FACTORS AFFECTING SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN NEPAL

A Dissertation Submitted to Office of the Dean Faculty of Management in Partial fulfillment of the Requirements of the Degree of Master of Business Studies (M.B.S.)

By

Santosh Sharma

Campus Roll No.: 399/76

Exam Roll No: 24015/20

T.U. Registration No.: 7-2-39-1932-2015

Shanker Dev Campus

Specialization: Finance

Kathmandu, Nepal

June, 2025

DECLARATION

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"FACTORS AFFECTING SMALL AND MEDIUM ENTERPRISES PERFORMANCE 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.

……...
Santosh Sharma
June, 2025

REPORT OF RESEARCH COMMITTEE

Mr. Santosh Sharma has defended research proposal entitled **"FACTORS AFFECTING SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN NEPAL"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Dr. Dilliram Bhandari and submit the dissertation for evaluation and viva-voce examination.

.....

Dr. Dilli Ram Bhandari
Dissertation Supervisor

Dissertation Proposal Defended Date:
.....

Dissertation Submitted Date:
.....

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

Dissertation Viva-voce Date:
.....

APPROVAL SHEET

We, the undersigned, have examined the dissertation **"FACTORS AFFECTING SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN NEPAL"** presented by Santosh Sharma, candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva-voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

.....
Dr. Dilli Ram Bhandari
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Kapil Khanal
Campus Chief

ACKNOWLEDGEMENTS

This study entitled **"FACTORS AFFECTING SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN NEPAL"** has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the use of the quantitative aspect of factor affecting the performances of Nepalese SMEs.

I have great satisfaction and pleasure in expressing my appreciation and sincerity to my dissertation supervisor Dr. Dilli Ram Bhandari of Shanker Dev Campus, TU for his excellent and effective guidance and supervision. I will remain thankful for his valuable direction useful suggestions and comments during the course of preparing this dissertation without his help this work would not have come in this form. I owe a deep debt of gratitude to Asso. Prof. Dr. Kapil Khanal, Campus Chief of Shanker Dev Campus provided me an opportunity to undertake this research work.

I am immensely thankful to the participants of this research, whose willingness to dedicate their time and provide insightful survey responses have greatly enriched the data and findings. I would also like to express my thankfulness to my friends, my family members as well as all known people who supported as well as inspired me directly or indirectly to complete this dissertation. With help and support, I have been able to complete this work. I would like to take responsibility of any possible mistakes that may have occurred in the report. I would be delighted to welcome readers for their suggestions and recommendation to improve the report.

Santosh Sharma

Date: ……

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURE

ABSTRACT

The purpose of this research study titled “FACTORS AFFECTING SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN NEPAL” was to evaluate the performance of SMEs in Nepal. The research explores how the success of Nepalese SMEs is impacted by a number of variables, including digitization, innovation, and organizational structure. The independent variables were determined on the basis of literature review. Purposive sampling was used in the research to collect primary data via a survey questionnaire. The study was quantitative in nature, and the sample was made up of 217 SMEs from Nepal. The researcher developed four hypotheses based on one dependent and three independent variables. Descriptive analysis, inferential analysis was done with the help of SPSS software in order to determine whether the survey results are viable or not.

Small and medium-sized businesses (SMEs) are the engine that propels the global economy. SMEs are crucial for fostering employment alternatives, utilizing local assets, and increasing rural residents' incomes. In Nepal, small and medium-sized enterprises (SMEs) dominate economic activity and significantly contribute to trade, employment, and GDP. The performance of the SME sector is quite positive. SMEs enhance rivalry among peers and heat up the market environment. In Nepal, SMEs also experience difficulty obtaining financing due to, among other things, excessive interest rates, onerous collateral requirements, procedure annoyances, a lack of information, and insufficient institutional capacity (NRB, 2019). The majorities of SMEs in Nepal are engaged in the processing and production of food products, consumer and home goods, textiles, and associated commodities for both the domestic market and export while some are engaged in service sectors. Some of the variables considered to have an impact on performance of Nepalese SMEs are digitalization, innovation, and organizational structure.

Digitalization refers to the overall restructuring of a company's activities via the use of digital information technology. Innovation is the ability to conceptualize, develop, deliver, and scale new products, services, practices, and business models for customers. Organizational Structure is defined as the way a company distributes roles, responsibilities, work duties, accountability, and decision-making authority.

The study highlighted the importance of digitalization as the most influential factor, with the highest mean score among the variables examined. Additionally, it indicated that there was a moderately positive environment for Nepalese SMEs. The findings from the data analyzed revealed that digitalization, innovation, and organizational structure have positive correlation with performance of Nepalese SMEs. The regression analysis revealed that all independent variables have significant impacts on dependent variable, performance of Nepalese SMEs. All hypotheses tested in this study are accepted with p-value greater than alpha.

Hence, the result from this study provide better picture about the influence of various factors on SMEs performance. These findings provide valuable insights for SMEs owners and guide them in improving the quality of digitalization, innovation and organizational structure in their businesses.

Keywords: Digitalization, Innovation, Organizational Structure, Performance of Small and Medium Enterprises

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Small and medium enterprises (SMEs) are enterprises having sales, assets, or staff counts below a predetermined level. Each nation has its own definition of what small and medium businesses are. In certain cases, the classification of a business as a small or medium-sized enterprise (SME) may also take into account the industry in which it operates, in addition to specific size-related criteria such as employee count, annual turnover, or capital investment. Small and medium-sized businesses (SMEs) are crucial to the majority of economies, particularly those in developing countries. The majority of businesses worldwide are SMEs, which also contribute significantly to the growth of the global economy and the creation of new jobs. They comprise 90% of businesses and more than 50% of all jobs worldwide (Khatri, 2019).

According to the Industrial Enterprises Act of Nepal, small industries are defined as those with fixed capital investments of less than NPR 50 million, excluding the value of land and buildings. In contrast, medium industries are classified as those with fixed capital exceeding NPR 50 million but not exceeding NPR 150 million, including the value of land and buildings. There are reportedly more than 923,000 registered firms in Nepal. Among which nearly 90% of those are MSMEs (micro, small and medium enterprises), which account for 45% of all jobs. And roughly 12% of companies are small and medium-sized, which account for 40% of employment. Numerous initiatives are being taken by the government to aid small and medium-sized enterprises. In addition, a variety of government programs that support infrastructure, advance technology, provide SMEs priority access to financing, and more have aided and supported SMEs. Many competent and potential entrepreneurs who lack acceptable opportunities may find opportunity in the small industry. Making little sums of money available for positive uses might be advantageous. Lean output may help SMEs and lead to the development of creative, cost-effective lean output techniques (Industrial Policy, 2011).

In Nepal, the majority of small and medium-sized enterprises (SMEs) are engaged in the processing and manufacturing of food products, consumer and household goods, textiles, and related items for both domestic consumption and export markets. The primary areas of production include rice, pulses, oil and flour mills, dairy products, aerated soft drinks, fruit juices, processed foods, noodles, biscuits, snack items, chocolates, candies, mineral water, and dried vegetables. In addition, many SMEs are involved in the production of household utility and consumer goods. Beyond food and consumer products, SMEs also operate in industries utilizing forest fibers, and in the production of wooden and metal handicrafts, handmade paper products, garments and apparel, woolen carpets, pashmina shawls and rugs, as well as items made from leather, metal, plastic, and wood. Agro-based products also represent a significant portion of SME activity. These enterprises play a critical role in income distribution, tax revenue generation, employment creation, efficient resource utilization, and in enhancing household income stability (Dhakal, 2020).

In Nepal, SMEs frequently plays a larger role. SMEs play an important role in creating self-employment opportunities, mobilizing and utilizing local resources and increasing rural population income. Nepal development plans and policies have promised various incentives to SMEs but due to lack of awareness, delay in policy formulation and implementation, it has prevented SMEs from reaping the benefits. The significance of small and medium-sized firms is recognized by the governments. They typically provide SMEs benefits, such as better tax treatment and simpler financing access. The competition for product design, affordability, and efficacy is encouraged by small and medium-sized firms. Without SMEs, large companies would dominate almost every industry (Ghimire, 2011).

In order to improve the performance of SMEs and help owners and managers run their companies more effectively, identifying the factors that affect the performance of Nepalese SMEs may be a significant contribution. In today's highly competitive global environment, the ownership and effective utilization of technological resources has emerged as a critical strategic priority for businesses. Constant shifts in market dynamics—driven by innovative and disruptive players—compel firms to reassess and transform the foundations of their competitiveness and overall economic performance.

As the backbone of both national and global economies, small and medium-sized enterprises (SMEs) must proactively respond to these evolving challenges. To remain viable and competitive, SMEs are required not only to deliver high-quality goods and services but also to continuously enhance the efficiency and quality of their production processes.So, for SMEs, being competitive is a must for long-term viability (Robu, 2013)

In Nepal, small and medium-sized enterprises (SMEs) dominate economic activity and significantly contribute to trade, employment, and GDP. The performance of the SME sector is quite positive (Dahal & Sharma, 2004). Small and medium-sized enterprises (SMEs) contribute approximately 22 percent to Nepal's Gross Domestic Product (GDP), underscoring their significant role in the nation's economic development and productivity. It can be observed that Nepal's support for entrepreneurship and small business activities is closer to other continents' average performance. Nepal supports SMEs better than other nations in several measures, although there are weaknesses in R&D, infrastructure, and entrepreneurial finance. They account for more than 95% of Nepali businesses, and the government of Nepal has prioritized SME growth as the engine of the country's economy (Das et al., 2018)

The performance of SMEs has been impacted by a number of issues, many of which SMEs owners are ignorant of. This both directly and indirectly hinders the growth and development of SMEs. As a result, the effective application of these elements has remained low, and as a result, many SMEs are failing. The government should undertake policy reforms for industry registration in order to help SMEs grow from the bottom up. Economists, professionals, and researchers advise that government officials and lawmakers should support innovation and digitization that are favorable for SMEs in order to promote quicker and more sustainable economic growth (Dahal & Sharma, 2004).

1.2 Problem Statement

Small and Medium enterprises are the backbone of the country economy. Many SMEs fear to invest their money in new digitalized and innovative tools. Research has shown that SMEs uses different types of digitalization and innovation tools and techniques to

improve their performance, despite the risk and cost. It has been discovered that firm's performance is influenced by digitalization, innovation, and organization structure. As a result, this study aims to find out the influence of information technology, innovation, and organization structure on performance of Nepalese SMEs (Dhakal, 2020).

Due to their lesser visibility, SME's face considerable obstacles when attempting to expand their operations and find new clients. Because they are in a weaker negotiating position, small businesses cannot match the pricing of their bigger competitors. When they are unable to reduce the costs of their goods and services, they are forced to increase prices. They can't effectively compete on price with their bigger rivals. They must thus stand out in other ways, such as via customer service or the quality of the item or service, in order to compete. Small- and medium-sized business owners and managers must closely monitor all aspects of their operations, including product creation, delivery, organizational structure, costs, procedures, and procedure (Anwar, 2018)

The statement of the study is listed below:

- What is the degree of adoption of digitalization, innovation and organizational structure among Nepalese SMEs.
- To what extent is the relationship between digitalization, innovation, and organizational structure with performance of Nepalese SMEs.
- How do the digitalization, innovation, and organizational structure creates impact on the performance of Nepalese SMEs.

1.3 Objectives of the Study

The general objective of this research is to study the digitalization, innovation, and organizational structure influence on performance of Nepalese SMEs. To achieve its main objective, the study has set the following specific objectives:

- To describe the degree of adoption of digitalization, innovation and organizational structure among Nepalese SMEs.
- To analyze the association of the digitalization, innovation, and organizational structure on performance of Nepalese SMEs.

- To examine the impact of digitalization, innovation and organizational structure on the performance of Nepalese SMEs.

1.4 Rationale of the Study

The factors influencing the performance of Nepalese SMEs are studied in this study. As SMEs are the major contributor of economic growth, employment and poverty alleviation for the country, it is important to understand the factor that influences their growth and expansion. For policymakers, company owners, academics, and other stakeholders to develop effective policies and interventions that can promote the growth and sustainability of SMEs in Nepal, it is crucial to understand the factors that influence the performance of these firms.

For many stakeholders, including policymakers, company owners, academics, and support organizations, the study related to factors influencing performance of Nepalese SMEs is of utmost importance. Its conclusions can help with the creation of policies, judgments on how to allocate resources, business support services, academic research, and sustainable economic growth. Understanding and resolving the issues that affect company performance would help stakeholders work together to create an environment that is favorable for SME growth, boosting the economy and enhancing the quality of life for the Nepalese people.

Given the lack of technological innovation and the high incidence of business closure in developing nations, this study aims to fill this research gap by examining how information technology innovation affects performance in Nepalese SMEs. The following issues are covered in this study: Does the development of digitalization and innovation always result in increased business performance? What factors play important role in boosting business performance?

1.5 Hypothesis

The hypotheses of the research study are

H1: There is a significance influence of digitalization on performance of Nepalese SMEs

H2: There is a significance influence of innovation on performance of Nepalese SMEs

H3: There is a significance influence of organizational structure on performance of Nepalese SMEs

1.6 Limitations of the Study

The limitations of this study are:

- The study's findings are limited by the sample size as less sample migh lead to less significant result.
- The study's conclusions are based on the data collected through questionnaire method only.
- The study focuses on a specific set of factors influencing the performance of Nepalese SMEs and doesn’t incorporate other variables.
- The study's findings may be influenced by specific contextual factors relevant to Nepal. These contextual factors may limit the generalizability of the findings to other countries or regions with different socio-economic or regulatory contexts.

CHAPTER II

LITERATURE REVIEW

A literature review is the academic paper presenting knowledge and understanding of available literature on specific topic. This chapter summarizes other prior research related to this topic. Researcher need to plan, do apply and assess the related literature. It gives conceptual framework regarding what are the variables, construct and attributes, researchers can use. It fulfills the gap between what is already done and what is yet to be done.

It acts as a basis for developing research questions, hypotheses, or theoretical frameworks. A literature review's goal is to gather relevant research on your selected topic and integrate it into a combined overview of existing knowledge in the field. Overall this chapter gives the detailed literature on the aspects of small and medium sized enterprises.

2.1 Small and Medium Enterprises (SMEs)

A small and medium-sized enterprise (SME) has no universally recognized definition (Lu & Beamish, 2001). SMEs do not require the worldwide connectivity provided by the Internet since they operate in tiny, clearly defined specialty markets that are occasionally wholly local. These are markets where reputation for quality, dependability, and service serves as a guarantee, and these are industries where trust and stability support profitable operations (Taylor & Murphy, 2004). Open innovation practices are being used by SMEs, and more crucially, they are being used more often (Vrande et al., 2009).

SMEs are key resource consumption and source of mega large employment distributed throughout the country since these enterprises are situated within the populated communities (Minniti & Bygrave, 1999). Numerous technological innovations and processes are attributed to small and medium-sized companies (SMEs). Since they usually focus on improving current products to manufacture more of them and get overall benefits from the dimensional economy, large enterprises are less adaptive than

SMEs. The significance of small and medium-sized firms is recognized by the governments. They typically provide SMEs benefits, such as better tax treatment and simpler financing access. The competition for product design, affordability, and efficacy is encouraged by small and medium-sized firms. Without SMEs, large companies would dominate almost every industry.

Oncioiu and Tureac (2014) stated that SMEs are a significant driver of economic expansion, innovation, job creation, and social integration. Despite their small size, SMEs create external connections through a network of businesses that are engaged on the global market. SMEs improve their competitiveness in their home or nation of origin during the development phase, which enables them to expand the value chain through export. Entrepreneurial individuals or groups regularly launch small-scale businesses (SMEs) as startups. In order to meet customer wants, they identify market openings and develop innovative concepts or products.

2.1.1 SMEs in Nepal

SME's (small and medium-sized companies) are the foundation of emerging nations like Nepal. They are the country's largest economic contribution. Historically, SMEs have contributed significantly to the creation of jobs in numerous nations across the world. In Nepal, the number of employment was seemed to be mostly influenced by number of SME (Khatri, 2019). Naturally, every firm begins as a small business or even develops from a tiny business started by an individual (Khatri, 2019). Industries in Nepal are classified into four broad categories based on the value of their fixed assets. They are 1) Micro Enterprise 2) Small industries 3) Medium industries and 4) Large industries (Industry Policy, 2011).

Table 1

Type of Industries

Types of Industries	Fixed Assets
Micro Enterprises	Up to Rs. 2 lakh, excluding Land and Building
Small Industries	Less than Rs. 50 million, including Land and Building
Medium Industries	More than Rs. 50 but less than million than Rs. 150 million, including Land and Building
Large Industries	More than Rs. 150 million including Land and Building

(Source: *Industry Policy, 2011*)

There are reportedly more than 923,000 registered firms in Nepal. Nearly 90% of those MSMEs, which account for 45% of all jobs, are MSMEs. And roughly 12% of companies are small and medium-sized, which account for 40% of employment. Yet despite their enormous impact on the economy and employment, 37% of MSMEs say access to capital is a major barrier to expansion. Only around $731 million of the expected $3.6 billion financing deficit is now accessible for MSMEs in Nepal (Holtmann, 2023). According to the Nepal Labor Force Survey conducted in 1998/99, 1.6 million individuals were employed by SMEs. However, men are more commonly employed in small enterprises, while women are disproportionately represented in micro enterprises (Ghimire, 2011).

Nearly 15% of SMEs disappear in two years and nearly 40% of SMEs exit the market in four to five years due to business failure, bankruptcy, or other reasons (Bhattarai, 2019). According to a Nepal Rastra Bank data from 2016, just 50% of all operating SMEs use formal financing, or 85% of them. The majority of small businesses borrow less than NPR 5 million ($43,848), but the majority of medium-sized businesses borrow more than NPR 50 million ($43,848). A significant proportion of SMEs remain unaware of the various loan schemes and financial support programs available to them.Therefore, using concessional advances is still pointless. Due to the possibility that loans would not be used effectively and a lack of institutional capacity development, SMEs have limited access to finance. These factors make it easy and

comfortable for SMEs to borrow money from cooperatives, but there is also the issue of a high interest rate for SMEs (Silwal & Mool, 2020).

Small and medium-sized businesses that meet the requirements may now issue securities and conduct associated transactions, according to a decision made by the Securities Board of Nepal (SEBON).According to Section 27 of the Securities Act of 2007, interested SMEs can fill out an application and submit it along with, among other documents, a copy of the organization's board of directors' authorization for the registration of securities, the organization's audited financial statements for the previous fiscal year, and information about the board of directors. While the SMEs issuing securities don't need undergo credit rating, the board may instruct such companies to get a credit rating before issuing securities to the public (Himalayan News Service, 2023).

2.1.2 Legal Provisions Related to Nepalese SMEs

The Industrial Enterprises Act, 2076 (2020) of Nepal outlines several provisions specifically aimed at the regulation and support of small and medium-sized enterprises (SMEs):

- Cottage and small industries operational at the commencement of the Act, or registered under the Act with fixed capital below NPR 10 million, are entitled to a 50% exemption on income tax payable.
- The Government of Nepal may provide grants, declared as seed money in the Nepal Gazette, to cooperatives, micro-enterprises, cottage, and small industries located in least developed areas.
- Customs duty exemptions may be granted for the importation of novel technologies such as machinery and equipment by micro, cottage, and small industries.
- Operation of any industry without proper registration may result in immediate closure and fines of NPR 25,000 for cottage and small industries, and NPR 50,000 for medium industries.

- Industries acting contrary to their stated objectives may face fines up to NPR 50,000 for cottage and small industries, and up to NPR 100,000 for medium industries.
- Failure to report commencement of operations or commercial transactions within the prescribed period incurs fines of NPR 10,000 per six months for cottage and small industries, and up to NPR 25,000 per six months for medium or large industries.
- Unauthorized changes in location, capital, capacity, or business objectives may result in fines ranging from NPR 25,000 to NPR 50,000 for cottage and small industries, and NPR 100,000 to NPR 300,000 for medium or large industries.
- Non-compliance with provisions under Section 36 can lead to withholding or recovery of incentives, exemptions, or concessions, or imposition of equivalent fines.
- Failure to comply with terms under this Act, associated rules, or Ministry directives may attract fines ranging from NPR 50,000 to NPR 150,000 for cottage and small industries, and NPR 150,000 to NPR 300,000 for medium industries.
- All fines imposed under this Act are recoverable as government dues under prevailing laws.
- Industries with an annual turnover exceeding NPR 150 million are required to allocate at least 1% of their net profits annually toward corporate social responsibility activities.
- Local government bodies are authorized to manage registration, administration, and regulation of micro-enterprises and cottage and small industries within their jurisdiction as per federal and provincial legislation.
- Appeals against punishments can be filed with the High Court within thirty-five days of notification. For decisions by Local Level industry registration bodies, appeals lie with the District Court, while those against punishments by Provincial bodies or the Department may be taken to the High Court.

2.1.3 Performance of Nepalese SMEs

The particular contribution made by small and medium-sized businesses to economic growth is recognized on a global scale. The SMEs and entrepreneurs play a crucial role in a country's industrial growth, which is understood by both industrialized and developing nations (Savlovschi & Robu, 2011). The idea of performance has recently gained importance in research on strategic management and is regularly employed as a dependent variable. Although widely acknowledged in academic literature, there remains little consensus regarding its precise definition and measurement (Taouab & Issor, 2019).

A number of variables influence a firm's performance, including organizational elements like size, history, and organizational structure; environmental elements like socioeconomic background and technological infrastructure; and human elements like personality traits, drive, and abilities (Kourtzidis & Tzeremes, 2020). Performance is a challenging idea to apply in a scientifically rigorous manner, despite its relevance and the numerous developmental critiques that have surfaced over the years. From an institutional standpoint, it appears that performance is handled generally in many spheres of our academic life because it has been accepted as a sign of legitimacy rather than as a scientific tool that encourages discussion and the buildup of knowledge (Miller et al., 2013).

The value added (VA) by SMEs, expressed as a share of the total VA by firms, is used to measure the performance of SMEs (Cicea et al., 2019). In an effort to enhance their performance, small and medium-sized enterprises (SMEs) often engage in strategic collaborations and rely significantly on partnerships with external organizations (Lin & Lin, 2016). SMEs are required to produce products that have high competitiveness with criteria, among others: (1) the product is available on a regular basis and continuously, (2) the product must have good quality and uniform, (3) the product can be provided massively (Jaffee & Masakure, 2005). A more comprehensive, integrated, and categorized set of variables that can complement its scholarly investigation, assist SMEs' managers in improving their outcome, and set boundaries for further research, an alternative theoretical perspective for the analysis of successful SMEs performance is presented by (Ramirez & Lim, 2021).

A skilled and experienced entrepreneur will increase innovation and competitiveness in the business performance of SMEs, whereas an ineffective entrepreneur will result in poor performance of SMEs (Moorthy et al., 2012). Effective entrepreneurship, sensible HRM, the use of marketing data, and information technology utilization do have a big impact on how well SMEs succeed (Moorthy et al., 2012). Technology, organizational structure, and the external environment are all critical determinants influencing the performance of small and medium-sized enterprises (SMEs).What's more, the use of social media mediates the interaction between technology, organization, environment, and SME performance in a favorable way (Qalati et al., 2021).

The government should start teaching fundamental business and money management skills since doing so will help entrepreneurs develop their entrepreneurial abilities, which will help them detect and take advantage of company opportunities, and help them make wise investment decisions (Kamunge et al., 2014). Government policy, such as rules and regulations relating to SMEs from the production side and the banking side, should be expanded with new legislation as one approach to support the SMEs sector in the future. To help SMEs build their capital base, a specific loan program with conditions that are not onerous to them is needed. This program might be offered through the official financial services sector, the informal financial services sector, guarantee programs, leasing, or venture capital funds (Margaretha & Supartika, 2016).

Despite being very advanced in the early adoption of digital technologies, major multinational corporations, SMEs are often slower to adopt new technologies for a variety of reasons. However, depending on where you are in the technology adoption life cycle, they are either in the early majority or the late majority (Bin et al., 2021). The dynamic business climate has increased rivalry among SMEs, necessitating active interaction between owners and internal and external stakeholders (Qalati et al., 2021).

The establishment of small and medium-sized enterprises (SMEs), along with the development and support of the private sector, is essential for fostering an open and competitive economy. For this movement to succeed in growing small and medium-sized firms and fostering entrepreneurship, it is necessary to invest in education, create job infrastructure, and create knowledge transfer facilities (Lotfizadeh & Shamsi,

2015). In order to achieve the necessary new product development (NPD) performance without sacrificing quality, it is critical for SMEs and other businesses to manage risks (Mansor et al., 2016).

Kinyua (2013) stated that focusing on developing necessary management skills, such as financial, marketing, and entrepreneurial abilities, is important for SME enterprises. SME's should strategically enhance the macro environment to increase performance. The infrastructure needs to be modernized, especially the energy and transportation networks. SMEs should make sure they have established robust social networks and favorable ties with the government in order to secure the success of their companies (Chittithaworn et al., 2011).

Organizations that offer more value to stakeholders are better equipped to maintain their support and involvement. Conflicting shareholder interests might be a major issue in determining the success of the company. An organization's resources and talents are transformed into better performance through unique features, which ultimately results in business success (Hadi et al., 2015). Industry (SMEs) features, entrepreneurial aims and motives, and regulatory considerations are the three main determining factors. Furthermore, it has been discovered that entrepreneurial objectives, motivations, and industry features are moderated by opportunity recognition (Hasan & Almubarak, 2016). SMEs should improve their company's design of an effective marketing plan. Additionally, SMEs should be inventive and creative in order to increase information acquisition (Marmaya et al., 2018).

Female entrepreneurs should develop their managerial skills with an emphasis on training initiatives to raise the caliber of businesses' human resources. Government policies are required to help small and medium-sized businesses access financial and other resources and to promote the eradication of gender stereotypes (Thi Nuong et al., 2022). The success of women entrepreneurs is significantly and positively influenced by both internal and external elements, such as self-confidence, risk-taking, and the urge for achievement, as well as economic and socio-cultural factors (Khan et al., 2021).

The level of engagement of SMEs and their managers in the employee training market is influenced by various factors, including internal managerial characteristics (such as age, experience, education, perceptions, awareness, and skills), enterprise-specific attributes (such as life cycle stage, sector, size, and profitability), and environmental conditions (including tax policies, types of training, and sources of funding). These factors collectively contribute to improved organizational performance (Yahya et al., 2012).

2.1.4 Factors Influencing Performance of SMEs

The performances of SMEs are influenced by several factors. Anggadwita and Mustafid (2014) identified entrepreneurial characteristics, human resource competence, innovativeness, and sustainability as key factors influencing the performance of small and medium-sized enterprises (SMEs). Chege, Wang and Suntu (2019) have taken information communication technology, innovation, business environment and organizational structure as the factor influencing the performance of SMEs. Wroblewski (2018) investigates how digitization affects business performance. More specifically, it looks into whether more digitally advanced businesses do better than their less advanced competitors. Through their research, Chang, Hughes, and Hotho (2011) suggested that organizational and environmental factors may affect the development of the creative ambidexterity's balancing component, which is regarded to be crucial for improved business success. Azuayi (2016) stated that internationalization is one of the factor that influence the performance of SMEs. In a study conducted by Oduro, et al. (2022), they show how corporate social responsibility and SMEs are inetrconnected with each other.

2.1.5 Digitalization

It's essential to point out that during the past ten years, as digitalization increased, new digital technologies such as cloud computing, machine learning, artificial intelligence, business intelligence, and the Internet of Things have also advanced and been extensively promoted. In the business context, digitalization significantly influences various operational and strategic decisions, including what and where to buy and sell, methods of advertising, efficient production and distribution processes, and

maintaining customer relationships (Gray & Rumpe, 2015). Parviainen, Kaariainen, Tihinen and Teppola (2017) stated that digitalization is about reimagining present operations from fresh perspectives made possible by digital technology, not about digitizing existing processes.

Digitalization is anticipated to have a cross-cutting effect on every sector and will promote the development of new digital goods and services based on the flexibility concept (Almeida, et al., 2020). Future competition's nature is difficult to foresee since digital technologies, when paired with a manufacturing business's inherited resources and skills, have the potential to result in profound changes to how the firm creates and captures value (Bjorkdahl, 2020). Businesses are still not prepared to take advantage of digitization, and they are primarily concerned with using technology to increase efficiency rather than pursue a development goal. This disparity results from the challenges associated in locating profitable combinations of skills, resources, and data produced by digital technologies, orchestrating and utilizing them in an agile company (Bjorkdahl, 2020).

Digitalization is expanding as a result of the COVID-19 pandemic's boost to business investments in digital technology. It is still unclear, nevertheless, how and when digitalization results in better performance (Li, et al., 2022). The use of digital technology by businesses, or its "digitalization," has been proven to increase transaction efficiency and boost company performance (Sanchez-Riofrio, et al., 2021). Undoubtedly, the consequences of digitalization are changing businesses and will continue to do so as long as digital technologies are developed. The digital revolution is already underway, but it is unclear how far it will spread (Wroblewski, 2018). Businesses undergoing digital transformation may encounter short-term financial constraints that adversely affect their Return on Assets (ROA) and Return on Equity (ROE); however, in the long run, digitalization can enhance overall performance and increase market value (Jardak & Hamad, 2022).

The digitalization business model greatly improves operational efficiency, which raises output. In order to save time, money, and improve overall quality, all business procedures may be automated. Human mistakes may be significantly decreased in the digitalization business model. It helps to reduce the operational costs associated with

complicated, drawn-out procedures. A digital transformation in the corporate sector is preventing a data and information bottleneck. As a result, those in higher positions, like managers, could have greater autonomy, but other workers would have less autonomy. Employee mental wellbeing may eventually suffer as a result of feeling more in control and under pressure to complete work-related goals. Digital technologies—such as artificial intelligence (AI), the Internet of Things (IoT), and blockchain—which facilitate the collection, storage, and processing of data, offer significant opportunities for small and medium-sized enterprises (SMEs). These include enhanced market entry, increased participation in global value chains (GVCs), and greater engagement in international trade (WTO, 2018).

Digitalization is changing how small- and medium-sized enterprises (SMEs) create and capture value (Bharadwaj, et al., 2013). SME digital transformation has led to the discovery of a new paradigm for growth. The use of digital technology, employee digital literacy, and digital transformation plans may all contribute to digital transformation, which in turn can enhance SMEs' financial performance (Teng, et al., 2022). For SMEs, exploring and implementing new and inventive procedures for better decision making is becoming increasingly important and necessary. This will boost performance and competitiveness. One such advanced tool available to SMEs for improved performance and higher competitiveness is the digitalization of SMEs through the use of Business Intelligence (BI) and Knowledge Management (KM) systems (Curraj, 2018).

Every type of organization, including small and medium-sized firms (SMEs), requires a more effective plan to deal with sudden changes, such boosting digitization to boost SME performance. One of the abilities needed to fully utilize information and communication technology (ICT) in business is digital proficiency (Rozak, et al., 2021). There appears to be a lack of understanding on the best way to start a digital transformation in Small and Medium-Sized Enterprises (SME) (Gamache, et al., 2019). Digitally linked SME's participate in imports at a higher rate than non-connected SME's, and the effect is more noticeable when compared to major businesses in developing nations (Viswanathana & Telukdariea, 2021).

SMEs may simply utilize Facebook to modify it in a way that coincides with their strategic marketing goals as creating and customizing a Facebook page doesn't need advanced technological expertise or significant expenditures in technology. Adopting Facebook adverts is a simple marketing strategy that SMEs may employ and customers will readily embrace (Alraja, et al., 2020).

2.1.5 Innovation

According to Swaim (2022), Peter F. Drucker defined innovation as the process of equipping human and material resources with enhanced capacity to generate wealth, emphasizing that large organizations must embrace innovation to survive. Innovation involves introducing new ideas, products, or methods that can be transformed into valuable goods or services that customers are willing to pay for. It represents the ability to create improvements and share them with the world. In the technology sector, innovation often refers to new products but can also include new processes or novel ways of thinking (Internet Society Foundation, 2022).

Kahn (2018) highlights that innovation should be understood as three interrelated concepts: an outcome, a process, and a mindset, all of which are necessary to effectively harness its benefits. Since some observers argue that innovation is increasingly dependent on communal activity rather than being the sole domain of individual enterprises, there has been an increase in interest in cooperative structures for innovation (Tether, 2002). While innovation is often connected to significant advancements in products or processes (e.g., xerography, transistors, float-glass), the great majority of successful innovations are based on the cumulative impact of small, but frequent, changes to products and processes, or on the inventive fusion of already-used techniques, concepts, or methodologies (Tushman & Nadler, 1986)

By definition, the majority of attempts at innovation must fail. They are not genuinely inventive or pursuing the uncharted if they are not. Value, however, comes from the tiny percentage of initiatives that are successful in producing important discoveries as well as from figuring out what can be gained from “failures” (Perrin, 2002). The most important driver for maximizing the benefits of innovation activities may turn out to be

the development of a successful innovation platform that can support non-technology-related breakthroughs (Lin & Chen, 2007).

The innovation process must be seen as a series of adjustments made to the entire system, including the market environment, production infrastructure and expertise, and the social circumstances of the innovation organization (Kline & Rosenberg, 2009). Borowski (2021) states that companies can exist, work, and grow in an environment that is always changing as a result of innovations and new technology. Some scholars argue that innovation is multifaceted and can simultaneously create different forms of value; that is, innovation is more frequently a "blend" that generates shared value rather than being primarily one form or the other (Vivona, et al., 2022).

The financial benefits of innovation increase as more firms actively engage in it. Innovations in products, processes, and markets are all positively linked to a company's performance. Previous studies have also found a positive link between innovation and the performance of small and medium-sized enterprises (Shashi et al., 2019). Both financial and non-financial measures may be used to show how innovation affects a company's success (Antonia, 2018). However, some critics have a different perspective. Failure to take into account the possible drawbacks of innovation has been argued to eventually have an influence on the environment and result in unmanageable company growth (Laforet, 2011). Despite concerns about potential negative effects, there is lots of research showing that innovation has a positive impact on corporate performance.

Ndesaulwa and Kikula (2016) states that there are two things that need to be clarified in order to understand how innovation improves the productivity and performance of SMEs. The first is that, contrary to how they are frequently seen in the traditional approach to finance and accounting, expenditures in innovation and technology should be viewed as resources that increase a company's efficiency rather than as expenses that drain it. The second argument is that, in order to accurately depict how the business is using its resources, such investments must be tied to the costs of production. Although innovation entails considerable upfront and continuous costs, as well as inherent risks and uncertainties, its advantages—like setting a business apart from competitors, fostering customer retention, enabling premium pricing for distinctive offerings, and establishing entry barriers—tend to surpass its drawbacks (Rosenbusch et al., 2011).

SMEs frequently prioritize incremental rather than dramatic breakthroughs, and this preference is associated with rising sales turnover (Oke, et al., 2007). Innovation and innovativeness has supported SEMs to achieve the incremental sales turnover. SMEs innovate because they want to succeed and enhance working conditions (Laforet, 2011). The increase in expenditure on innovation and other technical initiatives are anticipated to boost SMEs' profitability and add to the nation's employment totals (Akinwale, et al., 2017). Innovation has a positive impact on SMEs' success in both high- and low-technology sectors. For high technology enterprises to have a competitive edge over low technology ones, innovation was more crucial (Auken, et al., 2008).The importance of innovations created to satisfy client wants as well as those created to set them apart from those of rivals helps in enhancing financial success of firms (Bigliardi, 2013).

According to Oduro (2019), product, process, organizational, and marketing innovations all positively impact SME performance, with organizational innovation having the strongest overall effect. While innovation remains beneficial even in volatile market conditions, such environments increase risks for innovative firms. Due to the negative interaction between risk-taking and market turbulence on business outcomes, radical innovations may be less profitable during unstable periods. Consequently, SMEs are advised to undertake well-considered risks and, when feasible, delay the introduction of highly uncertain new products, services, or initiatives (Kraus et al., 2012).

2.1.6 Organizational Structure

As pointed out by Worthy (1950), one of the most significant and basic reasons for bad management-employee interactions in our contemporary economic system is organizational structure, and unless this issue is addressed and fixed, it is unlikely that those relationships will be much improved. The most obvious sign of organizational change and the most conclusive proof of it is most likely a shifting organizational structure (Kral & Kralova, 2016).

An organizational structure outlines the direction that particular operations are given to achieve a company's goals. Clear organizational structures define each employee's function and how it fits into the overall system. While centralized institutions have a

clear line of command, decentralized systems provide almost every person a high amount of personal autonomy. Examples of organizational structures include functional, divisional, flatarchical, and matrix organizations. Top executives need to consider various elements—including organizational objectives, industry characteristics, and corporate culture—before selecting the most suitable organizational structure for their company (Times, 2023).

The organizational structure should be planned so that it can behave in accordance with the knowledge management system and lay the groundwork for knowledge development. It's crucial that organizational structures are adaptable enough to promote knowledge production and exchange across organizational borders (Nejatian, et al., 2013). Nonaka (2007) recognize the decentralized, team-based organizational structure as the mechanism for knowledge transmission and sharing.

According to Ahmady et al. (2016), organizational structure reflects a form of systematic thinking within an organization. Organizational structure influences performance, and a poorly thought-out structure stifles employee innovation and creativity (Lunenburg, 2012). The performance levels attained are largely unaffected by the layout of the organizational structure (Child, 1972). Organizational structure is critical for every business because it fosters function and administrative uniformity across the board. It facilitates better personnel management and enables for improved collaboration across departments. Furthermore, an organized structure benefits in satisfying client desires and improving the firm's revenue.

Trez and Luce (2012) explain that organizational structure defines how roles and responsibilities are distributed among individuals and teams within a company. Ahmady et al., (2016) also states that structures were built by organizations to coordinate the actions of work factors and manage member performance.the previous few decades, there has been very little attention paid to the link between organizational structure and performance in small businesses. This appears to be a significant drawback in understanding small business performance (Meijaard, et al., 2005).

Aside from the role of beginning, expanding, and/or sustaining a business, owner-managers in small businesses must combine monetary objectives and management priorities with ownership control preferences and family values in a way that is comforting to all business stakeholders (Wang & Poutziouris, 2010). There is no single leadership style that SME executives must adhere to. Different leadership styles were discovered to have varying effects on firms outcomes (Franco & Matos, 2013). The management structure of SMEs is typically characterized by a high degree of centralization and limited specialization. The owner-manager makes all the important decisions and oversees all business processes (Hao, et al., 2012). The main advantage of this simple organizational model are clear control systems and a high degree of flexibility (Trez & Luce, 2012).

The organizational structure is simple: the manager does everything and directly supervises his subordinates (Lewis & Churchill, 1983).According to Lewis and Churchill (1983), in the start-up phase, samll business woners focus on their customers and the opportunirties to offer their products and services. Organizations may be considered as "networks of decisions" that must be organized in order to achieve organizational goals (Shrestha, et al., 2019). Hence, a company's organizational structure outlines the assignment and coordination of roles, authority, and responsibilities. It also describes how information is transferred across management levels. Every business, from the tiniest sole proprietorship to the largest conglomerate, is organized in a certain fashion.

2.2 Review of Nepalese SMEs

Shamim (2022) conducted a study titled *"Inspiration and Digitization Strategy for Minority Muslim Women Entrepreneurs in MSMEs: Case Study of Nepal"*, which explores the growth of female entrepreneurship in Nepal, focusing on the motivations behind their ventures and the role of digital strategies in operating their small businesses. A literature analysis and a brief field survey of Kathmandu-based MSMEs owned by women served as the study's foundation. According to the information gathered from the interviews, many respondents stated that their primary motivation for beginning their businesses was to increase their financial earnings. As can be seen, dealing with digitalization is a problem that entrepreneurs in the post-pandemic new

normal period cannot ignore. It executed a variety of adjustments and strategies to enhance its revenue and company operations. They were establishing new markets, uncovering commercial opportunities, optimizing digital marketing, and implementing the marketing plan.

Over six million people in India are employed by handicraft SMEs, and they export to almost a hundred different countries, contributing significantly to the country's foreign exchange earnings. This review article examines recent research in an effort to determine how digitization has affected the ability of small businesses that make crafts to export. To highlight the main difficulties encountered by handicraft SMEs, more than fifty publications from Procedia, Emerald, Research Gate, SSRN, the Asian Development Bank, FICCI, EBSCO, etc. have been analyzed. The report also outlines the possible advantages that these SMEs may experience as a result of the digitization process. The examined work comes from the Indian states of Maharashtra, Uttar Pradesh, Delhi, Madhya Pradesh, Gujarat, among others, and is connected to diverse craft forms such wooden crafts, coir, handloom, etc. . Additionally, there are works from Malaysia, Indonesia, Bangladesh, China, Pakistan, and Sri Lanka that might help us understand the perspectives of other emerging countries. This study serves as a foundation for more primary and secondary research on the topic of handicraft SMEs and how they connect to digitization. This study comes to the conclusion that, despite the significant contribution SMEs make to the Indian economy, there has been no improvement in the advantages they receive from different government programs. This paper's study of a sizable body of literature offers room for more quantitative, qualitative, and empirical studies (Khatri & Kothari, 2020).

Biswakarma et al., (2020) in their paper titled “Antecedent of service innovation effectiveness in small and medium enterprises: a case of hospitality sector in Nepal” stated that innovation is a key component of both market productivity and a nation's economic progress. Today's service innovations are expanding into a vast arena for researching the dynamic interactions between human and technical processes that result in the structure and administration of services. The demand for service innovation is particularly widespread in the hotel sector. Conventional methods are quite common in the hotel sector, and the idea that innovation in the sector is difficult is widely held.

This study aims to examine service innovation strategies and their effectiveness in small and medium-sized hospitality enterprises in Nepal. Data were collected from a sample of 308 respondents within the hospitality SME sector. The results show that service innovation's efficacy is constrained. Process innovation has the strongest association, with service innovation, organizational innovation, marketing innovation, and human capital competency following. The effectiveness of service innovation in hospitality-sector SMEs was found to be influenced by various factors, including service innovation itself, process innovation, marketing innovation, organizational innovation, and the competency of human capital. SMEs in the hotel industry may be able to employ innovation drivers to effectively accomplish their overall business objectives.

The study by Paudel (2019), titled "Entrepreneurial leadership and business performance: Effect of organizational innovation and environmental dynamism," aims to investigate how organizational innovation (OI) and entrepreneurial leadership (EL) influence the business performance (BP) of small and medium-sized enterprises (SMEs), and whether environmental dynamism (ED) moderates OI's mediating effect on the relationship between EL and BP.The study was conducted through a questionnaire survey administered to 243 SME owners in the Pokhara Valley of Nepal. To evaluate direct, mediation, moderation, and moderated mediation linkages, hierarchical multiple regression and other PROCESS models were taken into consideration. The results point to a notable favorable impact of EL on OI and BP as well as a noteworthy mediation function for OI in the EL–BP interaction. However, the results show that, in contrast to what was predicted, a dynamic environment has a lower link between moderation and moderated mediation than one that is stable. The study's model is moderated differentially by ED, which calls into question the suitability of western ideas, scales, and their connections to the South Asian environment. In addition, it has limited restrictions, which offer chances for further study. The results of this study will be important to business owners, educators, and legislators for a better knowledge of study factors, to utilize as consulting alternatives, and to build effective policies for the growth of entrepreneurship. This study, which investigates the complicated moderated mediation model in the setting of little research on the EL–BP link, may be the first of its kind. It allows for a more comprehensive understanding of

these interactions and demonstrates the generaliability of the variables and model in the eastern context.

Kandel and Acharya (2018) highlight the reasons and objections raised in the scientific debate over IT adoption and the effects of IT turnover on small family businesses. The major goal of the study is to identify and examine the information technology (IT) parameters that affect how small family businesses (SFBs) in Nepal generate various amounts of yearly turnover. There are several literary texts on the topic of industrialized countries' use of technology. There are literary materials and methods used in emerging nations as well. However, a key scientific concern is the lack of sufficient empirical evidence in the existing adoption studies literature to confirm that IT adoption positively influences the annual turnover performance of small family businesses (SFBs). Therefore, this paper investigates the impact of IT-related variables on the turnover of Nepali small family businesses by following a structured approach, including an introduction, literature review, hypothesis development, research methodology, logit model analysis, and conclusion. Two and a half years of research served as the methodology for the research methods. Only SFBs owners and managers from four specifically chosen districts in Nepal's Lumbini zone made up the research's total population. The findings of an empirical investigation utilizing a binominal logistic regression model are presented in the article. Results from a survey of 210 SFB owner/managers were used in this study. Cronbach's alpha was employed to assess the reliability of the research instruments. The study's findings both conceptually and practically support the notion that SFBs with strong human, technological, and informational infrastructures are more likely to influence performance and increase yearly turnover. Additionally, it was discovered that the predicted chance that SFB turnover raises with age. Researchers, government policy makers, and managers of small family businesses can all benefit from the research's findings.

2.3 Empirical Review

Marin-Idarraga and Hurtado-Gonzalez (2021) examines the effects of the primary organizational structure factors on convergent change by fusing the structural contingency and organizational adaptation theories. The authors also investigate if certain contingency factors, including the size, age, and industry of the business, may

contribute to the explanation of variations in the link between organizational structure and convergent change. A cross-sectional and explanatory research was used to complete this work. The hypotheses were tested using multiple regression analysis. In Bogota's SMEs, this article shows that changes in differentiation and formalization explain convergent change, and that centralization has no bearing on it. The authors also discover that these associations are explained by the size of the organization and are unaffected by industry or age. In this article, the authors offer helpful guidance to managers and professionals on the consequences of organizational structure and convergent development, more especially on choices related to job division, process redefinition, and hierarchical arrangement. This article provides empirical evidence based on original data to enhance understanding of the realities faced by Colombian SMEs within the broader Latin American context.

In the study conducted by Khin and Ho (2020) titled “Digital technology, digital capability and organizational performance: A mediating role of digital innovation” explained the empirical research of elements associated to digital innovation is still lacking, producing a knowledge gap, despite the rising relevance of digital innovation defined as new digital solutions that allow digital transformation of enterprises across industries. This article seeks to close this gap by examining the relationship between organizational performance and both digital orientation and digital capacity, as well as the mediating role of digital innovation in that relationship. This study uses survey data from 105 small to medium-sized IT enterprises in Malaysia to evaluate a novel conceptual framework. It uses structural equation model (SEM) analysis using the partial least squares (PLS) technique. The findings indicate that digital capability and orientation positively influence digital innovation, which in turn mediates their effect on both financial and non-financial performance. The results encourage businesses to seize the opportunity presented by new digital technologies and the trend toward digitalization in their respective sectors by resolving to adopt these technologies and improve their digital skills in order to lead their industries in innovation and improve business performance. This research is one of the first to demonstrate how new digital technologies may be used to develop cutting-edge goods and services, which will then improve their commercial success. It also fills in the gaps in the literature about the

forces that drive digital innovation and the way that technology mediates the relationship between those forces and performance.

In the study conducted by Suciu (2020) titled “Inside the SMEs Digitalization. A Perspective of the Marketing Decision-Makers” explained that a growing number of Romanian businesses are embracing digitalization in general and marketing digitalization in particular as important new trends on the market in Central and Eastern Europe. This study seeks to ascertain the views and attitudes of Romanian high-tech small and medium-sized companies (SMEs) marketing managers about a range of marketing digitalization-related problems. By integrating multiple analyses, such as content horizontal analysis and graphical analysis, the research discloses and examines the responses from nine interviewees. Academic scholars might utilize the results as the main springboard for more intricate qualitative research on the subject under study.

Chege et al. (2019), in their study titled *"Impact of Information Technology Innovation on Performance in Kenya,"* assert that information and communication technology (ICT), particularly through networking platforms that facilitate interpersonal communication, serves as a key driver in the creation of modern employment opportunities. However, different ICT adoption and implementation may be attributed to moderating variables like entrepreneur innovation, which strengthens the relationship between technological innovation and organizational success. The influence of entrepreneur innovativeness on this correlation is examined in this study's analysis of the relationship between technological innovation and business success in Kenya. The investigation made use of structural equation modeling and a sample of 240 businesses. The results show that technological innovation has a favorable impact on business success. According to the survey, entrepreneurs should create advanced plans to improve business performance. Government policy should focus on enhancing the ICT infrastructure, supporting the technical externalities of SMEs within the sector, and building ICT resource hubs to promote the performance of SMEs. The study's results add to already-existing ideas and improve corporate management techniques in industrialized and emerging nations.

Cenamor et al., (2019) in their study “How entrepreneurial SMEs compete through digital platforms: The roles of digital platform capability, network capability and

ambidexterity" stated that small and medium-sized businesses (SMEs) with an entrepreneurial spirit have never had more chances because to digitalization. However, a lot of innovative SMEs are underequipped or inactive, which limits their ability to take advantage of these prospects. This study explores the use of digital platforms by innovative SMEs to improve performance. The study specifically looks at the impact of network and digital platform capabilities on the financial performance of entrepreneurial SMEs. The study also looks at how this connection is influenced by exploitation and exploration orientations. According to the examination of 230 entrepreneurial SMEs, digital platform competence positively influences the performance of entrepreneurial SMEs indirectly through network capability. The study further demonstrates that these effects are adversely and favorably moderated by the exploitation and exploration orientations, respectively. The findings imply that by matching their orientation to their digital platform capacity, enterprising SMEs may improve their performance. Thus, these discoveries contribute to the body of knowledge on entrepreneurial SMEs and talents.

Digitalization is widely acknowledged as a key technological technique, and it is anticipated to have a significant influence on and revolutionize industry, particularly by significantly enhancing the whole value chain. However, because small and medium-sized businesses (SMEs) sometimes have misunderstandings about the difficulty and cost of digitization, the process of adoption is still slow. The goal of this study is to examine the influences on Brandenburg-State, DEU SMEs' decision-making on the successful integration of digital technology into their day-to-day operations. The study's findings are based on a survey that was carried out in conjunction with fifty SMEs that are currently having issues with enterprise resource planning (ERP), CAD/CAM, automation, logistics, and production/factory planning. Of these SMEs, ten have made the decision to invest in digitalization strategies and have begun the implementation phase. To assess possible advantages, trade-offs, and obstacles impeding the deployment of digitalization technologies, three of them were chosen as the subjects for the case study. Since the demands and metrics examined by these three businesses were the same as those of the majority of the firms in this survey, they are regarded as typical items. When looking to invest in the most cost-effective technology, it was

shown that the vast majority of businesses prioritize ERP deployment (Kilimis, et al., 2019).

Perez-de-lema et al., (2019) investigated how the corporate environment affects SME innovation strategy, innovation activity, and performance. The hostile and dynamic business climate has been taken into consideration. An empirical investigation involving a sample of 302 Spanish firms revealed that SMEs tend to enhance their innovation strategies in response to a turbulent and rapidly changing business environment. Companies may innovate at higher levels with their products and processes thanks to innovation strategy, which has a favorable impact on performance. The findings have significant ramifications for SMEs, making it relevant to emphasize the value of creating an innovation strategy within the context of their formal strategic planning.

Ajagbe et al., (2016) conducted a study titled “How Organizational Structure Aids Business Performance” that explained how organizational design influences corporate performance. Studies that have been conducted have demonstrated how difficult it is for a company to function without a clear organizational structure. Studies have also shown that the primary function of organizational structure is to divide up work among employees and coordinate their efforts so that they are focused on the organization's goals and objectives. This study relied on secondary data sources for its analysis. The internet, printed media, newspapers, magazines, and textbooks serve as secondary sources. According to this study, organizational structure significantly affects how well corporate companies operate. Therefore, the researchers advise commercial organizations to make an effort to create a well defined organizational structure in order to attain predetermined goals.

Adeola (2016) conducted a study titled “Impact of External Business Environment on Organizational Performance of Small and Medium Scale Enterprises in Osun State, Nigeria.” The study looked at how Nigerian micro, small, and medium-sized businesses' organizational performance was affected by the external business environment. The literature on MSMEs, the business climate, and organizational performance was also evaluated. For the study, secondary data sources were used. The results of the literature research revealed that MSMEs operators in Nigeria are impacted

by the external business environment (economic, political, legal, socio-cultural, demographic, natural, technical, global, and financial environment). Additionally, it was shown that SMEs and the environment in which they operate have a link. In order to identify opportunities and threats to their businesses and to keep their knowledge, understanding, and skills up to date in order to handle the anticipated changes in the domain of their enterprises, the study's findings suggest that SME operators should understand all of these types of external business environments and their implications on organizational performance of their business activities.

Small and medium-sized businesses (SMEs for short) now have more chances and room to engage in creative practices because to open innovation, but SMEs are now facing new difficulties as a result. This paper conducts a systematic domestic and international literature review with a focus on the performance of SMEs in open innovation. It then conducts a literature commentary from several aspects including innovation performance, constraints, impact, and strategy for improving SMEs' open innovation performance. The publication also identifies the path for more study (Zhang & Chen, 2014).

Chang et al., (2011) through their study indicated that organizational and environmental factors may have an impact on the growth of the innovative ambidexterity's balancing dimension, which is thought to be essential for better company performance. The shaping of innovative ambidexterity in small to medium-sized firms (SMEs) and how these innovations ultimately affect performance are both poorly understood. This study aims to explore both internal and external factors influencing the innovative ambidexterity outcomes of SMEs. A survey methodology was employed, targeting 1,000 small- and medium-sized enterprises in Scotland. The companies were randomly selected from the FAME database, and 265 firms, representing a 26.5% response rate, participated in the survey. According to the data analysis, internal organizational structures in a setting with high levels of dynamic environment encourage the appearance of innovative ambidexterity. Additionally, it is discovered that the balancing dimension of innovation ambidexterity partially mediates the link between organizational and environmental variables and performance. The findings highlight how perilous it is for SME-level research on these topics to be insufficient. In contrast

to bigger companies, the results highlight how SMEs' internal organizational structures and external environmental factors influence their pursuit of an innovation ambidexterity balancing dimension. The influence of internal organizational structures and external environmental factors on the emergence of an innovative ambidexterity balancing dimension inside SMEs have received scant consideration in earlier research. Some of the gaps are filled in this study.

Rosenbusch et al. (2011), in their study titled "Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs," highlighted the significant interest among academics and practitioners regarding the impact of innovation on the performance of small and medium-sized enterprises (SMEs). However, empirical findings on the innovation-performance relationship in SMEs have been inconsistent. Their meta-analysis synthesizes empirical results to identify if, and under what conditions, resource-constrained smaller firms benefit from innovation. The study reveals that the relationship between innovation and business performance is context-dependent, with factors such as firm age, type of innovation, and cultural environment playing crucial roles in influencing this effect.

In the study conducted by Koellinger (2008) titled "The relationship between technology, innovation, and performance—Empirical evidence from e-business in Europe stated that the use of Internet-based technology, various forms of innovation, and success at the company level are all examined in this article. The empirical study's data come from a sample of 7302 European businesses. The empirical findings demonstrate that in 2003, Internet-based technologies had a significant role in enabling innovation. All forms of innovation, including those using Internet-enabled and non-Internet-enabled products and processes, were shown to be positively correlated with turnover and job growth. Businesses that rely on Internet-enabled technologies have an equal chance of expanding as businesses that rely on innovations that are not Internet-enabled. Finally, it was shown that innovation is not always linked to greater profitability. The ramifications of this and potential causes are also examined in this paper.

Meijaard et al., (2005) in their reseach titled "Organizational Structure and Performance in Dutch small Firms" stated that over the past few decades, the connection between

organizational structure and performance in small enterprises has gotten very little attention. This appears to be a fundamental shortcoming in our knowledge of the success of small firms. In this research, they first outline the justification for adding organizational structure in a performance study of small businesses. Then, they extract a number of characteristics from the organizational theory literature that may be posited to explain the organizational structures of small businesses. They demonstrate that nine structural stereotypes may be identified based on the analysis of a stratified sample of 1411 Dutch small businesses. By examining the connection between company success in terms of sales growth, profitability, and innovativeness, we further explore the applicability of the empirical taxonomy. In the end, they come to the conclusion that organizational structure does important and should be considered in models and future analyses of small business performance.

Table 2

Summary of Empirical Review

S.N.	Author(s)	Year	Topic/Title	Major Findings
1	Marin-Idarraga et al.	2021	Organizational Structure and Convergent Change in Colombian SMEs	Differentiation and formalization affect convergent change; centralization does not. Size moderates this relationship; industry and age do not.
2	Khin & Ho	2020	Digital Capability, Orientation, and Innovation Performance	Digital innovation mediates the relationship between digital capability/orientation and performance; encourages firms to adopt digital technologies for innovation and growth.
3	Suciu	2020	Marketing Digitalization in Romanian SMEs	Marketing managers perceive digitalization as a rising trend; foundational for more detailed qualitative studies.

S.N.	Author(s)	Year	Topic/Title	Major Findings
4	Chege et al.	2019	ICT Innovation and Business Success in Kenya	ICT innovation improves business performance; entrepreneurial innovativeness moderates this relationship; recommends policy support and ICT infrastructure.
5	Cenamor et al.	2019	SMEs, Digital Platforms, and Network Capability	Digital platform capability improves performance through network capability; moderated negatively by exploitation and positively by exploration orientation.
6	Kilimis, et al.	2019	Digitalization Decision-Making in German SMEs	ERP is prioritized for cost-effectiveness; SMEs struggle with perceived complexity and cost of digitalization.
7	Perez-de-lema et al.	2019	Hostile Environments and Innovation Strategy in Spanish SMEs	Hostile and dynamic environments drive innovation strategy, which positively affects SME performance.
8	Ajagbe et al.	2016	How Organizational Structure Affects Business Performance	A clear organizational structure enhances performance; critical for goal alignment and task coordination.
9	Adeola	2016	External Business Environment and SME Performance in Nigeria	Environmental factors (economic, legal, socio-cultural, etc.) impact SME performance; businesses must adapt to external forces.
10	Zhang & Chen	2014	Open Innovation and SME Performance	Open innovation offers growth but presents challenges; recommends strategic improvements to enhance SME innovation performance.

S.N.	Author(s)	Year	Topic/Title	Major Findings
11	Chang et al.	2011	Innovation Ambidexterity in SMEs	Organizational structure and dynamic environments promote innovation ambidexterity, which partially mediates performance outcomes.
12	Rosenbusch et al.	2011	Meta-Analysis: Innovation and Performance in SMEs	The innovation-performance link is context-dependent; firm age, type of innovation, and cultural factors influence outcomes.
13	Koellinger	2008	Tech, Innovation, and Business Performance in European e-Businesses	Internet tech enables innovation; all forms positively affect turnover and jobs; innovation not always linked to profitability.
14	Meijaard et al.	2005	Organizational Structure and Performance in Dutch SMEs	Organizational structure significantly influences SME performance; nine structural types identified; calls for its inclusion in performance models.

2.4 Research Gap

The analysis of relevant studies has increased the underlying knowledge and competence necessary to provide this study significance and purpose. The variables affecting the success of SMEs in Nepal have received little research, and less is known about the factors that influence business performance. This study is thus more important now than it was in the past for understanding the many components.

A survey of the literature on the performance of SMEs in Nepal reveals that while many academics have studied different aspects of SMEs, they have paid less attention to the factors such as digitalization, innovation, and organizational structure that affect the success of the firms. Therefore, investigating these factors and their impact on SMEs in Nepal is essential. As the world rapidly embraces digitalization, with continuous innovation, a constantly evolving business environment, and organizational structures

shifting toward decentralization, this research can assist SME owners and managers in enhancing their performance.

After analyzing the available literature and identifying the research gap, the endeavor to reduce the gap is worthwhile. The result of this study might influence the owner and manager to consider digitalization, innovation, and organizational structure that affects success of firms.

2.5 Conceptual Framework

The conceptual framework illustrates the relationship between the independent and dependent variables. SMEs performance are influenced by various factors such as innovation, digitalization, organizational structure, business environment, access to finance, access to market, corporate social responsibility, etc. Thus, digitalization, organizational structure, and innovation, based on a deeply literature review, are argued to be significant on affecting SMEs performance.

This section presents the relationships between the independent variables and the dependent variable. The schematic diagram of the theoretical is shown in Figure 2.1.

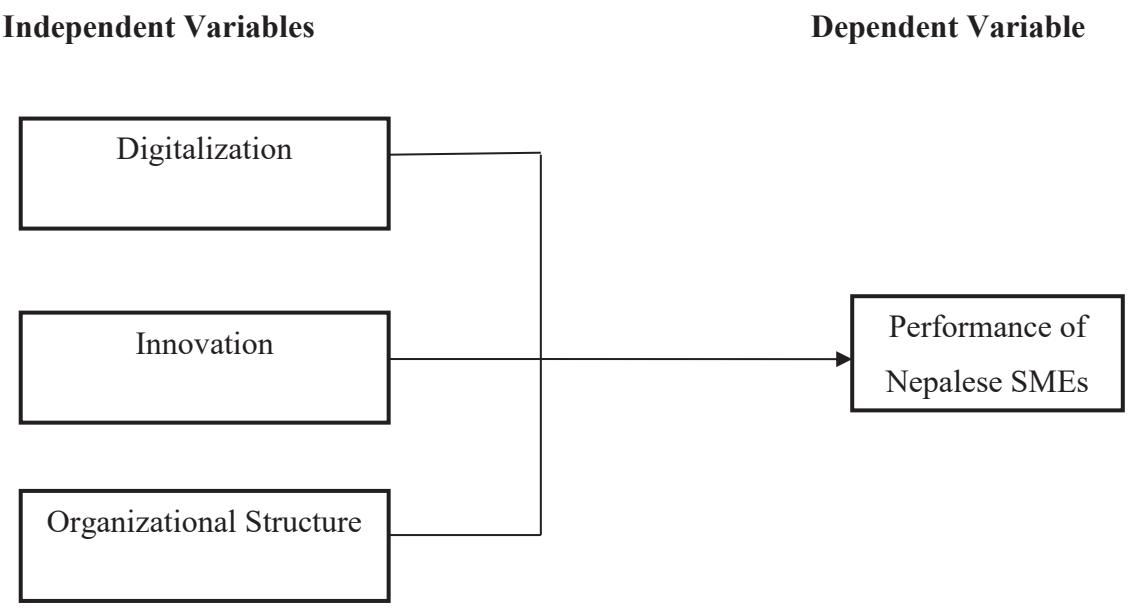

Figure 1. Conceptual Framework

Dependent Variable

Dependent variable is variable that depend on other variables i.e. independent variables. It is what the experiment measures and what is impacted by the experiment. In this study, the dependent variable is Performance of Nepalese SMEs.

Performance of Nepalese SMEs

SMEs performance can be defined and measured in terms of: profitability, growth, market value, total return on shareholder, economic value added, customer satisfaction, based on the stakeholders expectations (Carroll, 2004). This variable is adapted referring to articles (Chege et al., 2019).

Independent Variables

Independent variables are the variable which is not influenced by any other variable in the study. They can be manipulate, control, or vary in an experimental study to explore its effects. In this study, the independent variables are digitalization, innovation, and organizational structure.

Digitalization

A lot of researchers has conclude that digitalization positively influence the performance of SMEs in Nepal. Everything in world is now digitalized. If owner/manager fails to digitalize their businesses then their business will fail. This variable is adapted referring to articles (Amaral & Pecas, 2021) , (Shettima & Sharma, 2020) and (Chege et al., 2019).

Innovation

Previous study has concluded that innovation improve the performance of SMEs. More innovative SMEs mean more productive SMEs which means better performance of the firm. Innovation can provide edge to survive and stand out in the competitive market. This variable is adapted referring to articles (Chege et al., 2019).

Organizational Structure

An efficient and effective organizational structure can help businesses operate and grow smoothly. Flat organizational structure is mostly used in SMEs as the number of employees is few. This variable is adapted referring to articles (Chege et al., 2019).

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

The research's methodology and design are covered in detail in this chapter. It provides a thorough explanation of the steps taken throughout the study's execution and the solution to the relevant research problem. The study used well-structured methods and made efficient use of easily accessible statistical analysis tools. As a result, this chapter offers insightful information on the research's design.

The data sources, survey methodology, pilot study details, demographic and sampling methodologies, data collecting instruments, validity and reliability evaluations, and data analysis methods are just a few of the different facets of the research that are covered in this chapter. This chapter outlines the variables, measurements, and the selected data analysis method for a comprehensive understanding of the research process. It also explains the approaches used to acquire the data and the meticulous evaluations conducted to ensure its validity and reliability.

3.2 Research Design

In order to provide the highest level of accuracy, the research used both descriptive and explanatory methodologies. Through the use of statistical methods and no tampering, the descriptive aspect sought to offer a thorough comprehension of the population and its data sample. In contrast, the study also had an explanatory focus as it attempted to determine and assess the causal connections between the independent and dependent variables.

In order to ensure a rigorous analysis of the research data, the study made considerable use of statistical tests and analyses. Microsoft Excel and the Statistical Package for Social Sciences (SPSS) program were used to analyze and interpret the quantitative data. Based on the respondent profile, descriptive statistics were used to determine measurements like the mean and standard deviation, giving a thorough picture of the data.

During the study process, correlation analysis, regression analysis, and hypothesis testing were done to further examine the correlations between variables. These statistical methods assisted in determining the correlations, predictability, and importance of the variables under study. When applicable, relevant tables have been used to properly portray the results, interpretations, and analyses. This demonstrating approach makes it easy to understand the study's findings and helps to clearly communicate them. Cronbach's alpha test was performed to evaluate the validity of the measurement scales utilized in the study. The most effective method for assessing the consistency and dependability of numerous scale items is universally acknowledged to be this test. The study guarantees a complete assessment of the inter-item consistency and reliability of the measuring scales by employing this test.

3.3 Description of Sample

The objective of this research study was to comprehend the factors influencing performance of Nepalese SMEs.

3.3.1 Population

This study focuses on owners of Nepalese SMEs as the target population. The size of the population of this study is unknown.

3.3.2 Sample Size

The sample size for this study was 217 respondents, from whom the researcher distributed questionnaires to collect survey responses. It's crucial to remember that this sample is thought to be representative of the overall population being researched.

3.3.3 Sampling Methods

Sampling techniques can be divided into two categories: probability and non-probability sampling. In probability sampling, every member of the population has an equal chance of being selected for the study. Samples are chosen randomly, which helps reduce bias and generally produces more accurate results. In contrast, non-probability sampling does not give all members an equal chance of selection. It is often used when

the sample needs to be drawn based on specific demographic characteristics and is mainly employed when the research objective is to measure attitudes and perceptions within a population. The main advantage of non-probability sampling is it is a fast, easy and inexpensive way of obtaining data. Based on the description above, purposive sampling also known as non-probability sampling was employed for the research in this work.

Purposive Sampling, a non-probability sampling approach, was used in the data collecting procedure. Purposive sampling was used in the selection of SMEs since it allowed for the achievement of the study's goals. Purposive Sampling was chosen as the best method for this investigation because of the time and resource constraints. The surveys were distributed through a variety of internet channels, including email, Facebook, LinkedIn, and in-person visits to the SMEs. These platforms made it simple and effective to communicate with the respondents, which made it possible to gather data on time.

3.4 Instrumentation

The most effective use of questionnaires is to gather factual data, and good questionnaire design is crucial to obtaining reliable answers to the questions. In order to collect the same sorts of information from a large number of individuals in the same way and to enable data to be analyzed statistically and systematically, well-designed questionnaires are highly structured (Leung, 2001).

The questionnaire consists of demographic information and questions related to performance of Nepalese SMEs and its relationship with independent variables. The questionnaire is divided in 6 sections. In Section 1, there 8 questions which aims to know age, income, education, gender, sector of industry, investment outlay, age of business and number of year of business.

In Section 2, the questionnaire is used to collect the data regarding the influence of digitalization on SMEs performance. The questionnaires were adapted with reference to the studies by Amaral and Pecas (2021), Shettima and Sharma (2020), and Chege, Wang, and Suntu (2019).

In Section 3, the data related to impact of innovation on SMEs performance are collected. The questionnaires are adapted referring to articles (Chege, Wang, & Suntu, 2019).

In Section 4, the statements are used to collect data related to organizational structure and SMEs performance. The questionnaires are adapted referring to articles (Chege, Wang, & Suntu, 2019).

In Section 5, data regarding influence of business environment on SMEs are collected. The questionnaires are adapted referring to articles (Chege, Wang, & Suntu, 2019).

In Section 6, data regarding SMEs overall performance are collected. The questionnaire are adapted from various articles and shaped them based on the need of researcher.

Each question in these sections has been thoughtfully written to ensure that readers will comprehend them and interpret them appropriately. The author promised to protect the confidentiality of the respondents' demographic data. The copy of the questionnaire is in Appendix. Respondents were asked along a multiple choice questions and a 5-point Likert-scale (1 = strongly disagree; 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).The questionnaire was sent in both physical and electronic versions for convenience**.** The participant was informed that their participation was voluntary and that their response would remain anonymous.

3.5 Data Collection Procedures and Time Frame

3.5.1 Data Collection

There are two different kinds of data: primary data and secondary data.

Primary Data

In this study, a questionnaire survey was used to gather the primary data. This strategy guarantees full secrecy, protecting the respondents' anonymity. In this study, primary data were gathered by a questionnaire survey that was designed to gather quantitative data. Electronic survey techniques were used to obtain the data, and online tools like Google Forms were used.

Secondary Data

The information was gathered from a variety of secondary sources, including books, journals, research papers, and websites. The independent variable was obtained from a number of research papers and some information on Google in order to make everything clearer and easier to grasp. Several scholarly articles were examined in order to choose the dependent variable.

3.5.2 Time Frame

Descriptive research design is used in this research. Survey questionnaires were sent in order to collect the required data. The surveys were distributed using a variety of internet channels, including email, LinkedIn, Facebook, and in-person meetings, to help with data collecting. As a result, the researcher needed 20 days to gather all the information required for the study.

3.6 Pilot Test

Prior to the main poll, a pilot test was done to gauge how well respondents understood and responded to the questions. A chosen group of 30 respondents from Nepalese SMEs, including owners, managers, and employees, participated in the pilot research. The questionnaire's design matched up with both the study's independent and dependent variables. During the pilot research, Cronbach's alpha was determined to evaluate the study's dependability. The resulting Cronbach's alpha values for the 30 respondents are as follows:

Table 3

Reliability Test

S. No.	Variables	Cronbach's alpha	Number of Items
1.	Digitalization	0.730	5
2.	Innovation	0.689	4
3.	Organization Structure	0.853	5
4.	Performance	0.907	6

Source: SPSS Version 22

As shown in Table above the Cronbach's Alpha coefficient ranges from 0.6 to 0.9. Also, all the constructs have the Cronbach's Alpha value greater than 0.60 that is the Cronbach's Alpha coefficient are above acceptance level. Thus, the inter-item consistency (content sampling and content homogeneity) of the measures used in this study can be acceptable.

In terms of the reliability of results, the accuracy of raw data has been generated through computer program Statistical Package for Social Sciences (SPSS). This software has been extensively utilized for conducting statistical analyses. Each question-and-answer choice was coded in different letter and number which represent a meaning. These codes were put in SPSS program to analyze the data statistics.

3.7 Reliability and Validity

In terms of the sufficiency, thoroughness, and correctness of study measurements, validity and reliability are important. Validity refers to the extent to which a measurement accurately reflects the characteristics of the concept being studied. To enhance external validity, the sample was designed to be as representative as possible. The consistency of a test, survey, observation, or other measuring device is what reliability, on the other hand, has to do with. It is a measurement of how closely a thing, scale, or tool correlates with the imaginary construct it is meant to assess.

Cronbach's Alpha was calculated to determine the dependability of the data that was gathered. If Cronbach's Alpha value is greater than 0.6, it is typically seen as a sign of dependability. It can be concluded from the test that the questionnaire used in this study had good reliability because each estimated Cronbach's Alpha value was higher than the required threshold of 0.6.

Table 4

Reliability Test

S. No.	Variables	Cronbach's Alpha	Number of Items
1.	Digitalization	0.833	5
2.	Innovation	0.765	4
3.	Organization Structure	0.854	5
4.	Performance	0.910	6

Source: SPSS Version 22

3.8 Data Analysis Plan

After the completion of all questionnaires from the respondents, SPSS and MS-Excel were used in the data analysis procedure. In an SPSS worksheet, the replies were categorized and arranged according to the precise coding guidelines based on the type of the questions, such as Likert scales. The SPSS program was then used to examine the data that had been collected. To properly show the data, a variety of graphical tools, including tables, charts, diagrams, and graphs, were used.

For a thorough analysis of the variables, descriptive statistics like mean and standard deviation were applied. To find meaningful associations, correlation analyses were followed by regression analysis. Significance tests were carried out to increase the reliability and dependability of the findings. As a result of the analysis of the observed correlations and findings, significant inferences about the relationship between independent variables, such as digitalization, innovation, organizational structure, and dependent variable, performance of Nepalese SMEs.

CHAPTER IV
RESULTS AND DISCUSSION

4.1 Presentation of the Results

In this chapter, the data gathered for the research is analyzed, explained, and the results of the questionnaire survey is presented. With the results from the data analysis, this research project is predicted to achieve its goals. The data analysis was conducted using the SPSS software which was used to generate various tables and figures. The results are analyzed using descriptive statistics, inferential statistics, hypothesis testing and discussions.

This section is divided into four parts. The first part provides an overview of the respondents' profiles, including their gender, age, educational level, initial investment, sector of industry, number years of business and number of years of entrepreneur conducting the business. The second part analyzes and interprets the collected data through descriptive analysis. This analysis provides a comprehensive understanding of the respondents' answers, shedding light on various aspects of the study. Inferential statistics, such as correlation and regression analyses of the dependent and independent variables, are the primary focus of the third section. These statistical methods provide a more thorough analysis of the connections between the variables being studied. The last section includes a description of the outcomes of the data analysis procedure. This section provides a framework for contextualizing and evaluating the results and deriving insightful inferences from the study.

4.2 Demographic Profile of the Respondents

Demographic analysis is the study of a population-based on factors such as age, race, gender, etc. It is done to find out the basic information about the respondents. This part conducts a thorough investigation of the sample respondents, including a descriptive analysis of their traits. The analysis of demographic data and the interpretation of primary data produced from survey questions are the main topics of this section. There

were total of 217 samples for the survey. The demographic aspects of the respondents covers aspects such as gender, age, educational level, initial investment, sector of industry, number years of business and number of years of entrepreneur conducting the business.

4.2.1 Distribution of Respondents Based on Gender

The study shows that the distribution of respondents by genders with 50.7% male, 46.5% female and 2.8% others. As per the data, there were more men than women participants. Table 5 presents the frequency and percentage distribution of the respondents' gender.

Table 5

Distribution of Respondents Based on Gender

Gender	Frequency	Percent
Female	101	46.5
Male	110	50.7
Others	6	2.8

Source: SPSS Version 22

4.2.2 Distribution of Respondents Based on age

The questionnaire was distributed among different age groups. The age distribution of respondents has been divided into four categories: 18-25 years, 26-32 years, 33-40 years and above 40 years. The majority of respondent fall under 26-32 years with 39.6 %. The second largest age group was 33-44 years, comprising 28.6% of the respondents. Similarly, 22.1% of respondents were in the 18-25 years age range, while only 9.7% were above 40 years age group, representing the smallest group. Table 6 displays the frequency and percentage distribution of respondents according to their age.

Table 6

Distribution of Respondents Based on Age

Age	Frequency	Percent
18-25 Years	48	22.1
26-32 Years	86	39.6
33-40 Years	62	28.6
Above 40 Years	21	9.7

Source: SPSS Version 22

4.2.3 Distribution of Respondents Based on Education Level

The table below summarizes the academic backgrounds of the respondents. Out of 217 respondents, 104 respondents hold master's degree with 47.9% followed by bachelor's degree with 38.7%. 8.8% respondents were intermediate group, 1.4 % was SLC/SEE or below group and 2.3% were PHD holders. Similarly, chartered accountant holds a minority of the sample with 1%. Tables 7 presents the frequency and percent of respondents based on education level.

Table 7

Distribution of Respondents Based on Education Level

Educational Level	Frequency	Percent
SLC/SEE or Below	3	1.4
Intermediate	19	8.8
Bachelors	84	38.7
Masters	104	47.9
Chartered accountant	2	1
PHD	5	2.3

Source: SPSS Version 22

4.2.4 Distribution of Respondents Based on Industrial Sectors

The industrial sector of respondents is divided in four categories: retail, manufacturing, service and others. 33.6% of respondents were from retail sector, 31.3% were from service sector, 21.7% were from manufacturing sector and 13.4% were from others

sector of the industry. The majority of respondents were from retail sectors. Table 8 presents the frequency and percentage of respondents categorized by industrial sectors.

Table 8

Distribution of Respondents Based on Industrial Sectors

Industrial Sectors	Frequency	Percent
Manufacturing	47	21.7
Retail	73	33.6
Service	68	31.3
Others	29	13.4

Source: SPSS Version 22

4.2.5 Distribution of Respondents Based on Registration Status

The registration status is classified into 3 categories: not registered, registered and registration in process. Out of 217, 179 firms with 82.5% were registered. Similarly, 9.2 % firms were not registered and 8.3% were in registration process. Table 9 presents the frequency and percent of respondent by registration status.

Table 9

Distribution of Respondents Based on Registration Status

Registration Status	Frequency	Percent
Not Registered	20	9.2
Registered	179	82.5
Registration in process	18	8.3

Source: SPSS Version 22

4.2.6 Distribution of Respondents Based on Initial Investment Outlay

The initial investment outlay is classified into four categories: 0-30 lakhs, 31-60 lakhs, 61 lakhs-1 crores and above 1 crores. 41.9 % firms initial investment was 0-30 lakhs, 28.1% firms initial investment was 31-60 lakhs, 17.5% firms initial investment was 61 lakh-1 crores and 12.4% firms initial investment was above 1 crores. The majority of firm's initial investment was 0-30 lakhs respectively. Table 10 presents the frequency and percent of initial investment outlay of respondents.

Table 10

Distribution of Respondents Based on Initial Investment Outlay

Initial Investment Outlay	Frequency	Percent
0-30 lakhs	91	41.9
31-60 lakhs	61	28.1
61 lakhs- 1 crores	38	17.5
Above 1 crores	27	12.4

Source: SPSS Version 22

4.2.7 Distribution of Respondents Based on Age of Business

The age of the business is classified into three categories: 0-3 years, 4-10 years and above 10 years. The majority of firms are 4-10 years old with 41.9%. Similarly, 39.2% firms are 0-3 years old and 18.9% firms are above 10 years old. The frequency and percent of age of business is presented in Table 11.

Table 11

Distribution of Respondents Based on Age of Business

Age of Business	Frequency	Percent
0-3 Years	85	39.2
4- 10 Years	91	41.9
Above 10 Years	41	18.9

Source: SPSS Version 22

4.2.8 Distribution of Respondents based on Number of Years in Business

The number of years in business is classified into three categories: 0-3 years, 4-7 years and above 7 years. 45.6% firm's managers/ employees were conducting business since 0-3 years, 34.1% were conducting business since 4-7 years and 20.3% were conducting business since above 7 years. Most of the SMEs managers have 0-3 years experience of managing or handling particular business. The frequency and percent of number of years in business is presented in Table 12.

Table 12

Distribution of Respondents Based on Number of Years in Business

Number of Years	Frequency	Percent
0-3 Years	99	45.6
4-7 Years	74	34.1
Above 7 Years	44	20.3

Source: SPSS Version 22

4.3 Descriptive Analysis

Descriptive analysis serves as a statistical technique employed to summarizes and describes the main features of a dataset. Parameters such as mean, standard deviation, as well as minimum and maximum values of variables are among the statistical measures used in this study to evaluate descriptive statistics.

4.3.1 Descriptive Statistics of Digitalization

This section focuses on a descriptive investigation of how digitization has affected the performance of Nepalese SMEs. The respondents to the survey were asked to express their views on five distinct claims connected to this subject. This section's goal is to evaluate how much innovation affects the performance of SMEs. Below are thorough explanations of each question in this part.

Table 13

Descriptive Statistics of Digitalization

Code	Statements	Mean	Std. Deviation
D1	Use of digitalization provides information regarding planning of firm.	3.78	.936
D2	Uses of digitalization help in analysis of production efficiency.	3.88	.879
D3	It is easy for firm to adopt new technology irrespective of new functionality.	3.39	.971
D4	Digitalization has helped firm to increase customer base.	3.99	.890

D5	Adoption of digitalization has equipped firm for next generation customer engagement capabilities.	4.02	.895
	Digitalization	**3.812**	**.9142**

Source: SPSS Version 22

Table 13 presents the descriptive statistics of innovation, focusing on the influence of digitalization on performance of Nepalese SMEs. Within the table, it is notable that D5 and D4 have the highest mean of 4.02 and 3.99, respectively and D3 has lowest mean of 3.39. These two statements are particularly significant in terms of digitalization, indicating that they play a crucial role in influencing SMEs performance.

Additionally, table 13 shows the standard deviation values. It is noteworthy that D2 has the lowest standard deviation of 0.879, suggesting a consistent response pattern as compared to others. On the other hand, D3 exhibits the highest standard deviation of 0.971, indicating greater variation in responses regarding digitalization.

The aggregate mean of innovation across all statements is calculated to be 3.812. This suggests that the respondents generally agree that digitalization may have an impact on SMEs performance. As the mean value is above 3, it indicates a relatively high influence of the given variable “digitalization” on the dependent variable “firm’s performance”. Overall, the findings indicate that digitalization plays a significant role in firm’s performance, with varying degrees of impact observed across different statements within digitalization.

4.3.2 Descriptive Statistics of Innovation

This section focuses on descriptive analysis of the influence of innovation on performance of Nepalese SMEs. The respondents were asked to provide their opinions on four specific statements related to innovation and performance. The purpose of this section is to assess the extent to which innovation influence the SMEs performance. The detailed descriptions of each statement in this segment are presented in the table below.

Table 14

Descriptive Statistics of Innovation

Code	Statements	Mean	Std. Deviation
I1	I don't fear risk-taking while implementing new technology.	3.12	1.148
I2	Use of new methods, procedures and machine has improved firm business efficiency.	3.72	.871
I3	Introduction of a new product or hybrid variation has increased performance.	3.66	.873
I4	Product value addition and improvement has increased performance of firm.	3.85	.861
	Innovation	**3.5875**	**0.938**

Source: SPSS Version 22

Table 14 presents the descriptive statistics of innovation, focusing on their impact on Nepalese SMEs performance. Within the table, it is observed that the statements I4 and I2 have the highest means of 3.85 and 3.72, respectively. These two statements are particularly significant in relation to innovation, indicating that they play a crucial role in influencing performance. I1 has the lowest mean of 3.12.

Table 14 also provides information about the standard deviation values. The statement I4 has the lowest standard deviation of 0.861, suggesting a consistent response pattern among the respondents as compared to others. On the other hand, the statement I1 exhibits the highest standard deviation of 1.148, indicating greater variation in responses regarding innovation.

The aggregate mean of innovation from all statements is calculated to be 3.5875. This suggests that the respondents generally agree that innovation may have an impact on the SMEs performance. Since the mean value is above 3, it indicates a relatively high influence of the variable on the dependent variable. Hence, the findings suggest that innovations are perceived as influential factor in performance. The variations in standard deviation further highlight the diverse perspectives on innovation among the respondents.

4.3.3 Descriptive Statistics of Organizational Structure

This section focuses on descriptive analysis of organizational structure on performance of Nepalese SMEs. The survey respondents were asked to provide their opinions on five specific statements related to this topic. The purpose of this section is to assess the extent to which organizational structure influence performance. The detailed descriptions of each statement in this segment are provided in the table below.

Table 15

Descriptive Statistics of Organizational Structure

Code	Statements	Mean	Std. Deviation
OS1	Digital equipment is easily available in firm.	3.51	.903
OS2	Management of firm is flexible in decision making.	3.73	.863
OS3	My firm has strong management support in use of digitalization through a shared vision.	3.72	.907
OS4	There are effective and flexible communication channels in firm.	3.72	.875
OS5	My firm is responsive to digitalized technology.	3.66	.974
	Organizational Structure	**3.668**	**.904**

Source: SPSS Version 22

Table 15 presents the descriptive statistics of organizational structure focusing on its influence on performance of Nepalese SMEs. Within the table, it is evident that the statement OS2 has the highest mean of 3.73 and OS1 has the lowest mean of 3.51. The statement OS2 is particularly significant in terms of organizational structure, indicating that it play a crucial role in influencing the performance.

Table 15 also provides information about the standard deviation values. Notably, the statement OS2 has the lowest standard deviation of 0.863, suggesting a consistent response pattern among the respondents as compared to others. On the other hand, the statement OS5 exhibits the highest standard deviation of 0.974, indicating greater variation in responses regarding organizational structure.

The aggregate mean of organizational structure across all statements is calculated to be 3.668. This suggests that the respondents generally agree that organizational structure may have an impact on performance. Since the mean value is above 3, it indicates a relatively high influence of the variable on the dependent variable. Overall, the findings suggest that organizational structure are perceived as influential factor in SMEs performance, with certain statements within the organizational structure category carrying more weight than others. The variations in standard deviation further highlight the diverse perspectives on organizational structure among the respondents.

4.3.4 Descriptive Statistics of Performance of Nepalese SMEs

The performance serves as the dependent variable in this research. This section focuses on conducting a descriptive analysis of performance of Nepalese SMEs. It comprises six statements for which the respondents provided their data and perspectives. The purpose of this section is to examine the extent to which the independent variables impact the dependent variable "Performance of Nepalese SMEs".

Table 16

Descriptive Statistics of Performance of Nepalese SMEs

Code	Statement	Mean	Std. Deviation
PNS1	Firm profitability has increased due to use of digitalized technology.	3.69	.873
PNS2	Firm sales volume has increased.	3.74	.891
PNS3	Firm is able to promote shareholder interest.	3.65	.931
PNS4	Firm is able to achieve good productivity.	3.89	.851
PNS5	Firm is able to increase its return on investment (ROI).	3.69	.883
PNS6	Firm is able to expand in the market.	3.80	.921
	Performance of Nepalese SMEs	**3.743**	**.891**

Source: SPSS Version 22

Table 16 presents the descriptive statistics of performance of Nepalese SMEs, providing insights into its relationship with the independent variables. Within the table, it is observed that statements PNS4 and PNS6 have the highest means of 3.89and 3.80,

respectively. This indicates that these statements, particularly PNS4 and PNS6 play a significant role in influencing the performance of Nepalese SMEs.

Additionally, the table reveals the standard deviation values associated with performance of Nepalese SMEs. PNS4 exhibits the lowest standard deviation of 0.851, indicating a consistent pattern in responses related to this variable as compared to others. On the other hand, PNS3 displays the highest standard deviation of 0.931, indicating greater variation in responses concerning the performance of Nepalese SMEs.

The aggregate mean of performance of Nepalese SMEs is calculated as 3.743, suggesting that the respondents generally agree that performance of Nepalese SMEs is influenced by the independent variables such as digitalization, innovation, organizational structure and business environment. With a mean value above 3, it indicates a substantial impact of these variables on the dependent variable. Overall, the findings indicate that PNS4 and PNS6 statements hold particular significance in shaping the performance of Nepalese SMEs. The variations in standard deviation highlight the diverse perspectives among the respondents regarding the performance of Nepalese SMEs. It suggests that the independent variables such as digitalization, innovation, organizational structure and business environment collectively influence the performance of Nepalese SMEs.

Table 17

Summary of Descriptive Analysis

Code	Variables	Mean	Std. Deviation
D	Digitalization	3.812	0.914
I	Innovation	3.587	0.938
OS	Organizational Structure	3.668	0.904
PNS	Performace of Nepalese SMEs	3.743	0.891

Source: SPSS Version 22

4.4 Inferential Analysis

The investigation of potential relationships between the previously defined variables is the focus of inferential statistical analysis. The underlying probability distribution's characteristics are reduced in this case through the inferential statistic using the data. By testing hypotheses and generating estimates, it infers the characteristics of the population. This section includes regression analysis for hypothesis testing along with a correlation analysis of the dependent and independent variables.

The magnitude and direction of relationships between variables are examined and evaluated using correlation analysis. It gives information on how closely related certain variables are to one another, making it easier to see dependencies and patterns. On the other hand, regression analysis looks at how a dependent variable and one or more independent variables are related. In order to forecast and comprehend the dependent variable based on the values of the independent factors, it seeks to assess the influence of independent variables on the dependent variable.

These analysis techniques enable researchers to thoroughly evaluate empirical findings, test hypotheses, and reach insightful conclusions on the influences and relationships between variables.

4.4.1 Correlation Analysis

Correlation analysis is a bivariate statistical technique used to assess the strength and direction of the linear relationship between two variables. It indicates the degree to which the variables move together. The strength of this relationship is measured by the correlation coefficient (r), which ranges from -1 to +1. A coefficient of +1 signifies a perfect positive linear relationship, -1 denotes a perfect negative linear relationship, and a value of 0 indicates no linear relationship between the variables.

When the correlation coefficient is positive and larger than 0, it denotes a positive association it means that there is a positive tendency for both variables to rise as one rises. Similarly, a negative correlation coefficient (less than 0) indicates an inverse relationship between two variables meaning that as one variable increases, the other tends to decrease. Researchers may learn important details about the nature of the link

between variables by analyzing the correlation coefficient, which shows the strength and direction of the relationship between variables.

Tables 18

Correlation Coefficient

Variables	Performance	Digitalization	Innovation	Organizational Structure
Performance	1	0.594**	0.606**	0.644**
Digitalization	.594**	1	0.621**	0.635**
	.001			
Innovation	.606**	0.587**	1	0.583**
	.001			
Organizational Structure	.644**	0.487*	0.352*	1
	.001			

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

Source: SPSS Version 22

Relationship between Digitalization and Performance of Nepalese SMEs

Table 18 presents the correlation coefficient value of 0.594, indicating a strong and significant relationship between the independent variable, digitalization, and the dependent variable, performance of Nepalese SMEs. The correlation coefficient value of 0.594 suggests a positive association between the two variables, implying that as digitalization increases, the likelihood of performance of Nepalese SMEs also increases. The significance of this relationship is confirmed by the p-value being less than the predetermined significance level ($\alpha = 0.01$), indicating a statistically significant association between the variables at the 1% level. With a p-value of 0.001, which is considerably lower than 0.01, we can conclude that the correlation between digitalization and performance of Nepalese SMEs is statistically significant.

Relationship between Innovation and Performance of Nepalese SMEs

Table 18 presents the correlation coefficient value of 0.606, indicating a strong and significant relationship between the independent variable, innovation, and the dependent variable, performance of Nepalese SMEs. The correlation coefficient value of 0.606 suggests a positive association between the two variables, implying that as innovation increases, the likelihood of performance of Nepalese SMEs also increases. The significance of the relationship is validated by the p-value being less than the predetermined significance level ($\alpha = 0.01$), indicating that the observed correlation is statistically significant at the 1% level of significance. With a p-value of 0.001, which is considerably lower than 0.01, we can conclude that the correlation between innovation and performance of Nepalese SMEs is statistically significant.

Relationship between Organizational Structure and Performance of Nepalese SMEs

Table 18 presents the correlation coefficient value of 0.644, indicating a strong and significant relationship between the independent variable, organizational structure, and the dependent variable, performance of Nepalese SMEs. The correlation coefficient value of 0.644 suggests a positive association between the two variables, implying that as organizational structure increases, the likelihood of performance of Nepalese SMEs also increases. The significance of this relationship is confirmed by the p-value being lower than the predetermined significance level ($\alpha = 0.01$), indicating a statistically significant association at the 1% level.With a p-value of 0.001, which is considerably lower than 0.01, we can conclude that the correlation between organizational structure and performance of Nepalese SMEs is statistically significant.

4.4.2 Regression Analysis

A strong statistical method for estimating the associations between a dependent variable and one or more independent variables is regression analysis. Regression analysis offers more details on the type and scope of that relationship than correlation analysis, which just evaluates the existence and strength of a link between variables. It facilitates prediction and allows for a more thorough explanation of the connection.

Regression analysis was used in this study to examine the research hypotheses. Regression analysis' main goal is to identify the independent variable or variables that best account for the variation in the dependent variable. Additionally, it evaluates how much of the variance in the dependent variable is explained by the independent factors and finds the important variables that have a substantial influence on doing so.

Due to its clarity, interpretability, general acceptability in the scientific community, and accessibility of resources, linear regression analysis was used for this investigation. The study uses linear regression to determine the link between the independent factors of digitalization, innovation, organizational structure, and the dependent variable, the performance of Nepalese SMEs. The particular contributions made by each independent variable and their importance in explaining the variance in the dependent variable will be revealed by this analysis.

Regression Analysis of Independent Variable and Performance

With the help of this model, correlation coefficient (R), coefficient of determination (R^2), adjusted R-squared and standard error of the estimate can be used to determine the correlation between dependent and independent variables. The coefficient of determination, denoted as R^2, represents the proportion of variance in the dependent variable (performance of Nepalese SMEs) that can be explained by the independent variables (digitalization, innovation and organizational structure). In other words, R^2 measures the extent to which the variation in the dependent variable can be attributed to the variation in the independent variables.

Table 19

Regression Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.765	.585	.577	.48206

Source: SPSS Version 22

Predictors: (Constant), Digitalization, Innovation, Organizational Structure)

Table 19 presents the model summary of the factors influencing the performance of Nepalese SMEs. The correlation coefficient (R), also referred to as Pearson's correlation coefficient, indicates the strength and direction of the linear relationship between the independent and dependent variables. Here, the R value is 0.765, suggesting a strong positive relationship. The coefficient of determination (R^2) reflects the proportion of the variance in the dependent variable that is explained by the independent variables in the model. In this analysis, the R^2 value is 0.585, which means that approximately 58.5% of the variance in the dependent variable can be accounted for by the independent variables. The adjusted R^2 value is a modification of the R^2 value that adjusts for the number of independent variables and the sample size. It provides a more conservative estimate of the proportion of variance explained by the independent variables. In this analysis, the adjusted R^2 value is 0.577 which means 57.7% variation in performance is explained by independent variables after adjusting with degree of freedom.

Std. Error of the Estimate represents the standard deviation of the residuals, which are the differences between the observed values of the dependent variable and the predicted values from the regression model. It gives an indication of the accuracy of the predictions made by the model. In this case, the standard error of the estimate is 0.48206. Overall, these values suggest that the independent variables in the regression model are highly correlated with the dependent variable (R = 0.765) and collectively explain a substantial amount of the variance in the dependent variable (R^2 = 0.585).

Table 20

Regression ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	69.399	4	17.350	74.660	.000[b]
Residual	49.265	212	.232		
Total	118.664	216			

Dependent Variable: Performance

Predictors: (Constant), Digitalization, Innovation, Organizational Structure

Table 20 gives the description of ANOVA table. ANOVA table is used to analyze whether the overall model is significant and if model can be applied to the research

ANOVA table is very efficient in calculation of F value. The F value is further efficient in understanding the significance of the overall study. In other words, ANOVA table is useful to understand the significance of the study as a whole.

The mean sum of squares is calculated by dividing the sum of squares by the corresponding degrees of freedom. The mean sum of squares due to regression is referred to as the Mean Square Regression (MSR), while the mean sum of squares due to error is known as the Mean Square Error (MSE). These values are used to compute the F-ratio, which helps determine the overall significance of the regression model. The mean sum of regression is 17.350 and mean sum of error is 0.232. MSR is obtained by dividing SSR with d.f. (degree of freedom) or 69.399 divided by 4. The MSE is obtained by dividing SSE with d.f. or 49.265 divided by 212. F value is obtained by dividing MSR with MSE. In other words, it is the value or proportion of error on average of the regression. The F value is 74.660.

The result of Table 20 shows that p-value is less than a i.e. 0.000<0.05. The model is significant at 5% level of significance. So, a multiple linear model can be used to analyze the data. From this ANOVA table at 95% confidence, we can conclude that the sum of all three independent variables is best at contributing to performance of Nepalese SMEs.

Table 21

Regression Coefficient

	Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
(Constant)	.216	.209		1.035	.302		
Digitalization	.164	.064	.157	2.563	.011	.524	1.909
Innovation	.182	.063	.178	2.915	.004	.524	1.908
Organizational Structure	.215	.067	.209	3.218	.001	.465	2.152

Dependent Variable: Performance
Source: SPSS Version 22

A coefficient table gives a thorough explanation of how the independent variable is impacted by the independent variable. It also offers insight into the importance of factors taken collectively. The coefficient table aids in formulating an equation that accounts for all other independent variables in order to calculate the value of performance of Nepalese SMEs. The following equation may be created using the coefficients in the previous table.

Y=a+b1x1+ b2x2+b3x3+el

Y= 0.216+ 0.164x1+0.182x2+ 0.215x3+ el

Where,

y= Performance of Nepalese SMEs

a=Constant

b1, b2, b3= Regression Coefficient

x1, x2, x3= Digitalization, Innovation and Organizational Structure

Based on the VIF values provided in Table 21, there is no evidence of multicollinearity between the independent variables and the dependent variable (performance) as the VIF values for all the independent variables (digitalization, innovation and organizational structure) are above the recommended threshold of 3.

In above table, it can be inferred that Digitalization (Sig. =0.011), Innovation (Sig. = 0.004) and Organizational Structure (Sig. =0.001) significance values is lower than 0.05. This indicates that there is a statistically significant relationship between these independent variables and performance of Nepalese SMEs.

The coefficient for Digitalization is 0.164. This means that for a one unit increase in digitalization, the performance is expected to increase by 0.164 units, holding other variables constant. The coefficient for digitalization is 0.164 (unstandardized) and 0.157 (standardized). This suggests that higher levels of digitalization are associated

with higher predicted values of the dependent variable. The positive coefficients indicate a positive impact on the dependent variable.

The coefficient for Innovation is 0.182. This means that for a one unit increase in innovation, the performance is expected to increase by 0.182 units, holding other variables constant. The coefficient for digitalization is 0.182 (unstandardized) and 0.178 (standardized). This suggests that higher levels of innovation are associated with higher predicted values of the dependent variable. The positive coefficients indicate a positive impact on the dependent variable

The coefficient for Organizational Structure is 0.215 which suggests that for a one organizational structure, the performance of Nepalese SMEs is expected to increase by 0.215 units, holding other variables constant. The coefficient for digitalization is 0.215 (unstandardized) and 0.209 (standardized). This suggests that higher levels of digitalization are associated with higher predicted values of the dependent variable. The positive coefficients indicate a positive impact on the dependent variable

4.5 Hypothesis Testing

In this section, hypothesis developed during the study are tested. A statistical technique called hypothesis testing is used to draw conclusions about a population from a small sample of data. In order to ascertain the likelihood that the null hypothesis is correct, a null hypothesis and an alternative hypothesis must first be developed. The study of relationship between independent and dependent variables done through hypothesis testing allows researchers to determine whether there is a statistically significant relationship between these variables.

The null hypothesis assumes that there is no relationship or no difference between dependent and independent variables, while the alternative hypothesis suggests the presence of a relationship or difference between dependent and independent variables. The null hypothesis is rejected if the probability falls below the specified cutoff point, commonly expressed by the significance level (often set at 0.05), showing that there is evidence to support the alternative hypothesis.

Table 22

Summarized Hypothesis Testing

Hypothesis	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Decision
	B	Std. Error	Beta			
Digitalization-Performance of Nepalese SMEs	.164	.064	.157	2.563	.011	Accepted
Innovation-Performance of Nepalese SMEs	.182	.063	.178	2.915	.004	Accepted
Organizational Structure - Performance of Nepalese SMEs	.215	.067	.209	3.218	.001	Accepted

Source: SPSS Version 22

Each hypothesis are tested and analyzed individually and the analysis is done in SPSS software. All three hypothesis were drawn for the purpose of identifying relationship between dependent and independent variable. Here, regression analysis is used to test the hypothesis. The hypotheses developed for this study and its acceptance and rejection is justified below:

H1: There is a significant influence of Digitalization on Performance of Nepalese SMEs.

According to regression analysis, the p value of Digitalization is less than alpha i.e. 0.004< 0.05 respectively. Hence, null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is significant influence of digitalization on performance of Nepalese SMEs.

H2: There is a significant influence of Innovation on Performance of Nepalese SMEs.

According to regression analysis, the p value of Innovation is less than alpha i.e. 0.011< 0.05 respectively. Hence, null hypothesis is rejected and the alternative hypothesis is

accepted i.e. there is significant influence of innovation on performance of Nepalese SMEs.

H3: There is a significant influence of Organizational Structure on Performance of Nepalese SMEs.

According to regression analysis, the p value of Organizational Structure is less than alpha i.e. 0.001< 0.05 respectively. Hence, null hypothesis is rejected and the alternative hypothesis is accepted i.e. there is significant influence of organizational structure on performance of Nepalese SMEs.

4.6 Discussion

The main objective of this study was to understand and evaluate the influence of digitalization, innovation and organizational structure on performance of Nepalese SMEs, aligning with previous studies conducted in various countries. The research sample consisted of SMEs from all around the country. The purpose of the study was to investigate the relationship and influence of these independent variables on the dependent variable, which is performance of Nepalese SMEs. A detailed examination of the literature and conceptualization, which were undertaken in chapter two of this study, served as the foundation for the identification of the dependent and independent variables. Using the variables collected out of the literature, the study's framework was created.

The analysis of primary data obtained through a survey questionnaire was used to generate the study's conclusions. A short pilot research was conducted before the main survey using data from a chosen sample of 30 participants. Each variable's Cronbach's alpha coefficient was discovered to be higher than 0.6, suggesting an acceptable degree of instrument reliability. The primary research had 217 participants, and the Cronbach's alpha value stayed above 0.6, demonstrating the dependability of the instrument.

The collected data were analyzed and interpreted using various statistical tools like Ms Excel and SPSS. The first part of the study focused on the respondents' profile, providing demographic information such as gender, age, educational qualification, initial investment outlay, registration status, age of business and number of year in

business. Other part focused on information related to digitalization, innovation, organizational structure and performance of SMEs.

The study included hypothesis testing, inferential analysis, and descriptive analysis. In order to investigate and evaluate hypotheses and determine the correlations between different variables, questionnaire responses were examined. Diverse demographic factors were taken into consideration during the data gathering procedure to represent the respondents' profile.

The study reveals that the current state of performance of Nepalese SMEs demonstrates a moderately positive environment. The majority of respondents agreed that the performance of Nepalese SMEs was more than satisfactory, with the highest concern given to digitalization scoring a mean value of 3.812. Organizational Structure has a mean value of 3.668, and Innovation with the lowest mean value of 3.076. This suggests that Digitalization is the most influential factor in driving the performance of Nepalese SMEs. The dependent variable, performance of Nepalese SMEs, had a mean value of 3.743, indicating that all the independent variables have an impact on performance.

The results of the correlation analysis indicated that all the independent variables had a significant influence on the dependent variable, which is performance of Nepalese SMEs. The correlation analysis revealed the positive correlation value for digitalization (0.594), innovation (606) and organizational structure (0.644) with performance of Nepalese SMEs. Since the P value of all variables are less than alpha i.e. $0.001 < 0.05$ all of the variables have significant positive correlation as per the correlation analysis.

Through regression analysis it was found that the model is significant. This model shows that there is significant relationship between independent variables: digitalization, innovation and organizational structure and dependent variable: performance of Nepalese SMEs.

Higher beta values indicate higher dominant influence of independent variables on the dependent variable. It can be inferred that organizational structure has highest beta of 0.215 followed by innovation 0.182 and digitalization 0.164. Digitalization has the

lowest beta indicating that lower influence of digitalization on performance of Nepalese SMEs.

This research has supported the research previously conducted by Cenamor, Parida and Wincent (2019) titled “How entrepreneurial SMEs compete through digital platforms: The roles of digital platform capability, network capability and ambidexterity” which shows that digitalization positively impact the performance of SMEs. Perez-de-lema, Hansen, Madrid-Gujjarro and Silva-Santos (2019) study indicates that SMEs improve their innovation strategy as a response to a hostile and dynamic business environment for their SMEs. Furthermore, this research also supports the study conducted by Ajagbe, Michael, Udo Udo and Peter (2016) conducted a study titled “How Organizational Structure Aids Business Performance” which shows that how organizational structure significantly affects how well companies operate.

Numerous studies have been conducted to identify connection between digitalization, innovation, organizational structure and performance of SMEs. The research's findings showed that while some results deviated from the results of other studies, others were consistent with them. This shows that various circumstances may have varying effects on how these variables influence and affect the performance of Nepalese SMEs. The study adds to the body of knowledge by highlighting the particular elements that influence the performance of Nepalese SMEs. The results show how crucial it is to take these into account while enhancing the performance of Nepalese SMEs.

CHAPTER V

SUMMARY AND CONCLUSION

A detailed data analysis that included regression analysis and hypothesis testing and was in line with the goals of the study was carried out in the chapter before. The study's findings and conclusions, obtained through the previously mentioned data analysis, hypothesis testing, and regression analysis, are briefly presented in this chapter. The key findings from the data analysis are summarized in the first portion of this chapter. The key findings from the study are summarized in this overview, which also highlights the conclusions drawn from the analytical techniques.

The second part presents the conclusion drawn from the study. These results are supported by the information obtained from the data analysis procedure. Meaningful conclusions are made by interpreting the data in the context of the research objectives, shining light on the research questions and giving a thorough knowledge of the study's consequences. Finally, recommendations resulting from the study's results and conclusions are included in the third part. These suggestions give insights on possible actions or changes based on the study's findings, serving as helpful direction for further research or practical implementations.

This chapter summarizes the outcomes of the data analysis and emphasizes their relevance for the research field or application area, giving a brief overview of the study's findings, conclusions, and suggestions.

5.1 Summary

This research study set out to examine the critical factors that impact the performance of small and medium-sized enterprises (SMEs) in Nepal, focusing on three main variables: digitalization, innovation, and organizational structure. Drawing upon an extensive review of existing literature, these factors were identified as central to SME development and were used to formulate a structured questionnaire. The research involved a two-stage data collection process, beginning with a pilot test of 30 respondents to validate the instrument, followed by the main study involving 217 SME

owners selected through purposive sampling. Quantitative data analysis was conducted using IBM SPSS software, employing both descriptive and inferential statistics. Descriptive results showed that digitalization had the highest average mean score (3.812), followed by organizational structure (3.668) and innovation (3.588), indicating strong agreement among respondents regarding their importance. Correlation coefficients further confirmed significant positive relationships between each of the three variables and SME performance. Regression analysis demonstrated that all three factors significantly influenced performance, with p-values below 0.05. These findings provide empirical support for the view that strategic focus on digital, innovative, and structural capabilities can lead to enhanced business outcomes in Nepalese SMEs.

5.2 Conclusion

In conclusion, this study highlights the growing importance of digitalization, innovation, and a well-defined organizational structure as pivotal elements in the success of SMEs in Nepal. Among the three, digitalization stood out as the most influential factor, as it allows businesses to streamline operations, reach broader markets, and enhance customer service through the use of digital tools and platforms. Innovation was also found to play a critical role, enabling SMEs to remain competitive by introducing new ideas, products, and business models that respond to dynamic market demands. Furthermore, the study found that SMEs with more flexible and structured internal systems were better positioned to implement new strategies, manage resources efficiently, and foster a collaborative organizational culture. These insights underscore the necessity of integrating technological advancement and innovative thinking with effective management practices. Given the rapidly evolving business environment and the increasing significance of SMEs in Nepal’s economic development, the findings contribute valuable knowledge that can inform both business strategies and public policy. The study also emphasizes the need for ongoing research to adapt to changing technological and market conditions and to continue identifying ways to support SME growth and sustainability.

5.3 Recommendations

Based on the empirical evidence obtained, several strategic recommendations are proposed to enhance the performance of Nepalese SMEs. Firstly, digitalization should be prioritized, and SMEs are encouraged to invest in digital infrastructure such as cloud computing, e-commerce platforms, enterprise resource planning (ERP) systems, and digital marketing tools. Government and financial institutions should also offer support through digital literacy programs, technology grants, and infrastructure subsidies to ensure widespread adoption. Secondly, in the area of innovation, SMEs should be encouraged to allocate resources for research and development, and to establish partnerships with universities, research centers, and innovation hubs to foster an ecosystem of creativity and continuous improvement. Developing internal innovation teams and offering incentives for idea generation can further stimulate entrepreneurial thinking within organizations. Thirdly, a focus on organizational structure is vital. SMEs should aim to build adaptive, team-oriented, and communicative organizational models that facilitate responsiveness to change. Leadership development and management training programs should be made available to SME owners and managers to build capacity in strategic planning and operational efficiency. Collectively, these recommendations aim to create a more resilient and competitive SME sector in Nepal that can effectively navigate challenges, seize new opportunities, and contribute significantly to the country's economic advancement.

REFERENCES

Adeola, A. (2016). *Impact of External Business Environment on Organisational Performance of Small and Medium Scale Enterprises in Osun State, Nigeria. International Journal of Business Policy & Governance, 3(10), 155-166.*

Adomako, S., Danso, A., & Damoah, J. O. (2015). The moderating influence of financial literacy on the relationship between access to finance and firm growth in Ghana. *Venture Capital An International Journal of Entrepreneurial Finance, 18*(1), 43-61.

Ahmad, N. H., Ramayah, T., Carlene, W., & Kummerow, L. (2010). Is entrepreneurial competency and business success relationship contingent upon business environment? A study of Malaysian SMEs. *International Journal of Entrepreneurial Behavior & Research, 16*(3), 182-203.

Ahmady, G. A., Mehrpour, M., & Nikooravesh, A. (2016). Organizational Structure. *Procedia - Social and Behavioral Sciences, 230*, 455-462.

Ahmed, M. E. (2020). *Assessment of the Impact of Business Environment on Small and Medium Enterprises (SMEs) Performance in Sudan.* Republic of Turkey Sakarya UniversityInstitutes of Social Science.

Ajagbe, M. A., Michael, N., Udo Udo, E. E., & Peter, O. F. (2016). How Organizational Structure Aids Business Performance. *CLEAR International Journal of Research in Commerce & Management, 7*(8), 64-68.

Akanni, P. O., Oke, A. E., & Akpomiemie, O. A. (2015). Impact of environmental factors on building project performance in Delta State, Nigeria. *HBRC Journal, 11*(1), 91-97.

Akinwale, Y. O., Adepoju, A. O., & Olomu, M. O. (2017). The impact of technological innovation on SME's profitability in Nigeria. *International Journal of Research, Innovation and Commercialisation, 1*(1), 74-92.

Almeida, F., Santos, J. D., & Monteiro, J. A. (2020). The Challenges and Opportunities in the Digitalization of Companies in a Post-COVID-19 World. *IEEE Engineering Management Review, 48*(3), 97-103.

Alraja, M. N., Khan, S. F., Khashab, B., & Aldaas, R. (2020). Does Facebook Commerce Enhance SMEs Performance? A Structural Equation Analysis of Omani SMEs. *SAGE Open, 10*(1), 1-14.

Amaral, A., & Pecas, P. (2021). SMEs and Industry 4.0: Two case studies of digitalization for a smoother integration. *Computers in Industry, 125*, 1-10.

Anggadwita, G., & Mustafid, Q. Y. (2014). Identification of Factors Influencing the Performance of Small Medium Enterprises (SMEs). *Procedia - Social and Behavioral Sciences, 115*(21), 215-223.

Antonia, M. (2018). Do Non-Financial Factors Matter for SME's Performance? Case from Jordan. *International Journal of Business and Social Science, 9*(2), 156-167.

Anwar, M. (2018). Business Model Innovation and SMEs Performance — Does Competitive Advantage Mediate? *International Journal of Innovation Management, 22*(7).

Auken, H. V., Madrid-Guijarro, A., & Garcia-Perez-de-Lema, D. (2008). Innovation and Performance in Spanish Manufacturing SMEs. *International Journal of Entrepreneurship and Innovation Management, 8*(1), 36-56.

Bharadwaj, A., El Sawy, O. A., Pavlou, P. A., & Venkatraman, N. (2013). Digital Business Strategy, 37(2), 471-482.

Bhattarai, A. (2019). *SME Financing Problems and prospects.* Kathmandu: National Banking Institute.

Bigliardi, B. (2013). The Effect of Innovation on Financial Performance: A Research Study involving SMEs. *Innovation, 15*(2), 245-255.

Bin, M., Hui, G., Qifeng, W., & Ke, Y. (2021). A Systematic Review of Factors Influencing Digital Transformation of SMEs. *Turkish Journal of Computer and Mathematics Education, 12*(11), 1673-1686.

Biswakarma, G., Gnawali, A., & Khatri, B. (2020). Antecedent of service innovation effectiveness in small and medium enterprises: a case of hospitality sector in Nepal. *International Journal of Operational Research/Nepal, 9*(1), 9-31.

Bjorkdahl, J. (2020). Strategies for Digitalization in Manufacturing Firms. *California Management Review, 62*(4), 17-36.

Borowski, P. F. (2021). Innovation Strategy on the Example of Companies using Bamboo. *Journal of Innovation and Entrepreneurship, 1*(3), 39-58.

Carroll, A. B. (2004). Managing ethically with global stakeholders: A present and future challenge. *The Academy of Management Executive, 18*(2), 114-120.

Cenamor, J., Parida, V., & Wincent, J. (2019). How entrepreneurial SMEs compete through digital platforms: The roles of digital platform capability, network capability and ambidexterity. *Journal of Business Research, 100*, 196-206.

Chang, Y.-y., Hughes, M., & Hotho, S. (2011). Internal and external antecedents of SMEs' innovation ambidexterity outcomes. *Management Decision, 49*(10), 1658-1676.

Chapagain, B. R. (2020). Status of Corporate Social Responsibility Practices in Nepal. *uest Journal of Management and Social Sciences, 2*(1), 1-20.

Chege, S. M., Wang, D., & Suntu, S. L. (2019). Impact of information technology innovation on firm performance in Kenya. *Information Technology for Development, 26*(2), 316-345.

Child, J. (1972). Organizational Structure, Environment and Performance: The Role of Strategic Choice. *Sage Journals, 6*(1), 1-22.

Chittithaworn, C., Islam, M. A., Keawchana, T., & Yusuf, D. H. (2011). Factors Affecting Business Success of Small & Medium Enterprises (SMEs) in Thailand. *Asian Social Science, 7*(5), 180-190.

Cicea, C., Popa, I., Marinescu, C., & Stefan, S. C. (2019). Determinants of SMEs' performance: evidence from European countries. *Economic Research-Ekonomska Istraživanja, 32*(1), 1602-1620.

Curraj, E. (2018). *Business Digitalization of SMEs' in Albania: Innovative Approaches And Their Impact on Performance. European University of Tirana Doctoral School.*

Dahal, N., & Sharma, B. (2004). *WTO Membership: Opportunities and Challenges for SMEs in Nepal.* Small and Medium Enterprises Development Project (SMEDP) and South Asia Watch on Trade, Economics & Environment (SAWTEE) .

Das, B., Hui, X., & Sha, S. J. (2018). Investment policies that support SME self-development. *Human Systems Management, 31*(1), 15-25. doi:DOI 10.3233/HSM-17131

Franco, M., & Matos, P. G. (2013). Leadership styles in SMEs: a mixed-method approach. *International Entrepreneurship and Management Journal, 11*(2), 425-451.

Gamache, S., Abdul-Nour, G., & Baril, C. (2019). Development of a Digital Performance Assessment Model for Quebec Manufacturing SMEs. *Procedia Manufacturing, 38*, 1085-1094.

Ghimire, R. (2011). Micro and Small Enterprises in Nepal : Prospects and Challenges. *Journal of Finance and Management Review, 2*(2), 257-269.

Gray, J., & Rumpe, B. (2015). Models for digitalization. *Software & Systems Modeling, 14*(4), 1319-1320.

Hadi, N. u., Abdullah, N., & Sajilan, S. (2015). Conceptual Framework of Factors Affecting SMEs Manufacturing Business Performance. *Review of Integrative Business & Economics Research, 4*(3), 250-258.

Hao, Q., Kasper, H., & Muehlbacher, J. (2012). How does organizational structure influence performance through learning and innovation in Austria and China. *Chinese Management Studies, 6*(1), 36-52.

Hasan, F. S., & Almubarak, M. M. (2016). Factors influencing women entrepreneurs' performance in SMEs. *World Journal of Entrepreneurship, Management and Sustainable Development, 12*(2), 82-101.

Holtmann, M. (2023, May 18). Impact small businesses make in Nepal. *THE KATHMANDU POST*. Kathmandu, Bagmati, Nepal.

Jaffee, S., & Masakure, O. (2005). Strategic use of private standards to enhance international competitiveness: Vegetable exports from Kenya and elsewhere. *Food Policy, 30*(3), 316-333.

Jardak, M. K., & Hamad, S. B. (2022). The effect of digital transformation on firm performance: evidence from Swedish listed companie. *Journal of Risk Finance, 23*(4), 329-348.

Kahn, K. B. (2018). Understanding innovation. *Business Horizons, 61*(3), 453-460.

Kamunge, M. S., Njeru, D. A., & Tirimba, O. I. (2014). Factors Affecting the Performance of Small and Micro Enterprises in Limuru Town Market of Kiambu County, Kenya. *International Journal of Scientific and Research Publications, 4*(12), 1-20.

Kandel, B. K., & Acharya, J. (2018). Impact Of IT Factors In Nepali Small Family Business Turnover. *SocioEconomic Challenges, 2*(4), 87-100.

Khan, R. U., Salamzadeh, Y., Shah, S. Z., & Hussain, M. (2021). Factors affecting women entrepreneurs' success: a study of small- and medium-sized enterprises

in emerging market of Pakistan. *Journal of Innovation and Entrepreneurship, 10*(1), 1-21.

Khatri, P., & Kothari, H. (2020). Handicraft SMEs and Digitalization: Results from Recent Literature. *UNNATI The Business Journal, 8*(2), 36-49.

Khin, S., & Ho, T. C. (2020). Digital technology, digital capability and organizational performance: A mediating role of digital innovation. *International Journal of Innovation Science, 11*(2), 177-195.

Kilimis, P., Zou, W., Lehmann, M., & Berger, U. (2019). A Survey on Digitalization for SMEs in Brandenburg, Germany. *IFAC PapersOnLine, 52*(13), 2140-2145.

Kinyua, A. N. (2013). *Factors Affecting The Affecting The Performance of Small and Medium Enterprises in the Jua Kali Sector in Nakuru Town, Kenya. Egerton University.*

Kline, S. J., & Rosenberg, N. (2009). An Overview of Innovation . *Studies on Science and the Innovation Process*, 173-203.

Koellinger, P. (2008). The relationship between technology, innovation, and firm performance—Empirical evidence from e-business in Europe. *Research Policy, 37*(8), 1317-1328.

Kourtzidis, S., & Tzeremes, N. G. (2020). Investigating the determinants of firm performance: A qualitative comparative analysis of insurance companies. *European Journal of Management and Business Economics, 29*(1), 3-22.

Kral, P., & Kralova, V. (2016). Approaches to changing organizational structure: The effect of drivers and communication. *Journal of Business Research, 69*(11), 5169-5174.

Kraus, S., Rigtering, J. C., Hughes, M., & Hosman, V. (2012). Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands. *Review of Managerial Science, 6*(2), 161-182.

Laforet, S. (2011). A framework of organisational innovation and outcomes in SMEs. *International Journal of Entrepreneurial Behavior & Research, 17*(4), 380-408.

Lefebvre, E., Lefebvre, L. A., & Talbot, S. (2003). Determinants and impacts of environmental performance in SMEs. *R&D Management, 33*(3), 263-283.

Leung, W.-C. (2001). How to design a questionnaire. *BMJ, 322*. doi:https://doi.org/10.1136/sbmj.0106187

Lewis, V. L., & Churchill, N. C. (1983). The Five Stages of Small Business Growth. *Harvard Business Review, 1*(1), 30-50.

Li, L., Ye, F., Zhan, Y., Kumar, A., Schiavone, F., & Li, Y. (2022). Unraveling the performance puzzle of digitalization: Evidence from manufacturing firms. *Journal of Business Research, 147*, 54-64.

Lin, C. Y.-Y., & Chen, M. Y.-C. (2007). Does innovation lead to performance? An empirical study of SMEs in Taiwan. *Management Research News, 30*(2), 115-132.

Lin, F.-J., & Lin, Y.-H. (2016). The effect of network relationship on the performance of SMEs. *Journal of Business Research, 69*(5), 1780-1784.

Lotfizadeh, F., & Shamsi, N. (2015). Evaluating the Factors Affecting SMEs Performance in Iran. *International Journal of Management, Accounting and Economics, 2*(4), 254-264.

Lunenburg, F. C. (2012). *Organizational Structure: Mintzberg's Framework. International Journal of Scholarly, Academic, Intellectual Diversity, 14*(1), 1-8.

Mansor, N., Yahaya, S. N., & Okazaki, K. (2016). *Risk Factors Affecting New Product Development (NPD) Performance in Small Medium Enterprises (SMEs). Int. J. Rev. Appl. Soc. Sci, 27*(1), 18-25.

Margaretha, F., & Supartika, N. (2016). Factors Affecting Profitability of Small Medium Enterprises (SMEs) Firm Listed in Indonesia Stock Exchange. *Journal of Economics, Business and Management, 4*(2), 132-137.

Marin-Idarraga, D. A., & Hurtado-Gonzalez, J. M. (2021). Organizational structure and convergent change: explanatory factors in SMEs. *Journal of Small Business and Enterprise Development, 28*(6), 908-926.

Marmaya, N. H., Razak, N. A., Wee, M., Karim, R., & Ridzuan, A. R. (2018). Factors affecting Firm Performance of SMEs in Malaysia. *International Journal of Academic Research in Business and Social Sciences, 8*(10), 789-798.

Meijaard, J., Brand, M. J., & Mosselman, M. (2005). Organizational Structure and Performance in Dutch Small Firms. *Small Business Economics, 25*(1), 83-96.

Miller, C. C., Washburn, N. T., & Glick, W. H. (2013). The Myth of Firm Performance. *OrganizationScience, 24*(3), 948-964.

Minniti, M., & Bygrave, W. (1999). The Microfoundations of Entrepreneurship. *23*(4), 41-52. doi:doi:10.1177/104225879902300403

Moorthy, M. K., Tan, A., Choo, C., Wei, C. S., Yong Ping, J. T., & Leong, T. K. (2012). A Study on Factors Affecting the Performance of SMEs. *International Journal of Academic Research in Business and Social Sciences, 2*(4), 224-239.

Ndesaulwa, A. P., & Kikula, J. (2016). The Impact of Innovation on Performance of Small and Medium Enterprises (SMEs) in Tanzania: A Review of Empirical Evidence. *Journal of Business and Management Sciences, 4*(1), 1-6.

Nejatian, M., Nejati, M., Zarei, H., & Soltani, S. (2013). Critical Enablers for Knowledge Creation Process: Synthesizing the Literature. *Global Business and Management Research: An International Journal, 5*(2), 105-119.

Ng, H. S., & Kee, D. M. (2012). The Issues and Development of Critical Sucess Factors for the SME success in a Developing Country. *International Business Management, 6*(6), 680-691.

Nonaka, I. (2007). *The Knowledge-Creating Company.* Harvard Business Review Home.

Oduro, S. (2019). Impact of Innovation Types on SMEs' Performance in the Cape Coast Metropolis of Ghana. *Journal of Entrepreneurship and Innovation in Emerging Economies, 5*(2), 1-18.

Oke, A., Burke, G., & Myers, A. (2007). Innovation types and performance in growing UK SMEs. *International Journal of Operations & Production Management, 27*(7), 735-753.

Oncioiu, I., & Tureac, C. E. (2014). The Evolution of SMEs during 2008-2013 and the Analysis of their Impact on Economic Crisis. *ŒCONOMICA, 10*(4), 208-218.

Parviainen, P., Kaariainen, J., Tihinen, M., & Teppola, S. (2017). *Tackling the digitalization challenge: how to benefit from digitalization in practice. International Journal of Information Systems and Project Management, 5(1), 63-77.*

Paudel, S. (2019). Entrepreneurial leadership and business performance: Effect of organizational innovation and environmental dynamism. *South Asian Journal of Business Studies, 8*(3), 349-369.

Perez-de-lema, D. G., Hansen, P. B., Madrid-Gujjarro, A., & Silva-Santos, J. L. (2019). Influenence of Business Environment in the Dynamics of Innovation and in the Performance of SMEs. *International Journal of Innovation Management, 23*(5), 1-25.

Perrin, B. (2002). How to – and How Not to – *Evaluate Innovation. European Evaluation Society, 8*(1), 13-28.

Qalati, S. A., Li, W., Ahmed, N., Mirani, M. A., & Khan, A. (2021). Examining the Factors Affecting SME Performance: The Mediating Role of Social Media Adoption. *Sustainability, 13*(1), 1-24.

Robu, M. (2013). The Dynamic and Importance of SMEs in Economy. *The USV Annals of Economics and Public Administration, 13*(1), 84-89.

Rosenbusch, N., Brinckmann, J., & Bausch, A. (2011). Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs. *Journal of Business Venturing, 26*(4), 441-457.

Rozak, H. A., Adhiatma, A., Fachrunnisa, O., & Rahayu, T. (2021). Social Media Engagement, Organizational Agility and Digitalization Strategic Plan to Improve SMEs' Performance. *EEE Transactions on Engineering Management*, 1-10.

Sanchez-Riofrio, A. M., Lupton, N. C., & Rodriguez-Vasquez, J. G. (2021). Does market digitalization always benefit firms? The Latin American case. *Management Decision, 60*(7), 1905-1921.

Savlovschi, L. I., & Robu, N. R. (2011). The Role of SMEs in Modern Economy. *Economia, Seria Management, 14*(1), 277-281.

Service, H. N. (2023, March 31). SEBON introduces regulations for SMEs to issue securities. Kathmandu, Nepal.

Shamim, S. (2022). Inspiration and Digitization Strategy for Minority Muslim Women Entrepreneurs in MSMEs: Case Study of Nepal. *Al-Muraqabah: Journal of Management and Sharia Business, 2*(2), 231-255.

Shashi, Centobelli, P., Cerchione, R., & Singh, R. (2019). The impact of leanness and innovativeness on environmental and financial performance: Insights from Indian SMEs. *International Journal of Production Economics, 212*(7), 111-124.

Shettima, M. B., & Sharma, N. (2020). Impact of Digitalisation on Small and Medium Enterprises in Nigeria. *Adalya Journal*, 636-644.

Shrestha, Y. R., Ben-Menahem, S. M., & Krogh, G. V. (2019). Organizational Decision-Making Structures in the Age of Artificial Intelligence. *SAGE Journals, 61*(4), 1-18.

Silwal, P. P., & Mool, S. (2020). Small-Medium Enterprises and credit accessibility in Kathmandu Valley. *International Research Journal of Management Science, 5*(1), 110-129.

Suciu, A. D. (2020). Inside the SMEs Digitalization. A Perspective of the Marketing Decision-Makers. Economic Sciences*, 13*(62), 15-24.

Swaim, R. W. (2022, May 30). Principles of Innovation: Getting Rid of Yesterday.

Taouab, O., & Issor, Z. (2019). Firm Performance: Definition and Measurement Models. *European Scientific Journal, 15*(1), 93-106.

Taylor, M., & Murphy, A. (2004). SMEs and e-business. *Journal of Small Business and Enterprise Development, 11*(3), 280-289.

Teng, X., Wu, Z., & Feng, Y. (2022). Research on the Relationship between Digital Transformation and Performance of SMEs. *14*(10).

Tether, B. S. (2002). Who co-operates for innovation, and why: An empirical analysis. *Research Policy, 31*(6), 947-967.

Thi Nuong, L., Quang Hieu, L., & Thi Loan, N. (2022). Factors Affecting Business Performance of Women-Owned Small and Medium Enterprises in Vietnam: A Quantitative Study. *The Journal of Asian Finance, Economics and Business(JAFEB), 9*(7), 123-133.

Times, T. E. (2023, May 28). What is 'Organizational structure'. Mumbai, India.

Trez, G., & Luce, F. B. (2012). Organizational Structure and Specialized Marketing Capabilities in SMEs. *Marketing Intelligence and Planning, 30*(2), 143-164.

Tushman, M., & Nadler, D. (1986). OrganizingforInnovation. *California Management Review, 28*(3), 74-92.

Viswanathana, R., & Telukdariea, A. (2021). A systems dynamics approach to SME digitalization. *International Conference on Industry 4.0 and Smart Manufacturing, 180*, 816-824.

Vivona, R., Demircioglu, M. A., & Audretsch, D. B. (2022). The Costs of Collaborative Innovation. *The Journal of Technology Transfer*, 1-27.

Vrande, V. v., Jong, J. P., Vanhaverbeke, W., & Rochemont, M. d. (2009). Open innovation in SMEs: Trends, motives and management challenges. *29*(6-7), 423-437. doi:https://doi.org/10.1016/j.technovation.2008.10.001.

Wang, Y., & Poutziouris, P. (2010). Leadership Styles, Management System and Growth: Empirical Evidence from UK Owned-Managed SMEs. *Journal of Enterprising Culture, 18*(3), 331-354.

Worthy, J. C. (1950). Organizational Structure and Employe Morale. *American Sociological Review, 15*(2), 169-179.

Wroblewski, J. B. (2018). *Digitalization and Firm Performance Are Digitally Mature Firms Outperforming Their Peers? Lund University School of Economics and Management.*

Yahya, A. Z., Othman, M. S., & Shamsuri, A. L. (2012). The Impact of Training on Small and Medium Enterprises (SMEs) Performance. *Journal of Professional Management, 2*(1), 15-25.

Zhang, J., & Chen, L. (2014). The Review of SMEs Open Innovation Performance. *American Journal of Industrial and Business Management, 4*(12), 716-720.

APPENDIX

Dear respondent,

I, **SANTOSH SHARMA**, a student of Master of Business Studies (MBS) at Shanker Dev Campus have taken a research study as part of my requirement for the partial fulfillment of my MBS degree at Tribhuvan University.

With regard to this, I would like you to contribute few minutes of your valuable time and kindly fill in the following questions. I would be thankful to you all for your kind cooperation for providing valuable information. All the information received is strictly for academic purpose and will be treated confidentially. Thank you for your support.

Section '1'

Demographic Information

1. Gender
   - Male
   - Female
   - Others
2. Indicate your age group
   - 18-25 Years
   - 26-35 Years
   - 36-45 Years
   - 46 and above
3. What is your education level?
   - SLC/SEE or Below
   - Intermediate

- Bachelors
- Masters

4. Which industrial sector your business fall under?
    - Service
    - Retail
    - Manufacturing
    - Others
5. What is the legal registration status?
    - Registered
    - Not registered
    - Registration in process
6. What was your initial investment outlay for the business?
    - 0-30 lakhs
    - 31-60 lakhs
    - 61 lakh-1 crores
    - Above 1 crores
7. How old is your company?
    - 0-3Years
    - 4-7 Years
    - Above 7Years
8. How long have you been operating your company?
    - 0-3 Years
    - 4-7 Years
    - Above 7 Years

Section '2'

Please indicate your level of agreement with the following statements on a scale from 1 to 5, where 1 represents "strongly Disagree" and 5 represents "Strongly Agree."

S. N.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1.	Use of digitalization provides information regarding planning of firm					
2.	Use of digitalization help in analysis of production efficiency					
3.	It is easy for firm to adopt new technology irrespective of new functionality					
4.	Digitalization has helped firm to increase customer base.					
5.	Adoption of digitalization has equipped firm for next generation customer engagement capabilities					

Section '3'

Please indicate your level of agreement with the following statements on a scale from 1 to 5, where 1 represents "strongly Disagree" and 5 represents "Strongly Agree."

S. N.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	I don't fear risk-taking while implementing new technology					
2.	Use of new methods, procedures and machine has improved firm business efficiency					
3.	Introduction of a new product or hybrid variation has increase performance					
4.	Product value addition and improvement has					

	increased performance of firm					

Section '4'

Please indicate your level of agreement with the following statements on a scale from 1 to 5, where 1 represents "strongly Disagree" and 5 represents "Strongly Agree."

S. N.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	Digital equipment are easily available in firm					
2.	Management of firm is flexible in decision making					
3.	My firm has strong management support in use of digitalization through a shared vision					
4.	There are effective and flexible communication channels in firm					
5.	My firm is responsive to digitalized technology					

Section '5'

Please indicate your level of agreement with the following statements on a scale from 1 to 5, where 1 represents "strongly Disagree" and 5 represents "Strongly Agree."

S. N.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	Firm profitability has increased due to use of digitalized technology					

2.	Firm sales volume has increased					
3.	Firm is able to promotes shareholder interest					
4.	Firm is able to achieve good productivity.					
5.	Firm is able to increase its return on investment (ROI)					
6.	Firm is able to expand in the market.					

“Thank you for your time and answers”

PAPER NAME

FACTORS AFFECTING SMALL AND MEDI UM ENTERPRISES PERFORMANCE IN N EPAL

AUTHOR

Santosh Sharma

WORD COUNT

20218 Words

CHARACTER COUNT

119726 Characters

PAGE COUNT

72 Pages

FILE SIZE

158.4KB

SUBMISSION DATE

Jun 10, 2025 12:45 PM GMT+5:30

REPORT DATE

Jun 10, 2025 12:46 PM GMT+5:30

18% Overall Similarity

The combined total of all matches, including overlapping sources, for each database.

- 17% Internet database
- 8% Publications database
- Crossref database
- Crossref Posted Content database
- 0% Submitted Works database

Excluded from Similarity Report

- Bibliographic material
- Quoted material
- Small Matches (Less then 10 words)