is the total value sum for the variable or observation; n is the number of pieces.

ii. Standard Deviation

Karl Pearson first put out the concept of the standard deviation in 1893. It's without a doubt the most significant and popular metric for research on dispersion. Because it meets most of the requirements for a reasonable estimate of dispersion and has none of the drawbacks of the other approaches, it is significant. Because it is the square root of the mean of the squared deviations from the arithmetic mean, the standard deviation is often referred to as root mean square deviation. The standard deviation may alternatively be represented by the minuscule Greek character σ , or sigma. Gupta (2014)

Symbolically,

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (X - \bar{X})^2}{n}}$$

Where,

$$\sigma = \text{Standard Deviation}$$

$\sum (X - \bar{X})^2$ = Sum of squares of the deviation measured from the Arithmetic average

$$n = \text{Number of items}$$

3.5.2 Correlation Analysis

The degree to which two or more variables have a linear connection is known as correlation. When changes in one variable are correlated with changes in the other, the two variables are said to be correlated. Positive correlation exists when there is a relationship between the average change in one variable's value and the average change in another variable's value. When the values of two variables increase or decrease simultaneously, there is a negative correlation. The direct method formula, on the other hand, indicates that the correlation coefficient is constant and stays between +1 and -1.

following the direct method formula.

$$r_{(X,Y)} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

$r(x, y)$ denotes the correlation coefficient between the two variables in this case. There is a correlation coefficient between +1 and -1 at all times. A correlation is considered perfect when $r = +1$, absent when $r = 0$; negative when $r = -1$; moderate when r falls between 0.5 and 0.699; and low when r is less than 0.5. There are five different types of correlations.

3.5.3 Regression Analysis

Researchers use regression analysis to create a functional relationship between two variables that is somewhat average and long-lasting. Consequently, regression analysis is essentially a statistical measure of the average connection between two or more variables expressed in terms of the original data unit. This study seems to have been motivated by studies by Bin et al. (2021) and Silwal and Mool (2020). According to the model, a variety of variables affect loan accessibility, such as the availability of collateral security, the existence of lending institutions, the degree of literacy, the interest rate charged, the age of the firm and its owner, and the size of the enterprise. Furthermore, it is assumed that SMEs' performance would dictate how simple it is for them to get loans. Regression analysis is used in this study to assess the model of specification in the following format, which is based on earlier research:

$$CA = \beta + \beta_1 CS + \beta_2 PLI + \beta_3 LL + \beta_4 IRC + e \dots \dots \dots (ii)$$

Where,

CA= Credit Accessibility

CS= Collateral Security

PLI= Presence of Lending Institutions

LL= Literacy Level

IRC= Interest Rate Charged

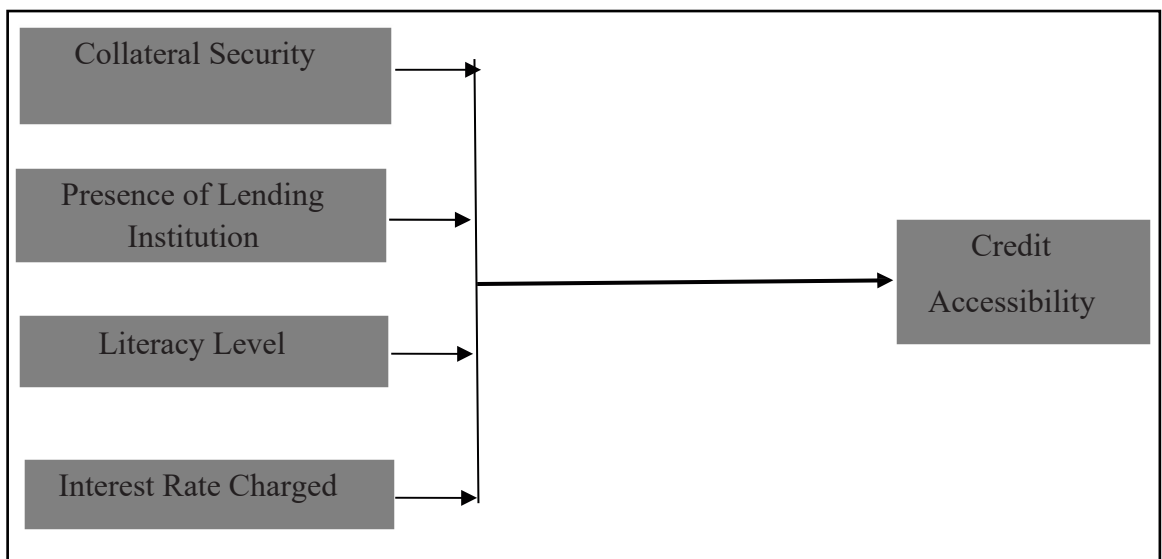
$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression Coefficient for Respective Variables

e= error term

3.6 Research Framework of the Study and Definition of Variables

Conditions that are researcher-made dependent variables may exist, vanish, or change in response to additions, deletions, or modifications of independent factors. It's common to refer to dependent variables as "response variables." The framework was developed using several sources from the literature that had previously been assessed. The variables used in the study are taken from empirical research conducted by Silwal and Mool (2020) and Bin et al. (2021). The investigation's framework is shown in Figure 1.

Figure 1 Theoretical Framework



Source: Silwal and Mool (2020)

Collateral Security

"Collateral" refers to the extent to which borrowers provide lenders assets as security for loan repayment (Gitman, 2003). If there is a default, the security assets ought to be used to recover the principal. In the case of loan defaults, small and medium-sized firms (SMEs) in particular provide security in the form of assets (houses, businesses, cars, and anything else that may really repay the cash) (Garrett, 2009). The ability to sell loan security under normal market conditions, at fair market value, and with a reasonable degree of promptness is another need. However, in order to help SMEs and accept loan requests, the majority of banks need collateral to be at least 100% of the credit extension or financing product amount (Mullei & Bokea, 2000).

Presence of Lending Institution

Based on empirical research, the quantity of credit-granting financial institutions inside a nation may impact overall economic development. According to Schoof (2006), SMEs' operating sectors could not expand if there were not enough financial institutions financing to them. The cost of the loan will be exorbitant and unattainable when small-scale shops outnumber financial institutions that serve them (demand exceeds supply). Consequently, fewer SMEs will be able to get financing.

Literacy Level

The phrase "financial literacy" describes a person's comprehension of the creation, management, and investment of money. To oversee the expansion of their firm, entrepreneurs must possess a solid understanding of business administration (Andoh & Nunoo, 2011). When making certain investments, a shrewd businessperson understands how much money to borrow, when to borrow it, and from whom.

Interest Rate Charged

This specifically relates to the sum that has to be paid on top of the first payment. It illustrates the expense of borrowing. Lower interest rates might be advantageous to lenders as well as deterrents to prospective borrowers. Interest rates can deter small business owners from taking out loans from financial institutions because they fear that they will be hit with hefty penalties if they break the terms of the loan

arrangement. Small businesses borrow less money when interest rates are higher, while huge organizations borrow less money when interest rates are lower (Ogolla, 2013).

Credit Accessibility

The inability of small and medium-sized businesses (SMEs) to get bank funding has made it more important than ever to address the issues affecting SMEs' access to informal lending and microfinance. This is a consequence of SMEs' (small and medium-sized companies') dislike of borrowing from banks. Rahman et al. (2017) state that small and medium-sized businesses (SMEs) with younger, less educated, and less experienced owners are therefore more likely than those with older, more experienced owners to borrow money from unofficial sources like contributions, friends, and personal savings.

CHAPTER IV

DATA ANALYSIS AND PRESENTAION

The investigation's key data were acquired. A total of 455 questionnaires were sent to respondents, who were categorized according to age, gender, level of education, and other factors. 385 completely completed questionnaires, or 85.56% of the total number issued, were collected by the researcher. More than 80% of respondents is regarded as a respectable response rate since it provides enough information for analysis and drawing conclusions in all kinds of research. Consequently, 385 responses are reviewed in light of the sample size and goals of the study.

All of the sampled respondents are from the group of Kathmandu Valley company owners, and the sampling strategy used is convenience sampling. The respondents are divided according to their age, gender, and level of education. Below are some insights about how SMEs are impacted by financing availability:

4.1 Data Presentation

4.1.1 Profile of the Respondents

Table 1 shows the total statistics for all respondents, broken down by gender, age, and level of education:

Table 1

Respondents Profile

Items		Frequency	Percent
Gender	Male	284	73.8
	Female	101	26.2
Age	24-30	88	22.9
	30-40	183	47.5
	40-50	55	14.3
	50 and above	59	15.3
Education	SLC	21	5.5
	+2	101	26.2
	Bachelor Degree	220	57.1
	Masters and above	43	11.2

Source: Survey, 2024

Table 1 shows that 73.8 percent of respondents were men and 26.2 percent of respondents were female entrepreneurs. The greatest proportion of respondents (47.5%) are between the ages of 30 and 40, followed by those between the ages of 24 and 30 (22.9%), 50 and older (15.3%), and 40 and 50 (14.3%). This implies that a significant portion of SMEs are owned by young people and that the survey's participants were fairly dispersed. 57.1% of the sample respondents had a bachelor's degree, compared to 26.2 percent of +2 group members, 11.2 percent of master's degree holders, and 5.5% of SLC group members based on their educational backgrounds. The survey's participants had the educational background that would have helped them better comprehend the business and operational facets of their company, according to the survey's conclusions.

4.1.2 Business Operation

We asked the sample respondents how long they had operated their firm. The replies from the respondents are shown in Table 2.

Table 2

Business operation

	Frequency	Percent
Less than One Year	14	3.6
One to Five Years	146	37.9
Five to Ten Years	196	50.9
More than Ten Years	29	7.5
Total	385	100.0

Source: Survey, 2024

50.9% of sample respondents had been in business for five to ten years, followed by 37.9% for one to five years, 7.5 percent for more than ten years, and 3.6 percent for less than a year, according to Table 2. Based on the results, the majority of respondents had been operating their businesses in the Kathmandu Valley for five to ten years.

4.1.3 Business Capital

The sample respondents were questioned on their company's capital. Table 3 displays the respondents' responses.

Table 3

Business Capital

	Frequency	Percent
Below One Million	93	24.2
One to Two Million	221	57.4
More than Two Million	71	18.4
Total	385	100.0

Source: Survey, 2024

Table 3 shows that 24.2 percent of sample respondents had a capital below one million dollars and 18.4 percent had a capital over two million dollars, with 57.4% of respondents having a firm capital of one to two million dollars.

4.1.4 Major Source of Financing

When asked what their company's primary funding source was, the sample respondents stated. The replies from the respondents are shown in Table 4.

Table 4

Major Source of Financing

	Frequency	Percent
Savings	220	57.4
Loan from Financial Institutions	101	26.23
Borrowings from Relative	42	10.91
Others	22	5.71
Total	385	100.0

Source: Survey, 2024

According to Table 4's statistics, most sample respondents (57.4%) financed their enterprises using savings, which was followed by loans from banks (26.23%), loans from friends and family (10.91%), and loans from other sources (5.71%). This might suggest that most SMEs in the Kathmandu Valley rely on savings to maintain their operations. This is a trustworthy indicator of a long-lasting company. On the other hand, this would suggest that SMEs in the Kathmandu Valley either dislike taking out loans or are wary of them due to the conditions that are associated with them.

4.1.4 Rating on Credit Services

The sample respondents were asked to rank the credit services offered by the financial organizations. The participant replies are shown in Table 5.

Table 5

Rating on Credit Services

	Frequency	Percent
Poor	14	3.6
Average	145	37.7
Good	197	51.2
Extremely Better	29	7.5
Total	385	100.0

Source: Survey, 2024

Table 5 shows that 51.2 percent of respondents rate the credit services provided by financial institutions as good, while 37.7 percent rate them as average. The majority of respondents 7.5% say that financial institutions provide very good credit services, while the least number—report that these organizations provide poor credit services.

4.1.5 Statistical Analysis of Credit Accessibility and Credit accessibility

The several measuring base statements are rated by respondents according to how much credit accessibility influences credit accessibility. The influencing factors on credit accessibility have been investigated based on a range of claims including collateral security, the presence of lending institutions, literacy rates, interest rates, and credit accessibility. The measurement-base statement and mean score of the influencing components are shown in Tables 6 through 11. In this study model, five factors that affect credit accessibility account for thirty of the thirty observed variables, while credit accessibility itself accounts for the remaining six. 385 individuals completed the surveys in order to get the required sample size. The authors collected all 385 questionnaires that met sample size criteria, and they used SPSS 25.0 software to methodically examine and revise the respondents' thoughts based on the collected data.

4.1.6 Statistical Analysis of Collateral Security

In this part, researchers review the data on Mean and Standard Deviation. The six statements on collateral security were categorized as follows: (strongly disagree and disagree) as a low level with mean score < 2 ; (agree and strongly agree) as a high level with mean score > 3.00 ; and (neutral) as a moderate with mean score. The deviation was based on a 5-point Likert scale interval.

Table 6

Statistical Analysis of Collateral Security

Statements	N	Min	Max	Mean	S. D
In our industry, loan repayment ability is becoming more important to financial institutions than collateral.	385	1.00	5.00	3.16	1.41
I occasionally apply for loans with my group as we can easily co-guarantee each other's payments.	385	1.00	5.00	3.25	1.33
Instead of focusing on a small business's capacity to make money, financial institutions take a risk-averse stance when evaluating the likelihood of loan repayment.	385	1.00	5.00	3.21	1.28
Because we find it difficult to furnish financial institutions with sufficient documentation of our wages, they are reluctant to lend to us.	385	1.00	5.00	3.21	1.28
Due to the requirements that I offer security for my loan, I've had to find alternative means of money for my business, such taking out loans from relatives and making purchases using credit.	385	1.00	5.00	3.10	1.39
Financial organizations seek collateral security from borrowers as a primary condition of lending.	385	1.00	5.00	3.10	1.39
Collateral Security	385	1.17	5.00	3.17	0.98

Source: Survey, 2024

Table 6 shows how credit accessibility is impacted by collateral security. The mean value found overall is 3.17. If the number is more than three, it indicates that you are in agreement. In that order, 3.16, 3.25, 3.21, 3.21, 3.10, and 3.10 were the mean

values for the collateral security statements in the first, second, third, fourth, fifth, and sixth positions. Respondents generally agree that collateral security plays a big part in financial institution credit accessibility as well as credit accessibility.

4.1.7 Statistical Analysis of Presence of Lending Institutions

In this part, researchers review the data on Mean and Standard Deviation. Using a 5-point Likert scale interval, the deviation for each of the six Presence of Lending Institutions factors is as follows: (strongly disagree and disagree) is classified as a low level with mean score <2, (agree and strongly agree) as a high level with mean score > 3.00, and (neutral) as a moderate with mean score [2.00:3.00].

Table 7

Statistical Analysis of Presence of Lending Institutions

Statements	N	Min	Max	Mean	S. D
Because of the personal relationship I've built with the lender, my company now has more access to finance.	385	1.00	5.00	3.25	1.43
Most small and medium-sized enterprises now have easier access to loans because to the existence of financial institutions, which has accelerated business growth. Thanks to the efforts of financial institutions.	385	1.00	5.00	3.28	1.42
Most entrepreneurs have found a successful way to integrate access to financial services.	385	1.00	5.00	3.18	1.31
A large number of financial institutions do not offer goods that are tailored to our needs.	385	1.00	5.00	3.15	1.40
Our region's financial institutions have allowed us to mobilize savings, which has increased the amount of money invested in businesses.	385	1.00	5.00	3.31	1.28
My credit availability is based on how long I've been doing business with my banking institution.	385	1.00	5.00	3.24	1.40
Presence of Lending Institution	385	1.67	5.00	3.24	0.74

Source: Survey, 2024

With a total mean value of 3.24 for credit accessibility, Table 7 shows how the presence of lending institutions influences credit accessibility. If the number is more than three, it indicates that you are in agreement. The corresponding mean values for the first, second, third, fourth, fifth, and sixth statements regarding the presence of lending institutions were 3.25, 3.28, 3.18, 3.15, 3.31, and 3.24. Respondents generally agree that the presence of lending institutions has a major impact on financial institution credit accessibility as well as credit accessibility.

4.1.8 Statistical Analysis of Literacy Level

In this part, researchers review the data on Mean and Standard Deviation. Based on a 5-point Likert scale interval, the deviation for each of the six literacy level factors is as follows: (strongly disagree and disagree) is classified as a low level with mean score <2, (agree and strongly agree) as a high level with mean score > 3.00, and (neutral) as a moderate with mean score [2.00:3.00].

Table 8

Statistical Analysis of Literacy Level

Statements	N	Min	Max	Mean	S. D
I have the knowledge and skills from my schooling to operate our company more effectively, which makes me more productive.	385	1.00	5.00	3.27	1.39
When and how loans are secured to establish or expand a firm are positively correlated with education level.	385	1.00	5.00	3.28	1.42
In an effort to better serve our clients, financial institutions have been more interested in finding cost-effective ways to combine credit with other services. This has led to the development of relationships with us.	385	1.00	5.00	3.31	1.26
The operations of my firm benefit from financial institutions' adoption of the practice of offering training sessions to increase awareness of their goods.	385	1.00	5.00	3.17	1.39
Trainings have improved my company's profitability and sales, and they have also helped me manage it more effectively.	385	1.00	5.00	3.18	1.30
Sales and earnings, among other business-related outcomes, have increased as a result of the training I got.	385	1.00	5.00	3.15	1.39
Literacy Level	385	1.50	5.00	3.22	0.74

Source: Survey, 2024

With a total mean value of 3.22 for credit accessibility, Table 8 shows how the owners' literacy levels impact credit accessibility. If the number is more than three, it indicates that you are in agreement. The mean values for the first, second, third, fourth, fifth, and sixth assertions, according to the owners' literacy level, were 3.27, 3.28, 3.31, 3.17, 3.18, and 3.15. The majority of respondents think that credit accessibility is significantly impacted by the owners' literacy level.

4.1.9 Statistical Analysis of Interest Rate Charged

In this part, researchers review the data on Mean and Standard Deviation. The deviation for each of the six interest rate charged factors is based on a 5-point Likert scale interval: the mean score for (strongly disagree and disagree) is <2 ; the mean score for (agree and strongly agree) is >3.00 ; and the mean score for (neutral) is $[2.00:3.00]$.

Table 9

Statistical Analysis of Interest Rate Charged

Statements	N	Min	Max	Mean	S. D
The type of security provided or the characteristics of the business frequently influence the interest rate applied to different loans.	385	1.00	5.00	3.27	1.41
We are discouraged from borrowing money from banking institutions because of their exorbitant interest rates.	385	1.00	5.00	3.18	1.38
Since financial institutions do not take into account my ability to pay the interest rate, I am hesitant to apply for a loan.	385	1.00	5.00	3.09	1.31
My company's assets were seized by the financial institutions as a result of my late return, which affected my daily operations and deterred me from taking out more loans in the future.	385	1.00	5.00	3.02	1.41
Financial institutions charge exorbitant interest rates for short-term loans, which makes it challenging for me to get credit.	385	1.00	5.00	3.18	1.30
Banking organizations currently impose excessively high levies and fees for credit processing.	385	1.00	5.00	3.15	1.39
Interest Rate Charged	385	1.50	5.00	3.15	0.74

Source: Survey, 2024

The impact of financial institution interest rates on credit accessibility is seen in Table 9. The credit accessibility mean value as a whole is 3.15. If the number is more than three, it indicates that you are in agreement. The corresponding mean figures for the interest rates that financial institutions charge were 3.27, 3.18, 3.09, 3.02, 3.18, and 3.15 for the first, second, third, fourth, fifth, and sixth statements. The majority of respondents agree that financial institutions' interest rates have a big influence on how easily and readily available credit is.

4.1.10 Statistical Analysis of Credit Accessibility

In this part, researchers review the data on Mean and Standard Deviation. Deviation based on a 5-point Likert scale interval for each of the six credit accessibility factors: (strongly disagree and disagree) classified as a low level with mean score < 2; (agree and strongly agree) classified as a high level with mean score > 3.00; and (neutral) classified as a moderate with mean score [2.00:3.00].

Table 10

Statistical Analysis of Credit Accessibility

Statements	N	Min	Max	Mean	S. D
Businesses who have a business plan are more likely than those who don't to have success applying for finance.	385	1.00	5.00	3.17	1.37
The SME that is borrowing has a greater understanding of credit risk than the financial firms that are lending the money.	385	1.00	5.00	3.09	1.37
An enterprise that possesses a reserve of assets that may be utilized as security will have a higher probability of obtaining finance from a financial organization.	385	1.00	5.00	2.96	1.29
Financial institutions provide lending facilities that are easily accessible to entrepreneurs that can afford a higher interest rate.	385	1.00	5.00	2.86	1.38
Loan availability is the same for entrepreneurs with less education than it is for those with more education.	385	1.00	5.00	3.18	1.31
The primary variables influencing credit accessibility from financial organizations were thought to be the applicants' inability to provide timely, accurate, comprehensive, high-quality, and sufficient information about their potential to repay the loan.	385	1.00	5.00	3.15	1.39
Credit Accessibility	385	1.50	5.00	3.07	0.69

Source: Survey, 2024

Table 10 shows how the discovered overall mean value of 3.07 is one of the elements determining credit accessibility. If the number is more than three, it indicates that you are in agreement. For the first, second, third, fourth, fifth, and sixth statements on credit accessibility, the corresponding mean values were 3.17, 3.09, 2.96, 2.86, 3.18, and 3.15. Respondents generally agree that credit accessibility is significantly influenced by credit accessibility. Respondents are unsure about the third and fourth credit accessibility statements, nevertheless, as their average value is less than three.

4.1.12 Overall Descriptive Analysis

Collateral security, the presence of lending institutions, literacy rate, interest rate, and credit accessibility are among the important information and variables used in this study. The descriptive statistics for these variables are shown in Table 12.

Table 12

Descriptive Statistics

Variables	N	Min	Max	Mean	SD	Rank
Collateral Security	385	1.17	5.00	3.17	0.98	3
Presence of Lending Institution	385	1.67	5.00	3.23	0.74	1
Literacy Level	385	1.50	5.00	3.22	0.74	2
Interest Rate Charged	385	1.50	5.00	3.15	0.74	4
Credit Accessibility	385	1.50	5.00	3.07	0.69	5

Source: Survey, 2024

Table 12 presents the comprehensive descriptive analysis for the following elements: credit accessibility, lending institution existence, collateral security, interest rate charged, and literacy level. The data in Table 12 indicate that the presence of lending institutions has the highest average score (3.23), followed by the literacy levels of the owners in second place (3.22), collateral security in third place (3.17), interest rates charged in fourth place (3.15), credit accessibility in fourth place (3.15), and credit accessibility in fifth place (3.07). This finding suggests that the sample respondents

thought the existence of lending institutions had a major influence on loan accessibility.

4.2 Inferential Analysis

4.2.1 Correlation Analysis

A correlation table lists the correlation coefficients for every variable. The correlation between any two variables is shown in each cell of the table. A correlation matrix is employed for advanced analytical diagnosis, data provisioning for a more comprehensive study, and data summarization. Simple tables containing several variables and the corresponding correlation coefficients are called correlation matrices. A correlation matrix for every pair of data is shown in a table. This program may be used to quickly and easily find patterns in data and compile extensive databases. The variables are shown in the rows and columns of a correlation matrix. The correlation coefficient is shown in each row and column of a table. Table 13 can be utilized to display the relationship between the independent and dependent variables that were used in the investigation. This study's variables examine a wide range of topics, including loan availability, literacy rates, interest rates, the presence of lenders, and the performance of small businesses. A comprehensive assessment of one aspect of credit accessibility is given in Table 13.

Table 13

Correlation Analysis

		CA	CS	PLI	LL	IRC
CA	Pearson Correlation	1				
		.781**				
CS	Pearson Correlation	(.000)	1			
PLI	Pearson Correlation	.887**	.755**	1		
		(.000)	(.000)			
LL	Pearson Correlation	.925**	.834**	.919**	1	
		(.000)	(.000)	(.000)		
IRC	Pearson Correlation	.907**	.801**	.920**	.953**	1
		(.000)	(.000)	(.000)	(.000)	

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

(Source: SPSS output)

Table 13 shows the correlation matrix between the independent and dependent variables. The factors are: credit accessibility (X0), interest rate charged (X4), literacy level (X3), lending institution existence (X2), collateral security (X1), and credit accessibility (X5).

With a positive correlation value of 0.781, credit accessibility and collateral security demonstrated a significant positive relationship. higher collateral security is directly correlated with higher credit accessibility, as indicated by positive correlation coefficients. Similarly, the relationship between the number of lending institutions and credit accessibility is positive (0.887), indicating that higher numbers of lending institutions will lead to higher credit accessibility. The findings show that the relationship between literacy level and credit accessibility is positively correlated (0.925). This shows that the two variables are moving in the same direction, indicating that loan accessibility increases together with owners' literacy levels. The

interest rate that is charged and the accessibility of credit have a positive and trending strong connection (0.907). This suggests that loan availability and the interest rates charged by financial organizations can be taken into account simultaneously. The Indicator. The values (0, 0, 0, 0, 0 and 0) for the following two-tailed variables are shown in Table 13: credit accessibility, interest rate charged, collateral security, and literacy level. These figures fell short of the.05. Therefore, it can be concluded that there is a statistically significant correlation between the following variables and credit accessibility: lending institution presence, interest rate charged, literacy level, and collateral security.

4.2.2 Regression Analysis

Regression is based on the multivariate statistical notion, which involves the simultaneous observation and analysis of several statistical outcome variables. The approach considers all variables' effects on pertinent responses while creating and evaluating trade studies from several angles. Multiple regression analysis was used to examine the relationships between credit accessibility and collateral security, lending institution presence, literacy level, interest rate charged, and credit accessibility. The equation for regression is as follows:

$$CA = \beta + \beta_1CS + \beta_2PLI + \beta_3LL + \beta_4IRC + e \dots \dots \dots (ii)$$

Where,

CA= Credit Accessibility

CS= Collateral Security

PLI= Presence of Lending Institutions

LL= Literacy Level

IRC= Interest Rate Charged

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression Coefficient for Respective Variables

e= error term

Table 14

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.937a	.879	.641	1.94687

a. Predictors: (Constant), CS, PLI, LL, IRC

The coefficient of determination is called R Square, and in Table 14 it is denoted by the symbol .879. It determines the proportion of the variance in the dependent variable (CA) that can be explained by the independent variables (CS, PLI, LL, and IRC). Here, these variables explain approximately 87.9% of the variation in credit accessibility.

This is a version of R Square that takes the number of predictors in the model into consideration. It helps by taking overfitting into account. The result of .641 indicates that even after accounting for the number of variables, the model can still explain about 64.1% of the variance in credit accessibility.

Table 15

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.102	4	14.420	549.882	.000
	Residual	53.906	380	.212		
	Total	126.008	384			

a. Dependent Variable: CA

b. Predictors: (Constant), CS, PLI, LL, IRC

The overall statistical significance of the regression model is ascertained using a test statistic known as the F-statistic. To compute it, divide the mean square. In this case, the F-statistic is 549.882. The significance value associated with the F-statistic indicates the probability of obtaining such an F-statistic by chance. The F-statistic in this table is very significant, as indicated by the significance value of .000. The p-

value, which is extremely close to zero, provides strong evidence for the statistical significance of the regression model.

Table 16

Regression Analysis

Variable	Coefficients	t- Value	p-Value	Decision
(Constant)	-.031	-.490	.624	
Collateral Security	.031	1.251	.212	Insignificant
Presence of Lending Institution	.132	2.582	.010	Significant
Literacy Level	.468	6.510	.000	Significant
Interest Rate Charged	.059	.857	.392	Insignificant

a. Dependent Variable: CA

(Source SPSS output)

The degree of correlation between the variables and credit accessibility is seen in Table 18, where 0.879 of the variability in credit accessibility is explained by the model's predictions. Consequently, the dependent variable (credit accessibility) is explained by the independent variables employed in this study, which include collateral security, the existence of lending institutions, literacy level, interest rate charged, and credit accessibility; variables not included in the study account for the remaining 12.1% of the explanation. Furthermore, at the one percent significance level, the f-static is statistically significant, indicating that in this case, the independent variable could be able to explain the dependent variable. The overall model, as demonstrated by the F-statistical probability zero, leads to the rejection of the null hypothesis and suggests that the overall model is significant at the 5% level.

The literacy level (measured at 0.468) has the biggest effect when the beta coefficients of the variables are compared, followed by the interest rate charged (measured at 0.059), the availability of credit (measured at 0.315), the presence of lending institutions (measured at 0.132), and collateral security (measured at 0.031). The result demonstrates that each component positively affects credit accessibility.

The p value also indicates the significant level. The p values for the presence of lending institutions, literacy level, and credit accessibility are 0.010, 0.000, and 0.00, respectively. These values are less than 0.05, or the five percent threshold of significance. This implies that the availability of loans, the number of lending institutions, and the literacy rate all have a favorable and substantial impact on one another. In contrast, the p values for the interest rate charged and the collateral security are 0.212 and 0.392, respectively, beyond the five percent significant level (0.05). This implies that the collateral security and interest rate have a minor but positive influence on credit accessibility.

4.3 Major Findings of the Study

- Of the respondents, 73.8 percent were males and 26.2 percent were women who owned their own businesses.
- The age group with the highest proportion of replies (47.5%) is 30 to 40 years old, followed by 40 to 50 years old (43.75%), 50 and over (26.72%), and 24 to 30 years old (22.9%).
- The sample respondents' educational backgrounds showed that 57.1 percent had a bachelor's degree, followed by 26.2 percent with a +2 group degree, 11.2 percent with a master's degree, and 5.5 percent with an SLC group degree.
- Five to ten years was the most common length of time for sample responses (50.9%), followed by one to five years (37.9%), more than ten years (7.5%), and less than a year (3.6%). This implies that most of the participants have operated their businesses in the Kathmandu Valley for a period of five to 10 years.
- Of those surveyed, 57.4% had a company capital between one and two million dollars, 24.2% had less than one million dollars, and 18.4% had more than two million dollars.
- Of those surveyed, 57.4% used savings to finance their business; this is higher than 26.23 percent who borrowed from financial institutions, 10.91 percent who borrowed from friends and family, and just 5.71 percent who used other sources.
- Of those who responded in the survey, 79.5 percent believe their startup money is sufficient, while 20.5 percent disagree.

- Of those who responded to the survey, 39% claimed to have obtained a credit from a financial institution before launching a firm, whereas 69.51% did not.
- Of those polled, 51.2% think that financial institutions offer outstanding or exceptional credit services, while 37.7% think that they are mediocre. The minority of respondents said financial institutions offer subpar credit services, with only 7.5 percent rating them as very better.
- The mean values for the first, second, third, fourth, fifth, and sixth statements on collateral security were 3.16, 3.25, 3.21, 3.21, 3.10, and 3.10, respectively. The respondents concurred that collateral security has a significant impact on both credit accessibility and credit accessibility from financial institutions.
- Credit accessibility from financial institutions and lending institutions is significantly impacted by their presence, according to the respondents; the mean values for the first, second, third, fourth, fifth, and sixth statements regarding the presence of lending institutions were 3.25, 3.28, 3.18, 3.15, 3.31, and 3.24, correspondingly.
- The respondents concurred that the owners' literacy level has a significant influence on credit accessibility and accessibility; the mean values for the first, second, third, fourth, fifth, and sixth statements on the owners' literacy level were 3.27, 3.28, 3.31, 3.17, 3.18, and 3.15, correspondingly.
- Respondents concur that there is a considerable influence from financial institutions' interest rates on credit accessibility and accessibility. The average figures for the interest rates that financial institutions charge were 3.27, 3.18, 3.09, 3.02, 3.18, and 3.15 for the first, second, third, fourth, fifth, and sixth statements, in that order.
- The respondents concur that credit accessibility has a significant influence on credit accessibility; but, because the average value for the third and fourth assertions of credit accessibility is less than three, they have no opinion about them. For the first, second, third, fourth, fifth, and sixth statements on credit accessibility, the corresponding mean values were 3.17, 3.09, 2.96, 2.86, 3.18, and 3.15.

- The participants concur that factors like literacy level, interest rates, collateral security, lending institutions' existence, and credit accessibility all have a significant influence on credit accessibility. For the first, second, third, fourth, fifth, and sixth statements on credit accessibility, the corresponding mean values were 3.09, 3.16, 3.17, 3.18, 3.18, and 3.15.
- Collateral security and credit accessibility showed a high positive connection ($r = 0.781$) in the positive direction.
- Additionally, there is a positive correlation, or 0.887, between the availability of credit and the existence of lending institutions, indicating that a greater presence of lending organizations will likewise improve credit accessibility.
- There was a positive correlation, or 0.925, between credit accessibility and literacy level, suggesting that the two variables are advancing in the same direction—that is, credit accessibility increases as owners' literacy levels do.
- Interest rates charged have a substantial positive connection (0.907) with credit accessibility, which is a favorable indicator. This suggests that financial institutions' interest rates and credit accessibility may be taken into account simultaneously.
- The two variables also showed a positive correlation, or 0.901, indicating that they are trending in the same direction: credit accessibility and credit accessibility.
- The following variables have a statistically significant correlation with credit accessibility: literacy level, interest rate charged, collateral security, and presence of lending institutions.
- The most influencing factor was the literacy level (tested at 0.468), which was followed by the borrowing institutions' existence (tested at 0.132), credit accessibility (tested at 0.315), interest rate (tested at 0.059), and collateral security (tested at 0.031).
- The p values for literacy, lending institution presence, and credit availability are 0.00, 0.000, and 0.010, respectively. These values are all below the significance level of 0.05, or five percent. This implies that lending institutions, credit availability, and literacy rates all have a positive and substantial impact on credit accessibility.

- The P values for the interest rate charged and the collateral security are 0.212 and 0.392, respectively, exceeding the five percent significant level (0.05). This implies that the collateral security and interest rate have a minor but positive influence on credit accessibility.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

To achieve the objectives of the study, the author uses primary data from a semi-structured questionnaire. Convenience sampling produced 385 insightful responses. This study looked on the availability of loans in the Kathmandu Valley. The parameters included in the study were the availability of credit, literacy rate, interest rate, collateral security, and the presence of lending institutions. The bulk of sample respondents were men. Most sample respondents had a bachelor's degree, and the majority of respondents were between the ages of thirty and forty. Most sample respondents have worked with the organization for five to ten years, and a large number of them report having insufficient funds. The majority of respondents use savings to launch their firms, however some respondents use finance.

The respondent claims that collateral security significantly affects a person's ability to obtain credit from financial institutions. In a similar vein, credit availability and loan availability from financial institutions are impacted by the presence of lending institutions. According to respondents, owners' literacy levels have an influence on financing availability and credit accessibility. According to the respondents, interest rates offered by financial institutions have an effect on both loan availability and credit accessibility. Respondents stated that credit accessibility has a big impact on credit accessibility. However, certain credit accessibility claims result in a neutral outcome since the average value is less than three. According to the respondents, credit accessibility is significantly impacted by research components like funding availability and collateral security. The respondents selected the availability of lending institutions as the most important element, followed by owner literacy, interest rates, collateral security, and credit accessibility. This result implies that the sample respondents believed that loan accessibility was significantly impacted by the presence of lending institutions.

Significant correlations were found between collateral security and credit accessibility, indicating a strong positive association. It is clear from the positive connection coefficients that more collateral security translates into easier access to loans. There is a positive correlation between the presence of lending institutions and

credit accessibility, indicating that the former will increase the latter. The result indicates that owners' literacy levels will increase credit accessibility because the two variables appear to be growing in the same direction. The availability of loans and interest rates are highly correlated. It is feasible to assess bank interest rates and credit accessibility at the same time. According to the study, there is a positive relationship between credit accessibility and accessibility.

In 87.9 percent of the cases, the independent variables (collateral security, lending institution presence, literacy level, and interest rate charged) account for the dependent variable in this study, which is credit accessibility; the remaining 12.1% are explained by variables not included in this analysis. The beta coefficients for collateral security demonstrate the positive relationship between collateral security and credit accessibility. Similarly, credit accessibility is positively impacted by the interest rate charged, literacy rate, and beta value of lending organizations. The p-value suggests that the interest rate, literacy level, and existence of lending organizations all have a beneficial impact on credit accessibility. This result is consistent with empirical study by Mole and Namusonge (2016), which demonstrated that loan accessibility was positively influenced by the existence of lending institutions and the interest rates they charged.

5.2 Conclusion

A research on the viability and ability to secure capital of small enterprises in the Kathmandu Valley was conducted. Each of these factors has been carefully considered in order to arrive at this result. Researchers arrived in the Kathmandu Valley with stacks of questionnaires, their main tool for gathering data. The results of the investigation were used to formulate its conclusions. The majority of survey respondents were between the ages of thirty and forty, and the majority of them held a bachelor's degree. Many business owners feel their capital is inadequate after running their companies for five or 10 years at least.

Though many small businesses are self-funded, a relatively tiny percentage of survey participants used loans to finance the beginning of their business. In conclusion, there seems to be a strong relationship between metrics of small company performance such collateral requirements and markers of loan availability like literacy and interest rate. An increase in collateral security, lending institution presence, literacy rate,

interest rate paid, and loan accessibility may improve the performance of small and medium-sized enterprises.

According to the statistics, the owner's age significantly affected SMEs' ability to obtain loans, whereas the business's age and size had less of an influence. According to research, only 87.9% of the difference in SMEs' ability to get credit facilities from financial institutions can be attributed to the owners' demographic characteristics. Collateral security implies that collateral security has a favorable effect on credit accessibility. Similarly, the availability of credit is favorably impacted by variables such as the number of financial institutions, level of literacy, and interest rate. Research variables, which also include literacy level, the existence of lending institutions, the quantity of collateral security, and the interest rate, account for just 87.9% of the difference in SMEs' access to credit facilities from financial institutions.

Research indicates that 87.9 percent of the difference in credit accessibility can be explained by the independent factors included in this study, which include collateral security, the existence of lending institutions, literacy levels, interest rates charged, and credit accessibility. The results of the regression show that literacy level had the most influence, followed by loan availability, lending institution presence, interest rates, and collateral security.

5.3 Recommendations

In evaluating credit accessibility, other considerations need to be taken into account. The study's goal is to learn how Kathmandu Valley business owners feel about financial accessibility for their ongoing endeavors. Owners of small and medium-sized enterprises believe that the presence of lending institutions, their interest rate, and their level of literacy are the primary variables influencing their ability to obtain loans. The age of the proprietors has an impact on SMEs' capacity to get loans. As such, it is recommended that business owners consider these factors before submitting a funding application. Research suggests that the age of the business owner has a positive and significant impact on loan accessibility, so it's important to take it into account as well.

There are more elements that impact both of these outcomes, but I have only mentioned seven components for loan accessibility and five components for small and medium-sized company performance. In the future, the researcher may incorporate

other criteria, such as the tangibility of the assets, the profitability of the firm, sales turnover, business growth, liquidity situation, and so on, to gain a deeper understanding of the results. Because this research was conducted on small and medium-sized businesses, its findings cannot be applied to huge corporations. It is thus recommended that comparable studies be conducted in the future by large-scale firms to ascertain whether the same characteristics apply to all businesses, small, medium, or big. Future researchers are urged to employ a larger sample size in their studies since more sample firms would yield more valuable data.

Bibliography

- Abdesamed, K. H., & Wahab, K. A. (2014). Financing of small and medium enterprises (SMEs): Determinants of bank loan application. *African Journal of Business Management*, 8(17), 717-727.
- Ackah, J., & Vuvor, S. (2011). The challenges faced by small & medium enterprises. *Accra*, 4(1), 168-179.
- Adama, T. Y., & Nadif, M. (2013). The influence of managers' social capital on Credit accessibility and access to external resources in the Moroccan Textile Industry. *International Journal of Management and Administrative Science*, 2(1), 13-23.
- Adhikari, D. B., Shakya, B., Devkota, N., Karki, D., Bhandari, U., Parajuli, S., & Paudel, U. R. (2021). Financial hurdles in small business enterprises in Kathmandu valley. *Modern Economy*, 12(1), 1105-1118.
- Aghion, J., & Bolton, M. (2008). *Finance for all? Policies and pitfalls in expanding*. The World Bank; Washington, D.C.
- Alhassan, F., & Sakara, A. (2014). Socio-Economic Determinants of Small and Medium Enterprises' (Smes) Access to Credit from the Barclays Bank in Tamale-Ghana. *International Journal of Humanities & Social Science Studies*, 1(1), 26-36.
- Amentie, C., Negash, E., & Kumera, L. (2016). Barriers to growth of medium and small enterprises in developing country: Case study Ethiopia. *Journal of Entrepreneurship and Organization Management*, 5(1), 190-203.
- Associates, A. &. (2004). *SMME finance sector background paper: A review of key documents on SMME finance 1994–2004*. Report prepared for the FinMark Trust, Johannesburg.
- Balogun, O. A., Ansary, N., & Ekolu, S. (2017). Analysis of determinants of revolving credit for small and medium construction enterprises: A case of Gauteng province. *Procedia engineering*, 196, 244-252.
- Balogun, O. A., Nazeem, A., & Agumba, J. (2016). Determinants predicting credit accessibility within small and medium-sized enterprises in the south African construction industry. *Procedia Engineering*, 164(1), 473-480.

- Bhatt, P., & Altinay, L. (2013). How social capital is leveraged in social innovations under resource constraints. *Management Decision*, 51(3), 1772-1792.
- Bin, J., Diangha, S., & Ofeh, M. (2021). Impact of access to credit on the sustainability of small and medium sized enterprises in Cameroon. *American Journal of Industrial and Business Management*, 11(1), 705-718.
- Bottazzi, G., Secchi, A., & Tamagni, F. (2014). Financial constraints and firm dynamics. *Small Business Economics*, 42(1), 99-116.
- Bridge, S. (2013). Reflections on the omission of social capital from enterprise education and business start training. *Education and Training*, 55(1), 899-901.
- Brierley, P. (2001). The financing of technology-based small firms: A review of the literature. *Bank of England Quarterly Bulletin*, 41(1), 64-83.
- Bruton, G., K. S., Siegel, D., & Wright, M. (2015). New financial alternatives in seeding entrepreneurship: microfinance, crowdfunding, and peer-to-peer innovations. *Entrepreneurship Theory and Practice*, 39(1), 9-26.
- Cassar, G., & Holmes, S. (2001). Capital structure and financing of SMEs: Australian evidence. *Accounting and Finance*, 43(2), 123-147.
- Chandrayanti, T., Nidar, S., Mulyana, A., & Anwar, M. (2016). Credit accessibility model of small enterprises based on firm characteristics and business performance. *International Journal of Entrepreneurship*, 23(1), 1-14.
- Chowdhury, M. (2017). Factors affecting access to finance of small and medium enterprises (SMEs) of Bangladesh. *USV Annals of Economics and Public Administration*, 2(26), 55-68.
- Erdogan, A. (2019). Determinants of perceived bank financing accessibility for SMEs: evidence from an emerging market. *Economic Research-Ekonomska Istrazivanja*, 32(1), 690-716.
- Foxcroft, M., Wood, E., Kew, J., Herrington, M., & Segal, N. (2002). *Global entrepreneurship monitor*. Cape Town:: Graduate School of Business, University of Cape Town.

- Fraser, S., Bhaunik, S., & Wright, M. (2015). What do we know about the relationship between entrepreneurial finance and growth? *International Small Business Journal*, 4(1), 1-81.
- Gaitho, N. W. (2013). Role of credit reference bureaus on credit access in Kenya: A survey of commercial banks in Kenya. *European Scientific Journal*, 9(1), 301-314.
- Gebreyohannes, Y. (2015). *Assessment of the challenges of micro and small-scale enterprises to contribute to sustainable development: The case of manufacturing enterprises in Addis Ababa, Ethiopia*. (Doctoral dissertation, Addis Ababa University).
- Gichuki, J. A., Njeru, A., & Ondabu, I. T. (2014). Challenges facing micro and small enterprises in accessing credit facilities in Kangemi Harambee Market in Nairobi City County, Kenya. *International Journal of Scientific and Research Publications*, 4(12), 1-25.
- Hall, C., & Fang, L. (2004). The role of banks in supporting the growth of SMES in apec; public private partnerships to create a more conducive entrepreneurial environment in Asia. *Asian Studies Association of Australia 15th Biennial Conference* (pp. 1-25). Canberra: ASAA and RSPAS.
- Haritone, S., & Mirie, M. (2016). Determinants of lending to small and medium enterprises by commercial banks in Kenya. *IOSR Journal of Economic and Finance*, 7(4), 57-63.
- Haron, H., Said, S., Jayaraman, K., & Ismaili, I. (2013). Factors influencing small medium enterprises (SMES) in obtaining loan. *International Journal of Business and Social Science*, 4(15), 182-195.
- Holton, S., Lawless, M., & McCann, F. (2013). SME financing conditions in Europe: Credit crunch or fundamentals? *National Institute Economic Review*, 225(1), R52-R67.
- Jonsson, S., & Lindbergh, J. (2013). The development of social capital and financing of entrepreneurial firms: From financial bootstrapping to bank funding. *Entrepreneurship Theory and Practice*, 37(1), 661-686.

- Joseph, K. (2013). Financing small and micro enterprises in Ghana. Challenges and determinant in accessing bank credit. *International Journal of Research in Social Science*, 2(3), 12-25.
- Karadag, H. (2015). Financial management challenges in small and medium-sized enterprises: A strategic management approach. *EMAJ: Emerging Markets Journal*, 5(1), 26-40.
- Khanal, R. (2019). *SMEs face procedural hassles on receiving loans from banks*. Retrieved from <https://kathmandupost.com/money/2019/09/30/smes-face-procedural-hassles-on-receiving-loans-from-banks>.
- Kharel, P., & Dahal, K. (2020). Small and medium-sized enterprises in Nepal: Examining constraints on exporting. *ADB Working Paper 1166*. Tokyo: Asian Development Bank Institute. .
- Kravchenko, N. (2011). Information externalities and small business lending by banks: A comparison of urban and rural counties in the U.S. Available at SSRN: <https://ssrn.com/abstract=1968965> .
- Makena, P., Kubaison, S., & Njati, C. I. (2014). Challenges facing women entrepreneurs in accessing business finance in Kenya: A case of Ruiru Township, Kiambu County, Kenya. *IOSR Journal of Business and Management*, 16(1), 83-91.
- Minh, L. P. (2012). What determines the access to credit by SMEs: A case study in Vietnam. *Journal of Management Research*, 18(1), 188-198.
- Modigliani, F., & Miller, M. (1963). Corporate income taxes and the cost of capital: A correction. *American Economic Review*, 53(1), 433-444.
- Mole, S., & Namusonge, G. (2016). Factors affecting access to credit by small and medium enterprises. *The International Journal of Social Sciences and Humanities Invention*, 3(10), 2904-2917.
- Monteiro, C. (2013). The flow of credit in the UK economy and the availability of financing for the corporate sector. *Economic Papers*, 509(1), 19-20.
- Moyi, E. D. (2013). Credit and employment growth among small enterprises in Kenya. *International Journal of Business and Economics Research*, 2(1), 69-76.

- Mutuku, C., Ethira, E., & Ntale, J. (2019). Determinants of credit accessibility of small and medium enterprises in Nairobi County. *International Journal of Research in Management, Economics and Commerce*, 9(9), 76-85.
- Myers, S. C. (1984). Corporate financing and investment decisions when firms have information that investors Do Not Have. *Journal of Financial Economics*, 13(1), 187-221.
- Narteh, B. (2013). SME bank selection and patronage behavior in the Ghanaian banking industry. *Management Research Review*, 36(1), 1061-1080.
- NRB. (2019). *Financial instruments mobilization in SMEs in Nepal*. Kathmandu: Nepal Rastra Bank.
- OECD. (2006). *Improving financial literacy: analysis of issues and policies*. Organization for Economic Cooperation and Development.
- Ogoi, H. (2017). Strategies for accessing credit by small and medium enterprises. *International Journal of Academic Research in Business and Social Sciences*, 7(6), 429-448.
- Oke, L., Sanni, M., & Ijaiya, M. (2019). Firm characteristics and access to bank financing: evidence from SMES in north central Nigeria. *Amity Journal of Finance*, 4(2), 70-87.
- Osoro, K., & Muturi, M. (2013). The role of micro financial institutions on the growth of Smes in Kenya: A case study of micro financial institutions in Kisi Town. *IOSR Journal of Humanities and Social Science*, 16(1), 83-93.
- Pearson, A. W., Carr, J. C., & Shaw, J. C. (2008). Toward a theory of familiness: A social capital perspective. *Entrepreneurship Theory and Practice*, 32(2), 949-969.
- Pham, H. (2017). Determinants of new small and medium enterprises (SMEs) access to bank credit. *International Journal of Business and Management*, 12(7), 83-99.
- Prasad, S., Tata, J., & Guo, X. (2012). Sustaining small businesses in the United States in times of recession: Role of supply networks and social capital. 9(3), 8-28.

- Report, E. C. (2013). *European SMEs action programme*. SME Envoys Network.
- Roscoe, J. (1975). *Fundamental research statistics for the behavioral sciences*. New York: Holt, Rinehart and Winston.
- Sanni, M., Adebayo, L., & Alayande, I. (2020). Bank credit accessibility and credit accessibility In Kwara State, Nigeria: A PLS-Sem analysis. *Copernican Journal of Finance & Accounting, Uniwersytet Mikolaja Kopernika*, 9(2), 45-64.
- Silwal, P., & Mool, S. (2020). Small-Medium Enterprises and credit accessibility in Kathmandu Valley. *International Research Journal of Management Science*, 5(1), 110-129.
- Stiglitz, J., & Weiss, U. (1981). *Poverty reduction in Sub-Saharan Africa: Is there a Role for the private sector?* African Development Bank Economic Research Paper, No. 52.
- Ubon, A. E., & Chukwuemeka, J. A. (2014). An analysis of Access to Credit Markets and the Performance of Small Scale Agro-Based Enterprises in The Niger Delta Region of Nigeria. *International Journal of Food and Agricultural Economics*, 1(1), 105-120.
- Uriyo, A. (2004). *Development of contractor registration scheme with a focus on small scale civil works contractors*. National Council for Construction.
- Wairimu, W. (2015). *Micro, small and medium-size enterprises (MSMEs) as suppliers to the extractive industry*. United Nations Development Programme Report.
- Wairimu, W. W. (2015). *Micro, small and medium-size enterprises (MSMEs) as suppliers to the extractive industry*. United Nations Development Programme Report.
- Wehinger, G. (2014). SMEs and the credit crunch: Current financing difficulties, policy measures and a review of literature. *OECD Journal: Financial Market*, 1(2), 115-148.
- WorldBank. (2013). *Doing business 2014: Understanding regulations for small and medium size enterprises*. Washington, DC: World Bank Group.

- Yeboa, J., Asirifi, E., & Adigbo, E. (2014). The role of banks in financing small and medium scale enterprises in Ghana: A case study of universal banks in Sekondi-Takoradi. *Journal of Education and Practice*, 5(11), 161-172.
- Yildirim, H. S., Akci, Y., & Eksi, I. H. (2013). The effect of firm characteristics in accessing credit for SMEs. *Journal of Financial Services Marketing*, 18(1), 40-52.

Appendix

Questionnaire on ‘Credit Accessibility and Credit accessibility inside Kathmandu Valley’

Part A General Background

1. Gender

- Male
- Female

2. Age Group

- 24-30
- 30-40
- 40-50
- 50 and above

3. What is the highest degree or level of education you have completed?

- SLC
- +2
- Bachelor’s Degree
- Masters and above

4. Approximately how many years has your business has been in operation?

- Less than One Year
- One -Five Years
- Five -Ten Years
- More than Ten Years

5. Please indicate the total capital of your business?

- Below One Million
- One to Two Million

- More than Two Million

Part B

Credit Accessibility for the Business

6. What is/are your major source(s) of financing for your Business?

- Savings
- Loan from Financial Institutions
- Borrowings from Relative and
- Others

7. Please rate the credit service offered by the financial institutions?

Poor

Average

Good

Extremely Better

Part C

Statement on Credit Accessibility and Credit accessibility inside Kathmandu Valley

Below are some of the possible factors of credit accessibility which can affect the performance of small and medium enterprises (SMEs) inside Kathmandu Valley

.To what extend do you get agreed with the below factors.

1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

Statements		1	2	3	4	5
(A) Collateral Security						
A1	In our business, financial institutions are placing a greater emphasis on the capacity to repay loans rather than on collateral.					
A2	We apply for loans as a group from time to time since we can simply co-guarantee each other's repayment.					
A3	When assessing the possibility of loan repayment, financial institutions use a risk-averse approach toward small businesses rather than concentrating on the entity's ability to generate money.					
A4	Financial institutions are hesitant to provide loans to us, and it is difficult for us to give acceptable proof of our earnings to them.					
A5	Because of the restrictions that I provide collateral for my loan, I've had to look for other					
	sources of funding for my company, such as borrowing from family and purchasing on credit.					
A6	As a major lending requirement, financial institutions demand on the availability of collateral security from borrowers.					
(B) Presence of Lending Institution						
B1	I have developed a personal connection with the banker, which has resulted in increased credit availability for my business.					

B2	The availability of financial institutions has increased loan accessibility for the majority of small and medium-sized businesses, resulting in increased company growth.					
B3	The majority of entrepreneurs have discovered a successful method of integrating access to financial services, thanks to the efforts of financial institutions.					
B4	Many financial institutions do not provide products that are specifically designed to meet our demands.					
B5	With the existence of financial institutions in our region, we have been able to mobilize savings, which has resulted in an increase in the amount of money invested in enterprises.					
B6	Credit availability is determined on the length of my relationship with my financial institution.					
(C) Literacy Level						
C1	My educational background has provided me with the information and abilities necessary to be more productive in the management of our business.					
C2	The level of education has a favorable impact on when and how loans are obtained to expand or grow a business.					
C3	Financial institutions have increasingly focused on cost-effectively combining credit with other kinds of services, resulting in the establishment of ties with us in order to improve our services for our customers.					

C4	Financial institutions have adopted the practice of providing training sessions to raise awareness of their products, which is beneficial to my company's operations.					
C5	Trainings have helped me to manage my company more efficiently, and I have seen an improvement in both sales and profits as a result of them.					
C6	As a result of the training I have received, I have seen an increase in business-related results such as sales and profits.					
(D) Interest Rate Charged						
D1	The interest rate charged on various loans is often determined by the kind of security supplied or the nature of the company.					
D2	Because the interest rates charged by financial institutions are so high, we are discouraged from borrowing money from them.					
D3	I am reluctant to request for a loan since financial organizations do not take my capacity to pay the interest rate into consideration.					
D4	Because of my failure to return on time, the financial institutions have taken possession of my company assets, which has had an impact on my day-to-day operations and has discouraged me from borrowing in the future.					
D5	Financial institutions provide money on a short-term basis at a high interest rate, which makes it difficult for me to get credit.					
	There are unreasonably high credit processing fees and levies charged by banking institutions nowadays.					

D6						
(E) Credit Accessibility						
E1	SMEs with a business plan are more likely to be successful in their credit application than those that do not have a business plan.					
E2	In comparison to the financial institutions giving the loan, the borrowing SME has more knowledge regarding credit risk than the financial institutions providing the credit.					
E3	If a company has a pool of assets that may be used as collateral, it will be more likely to get funding from a financial institution.					
E4	Entrepreneurs who have ability to pay a higher interest rate have easily access the credit facilities in financial institutions.					
E5	Having access to loans is no different for entrepreneur with lower educational qualifications as it is for those with higher education.					
E6	The lack of timely, accurate, quality, quantity, and complete information regarding the ability of the applicants to repay back the loan were consider as main factors to access credit accessibility from the financial institutions.					

Thank You!

SMALL-MEDIUM ENTERPRISES AND CREDIT ACCESSIBILI...**By: Laxman Parajuli**As of: Jul 4, 2024 2:55:40 PM
15,317 words - 143 matches - 1 source

Similarity Index

13%

Mode: Summary Report ▼

sources:2,138 words / 13% - from 26-Jan-2024 12:00AM
elibrary.tucl.edu.np**paper text:**

CHAPTER I INTRODUCTION 1.1 Background of the Study SMEs are defined as businesses that have a comparatively modest market share based on factors including ownership, revenue, assets, and workforce size. companies that are independent in the sense that they are significant enterprises that are managed directly

by owners or co- **owners rather than** by means of **a** pre-existing **management structure** . SMEs **are**

essential to the people and economy of every nation, developed or emerging. SMEs improve living standards and produce jobs for all stakeholders—

employers and employees **alike. They are** an invaluable **source of** knowledge **and ideas** about entrepreneurship (**Wairimu, 2015**

). The ability of a company or individual to obtain outside funding to address cash flow issues is known as accessibility to credit (Osoro & Muturi, 2013).

The lender's evaluation of the borrower's capacity to repay the loan

determines the borrower's eligibility for either long-term or short-term credit. According to (Monteiro, 2013), SMEs frequently have trouble obtaining financing since nonbank lenders are reluctant to accept the information they provide, which is frequently unpublished. The main focus of this study is the financing options available to SMEs. Minh (2012) discovered that a firm's financial leverage influences its chances of acquiring bank loans in Vietnam, even in situations when company characteristics are not the main factor affecting SME financing. Furthermore, collateral availability has a major influence on a loan's repayability, according to a Malaysian study on the factors influencing loan access (Haron, Said, Jayaraman, & Ismail, 2013). Furthermore, research carried out in Ghana has demonstrated that factors that contribute to the difficulty of obtaining a bank loan include the lack of collateral, excessive borrowing charges, and unaudited financial papers (Ackah & Vuvor, 2011). Ubon and Chukwuemeka (2014) looked at the effects of gender, enterprise age, and social capital on access to informal funding in Nigeria. Unregulated, high-interest credit sources like moneylenders, societies, and the like are referred to as informal 1 credit access. Conversely, controlled credit providers such as banks and dealers that offer somewhat greater credit at a reduced interest rate are referred to as formal credit access. In most developing countries, traditional banks typically hesitate or refuse to lend money to small and medium-sized enterprises (SMEs). This decision is heavily influenced by the size, age, education, and collateral of the business. Rather, they favor lending money to well-known businesses that have been around for a while and have maintained solid credit histories and financial records. Due to their need for collateral, SMEs have the most difficulty obtaining loans from traditional banks. The age and size of SMEs, the lack of a business