CREDIT ACCESSIBILITY AND PERFORMANCE OF SMEs INSIDE KATHMANDU VALLEY

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Recommendation

Certification

Declaration of Authenticity

I, Sharmila Adhikari declare that this GRP is my own original work and that it had fully and specifically acknowledged wherever adapted from other sources. I also understand that if at any time it is shown that I have significantly misinterpreted material presented to SOMTU, any credits awarded to me on the basis of that material may be revoked.

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Abbreviations

AOO	Age of Owner
AOF	Age of Firm
CA	Credit Accessibility
CS	Collateral Security
PLI	Prescence of Lending Institutions
LL	Literacy Level
IRC	Interest Rate Charged
GRP	Graduate Research Project
OECD	Organization for Economic Cooperation and Development
SMEs	Small and Medium Size Enterprises
SP	SME Performance
SPSS	Statistical Packages for Social Sciences

Executive Summary

The primary objective of this study is to investigate the impact that credit access and its effect on the performance of small and medium-sized businesses in Nepal. 385 replies that may be used were categorized after being selected at random using convenience sampling. In this research, credit accessibility and the performance of small and medium-sized businesses in the Kathmandu valley were analyzed. In this research, the factors that were utilized were collateral security, the availability of lending institutions, literacy level, the interest rate charged, credit accessibility and the performance of SMEs. According to the findings of the analysis, the current researcher discovered that, among the characteristics of SMEs, the age of the owner had a significant impact on the accessibility of credit for SMEs. On the other hand, the age of the firm and the size of the firm had an insignificant impact on the accessibility of credit for SMEs. According to the findings of the research, the demographic characteristics of business owners account for just 1.9 percent of the variability in the amount of credit facilities that small and medium-sized enterprises (SMEs) may get from financial institutions when other variables are kept constant. In a similar vein, collateral security is pointing to the detrimental impact that collateral security has on the availability of credit. In a similar vein, the availability of lending institutions, the degree of literacy, and the interest rate that is charged all indicate a beneficial influence on credit accessibility. When other factors were kept the same, the study found that variables related to the study, such as collateral security, the presence of lending institutions, literacy level, and the interest rate charged, only contributed 86.5 percent of the variability to SMEs' access to credit facilities from financial institutions.

Keywords: Credit accessibility, SMEs performance, interest rates, collateral security, literacy level

CHAPTER I
INTRODUCTION

1.1 Background of the Study

World Bank (2013) classified small and medium-sized enterprises (SMEs) as enterprises with a relatively limited market share (on employee count, revenue, ownership, and assets). Those that are handled personally by owners or part owners rather than via a codified management structure and are self-sufficient at the sense of constituting a major organization. SMEs are critical to the economy of any country, developing or developed, also to people. SME's create jobs and raise the living conditions of individuals, employers and workers alike. They are a significant source of entrepreneurial abilities and ideas (Wairimu, 2015).

Accessibility to credit refers to an organization's or individual's capacity to get external money as means of alleviate cash flow concerns (Osoro & Muturi, 2013). Short-term or long-term credit might be granted based on the lender's evaluation of the borrower's capacity to repay the loan. According to (Monteiro, 2013) SMEs often have restricted access to nonbank lenders due to lack of trustworthiness in their information, which is typically unpublished, as a result, they are challenged by financing. The availability of credit for SMEs is the primary topic of this research.

Minh (2012) found that although company characteristics are not the primary determinant of SME financing, a business's financial leverage affects its likelihood of acquiring bank loans in Vietnam. Additionally, a Malaysian examination into the factors affecting loan access revealed availability of collateral has a crucial influence in determining loan's repay ability (Haron, Said, Jayaraman, & Ismali, 2013). Additionally, research conducted in Ghana indicated that absence of collateral, high borrowing costs and financial statements that have not been audited which contribute on difficulty on securing bank loan (Ackah & Vuvor, 2011). In Nigeria, Ubon and Chukwuemeka, (2014) analyzed social capital, gender and enterprise age as significant influences on informal access to credit. Informal credit access refers to credit sources that are not supervised and charge a high rate of interest, such as money lenders, societies, and so on. On the contrary, formal credit access refers to credit sources that are supervised and lend slightly more credit at a lower interest rate, such as banks and traders. Enterprise age, size, collateral, and education are significant

influences on formal financial institutions at most developing countries are often unable or unwilling to provide loans to SMEs businesses. Instead, they prefer to lend on well-established enterprises that have kept their financial records and credit histories in good standing over an extended amount of time. SMEs businesses have the hardest time getting loans from traditional banks because they need collateral. This may be ascribed to the size and age of SMEs, having no business plan, having no collateral, having no financial information, bank criteria, along with educational background and business owner's expertise or managers (Abdesamed & Wahab, 2014). Financial documents or records that are in order, including appropriate collateral in the form of physical assets, are preferred by commercial banks over SMEs. However, obtaining enough collateral is challenging for SMEs. Additionally, SMEs face a finance scarcity due to information asymmetry.

Most financial institutions along with non-financial institutions require collateral in the form of tangible assets in addition on other stringent requirements to reduce repayment default rates while lending to SMEs. Hall and Fang (2004) found that lending to SMEs was perceived as being riskier than lending to large established firms. Commercial banks that lend to SMEs confront a number of challenges in acquiring accurate and trustworthy information about the performance and financial status of SMEs. Therefore, commercial banks are hesitant to provide funding for startups, particularly those with inadequate collateral to back their claims (Kravchenko, 2011). Furthermore, the majority of commercial banks prefer to supervise the enterprises to whom they lend cash as a way to make certain that the funds are properly spent in based on what was agreed upon in the preliminary agreement and for what reason. The likelihood of commercial banks engaging in credit restriction practices with regard to small and medium-sized firms is higher than they are towards large established businesses. It is for this reason that it is harder to keep an eye about small and medium-sized businesses (SMEs) than it is on large, well-known businesses (Alhassan & Sakara, 2014).

1.2 Problem Statement

SMEs are often considered to be as engine that drives the economy yet, they are frequently denied financing due to their inherently unpredictable character. It is recognized as a significant risk that has lasted for a considerable a predetermined

amount of time and that necessitates an immediate and appropriate response from both non-governmental groups and government-based entities. It is impossible to overstate on significance of SMEs in Nepal's growth. In the lack of adequate credit facilities for small companies, the whole economy would experience a breakdown and, eventually, will collapse. Many SMEs lack sufficient financing because they are unable to get bank loans. Even those with whom banks are willing to do business do not receive amount of money they seek. Henceforth, rationing of bank loans is a practice that is carried out by banks and other types of financial organizations. Because of this way of doing things, some businesses are able to get loans while others are unable to obtain loans at all. Furthermore, many businesses that get loans do not receive the same quantity of money that they sought.

Joseph (2013) claimed that financial qualities such as company registration, precise documentation of transactions and financial operations, furthermore to sound business planning have a favorable connection with credit accessibility. Because all entrepreneurs who were able to access loans stated that they owned assets such as houses, land, business products, and fixed assets, they concluded that asset ownership is significant requirement for obtaining credit from financial institutions. Depending on the quantity of credit requested, ownership of property may serve as collateral. Credit access, was not entirely dependent on asset ownership.

According to a study published by EC (European Commission) in 2013, access to financing is a critical predictor of company start-up, development and growth on small and micro-sized businesses. It was stated that, when compared to big companies, they have quite distinct requirements and confront extremely different difficulties while it comes on funding. The study's results seem to show that since there's no money to consist of equity capital in small businesses, these organizations are of less significance than other sources of capital like a bank loans and other types as financial products. The current economic environment has brought the needs of SMEs into sharper focus, owing to a significantly reduced credit supply condition as result of banks' reduced ability and willingness to provide the financing on which this sector is particularly reliant (European Commission report, 2013).

According to Stiglitz and Weiss (1981), value of the borrower's collateral is one factor that is considered while evaluating the borrower's creditworthiness. Loan contracts with

greater collateral values and lower interest rates, also loan contracts with lower collateral values and high interest rates, are use by bank to filter out potential clients. Because this promise is less expensive for borrowers who have fewer chances of losing the pledged collateral, even if risk characteristics may not be immediately apparent, lower risk borrowers will nevertheless pledge more and better collateral value than riskier borrowers. The possibility of losing collateral serves as a deterrent to the borrower. As a result, the promise of collateral results in a greater degree of effort to fulfil loan terms and meet loan obligations, lowering the likelihood of a borrower defaulting. As a result, collateral may be used to assist in the resolution of moral hazard issues (Aghion & Bolton, 2012).

According to Vuvor and Ackah, (2011), it became clear that small and medium-sized enterprises in Ghana, like other SMEs in other countries, suffer significant difficulties when it comes to gaining access to financial resources. The inability of SMEs to produce collateral and other documents required by banks, such as audited financial statements, in combination with the high cost of loan in the form of high interest rates, making it very difficult to obtain bank loans. According to Yildirim, et al. (2013), small and medium-sized enterprises (SMEs) have greater difficulties obtaining financing than big corporations, resulting in the development of barriers to innovation and growth. Yeboa et al. (2014), a significant number of banks still do not have separate organizational arrangements for managing the banking relationships of small and medium-sized enterprises (SMEs). Accordingly, it's possible that the application of due diligence systems that are designed for large corporations, which may have a detrimental effect on SMEs.

There is a strong correlation between the capacity of small and medium-sized businesses to get finance and their owners' age, the number of years the firm has been in existence, as well as their educational background. Having a higher education level may help a small company owner receive credit and develop his or her business, according to the results of this study. An educated SME owner would be more informed and better equipped to grasp the lending processes (Hussein, 2015). Full credit accessibility is positively correlated with the owner's age, tax number, location, and kind of company ownership, but negatively correlated with the owner's gender, type of business ownership, and collateral, according to data from the Balogun et al. (2017)

research. The research also revealed that small and medium-sized enterprises (SMEs) were unable to get full credit because of a lack of collateral, a lack of a cash flow statement, and a lack of owners' equity.

However, despite the enormous importance of the SMEs sector in the growth of the national economy, particularly in terms of poverty alleviation and job creation, many SMEs in Nepal are unable to realize their full potential as the result of a variety of factors that hinder their performance and growth. Limited availability and accessibility of financing is the most significant issue contributing to the underwhelming performance and development of small- and medium-sized enterprises (SMEs). The study was done to find out what factors affect how easy it is for small and medium-sized businesses in the Kathmandu Valley to get credit. Based on the various empirical review on problems statement, the following questions are raised to fill the gap from previous research.

- How is collateral security, presence of lending institution, literacy level and interest rate charged affect the credit accessibility of SME's at Kathmandu Valley?
- What is the effect of moderating variables like age of owner, age of firm and size of firm in credit accessibility of SME's at Kathmandu Valley?
- What is the impact of credit accessibility on performance of SME's at Kathmandu Valley?
- Which of the study variable made a major impact on credit accessibility on SME's at Kathmandu Valley?

1.3 Research Objectives

The main objective of this study is to analyses the credit accessibility among small and medium enterprises at Kathmandu valley. The other objectives of this study are spelled out as:

- To examine the effect of collateral security, presence of lending institution, literacy level and interest rate charged affect the credit accessibility of SME's at Kathmandu Valley.
- To assess the effect of moderating variables like age of owner, age of firm and size of firm in credit accessibility of SME's at Kathmandu Valley.

- To analyze the impact of credit accessibility on performance of SME's at Kathmandu Valley.
- To find out the most influential variable of credit accessibility on SMEs at Kathmandu Valley.

1.4 Importance of the study

The growing importance of SMEs in the Nepalese economy, as well as the ongoing limitations they confront in their operations, prompted this study. Small and medium-sized enterprises (SMEs) have been recognized as one of Nepal's development strategies for boosting industrialization, creating jobs, sparking innovation, and eradicating poverty. As a consequence of the study's findings, small and medium-sized business owners in Nepal will have a better understanding of the primary factors influencing their ability to receive finance. The findings of this study will be put to good use by the Nepalese government, as well as other nations, when formulating policies related to planning. This will also assist them in developing a policy that is inclusive of all merchants, especially small and medium-sized enterprises (SMEs). The educational institutions and non-governmental organizations will also be able to concentrate their efforts on the needs of small and medium-sized businesses, to educate them about the realities of doing business, and to identify areas where grants or donations can be made, as well as to provide training for the less fortunate. According to academics and researchers, this study will be useful as a point of departure for future research on the factors that impact the capacity of small and medium-sized firms to get loans.

1.5 Scope and Limitations of the study

Each and every research work has more or less limitations. To make this study precise, meaningful and valuable some limitations are made, so that the objective of this study is achieved within limited time, resource and information. Some limitations of this study are as follows:

- The study is limited to SMEs at Kathmandu Valley only.
- The sample size were 385 SME's samples only which is a small size of sample.
- The result obtain from the study can't be generalized for all similar organization due to varying nature of their operation and business.
- In this study only selected statistical tools and techniques are used.

- There are many factors that affect the credit accessibility and performance of SME's. However, only limited factors among with demographic factors related to SME's credit accessibility and performance are considered in this study.

1.6 Structure of the Report

This research is divided into five chapters. Introduction is the focus of the first chapter. In this part, the study's context, problem statement, study goals, research rationale, study limitations, and study structure are accessed. The second chapter is a review of the literature. A theoretical review, which includes a review of books and theoretical considerations that are related to the subject, as well as an empirical review, which includes a review of reports, journals, prior thesis, and other sources are included in this section. The third chapter describes the research technique that was utilized in the study, which covers the research design, data sources, data collecting processes, and methods of data analysis, among other things. The fourth chapter provides an explanation of the analysis and results. An extra number of subheadings are provided in this chapter, each of which is dependent on the kind of data that is available. Finally, the discussion, conclusion and implications are discussed in Chapter Five. The references and appendices are provided at the end of the research.

CHAPTER II

RELATED LITERATURE AND THEORETICAL FRAMEWORK

A literature review is a paper published by someone to analyze the important aspects of current knowledge, which may include substantive results as well as theoretical and methodological contributions to a certain field. This chapter reviews the research on ideas and models linked to the determinants of credit accessibility for SMEs. This section also includes empirical investigations relevant to this study as well as an estimating model. It also examines empirical research on the factors influencing loan availability and SMEs' success.

2.1 Theoretical review

One among the key obstacles to the credit access by SMEs is bank specific, SMEs specific and macroeconomic factors. Moreover, the opposite factors include legal factors affecting the banks, competition within the market of SME, lending characteristics of SMEs, contractual environment and lack of adequate demand. Consistent with International Labor Organization, in various countries, the enterprises commence their business on micro level and that they have rarely the chance for moving beyond 2-3 employees in size (Amentie, Negash, & Kumera, 2016). According to the International Labour Organization (ILO), as in many countries, it appears that enterprises start on a micro, subsistence level and infrequently have the chance to maneuver beyond two to three employees in size.

2.1.1 Small and Medium-Sized Enterprises (SMEs)

Small and medium-sized enterprises (SMEs) are widely acknowledged to play a significant role in the development of the social economy around the globe. This seems to be the case in Nepal, where small and medium-sized firms (SMEs) play a key role in job creation, income generation, and development promotion in both urban and rural areas. The term "small and medium-sized businesses" (SMEs) has many distinct meanings depending on the country. The term "small and medium-sized companies" (SMEs) refers to organizations that have between 10 and 250 workers and is used in the majority of industrialized nations (or, in some countries, 500). A small to medium-sized organization (SME) is often seen as occupying as center of the firm size distribution bigger (and frequently more structured) than "micro-enterprises," which are typically informal entities employing no more than a few individuals (Jaques,

2000). Many small and developing nations, and particularly in this respect, enterprises employing 250 to 500 employees might easily be considered among the largest firms in the country, if not the largest. Globally, there are many distinct types of SMEs, and each of them has operated differently due to various restrictions such as managerial challenges and/or a lack of financial resources (Fowel, 1998). Several small and medium-sized enterprises (SMEs) are at various phases of development. To provide an example, a big majority of SMEs are very steady in technological advancements, market share, and market size. As a result, many small and medium-sized enterprises (SMEs) operate in the retail or service sectors. Unprecedented numbers are either stagnant or on the verge of failing in their current state. Other small and medium-sized enterprises (SMEs) are technologically sophisticated experts that fill critical product or service niches in today's complicated contemporary economy. Small and medium-sized enterprises (SMEs) are considered as a method of relieving and eliminating poverty by individuals who come from underdeveloped nations, and this is what has reflected in the Nepalese poverty alleviation and reduction strategy.

Small and medium-sized enterprises (SMEs) are defined differently by various researchers in different countries. In contemporary economies, small and medium-sized firms (SMEs), which generally employ between 10 and 250 employees, may be major engines of development because of their role as seedbeds for innovation in the economy. Ainley (2005) contends that small and medium-sized enterprises (SMEs) are under-represented in most of the developing world, inhibited by unfavorable regulatory environments and limited access to inputs. In many cases, the lack of financial resources is a crucial factor. Whenever donors aim to assist the extremely poor, smaller businesses (micro-enterprises) typically get more attention. In contrast, the sort of assistance inherent in microfinance loans is often geared to serve their somewhat bigger, and perhaps more active, relatives, the small and medium-sized enterprises (SMEs) (Voibly, 2004). Commercial banks going "down-market," micro-credit institutions moving "up-market," and innovative applications of venture capital investment concepts are among the new possibilities developing for fulfilling the financial requirements of small and medium-sized enterprises (SMEs). One school of thought holds that governments can assist small and medium-sized enterprises (SMEs) by removing artificial policy and regulatory barriers to SME lending and that policies that promote greater competition within the financial sector as a whole are generally

expected to be especially beneficial for smaller borrowers like SMEs. It is also possible for external forces to contribute, such as encouraging the development of credit information systems and reforming collateral requirements. They may also be beneficial in a selective pump-priming function, for example, by partly guaranteeing the entry of commercial lenders into the SME lending market. There is also a significant role for private investors, who may work in conjunction with and in partnership with the public sector. Firms facing high-risk, high-return circumstances may be able to attract the attention of "angel investors" from inside their own country (World Bank, 2002). It should be noted that donor assistance for conventional microfinance models has contributed to the provision of basic financial services to millions of low-income individuals. It is time, according to the International Monetary Fund (IMF), to give more attention to the ability of small and medium-sized commercial enterprises to stimulate economic growth in order to aid in the development of dynamic competitive economies in emerging nations (IMF, 2000).

There is no commonly agreed definition of what constitutes a small or medium-sized business. In the United States, the word "SME" refers to a broad variety of definitions and indicators that differ from nation to country and across the sources that publish SME definitions. Small and medium-sized companies (SMEs) are the most common kind of business organization in most nations, accounting for more than 90 percent of all registered businesses. They play a critical role in promoting long-term economic development and the creation of new jobs. From past research, it can be established that the more successful small and medium-sized enterprises (SMEs), the richer the nation.

2.1.2 Credit Accessibility

According to the American Bankers' Association (2001), credit is defined as money that has been loaned to someone. Credit cards, personal loans, overdrafts, and mortgage loans are all examples of common types of credit available. These phrases can relate to the debt repayment conditions of your agreement with a creditor, such as the period of the agreement (60 months or 48 months). According to the Organization for Economic Cooperation and Development (2006), microfinance institutions (MFIs) are the most important source of foreign funding for SMEs in the world. The banking system must thus be prepared to lend credit to the SME sector as a result of this. In addition to these rigidities, there are a variety of other factors such as macroeconomic, institutional and

regulatory factors that may cause the whole banking system to be biased against lending to small and medium-sized enterprises. Macroeconomic policies may result in an oversupply of accessible local savings, whilst government policy may favor industrialization and/or import substitution, resulting in preferential access to credit for major domestic corporations. On the contrary, these conditions make it difficult for a small or medium-sized enterprise (SME) to get credit since all of the efforts and rules are geared toward big borrowers at the expense of small businesses. The argument made by Chowdhury (2002) is that credit terms, particularly loan amounts, interest rates, and repayment time, drive local market competition among microfinance institutions in Bangladesh. It is further argued that some borrowers and MFIs opt for a package of low interest rates tied to a small amount of loan disbursed, whereas other borrowers and financial institutions settle for a package of high interest rates tied to a large amount of loan disbursed. The use of typical credit scoring methodologies (which quantify such factors as the characteristics, assets, and cash flows of businesses/owners) by financial institutions in the assessment of very modest and easy business loan applications is not uncommon. This, in combination with the terms and conditions that are thought to safeguard their loans, might seem as burdens to the borrowers, and since they (SMEs) do not have appropriate or no collateral, as mentioned by Katto (2008), their performance is negatively impacted as a result of this.

Small and medium-sized enterprise (SME) company entrepreneurs play an important part in the Nepalese economy. These company owners contribute to the creation of jobs, the generating of money, and the reduction of poverty. Small and medium-sized firms (SMEs) are classified by the United Nations Development Organization (UNIDO) as those that employ between one and ninety-nine employees in developing countries (Narteh, 2012). The research study examines the obstacles that Kenyan SME firm owners and managers have faced in gaining access to financing during the last two decades. Despite their importance, small and medium-sized enterprises (SMEs) in Kenya suffer financial issues that hinder their profitability and development. According to Gaitho (2013), the inability to provide collateral was a barrier to obtaining access to finance. Although the results of this researcher were comparable to those of the previous researcher, there were some differences. Furthermore, hefty processing costs and a short payback time, according to Gichuki et al. (2014), restricted SME access to finance in addition to a lack of collateral. As a first-of-its-kind discovery, Makena et al. (2014) discovered that cultural norms act as a barrier to obtaining loans.

Additionally, Makena et al. (2014) discovered that small and medium-sized enterprises (SMEs) had difficulty obtaining loans because of a lack of information. Gaitho (2013) discovered that a lack of credit information prompted banks to put in a risk premium when pricing credit, which resulted in a high cost of borrowing as a result. Aside from that, according to the author, having a credit reference bureau (CRB) enables banks to exchange credit information on potential borrowers, which simplifies the examination of loan requests. Shared credit information allows banks to decrease the risk of bad debts, lowering the cost of credit and consequently increasing access to credit for more people. Moyi (2013) discovered that small and medium-sized enterprises (SMEs) have restricted access to loans because of a lack of access to technology and fixed work places. In order to secure access to credit, strategically positioned businesses with access to technology outperformed their counterparts in terms of accessing information and obtaining financing.

2.1.3 Alternatives of Credit Accessibility by SMEs

Alternative sources of entrepreneurial finance are increasing; however, SME owners' comprehension of bank financing options remains in its infancy (Bruton, Khavul,, Siegel, & Wright, 2015). Alternatives to bank credit include informal loans with higher interest rates such as microfinance, crowdsourcing, and peer-to-peer innovations to exploit possibilities for which more conventional financing is not easily accessible. Bruton et al. (2015) verified that SME owners only choose alternative sources of credit that do not necessitate giving up management of the SME and need reduced service expenses. The availability of funding is a crucial component in the development, expansion, and successfulness of SMEs. New financial alternatives employ platform-mediated ways to aggregate numerous, typically tiny, individual transactions. SME owners who have been deterred from obtaining traditional forms of credit resort to alternative finance sources (Bruton, Khavul,, Siegel, & Wright, 2015). However, the link between discouragement and choice of alternative funding channels might differ by degree of development among loan and equity providers; and between established, developing, and intermediate economies. Intrinsic motivations, including gratifying altruistic drives, drive micro lending and other alternative kinds of financing.

Small and medium-sized enterprises (SMEs) have long been largely dependent on conventional bank funding, but the recession showed the need to widen the variety of alternative financing instruments available to them in order to increase their financing

options (Wehinger, 2014). It is difficult for small and medium-sized enterprises (SMEs) to obtain credit due to their opacity (that is, the lack of a credit agency rating, the unavailability of relevant financial information, reliance on local markets, narrower range of borrowing options, a lower amount of real collateral, and greater ambiguity regarding future cash flows). Unlike major corporations, small and medium-sized enterprises (SMEs) do not have access to the financial markets and so have a restricted range of options for obtaining external financing. There has been very little study on how SMEs might transition away from their reliance on community banks and toward alternate sources of external credit, in spite of this susceptibility.

In Holton and McCann (2013), small and medium-sized firms (SMEs) are less likely to participate in growth-promoting activities such as investing, marketing, hiring, exporting and importing because of funding constraints. As a consequence of the financial crisis, there was a complex finance gap that hindered economic recovery and development. Credit strategies are influenced by the life cycles of SMEs, their development aspirations, and their views (Fraser et al., 2015). Furthermore, the development of a comprehensive knowledge under a variety of reserve, equity capital, and loan default treatment scenarios does not exist. The reserve banking system's revolution took place over time, and each stage of the revolution had only a limited grasp of the system's behavior at the time. The system's long-term behaviors were not taken into consideration throughout successive efforts to address faults. As a consequence, a SME owner's access to external funding may improve as the company's size and age increase, allowing it to better support the financial development cycles of the firm (Fraser, Bhaunik, & Wright, 2015). Financial options such as leases, supply chain financing, peer-to-peer lending, venture capitalists and crowd funding, according to Fraser et al (2015), may help to close the gap in funding supply that has recently emerged. Additionally, financial methods such as bootstrap finance, bricolage, and crowd funding may be available to help a small firm get off the ground (Fraser, Bhaunik, & Wright, 2015). Finding out how different kinds of funding affect long-term growth should help policymakers decide which financing method is most likely to work in the future. Angel investors, credit guarantee funds and venture capital organizations are among the alternative sources of finance that may be used to meet the credit needs of small and medium-sized enterprises (SMEs) (Karadag, 2015).

When it comes to a company's growth, the consequences of financial restraints are significant, and they work via a variety of different processes. As far as the receiving SME is concerned, trade credit and bank loans are both insufficient substitutes for traditional sources of financing. Researchers Bottazzi et al. (2014) revealed that financial restrictions amplify the negative link between average growth and size (e.g., lower growth rates that characterize large firms become even lower among constrained firms). Due to the lower negative correlation between growth volatility and size for more severely limited businesses than for unconstrained firms, it seems that bigger organizations are less able to leverage their diversified structure because of financial limitations (Bottazzi, Secchi, & Tamagni, 2014). As a result, during situations of financial restriction, small and medium-sized enterprises (SMEs) rely more on the imperfect replacement, trade credit.

2.1.4 Financial Institutions Credit and Development of Micro Enterprises

Despite their small size, micro enterprises have a significant impact on the country's social and economic development, contributing significantly to the productive and efficient use of scarce resources, the creation of jobs, the improvement of income distribution, the dispersion of industry across the country's regions, and the development of dynamic private enterprises (Bendera, 1997). As a result, small and medium-sized enterprises (SMEs) play a significant role in increasing the contribution of the country's indigenous private sector (Mkude, 2004). Small and medium-sized enterprises' (SMEs) growth is largely dependent on the financial help they get both internally and outside. If the internal sources of funding are insufficient, external sources of funding such as loans from financial institutions, equity financing, and contributions from family and friends become vital. The share of informal and small businesses in Nepal's development process must increase in order to boost the private sector's contribution to the process. It has been highlighted as a significant impediment to the creation and expansion of individual and small businesses because of a lack of access to the necessary financial resources for them to begin operations and expand (Mkude, 2004).

From a global viewpoint, it has been shown that the contribution of SMEs to GDP and employment is considerable in a number of nations throughout the world. In Uganda, SMEs provide 40% of GDP, more than 50% of which goes to manufacturing, and more than 80% of which goes to wholesale and retail sales. Over 42% of the country's GDP

is generated by small and medium-sized businesses (SMEs) (GDP). Small and medium-sized enterprises (SMEs) make up 38 percent of Japan's GDP, despite the country's mature economic structure. According to the World Bank, SMEs in Italy, Ireland, Israel, Portugal, and Spain contribute between 35 and 50 percent of GDP (ILO, 2001). The question of what role financial institutions may or should play in facilitating this goal is still open to dispute.

2.1.5 Challenges Preventing SMEs From Accessing Credit

If small and medium-sized businesses are having trouble getting trade credit, it's because of the lack of financial goods and services available, regulatory rigidity or legislative loopholes, and a lack of information on both the banks' and SMEs' sides. It is possible that banks may refrain from giving funding to some kinds of SMEs, in particular start-ups and very young enterprises, which often lack adequate collateral, or firms whose operations provide the potential for significant rewards but also pose a significant risk of loss. There are several hurdles to the growth and development of the construction sector. Among these are policy regulations, a lack of a sound financial infrastructure, firm regulations, trade regulations, and tax regulations. Other factors include shifting government policies and tax rates, corruption, labor regulations, the cost of capital, and intense competition for limited opportunities (Uriyo, 2004).

According to Angela and Motsa Associates (2004), entrepreneurs face a number of difficulties when attempting to obtain trade credit, particularly from banks, including a lack of collateral security, refusal to use own collateral, failure to make a significant own contribution, blacklisting, failure to analyze appealing financial documents and/or business ideas, and a high probability of collapse.. The most common concern is that there is not enough collateral, according to Foxcroft et al. (2002), and this is particularly troublesome for entrepreneurs seeking operating capital. Blacklisting and a lack of proper financial documents are two further considerations that may lead to an offer of money. According to the findings of this research, a significant number of those who applied for jobs but were turned down were in fact rational thinkers.

Banking institutions are reluctant to lend to certain types of small and medium-sized enterprises (SMEs), including start-ups and small businesses that lack sufficient collateral, moreover, enterprises with strong returns-on-investment potential that also have a significant failure risk, if one were to believe what the Organization for

Economic Cooperation and Development (OECD) (2006) has to say about the matter. Based on these interactions, it is fair to infer that SME access to financial aid is hindered by a variety of constraints. Consequently, it is essential to recognize and comprehend the hurdles that small and medium-sized firms (SMEs) in the South African construction industry face when applying for financing.

2.1.6 Pecking order Theory

In Pecking Order Theory, transaction costs and asymmetric information are taken into consideration. This theory implies that businesses adhere to the financing hierarchy and that the funding comes from either external or internal sources. According to this idea, a company will seek external funding only after its internal resources have been depleted. This theory asserts that businesses adhere to a hierarchy of financing sources and prefer internal financing when it is available, while preferring debt over equity if external financing is required (equity would require the issuance of shares, which would constitute "bringing external ownership" into the company). If this strategy is taken, the company will need investment from the outside, which will not involve any risk and will not impose any limitations on the operation of the business. It is pertinent to small and medium-sized enterprises (SMEs) since external funding requires collateral and the vast majority of owners of small businesses lack appropriate real estate or other assets to provide as collateral in return for a loan. Consequently, individuals prefer to get knowledge from other sources (Gebreyohannes, 2015). This strategy seeks to reduce the probability that valuable investment initiatives will be skipped as a consequence of this risk by attempting to fund them internally rather than outside. It is more probable if retained earnings are insufficient, they will seek debt financing rather than equity financing. This is because debt lenders, who have a previous claim on the business's assets and profits, are less susceptible to errors in evaluating the company than stock investors. When using this strategy, managers will only turn to equity financing as last option. As a result, In contrast to the trade-off strategy, corporate gearing does not always have a target or ideal level. Instead, it represents a company's requirement for external capital.

Myers (1994) introduced the first version of this model, which implies that organizations prefer to finance their requirements in a hierarchical manner, first with internally available cash, then borrowing, and lastly raising external equity. Small

businesses tend to be preoccupied with concentrating on "sources of money that cause the least amount of disruption to their operations." As a result, companies don't have an ideal debt-to-equity ratio, but rather a variable ratio that is justified by the firm's need for external financing. The pecking-order model, on large part, explains how specific qualities of a corporation might impact the choice to use leverage. As Myers mentioned, certain entities follow a particular hierarchy when determining which alternative source of financing to turn to next, and the fear of interference and dilution of power in an organization may lead to the selection of specific sources. Myers (1994) that issuing loans backed by collateral may help to lower the asymmetric information costs associated with financing. As a result of the disparity in knowledge between the persons involved, the moral hazard issue (also known as concealed action) and/or adverse selection may arise (hidden information). Due to the asymmetric information costs connected with financing, collateral-backed debt may be able to lower these costs.

2.1.7 Trade off Theory

It explains that there are pros and cons to borrowing money, including the tax benefits of indebtedness and the cost of borrowing money (the bankruptcy costs of debt). When deciding how much debt and equity to utilize for financing, a company seeking to maximize its total worth will consider this trade-off. This hypothesis may empirically explain variations in debt-to-equity ratios across businesses, but not differences within the same industry. This hypothesis explains why firms are often funded partially via debt and partially through equity. When deciding how much debt and equity to utilize for financing, a company seeking to maximize its total worth will consider this trade-off (Linus, 2013). Different explanations give the theoretical foundation for the decisions made by enterprises in their particular fields on the justification for the selection of funding sources and the suitable mix of financing sources and financing sources. This model assumes that the company would strive to achieve the optimum gearing levels that will balance the tax advantages of more debt with the costs of financial hardship that are predicted to accrue over time as the amount of indebtedness increases (Brierley, 2001). If managers take into account the non-tax advantages of debt, such as knowledge asymmetries between lenders and borrowers, they will only consider raising equity when the company's shares seem to be overpriced. When a new stock offering is disclosed, investors discount any new and existing shares as a result.

Cassar and Holmes (2001) discovered that firms make trade-offs between a variety of

factors, including the firm's exposure to bankruptcy and agency costs, and the tax advantages associated with debt use. In order to mitigate the heightened risk of liquidation, firms seek to reduce their cost of capital by refraining from taking on further debt. In exchange for the costs associated with bankruptcy and agency, corporations take on debt in order to benefit from tax breaks. This suggests that there is an ideal debt-to-equity ratio for the company, which fluctuates over time as the advantages and costs vary (Modigliani & Miller, 1963). It is obvious that managers would choose a combination of sources that will reduce the cost of capital while at the same time avoiding exposing the entity to elements that might have a negative impact on the firm's ability to continue operating.

2.1.8 Cognitive Capital Construct

As described by Jonsson and Lindbergh (2013), social capital is a cognitive concept that describes how members of a network exchange language and systems of meaning in order to get access to knowledge and resources that they would not otherwise be able to receive. The trust between individuals who have the same vision and language is typically mutual, which allows the flow of information and the access to resources necessary to run their enterprises. Using the cognitive component of social capital, Pearson et al. (2008) describe how the family and the company come together to foster collective knowledge and collaboration in order to attain long-term objectives. When individuals have a single goal, there is nothing that can prevent them from working together to realize that objective. However, there are several limits to the cognitive concept of capital. Lack of fresh information has a negative impact on motivation, which has resulted in many individuals abandoning the network. Small and medium-sized enterprise (SME) business owners need to share their knowledge, beliefs, and processes in order to foster a shared understanding and cooperation that will make it easier for everyone to get information and money.

Prasad et al. (2012) discovered that small company owners in the United States rely on social capital to acquire finance during times of recession in order to survive. Small company owners must work together to have access to financial resources in order to achieve long-term, sustainable performance and success. Entrepreneurs may utilize social capital to get external investment throughout the firm's growth stage when the firm's internal sources of money are inadequate, according to Jonsson and Lindbergh (2013). The three constructs of social capital used by Jonsson and Lindbergh to explain how enterprises trade resources in order to maintain their operations were developed

by the researchers. Firms that are in the early phases of development and do not have any collateral might utilize their social capital to create external networks that will allow them to get finance for their enterprises. According to Stephens (2013), entrepreneurs of new companies utilize social capital to get access to knowledge and other resources that will help them grow their firms.

In a similar vein, Bridge (2013) discovered that corporations often use social capital to create social relationships in order to gain resources that would otherwise be too expensive to obtain. Individuals who connect and speak with one another are more likely than those who do not to create strong personal relationships that will enable the exchange of resources than those who do not interact and communicate. Bhatt and Altinay (2013) demonstrated how social entrepreneurial companies in India were able to overcome resource restrictions by using social networks. Firm owners can foster trust and collaboration among their employees, which may aid in the development of personal ties with external investors, which can facilitate the acquisition of financial resources for their companies. In their research, Adama and Nadif (2013) discovered that enterprises rely on social capital to get access to knowledge and financial resources that are necessary for the sustainability of the company. In order to develop networks with comparable enterprises and obtain access to financial resources for their company, managers may use their goodwill, trust, and collaboration among members.

2.2 Review of Related Studies

In contrast with an empirical study, when conducting a literature review, researchers must think about the work of other academics. A research article of this nature contains facts and data from a variety of theoretical sources. It is possible that the compilation of all literary works will result in new interferences. In order to provide conclusions that are coherent, the empirical review incorporates all relevant data. Diverse research projects pertaining to credit accessibility and SMEs performance have been undertaken. This section looked at the following empirical investigations from the standpoint of the study as a whole.

Table 2. 1 *Summary of Empirical Review*

Author(s)	Year	Variables	Methodology	Key Findings
Baloguna et al	2016	Loan Availability, Company and Employee Traits	Primary, Binary logistic regression	In general, a company's features influence its access to capital. The report recommends South African SMEs to maintain lender-appealing firm qualities.
Haritone & Mirie	2016	Size, liquidity, interest rates	Secondary, descriptive, correlation and regression	The research found that bank size and liquidity substantially affect (positively and adversely, respectively) lending to SMEs by commercial banks in Kenya, although credit risk and interest rates had no significant effect.
Mole & Namusonge	2016	Lending procedures, collateral requirement, credit bureau referencing policies and training offered	Primary, descriptive, correlation and regression	The research found that lending processes, collateral requirements, credit bureau referencing practices, and training provided by financial institutions had a substantial impact on SME access to credit facilities.
Osano & Languitone	2016	Colleterial requirements, interest rates, size of the firm, SME performance	Primary, descriptive and Inferential	There is a link between the structure of the financial sector and SME access to financing; between knowledge of funding and SME access to finance; between

				collateral requirements and SME access to finance; and between SME assistance and SME access to finance.
Chowdhury	2017	Size and age of firms, education and skill of owners, high interest rate, lack of colleterial security	Primary and secondary, descriptive, simple statistical tools	Findings revealed that the size and age of the firms, the education and skills of the owners, and unfavorable credit terms such as high interest rates, lack of collateral security, corruption by bank officials, etc. are among the most significant obstacles that small and medium-sized enterprises (SMEs) in Bangladesh face when attempting to obtain loans from financial institutions.
Ogoi	2017	Collateral, education and training, information access, SME performance	Qualitative, explanatory, descriptive	Due to the greater collateral requirements needed by banks as a condition of lending, the study indicated that small and medium-sized enterprise (SME) owners suffer difficulties gaining access to credit to continue their enterprises.
Pham	2017	Probability of getting bank loan, firm size, location,	Primary, Probit model, Tobit model,	The regression analysis demonstrates that a business strategy, the

		industry, business information	regression analysis	size of the company, and networking (emotional trust, knowledge trust, and approachability) are the primary determinants of new SMEs' access to bank loans. Due to high collateral requirements, unfavorable interest rates, inadequate business ideas, insufficient networking, and a lack of government backing, around 64 percent (165 observations) of new SMEs in our sample did not get a bank loan.
Wlodarczyk et al	2018	Credit availability, Company size and age, liquidity, profitability	Primary, panel study, descriptive	The findings reveal that in Poland, like in other European nations, small and medium-sized businesses have less access to finance than big businesses. In addition, a substantial relationship between bank loan availability and firm size, liquidity, profitability, and banking sector conditions was revealed.
Chandrayanti et al	2019	Firm characteristics, credit access,	Primary, descriptive and Structural	According to the findings of this research, these company qualities have a favorable and

			Equation Model Lisrel	substantial effect on loan availability. The role of business success as a mediator between company attributes and loan availability. It implies that the stronger the company characteristics, the higher the business performance of small businesses, which will have an influence on loan availability.
Erdogan	2019	Firm size and age, growth, expected firm growth, duration	Primary, descriptive, regression	Two-owner enterprises are more likely than one-owner firms and those with three or more owners to consider bank loan availability as simple. Despite the fact that bank loan applications from businesses with two owners are more credible than those from enterprises with a single owner, having more than two owners poses more difficult agency issues for banks.
Mutuku et al	2019	Firm characteristics, collateral aspects, credit accessibility	Primary, descriptive, diagnostic tests, correlation and regression analyses	Credit accessibility was shown to be significantly influenced by company and collateral characteristics, according to the findings. The research

				found that company variables, such as operating duration and yearly revenue, also influenced credit processing.
Oke et al	2019	Firm age, incorporation status and industry, credit accessibility	Primary, Descriptive statistics, binary logit regression model with Marginal effect and Kruskal Wallis H	Firm age, incorporation status and industry which are significant at 0.05, 0.01 and 0.1 respectively, are the firm specific characteristics impacting access to bank finance among SMEs whereas firm size is insignificant
Mungutia & Wamugob	2020	Collateral security, loan-income ratio and geographical branch penetration	Primary, descriptive and correlation	Collateral security, loan-income ratio and geographical branch density has a substantial favorable impact on financial performance in Machakos County, Kenya.
Sanni et al.	2020	Credit Accessibility, SME Performance, Interest Rate	Descriptive statistics and partial least square Structural Equation Model (PLS-SEM) estimation	Credit accessibility affects SME performance positively (T=10.795, 0.043) and credit related charges (interest) negatively (T=10.690, 0.458).
Silwal & Mool	2020	Credit accessibility, firm characteristics, size, age and gender	Primary, descriptive and casual comparative	The size of the firm has a negative impact on credit accessibility and age of the firm has a

				insignificant impact on credit accessibility.
Bin et al	2021	Collateral security, experience, interest rates, corruption and size of loan	Primary, Probit model, regression model	Collateral security, experience, interest rates, corruption and size of loan are the major determinants of access to credit and access to credit has a positive impact on the sustainability of SMEs in Cameroon.

2.2.1 Review of International Journals and Articles

Balogun et al. (2016) explored the drivers of trade credit to small and medium-sized construction businesses (SMEs) in Gauteng Province, South Africa. The statistics were collected using a questionnaire survey of 179 small and medium-sized contractors from the Gauteng area. Version 22 of Statistical Package for the Social Sciences (SPSS) software was used for data analysis. The results suggested that managerial competence, the availability of a business plan, the firm's connection with financial institutions, the firm's location, size, tax identification number, and incorporation are key predictors of loan accessibility in South Africa.

Osano and Languitone (2016) identified the elements that impact SME access to capital. Structure of the banking industry, knowledge of lending options, collateral requirements, and small company support services were discussed. This study's sample size was 2,725. The study centered on a sample size of 242 SMEs and 324 bank employees. It was a descriptive and inferential research design. Using structured questionnaires, the main data were collected. The research found that there is a link between the structure of the financial sector and SME access to credit, between knowledge of funding and SME access to finance, between collateral requirements and SME access to finance, and between SME assistance and SME access to finance. The significance of the study's results is that they will help the government to develop suitable regulations, funding programs, and strategies to boost SME access to financing. This research suggests that SMEs should be given with small business support services to increase their access to financing and that there is a need for new

funding programs and financial schemes to help SMEs. Since information pertains to SME financing prospects, it is further established that all financial market participants should have access to and be aware of relevant information.

Choudhary and Alam (2017) discussed some of the difficulties that prevent Bangladeshi businesses from getting financing from financial institutions. To meet the objectives, the researcher gathered data from a sample of 86 small and medium-sized enterprises (SMEs). With the use of an interview questionnaire, researchers were able to gather information from their subjects. It wasn't only primary data that was utilised for this reason. Small and medium-sized enterprises (SMEs) in Bangladesh encounter a number of challenges when it comes to securing loans from financial institutions, according to a recent study. These include a lack of collateral security, a high interest rate, and corruption by bank employees, among other things.

Ogoi (2017) investigated the tactics utilized by Kenyan SME company owners to get financing in order to boost their enterprises' profitability and development. Semi-structured interviews were conducted to obtain primary data from four SME company owners in Kakamega Town, Kenya, who had access to finance. As supplemental data, company papers were utilized. To verify the credibility of the results, all data interpretations were submitted to member vetting. The results of the study indicated that SME company owners experience difficulties in obtaining credit to support their operations due to the increasing collateral requirements imposed by banks as a condition for lending. According to the report, SME owners should leverage their education and professional experience, information access, and group financing tactics to increase the profitability and development of their enterprises.

Pham (2017) researched the drivers of loan availability for small and medium-sized enterprises (SMEs) in Northern Vietnam's Phu Tho province that have been in operation for less than 42 months. In 2015, quantitative information was obtained from 259 SMBs. The regression analysis demonstrates that a business strategy, the size of the company, and networking (emotional trust, knowledge trust, and approachability) are the primary determinants of new SMEs' access to bank loans. 64 percent (165 observations) of new SMEs in the sample were unable to get a bank loan due to excessive collateral requirements, unfavorable interest rates, inadequate business strategies, insufficient networking, and lack of government backing. Among

the identified explanatory factors, the findings reveal that having a solid business strategy has a considerable impact on the bank lending ratio (total bank loans over total capital). On the basis of these findings, authors deduced political implications.

Wlodarczyk et al. (2018) analyzed factors like company size and age, financial performance or the length of a company's relationship with a financial institution, as well as features unique to the banking industry, all have an effect on how much credit is available to Polish small and medium-sized businesses. The findings show that in Poland, like in other European nations, small and medium-sized businesses have less access to finance than their larger counterparts. Bank credit availability is strongly linked to a company's size, liquidity, profitability, and the state of the banking system.

Chandrayanti et al. (2019) use real-world data to test how firm characteristics and business performance affect a small business's ability to get loans. Using a survey tool, the study was done with 221 small businesses in West Sumatera Province, Indonesia. Using the Structural Equation Model Lisrel 8.72 to look at the data. This study's results show that these firm characteristics have a positive and significant effect on access to credit. The success of a company acts as a mediating factor in the link between firm characteristics and loan availability. It suggests that small enterprises will function better if their firm features are stronger. Small enterprises will find it more difficult to get loans as a result of this. Consequently, a strategy to enhance the firm's quality is recommended in order to make it simpler for small firms to get financing.

Erdogan (2019) examined the firm-level factors of SME views of bank funding accessibility. Logistic regression data shows that SMBs with long-standing ties to their bank of origin are more likely to be hopeful about getting a bank loan. Two-person businesses tend to think of getting a bank loan as less of a hassle than three-person or more-person businesses. Banks have trouble with agency issues when a company has more than two owners, even if their loan applications are stronger than those of companies with only one owner. Firms that earn a profit or break even believe it is simpler to get bank funding than those that lose money. Small firms in the service industry are more enthusiastic about getting bank loans than those in any other sector.

Mutuku et al. (2019) investigated the impact of business characteristics and collateral elements on SMEs' access to finance in Nairobi Central Ward. This study used a descriptive survey research approach, with data collected using a questionnaire. Descriptive, diagnostic, correlation, and regression analyses were used in the study. The findings revealed a substantial association between business characteristics and collateral factors and credit accessibility. According to the research, company characteristics such as operating duration and yearly turnover are other factors that influence credit processing. The authors observed that collateral characteristics such as personal guarantors were primarily favoured by financing institutions, and that excessive collaterals hampered loan availability.

Oke et al. (2019) evaluated the influence of business characteristics on access to bank financing in North Central Nigeria from the perspectives of both SMEs and banks. Adaptations of World Bank and OECD Financial Literacy Questionnaires served as the study's major source of data. From the populations of 1,030 SMBs and 448 banks, samples of 280 SMBs and 207 loan officers were chosen. The data was analyzed using descriptive statistics, a binary logit regression model with Marginal effect, and Kruskal Wallis H. From the perspective of small and medium-sized enterprises (SMEs), the results indicate that firm age, incorporation status, and industry, which are significant at 0.05, 0.01, and 0.10 respectively, are the firm-specific characteristics that influence SMEs' access to bank financing, whereas firm size is insignificant. From the viewpoint of the banks, all the chosen business characteristics that are statistically significant at the 0.01 level are the criteria that influence banks' loan acceptance for SMEs in North Central Nigeria. The conclusion of the research is that small and medium-sized enterprises (SMEs) in North Central Nigeria face a severe lack of capital because they are unaware of or do not completely investigate all firm-related aspects that influence their access to banking facilities.

Sanni et al. (2020) researched the effect of deposit money banks' loan availability on small and medium-sized businesses' performance (SMEs). Three hundred and eighty-two (382) people participated in the research, and one hundred and ninety-eight (198) were chosen at random. SME owners and managers were asked to respond to a survey based on data taken from the main source. Descriptive statistics and the Partial Least Square Structural Equation Model were used to analyze the data. Depository money

banks' credit accessibility (T=10.795, =0.043) and credit-related costs (interest) have beneficial effects on SME performance (T=10.690, =0.458), according to the findings of the research. In conclusion, the lack of access to deposit money banks' credit facilities means that SMEs in Kwara State have a financing challenge.

Bin et al. (2021) used the 2016 World Bank enterprise survey to assess the primary factors of loan availability and their influence on the sustainability of SMEs in Cameroon. The probit model and linear regression models were employed, and the findings reveal that collateral security, experience, interest rates, corruption, and loan size are the primary predictors of credit, and credit has a beneficial influence on the sustainability of SMEs in Cameroon. Based on the findings, the authors advised the government to develop an entrepreneurship policy that would provide SMEs with financial access.

Qalati et al. (2021) looked at how technology, structure, and the environment interact to better understand how small and medium-sized businesses function, Additionally, it explores the influence of social media adoption as a mediating factor. In order to increase the measurement of social media use, items were devised to assess the many objectives of social media in companies. Closed-ended questionnaires were employed in this study's research. Structured Equation Modeling (SEM) was used to analyze 423 answers. The research found that technology, structure, and the environment all have an important impact in the success of small and medium-sized enterprises. It's also crucial to note that the widespread use of social media has a beneficial impact on how well small and medium-sized businesses (SMEs) function. Aside from helping companies see the benefits of social media, the research also explains why companies should invest in social media.

2.2.2 Review of Nepalese Journals and Articles

Khanal (2019) studied the SMEs lending facilities in Nepal. An average of 33% of SMEs' starting capital comes from the ancestral property of its owners, according to the research. Similarly, 26% of the company's initial capital comes from the owners' personal resources, while 16% comes from financial organizations like banks. Informal borrowing, remittances, cooperative loans, and venture capital are all possible sources of investment. SMEs, on the other hand, received loans from 85.9

percent of lenders after pledging land and homes as collateral. Only 6.4 percent of small businesses received loans based on moveable assets, while 1.3 percent received loans based on machinery and equipment. Subsidized loans are available to just 19.2% of small businesses. Most small and medium-sized businesses (SMEs) are unaware of the government's refinancing program for them. A provision of the National Retail Bank (NRB) prohibiting financial institutions from collecting service fees was found to be violated by many banks.

NRB (2019) researched to analyze the Mobilization of Financial Instruments in Small and Medium Enterprises (SME). In this study, small and medium enterprises as defined by the Industrial Business Act, 2073 are considered as the target population. Both primary and secondary statistics are used in the study. The study has show that the SMEs have contributed 22% in the Gross Domestic Product (GDP) of Nepal and has created around 17 lakh employment opportunities. The interesting find of the study is that, on average, 32 percent of their ancestral asset sources, 26 percent from their own savings, 16 percent from banks and financial institutions, and the rest from other sources, were found to be operating from time to time. It is found that about 50 percent of the SMEs in operation are borrowed from banks and financial institutions and 85 percent of them are receiving financial instruments through commercial banks.

Silwal and Mool (2020), small and medium-sized enterprises (SMEs) in the Kathmandu Valley have limited access to loans. A convenient selection of 101 SMEs in the Kathmandu Valley answered standardized questionnaires for the study. SME company and network characteristics, as well as loan availability, are the focus of this study. This study used a descriptive and informal comparative research design. Credit availability is positively impacted by an owner's educational degree, but negatively impacted by their gender, according to the findings of the research. The size of the business has a negative influence on credit accessibility, while the age of the firm has no impact on credit accessibility.

Kharel and Dahal (2020) investigated the difficulties and limitations that face small and medium-sized manufacturing businesses (SMEs) in Nepal, a landlocked least developed country, when attempting to integrate themselves into global value chains (GVCs), with an emphasis on exporting. In this article, qualitative primary data and

the little secondary data that are currently accessible (including information at the business level) are combined. According to its findings, Nepal does not have a comprehensive policy framework for small and medium-sized enterprises (SMEs), much alone a plan for the internationalization of these enterprises or their involvement in global value chains. The vast majority of fiscal incentives are not tailored to the needs of small and medium-sized firms. The elimination of certain incentives by another piece of legislation has resulted in policy uncertainty. High tariffs on raw materials and intermediate products combined with an inadequate duty drawback mechanism; the absence of an efficient structure for cons; and a lack of proper training and competence of the workers are all contributing factors. These are only a few of the country's most pressing issues. In addition, there are a number of serious issues, including: Endowments, market access, logistics/trade facilitation, nontariff measures, and other cross-cutting policy issues are all addressed in this study. Endowments, market access, logistics/trade facilitation, and non-tariff measures are mentioned in this sequence.

Adhikari et al. (2020) researched to contribute to a better understanding of the significant and financial obstacles faced by Nepalese small businesses. Small company owners that participated in this study provided 403 main data points. A structured questionnaire and a key informant interview were employed in this investigation. Use of a 5-point Likert scale was used. The original data was analyzed using quantitative and descriptive methodologies. More than 90% of those polled believe that a variety of problems limit small firms' ability to finance their operations, while just a tiny percentage deny this.

2.3 Framework of the Study and Definition of Variables

Dependent variables are the conditions about which the experimenter makes a prediction that appear or disappear or change as the experimental introduces, removes or changes independent variables. Dependent variable is also called "response variables." The framework is developed on the basis of various literature review previously. The variables for this study is derived from the empirical study of Bin et al. (2021) and Silwal and Mool (2020). The framework for the study is presented in Figure 1.

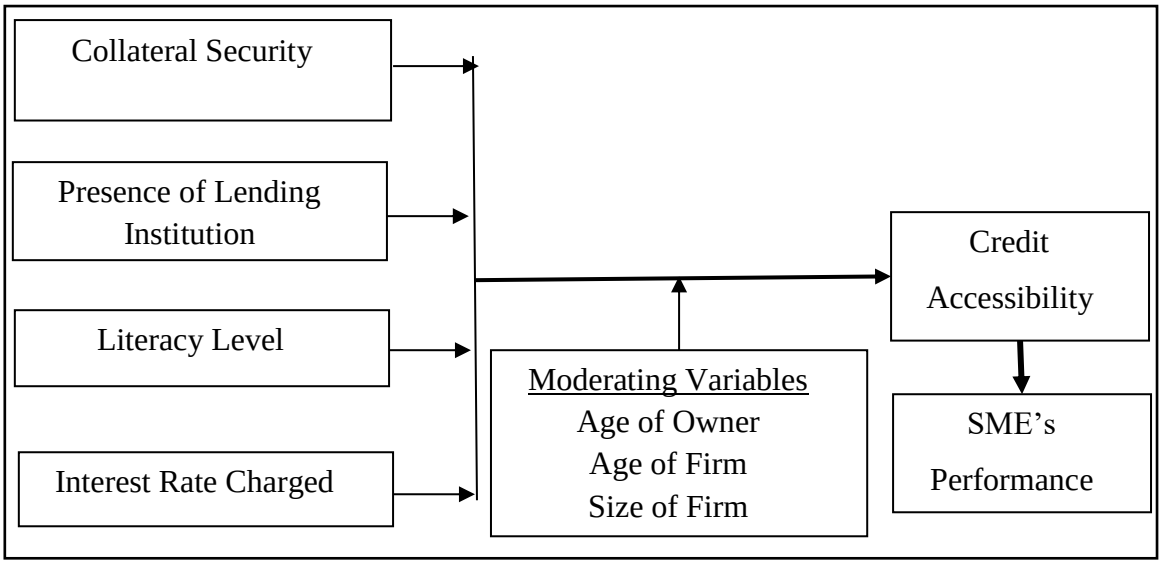

Figure 2.1 *Theoretical Framework*

Collateral Security

The degree to which assets are pledged by borrowers to lenders as security for the repayment of debts is referred to as "collateral" (Gitman, 2003). In the event of a default, the principal should be reclaimed using the security assets. Small and medium-sized enterprises (SMEs) in particular give security in the form of assets (houses, companies, the automobile, and anything that may genuinely pay back the capital) in the event of loan defaults (Garrett, 2009). Loan security must be able to be sold under regular market circumstances, at a fair market value, and with an acceptable amount of promptness as well. However, in most banks, collateral must be at least 100% of the credit extension or financing product amount in order to finance SMEs and approve loan offers (Mullei & Bokea, 2000).

$H_0$1: Collateral Security has no Significant Effect on SMEs Performance

H_a1: Collateral Security has a Significant Effect on SMEs Performance

Presence of Lending Institution

It has been shown that the number of financial institutions providing credit in an economy has an influence on the overall development of an economy. According to Schoof (2006), an insufficient number of financial institutions that provide loan services to SMEs would impede the growth of the sectors in which they operate. When the number of small-scale merchants is large, but the number of financial institutions that provide services tailored to them is limited (demand exceeds supply), the price of

the loan will be high, making it unaffordable and, as a result, the number of SMEs that take out loans will be low.

$H_0$2: Prescence of Lending Institutions has no Significant Effect on SMEs Performance.

H_a2: Prescence of Lending Institutions has Significant Effect on SMEs Performance

Literacy Level

In financial literacy, an individual's capacity to comprehend how money works how it is earned, handled, and invested is referred to as "financial literacy." It is essential for each business owner to be knowledgeable about how to manage their company in order to be able to supervise its progress (Andoh & Nunoo, 2011). When it comes to making specific investment choices, a literate entrepreneur knows when to borrow, from whom to borrow, and at what rate to borrow.

$H_0$3: Literacy Level has no Significant Effect on SMEs Performance

H_a3: Literacy Level has Significant Effect on SMEs Performance

Interest Rate Charged

Specifically, this refers to the extra amount that must be paid in addition to the initial payment. It is a representation of the cost of borrowing. As much as lower interest rates may be favorable to lenders, they may be discouraging to clients who are considering borrowing. Interest rates tend to discourage small-scale merchants from borrowing cash from financial institutions because they are concerned about having to pay back significant penalties on the interest rate if they do not adhere to the loan agreement's terms and conditions. The greater the interest rate charged, the lower the rate of borrowing by small-scale merchants; conversely, the lower the rate of borrowing by large corporations (Ogolla, 2013).

$H_0$4: Interest Rate Charged has no Significant Effect on SMEs Performance

H_a4: Interest Rate Charged has Significant Effect on SMEs Performance

Credit Accessibility

Small and medium-sized enterprises (SMEs) have a limited ability to obtain bank financing, and as a result, there is an increasing need to address the factors that influence SMEs' ability to obtain microfinance and informal credits. This is because obtaining bank financing is not popular among small and medium-sized enterprises (SMEs). Therefore, SMEs with younger, less educated and experienced owners are more likely

to borrow from informal sources such as friends, personal savings, and contributions than those with more educated and experienced owners (Rahman, et al. 2017).

$H_0$5: Credit Accessibility has no Significant Effect on SMEs Performance
H_a5: Credit Accessibility has no Significant Effect on SMEs Performance

Owners Characteristics

Small businesses are typically run by proprietors, and their success is heavily reliant on their management skills. Age, gender, and education level of the owner are considered important factors of loan accessibility. Younger owners are deemed less risk averse and hence more ready to borrow from external sources of funding, indicating a negative relationship between owner age and SMEs' access to credit (Coleman, 2004). Others argue that since they are younger, their bank loan applications may be denied, proving that there is a positive relationship between age and credit availability (Akoten et al., 2006).

$H_0$6: Age of Owners has no Significant Effect on Credit Accessibility
H_a6: Age of Owners has Significant Effect on Credit Accessibility

Firm Characteristics

In order to secure a loan, small and medium-sized businesses (SMEs) must have certain characteristics. The size and age of a firm are two characteristics that set apart small and medium-sized businesses (SMEs). The size of a corporation is largely defined by the number of employees, revenue, or overall assets it has. A research by Burkart and Ellingsen (2004) indicated that companies with more real assets have a greater capacity to borrow money for longer periods of time, and this, in turn, has a substantial influence on the debt ratios. Smaller firms, on the other hand, find it more difficult to deal with information asymmetry with loan providers, implying that there is a positive association between company size and access to finance.

$H_0$7: Age of Firm has no Significant Effect on Credit Accessibility

$H_0$8: Size of Firm has no Significant Effect on Credit Accessibility

H_a7: Age of Firm has Significant Effect on Credit Accessibility

H_a8: Size of Firm has Significant Effect on Credit Accessibility

SMEs Performance

Provision of loans to small and medium-sized enterprises (SMEs) was proven to have a significant impact on the development and growth of SMEs. Credit has traditionally been defined as the distribution of money by a lender to a borrower in exchange for a promise to return a set sum over a specified period of time, such as a year. They went on to say that when the poor are given the opportunity to establish or develop a sustainable company and become economically engaged, they may borrow with confidence. Small businesses, on the other hand, have significant difficulties in obtaining financing because of a lack of collateral security. According to Augusto et al. (2010), lending is only a fraction of what financial institutions offer to SMEs, and these institutions are attempting to develop a wide range of products and services, with fee-based products becoming increasingly important, all of which are aimed at serving a diverse range of SMEs.

2.3 Research Gap

Finance is a critical aspect that influences the success of a company in a variety of ways. At the microeconomic level, the poor pace of development experienced by enterprises is mostly attributable to a lack of access to credit and financial services. The majority of the literature evaluated was centered on countries in the western hemisphere, while just a handful were from developing countries such as Nepal, which has a dearth of academic papers regarding SMEs and the methods by which they get business financial assistance. When the macroeconomic environment is less favorable, small and medium-sized enterprises (SMEs) have fewer opportunities for successful employment growth. This is especially true for small and medium-sized firms (SMEs) that have connections to larger corporations and the economy. According to the above analysis, a thorough examination of the dynamics of SMEs is necessary both for SMEs assistance programs and for economic development. Given the importance of small enterprises in the Nepalese economy, as well as the dangers they are exposed to as a result of their geographic position, It is necessary to conduct an empirical research in order to better understand the link between loan accessibility and the development of SMEs. Consequently, in this study, various variables such as collateral security, the presence of lending institutions, the literacy level of the business owners, and the interest rate charged by financial institutions were investigated in order to determine whether SMEs in Nepal could access credit through statistical tools such as descriptive

analysis, correlation analysis, and regression analysis. In a similar vein, qualities of the owner and characteristics of the company were employed as moderating factors for loan accessibility and performance of SMEs.

CHAPTER III
RESEARCH METHODS

3.1 Research Design

The research is conducted using a descriptive design. It is chosen because it is the design that provides answers to the queries of who, what, which, when, and how much, among others. If the description is informative, then a descriptive study is acceptable. Additionally, a descriptive study is required because it serves as a starting point for the identification of variables and the development of hypothetical constructions that can be tested using other formulas. Finally, a descriptive study is required because it serves as a method of studying a situation or behavior because it is either ethically or physically impossible to generate it in an experiment. Research design is the definition of the methods and processes to be used in order to get the information required for the study. Descriptive and casual research is carried out in order to meet the particular purpose of the study, with convenience sample methods used to do this.

3.2 Population and Sample

The research had a large sample size since it included business owners from all across the Kathmandu Valley, representing a diverse range of ages and genders, which is difficult to acquire. Convenience sampling method is used to get samples from the non-probability sampling in order to make the samples readily accessible and convenient for the researchers. According to the recommendations by Roscoe, (1975), more than 30 and fewer than 500 sample size is acceptable for the analysis in social science study. So, the sample size for this study are 385 SMEs from different locations at Kathmandu valley using convenience sampling method.

3.3 Nature and Sources of Data

The required data for analysis are collected from primary source. For primary sources of data, the researcher obtains responses by pre-structure questionnaires which are distributed to sample population which is tabulated for analyzing data. The pre-structured questionnaires are based on five-point Likert Scale from Strongly Disagree to Strongly Agree. The required data and information are mainly collected from questionnaire data collection technique by directly visiting to sample respondents or by electronic mail.

3.4 Data Procedure

The information or data obtained from the respondents are in raw form. From that information, direct presentation is not possible. Therefore, it is necessary to process data and converts it into required form. After then only, the data are presented for the study. This process is called data processing. For presentation different tables are used. As far as the computation is concerned, it is done with the help of scientific calculator and computer software program SPSS 25.0 version.

3.5 Method of Data Analysis

In order to get the concrete results from this research the various collected data from primary sources are coded and tabulated in required form. Tabulated data is processed and analyzed in descriptive way by using statistical tools and other tools wherever necessary. As per topic requirements, emphasis is given on statistical tools rather than other tools. So, for this study like average, standard deviation, correlation and regression model are used to analyze. SPSS 25.0 is used to analyze the data. The tools used in this research are as follows:

3.5.1 Descriptive Statistics

In statistical terminology, descriptive statistics are separated from inferential statistics. When using descriptive statistics, it is possible to simply describe what is or what the data indicates. The use of inferential statistics might include attempting to draw conclusions that are more general than those based on the immediate facts. For example, researchers utilized inferential statistics to attempt to infer what the general public may believe based on the sample data they collected. Alternatively, inferential statistics may be used to draw judgements about the likelihood that an observed difference between groups is a trustworthy difference or one that might have occurred by chance in this research. So the researcher uses inferential statistics to draw conclusions about more general circumstances based on the data in this study, whereas the author uses descriptive statistics to simply report what is going on in the data. Descriptive statistics is used in this study for data analysis.

3.5.2 Correlation Analysis

Correlation may be defined as the degree of linear relationship existing between two or more variables. Two variables are said to be correlated is accompanied by the change of another variable. If the increase (decrease) in the value of one variable on

an average is associated with the increase (decrease) in the value of another variable, positive relationship is said to be existed. The relationship will be negative if increased (decreased) in the variable of one variable is associated with the decreased (increased) in the value of another variable. But the correlation coefficient always remains within the limit of +1 to -1.

3.5.3 Regression Analysis

In regression analysis researcher establish a kind of average irreversible functional relationship between two variables. In other words, regression analysis is a mathematical measure of the average relationship between two or more variable in term original unit of data. Apparently, the studies conducted by Bin et al. (2021) and Silwal and Mool (2020) have influenced this paper. The hypothetical statements of the model is that the credit accessibility depends on collateral security, presence of lending institutions, literacy level, interest rate charged, age of owner, age of firm and size of firm while SME's performance depend on credit accessibility of SME's. To test the model of specification under the study regression is form as follows on the base of previous literature:

$$CA=ß + ß_1AOO +ß_2AOF +ß_3SIZE +e \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (i)$$

$$CA=ß + ß_1CS +ß_2PLI +ß_3LL +ß_4IRC+e \ldots\ldots\ldots\ldots\ldots\ldots\ldots (ii)$$

$$SP=ß + ß_1CA+ ß_2CS +ß_3PLI +ß_4LL +ß_5IRC+e \ldots\ldots\ldots\ldots\ldots (iii)$$

Where,

CA= Credit Accessibility

SP= SMEs Performance

CS= Collateral Security

PLI= Presence of Lending Institutions

LL= Literacy Level

IRC= Interest Rate Charged

AOO= Age of Owner

AOF= Age of Firm

SIZE= Size of the Firm

$ß_1$, $ß_2$, $ß_3$, $ß_4$, $ß_5$ = Regression Coefficient for Respective Variables

e= error term

CHAPTER IV
ANALYSIS AND RESULTS

This section of paper provides a glimpse of impact of credit accessibility on SMEs performance. As mentioned in methodology, various statistical tools like mean, standard deviation, correlation and regression analysis have done using SPSS software to measure the credit accessibility on SMEs performance. Analysis is using some related data and analytical tools/techniques mentioned in chapter third. The gathered data is presented in tabular form for ease of analysis in accordance with the study's goals.

4.1 Results

This study is based on primary data. The researcher distributed all together four hundred and fifty questionnaires to different categories of respondents like age, gender, level of education, etc. and was able to collect three hundred eighty-five fully filled questionnaires which represented 85.56% of the total questionnaires distributed. Above 80% response rate can be taken as good response rate to provide enough information for analysis and to derive conclusions for any kind of research. So, as per the study objectives and sample size of the study 385 responses are analyzed.

Out of total sampled respondents, all are from the people from the owner of SMEs at Kathmandu Valley using convenience sampling method. Respondents are distributed according to gender, age, and education, and many remarks on the effect of credit availability on SMEs are offered below:

4.1.1 Respondents Statistics

Table 4.1 shows the total statistics for all respondents, broken down by gender, age, and level of education:

Table 4.1 *Respondents Statistics*

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

(Source: Survey, 2021)

Table 4.1 shows that 73.8 percent of respondents were male whereas 26.2 percent were female entrepreneurs. The highest numbers of respondents are from 30 to 40 years age group (47.5 percent) followed by 24-30 years age group (22.9 percent), 50 and above (15.3 percent) and 40-50 years age group (14.3 percent). This indicates that the respondents in this survey were fairly distributed, and that youngsters hold a substantial proportion of SMEs. As per the education qualification of sample respondents, majority of sample respondents i.e., 57.1 percent were from bachelor group followed by 26.2 percent from +2 group, 11.2 percent from master and above group while least no. i.e., 5.5 percent from SLC group. The findings would indicate that the respondents on whom the study was done had a required educational level, which would have made it easier for them to comprehend their company's business operations and operations.

4.1.2 Business Operation

The sample respondents were questioned how long their business had been in existence. Table 4.2 displays the responses of respondents.

Table 4.2 *Business operation*

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

(Source: Survey, 2021)

Table 4.2 depicts that majority of sample respondents' business was operate five to ten years i.e., 50.9 percent followed by one to five years 37.9 percent, more than ten years 7.5 percent and less than one year 3.6 percent. According to the findings, the majority of respondents had been operating their businesses in Kathmandu Valley for five to ten years.

4.1.3 Business Capital

The sample respondents were asked about business capital of their business. The response from respondents is presented in Table 4.3.

Table 4.3 *Business Capital*

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

(Source: Survey, 2021)

Table 4.3 shows that majority of sample respondents' business capital was one to two million i.e., 57.4 percent while 24.2 percent sample respondents business capital is below one million and 18.4 percent respondents business capital was more than two million.

4.1.4 Major Source of Financing

The sample respondents were asked about the major source of financing for their business. The response from respondents is presented in Table 4.4.

Table 4.4 *Major Source of Financing*

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

(Source: Survey, 2021)

Table 4.4 indicates that majority of sample respondents' business source for financing was their savings i.e., 57.4 percent while 26.23 percent sample respondents' business financing was the loan from financial institutions, 10.91 percent sample respondents borrow from friends and relative and only 5.71 percent respondents' business financing was from other sources. This could imply most of the SMEs operators in Kathmandu valley have the ability to support their businesses through savings. This is good indicator of business sustainability. On other hand, it would mean that SMEs in Kathmandu valley do not prefer taking loans or they might be scared to take loans due to conditions available.

4.1.5 Capital Requirement for Business

The sample respondents were asked about if the capital of the business is adequate or not. The response from respondents is presented in Table 4.5.

Table 4.5 *Capital Requirement for Business*

	Frequency	Percent
Adequate	79	20.5
Not Adequate	306	79.5
Total	385	100.0

(Source: Survey, 2021)

Table 4.5 indicates that majority of sample respondents' business capital is noy adequate i.e., 79.5 percent while 20.5 percent indicate that their business capital is adequate.

4.1.6 Credit Before Business

The sample respondents were questioned if the respondents take a credit from any financial institutions before they start a business. The response from respondents displayed in Table 4.6.

Table 4.6 *Credit Before Business*

	Frequency	Percent
Yes	117	30.39
No	268	69.61
Total	385	100.0

(Source: Survey, 2021)

Table 4.6 indicates that majority of sample respondents did not take a credit from financial institutions before they start a business i.e., 69.61 percent while 30.39 percent indicate they took a credit from financial institutions before they start a business.

4.1.7 Rating on Credit Services

The sample respondents were asked to rate the credit services from financial institutions. The response from respondents is viewed in Table 4.7.

Table 4.7 *Rating on Credit Services*

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

(Source: Survey, 2021)

Table 4.7 shows that majority of respondents rate a good as a credit service provide by financial institutions i.e., 51.2 percent while 37.7 percent indicate average credit services from financial institutions. 7.5 percent indicate extremely better for credit services of financial institutions while least number of respondents indicate poor credit services are provided by financial institutions.

4.1.8 Statistical Analysis of Credit Accessibility and SMEs Performance

Regarding the impact of credit accessibility on SMEs performance, respondents are questioned to rank the different measurement base statements. The influencing factors on credit accessibility on SMEs performance have been analyzed on the basis of various statements related to Collateral security, presence of lending institutions, literacy level, interest rate charged, credit accessibility and SMEs performance. Influencing factors measurement-base statement and their mean score are shown in Table 4.8 to Table 4.13. This research model has 36 observed variables of questionnaires thirty from five influencing factors on SMEs performance and six from SMEs performance. To get the required sample size, 385 questionnaires were filled up by the respondents and authors collected all 385 questionnaires met the requirement on size of samples and opinion of respondents from data collected was refined and processed by SPSS 25.0 software systematically.

4.1.8.1 Statistical Analysis of Collateral Security

In this section researcher review the statistics of Mean and Std. Deviation for the six statements on collateral security according to 5-point Likert scale interval, from which (strongly disagree and disagree) classified as low level with mean score < 2, (neutral) classified as a moderate with mean score [2.00:3.00] and (agree and strongly agree) classified as a high level with mean score > 3.00.

Table 4.8 *Statistical Analysis of Collateral Security*

Statements	N	Min	Max	Mean	S. D
In my business, financial institutions are placing a greater emphasis on the capacity to repay loans rather than on collateral.	385	1.00	5.00	3.16	1.41
I apply for loans as a group from time to time since we can simply co-guarantee each other's repayment.	385	1.00	5.00	3.25	1.33
When assessing the possibility of loan repayment, financial institutions use a risk-averse approach toward small businesses rather than concentrating on the entity's ability to generate money.	385	1.00	5.00	3.21	1.28
Financial institutions are hesitant to provide loans to us, and it is difficult for us to give acceptable proof of our earnings to them.	385	1.00	5.00	3.21	1.28
Because of the restrictions that I provide collateral for my loan, I've had to look for other sources of funding for my company, such as borrowing from family and purchasing on credit.	385	1.00	5.00	3.10	1.39
As a major lending requirement, financial institutions demand on the availability of collateral security from borrowers.	385	1.00	5.00	3.10	1.39
Collateral Security	385	1.17	5.00	3.17	0.98

(Source: Survey, 2021)

Table 4.8 show that collateral security that influence the credit accessibility and SMEs performance includes total mean value found is 3.17. It indicates the number greater than 3 i.e., agree. The mean value for first, second, third, fourth, fifth and sixth statement on collateral security were 3.16, 3.25, 3.21, 3.21, 3.10 and 3.10 respectively. The collateral security influence in credit accessibility and SMEs performance, respondents are agreeing that collateral security have a great impact credit accessibility from financial institutions and SMEs performance.

4.1.8.2 Statistical Analysis of Presence of Lending Institutions

In this section researcher review the statistics of Mean and Std. Deviation for the six Presence of Lending Institutions factors according to 5-point Likert scale interval, from which (strongly disagree and disagree) classified as low level with mean score

< 2, (neutral) classified as a moderate with mean score [2.00:3.00] and (agree and strongly agree) classified as a high level with mean score > 3.00.

Table 4.9 *Statistical Analysis of Presence of Lending Institutions*

Statements	N	Min	Max	Mean	S. D
I have developed a personal connection with the banker, which has resulted in increased credit availability for my business.	385	1.00	5.00	3.25	1.43
The availability of financial institutions has increased loan accessibility for the majority of small and medium-sized businesses, resulting in increased company growth.	385	1.00	5.00	3.28	1.42
The majority of entrepreneurs have discovered a successful method of integrating access to financial services, thanks to the efforts of financial institutions.	385	1.00	5.00	3.18	1.31
Many financial institutions do not provide products that are specifically designed to meet our demands.	385	1.00	5.00	3.15	1.40
With the existence of financial institutions in our region, we have been able to mobilize savings, which has resulted in an increase in the amount of money invested in enterprises.	385	1.00	5.00	3.31	1.28
Credit availability is determined on the length of my relationship with my financial institution.	385	1.00	5.00	3.24	1.40
Presence of Lending Institution	385	1.67	5.00	3.24	0.74

(Source: Survey, 2021)

Table 4.9 show that presence of lending institutions that influence the credit accessibility and SMEs performance includes total mean value found is 3.24. It indicates the number greater than 3 i.e., agree. The mean value for first, second, third, fourth, fifth and sixth statement on presence of lending institutions were 3.25, 3.28, 3.18, 3.15, 3.31 and 3.24 respectively. The presence of lending institutions influences in credit accessibility and SMEs performance, respondents are agreeing that presence of lending institutions have a great impact credit accessibility from financial institutions and SMEs performance.

4.1.8.3 Statistical Analysis of Literacy Level

In this section researcher review the statistics of Mean and Std. Deviation for the six literacy level factors according to 5-point Likert scale interval, from which (strongly disagree and disagree) classified as low level with mean score < 2, (neutral) classified as a moderate with mean score [2.00:3.00] and (agree and strongly agree) classified as a high level with mean score > 3.00.

Table 4.10 *Statistical Analysis of Literacy Level*

Statements	N	Min	Max	Mean	S. D
My educational background has provided me with the information and abilities necessary to be more productive in the management of our business.	385	1.00	5.00	3.27	1.39
The level of education has a favorable impact on when and how loans are obtained to expand or grow a business.	385	1.00	5.00	3.28	1.42
Financial institutions have increasingly focused on cost-effectively combining credit with other kinds of services, resulting in the establishment of ties with us in order to improve our services for our customers.	385	1.00	5.00	3.31	1.26
Financial institutions have adopted the practice of providing training sessions to raise awareness of their products, which is beneficial to my company's operations.	385	1.00	5.00	3.17	1.39
Trainings have helped me to manage my company more efficiently, and I have seen an improvement in both sales and profits as a result of them.	385	1.00	5.00	3.18	1.30
As a result of the training I have received, I have seen an increase in business-related results such as sales and profits.	385	1.00	5.00	3.15	1.39
Literacy Level	385	1.50	5.00	3.22	0.74

(Source: Survey, 2021)

Table 4.10 show that literacy level of the owners that influence the credit accessibility and SMEs performance includes total mean value found is 3.22. It indicates the number greater than 3 i.e., agree. The mean value for first, second, third, fourth, fifth and sixth statement on literacy level of the owners were 3.27, 3.28, 3.31, 3.17, 3.18 and 3.15 respectively. The literacy level of the owners influences in credit accessibility and SMEs performance, respondents are agreeing that literacy level of the owners have a great impact credit accessibility and SMEs performance.

4.1.8.4 Statistical Analysis of Interest Rate Charged

In this section researcher review the statistics of Mean and Std. Deviation for the six-interest rate charged factors according to 5-point Likert scale interval, from which (strongly disagree and disagree) classified as low level with mean score < 2, (neutral) classified as a moderate with mean score [2.00:3.00] and (agree and strongly agree) classified as a high level with mean score > 3.00.

Table 4.11 *Statistical Analysis of Interest Rate Charged*

Statements	N	Min	Max	Mean	S. D
The interest rate charged on various loans is often determined by the kind of security supplied or the nature of the company.	385	1.00	5.00	3.27	1.41
Because the interest rates charged by financial institutions are so high, we are discouraged from borrowing money from them.	385	1.00	5.00	3.18	1.38
I am reluctant to request for a loan since financial organizations do not take my capacity to pay the interest rate into consideration.	385	1.00	5.00	3.09	1.31
Because of my failure to return on time, the financial institutions have taken possession of my company assets, which has had an impact on my day-to-day operations and has discouraged me from borrowing in the future.	385	1.00	5.00	3.02	1.41
Financial institutions provide money on a short-term basis at a high interest rate, which makes it difficult for me to get credit.	385	1.00	5.00	3.18	1.30
There are unreasonably high credit processing fees and levies charged by banking institutions nowadays.	385	1.00	5.00	3.15	1.39
Interest Rate Charged	385	1.50	5.00	3.15	0.74

(Source: Survey, 2021)

Table 4.11 show that interest rate charged by financial institutions that influence the credit accessibility and SMEs performance includes total mean value found is 3.15. It indicates the number greater than 3 i.e., agree. The mean value for first, second, third, fourth, fifth and sixth statement on interest rate charged by financial institutions were 3.27, 3.18, 3.09, 3.02, 3.18 and 3.15 respectively. The interest rate charged by financial institutions influences in credit accessibility and SMEs performance, respondents are agreeing that interest rate charged by financial institutions have a great impact credit accessibility and SMEs performance.

4.1.8.5 Statistical Analysis of Credit Accessibility

In this section researcher review the statistics of Mean and Std. Deviation for the six credit accessibility factors according to 5-point Likert scale interval, from which (strongly disagree and disagree) classified as low level with mean score < 2, (neutral) classified as a moderate with mean score [2.00:3.00] and (agree and strongly agree) classified as a high level with mean score > 3.00.

Table 4.12 *Statistical Analysis of Credit Accessibility*

Statements	N	Min	Max	Mean	S. D
SMEs with a business plan are more likely to be successful in their credit application than those that do not have a business plan.	385	1.00	5.00	3.17	1.37
In comparison to the financial institutions giving the loan, the borrowing SME has more knowledge regarding credit risk than the financial institutions providing the credit.	385	1.00	5.00	3.09	1.37
If a company has a pool of assets that may be used as collateral, it will be more likely to get funding from a financial institution.	385	1.00	5.00	2.96	1.29
Entrepreneurs who have ability to pay a higher interest rate have easily access the credit facilities in financial institutions.	385	1.00	5.00	2.86	1.38
Having access to loans is no different for entrepreneur with lower educational qualifications as it is for those with higher education.	385	1.00	5.00	3.18	1.31
The lack of timely, accurate, quality, quantity, and complete information regarding the ability of the applicants to repay back the loan were consider as main factors to access credit accessibility from the financial institutions.	385	1.00	5.00	3.15	1.39
Credit Accessibility	385	1.50	5.00	3.07	0.69

(Source: Survey, 2021)

Table 4.12 show that credit accessibility that influence the SMEs performance includes total mean value found is 3.07. It indicates the number greater than 3 i.e., agree. The mean value for first, second, third, fourth, fifth and sixth statement on credit accessibility were 3.17, 3.09, 2.96, 2.86, 3.18 and 3.15 respectively. The credit accessibility influences in SMEs performance, respondents are agreeing that credit accessibility have a great impact SMEs performance. But in third and fourth

statements of credit accessibility respondents are neutral because average value for these statements are below three.

4.1.8.6 Statistical Analysis of SMEs Performance

In this section researcher review the statistics of Mean and Std. Deviation for the six SMEs performance factors according to 5-point Likert scale interval, from which (strongly disagree and disagree) classified as low level with mean score < 2, (neutral) classified as a moderate with mean score [2.00:3.00] and (agree and strongly agree) classified as a high level with mean score > 3.00.

Table 4.13 *Statistical Analysis of SMEs Performance*

Statements	N	Min	Max	Mean	S. D
Credit accessibility leads to improved profitability of the business.	385	1.00	5.00	3.09	1.37
SMEs depend mostly on bank financing to boost the business and to carry out new investments and projects	385	1.00	5.00	3.16	1.40
Access for credit by SMEs has been identified as a necessary condition for job creation and economic growth.	385	1.00	5.00	3.17	1.39
The availability and accessibility of external finance has a favorable influence on the development and success of any business.	385	1.00	5.00	3.18	1.38
Accessibility to credit is vital since it helps to mitigate the effect of cash flow concerns while also allowing for more flexibility in resource allocation decisions.	385	1.00	5.00	3.18	1.30
Variables identified as hindering SME growth include financial flow, collateral requirements, capital costs, information access, and capital management.	385	1.00	5.00	3.15	1.39
SME's Performance	385	1.50	5.00	3.16	0.76

(Source: Survey, 2021)

Table 4.13 show that six statements on SMEs performance which were related with the influencing factors includes total mean value found is 3.16. It indicates the number greater than 3 i.e., agree. The mean value for first, second, third, fourth, fifth and sixth statement on SMEs performance were 3.09, 3.16, 3.17, 3.18, 3.18 and 3.15 respectively. The SMEs performance, respondents are agreeing that study variables

i.e., collateral security, presence of lending institutions, literacy level, interest rate charged and credit accessibility have a great impact on SMEs performance.

4.1.8.7 Overall Descriptive Analysis

This study is based on primary data and variables i.e., collateral security, presence of lending institutions, literacy level, interest rate charged, credit accessibility and SMEs performance were. The descriptive statistics for these variables are presented Table 4.9:

Table 4.14 *Overall Descriptive Statistics*

Variables	N	Min	Max	Mean	SD	Rank
Collateral Security	385	1.17	5.00	3.17	0.98	3
Presence of Lending Institution	385	1.67	5.00	3.23	0.74	1
Literacy Level	385	1.50	5.00	3.22	0.74	2
Interest Rate Charged	385	1.50	5.00	3.15	0.74	4
Credit Accessibility	385	1.50	5.00	3.07	0.69	5
SME's Performance	385	1.50	5.00	3.15	0.76	4

(Source: Survey, 2021)

Table 4.14 presents the overall descriptive analysis for collateral security, presence of lending institutions, literacy level, interest rate charged, credit accessibility and SMEs performance. As per the results from table 4.14 presence of lending institutions rank at first with higher average 3.23 followed by literacy level of owners rank at second with average of 3.22, collateral security rank at third with average of 3.17, interest rate charged rank at fourth with an average of 3.15, SMEs performance ranked at fourth with average of 3.15 and credit accessibility ranked at fifth with an average of 3.07. From this result it can be concluded that presence of lending institutions is a major affecting factor for credit accessibility and SMEs performance on the views of sample respondents.

4.1.9 Correlation Analysis

A correlation table is a list of variables' correlation coefficients. The correlation between any two variables may be seen in each of the table's cells. To summarize data, feed into a more advanced study, and diagnose advanced analyses, a correlation

matrix is used. Simple tables that list several variables and their corresponding correlation coefficients are known as correlation matrices. For each pair of values in a table, a correlation matrix is shown. Using this tool, it may quickly and easily summarize a big dataset and spot trends in the data. The variables are shown in rows and columns of a correlation matrix. The correlation coefficient is included in each row and column of a table. Using Table 4.15, we can see the correlation between the dependent and independent variables that were employed in the research. A variety of factors, including the existence of lenders, literacy levels, interest rates, loan availability, and the success of small businesses, are examined in this study's variables. An aspect of credit accessibility and SMEs performance were evaluated in detail in Table 4.15.

Table 4.15 *Correlation Analysis (N=385)*

		X_0	X_1	X_2	X_3	X_4	X_5
X_0	Pearson Correlation	1					
X_1	Pearson Correlation	.781**	1				
		(.000)					
X_2	Pearson Correlation	.887**	.755**	1			
		(.000)	(.000)				
X_3	Pearson Correlation	.925**	.834**	.919**	1		
		(.000)	(.000)	(.000)			
X_4	Pearson Correlation	.907**	.801**	.920**	.953**	1	
		(.000)	(.000)	(.000)	(.000)		
X_5	Pearson Correlation	.901**	.754**	.889**	.911**	.920**	1
		(.000)	(.000)	(.000)	(.000)	(.000)	

**. Correlation is significant at the 0.01 level (2-tailed).
(Source: Appendix ii)

Table 4.15 shows correlation matrix between dependent and independent variables. X0= SMEs Performance, X1= Collateral Security, X2= Presence of Lending Institutions, X3= Literacy Level, X4= Interest Rate Charged, X5= Credit Accessibility.

The correlation between SMEs performance and collateral security was positively correlated (0.781) in positive direction which is high degree of positive correlation.

Positive correlation coefficients indicate a direct relationship, indicating that as increasing collateral security result in the SMEs performance also increases. Similarly, the correlation between SMEs performance and presence of lending institutions is also positively correlate i.e. (0.887) which indicates that the increase the presence of lending institutions will increase the SMEs performance. Correlation between SMEs performance and literacy level was also positively correlate i.e. (0.925) which the result can consider as literacy level and SMEs performance are in same direction, which means the increasing the literacy level of owners then the SMEs performance is also increased. SMEs performance and interest rate charged is positively correlated (0.907) with high degree of positive correlation in positive direction. It means it can be considered about interest rate charged by financial institutions and SMEs performance were simultaneously. Correlation between SMEs performance and credit accessibility was also positively correlate i.e. (0.901) which the result can consider as credit accessibility and SMEs performance are in same direction. The Sig. (2-Tailed) value in Table 4.15 for Collateral security, presence of lending institutions, literacy level, interest rate charged, credit accessibility and SMEs performance are 0, 0, 0,0, 0 and 0. These values were less than .05. Because of this, it can conclude that there is a statistically significant correlation between SMEs performance and collateral security, presence of lending institutions, literacy level, interest rate charged, credit accessibility and SMEs performance.

4.1.10 Regression Analysis with Demographic Factor and Credit Accessibility

Regression is based on the statistical principle of multivariate statistics, which involves observation and analysis of more than one statistical outcome variable at a time. In design and analysis, the technique is used to perform trade studies across multiple dimensions while considering the effects of all variables on the responses of interest. In order to examine the relationship between credit accessibility and demographic factors, multiple regression analyses were employed. The variables age of owner, age of firm, size of the business was used as independent variable while credit accessibility was used as dependent variable. The regression equation is as:

$$CA=ß + ß_1AOO +ß_2AOF +ß_3SIZE +e$$

Table 4.16 *Regression Analysis between Demographic Factors and Credit Accessibility*

Variable	Coefficients	t- Value	p-Value
(Constant)	3.222	15.334	.000
Age of Owner	.072	1.996	.047
Age of Firm	-.087	-1.663	.097
Size of the Business	-.043	-.790	.430
F	2.487		.060
R^2	.019		

(Source Appendix iii, iv and v)

Table 4.16 shows that the model's variables explain 0.019 of variations in credit accessibility, indicating the strength of a link between credit accessibility and demographic characteristics. This demonstrates that the independent factors (age of the owner, age of the firm, and size of the business) explain just 1.9 percent of the dependent variable (credit accessibility), while the remaining percent is explained by other variables not addressed in this research. This suggests that demographic considerations have little influence on credit accessibility. Similarly, the overall model, as indicated by the F-statistical probability zero, leads to the rejection of the null and implies that the overall model is negligible at the 5% level. The variables' Beta Coefficients are compared., the highest effect was for age of firm which measured -0.087 followed by age of owners which is 0.072 and size of business which is measured as -0.043. But independent age of firm and size of the business have a negative effect on credit accessibility. The regression model results showed that there was a positive significant impact of owner age on credit accessibility because the p value for this variable is less than 0.05, but a negative insignificant effect of firm age and size because the p values for these variables are greater than 0.05 at the 5% level of significance.

4.1.11 Regression Analysis with Study Variables and Credit Accessibility

Regression is based on the multivariate statistical notion, which entails observing and analyzing several statistical outcome variables at the same time. The technique is used in design and analysis to perform trade studies across several dimensions while accounting for the influence of all variables on interest responses. The connection between credit accessibility and collateral security, lending institution presence,

literacy level, and interest rate charged was investigated using multiple regression analysis. The regression equation is as below:

$CA=ß + ß_1CS + ß_2PLI + ß_3LL + ß_4IRC + e$

Table 4.17 *Regression Analysis with Study Variables and Credit Accessibility*

Variable	Coefficients	t- Value	p-Value
(Constant)	.235	3.887	.000
Collateral Security	-.016	-.672	.502
Presence of Lending Institution	.185	3.829	.000
Literacy Level	.287	4.241	.000
Interest Rate Charged	.433	6.936	.000
F	606.736		.000
R^2	.865		

(Source Appendix vi, vii and viii)

As per Table 4.17, 0.865 of the variation associated with credit accessibility may be accounted for the variables in the model. In this research, 86.5 percent of the dependent variable (access to credit) was described by the independent variables (collateral security, presence of lending institutions, literacy level, and interest rate charged), while the remaining 13.5 percent was explained by other factors not included. At the 5% level, the significance of the F-Statistic indicates that the independent variable may explain the dependent variable. This means that the null hypothesis is rejected, and the entire model is significant at a level of 5%, as represented by the F-statistical probability zero.

The Beta Coefficients for collateral security is -0.016 which indicate the negative effect of collateral security on credit accessibility. The p value for this variable is 0.502 which is higher than 0.05 percent i.e., 5 percent level of significance. So, there is a insignificant negative effect of collateral security on credit accessibility. Similarly, beta value for presence of lending institutions, literacy level and interest rate charged is 0.185, 0.287 and 0.433 respectively. This shows the positive effect on credit accessibility for these variables. The p value for these variables were 0.000 which is lower than 0.05 i.e., 5 percent level of significance. From this it can be

concluded that there is a positive significant effect of presence of lending institutions, literacy level and interest rate charged on credit accessibility.

4.1.12 Regression Analysis with Study Variables and SMEs Performance

Regression is based on the multivariate statistical notion, which incorporates the observation and analysis of more than one statistical outcome variable at a time. The technique is used in design and analysis to perform trade studies across various dimensions while taking into consideration the influence of all variables on the responses of interest. Multiple regression analyses were utilized to explore the connection between SMEs performance and collateral security, lending institution presence, literacy level, interest rate charged and credit accessibility. The regression equation is as below:

$SP=ß + ß_1CA + ß_2CS + ß_3PLI + ß_4LL + ß_5IRC + e$

Table 4.18 *Regression Analysis between Study Variables and SMEs Performance*

Variable	Coefficients	t- Value	p-Value
(Constant)	-.031	-.490	.624
Collateral Security	.031	1.251	.212
Presence of Lending Institution	.132	2.582	.010
Literacy Level	.468	6.510	.000
Interest Rate Charged	.059	.857	.392
Credit Accessibility	.315	5.903	.000
F	549.882		.000
R^2	.879		

(Source Appendix ix, x and xi)

As shown in Table 4.18, the predictors in the model account for 0.879 of the variability in the performance of SMEs, demonstrating the strength of the association between SMEs performance and the variables. Thus, the dependent variable (SMEs performance) is explained by the independent variables (collateral security, lending institution presence, literacy level, interest rate charged and credit accessibility) used in this study, with the remaining 12.1 percent explained by variables that were not included in this study. Furthermore, the f-static is statistically significant at the level of one percent, indicating that the independent variable is capable of explaining the

dependent variable in this case. Because of this, the overall model, as indicated by the F-statistical probability zero, results in the rejection of the null hypothesis and suggests that the overall model is significant at the level of 5%.

The Beta Coefficients of the variables are compared, the highest effect was literacy level which measured 0.468 followed by credit accessibility which is measured 0.315, presence of lending institutions which is 0.132, interest rate charged which is measured 0.059 and collateral security which is measured as 0.031. The result indicates all variables have positive effect on SMEs performance. Similarly, p value indicates the significant level. The p value for presence of lending institutions, literacy level and credit accessibility are 0.010, 0.000 and 0.00 respectively which is lower than 0.05 i.e., 5 percent level of significance. This indicates presence of lending institutions; literacy level and credit accessibility have a positive significant effect on SMEs performance. Similarly, p value for collateral security and interest rate charged is 0.212 and 0.392 which is higher than 0.05 i.e., 5 percent level of significance. This indicate there is a positive insignificant effect of collateral security and interest rate charged on SMEs performance.

4.1.13 Hypothesis Testing

The hypothesis stated in chapter II under framework of the study are tested on the basis of data analysis i.e., regression analysis. The results from hypothesis testing are presented in table 4.19 below.

Table 4.19 *Hypothesis Testing*

Hypothesis	5% level of significance	P value	Results
$H_0$1: Collateral Security has no Significant Effect on SMEs Performance H_a1: Collateral Security has a Significant Effect on SMEs Performance	0.05	0.212	Alternative Hypothesis Rejected
$H_0$2: Prescence of Lending Institutions has no Significant Effect on SMEs Performance. H_a2: Prescence of Lending Institutions has Significant Effect on SMEs Performance	0.05	0.010	Alternative Hypothesis Accepted
$H_0$3: Literacy Level has no Significant Effect on SMEs Performance H_a3: Literacy Level has Significant Effect on SMEs Performance	0.05	0.000	Alternative Hypothesis Accepted
$H_0$4: Interest Rate Charged has no Significant Effect on SMEs Performance H_a4: Interest Rate Charged has Significant Effect on SMEs Performance	0.05	0.392	Alternative Hypothesis Rejected
$H_0$5: Credit Accessibility has no Significant Effect on SMEs Performance H_a5: Credit Accessibility has no Significant Effect on SMEs Performance	0.05	0.000	Alternative Hypothesis Accepted
$H_0$6: Age of Owners has no Significant Effect on Credit Accessibility H_a6: Age of Owners has Significant Effect on Credit Accessibility	0.05	.047	Alternative Hypothesis Accepted
$H_0$7: Age of Firm has no Significant Effect on Credit Accessibility H_a7: Age of Firm has Significant Effect on Credit Accessibility	0.05	.097	Alternative Hypothesis Rejected
$H_0$8: Size of Firm has no Significant Effect on Credit Accessibility H_a8: Size of Firm has Significant Effect on Credit Accessibility	0.05	.430	Alternative Hypothesis Rejected

4.2 Major Findings of the Study

- Majority of respondents i.e., 73.8 percent of respondents were male whereas 26.2 percent were female entrepreneurs.

- The highest numbers of respondents are from 30 to 40 years age group (47.5 percent) followed by 40-50 years age group (43.75 percent), 50 and above (26.82 percent) and 24-30 years age group (22.9 percent.
- As per the education qualification of sample respondents, majority of sample respondents i.e., 57.1 percent were from bachelor group followed by 26.2 percent from +2 group, 11.2 percent from master and above group while least no. i.e., 5.5 percent from SLC group.
- Majority of sample respondents' business was operating five to ten years i.e., 50.9 percent followed by one to five years 37.9 percent, more than ten years 7.5 percent and less than one-year 3.6 percent. The result indicates that most of the respondents running their business five to ten years at Kathmandu Valley.
- Majority of sample respondents' business capital was one to two million i.e., 57.4 percent while 24.2 percent sample respondent's business capital is below one million and 18.4 percent respondents business capital was more than two million.
- Majority of sample respondents' business source for financing was their savings i.e., 57.4 percent while 26.23 percent sample respondents' business financing was the loan from financial institutions, 10.91 percent sample respondents borrow from friends and relative and only 5.71 percent respondents' business financing was from other sources.
- Majority of sample respondents' business capital is adequate i.e., 79.5 percent while 20.5 percent indicate that their business capital is not adequate.
- Majority of sample respondents did not take a credit from financial institutions before they start a business i.e., 69.61 percent while 30.39 percent indicate they took a credit from financial institutions before they start a business.
- Majority of respondents rate a good as a credit service provide by financial institutions i.e., 51.2 percent while 37.7 percent indicate average credit services from financial institutions. 7.5 percent indicate extremely better for credit services of financial institutions while least number of respondents indicate poor credit services are provided by financial institutions.
- The mean value for first, second, third, fourth, fifth and sixth statement on collateral security were 3.16, 3.25, 3.21, 3.21, 3.10 and 3.10 respectively. The collateral security influence in credit accessibility and SMEs performance,

respondents are agreeing that collateral security have a great impact credit accessibility from financial institutions and SMEs performance.

- The mean value for first, second, third, fourth, fifth and sixth statement on presence of lending institutions were 3.25, 3.28, 3.18, 3.15, 3.31 and 3.24 respectively. The presence of lending institutions influences in credit accessibility and SMEs performance, respondents are agreeing that presence of lending institutions have a great impact credit accessibility from financial institutions and SMEs performance.
- The mean value for first, second, third, fourth, fifth and sixth statement on literacy level of the owners were 3.27, 3.28, 3.31, 3.17, 3.18 and 3.15 respectively. The literacy level of the owners influences in credit accessibility and SMEs performance, respondents are agreeing that literacy level of the owners have a great impact credit accessibility and SMEs performance.
- The mean value for first, second, third, fourth, fifth and sixth statement on interest rate charged by financial institutions were 3.27, 3.18, 3.09, 3.02, 3.18 and 3.15 respectively. The interest rate charged by financial institutions influences in credit accessibility and SMEs performance, respondents are agreeing that interest rate charged by financial institutions have a great impact credit accessibility and SMEs performance.
- The mean value for first, second, third, fourth, fifth and sixth statement on credit accessibility were 3.17, 3.09, 2.96, 2.86, 3.18 and 3.15 respectively. The credit accessibility influences in SMEs performance, respondents are agreeing that credit accessibility have a great impact SMEs performance. But in third and fourth statements of credit accessibility respondents are neutral because average value for these statements are below three.
- The mean value for first, second, third, fourth, fifth and sixth statement on SMEs performance were 3.09, 3.16, 3.17, 3.18, 3.18 and 3.15 respectively. The SMEs performance, respondents are agreeing that study variables i.e., collateral security, presence of lending institutions, literacy level, interest rate charged and credit accessibility have a great impact on SMEs performance.
- The correlation between SMEs performance and collateral security was positively correlated (0.781) in positive direction which is high degree of positive correlation.

- The correlation between SMEs performance and presence of lending institutions is also positively correlate i.e. (0.887) which indicates that the increase the presence of lending institutions will increase the SMEs performance.
- Correlation between SMEs performance and literacy level was also positively correlate i.e. (0.925) which the result can consider as literacy level and SMEs performance are in same direction, which means the increasing the literacy level of owners then the SMEs performance is also increased.
- SMEs performance and interest rate charged is positively correlated (0.907) with high degree of positive correlation in positive direction. It means it can be considered about interest rate charged by financial institutions and SMEs performance were simultaneously.
- Correlation between SMEs performance and credit accessibility was also positively correlate i.e. (0.901) which the result can consider as credit accessibility and SMEs performance are in same direction.
- There is a statistically significant correlation between SMEs performance and collateral security, presence of lending institutions, literacy level, interest rate charged, credit accessibility and SMEs performance.
- The independent factors (collateral security, presence of lending institutions, literacy level, and interest rate charged) explain 86.5 percent of the dependent variable (credit accessibility). utilized in this investigation, while the remaining 13.5 percent is explained by additional factors not considered in this study.
- The Beta Coefficients for collateral security is -0.016 which indicate the negative effect of collateral security on credit accessibility. The p value for this variable is 0.502 which is higher than 0.05 percent i.e., 5 percent level of significance.
- Beta value for presence of lending institutions, literacy level and interest rate charged is 0.185, 0.287 and 0.433 respectively. This shows the positive effect on credit accessibility for these variables. The p value for these variables were 0.000 which is lower than 0.05 i.e., 5 percent level of significance.
- There is a positive significant effect of presence of lending institutions, literacy level and interest rate charged on credit accessibility.

- The dependent variable (SMEs performance) is explained by the independent variables (collateral security, lending institution presence, literacy level, interest rate charged and credit accessibility) used in this study, with the remaining 12.1 percent explained by variables that were not included in this study.
- The highest effect was literacy level which measured 0.468 followed by credit accessibility which is measured 0.315, presence of lending institutions which is 0.132, interest rate charged which is measured 0.059 and collateral security which is measured as 0.031.
- The p value for presence of lending institutions, literacy level and credit accessibility are 0.010, 0.000 and 0.00 respectively which is lower than 0.05 i.e., 5 percent level of significance. This indicates presence of lending institutions; literacy level and credit accessibility have a positive significant effect on SMEs performance.
- p value for collateral security and interest rate charged is 0.212 and 0.392 which is higher than 0.05 i.e., 5 percent level of significance. This indicate there is a positive insignificant effect of collateral security and interest rate charged on SMEs performance.

CHAPTER V

DISCUSSION, CONCLUSION AND IMPLICATIONS

5.1 Discussions of the Findings

To achieve the research objectives, author use primary data based on a semi-structured questionnaire. Using convenience sampling, 385 useable responses were grouped. This study examined the credit accessibility and SMEs performance at Kathmandu valley. collateral security, lending institution presence, literacy level, interest rate charged, credit accessibility and SMEs performance were used variables in this study. Majority of sample respondents were male. Highest number of respondents were from age group thirty to forty while majority of sample respondents' higher education qualification was bachelor degree. Majority of sample respondents running their business five to ten years and many sample respondents indicate that their business capital is inadequate. Majority of respondents start their business from their savings while some respondents start their business from credit.

Collateral security has a considerable effect on credit accessibility from financial institutions and SMEs performance, according to the respondent. Similarly, lending institution presence impacts credit accessibility from financial institutions and SMEs performance. Owners' literacy level affects financing availability and SMEs performance, according to respondents. Financial institution interest rates also impact loan availability and SMEs performance, according to respondents. Credit accessibility has a significant effect on SMEs performance, according to respondents. However, certain credit accessibility statements have a neutral response since the average value is below three. Regarding SMEs performance, respondents believe that research factors such as collateral security and availability of finance have a significant influence. The respondents put the existence of lending institutions first, followed by owner literacy, collateral security, interest rate charged, SMEs performance, and credit accessibility. From this result it can be concluded that presence of lending institutions is a major affecting factor for credit accessibility and SMEs performance on the views of sample respondents.

The performance of SMEs and collateral security connected strongly, indicating a significant degree of positive linkage. It is clear from the positive correlation coefficients that enhancing collateral security results in improved SMEs performance. A positive association exists between the performance of SMEs and the presence of lending institutions, implying that lending institution presence will improve SMEs performance. The result may be considered as literacy level and SMEs performance are in the same direction, which implies raising the literacy level of owners increases SMEs performance. The performance of SMEs and the interest rate charged are highly connected. The interest rate charged by banking institutions and SMEs performance might be assessed concurrently. The research shows that credit accessibility and SMEs performance are positively correlated.

The independent parameters included in this study, such as the age of the firm's owner, the firm's age, and the firm's size, only explain 1.9 percent of the dependent variable known as credit accessibility. The remaining 99% can be accounted for by other factors that were not investigated in this research. It does not seem that demographic factors have any effect on the amount of credit that is available. On the other hand, the age of the firm or its size do not play any role in determining whether or not credit may be secured. According to the findings of our regression model, it was found that the age of the company's owner had a positive and statistically significant influence on the availability of credit, whereas the age of the company itself and the size of the company both had negative effects, but these effects were statistically insignificant. This is in accordance with the empirical findings of Hussein (2015), Akoten et al. (2006), and Abdesamed and Abd Wahab (2014), who discovered that the size of the firm has a significant negative effect on credit accessibility, whereas the age of the owner has a significant positive effect on credit accessibility.

The independent variables (collateral security, lending institution presence, literacy level, and interest rate charged) explain 86.5 percent of the dependent variable (credit accessibility) used in this study, while the remaining 13.5 percent is explained by other factors not considered in this study. The Beta Coefficients for collateral security demonstrate that collateral security has a negative influence on credit accessibility. Similarly, the beta value for the existence of lending institutions, literacy level, and interest rate charged all have a beneficial influence on credit accessibility. The p value

demonstrates that the existence of lending institutions, literacy level, and interest rate charged all have a positive significant influence on credit accessibility. This results is consistent with Mole and Namusonge's (2016) empirical findings, which revealed that the existence of lending institutions and the interest rate charged had a beneficial influence on loan accessibility.

The dependent variable, which is the performance of SMEs, can be explained to 87.9 percent degree by the independent factors (collateral security, existence of lending institution, literacy level, interest rate charged, and loan accessibility), with the remaining 12.1 percent degree being explained by variables that were not included in this research. The Alpha When the variable coefficients were compared, the literacy level was shown to have the highest effect, followed by the accessibility of credit, the existence of lending institutions, the interest rate that was charged, and the amount of collateral security. The research indicates that the performance of SMEs may be improved by taking into account any one of the elements. In a similar vein, the significance level may be inferred from the p value. This points to the existence of financial institutions; literacy levels and the ease of gaining access to financing have a significant impact on the success of small and medium-sized enterprises (SMEs). On the other hand, the performance of SMEs is marginally improved by the presence of collateral security and the interest rate that is charged. This conclusion is in line with the findings of Haritone and Mirie (2016), but it runs counter to the findings of Mole and Namusonge (2016), who found that collateral security has a positive significant influence on the performance of SMEs. This conclusion is consistent with the findings of Haritone and Mirie (2016).

5.2 Conclusion

An investigation of small enterprises in the Kathmandu Valley was conducted to see whether they could get financing and how successful they were. All of these factors have been taken into consideration in order to come up with this conclusion. Researchers flooded the Kathmandu Valley with questionnaires, using them as their major data collection tool. A conclusion was reached from the study's results. The majority of individuals surveyed were between the ages of 30 and 40, with the majority having earned a bachelor's degree. As a sample of business owners, many feel their company's capital is insufficient after at least five to ten years of operation.

While many small businesses are self-funded, only a tiny fraction of survey participants used debt to fund the start of their business. To sum up, there seems to be a strong association between small company success indicators like collateral requirements and loan availability indicators like literacy and the interest rate charged. An increase in collateral security, lending institution presence, literacy level, interest rate charged, and credit accessibility may improve the performance of small and medium-sized enterprises.

There was a considerable influence on SMEs' credit accessibility by the owner's age, although the company's age and its size had a little impact on credit accessibility, according to the data. Only 1.9 percent of the variability in the ability of small and medium-sized firms (SMEs) to get credit facilities from financial institutions can be attributed to the demographic characteristics of its owners, according to a research. Similarly, collateral security implies that collateral security has a negative impact on loan availability. In a similar line, characteristics such as the number of financial institutions, the level of literacy, and the interest rate charged have a favorable impact on the availability of loans. Research factors, which include literacy level, the availability of lending institutions, the quantity of collateral security, and the interest rate charged, account for just 86.5% of the variance in SMEs' access to loan facilities from financial institutions.

As per analysis on SMEs performance it can be concluded that SMEs performance is explained by 87.9 percent by the independent variables collateral security, lending institution presence, literacy level, interest rate charged and credit accessibility which were used in this study. From the regression result it can be concluded that the highest effect was literacy level followed by credit accessibility, presence of lending institutions, interest rate charged and collateral security.

5.3 Implications

There are several dimensions in measuring credit accessibility and SMEs performance. The study focuses on determining the business owners' views on financing accessibility in their ongoing business in Kathmandu valley. The SMEs owners believe that literacy level, interest rate charged and presence of lending institutions are the key components having their credit accessibility. The age of the owners also plays an important role in accessing the credit of SMEs. Thus, it is

suggested business owners consider these factors while accessing credit. The business owner should also think about the factor of age as it is found that the age of the owner has a positive significant impact on credit accessibility.

Because there are several elements that influence credit accessibility and small and medium-sized enterprise success, I have only included seven components for credit accessibility and five components for small and medium-sized enterprise performance. The future researcher may take into account other aspects such as asset tangibility, profitability of the company, sales turnover, business growth, liquidity situation, and so on in order to obtain further insight into the findings. Because this research was conducted on small and medium-sized businesses, the findings cannot be applied to major corporations. Consequently, it is recommended that future researchers do a similar sort of study that includes large-scale firms and assess if the same characteristics have an impact on all enterprises, whether small, medium, or big in size. The results would be more valuable if a larger number of sample firms were included in the study; hence, it is recommended that future researchers include a larger sample size in their studies.

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Appendix: I

Questionnaire on **'Credit Accessibility and Performance of SMEs inside Kathmandu Valley"**

Dear Sir/Madam

I am a student at Tribhuvan University's Central Department of Management, and I am conducting a survey to gather information on the credit accessibility and performance of small and medium-sized enterprises (SMEs) inside Kathmandu Valley. *This questionnaire will be much welcomed in the completion of the study project since it will include only truthful and correct information. It is understood that the information will be kept secret and will only be used for research purposes.*

Regards

Sharmila Adhikari

Part A

General Background

1. Gender

- Male
- Female

2.Age Group

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

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

- SLC
- +2
- Bachelor's Degree

- Masters and above

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

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

6. Please indicate the total capital of your business?

- Below One Million
- One to Two Million
- More than Two Million

Part B

Credit Accessibility for the Business

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

- Savings
- Loan from Financial Institutions
- Borrowings from Friends and
- Relative
- Others
- (Specify)……

8. Did You think that your start-up capital was adequate for your business?

- Its Adequate
- Not Adequate

9. Have you applied credit/loan from any financial institutions before for your business?

- Yes
- No

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

- Poor
- Average
- Good
- Extremely Better

Part C

Statement on Credit Accessibility and Performance of SMEs inside Kathmandu Valley

Below are some of the possible factors of credit accessibility which can affect the performance of small and medium enterprises (SMEs) inside Kathmandu Valley . To what extend do you get agreed with the below factors.

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

Statements		1	2	3	4	5
(A) Collateral Security						
A1	In our business, financial institutions are placing a greater emphasis on the capacity to repay loans rather than on collateral.					
A2	We apply for loans as a group from time to time since we can simply co-guarantee each other's repayment.					
A3	When assessing the possibility of loan repayment, financial institutions use a risk-averse approach toward small businesses rather than concentrating on the entity's ability to generate money.					
A4	Financial institutions are hesitant to provide loans to us, and it is difficult for us to give acceptable proof of our earnings to them.					
A5	Because of the restrictions that I provide collateral for my loan, I've had to look for other					

	sources of funding for my company, such as borrowing from family and purchasing on credit.					
A6	As a major lending requirement, financial institutions demand on the availability of collateral security from borrowers.					
(B) Presence of Lending Institution						
B1	I have developed a personal connection with the banker, which has resulted in increased credit availability for my business.					
B2	The availability of financial institutions has increased loan accessibility for the majority of small and medium-sized businesses, resulting in increased company growth.					
B3	The majority of entrepreneurs have discovered a successful method of integrating access to financial services, thanks to the efforts of financial institutions.					
B4	Many financial institutions do not provide products that are specifically designed to meet our demands.					
B5	With the existence of financial institutions in our region, we have been able to mobilize savings, which has resulted in an increase in the amount of money invested in enterprises.					
B6	Credit availability is determined on the length of my relationship with my financial institution.					
(C) Literacy Level						
C1	My educational background has provided me with the information and abilities necessary to be more productive in the management of our business.					

C2	The level of education has a favorable impact on when and how loans are obtained to expand or grow a business.					
C3	Financial institutions have increasingly focused on cost-effectively combining credit with other kinds of services, resulting in the establishment of ties with us in order to improve our services for our customers.					
C4	Financial institutions have adopted the practice of providing training sessions to raise awareness of their products, which is beneficial to my company's operations.					
C5	Trainings have helped me to manage my company more efficiently, and I have seen an improvement in both sales and profits as a result of them.					
C6	As a result of the training I have received, I have seen an increase in business-related results such as sales and profits.					
(D) Interest Rate Charged						
D1	The interest rate charged on various loans is often determined by the kind of security supplied or the nature of the company.					
D2	Because the interest rates charged by financial institutions are so high, we are discouraged from borrowing money from them.					
D3	I am reluctant to request for a loan since financial organizations do not take my capacity to pay the interest rate into consideration.					
D4	Because of my failure to return on time, the financial institutions have taken possession of my company assets, which has had an impact on					

	my day-to-day operations and has discouraged me from borrowing in the future.					
D5	Financial institutions provide money on a short-term basis at a high interest rate, which makes it difficult for me to get credit.					
D6	There are unreasonably high credit processing fees and levies charged by banking institutions nowadays.					
(E) Credit Accessibility						
E1	SMEs with a business plan are more likely to be successful in their credit application than those that do not have a business plan.					
E2	In comparison to the financial institutions giving the loan, the borrowing SME has more knowledge regarding credit risk than the financial institutions providing the credit.					
E3	If a company has a pool of assets that may be used as collateral, it will be more likely to get funding from a financial institution.					
E4	Entrepreneurs who have ability to pay a higher interest rate have easily access the credit facilities in financial institutions.					
E5	Having access to loans is no different for entrepreneur with lower educational qualifications as it is for those with higher education.					
E6	The lack of timely, accurate, quality, quantity, and complete information regarding the ability of the applicants to repay back the loan were consider as main factors to access credit accessibility from the financial institutions.					
(E) SME's Performance						

F1	Credit accessibility leads to improved profitability of the business.					
F2	SMEs depend mostly on bank financing to boost the business and to carry out new investments and projects					
F3	Access for credit by SMEs has been identified as a necessary condition for job creation and economic growth.					
F4	The availability and accessibility of external finance has a favorable influence on the development and success of any business.					
F5	Accessibility to credit is vital since it helps to mitigate the effect of cash flow concerns while also allowing for more flexibility in resource allocation decisions.					
F6	Variables identified as hindering SME growth include financial flow, collateral requirements, capital costs, information access, and capital management.					

Appendix II

Correlations

		SME's Performance	Collateral Security	Presence of Lending Institution	Literacy Level	Interest Rate Charged	Credit Accessibility
SME's Performance	Pearson Correlation	1	.781**	.887**	.925**	.907**	.901**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	385	385	385	385	385	385
Collateral Security	Pearson Correlation	.781**	1	.755**	.834**	.801**	.754**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	385	385	385	385	385	385
Presence of Lending Institution	Pearson Correlation	.887**	.755**	1	.919**	.920**	.889**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	385	385	385	385	385	385
Literacy Level	Pearson Correlation	.925**	.834**	.919**	1	.953**	.911**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	385	385	385	385	385	385
Interest Rate Charged	Pearson Correlation	.907**	.801**	.920**	.953**	1	.920**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	385	385	385	385	385	385
Credit Accessibility	Pearson Correlation	.901**	.754**	.889**	.911**	.920**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	385	385	385	385	385	385
**. Correlation is significant at the 0.01 level (2-tailed).							

Appendix III

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.139[a]	.019	.011	.68573
a. Predictors: (Constant), Capital of the Business, Age, Business Operation				

Appendix IV

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.509	3	1.170	2.487	.060[b]
	Residual	179.158	381	.470		
	Total	182.666	384			
a. Dependent Variable: Credit Accessibility						
b. Predictors: (Constant), Capital of the Busieess, Age, Business Operation						

Appendix V

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.222	.210		15.334	.000
	Age	.072	.036	.101	1.996	.047
	Business Operation	-.087	.052	-.085	-1.663	.097
	Capital of the Business	-.043	.054	-.041	-.790	.430
a. Dependent Variable: Credit Accessibility						

Appendix VI

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.930[a]	.865	.863	.25510
a. Predictors: (Constant), Interest Rate Charged, Collateral Security, Presence of Lending Institution, Literacy Level				

Appendix VII

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	157.937	4	39.484	606.736	.000[b]
	Residual	24.729	380	.065		
	Total	182.666	384			
a. Dependent Variable: Credit Accessibility						
b. Predictors: (Constant), Interest Rate Charged, Collateral Security, Presence of Lending Institution, Literacy Level						

Appendix VIII

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.235	.060		3.887	.000
	Collateral Security	-.016	.024	-.023	-.672	.502
	Presence of Lending Institution	.185	.048	.198	3.829	.000
	Literacy Level	.287	.068	.307	4.241	.000
	Interest Rate Charged	.433	.062	.464	6.936	.000
a. Dependent Variable: Credit Accessibility						

Appendix IX

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.937[a]	.879	.877	.26494
a. Predictors: (Constant), Credit Accessibility, Collateral Security, Presence of Lending Institution, Interest Rate Charged, Literacy Level				

Appendix X

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	192.990	5	38.598	549.882	.000[b]
	Residual	26.603	379	.070		
	Total	219.594	384			
a. Dependent Variable: SME's Performance						
b. Predictors: (Constant), Credit Accessibility, Collateral Security, Presence of Lending Institution, Interest Rate Charged, Literacy Level						

Appendix XI

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.031	.064		-.490	.624
	Collateral Security	.031	.025	.041	1.251	.212
	Presence of Lending Institution	.132	.051	.129	2.582	.010
	Literacy Level	.468	.072	.456	6.510	.000
	Interest Rate Charged	.059	.069	.058	.857	.392
	Credit Accessibility	.315	.053	.287	5.903	.000
a. Dependent Variable: SME's Performance						