

Financial Constraints to Entrepreneurship: A Study of Aspiring Entrepreneurs in Nepal

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Financial Constraints to Entrepreneurship: A Study of Aspiring Entrepreneurs in Nepal”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Abbreviations

- ADB: Asian Development Bank
- ANOVA: Analysis of Variance
- BGS: Business Growth and Sustainability
- BFI: Banks and Financial Institutions
- DEM: Demographic Factors
- FCFE: Financial Constraints Faced by Entrepreneurs
- FLEA: Financial Literacy and Entrepreneurial Awareness
- GPS: Government Policies and Support
- KZ index: Kaplan–Zingales Index
- MFI: Microfinance Institution
- MFIs: Microfinance Institutions
- Min: Minimum (in descriptive statistics)
- MSME: Micro, Small, and Medium Enterprises
- N: Sample size (number of respondents)
- NPR: Nepalese Rupee
- RFIM: Role of Financial Institutions and Microfinance
- SD: Standard Deviation
- SPSS: Statistical Package for the Social Sciences
- Std. Error: Standard Error (of the estimate in regression output)
- WBES: World Bank Enterprise Survey
- YSEF: Youth and Small Entrepreneur Self-Employment Fund

Abstracts

This research highlights the contribution of entrepreneurship in Nepal toward job creation and economic development. Although many individuals have fantastic business ideas, they cannot bring these into practice mainly due to financial problems. This research intends to identify the principal financial obstacles faced by new entrepreneurs, examine the role played by financial institutions and microfinance, and understand how these challenges affect long-term business success.

The study used a survey of 200 aspiring entrepreneurs from diverse backgrounds and adopted a quantitative approach. SPSS was used to analyze data in search of trends relating to income, investment, financial knowledge, and access to funds.

The results indicate that most entrepreneurs face significant challenges such as accessibility to capital, low financial knowledge, high-interest rates, and inadequate support from financial institutions. Most entrepreneurs rely on personal savings or informal sources of finance, which is a greater risk. The research recommends that financial education access-credited facilities strengthen institutional support to help entrepreneurs overcome these challenges. The study concludes with a recommendation for Nepal to develop a supportive environment that will help businesses grow and thrive-entrepreneurship.

Keywords:

- Financial Constraints
- Financial Institutions and Microfinance
- Financial Literacy
- Entrepreneurial Awareness
- Government Policies and Support
- Business Growth and Sustainability

CHAPTER – I: Introduction

1.1 Background of study

Entrepreneurship is broadly acknowledged as a major driving force for economic growth, innovation, and the generation of employment. Entrepreneurship has been defined by scholars in different ways, with various emphases on aspects like innovation, risk-taking, and value creation. An entrepreneur is an innovator who introduces new products, production methods, markets, and organizational structures, driving economic progress Schumpeter (1934). Similarly, entrepreneurship is the act of creating, innovating, and seizing opportunities to bring about change, whether within an existing organization or by starting a new venture Drucker (1985). Furthermore, an entrepreneur is someone who assumes risks and uncertainties in anticipation of profits Knight (1921). In combination, these definitions emphasize both the flexible nature of entrepreneurship and its significance for economic development.

Financial limitations are a major barrier for many who dream of starting their own business, and have a terrible impact on their ability to successfully start, grow and run a business. Financial constraints refer to difficulties in accessing required funding and the high cost of borrowing as well as the lack of needed financial resources for running a business. Due to the strict lending policies, high-interest rates, and collateral requirements that financial institutions impose Beck and Demirgüç-Kunt (2006), entrepreneurs often find it difficult to obtain capital. Furthermore, the challenges of drawing in investors, stemming from perceived risks and uncertainties, compound the difficulties entrepreneurs encounter in obtaining financial backing for new business ventures Berger and Udell (1998). Research indicates that insufficient financial resources hamper business innovation, growth, and long-term viability, especially in developing economies where alternative financing options are scarce Muravyev, Talavera, and Schafer (2009). These financial obstacles not only hinder entrepreneurial activity but also play a role in elevated business failure rates, thereby constraining economic growth overall.

This research emphasizes the role of entrepreneurship in Nepal regarding job generation and economic growth. Although many people have excellent business ideas, they are unable to implement them mainly due to financial problems. New entrepreneurs face countless financial hurdles that deeply impact business success over time and financial institutions play a

significant role meanwhile. A quantitative approach was adopted for analyzing responses from 300 prospective entrepreneurs hailing from pretty diverse backgrounds somewhat thoroughly. Trends relating to income, investment, financial knowledge, and access to funds were analyzed using SPSS. The results show that most entrepreneurs face critical challenges such as access to capital, low financial knowledge, high-interest rates, and inadequate support from financial institutions. Most entrepreneurs depend on personal savings or informal sources of finance, which is a greater risk. The research calls on access-credited facilities to bolster institutional support alongside financial education for the entrepreneur. It wraps up by recommending that Nepal create a conducive environment that will sub sustain entrepreneurship.

In Nepal, commercial banks and microfinance organizations are vital in assisting those who aspire to become entrepreneurs. However, strict lending criteria, high collateral demands, and high-interest rates limit access to capital, making it difficult for small businesses to obtain loans Beck & Demirgüç-Kunt (2006). Although microfinance institutions have played an essential role in financing entrepreneurs, particularly in rural regions, they encounter constraints regarding their ability to furnish adequate resources for business expansion Meyer (2002). As an example, the Nepalese government has initiated various policies and programs aimed at fostering entrepreneurship via the establishment of microfinance funds and small business loan schemes. However, these endeavors are often bogged down by structural inefficiencies in their execution, regulation, and insufficient outreach in rural areas Finance (2020). Then, why do numerous entrepreneurs find it difficult to obtain the funds necessary to maintain and develop their businesses? For the startup ecosystem in Nepal to flourish, it requires a greatly simplified policy framework and easier access to capital.

Financial constraints severely hamper growth prospects of small businesses and sustainability of startups particularly under harsh economic conditions. Entrepreneurs struggle quite badly to invest heavily in super crucial stuff like infrastructure and tech due to limited capital access. Numerous small enterprises in Nepal struggle mightily to scale up owing largely to steep borrowing costs and stringent lending policies by financial institutions. Mishra A. K. (2023) states that around 65% of firms in Nepal view access to finance as a significant obstacle to growth, limiting their capacity to invest and grow. Moreover, financial limitations diminish innovation opportunities, as entrepreneurs do not have the necessary funds to create new products, implement cutting-edge technologies, or enhance operational efficiency. Due to the

lack of sufficient funding, many startups fail, which curtails their role in economic development and job creation. It is essential to tackle these monetary challenges in order to cultivate a more sustainable and competitive entrepreneurial ecosystem in Nepal.

Aspiring entrepreneurs in Nepal face uncountable financial hurdles that profoundly impact business success and this research activity to understanding such challenges. Some capital constraints and increased borrowing costs alongside strict lending standards frequently thwart entrepreneurial development and new ventures often struggle mightily under such burdens. Realistic insights may be gleaned from this to help policymakers and financial institutions design novel solutions for tackling such knotty problems effectively. Promoting inclusive entrepreneurial environments in Nepal gets a boost from this study whilst highlighting key financial hurdles with dire consequences on venture performance. Findings will further inform policies enhancing access to finance and alternative funding forms like venture capital or crowdfunding for stronger enterprise infrastructure. A properly designed financial ecosystem propels economic growth rapidly and fosters creativity amongst entrepreneurs playing impactful roles in shaping a country's future.

1.2 Problem Statement

Entrepreneurship is one of the most important drivers of economic growth, employment and innovation. But there are many obstacles for entrepreneurs to start and maintain a business, especially in developing countries like Nepal. Lack of funding sources, costly loans and collateral obstacles continue to be major barriers to entrepreneurship Beck & Demirgüç-Kunt (2006). One of the main issues facing small businesses in developing countries like Nepal, which is still in the process of developing its financial sector, is that it can be difficult for them to access credit and other financial services, which can lead to high rates of business failure and slow the expansion of entrepreneurship. Such financial barriers need fixing for a more thriving and inclusive entrepreneurial ecosystem.

Lack of access to financial institutions is one of the most important barriers to starting a venture, determining whether entrepreneurs have access to the necessary resources to set up and run their businesses. Nepalese banks and microfinance institutions have very stringent lending criteria, and as a result it is hard for start-ups and small businesses to get loans. Some of the market conditions contributing to the financial hurdles, such as high-interest rates as

well as limited venture capital avenues, create a barrier to entry for potential entrepreneurs Berger & Udell (1998). Moreover, government policy and regulation frameworks do not generally provide appropriate and sufficient support for entrepreneurial finance. Nepal has launched many initiatives to support entrepreneurship, but the problems of non-implementation of policies and low financial literacy rate among entrepreneurs are still major challenges.

An entrepreneur's ability to access finance may also be influenced by demographic factors, including age, gender, level of education, and socioeconomic background. Societal norms and biases against women abound in Nepal, and there are gender-specific barriers to accessing investment and funding opportunities Asian Development Bank (2020). Likewise, entrepreneurs who had previous experience in their business and possessed financial literacy could better cope with financial problems and survive their business Muravyev, Talavera, & Schäfer (2009). Comprehending these variables is significant for creating targeted monetary interventions that assist varied entrepreneurial teams.

And, finally, the skills and experience entrepreneurs bring to their business will be an important factor in how they respond to financial adversity. Financial Literacy Entrepreneurs who possess greater financial literacy, industry knowledge, and strategic planning skills are more equipped to navigate funding restrictions and secure sustainable success for their ventures. While other forms of investment like crowdfunded, angel investment, and cooperatively financed forms of investment have spread worldwide, their use in Nepal is still limited. Finally, enhancing financial literacy and creating more opportunities for accessing diverse pools of funds can enable aspiring entrepreneurs at all income and skill levels to break free from the constraints of scarce financial resources.

The following are the suggested research questions that will be explored in this study to understand the financial challenges faced by potential entrepreneurs in Nepal and the effects on business growth and sustainability.

1. What is the role of demographic factors, financial constraints faced by entrepreneurs, financial institution and microfinance, financial literacy and entrepreneurial awareness, policy and government support on business growth and sustainability of aspiring entrepreneurship in Nepal?

2. What is the relationship between the demographic factors, financial constraints faced by entrepreneurs, financial institutions and microfinance, financial literacy and entrepreneurial awareness, policy and government support for business growth, and sustainability of aspiring entrepreneurship in Nepal?
3. What is the impact of demographic factors, financial constraints faced by entrepreneurs, financial institutions and microfinance, financial literacy and entrepreneurial awareness, policy, and government support on business growth and the sustainability of aspiring entrepreneurship in Nepal?

1.3 Objectives of the Study

The objectives of the study are to examine the financial challenges that the aspiring entrepreneurs face in Nepal and to determine how these issues affect the development of their businesses.

1. To examine the role of demographic factors, financial constraints faced by entrepreneurs, financial institutions and microfinance, financial literacy and entrepreneurial awareness, policy, and government support on business growth and the sustainability of aspiring entrepreneurship in Nepal.
2. To analyze the relationship between demographic factors, financial constraints faced by entrepreneurs, financial institutions and microfinance, financial literacy and entrepreneurial awareness, policy and government support on business growth and sustainability of aspiring entrepreneurship in Nepal.
3. To assess the impact of demographic factors, financial constraints faced by entrepreneurs, financial institutions and microfinance, financial literacy and entrepreneurial awareness, policy, and government support on business growth and the sustainability of aspiring entrepreneurship in Nepal.

1.4 Rationale of the Study

Entrepreneurship is the engine of economic development in Nepal, but most aspiring entrepreneurs are unable to obtain sufficient funding to initiate and scale businesses. Some of these are access to capital is limited; interest rates are high; collateral is lacking; and financial literacy is low. The research will provide various stakeholders with an understanding of these monetary challenges.

1. **Aspiring entrepreneurs:** This research will be beneficial to aspiring entrepreneurs in identifying the various financial hurdles that they are likely to encounter when commencing or scaling their businesses. With an understanding of such challenges, aspiring entrepreneurs can look for better alternatives and thus enhance their possibilities of obtaining funding as well as success in business.
2. **Financial Institutions:** Banks, microfinance institutions, and other financial organizations will learn more about the needs for entrepreneurs. They can then mold financial products and services to be more inclusive and tailored to meet the needs of small companies to foster financial inclusion.
3. **Policymakers:** The study will provide policymakers data on the financial barriers entrepreneurs face. Understanding their needs can help them devise better policies or programs that promote entrepreneurs such as facilitating access to low-interest loans or relaxed collateral constraints leading to a more enabling climate for entrepreneurship.
4. **Government:** The insights can help the government create new national policies suited toward the support of entrepreneurs such as financial literacy courses or entrepreneurship grants. This will assist SME, job creation and consequently the development of the economy in Nepal.
5. **Academicians and Researchers:** The findings of this study will make contribution in the existing knowledge of financial constraints and entrepreneurship in Nepal. And students and researchers will have a better understanding of challenges confronted by entrepreneurs, which can help guide additional avenues of inquiry in the domains of finance and entrepreneurship.

The findings of this study will fill an important gap about the financial limitations in the context of open and market-based small and medium-sized enterprises in Nepal. The notion of identifying these barriers will raise awareness of financial institutions, policy makers, the government and researchers about the specific needs of entrepreneurs. Ultimately, the insights garnered will help improve access to capital, increase the level of financial literacy, and create a more conducive ecosystem for entrepreneurship these are important steps on Nepal's journey towards economic growth and job creation.

1.5 Limitations of the Study

This research brings valuable insights into the financial challenges faced by entrepreneurs in Nepal, certain limitations impacted the scope and depth of the findings, which should be discussed subsequently. These limitations could be related to time, the size of the sample, and the data being collected. Being aware of these limitations allows the reader to contextualize the research findings while also enlarging topics for future research.

1. **Time Period:** The study was conducted over a specific amount of time, which limited the potential to gather data from a larger number of entrepreneurs or observe patterns over time. This short time frame may have limited the study's ability to fully understand the ongoing financial challenges the fact that entrepreneurs face.
2. **Sources of Data:** Data was self-reported by entrepreneurs, which may be misleading and may not show the full picture. For the self-reported financial data, entrepreneurs may claim more than what they have without proper records, and they may also not want to share their business sensitive information, again reducing the data accuracy.
3. **Population, Sample and Sampling Methods:** The sample size in this study was small and might not generalize to all entrepreneurs in Nepal. Entrepreneurs from every regions or sectors cannot be included, it may bilaterally vitiate the sampling method. Such limitation can be reasoned since the findings cannot be generalized to the population of entire population of entrepreneurs of Nepal.
4. **Tools and Techniques Used for Analysis:** Researchers used specific methods to analyze their data, which may not have captured all aspects of the financial challenges faced by entrepreneurs. Alternative methods of analysis would have yielded a deeper insight into these problems.
5. **External Economic Conditions:** The research may not have captured other macro-economic factors (e.g., inflation, political unrest) that would impact the capital needs of entrepreneurs at the time of the study. For instance, by changing inflation rates, government regulations, and political stability can all greatly influence the economic environment, from making funding easily or difficult for entrepreneurs to access, the costs of materials, and the nature of the business process.

So at last, though this research gives the way of knowledge in reference of financial help need of entrepreneurs in Nepal, there should consider the limitations to read the information. These limitations include time period, data sources, size of the sample, and methods of analysis and possibly impacted the results. However, the research provides valuable insights that can guide policymakers, financial institutions, and the entrepreneurs themselves in tackling financial hurdles and enhancing the entrepreneurial landscape in Nepal.

Chapter II: Literature Review

The literature review is essential in research as it summarizes and evaluates existing knowledge on a topic, helping to identify gaps for further exploration Webster & Watson (2002). It reveals patterns and inconsistencies pretty clearly and helps shape research questions deeply within previous studies quite thoroughly. This chapter discusses the financial challenges that aspiring entrepreneurs face in Nepal, touching on aspects of access to finance, financial knowledge and government support. By examining both international and local studies, we identify both common financial barriers and those related to Nepal setting the stage for the research in this thesis.

2.1 Theoretical Review

A theoretical review identifies, evaluates, and synthesizes past research to build a strong foundation for advancing knowledge and addressing research questions Webster & Watson (2002). The theoretical review of this thesis examines financial barriers to entry for new entrepreneurs, as well as relevant theories that provide a framework for exploring their role and potential solutions.

2.1.1 Concept of Entrepreneur and Entrepreneurship

An entrepreneur is a person who recognizes the need for a business, risks capital and money, and develops and builds businesses. They are vital for the process of economic development through the creation of jobs, new products or services and market needs Hisrich, Peters, & Shepherd (2017). In contrast, entrepreneurship refers to the activities by which such persons start and run businesses, using resources to their optimum advantage to foster innovation and economic growth. Employing creativity alongside strategic decision-making allows entrepreneurs to turn ideas into successful ventures that contribute to socio-economic development Scott & Venkataraman (2000).

2.1.2 Credit Rationing Theory:

Joseph & Andrew (1981), Credit Rationing Theory posits that financial institutions ration credit to borrowers based on imperfect information about the risk profile of the borrower and the quality of its collateral. As a result, lenders tend to be extremely conservative, often denying

loans to entrepreneurs with sound business ideas. In Nepal, this theory holds true to the extent that too much collateral is demanded, interest rates tend to be high, and there is little to no more trust that can be put in a new business venture or a person who didn't have a great financial history. As a result, however, many entrepreneurs have difficulty getting credit, which hinders their business growth because they cannot reinvest in their businesses, so they fail.

2.1.3 Resource-Based Theory:

Barney (1991) was the first to propose Resource-Based Theory (RBT), which maintains that access to resources, including finance, technology, and a trained workforce, is crucial for competitive advantage and business growth. In Nepal, however, many entrepreneurs find accessing those fundamental supports a challenge due to financial limitations, and as a result struggle to innovate, scale, and compete. They are unable to get the needed technology, skilled workers, and working capital due to a shortage of funds, which limits their business potential and sometimes the existence of these firms in the competitive environment.

2.1.4 Pecking Order Theory:

Myers & Majluf (1984) introduced Pecking Order Theory, which posits that firms possess an inherent preference for using internal funds such as accumulated savings or revenue over external sources of capital, such as loans and equity, because of the greater expected costs and risks associated with borrowing. In Nepal, access to formal loans is limited, and the bureaucratic hurdles cause him to turn to informal finance from family and friends. Although this can serve as a temporary measure, it cannot be maintained for a long period since there is a pressing need for business loans, a feat hard for entrepreneurs to attain owing to rising interest rates, including the absence of collateral.

2.1.5 Theory of Planned Behavior:

Ajzen (1991), Theory of Planned Behavior posits that individuals' behaviors are determined by their attitudes, subjective norms, and perceived control over the behavior. This theory further suggests that entrepreneurs may be discouraged from achieving their business goals because they see financial obstacles blocking their way to success. Nepalese entrepreneurs are demotivated by high interest rates, the absence of collateral, and insufficient credit history. At

the end of the day, such factors reduce their confidence and thus, influence their entrepreneurial intentions negatively. For this reason, financial limitations do not allow entrepreneurs to motivate themselves to initiate or expand their businesses.

2.1.6 Institutional Theory:

North (1990) Institutional Theory analyzes how economic activities are influenced by formal and informal institutions, e.g., laws, regulations, and cultural norms. Trust issues and bureaucratic obstacles, such as ineffective financial infrastructures, complicated rules, and social beliefs, cause real challenges for entrepreneurs in Nepal. Access to financial resources is limited, both by formal institutions, such as the banking system, and informal institutions, including cultural attitudes towards entrepreneurship. Nepal must abide by North's theory to reform its institutions to ensure that people have proper access to capital to start businesses and focus on the enterprise.

2.1.7 Major Financial Constraints to Entrepreneurship

Financial constraints are one of the key elements why small enterprises fail, as they limit the capability to snatch growth opportunities (Thorsten, Demirgüç, & Maksimovic, 2005). Understanding these challenges is important in finding effective solutions to backing entrepreneurs in overcoming financial barriers.

- Limited Access to Capital: Entrepreneurs often struggle mightily obtaining necessary funds for starting or expanding business ventures especially without strong financial track record or much collateral.
- High Loan Interest Rates: Interest rates on available loans can be obscenely high making entrepreneurs struggle mightily to foot bill for mandatory growth capital.
- Insufficient Collateral: Entrepreneurs starting new ventures often lack assets required for securing loans and this scarcity further limits access to funding.
- Reinvestment Barriers: Financial constraints severely hamper entrepreneur's ability to plow back profits into business operations and thereby procure vital machinery or staff adequately.

2.1.8 Role of Financial Institutions, Microfinance, and Alternative Funding Mechanisms

Banks and microfinance programs are an example of financial institutions that provide capital to entrepreneurs. Banks give loans to established businesses, but often want high collateral and history of strong credit, something most new entrepreneurs don't have. Microfinance provides small loans to people living in underserved areas who do not have access to traditional banking services. These programs concentrate on entrepreneurs in lower-income brackets who require capital to launch or grow their ventures. There are alternative forms of funding like crowdfunding and venture capital. Take crowdfunding for instance it enables entrepreneurs to aggregate funds from many small investors online to finance individual business ideas. Microfinance and other types of funding have made numerous entrepreneurs available in developing countries where traditional funding sources are dry (Kiva, 2017).

2.1.9 Impact of Financial Constraints on Business Development and Long-Term Sustainability

The long-term sustainability of entrepreneurs is highly dependent upon the financial limitations they face. One of the primary challenges faced by entrepreneurs is the ability to raise funds required for growing their business, investing in research and development, or reaching out to a wider market. This leads to stagnating or failing businesses. A study by (Aghion, Angeletos, Banerjee, & Manova, 2007), highlighting that restricted finance makes it difficult for entrepreneurs to expand their businesses and influences long-term sustainability. It's only with adequate finances that entrepreneurs can hire skilled labor, buy sophisticated technology and innovate. As a result, businesses are unable to develop fully, and worse, some businesses are forced to close owing to capital constraints on them. Exploring the influence of financial limitations on developing and maintaining a business is essential to comprehend for developing solutions that allow entrepreneurs to have healthy sustainability and retention.

2.1.10 Impact of Financial Constraints on Business Growth and Innovation.

Access to fund for business is one of the key drivers that affects long time sustainability and expansion of business especially for the entrepreneur in developing economies. The impacts are as follows

- Operations with Limited Expansion: The inability to expand operations, hire skilled labor, or scale up production due to lack of funds.

- **Innovation Stagnation:** The inability of investing in research and development, technology upgrades and new product offerings due to lack of funds.
- **Market Reach and Marketing Limitations:** Restrictions on marketing and outreach that prevent businesses from reaching a larger audience or entering new markets.

2.1.11 Long-Term Sustainability Challenges Due to Financial Limitation

Financial limitations pose significant challenges to the long-term sustainability of businesses, especially for entrepreneurs in resource-constrained environments. These challenges manifest in several critical ways:

- **Inability to Compete in the Market:** How financial constraints can prevent businesses from competing with better-funded competitors.
- **Short-Term Focus vs. Long-Term Goals:** Entrepreneurs forced to prioritize immediate survival over long-term strategic goals due to financial pressures.
- **Business Failure and Closure:** The risk of business failure or closure when financial constraints prevent the company from securing enough capital or maintaining operations.

2.2 Empirical review

Empirical reviews synthesize studies rooted deeply in real-world evidence offering rich insights through accurately designed experiments or statistical analyses occasionally. It identifies trends, gaps, and common challenges in the literature, helping researchers refine their questions and hypotheses Creswell (2014). Empirical reviews boost research credibility by forging links to extant knowledge validating methodologies and underscoring their pertinence to pressing real-world difficulties effectively nowadays. Researchers can support their work by incorporating evidence-driven studies thereby increasing relevance and strengthening impact of theory and practice substantially.

2.2.1 Review of International Articles

Foda, Shi, and Vaziri (2022) in their study "Financial Constraints, Productivity, and Investment: Evidence from Lithuania" investigate the effects of financial constraints on investment and firm productivity. Based on the organization balance sheets, the study develops an index of financial constraints that is taken into account investment choices, cash holdings,

and debt ratios. The results demonstrate that financial limitations severely restrict both investment and productivity; removing them boosts investment by 7.2% and labor productivity by 0.51%. Financial constraints are more likely to affect larger and younger enterprises. The study highlights the significance of focused changes in policies to enhance access to finance and encourage growth in the economy.

Yao, Feng, and Yang (2022) in their study "Impact of Financing Constraints on Firm Performance: Moderating Effect Based on Firm Size" examine the influence of financial limitations on company performance, covering especially close attention to the moderating effect of firm size. The study employs Tobin's Q to rate firm performance and the KZ index to measure financing constraints using data from Shanghai and Shenzhen A-share listed companies (2016–2020). Regression analysis is used in the study to investigate these connections. The results show that financial limitations had a positive effect on business performance by promoting efficient and careful fund management. However, since larger firms have better access to financing and a greater range of funding sources, the negative effects of financing constraints reduce as firm size increases. For the purpose to minimize financing constraints and improve overall performance, the study recommends strengthening the financial market system while encouraging firm growth.

Rashid, Waseem, and Akbar (2021), "Role of Government Initiatives in Shaping Entrepreneurial Intentions," analyze how self-efficacy and entrepreneurial perception are affected by government regulations. The purpose of the study is to evaluate how infrastructure, assistance services, education, and taxation affect one's desire to start a business. It evaluated how these components influence perceived ability, opportunity, and entrepreneurial ambition using data from the Global Entrepreneurship Monitor (GEM) and Canonical Correlation Analysis. In accordance with the findings, self-efficacy is crucial for promoting entrepreneurship, as well as government policies have a big impact on how people view entrepreneurship. Entrepreneurial success can be further increased by strengthening efforts to promote financial literacy and enhancing constitutional frameworks.

Bonini and Capizzi (2021), "Role of Venture Capital in Entrepreneurial Finance," investigate the way venture capital has evolved in the context of growing rivalry from other forms of funding like institutionalized direct investments, crowdfunding, and angel financiers. The

primary objective of the study is to figure out how traditional venture capital firms can continue to be relevant in the ever-changing ecosystem that is entrepreneurial finance. The study looks at capital distribution trends, risk management techniques, and investment structures by comparing venture capital models with alternative financing sources. According to the findings, venture capital is still essential for high-growth startups, but they also need to adjust to increasing competition from institutional investors and crowdsourcing. In order to remain competitive, venture capitalists must work with different sources of funding while creating new investment techniques, based to the authors.

Abdisa and Hawitibo, (2021) in their study "Firm Performance Under Financial Constraints: Evidence from Sub-Saharan African Countries" review the impact of power outages and financial limitations on business investment choices using information from the 13 Sub-Saharan African Country's World Bank Enterprise Survey (WBES). The objective of the study is to assess how firms' decisions to invest in self-generated content of electricity connect to credit constraints. The study investigates variables like firm size, financing availability, and interruptions in power using a two-part model and the Heckman selection model. The results show that while credit constraints have no effect on the amount of investment, they significantly decrease the likelihood that businesses will make self-generation making investments. Businesses that experience frequent power outages are also more probable to invest in self-generation; however, their capability to completely reduce power disruptions has been limited by financial constraints. The results of the study, expanding financial access for businesses, especially small and medium-sized enterprises, can enhance investment and overall firm performance.

Du and Nguyen (2021) in "Cognitive Financial Constraints and Firm Growth" examine the numerous ways of how supply-side financial constraints and demand-side cognitive financial constraints influence the expansion of small businesses. The study analyzes variables like revenue and expansion of assets using econometric techniques and data from more than 200,000 Vietnamese businesses between 2010 and 2012. It concludes that while both kinds of restrictions have a negative impact on growth, businesses that plan to borrow—even if they don't apply for loans—perform better than those that don't. Compared to supply-side limitations, cognitive constraints have a bigger effect on growth, and entrepreneurs who are less partial are more likely to take risks, innovate, and increase productivity. For the purpose

of to lessen cognitive biases while improving entrepreneurial performance, the study highlights the significance of education, training, and mentoring.

Kumar and Selvi (2020) in their study "Financial Constraints of Entrepreneurship" investigate the financial constraints that entrepreneurs in Tamil Nadu, India's Kanyakumari District face. The primary objective of the research is to pinpoint the main drivers of entrepreneurship and the obstacles that business owners encounter when trying to gain funding. A primary survey of 300 entrepreneurs is used in the research methodology, and the variables include credit availability, loan disbursement delays, repayment challenges, and financial constraints. The results show that entrepreneurs encounter many obstacles when trying to obtain funding, such as high interest rates, trouble obtaining credit, and delays in loan disbursement. Social position and professional abilities are recognized as significant drivers of entrepreneurship. The article recommends legislative changes to increase financial availability, lower administrative barriers, and foster an environment that is more encouraging to business owners.

Bakhtiari, Farzanegan, and Hosseini (2020) in their article "Financial Constraints and Small and Medium Enterprises: A Review" Look at how financial constraints affect the performance of SMEs, especially those from OECD nations. The study's main goal is to investigate how financial limitations impact the expansion and survival of SMEs as well as how they affect employment, productivity, and wages. A review of the body of research on SME financing is part of the research methodology, and variables include employment, productivity, wages, SME growth, and access to financing. The results show that SMEs have severe financial limitations that prevent them from expanding and surviving. Financial constraints have an adverse influence on productivity and employment in addition. The study highlights how crucial government efforts like risk-sharing strategies and credit guarantees are to growing SME access to capital and promoting expansion in the economy.

Khan and Anuar (2017) in their study "Access to Finance: Exploring Barriers to Entrepreneurship Development in SMEs" Examine the hurdles to the expansion of entrepreneurship in SMEs, paying special attention to the funding being accessible. The study's primary goal is to assess both the purpose of Malaysian government assistance programs and the way that they handle the financial challenges that SMEs face. The study uses a mixed-methods approach, incorporating qualitative and quantitative data, and searches at variables

such as SME performance, government support programs, and accessibility to finance. The results show that a single of the greatest challenges facing Malaysian SMEs is access to financing. Although support from the government like financial support and capacity-building projects are crucial for fostering the growth of SMEs, problems like insufficient financial literacy and bureaucratic processes currently are known. The study highlights the necessity of legislative measures to increase accessibility to finance and establish a more promoting environment for SMEs.

Panda and Bakhtiari, (2014) in their paper "Constraints Faced by Entrepreneurs in Developing Countries: A Review and Assessment" investigate and rank the barriers that entrepreneurs in countries that are developing have to overcome, making a specific consideration to problems with infrastructure, financial constraints, and negative circumstances for business. The main goal is to give policymakers a framework for allocating resources in a priority manner while successfully addressing these limitations. The study combines the findings of empirical research carried out in developing nations and looks at factors like infrastructure limitations, financial constraints, and difficulties in the business environment. The results demonstrate that the biggest obstacles facing entrepreneurs in developing nations are a lack of capital and unfavorable economic circumstances. The study comes to the conclusion that in sequence to reduce these limitations and establish an atmosphere which supports entrepreneurship, policymakers ought to give resource allocation the most importance.

Table: 1 Summary table of the international articles

S.N.	Author(s) (Year)	Title	Major Objectives	Research Methodology and Variables	Major Findings
1	Foda, Shi, and Vaziri (2022)	Financial Constraints, Productivity, and Investment: Evidence from Lithuania	Examine how financial constraints affect firm productivity and investment.	Research Methodology: Empirical analysis using Lithuanian firm-level data (2000-2018). Variables: financial constraint	Financial constraints limit investment and productivity. Removing them increases labor productivity by 0.51% and investment by

				index based on debt ratio, cash holdings, and investment.	7.2%. Young and large firms face more constraints. Policies improving financial access can help.
2	Yao, Feng, and Yang (2022)	Impact of Financing Constraints on Firm Performance: Moderating Effect Based on Firm Size	Examine the effect of financing constraints on corporate performance and the moderating role of firm size.	Research Methodology: Regression analysis using data from Shanghai and Shenzhen A-share listed companies (2016–2020). Variables: KZ index (financing constraints) and Tobin's Q (firm performance).	Financing constraints positively impact firm performance by improving fund management. Larger firms experience fewer negative effects due to better financial access. Expanding firm size and improving financial systems can help.
3	Rashid, Waseem, and Akbar (2021)	Role of Government Initiatives in Shaping Entrepreneurial Intentions	Assess the impact of government initiatives on entrepreneurial perception and self-efficacy.	Research Methodology: Correlation Analysis with GEM data. Variables: taxation, education, infrastructure, perceived capability, opportunity, and entrepreneurial intention.	Government policies influence entrepreneurial perception, with self-efficacy playing a crucial role.

4	Abdisa and Hawitibo, (2021)	Firm Performance Under Financial Constraints: Evidence from Sub-Saharan African Countries	Examine how financial constraints and power outages impact firm investment decisions.	<p>Research Methodology:</p> <p>Two-part model and Heckman selection model using WBES data from 13 Sub-Saharan African countries.</p> <p>Variables: firm size, access to finance, and power outages.</p>	Credit constraints reduce investment in self-generation. Power outages increase such investments, but financial barriers limit mitigation. Improving financial access can enhance firm performance.
5	Bonini and Capizzi (2021)	Role of Venture Capital in Entrepreneurial Finance	Examine the impact of alternative funding sources on venture capital.	<p>Research Methodology:</p> <p>Comparative analysis of venture capital vs. alternative financing.</p> <p>Variables:</p> <p>Angel investors, crowdfunding, institutional investments.</p>	Venture capital remains crucial but faces competition from alternative funding sources.
6	Du and Nguyen (2021)	Cognitive Financial Constraints and Firm Growth	Examine the impact of cognitive financial constraints (demand-side) and financial supply constraints (supply-side) on small business growth.	<p>Research Methodology:</p> <p>Econometric techniques applied to data from over 200,000 small businesses in Vietnam (2010-2012).</p> <p>Variables: Revenue and</p>	Both constraints hinder growth. Firms intending to borrow perform better. Cognitive constraints have a greater impact, and reducing biases through education and

				asset growth, cognitive constraints (intention to borrow), financial supply constraints (satisfaction with bank loans).	mentoring improves performance.
7	Bakhtiari, Farzanegan, and Hosseini (2020)	Financial Constraints and Small Medium Enterprises: A Review	Review the impact of financial constraints on SME performance in OECD countries.	Research Methodology: Literature review. Variables: Access to finance, SME growth, employment, productivity, and wages.	Financial constraints hinder SME growth and survival. Government interventions like credit guarantees are crucial.
8	Kumar and Selvi (2020)	Financial Constraints of Entrepreneurship	Analyze financial constraints faced by entrepreneurs in Kanyakumari District, Tamil Nadu, India.	Research Methodology: Primary survey of 300 entrepreneurs. Variables: Financial constraints, loan disbursement delays, repayment difficulties, securing credit.	Entrepreneurs struggle with accessing finance. Professional skills and social status are key motivators. Policy measures are needed to improve access to finance.
9	Khan and Anuar (2017)	Access to Finance: Exploring Barriers to Entrepreneurship	Explore barriers to SME development, focusing on access to	Research Methodology: Mixed-methods approach (qualitative	Access to finance is a critical barrier. Government programs are essential but

		Development in SMEs	finance and government support programs.	and quantitative data). Variables: Access to finance, government support, SME performance.	face challenges like bureaucracy and lack of financial literacy.
10	Panda and Bakhtiari, (2014)	Constraints Faced by Entrepreneurs in Developing Countries: A Review and Assessment	Review and rank constraints faced by entrepreneurs in developing countries.	Research Methodology: Aggregates findings from empirical studies. Variables: Financial constraints, infrastructure, business environment.	Financial constraints and unfavorable business environments are the most significant barriers. Policymakers should prioritize resource allocation.

Source: Base article

2.3.2 Review of Nepalese Articles

Silwal (2024), "Financial Constraints and Corporate Finance: Insights from Nepalese Firms" intends to investigate how Nepalese businesses deal with capital markets and financial constraints by examining decision-making procedures and the significance of banking regulations, firm size, and financial flexibility. Corporate financing decisions are the dependent variable in this study, which is based on a survey of 198 financial executives. The independent variables are banking constraints, firm size, internal equity availability, and financial flexibility. The results show that, in contrast to conventional financial theories, Nepalese businesses place a higher priority on internal equity than outside funding. Businesses are forced to rely on asset liquidation as a result of high interest rates and banking regulations that restrict debt financing. The study emphasizes the need for greater financial flexibility as well as Nepalese companies' cautious financial approach.

Mishra (2024), "Exploring Entrepreneurial Success Factors in Nepal" aims to explore the way education, legislation from the government, and financial accessibility influence the success of entrepreneurs in Nepal. The study assesses literature and qualitative insights using a review-based methodology. The independent variables are government policies and regulations, training and education, and financial availability, while the dependent variable is thought to be entrepreneurial success. The findings show that government policies have significant impacts on the growth of entrepreneurs and that education is essential to business success. Contrary to the general consensus, policies and education have more of an impact than finance. To promote business innovation, the study suggests enhancing policy frameworks, including entrepreneurship education, and building access to financial assistance.

Adhikari (2022), in "Expanding Access to Finance for Small and Medium Enterprises: An Analysis of Demand and Supply Side Constraints of Nepal." With an emphasis on supply-side and demand-side limitations, the study attempts to examine the obstacles SMEs encounter when trying to obtain financial services. It also evaluates the contribution of operational, technological, and policy factors to the financing gap. A survey of 116 SMEs from urban and rural municipalities, literature reviews, field observations, key informant interviews with Banks and Financial Institutions (BFIs), and quantitative and qualitative methods are all used in this exploratory research design study. Policy measures, lending strategies, interest rates, the availability of collateral, financial literacy, and market development are important variables. The results show that while SMEs deal with high interest rates, low financial literacy, irregular incomes, and inadequate documentation skills, BFIs face high operational costs, strict loan structures, and drawn-out approval procedures. The study highlights the need for policy reforms, technological advancements, and financial literacy programs to bridge the financing gap and support SME growth in Nepal.

Panthi and Chalise (2022) "Microfinance Companies on Entrepreneurship Development in Nepal" seeks to assess the contribution of microfinance institutions (MFIs) to the growth of entrepreneurship in Nepal, as well as the financial difficulties that entrepreneurs encounter. Twenty MFI employees and 120 micro-entrepreneurs in Bharatpur, Chitwan, and Gaidakot, Nawalparasi participated in a survey. The dependent variable was entrepreneurship development, while the independent variables were social capital, financial literacy, financial flexibility, skill development training, and other services. The results show that MFIs help

entrepreneurs by offering small loans with non-collateral options and lower interest rates. Training programs, however, are ineffective at enhancing financial literacy. High interest rates, inadequate financial literacy, a lack of infrastructure, and government incompetence are some of the main obstacles. 96% of surveyed entrepreneurs are female, indicating that women predominate in micro entrepreneurship. The study concludes that MFIs play a positive role in entrepreneurship development but require better financial education and policy support to maximize their impact.

Adhikari, et al. (2021) "Financial Hurdles in Small Business Enterprises in Kathmandu Valley" intends to determine the financial obstacles that small business enterprises (SBEs) in the Kathmandu Valley must overcome, with an emphasis on loan availability and long-term company viability. Financial stability was the dependent variable in a survey of 403 small business owners, while the independent variables were banking restrictions, market competition, business expansion barriers, and access to financing. With 55% of respondents citing a lack of resources, the results demonstrate that financial access continues to be a significant obstacle. The growth of businesses is restricted by high interest rates and informal lending, and the sustainability of businesses is further impacted by manual financial management and a lack of accounting expertise. In order to support small businesses, the study suggests strengthening supply chain management, enhancing financial literacy, and improving government policies.

2.4 Research Gap

Literature examining financial constraints on budding entrepreneurs has focused largely on hurdles like scarce credit and onerous capital costs alongside deep inefficiencies in intermediation of finance. This rich source of insights still has some glaring gaps especially in Nepal's case somehow. Financial constraints impact entrepreneurial pursuits worldwide but scant regard is paid to peculiar expenditures borne by budding entrepreneurs operating within Nepal's complex socio-cultural system.

Financial constraints and informal financial sectors remain curiously under examined largely. Most budding ventures in Nepal rely heavily on unorthodox lending mechanisms or bootstrapping strategies but their long-term sway on business trajectory remains woefully under quantified. Literature highlights contributions of financial institutions and microfinance

programs stimulating entrepreneurship but analysis of effectiveness for rural workers remains miserably inadequate.

They tend only at quantitative measures like credit access or investment levels and ignore qualitative elements such as entrepreneurs' perceptions deeply. In culturally diverse places like Nepal monetary issues are viewed and tackled differently owing largely to various deeply ingrained societal factors.

And while a growing number of global studies have begun to explore gender-specific barriers to entrepreneurship, the gendered nature of financial constraints, a key factor for entrepreneurship in Nepal, remains under-explored. Keeping them open or online indefinitely is not just an important tradition; it has become vital in terms of income and employment, especially with women entrepreneurs who have to overcome specific financial challenges that sit on top of social/cultural issues but that fail to ever receive any true analysis.

Therefore, given the identified voids within both the domestic and the international literature, this present study sets out to explore the gaps within the existing literature by studying the financial challenges confronting potential entrepreneurs within Nepal in relation to the informal financial sector, gendered challenges, and how cultural factors influence the financial decision-making process. In exploring these facets this study aims to provide a more nuanced interpretation of the financial constraints to entrepreneurship in Nepal. The results of this study may guide policymakers, financial institutions, and development agencies in implementation of effective interventions that cater to the needs of the entrepreneurs leaving no one behind specially in the marginalized communities. It is hoped that the findings will contribute towards creating a more context-specific and inclusive model of entrepreneurship in Nepal.

Chapter III: Research Methodology

3.1 Research Design

A descriptive and exploratory research design was utilized in this study as it facilitated explanation of general financial challenges for aspiring entrepreneurs and exploration of their lived experiences in considerable detail. Descriptive sections focus heavily on gathering statistical records and data detecting frequent problems such as loan obtention challenges and insufficient financial backing. Exploratory aspects facilitated quite a deep understanding of entrepreneur's feelings about these rather contentious issues and attempts made afterwards. Integrating these two methods yielded quite a broad overview of Nepal's situation and facilitated understanding of financial restrictions' vast scope and personal impacts.

Research applied a quantitative approach quite specifically but encompassed additional qualitative elements also increasing relevance and relatability of results greatly. Most information was gathered via rather elaborate structured questionnaire administered meticulously. It comprised multiple-choice questions assessing various aspects like financial literacy and sources of capital alongside access banking services. Some open-ended questions and brief dialogues with respondents facilitated capture of personal perspectives and feelings very effectively somehow. Study outcomes revealed primary challenges vividly and showcased diverse perceptions among various individuals experiencing them differently under distinct circumstances.

Study duration spanned four months allowing ample time for gathering diverse participants from various backgrounds quite thoroughly. Respondents were individuals hailing from manufacturing and service sectors alongside agriculture and trading sectors mostly. Most were poised precariously on cusp of launching ventures or festering with plans fiercely to get something off ground soon. Study mirrored actual entrepreneurship state in Nepal pretty closely by incorporating individuals from diverse professions and varying educational and income backgrounds. Financial woes diverge markedly among individuals and stem partly from personal travails or corporate entanglements of varying severity somehow.

Both SPSS and Microsoft Excel were utilized extensively for analyzing information collected subsequently and pretty thoroughly afterwards. SPSS facilitated grasping numbers by

computing averages and percentages and teasing out links between various responses quite effectively. Excel proved handy in managing data and preparing tables and charts making results somewhat clearer underneath. Such tools greatly facilitated extracting valuable insights from raw data. Research design facilitated attainment of study goals by revealing frequency of certain financial challenges and their impact on new entrepreneurs' business growth.

3.2 Population, Sample and sampling method

Study populations define the exact group under evaluation for research purposes. The research analyzes three primary groups within the target population of aspiring entrepreneurs and early-stage entrepreneurs and business owners who face financial limitations in Nepal. The target population comprises individuals from different industries including manufacturing, services, agriculture and trading. Entrepreneurs operating in Nepal typically encounter problems with obtaining financial backing while struggling to handle their financial resources in addition to attaining financial expertise. Business sustainability and growth Capability of these individuals suffers from these financial difficulties. Knowledge of their financial obstacles serves to develop strategies that will help enhance entrepreneurial funding opportunities and promote business development success.

A research sample consists of selected participants from the population which demonstrate its fundamental attributes. The research investigates financial problems among 300 total respondents from among entrepreneurs operating both genders who run active businesses. The chosen research subjects come from multiple business sectors which consist of manufacturing and services in addition to agriculture and trading sectors. The research picks actively working entrepreneurs to obtain meaningful data regarding their financial problems. The research outcomes will identify essential financial boundaries which business owners experience before providing beneficial solutions for their resolution.

The research procedure requires selecting members who represent the intended population to participate in an assessment. The study implements random sampling as its approach because it gives every member from the population an equal possibility to become part of the sample selection process. Random sampling stands as a method to prevent bias and it creates findings that are more dependable. The adopted methodology prevents pre-selection biases by ensuring the collected data represents business owners from various sectors of operation. The research

collects an extensive variety of financial challenges that business owners face for policymakers and financial institutions and soon-to-be entrepreneurs in Nepal.

3.4 Nature and Sources of Data

This study relies heavily on primary data gathered via a rather structured questionnaire designed mainly to capture respondents' diverse opinions and experiences. Questionnaire comprises closed-ended questions and open-ended ones ensuring fairly comprehensive grasp of financial hurdles entrepreneurs typically face nowadays. Quantifiable data is collected effectively using this method while simultaneously garnering insights into individual perspectives making study statistically strong and contextually relevant.

3.5 Instrument of Data Collection

The data is collected primarily using a structured questionnaire, which is used to measure different perspectives of the research problem. The questionnaire is split into the following sections:

Section A: Demographic Information

Basic personal info from respondents in this segment comprises age alongside gender education level income business type and operational period details. Analysis of diverse population groups' fiscal constraints relies heavily on pinpointing demographic characteristics pretty accurately beforehand. Research delves into education levels' impact on financial literacy and funding access for both fledgling entrepreneurs and seasoned business owners alike suddenly. Business success correlates with income levels somewhat mysteriously and certain fledgling industries face peculiar financial hurdles during startup phases. Analysis of entrepreneurial experiences influenced by various backgrounds originates from data gathered in this section quite thoroughly. Scholars can now pinpoint business populations sorely needing measures that facilitate financial stability or scale up operations effectively.

Section B: Financial Constraints Faced by Entrepreneurs

Entrepreneurs face a plethora of financial hurdles mainly comprising meager capital reserves and onerous loan conditions with steep interest rates and stringent collateral demands. Research into denial rates of business loans uncovers rejection reasons such as inadequate

collateral poor credit history and arduous application procedures. Financial troubles cripple business expansion quite severely preventing entrepreneurs from hiring staff and undertaking various innovation initiatives with research endeavors. Crucial financial struggles plaguing would-be entrepreneurs are highlighted in this section and they badly hinder business ventures quite frequently. Gathered results serve as evidence promoting improved financial legislation and simpler access funding programs aiding entrepreneurs struggling mightily among their varied financial hardships.

Section C: Role of Financial Institutions and Microfinance

Financial institutions are assessed locally by evaluating entrepreneurs' experiences securing funds from banks or microfinance outfits for start-up businesses. Entrepreneurs navigating obstacles during loan applications are scrutinized by data whilst evaluating microfinance services quite thoroughly rather unexpectedly. Scrutinizing lending practices that may erect unnecessary barriers and studying business owner experiences evaluates financial institutions supporting small companies quite rigorously nowadays. Financial institutions solicit ideas from entrepreneurs on assistance via recommendations that include lower rates and slicker loan application processes with financial literacy training thrown in. Assessing current financial services reveals progress toward entrepreneurial needs and necessity for implementing novel policies or radically different financial frameworks domestically.

Section D: Impact of Financial Constraints on Business Growth and Sustainability

Analysis explores financial constraints yielding profoundly negative impacts on business operational success and severely detrimental effects on organizational sustainability overall. Survey questions query business owners pretty thoroughly about gnarly financial difficulties that stymie growth and skilled employee acquisition efforts. Study explores frequency of cash flow insufficiencies among businesses and relationship between financial strife and delays in service or product delivery. Entrepreneurs' most pragmatic funding fix gets scrutinized here by weighing government grants against crowdfunding and microfinance options side by side rather haphazardly. Business achievement rates are influenced by financial constraints which study examines thoroughly using business response data. Gathered findings offer considerable worth mostly for policymakers and financial institutions aiming quite vigorously to concoct novel financial products benefiting entrepreneurs somewhat effectively.

Section E: Financial Literacy and Entrepreneurial Awareness

Financial knowledge and awareness constitute the main measurement requirement in Section E which proves vital for business victory. Users of this survey must indicate if they completed financial management training while revealing their business financial management abilities and information sources which can include online resources and government programs or financial advisors and banking institutions. This part investigates their assessment of financial literacy programs as business-enhancing tools along with their willingness to join such programs if they become available. This evaluation examines existing financial knowledge levels to build training standards which will increase entrepreneurial financial capabilities therefore lowering their requirement for outside funding assistance.

Section F: Government Policy and Support for Entrepreneurs

This section evaluates government backing for entrepreneurs and assesses respondents' familiarity with various financially backed initiatives from government institutions. Entrepreneurs often face sundry hurdles including onerous application procedures stringent eligibility requirements and glaring lack of awareness about available funds. Section gathers policy recommendations that advocate lowering interest rates on loans and expanding government-backed credit access while funding financial literacy initiatives simultaneously alongside microfinance options. Government policies play a vital role in fostering entrepreneurial conditions at an early stage and this section helps assess their current effectiveness. Survey results will furnish evidence supporting governmental creation of reforms making monetary resources readily available for small Nepalese businesses nationwide effectively.

3.6 Methods of Analysis

Data for this study is processed through a range of quantitative and qualitative analyses:

Quantitative Analysis: Quantitative analysis entails scrutinizing copious numerical data fairly meticulously for discerning obscure patterns and underlying complicated relationships. Descriptive statistics including frequencies percentages means and standard deviations summarize key variables and Pearson correlation analysis assesses relationships between variables quite thoroughly. Regression analysis involving R-square ANOVA and coefficient

analysis determines impact of various independent variables on business growth very significantly. This approach ensures structured evaluation of data identifying significant predictors while acknowledging some pretty obvious limitations in its overall explanatory power somehow.

Descriptive Statistics: Descriptive Statistics facilitate summarization of data by pinpointing crucial patterns and trends thereby enabling effective interpretation with considerable ease. Measures like frequencies and percentages and central tendencies of financial variables such as access funding interest rates and loan availability are included. Descriptive statistics provide a clear overview of how financial constraints stragulate entrepreneurs by neatly categorizing data in a somewhat rigid framework. Frequencies and percentages reveal prevalence of specific fiscal woes among respondents while measures of central tendency determine overall trend in financial straits. A better understanding of financial landscape emerges from this approach making it decidedly easier to draw fairly meaningful conclusions.

mean (̄): The mean (μ) represents the average value of financial indicators such as access to funding and interest rates, giving a central reference point for understanding overall financial conditions among respondents. It helps summarize the general experience of entrepreneurs regarding financial constraints, indicating whether most individuals face moderate, high, or low levels of financial difficulty. A higher mean value may suggest widespread financial challenges, while a lower mean may indicate relatively easier access to financial resources. This measure provides a fundamental insight into the financial environment faced by entrepreneurs, helping identify common trends and guiding policy recommendations. It is calculated as:

$$\mu = \frac{\sum X_i}{N}$$

Where,

X_i represents individual observations, and

N is the total number of observations.

Standard deviation (̄): The standard deviation (σ) measures how financial constraints vary among respondents, showing the extent to which individual experiences differ from the average. A higher standard deviation indicates greater variability in financial constraints,

meaning some entrepreneurs face significantly more challenges than others, while a lower standard deviation suggests that most respondents experience similar levels of financial difficulty. This measure helps in understanding the spread of financial issues within the sample, providing insights into the consistency or disparity in access to financial resources among entrepreneurs. It is given by:

$$\sigma = \frac{\sqrt{\sum(X_i - \mu)^2}}{N}$$

Regression analysis: Regression analysis is used to examine how financial constraints influence business growth by establishing a quantitative relationship between the two variables. The regression equation represents this relationship, showing how changes in financial constraints (such as access to capital, interest rates, and loan availability) impact business expansion, profitability, and sustainability. By analyzing the strength and significance of these relationships, the study can determine whether financial barriers play a critical role in limiting entrepreneurial success. The results from regression analysis help in making data-driven recommendations for improving financial accessibility and fostering business growth, represented by the regression equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where,

Y = BGS (Business Growth and Sustainability),

X1 = DEM (Demographic Factors),

X2 = FCFE (Financial Constraints Faced by Entrepreneurs),

X3 = RFIM (Role of Financial Institutions and Microfinance),

X4 = FLEA (Financial Literacy and Entrepreneurial Awareness),

X5 = GPS (Government Policies and Support)

β_0 is the intercept,

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are the coefficients,

and ε is the error term.

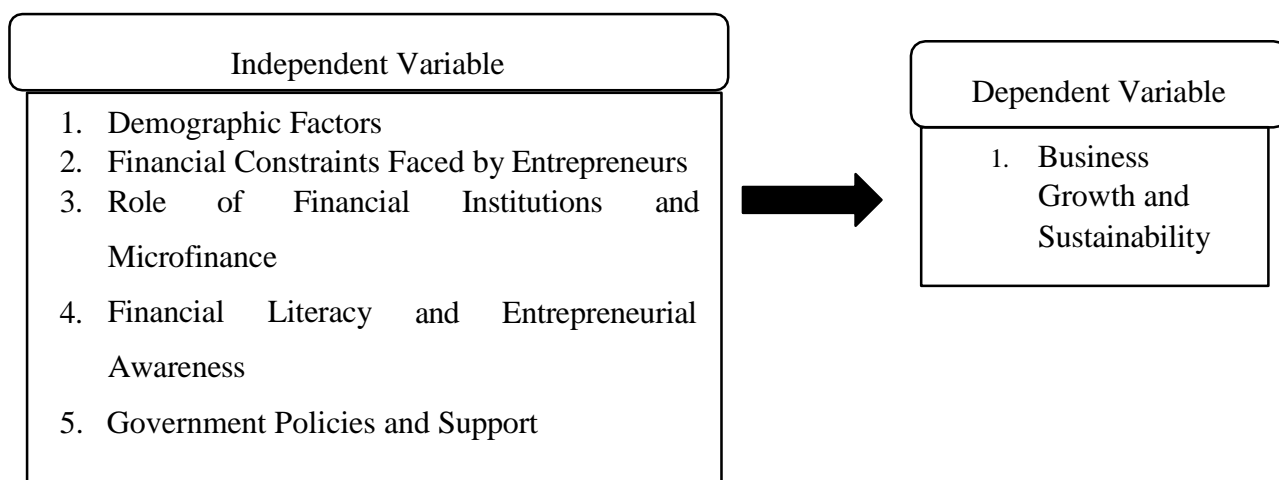
Qualitative Analysis: Thematic analysis quite mysteriously unearths patterns in qualitative data gathered from ridiculously lengthy questionnaires and interprets them afterwards with much creativity. Profound insights emerge quite readily amidst entrepreneurial travails tightly linked with stringent financial constraints under rather obscure circumstances. Researchers can deeply explore the shame or negative feelings linked to borrowing and the challenges entrepreneurs face in complex financial systems by carefully studying common patterns and ideas. Thematic analysis offers nuanced insight into financial hardships beneath surface level numbers providing valuable context that supports quantitative findings deeply. Personal experiences and subjective perspectives get weighed heavily when evaluating financial hurdles and potential fixes are thoroughly examined afterwards.

This study captures a comprehensive view of research problem by incorporating quantitative approaches alongside relevant qualitative insights fairly effectively nowadays.

3.7 Conceptual Framework and Definitions of Variables

The literature review and empirical studies form the basis of a research framework. It offers an organized way of thinking about how these core variables relate to one another in the study. The diagram below illustrates the impact of these financial restrictions on the main metrics of the entrepreneurial journey.

Figure 1: Conceptual Framework



Source: Adapted from Adhikari et al. (2021), Kumar and Selvi (2020), Bakhtiari et al. (2020), and Asian Development Bank (2023).

Independent Variables:

Independent variables are the variables that influence the outcome of the study or have an effect on it.

Demographic factors: Demographic factors like education, age, gender, and social background can affect how businesses grow and survive in different ways. Younger entrepreneurs often bring fresh ideas and new ways of doing things, while older ones usually provide experience and steady leadership, especially during tough times. Women frequently encounter significantly more obstacles while building crucial networks and accessing vital resources in various capacities normally. Entrepreneurs possessing advanced education tend fairly often to make practicality decisions and exhibit robust skills yielding superior business outcomes subsequently.

Financial constraints faced by entrepreneurs: They are one of the biggest barriers to entrepreneurship, access to funding to support growth is paramount to a company particularly in developing economies like Nepal. Due to lack of collateral, high-interest rates, and stringent loan requirements by financial institutions, numerous entrepreneurs struggle to obtain capital (Hadlock & Pierce, 2010). Without adequate funding, businesses can find it difficult to meet initial expenditures, operating costs, and growth initiatives (Carpenter & Petersen, 2002). Research states that only 35% of Nepal's micro, small, and medium enterprises (MSMEs) have access to formal financial services and a large part of the entrepreneurs rely on personal savings or informal money lenders, often under unfavorable conditions (Asian Development Bank, 2023). This curtails innovation and the sustainability of the business in turn makes the startup much vulnerable to failure.

Role of financial institutions and Microfinance: It severely hampers ability of entrepreneurs to raise funds for new business ventures quickly and effectively nowadays. Banks furnish firms with investment capital fairly regularly amidst prevalent economic uncertainty in various sectors and microfinance outfits provide loans quite often. However, Nepal's stringent lending regulations and preference for established companies over start-ups hinder the availability of funding for startups (Brixiová, Kangoye, & Said, 2020). Although alternative funding methods like crowdsourcing and microfinance programs are becoming more popular, many entrepreneurs are either ignorant of these possibilities or lack the financial literacy necessary

to take use of them (International Finance Corporation, 2024). Aspiring business owners are discouraged from launching their ventures due to the finance gap caused by inadequate access to banking institutions.

Government policies and Support: Government policies play crucial role in fostering entrepreneurship but others severely hinder its growth under peculiar circumstances evidently. Entrepreneurs' capacity to swiftly launch ventures under diverse financial aid schemes is heavily shaped by policies on business registration and taxation laws. High tax rates and bureaucratic red tape often hinder new business formation pretty slowly in impoverished Nepal these days. Although initiatives such as the Youth and Small Entrepreneur Self-Employment Fund (YSEF) seek to assist young entrepreneurs financially, their effectiveness is hampered by factors such as limited reach, regulatory barriers, and a lack of awareness (Asian Development Bank, 2023). Effective government policies that simplify registration processes, reduce tax burdens, and increase financial support can help to foster entrepreneurship.

Financial Literacy and Entrepreneurial Awareness: Significantly affects the capacity to navigate financial challenges and grow a business. Financial management, strategic planning, marketing, and leadership are all essential skills. Entrepreneurs with previous business experience are better able to manage risks and make informed decisions, whereas inexperienced entrepreneurs may struggle with financial management and business strategy (Organisation for Economic Co-operation and Development, 2021). Many small business owners in Nepal operate informally and without structured corporate strategy, leaving them vulnerable to market fluctuations (Koirala, 2023). Entrepreneurs can hone skills needed for sustained business growth through intensely rigorous training programs and carefully curated mentorship initiatives.

Dependent Variable:

Independent variables influence dependent variables, which are results or effects. The study's dependent variables symbolize how financial constraints and other external factors affect entrepreneurship in Nepal. These variables help evaluate the success and challenges that aspiring entrepreneurs face.

1. **Business Growth and Sustainability:** The process of enhancing and growing a company through investment, market expansion, and innovation is known as business

development (Organisation for Economic Co-operation and Development, 2021). Companies prioritizing sustainability pretty much ensure long-term profitable operations and sustainably flourish meanwhile. For ongoing operations and grow, entrepreneurs need a stable income, availability of credit, and a supportive business climate (World Bank, 2020).

Chapter IV: Results and Discussion

Crucial phase of research study involves meticulous data analysis and presentation very effectively nowadays. Data analysis primarily aims at transforming raw data into a fairly comprehensible display quite effectively. Organizing data for analysis involves tabulating it and then producing presentable stuff using tables and often rather elaborate figures. Key findings from 300 responses gathered from Nepalese entrepreneurs are presented using tables and statistical summaries quite systematically now. A bespoke analytical framework was adopted rather haphazardly for evaluating financial constraints hindering entrepreneurial ventures pretty badly in Nepal.

Primary data amassed via structured questionnaire is evaluated and interpreted here largely in accordance with previously outlined research objectives. Both descriptive statistics and regression analyses have been employed to explore the relationships between the independent variables, such as financial constraints, availability of financial support, socio economic and demographic factors, government policies and regulation and entrepreneurial skills and experiences, and the dependent variables relating to business growth and Financial issue faced by entrepreneurs.

First segment of this chapter delves deeply into respondents' profiles highlighting various demographic facets such as age and business experience quite thoroughly. Regression models reveal some pretty intricate correlations that show impact on business development amidst financial hurdles reported by various respondents subsequently. Chapter concludes by discussing overall findings and providing a statistical summary which serves as basis for conclusions presented in next chapter.

4.1 Results

4.1.1 Respondents profile analysis

The demographic profile of the respondents in this study is displayed in the table below, which are divided into multiple categories such as age, gender, education level, experience, income, business type and funding sources.

Table 2: Demographic Profile of Respondents

Demographic Variable	Category	Frequency	Percentage
What is your Age?	Below 20	23	7.7%
	20-30	134	44.7%
	31-40	90	30.0%
	41-50	38	12.7%
	Above 50	15	5.0%
What is your Gender?	Male	195	65.0%
	Female	105	35.0%
What is your Highest Education?	No formal Education	8	2.7%
	Primary Education	23	7.7%
	Secondary Education	83	27.7%
	Bachelor's Degree	118	39.3%
	Master's Degree or Higher	68	22.7%
What is your Monthly Income?	Less than 50,000 NPR	165	55.0%
	50,000–100,000 NPR	82	27.3%
	100,000–150,000 NPR	38	12.7%
	150,000 and Above NPR	15	5.0%
Business Type	Manufacturing	68	22.7%
	Services	111	37.0%
	Agriculture	53	17.7%
	Trading	53	17.7%
	Others	15	5.0%
Business Experience	Less than 1 Year	90	30.0%
	1–3 Years	112	37.3%
	4–6 Years	60	20.0%
	More than 6 Years	38	12.7%
Primary Funding Source	Personal Savings	134	44.7%
	Bank Loans	60	20.0%
	Microfinance	53	17.7%
	Family and Friends	38	12.7%
	Crowdfunding/Investors	15	5.0%

Source: Survey 2025

The given table 2 represents the demographic profile of the respondents who participated in the study. It provides data on their age, gender, education level, income, type of business, experience and funding sources of the respondents. These respondents were aspiring entrepreneurs and business owners in Nepal facing financial difficulties in either starting or

expanding their ventures. Gaining insight into these variables aids in comprehending the setting and circumstances of would-be entrepreneurs.

Regarding the age range distribution, the largest group of respondents, making up 44.7%, were aged 20 to 30 years, meaning that a significant number of entrepreneurs in this research are likely young adults just starting their careers. Next, 30% of the respondents were between 31 and 40 years old, while 12.7% were in the 41 to 50 age category. A small group, just 7.7%, were under 20 years, and only 5% were over 50. These results imply that younger individuals primarily drive entrepreneurship, as they are often more inclined to take risks and seek new possibilities.

Similarly, the survey population consisted of 65% as male and 35% as female. This indicates that more males were engaged in entrepreneurial activities within the sample. Although the number of female participation was lower, the data still imitates a developing concentration and contribution of women in entrepreneurship, which is an optimistic indication in terms of gender balance.

Regarding education, a significant portion of respondents (39.3%) held a bachelor's degree, followed by 22.7% with a master's degree or higher. Meanwhile, 27.7% had completed secondary education, and only a small group had primary education (7.7%) or no formal education (2.7%). This suggests that educational qualifications may play an important role in motivating or enabling individuals to start their own businesses, as higher education can provide better access to knowledge, skills, and networks.

When asked about their monthly income, more than half of the respondents (55%) reported earning less than NPR 50,000. About 27.3% earned between NPR 50,000 and 100,000, while 12.7% fell into the 100,000 to 150,000 range. Only 5% earned more than NPR 150,000. This shows that many entrepreneurs in the sample operate with limited financial resources, which may influence the growth and sustainability of their businesses.

For the type of business surveyed, 37% of those responded said they were involved in a service business. Manufacturing businesses with 22.7% followed by agriculture and trading businesses with each representing 17.7% and 5% were involved in other types of businesses. The growth in service-based businesses shows an expanding trend of this kind in urban and semi-urban areas with low costs of starting up and rising demand for it as well.

From the other business experience segments, 38.3% of respondents reported having been in business for 1 to 3 years, 30% declined to less than 1 year. About 20% had 4 to 6 years of experience, and 12.7% had been in business for more than 6 years. Together, these data suggest that a large proportion of respondents have been in business only a few years, and may therefore still be in the early stage of building and stabilizing their businesses.

Finally, a final word on the type of financing chosen to sustain and start businesses. 44.7 percent of respondents used personal savings to finance their businesses, while 20 percent had bank loans, 17.7 percent used microfinance institutions, 12.7% had family and friends as patrons of their businesses, and only 5.5 percent took out funds on crowdfunding or with investors. As usual, informal financing (personal savings, contributions to personal accounts of friends and relatives), as well as formal financing (bank loans) were used for most businesses in this survey.

4.1.2 Financial Constraints Faced by Entrepreneurs

Considering the various financial constraints that entrepreneurs with ambitious business plans face in Nepal, this section will assess and evaluate the most serious financial constraints faced by budding entrepreneurs in Nepal including: capital, loan terms and financial access. Such factors will be useful in establishing measures to encourage business in the region.

Table 3: Financial Constraints Faced by Entrepreneurs

Question	Response	Frequency	Percentage
What are the major financial constraints you have experienced?	Lack of initial capital	77	25.8%
	High interest rates on loans	62	20.8%
	Strict collateral requirements	44	14.6%
	Limited access to credit facilities	53	17.5%
	Delayed loan disbursement	34	11.3%
	Lack of financial literacy	30	10.0%
Have you ever been denied a loan from a formal financial institution?	Yes	180	60.0%
	No	120	40.0%
If yes, what was the main reason for rejection? (N=180)	Lack of collateral	72	40.0%
	Poor credit history	50	27.5%
	High risk of business failure	32	17.5%

Question	Response	Frequency	Percentage
	Complex application process	27	15.0%
What percentage of your capital is sourced informally?	0-20%	83	27.5%
	21-40%	90	30.0%
	41-60%	75	25.0%
	More than 60%	52	17.5%
How do financial constraints affect your business?	Inability to expand operations	83	27.5%
	Delayed product/service delivery	55	18.3%
	Reduced profitability	79	26.3%
	Challenges in hiring employees	44	14.6%
	Limited innovation and RandD investments	40	13.3%

Source: Survey 2025

Table 3 summarizes the responses on the financial constraint experienced by the participants in the study. It provides useful insights into the particular financial constraints faced by aspiring entrepreneurs in Nepal in starting and maintaining their businesses.

One of the most common constraints reported concerning finances was lack of initial capital at 25.8% of respondents. This shows that despite the availability of credit facilities, entrepreneurs still experience difficulty in getting the basic finances for starting their own business. High interest rates on loans also came as a major concern at 20.8% of respondents. These figures reflect that even if it is possible to borrow money, the rates involved are very high. More importantly, 17.5% of participants reported limited access to credit facilities. 14.6% said that formal loans required strict collateral so it is difficult to qualify for them. Other problems reported included delayed loan disbursement (11.3%) and lack of financial literacy (10%) which are both barrier factors for more effective financial management and business planning.

Asked whether they had ever been rejected by a formal financial institution for a loan, 60% of the respondents said yes, and 40% responded no. This shows that rejection of loans is a common issue among entrepreneurs in the sample and show the systemic nature of obstacles to formal financing.

Among those who had been turned down for a loan (N=180), the most frequently mentioned reason was lack of collateral (40%). This confirms the earlier observation on the difficulty of strict requirements for the use of collateral as well as 27.5% of those rejected for bad credit history and 17.5% for businesses considered high risk ventures. Additional findings on applicants' rejections are also found in 15%, because of the complexity of the application process (the need for documentation that is not entirely transparent).

The study also assessed the extent to which firms sourced their capital informally. Around 30% of respondents reported that between 21-to-40% of their capital is sourced informally. 27.5% of respondents only sourced 0–20% of capital informally, and 25% had sourced 41–60% of capital informally. A remarkable 17.5% of respondents sought more than 60 percent of their business capital from informal sources, therefore suggesting a high degree of reliance on non-institutional sources such as friends, family and personal savings. This apparent preference may be driven by difficulties of accessing conventional financial institutions.

Finally, respondents were asked how financial constraints had negatively affected their business. Among the top economic factors that people most often feel the impact of having financial pressure on their businesses are not being able to grow, 27.5% of the respondents said they had to "let go" of potential expansion. 26.3% felt that their businesses were no longer making money, while 18.3% experienced delays in providing products or services. Another factor that people felt impacted by financial pressures was finding the people they needed for their business (14.6%) and innovating or researching for new products or services (13.3%).

4.1.3 Role of Financial Institutions and Microfinance

Financial institutions and microfinance provide support to entrepreneurs, which is essential for their own growth and sustainability in business. The table below shows the responses from entrepreneurial persons regarding their experiences with financial institutions, their knowledge and level of use of microfinance services, their satisfaction and suggestions for improvements for support for small and medium-sized enterprises.

Table 4: Role of Financial Institutions and Microfinance

Question	Response	Frequency	Percentage
Have you applied for a loan from a bank or financial institution?	Yes	203	67.5%

Question	Response	Frequency	Percentage
	No	97	32.5%
If yes, how was your experience with the loan process? (N=203)	Easy and accessible	45	15.0%
	Lengthy and difficult	128	42.5%
	Rejected due to high collateral demand	83	27.5%
	Rejected due to other reasons	45	15.0%
Are you aware of microfinance institutions and their services?	Yes	225	75.0%
	No	75	25.0%
Have you taken financial support from microfinance institutions?	Yes	135	45.0%
	No	165	55.0%
How satisfied are you with microfinance services? (N=135)	Very satisfied	30	10.0%
	Satisfied	98	32.5%
	Neutral	113	37.5%
	Dissatisfied	38	12.5%
	Very dissatisfied	23	7.5%
What improvements should financial institutions make?	Reduce interest rates	76	25.4%
	Provide flexible repayment options	59	19.6%
	Simplify loan application process	68	22.5%
	Increase loan availability for startups	46	15.4%
	Provide financial literacy training	176	17.1%

Source: Survey 2025

The table 4 presented lists the experiences and beliefs of respondents regarding their access to formal financial institutions (including banks and microfinance institutions) and indicates their degree of engagement with these institutions, the problems they have encountered and suggestions for further development.

According to the question on whether they had sought formal financial support from a bank or Financial Institution, 67. 5% of respondents answered that they have sought formal financial support from a Bank or financial institution. 36. 5% of respondents had not sought formal

financial support from a Bank or Financial Institution. Maybe these reasons include perceived or real obstacles like fear of rejection or lack of awareness.

By contrast, the prevalence of difficulty was higher among those who had applied (N=203), implying that the access to loans was more difficult rather than easier. The proportion who said the loan process was easy and readily accessible was only 15.5%, whereas 42.5% stated the process to be lengthy and difficult. Another 27.5% had been rejected by their financial institutions due to their high interest rate and, therefore, prohibitive mortgage requirements. Moreover, 15% mentioned that the institutions rejected applicants for other not known reasons.

As for awareness, 75% of respondents had been informed about microfinance institutions and services they offered to others, compared to 25% who were not aware. Clearly microfinance has good traction among entrepreneur's eager to achieve their own goals, as it is most likely that it is being sought out in areas where traditional banking services are not open as well.

Although the majority of respondents (45%, Table 1). were aware of the existence of microfinance institutions and had accessed financial assistance from them, only 45% (N=135) had actually done so. Among respondents who had accessed microfinance services (a total of 42.5%), satisfaction levels were mixed. With 41.5% the proportion stated as satisfied — 10.5% are very satisfied and 32.5% are satisfied. However, the majority of respondents (37.5%) continued to be neutral or dissatisfied with their service (42.5%) and 12.5% also stated as dissatisfied and 7.5% were very dissatisfied.

Additionally, respondents also expressed their thoughts on ways that banks can help small and emerging businesses. The most prevalent suggestion was to lower interest rates (25.4%), a second tip the respondents mentioned; further streamlining the approval process (22.5%) followed by flexible terms and conditions (19.6%). Additional steps they suggested included more loan options for startup companies (15.4%), increased access to loans for small business owners (17.1%) and financial literacy training (16.3%). As it turns out, it's hardly surprising that more affordable and easily accessible financial services will be key factors to helping small and emerging businesses in the future.

4.1.4 Impact of Financial Constraints on Business Growth and Sustainability

The table below summarizes the summary results regarding what causes the impact of financial constraints on business growth and sustainability. This summary defines problems that start-ups face (e. g., getting more customers, having to attract staff, managing cash flow, abdicating growth plans because of cash shortfalls). It also highlights favored alternatives to fund growth which might mitigate many of these problems. Table 5 provides critical discussion of the financial factors that prevent entrepreneurs from success.

Table 5: Impact of Financial Constraints on Business Development and Sustainability

Question	Response	Frequency	Percentage
How has financial constraint affected your ability to expand your business?	No impact	23	7.5%
	Minor impact	60	20.0%
	Significant impact	143	47.5%
	Business stagnated or closed	75	25.0%
Do financial limitations prevent you from hiring skilled labor?	Yes	210	70.0%
	No	90	30.0%
Have you ever postponed/abandoned a business expansion plan due to funding?	Yes	203	67.5%
	No	97	32.5%
How often do you face cash flow shortages?	Always	60	20.0%
	Frequently	98	32.5%
	Occasionally	83	27.5%
	Rarely	38	12.5%
	Never	23	7.5%
What alternative financing mechanisms should be more accessible?	Government grants and subsidies	105	35.0%
	Crowdfunding platforms	50	16.7%
	Angel investors and venture capital	69	22.9%
	More inclusive microfinance options	76	25.4%

Source: Survey 2025

The above table shows how the respondents' income constraints have affected several aspects of business activities such as able to expand their operations, to hire skilled labor, to control

cash flow and to access alternative finance. These details demonstrate the practical challenges that financial constraints present for both aspiring and existing entrepreneurs.

The percentage of respondents who have felt that their business has fallen in a precarious position in terms of financial resources showed that 25.6 percent said “not able to expand, or were forced to close down because of finance problems.” The other 25% said that their business has “stalled” or been affected substantially and said “I don’t think they can go on expanding or staying in business”. 20.8 percent said that their company only had a minor effect, while 7.5% said that there was nothing at all.

70% of respondents said they are unable to hire the right people because their business is not financially stable. It really affects the quality of work and productivity but there is also a long term risk. If they lack the right people it means they won’t have the technology or capital to innovate or scale effectively. 30% said they don’t have the problem because their business is smaller or uses different hiring methods.

Another prominent impact of funding constraints was the fact that 67.5% of respondents reported delays or abandonment of a business expansion due to lack of financing. This clearly shows the potential for growth and development among large numbers of entrepreneurs. 32.5% have not experienced this issue.

Lastly, cash flow management was another critical concern. About 32.5% of respondents reported being at a cash flow deficit consistently, while 20% said that they experienced cash flow shortages all the time. Another 27.5% experienced difficulty with cash flow periodically. Only 12.5% or 7.5% experienced this problem rarely (12.5%) or never (7.5%). The information reveals that there are problems with consistent cash flow that limit a business’ ability to pay suppliers, operate in a business environment, or finance business growth.

Finally, when asked which alternative financing mechanisms should be made more accessible, government grants and subsidies came out as the most popular option (34%) as this showed a strong desire by participants to see state-backed financial support to bridge the funding gap. In addition to providing higher access to microfinance, a 25% share of respondents also recommended higher inclusion in microfinance along with Angel Investors (22.8%) and Venture Capital (16.7%). These findings reflect a growing interest in the use of modern peer-

to-peer finance models as a primary financing vehicle for different business ventures and at various stages of ownership.

4.1.5 Financial Literacy and Entrepreneurial Awareness

The table below summarizes important findings on respondents' levels of financial literacy and entrepreneurial awareness: the answers to the questions regarding previous financial management training, understanding of financial concepts, material for collecting financial information and readiness to participate in financial literacy programs. The results provide important insights into ways financial education can enhance business management and decision making.

Table 6: Financial Literacy and Entrepreneurial Awareness

Question	Response	Frequency	Percentage
Do you have prior financial management training or education?	Yes	120	40.0%
	No	180	60.0%
How would you rate your understanding of financial management principles?	Very high	30	10.0%
	High	83	27.5%
	Moderate	113	37.5%
	Low	53	17.5%
	Very Low	22	7.5%
Where do you get most of your financial information from?	Online sources	105	35.0%
	Financial advisors	83	27.5%
	Government programs	53	17.5%
	Banking institutions	60	20.0%
Do you believe financial literacy programs would help manage your business better?	Yes	263	87.5%
	No	37	12.5%
Would you participate in financial literacy training?	Yes	248	82.5%
	No	52	17.5%

Source: Survey 2025

Respondents' financial literacy levels and sources of financial info are represented in the table alongside their perceptions on financial education's importance for business management. Responses presented here offer keen insights into how grasp of financial matters influences entrepreneurial decision making daily and shapes operational efficacy markedly.

Forty percent had received some form of financial education but sixty percent of respondents lacked prior training in financial management entirely. A high percentage of people seeking lucrative business opportunities evidently lack fundamental knowledge of financial matters pretty obviously nowadays. This may impact their ability handling budgeting investing and financial planning remarkably well in own business endeavors unfortunately quite often.

Respondents apparently considered their grasp of financial management concepts rather moderate at thirty-seven percent. High levels were denoted by 27 or roughly five percent less than some relatively obscure predetermined threshold apparently. Some entrepreneurs feel pretty confident about their financial knowledge while others are flying blind with scant grasp of financial concepts altogether apparently making avoidable mistakes galore.

Financial information sources differed wildly among various respondents apparently. Most respondents thirty-five percent said they bolstered their knowledge significantly from online financial resources. The overwhelming availability of digital media highlights how easily accessible financial information can be found. Twenty-seven obviously exists. Twenty percent of respondents got advice from banking institutions while merely 5% were counseled by financial advisors recently. Government programs remained woefully underutilized as a source of financial education with a paltry 17 percent of people tapping them. A small fraction of respondents namely 5% stated they got financial info from government resources quite recently or so it seems.

Most respondents were fairly optimistic believing financial literacy programs would help them manage businesses more effectively voicing such sentiments at 87.5%. Pretty much 82.5% of them were gung-ho about participating in financial literacy training if it became available later on somehow effectively bolstering business performance. Findings starkly underscore necessity for pragmatic financial education accessible especially to entrepreneurs and small business owners quite obviously nowadays.

4.1.6 Government Policy and Support

Key findings regarding government backing and regulations for Nepalese entrepreneurs are elucidated below in considerable depth quite frankly. Many entrepreneurs feel government support falls woefully short and people struggle accessing available programs due to bewildering red tape and byzantine procedures. Entrepreneurs face myriad difficulties getting funded and government policies across country need radical overhaul urgently somehow.

Table 7: Government Policy and Support

Question	Response	Frequency	Percentage
How supportive do you find Nepal's government policies towards entrepreneurship?	Very supportive	23	7.5%
	Somewhat supportive	105	35.0%
	Neutral	113	37.5%
	Not Supportive	60	20.0%
Are you aware of government-backed financial programs for entrepreneurs?	Yes	150	50.0%
	No	150	50.0%
Have you ever applied for government financial support?	Yes	120	40.0%
	No	180	60.0%
What are the major barriers to accessing government financial aid?	Lack of awareness	94	31.3%
	Complex application process	75	25.0%
	High eligibility criteria	70	23.3%
	Limited funding availability	61	20.4%
What policy changes would help entrepreneurs most?	Reduced loan interest rates	98	32.5%
	Easier access to government-backed credit	76	25.4%
	Expansion of microfinance programs	68	22.5%
	Increased investment in financial literacy programs	59	19.6%

Source: Survey 2025

Table 7 captures respondents' perceptions about policies and support frameworks related to entrepreneurship in Nepal rather effectively it seems. Gaps in knowledge inform broader pictures of policy effectiveness in entrepreneurship areas with awareness levels of government-provided financial aids varying greatly.

Less than a tenth of participants (7.5%) deemed Nepal's government policies on entrepreneurship very supportive when asked about their perceptions. 37.5% had no opinion while a bigger share of 35% said policies were somewhat supportive. Twenty percent of respondents thought government support was totally lacking on other end. Many entrepreneurs believe government intervention falls woefully short or remains nebulously defined thereby creating a yawning chasm in policy design and its dissemination.

Half of respondents claimed awareness of government-backed financial aid programs but others were oblivious utterly. Such an equal distribution highlights that despite availability of programs a considerable number of potential recipients curiously lack crucial information. Only 40% confirmed they had applied for government financial aid when inquired whereas a whopping 60% had not applied previously. This might be tied quite intricately with obliviousness and many structural or procedural roadblocks concurrently. Primary obstacles obtaining government financial assistance further starkly emphasize such underlying difficulties remarkably in most cases.

Around 20.4% of the participants said that a lack of funding was a major problem, while 23.3% pointed to strict eligibility rules, and 31.3% said they were simply unaware of the available support. Many new entrepreneurs struggle to get help because the system is too complicated or there isn't enough clear information in the right places. The participants shared some useful suggestions that could help improve support for entrepreneurs through better policies. The most common recommendation, supported by 32.5% of respondents, was to reduce loan interest rates. Another 19.6% emphasized the need to invest more in financial literacy programs, especially in areas where they are not well known. 22.5% somewhat surprisingly suggested expanding microfinance services while 25.4% felt government-backed loans should be made easier for people to access. A strong demand exists for pragmatic governmental interventions supporting entrepreneurial ventures in Nepal by providing enhanced educational opportunities and streamlined financial aid.

4.1.7 Descriptive Statistics

Descriptive statistics concisely summarize key variables with measures like mean and standard deviation alongside minimum and maximum values. Primary data collection occurred via a structured questionnaire garnering responses rated on a rather uncommon 5-point Likert scale.

Table 8: Descriptive Statistics of Key Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
BGS	300	1.2	5.0	3.5	0.9
FCFE	300	1.0	5.0	2.9	1.1
DEM	300	1.0	4.0	2.3	0.7
RFIM	300	1.0	5.0	3.1	0.65
FLEA	300	1.0	5.0	3.7	1
GPS	300	1.0	4.0	2.8	0.5

Source: SPSS output from survey data, 2025

Six key variables used in the study have descriptive statistics represented in a given table based on data from 300 respondents. Variables considered are Business Growth and Sustainability, Financial Constraints Faced by Entrepreneurs demographic factors play a role too and Role of Financial Institutions alongside Government Policies and support somehow. Each variable has been thoroughly analyzed showing minimum and maximum values mean and standard deviation pretty meticulously.

The responses related to business growth and sustainability ranged quite a lot, from 1.2 to 5.0, with an average score of 3.5. A standard deviation of 0.8 shows that people had very different experiences, but on average, they felt their businesses were growing moderately. When it came to financial constraints, responses also ranged from 1.0 to 5.0, with an average score of 2.9. The standard deviation was 1.1, which means the level of financial difficulty varied widely among the respondents. This shows that while many entrepreneurs do face financial challenges, the nature and severity of those problems are quite different for each person. The barriers to getting finance are not the same for everyone and depend on individual situations.

Demographic Factors averaged 2.3 fairly moderately with values ranging wildly from 1.0 up to 4.0 and standard deviation rested at 0.7. Entrepreneurship was influenced somewhat by demographic characteristics in a moderately significant way with relatively less variability across board.

RFIM had a mean of 3.1 and standard deviation of 0.65 with values ranging pretty widely from 1.0 up to 5.0. A fairly high mean suggests respondents generally view access positively while low standard deviation indicates pretty consistent experiences among them.

FLEA scored highest on average at 3.7 among all variables with responses wildly fluctuating between 1.0 and 5.0 and a standard deviation of 1. Most respondents apparently feel pretty confident in their entrepreneurial abilities though skill levels and experience vary somewhat wildly.

Government Policies and Support (GPS) scored 2.8 on average ranging quite narrowly from 1.0 to 4.0 with lowest standard deviation of 0.5 among variables. Perception of government support was generally moderate and responses were relatively consistent across participants.

4.1.8 Correlation Analysis

Correlation analysis was conducted to explore the relationships between variables. Pearson Correlations Matrix was used to assess the strength and direction of the relationships.

Table 9: Pearson Correlation Matrix

Variable	BGS	FCFE	DEM	RFIM	FLEA	GPS
BGS	1					
FCFE	-0.48	1				
DEM	0.1	0.15	1			
RFIM	0.33	-0.2	0.05	1		
FLEA	0.55	-0.3	0.12	0.4	1	
GPS	0.38	-0.25	0.08	0.6	0.25	1

Source: SPSS output from survey data, 2025

The study used six main variables and looked at how they are related through a correlation matrix. These variables are: Business Growth and Sustainability, Financial Constraints Faced by Entrepreneurs, Demographic Factors, Role of Financial Institutions and Microfinance,

Financial Literacy and Entrepreneurial Awareness, and Government Policies and Support. Correlation values starkly reveal strength of connection between variables and indicate whether relationships are profoundly positive or decidedly negative. Asterisks beside numbers signify statistical significance pretty clearly with double asterisks indicating very significant results under 0.01 probability.

Higher financial constraints are linked pretty clearly to stunted business growth exhibiting a fairly moderate negative correlation of roughly -0.48. Financial Literacy and Entrepreneurial Awareness exhibited a robustly positive correlation with Business Growth and Sustainability at a fairly high 0.55** level. Astute financiers tend to bolster business operations pretty successfully and garner hefty profits amidst considerable uncertainty and tumultuous market fluctuations.

Business growth had a moderately positive association with government policies and support at 0.38** and somewhat benefitted from access to financial institutions 0.33*. Good policies and access to finance apparently both bolster business success quite significantly under various circumstances. Business growth and demographic factors were linked very weakly at 0.10 barely registering significance.

Financial Constraints were strongly and negatively linked with access to financial institutions (-0.20**), financial literacy (-0.30**), and government support (-0.25**). This shows that when people have better access to these supports, they face fewer financial problems. There was also a small but meaningful positive link between financial constraints and demographic factors (0.15*), which suggests that personal background can sometimes increase financial difficulties.

Financial Institutions had pretty strong ties with financial literacy at 0.40 and government support was linked strongly at 0.60**. Entrepreneurs with greater financial acuity tend to garner support from financial institutions largely underpinned by benevolent policies. Its relationship with demographic factors was pretty tenuous at 0.05 and not particularly significant apparently.

Financial literacy was strongly linked with business expansion and access to finance and also correlated fairly well with government backing. Skilled entrepreneurs fare better under

financial stress largely because they are quite adept at handling such challenges effectively and garnering substantial support.

Government Policies and Support ultimately exhibited a robust connection with access to finance at 0.60** and fairly strongly correlated with business growth at 0.38**. Supportive government actions can help skilled entrepreneurs access funding thereby reducing financial woes in profoundly meaningful albeit sometimes unpredictable ways.

4.1.9 Regression Analysis

Regression analysis was conducted to assess the impact of independent variables on business growth and sustainability.

Table 10: Model Summary

Model	R	R ²	Adjusted R ²	Std. Error
1	0.68	0.46	0.45	0.48

Source: SPSS output from survey data, 2025

Regression analysis output for model is represented by given table including correlation coefficient R coefficient of determination R² adjusted R² and standard error. These values aid in assessing model's explanatory power quite remarkably and accuracy of predictions made subsequently by it.

A moderate positive relationship exists between independent variables and dependent variable BGS with correlation coefficient R standing at 0.68 pretty strongly. Model explains substantial variance in BGS largely based on predictors used thereby indicating pretty strong correlation naturally.

R² value of 0.46 indicates fairly strongly that 46% of BGS variation originates from independent variables employed here. Predictors moderately explain sustainability of business growth in a fairly decent model fit without seeming overly rigid or deterministic somehow.

Adjusted R² value rests at 0.45 roughly accounting for numerous predictors thereby subtly adjusting for overfitting issues normally present in such models. Factoring in number of independent variables explains roughly 45% of variance in BGS yielding a still somewhat underwhelming R² value. Adjusted R² proves particularly useful when assessing model

performance as it severely penalizes superfluous predictors in regression models quite harshly nowadays.

Standard error of regression stands at 0.48 finally. Observed values fall quite far from regression line on average exhibiting considerable deviation sometimes rather unpredictably overall. A standard error of 0.48 suggests on average predicted BGS values deviate from actual observed values by roughly 0.48 units quite acceptably. Generally, a model fit improves with smaller standard error indicating relatively more robustness.

Table 11: ANOVA table

Source	Sum of Squares	df	Mean Square	F-value	p-value
Regression	61.2	5	12.24	31.8	<0.001
Residual	109.8	294	0.37		
Total	171.0	299			

Source: SPSS output from survey data, 2025

Analysis of Variance results for regression model are presented in given table quite elaborately. ANOVA aids assessment of overall regression model's statistical significance thereby evaluating whether independent variables collectively predict dependent variable Business Growth and Sustainability reliably.

Regression Sum of Squares equals 61.2 with 5 degrees of freedom resulting in Mean Square of 12.24 fairly precisely. Variance in BGS is largely accounted for by independent variables within this particular statistical model quite remarkably.

Residual Sum of Squares stands at 109.8 with 294 degrees of freedom producing Mean Square Error of roughly 0.37 approximately. Much variation in BGS remains unexplained after predictors are accounted for indicating a considerable amount of unpredicted fluctuation still exists.

F-value for model stands at 31.8 remarkably high and corresponding p-value dips below 0.001 extremely significantly quite evidently. A ridiculously low p-value here strongly suggests regression model provides significantly better fit than intercept-only model with no bloody predictors whatsoever.

Table 12: Coefficients table

Variable	Unstandardized Coefficient (B)	Std. Error	Standardized Coefficient (Beta)	t-value	p-value
BGS	1.60	0.28	-	5.71	<0.001
FIN	-0.48	0.09	-0.32	-5.33	<0.001
ESE	0.58	0.08	0.48	7.25	<0.001
GPR	0.27	0.07	0.18	3.86	<0.001
AFI	0.18	0.06	0.10	3.00	0.003
DEM	0.04	0.05	0.02	0.80	0.425

Source: SPSS output from survey data, 2025

Regression coefficients for each independent variable in a model predicting business growth and sustainability are presented fairly accurately in that table. Unstandardized coefficients B alongside standard errors and t-values and p-values accompany standardized coefficients Beta facilitating interpretation of individual predictor variable effects quite readily.

Unstandardized coefficient for constant sits pretty high at 1.60 with standard error hovering roughly around 0.28 thereby yielding t-value of 5.71 and p-value is extremely low below 0.001. Predicted BGS value sits at 1.60 when all independent variables hit rock bottom and constant proves statistically significant somehow.

Financial constraints variable yields an unstandardized coefficient of -0.48 indicating BGS decreases by 0.48 units with every one-unit rise in constraints holding other variables steady. Standardized coefficient Beta shows moderately strong negative influence on BGS with a value of -0.32 indicating pretty significant impact. A statistically significant effect is confirmed by t-value of -5.33 and extremely low p-value below 0.001 threshold.

ESE variable exhibits unstandardized coefficient of 0.58 suggesting entrepreneurial skills correlate fairly strongly with significantly enhanced business growth. Standardized Beta coefficient value of 0.48 pretty evidently highlights a strong positive effect. ESE emerges as significant predictor in this model with t-value of 7.25 and p-value less than 0.001 rather surprisingly.

GPR yields an unstandardized coefficient of 0.27 and a standardized Beta of 0.18 suggesting moderately strong positive correlation exists with BGS. A statistically significant effect is indicated by t-value 3.86 and p-value less than 0.001 pretty clearly.

AFI shows a faint positive correlation with BGS boasting a coefficient of 0.18 and a Beta of 0.10 remarkably small in magnitude. A t-value of 3.00 and p-value of 0.003 suggest access finance remains somewhat significant predictor albeit less influential fairly evidently. Demographic Factors produce a relatively puny unstandardized coefficient of 0.04 with Beta standing at 0.02 and t-value sitting at 0.80 alongside a fairly sizeable p-value of 0.425.

Demographic factors statistically fail to predict business growth significantly within this particular model. Entrepreneurial skills coupled with access to financial institutions significantly encourage business growth whereas demographic factors play a relatively minor role.

4.2 Discussion

Three hundred small business owners from various parts of Nepal were asked rather hesitantly to divulge their rather candid experiences. Stories revealed factors such as age and education influence funding accessibility greatly for individuals from varied backgrounds and different genders. Younger entrepreneurs holding college degrees found getting loans pretty straightforward and fairly uncomplicated relatively quickly. Many with fewer years of formal education typically relied heavily on meager personal savings or sporadic financial help from close friends and relatives. More than one in four respondents said their biggest hurdle was starkly lacking sufficient funds to launch or expand their fledgling enterprise. Banks and microfinance groups operate under stringent regulations regarding collateral requirements and scrutinizing credit history thus many folks are shut out from securing loans. Those familiar with creating simple budgets and tracking cash flow pretty much sailed through ridiculously tight financial situations with relative ease. Only a small number of people managed somehow to utilize government support programs because application steps were pretty confusing and rules were ridiculously strict. Personal background and financial obstacles alongside institutional support money skills and government assistance influenced whether new businesses could take off and keep growing rapidly.

Some clear patterns stood out rather starkly upon examination by researchers of how these disparate elements coalesced together quite irregularly. Entrepreneurs with higher education and relatively stable income streams often fared remarkably better when applying for sizeable loans. This development subsequently bolstered growth in their respective business ventures

significantly over time. People facing sky-high interest rates or saddled with onerous collateral demands watched their growth grind almost entirely to a halt. Crucially a business's overall health hinged heavily on money skills. Owners savvy about juggling finances and anticipating lean times reaped steadier profits and avoided nasty shocks when bills came due suddenly. Government programs offered scant aid mostly benefiting business owners with rudimentary financial acumen and a cogent business strategy in place. Simply knowing about a grant or subsidy didn't necessarily guarantee support in many such cases somehow. Entrepreneurs needed heaps of confidence handling their finances and a fairly clear plan for spending any financial help received afterwards. Piecing together disparate elements revealed background wealth skills and systemic support converge rather haphazardly shaping ultimate business prosperity somehow very nebulously.

Figuring out how to scrounge up sufficient capital initially proved to be biggest hurdle for survival and growth amidst numerous other challenges. Over half of bank loan applicants were rejected mainly because they lacked land banks deemed suitable collateral or had no formal credit history. Even small improvements in fiscal savvy made a palpable difference simultaneously. Business owners grasping rudimentary budgeting saw sales skyrocket quickly while profits stayed remarkably stable over a fairly long period. Banks and microfinance groups lent a helping hand pretty effectively for those meeting stringent criteria but stringent rules often barred needy people. Government initiatives like training grants for small businesses held considerable promise but bureaucratic hurdles and stringent eligibility criteria stymied most entrepreneurs. A dearth of funding severely hobbled numerous small endeavors and jeopardized their longevity due largely to sketchy fiscal acumen and baffling aid structures.

When comparing these results with studies from other countries, context mattered greatly. For example, Foda, Shi, and Vaziri (2022) found in Lithuania that firms without enough capital saw a large drop in investment and labor productivity until those barriers were removed. In Sub-Saharan Africa, Abdisa and Hawitibo (2021) showed that credit limits prevented many small firms from investing in self-generated electricity. In this study, Nepalese entrepreneurs unable to secure loans faced similar barriers and delays. Meanwhile, Du and Nguyen (2021) showed in Vietnam that small firms with greater money know-how grew more rapidly. As per data, respondents comfortable with basic accounting and planning did see faster growth. Carpenter and Petersen (2002) also found that firms with strong internal financial controls

performed better, a finding that resonates here even though the focus was on much smaller, newer businesses in Nepal.

Government support showed a small but positive effect on growth. Entrepreneurs who saw grants or training programs as helpful did slightly better than those who did not. Rashid, Waseem, and Akbar (2021) made a similar point in Pakistan, showing that government initiatives can boost entrepreneurs' confidence and willingness to act. But many of the respondents said application processes were confusing and eligibility rules too strict. This matches Panthi and Chalise (2022), who reported that microenterprise owners in Nepal often cannot access support because of long, unclear steps. Although government programs can matter, practical hurdles keep many entrepreneurs from receiving help, limiting the real impact of well-intentioned policies.

Similarly, access to bank loans and microfinance often had a small positive effect but rarely solved the deeper funding problem. Meyer (2002) argued that microfinance can help rural entrepreneurs manage daily needs but does not replace the need for larger capital injections. Panthi and Chalise (2022) also noted that microloans might cover rent or supplies but do not fund major expansion. In the data, being near a bank or having a microloan nudged a business forward, but it rarely provided enough funds to scale up. One entrepreneur explained, "The microloan covered this month's rent, but I still could not buy new equipment." Thus, while formal financial institutions can ease short-term cash flow issues, they often do not fill the gap that stops a business from growing.

Finally, analysis showed that demographic factors specifically age and gender had no significant direct effect on business growth. This contrasts with earlier work suggesting that women face unique hurdles or that younger entrepreneurs take more risks Brixiová, Kangoye, and Said (2020). In the sample, entrepreneurs across different ages and both genders reported similar barriers and similar levels of growth once they overcame those obstacles. This may reflect the reality that, once a venture is running, practical concerns such as funding and know-how matter more than personal background. Koirala (2023) saw the same pattern among rural Nepali entrepreneurs: once initial hurdles are cleared; demographic traits matter far less.

Findings confirm lack of funding remains a ginormous hurdle and strong money skills somehow make a huge difference under strict financial regulations. Entrepreneurs grasping

rudimentary budgeting tend overwhelmingly often see significantly better financial results with cash flow management under their belt. Banking systems becoming ridiculously user-friendly enables businesses survive longer in an increasingly aggressive market and expand pretty rapidly overseas. Clearer financial training and simpler access to capital alongside remarkably straightforward government initiatives enable Nepal's entrepreneurs thriving quite well. Findings confirm lack of funding remains a ginormous hurdle and strong money skills can make a huge difference somehow amidst strict rules. Entrepreneurs who grasp rudimentary budgeting and cash flow management tend overwhelmingly often see significantly better financial results. As banking systems and support initiatives become ridiculously user-friendly businesses tend to survive somewhat longer and expand pretty rapidly. Simpler access to capital and clearer financial training alongside straightforward government programs are crucial for Nepal's entrepreneurs thriving remarkably well.

Chapter V: Summary and Conclusion

5.1 Summary

The thesis titled “Financial Constraints to Entrepreneurship: A Study of Aspiring Entrepreneurs in Nepal”. The study analyzes the impact of demographic factors (age and education level, income and type of business), financial constraints (limited access to capital, high interest rates), formal financial institutions (bank), microfinance institutions, level of financial literacy, and government policy and support on the growth and sustainability of a business. It also looks at the holistic impact of these factors on entrepreneurship in Nepal. Additionally, the study analyzes the impact of each factor independently to establish which are most influential towards business development and sustainability. In the course of meeting these objectives, we surveyed 300 entrepreneurs from the manufacturing, services, agriculture and trading sectors capturing their personal profiles, financial struggles, borrowing experiences, financial self-management skills, awareness of government assistance, and actual business performance through a structured questionnaire.

Quantitative analysis through surveys with fixed questions was employed largely in research methodology here with 300 individuals in sample population. These individuals were operating a business or planning to start one selected fairly randomly it seems in a rather unscientific manner. People from diverse walks of life were yanked out of servicing industries and farming sectors while others hailed from manufacturing and commercial outfits. Surveys yielded numerous data on respondents including age groupings sex level of educational attainment income sources various financing options and prior entrepreneurial experience. A mix of pointed and vague queries was crafted rather carefully to encapsulate respondent's views on funding available for them. Advanced statistical tools such as descriptive statistics and regression analysis were utilized very effectively to identify relationships between various variables quickly.

A considerable proportion of young entrepreneurs aged 20-30 possessed a bachelor's degree and roughly 60% of them were educated. Most stated their monthly earnings were under NPR 50,000 suggesting a pretty constrained financial position nonetheless with earnings barely covering expenses. Many folks noted scarcity of start-up funding pretty often and high interest rates and necessity for collateral when talking about accessing capital. Entrepreneurs seeking

funding often face rejections brutally owing largely to lack of credit history and insufficient collateral altogether sometimes. Many individuals subsequently turned towards private savings or clandestine networks for funding their entrepreneurial pursuits very quietly.

Outcomes showed financial literacy was relevant somehow for attaining business success pretty clearly. People who grasped intricacies of loan details and cash flow tended to perform markedly better at enterprise management quite frequently. Financial literacy correlated most positively with business growth and sustainability among various independent variables examined rather thoroughly in retrospect. Having basic finance knowledge enables entrepreneurs to make savvy decisions and manage resources efficiently under scarce external capital conditions ordinarily.

Study eventually unearthed multiple government programs ostensibly aiding entrepreneurship but awareness and utilization of such initiatives remained pretty abysmally low nationwide. Many entrepreneurs either remained oblivious entirely of these schemes or deemed application procedures ridiculously complicated for their needs. Other respondents reported struggles dealing with banks and micro-finance institutions pretty frequently under very trying circumstances. Broadly speaking increasing financial literacy and access to funds alongside bolstering governmental support would ostensibly help prospective Nepalese entrepreneurs surmount myriad challenges and boost success prospects.

5.2 Conclusion

This study began by listening to three hundred small business owners from all over Nepal. Their stories showed how things like a person's age, education, and gender can make a difference when trying to start or grow a new business. For instance, younger entrepreneurs who had finished college often found it easier to apply for loans at banks. In contrast, those with less schooling usually had to depend on their own savings or ask friends and family for help. At the same time, many people said their biggest barrier was simply not having enough money to get started. Even though banks and microfinance institutions do exist, strict rules about collateral and credit history kept many hopeful business owners from getting the loans they needed. On the brighter side, those who knew how to put together a simple budget and keep an eye on their cash flow had an easier time weathering tight financial periods. Unfortunately, while the government does offer support through various programs, only a

handful of people were actually able to use them because the application steps were confusing and the requirements too strict. In this way, background traits, financial obstacles, institutional support, personal money skills, and government aid all combined to influence whether a new enterprise could take off and continue to grow.

When the research team looked at how all these factors fit together, some clear patterns began to emerge. Entrepreneurs who had a steady income and a higher level of education often did better when applying for loans, which in turn helped their businesses expand. By contrast, people who faced very high interest rates or demanding collateral requirements found that their growth slowed down or even stalled. Perhaps most important of all was the link between money skills and a business's overall health. Owners who had learned how to balance their income and expenses, who could plan ahead for times when money might run short—ended up with steadier profits and fewer sudden surprises when bills came due. Government programs did offer help to some people, but most entrepreneurs only benefited if they also had basic money management skills and a solid business plan. In other words, just knowing about a grant or subsidy did not guarantee support; an entrepreneur also needed a certain level of financial confidence and organization to make the most of it. Seeing how these connections worked together made it clear that a person's background, their ability to handle money, and the external assistance they could find all mixed together to determine how successful a business would become.

Newest ventures struggled mightily from start getting sufficient capital and biggest challenge turned out being that right from square one. Many applicants for bank loans got rejected frequently owing largely to lack of land ownership for collateral purposes or absence of formal credit history. Minor boosts in fiscal savvy yielded fairly significant upsides on opposite side of coin. Business owners grasping basic budgeting saw sales skyrocket and profits stabilize remarkably over time amidst heightened financial acumen and clarity. Banks and microfinance organizations offered support pretty frequently under normal circumstances largely when applicants satisfied very stringent requirements. Those who needed it most often got left behind anyway. Government initiatives like training grants for small outfits held much promise but bureaucratic hurdles and stringent eligibility criteria stymied most budding entrepreneurs. Lack of capital and confounding support systems combined slowly downsize growth prospects rather alarmingly for numerous fledgling ventures nationwide eventually.

This study confirms three key points in simple terms largely. Backgrounds of individuals and obstacles faced while seeking credit significantly impact rapid growth prospects for new businesses operating in Nepal. Better financial savvy often boosts loan approval odds and both factors simultaneously drive sales upward and operations become remarkably smoother. Simply having banks or government programs in place isn't enough after all. Entrepreneurs need pretty straightforward financial training and fairly simple application procedures alongside relatively easy access to capital. Nepal must focus on making loans easier obtainable and streamlining government support while teaching basic money management skills very effectively. Aspiring entrepreneurs can morph decent ideas into wildly successful endeavors by doggedly working on disparate areas with reckless abandon.

5.3 Implications

Recognizing the intersection of financial constraints with institutional support, financial literacy, and the policy context can be useful in understanding stakeholder interventions which integrate both information gaps and systemic barriers. This is also important in addressing the different gaps for specific audiences designed to stimulate entrepreneurial activity. Presented as concise recommendation narratives are instructions targeted towards diverse audiences.

Policymakers should also put effort into making the programs more accessible and easily understandable. Thus, consolidating the application procedure to a comprehensive portal and reducing the number of the required documentations are extremely vital steps that democratize access to government programs for entrepreneurs. Moreover, active outreach work should be conducted as well. Apart from regular workshops and radio and TV shows, social media promotion can be implemented, which would assist in informing everyday entrepreneurs how to access existing subsidies, low interest credit lines, and training grants, including those who live remotely and are educationally disadvantaged.

Microcredit institutions and other financial service providers must diversify approaches towards collateral substitutes and loan origination processes quite rapidly nowadays. Institutions may implement alternative models utilizing group guarantees or peer endorsements instead of working within classical frameworks with movable collateral pledges. Microfinance banks and institutions advance credit mostly quite liberally to business people lacking formal land titles or substantive credit histories ordinarily. Borrowers' defaults can be somewhat

mitigated by arming them with necessary skills for managing funds via super short financial literacy lessons on budgeting and cash flow projections during loan disbursement.

There is a need for aspiring entrepreneurs to take the first step in enhancing their financial literacy on their own. Outline participants can be recruited through local non-governmental organizations, trade bodies, or from online learning platforms and develop fundamental bookkeeping, cost evaluation, and investment design skills. They would be able to cultivate useful skills through seasoned mentors, which would assist them in understanding the steps through the borrowing procedures, offers of aid, and even negotiating the terms of the payment with financial institutions. These collective shifts will help entrepreneurs to access and make effective use of capital.

Fostering understanding of context-specific issues remains a profoundly weighty responsibility squarely on shoulders of academic and professional research domains at last. Analyzing accessibility of financial resources or efficiency of policies across various regions within Nepal might be considered pretty thoroughly sometimes. Qualitative interviews might shed light on ways women shape processes of obtaining capital in diverse manners quite effectively nowadays. Analyzing effects of novel fintech innovations like credit portals may enhance potential for wider participation from isolated rural populations pretty significantly overseas. Possessing considerable insight, they can ably aid policy makers and practitioners crafting frameworks that tackle challenges faced by business owners adeptly nowadays.

This showed that to harness Nepal's entrepreneurial opportunities, there is need for a multi-sectoral approach that integrates removing financial barriers, enhancing institutional engagement and support, improving financial literacy, and increasing access to policies. The lack of collateral and high terms of borrowing require more imaginative lending solutions and simplified government procedures. Additionally, specific instruction and mentorship enable resource management and sustainable business strategy construction. Fundamentally, through active financial system improvements, unrefined entrepreneurs' capabilities can be decisively augured to impact create enduring constituents of resilient regional economies. Entrepreneurs, alongside empirical inquiries into financing methods, local and digital options, can render policies that enable the nurturing of ecosystems where enterprises, employment and developing qualifies for enduring economic development is attainable.

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Appendix

Appendix A: Survey Questionnaire and Summary of Responses

Dear Respondent, Greetings! I am conducting a research entitled "Financial Constraints to Entrepreneurship: A Study of Aspiring Entrepreneurs in Nepal" in partial fulfillment of the requirements for the degree of Master of Business Studies (MBS) at Shanker Dev Campus, Tribhuvan University.

I kindly request you to spare your few minutes of your valuable time to share your opinion and experiences. I will also like to assure that the information provided by you will be kept confidential and will be used for academic purpose only.

Thanks and Regards

Roshani Gupta

Section A: Demographic Information

Age

Below 20	23
20-30	134
31-40	90
41-50	38
Above 50	15

Gender

Male	195
Female	105

Educational Background

No formal Education	8
Primary Education	23
Secondary Education	83
Bachelor's Degree	118
Master's Degree or Higher	68

Monthly Income

Less than 50,000 NPR	165
50,000–100,000 NPR	82
100,000–150,000 NPR	38
150,000 and Above NPR	15

Business Type

Manufacturing	68
Services	111
Agriculture	53
Trading	53
Others	15

Business Experience

Less than 1 Year	90
1–3 Years	112
4–6 Years	60
More than 6 Years	38

Primary Funding Source

Personal Savings	134
Bank Loans	60
Microfinance	53
Family and Friends	38
Crowdfunding/Investors	15

Section B: Financial Constraints Faced by Entrepreneurs

What are the major financial constraints you have experienced?

Lack of initial capital	77
High interest rates on loans	62
Strict collateral requirements	44
Limited access to credit facilities	53
Delayed loan disbursement	34
Lack of financial literacy	30

Have you ever been denied a loan from a formal financial institution?

Yes	180
No	120

If yes, what was the main reason for rejection?

Lack of collateral	72
Poor credit history	50
High risk of business failure	32
Complex application process	27

What percentage of your capital is sourced informally?

0-20%	83
21-40%	90
41-60%	75
More than 60%	52

How do financial constraints affect your business?

Inability to expand operations	83
Delayed product/service delivery	55
Reduced profitability	79
Challenges in hiring employees	44
Limited innovation and RandD investments	40

Section C: Role of Financial Institutions and Microfinance

Have you applied for a loan from a bank or financial institution?

Yes	203
No	97

If yes, how was your experience with the loan process?

Easy and accessible	45
Lengthy and difficult	128
Rejected due to high collateral demand	83
Rejected due to other reasons	45

Are you aware of microfinance institutions and their services?

Yes	225
No	75

Have you taken financial support from microfinance institutions?

Yes	135
No	165

How satisfied are you with microfinance services?

Very satisfied	30
Satisfied	98
Neutral	113
Dissatisfied	38
Very dissatisfied	23

What improvements should financial institutions make?

Reduce interest rates	76
Provide flexible repayment options	59
Simplify loan application process	68
Increase loan availability for startups	46
Provide financial literacy training	176

Section D: Impact of Financial Constraints on Business Growth and Sustainability**How has financial constraint affected your ability to expand your business?**

No impact	23
Minor impact	60
Significant impact	143
Business stagnated or closed	75

Do financial limitations prevent you from hiring skilled labor?

Yes	210
No	90

Have you ever postponed/abandoned a business expansion plan due to funding?

Yes	203
No	97

How often do you face cash flow shortages?

Always	60
Frequently	98
Occasionally	83
Rarely	38
Never	23

What alternative financing mechanisms should be more accessible?

Government grants and subsidies	105
Crowdfunding platforms	50
Angel investors and venture capital	69
More inclusive microfinance options	76

Section E: Financial Literacy and Entrepreneurial Awareness**Do you have prior financial management training or education?**

Yes	120
No	180

How would you rate your understanding of financial management principles?

No	180
Very high	30
High	83
Moderate	113
Low	53
Very Low	22

Where do you get most of your financial information from?

Online sources	105
Financial advisors	83
Government programs	53
Banking institutions	60

Do you believe financial literacy programs would help manage your business better?

Yes	263
No	37

Would you participate in financial literacy training?

Yes	248
No	52

Section F: Government Policy and Support for Entrepreneurs

How supportive do you find Nepal's government policies towards entrepreneurship?

Very supportive	23
Somewhat supportive	105
Neutral	113
Not Supportive	60

Are you aware of government-backed financial programs for entrepreneurs?

Yes	150
No	150

Have you ever applied for government financial support?

Yes	120
No	180

What are the major barriers to accessing government financial aid?

Lack of awareness	94
Complex application process	75
High eligibility criteria	70
Limited funding availability	61

What policy changes would help entrepreneurs most?

Reduced loan interest rates	98
Easier access to government-backed credit	76
Expansion of microfinance programs	68
Increased investment in financial literacy programs	59

Appendix B: Descriptive Statistics Table

Variable	N	Min	Max	Mean	Std. Dev.
Business Growth and Sustainability (BGS)	300	1.2	5.0	3.5	0.9
Financial Constraints Faced by Entrepreneurs (FCFE)	300	1.0	5.0	2.9	1.1
Demographic Factors (DEM)	300	1.0	4.0	2.3	0.7
Role of Financial Institutions and Microfinance (RFIM)	300	1.0	5.0	3.1	0.65
Financial Literacy and Entrepreneurial Awareness (FLEA)	300	1.0	5.0	3.7	1.0
Government Policies and Support (GPS)	300	1.0	4.0	2.8	0.5

Appendix C: Reliability Test Output

Construct	Number of Items	Cronbach's α
Business Growth and Sustainability (BGS)	5	0.82
Financial Constraints Faced by Entrepreneurs	6	0.79
Demographic Factors (DEM)	4	0.74
Role of Financial Institutions and Microfinance	5	0.78
Financial Literacy and Entrepreneurial Awareness	5	0.88
Government Policies and Support (GPS)	4	0.80

Appendix D: Correlation Matrix

Variable	BGS	FCFE	DEM	RFIM	FLEA	GPS
BGS	1	-0.48**	0.10	0.33*	0.55**	0.38**
FCFE	-0.48**	1	0.15*	-0.20**	-0.30**	-0.25**
DEM	0.10	0.15*	1	0.05	0.12	0.08
RFIM	0.33*	-0.20**	0.05	1	0.40**	0.60**
FLEA	0.55**	-0.30**	0.12	0.40**	1	0.25**
GPS	0.38**	-0.25**	0.08	0.60**	0.25**	1

Appendix E: Regression Analysis Output

Model Summary Table

Model	R	R ²	Adjusted R ²	Std. Error
1	0.68	0.46	0.45	0.48

ANOVA Table

Source	Sum of Squares	df	Mean Square	F	p
Regression	61.2	5	12.24	31.8	<0.001
Residual	109.8	294	0.37		
Total	171.0	299			

Coefficients Table

Variable	B	Std. Error	β	t	p
(Constant)	1.60	0.28	—	5.71	<0.001
Financial Constraints (FIN)	-0.48	0.09	-0.32	-5.33	<0.001
Entrepreneurial Skills/Experience (ESE)	0.58	0.08	0.48	7.25	<0.001
Government Policy/Support (GPR)	0.27	0.07	0.18	3.86	<0.001
Access to Financial Institutions (AFI)	0.18	0.06	0.10	3.00	0.003
Demographic Factors (DEM)	0.04	0.05	0.02	0.80	0.425

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