

Access to Finance and Its Impact on the Growth of Very Small Family Businesses in Nepal

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ABSTRACT

Very Small family enterprises form an important part of the informal economy in Nepal and contribute much to job creation, household income and local economic activities. However, accessing formal financial services is a major challenge for these businesses and may hinder their expansion and survival. This article analyses the effect of access to finance on the performance of micro family enterprises in Chitwan district, Nepal. Descriptive and analytical design was used in data collection among 75 family-run enterprises through semi-structured questionnaires by trained enumerators, considering respondents with diverse literacy levels. The research investigates the first sources of funds and measures their access to finance as well as investigates the link between accessibility and growth indicators such as sales growth, profit growth and asset buildup. The results indicate that majority of the businesses rely on personal savings and other informal lenders, except for formal finance which is not accessed possibly due to high collateral requirement, complex procedures and high interest rate. Correlation and regression show that financial access affects positively to the growth of business, revealing the ability of financial accessibility to improve asset accumulation and efficiency in operation. The study underscores the call for less cumbersome loan processes, wider microfinance and cooperative penetration along with focused financial literacy support in order to promote growth and sustainability of very small family businesses in Nepal.

Keywords: Very Small Family Business, Access of Finance, Informal Finance, Business Growth and Micro-finance

Introduction

Small-family enterprises are the most common type of firm in Nepalese informal economy: they are small and family-based, have low capital and technology requirements and operate without proper accounts or records. They include *Kirana* shops, tea/food stalls, tailoring units, boutiques, small hotels, petrol pumps and household-based repair workshops. Small businesses of this nature, though they may be unregistered and fall outside formal categories of Small and Medium Enterprises (SMEs), constitute the backbone of local economies. In the absence of formal employment opportunities in Nepal, Small family businesses absorb unwanted labor especially the labor of women, low skilled and elderly members of the families and this ultimately reduces unemployment and livelihood security. In places such as Chitwan, these enterprises connect rural producers with urban markets, enabling processing, distribution and local value chains. They are versatile in order to meet quick market changes and be more robust in volatile economic environments.

However, the majority operate on an informal basis, with no registration process or structured accounting and tax documentation, restricting access to orthodox finance institutions. Lack of finance is a big challenge. Evidence demonstrates that financial constraints have a disproportionate impact on small and informal enterprises, challenging investment, innovation and growth (Beck & Demirgüç-Kunt 2006). Exclusion from financial services reduces resilience and ability to manage economic crises such as inflation, cost increases, and competition (Banerjee & Duflo, 2011). In Nepal, the situation is made even worse by collateral requirements, complicated loan process and procedures, low level of financial knowledge and poor institutional coverage.

Because of their contribution to the economy and resource constraints, exploring the effect of access to finance on growth in just very small family businesses is crucial to set up sound pro-poor financial policies, reinforce microfinance and cooperative institutions, and foster local sustainable economic development.

Statement of the Problem

Micro family enterprises are important in terms of employment, household income and economic activities at the local level in Nepal. Yet, while they are of great significance, they have long faced shrinking budgets. Formal banks and development organizations typically serve only the registered, larger firms that possess collateral, formal credit history and registry, all of which are conditions that often informal household businesses cannot fulfil. (Beck et al., 2005).

Thus these firms are mostly financed by own savings, loans from relatives or friends, cooperatives, micro financiers and informal creditors. Though more reachable, such sources typically come at high interest rates, short payback schedules, and small loan amounts that inhibit reinvestment and constrain growth (Banerjee & Duflo, 2011).

On the demand side, low levels of financial literacy also prevent finance from being used effectively, while structural barriers — such as limited outreach, cumbersome processes and low trust in formal institutions — limit access in other ways. Despite the extended availability of credit through microfinance and cooperatives, loans usually are too small to favor business expansion (Ayyagari, Demirgüç-Kunt, & Maksimovic (2011). This study poses some important research issues:

1. Does access to finance significantly influence the growth of family businesses in Nepal?
2. Which sources of finance are most commonly used?
3. What financial barriers most constrain expansion?
4. How do financial literacy and institutional limitations affect the use of available finance?

Response to this inquiry is important for formulating of inclusive financial policies, reinvigorating microfinance and cooperative institutions as well as ensuring sustainable economic development.

Research Gap

While a number of studies on business finance have focused on small and medium enterprises (SMEs) as well as predominantly registered businesses, the focus has been quite limited when it comes to small family businesses. At the same time, these are micro-enterprises which tend to function largely informally at household levels and differ greatly from SMEs in scale of operations, structure of organization, resource mitigation and type of growth patterns. Their monetary requirements are small, but essential for existence and step by step development; thus they are extremely vulnerable to the constraints placed on their access to credit.

The majority of prior research has focused on formal credit access, and reported cooperation rates (proportions) rather than compliance with requirements on approval rate, interest rate and collateral. However, these studies often ignore the qualitative dimensions of finance, including affordability, ease of procurement, size worthiness of credit and customer orientation on behalf of financial institutions serving very small entrepreneurs. There is also a scarcity of empirical evidence on the day-to-day financial constraints, coping mechanisms, and decision-making procedures faced by unregistered family businesses.

This dearth of very small-level context specific study means that there is a major gap in our understanding of the role of access to finance for the growth and survival of very small family businesses. By targeting family businesses of micro-enterprises in Chitwan district, this study intends to herein address this gap and provide an understanding on the quantitative as well as qualitative dimension of financial access and its impact on performance of business.

Objectives of the Study

The general objective of this study is to explore financial access and its influence on growth of very small family business in Nepal. The specific objectives are to ascertain the principal sources of finance employed by VSFBs, to understand how these firms access finance, to explore the effect of finance accessibility on firms' growth and to determine the most prevalent financing problems of VSFBs.

Review of Literature

Very small family businesses are enterprises predominantly owned and managed by family members, typically employing fewer than five individuals and requiring minimal capital investment (Storey, 1994). These businesses often operate informally, with household and business finances closely intertwined, and decision-making largely concentrated within the family (Aldrich & Cliff, 2003). The reliance on family labor, flexible governance, and informal operational structures allows these enterprises to adapt rapidly to market changes and economic shocks. Moreover, studies indicate that very small family businesses tend to emphasize survival and incremental growth rather than aggressive expansion (Reijonen & Komppula, 2007). In the context of developing economies like Nepal, such enterprises form the backbone of the local economy, providing critical employment, income generation, and social security for family members (Koirala, 2018; Gautam, 2020).

Access to finance refers to the ability of individuals or enterprises to obtain financial services—including credit, savings, insurance, and payment facilities—at affordable costs and reasonable terms (Beck & Demirgüç-Kunt, 2006). Financial inclusion theory asserts that equitable access to financial services promotes entrepreneurship, productivity, and poverty reduction (Demirgüç-Kunt et al., 2018). Access to finance is often analyzed along three dimensions: availability (presence of financial products), affordability (interest rates and fees), and accessibility (ease of application, collateral requirements, and procedural simplicity) (Allen et al., 2016). Recent studies emphasize that financial access also includes qualitative aspects such as perceived fairness, flexibility of repayment, and knowledge support for borrowers (Cull et al., 2014; Honohan, 2008). In Nepal, very small family businesses frequently experience constraints in all three dimensions, which limits their ability to invest, grow, and stabilize their operations (Sharma, 2021; Joshi, 2022).

Very small family businesses rely on a combination of formal and informal financing sources. Commonly used options include personal savings, loans from relatives or friends, microfinance institutions, cooperatives, and informal moneylenders (Beck et al., 2008). Formal financial institutions often impose collateral requirements, extensive documentation, and credit history checks, which pose major barriers for informal micro-enterprises (Beck & Demirgüç-Kunt, 2006; Ayyagari et al., 2011). Informal finance, while easily accessible, frequently comes with high interest rates and short repayment periods, increasing financial risk and discouraging reinvestment (Banerjee & Duflo, 2014; Armendáriz & Morduch, 2010). In Nepal, studies highlight that microfinance institutions and cooperatives partially bridge the financing gap, but loan sizes are often insufficient for asset expansion or business diversification (NRB, 2023; Pandey, 2019).

Business growth refers to measurable improvements in sales, profits, assets, employment, or market reach over time (Storey, 1994). For very small family businesses, even modest financial injections can produce substantial effects on growth due to the small initial scale and flexible operations (Ayyagari et al., 2011). Growth is influenced by factors including access to finance, managerial competence, market conditions, institutional support, and entrepreneurial skills (Beck et al., 2008; Reijonen & Komppula, 2007). Empirical studies suggest that financial access enables reinvestment in productive assets, expansion of operations, and adoption of technology, all of which contribute to higher profitability and sustainability (Banerjee & Duflo, 2011; Honohan, 2008). In Nepal, very small family businesses often show incremental growth patterns, with capital constraints being the primary limiting factor (Sharma, 2021; Koirala, 2018).

Empirical evidence across developing countries consistently demonstrates a positive relationship between access to finance and enterprise growth. Micro-enterprises constrained by limited credit access often operate below optimal scale, resulting in lower productivity and income (Beck et al., 2008; Ayyagari et al., 2011). Banerjee and Duflo (2014) emphasize that reliance on informal or high-cost financing restricts investment and limits long-term expansion. In South Asia, microfinance has been shown to improve working capital stability and income generation, although evidence regarding sustained growth remains mixed (Armendáriz & Morduch, 2010; Khandker, 2005). Research in India, Bangladesh, and Sri Lanka highlights similar challenges for informal enterprises, such as lack of collateral, poor documentation, and exclusion from formal banks (Cull et al., 2014; Honohan, 2008).

In Nepal, studies by the Nepal Rastra Bank (2023) and Sharma (2021) reveal that household enterprises face significant barriers to formal credit, leading to dependence on personal savings, cooperatives, and microfinance. Most prior research focuses on registered SMEs or microfinance clients, leaving very small family businesses largely underexplored. This study contributes by generating empirical evidence at the household enterprise level, capturing the realities of financial access, borrowing strategies, and their direct impact on business growth (Joshi, 2022; Pandey, 2019).

Conceptual Framework

This paper is an attempt to conceptualize the influence of access to finance on very small family business growth. We define Access to Finance in the model as the independent variable and Business Growth as the dependent variable.

Independent Variable: Access to Finance: Access to finance is measured along three dimensions: **Availability** – Refers to the presence of financial products and institutions that cater to very small family businesses.

Indicators: Number of available loan products, presence of banks/microfinance/cooperatives in the area, frequency of credit disbursement.

Affordability – Refers to the cost of obtaining finance relative to the enterprise's income and repayment capacity. **Indicators:** Interest rate charged, fees/charges, repayment terms, loan size adequacy.

Accessibility – Refers to the ease with which business owners can access financial services.

Indicators: Requirement of collateral, documentation complexity, loan processing time, financial literacy of business owner.

Dependent Variable: Business Growth: Business growth is operationalized as improvements in key performance indicators over a defined period:

Sales Increase – Growth in revenue from business operations.

Indicators: Percentage change in monthly/annual sales.

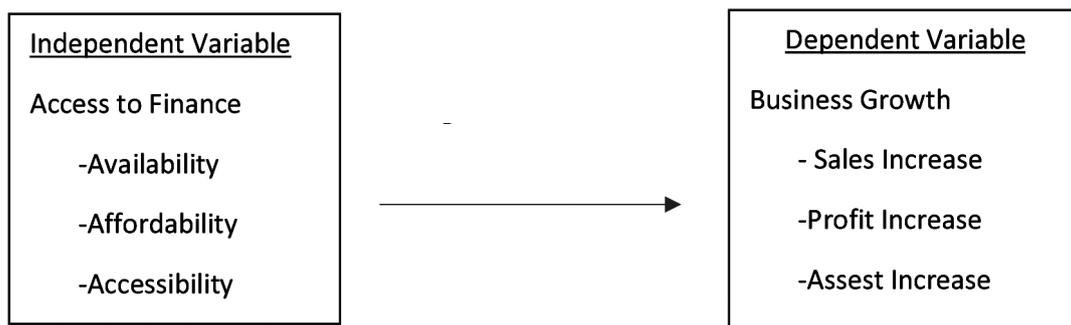
Profit Increase – Growth in net income after deducting costs.

Indicators: Change in net profit margin, earnings, or retained earnings.

Business Expansion – Growth in business scale and capacity.

Indicators: Increase in assets, number of employees, diversification of products/services, and expansion of physical premises.

Conceptual Framework Diagram



Research Methodology

Research Design

The study uses descriptive and analytical research design. Descriptive statistics was employed to explore sources of finance, financial access and business features. The relationship between access to finance and firm growth is examined using analytical design.

Population and Sample

The target population includes very small family businesses working in Chitwan. Purposeful sampling technique was used to select a sample of 75 firms. The sample comprises hotels, *kirana* shops, tailoring and boutique establishments, clothes and fancy stores, and petrol pumps.

Data Sources

Data were collected using semi-structured questionnaires, and literacy was not a limitation as interviewers read out questionnaires to illiterate respondents. The secondary data were collected from reports, journals and publications of Nepal Rastra Bank.

Data Collection Instruments

A structured questionnaire was used to collect data on business profile, source of finance, access to finance and business growth.

Data Analysis Tools

Descriptive statistics were used to analyze the data, including frequency, mean and percentage. SPSS was used to perform inferential analysis, namely correlation and regression.

Results and Analysis

In this section, the findings from a sample of 75 very small family business in Chitwan district are reported. The analysis pays special attention to the profile of respondents, financial sources, degree of access to finance, firms' growth situation and relationship between access to finance and business growth.

Profile of Respondents

The sample includes 75 micro family firms across diverse industries. Table 1 shows the proportion of respondents according to type of business.

Table 1: Type of Business

| Type of Business | Frequency | Percentage |
|---------------------------|-----------|------------|
| Hotel and Food Services | 18 | 24.0 |
| Kirana (Retail) Shops | 22 | 29.3 |
| Tailor and Boutique | 12 | 16.0 |
| Clothing and Fancy Stores | 15 | 20.0 |
| Petrol Pump and Services | 8 | 10.7 |
| Total | 75 | 100.0 |

Kirana shops form the largest category of very small family businesses followed by hotels and food service.

Such establishments are prevalent in semi-urban Chitwan and do not require high starting costs.

In terms of years of operation, the most enterprises have been in business from 5 to 19 years depicting that businesses survive challenges both from a financial and an operational point of view. Longevity indicates anti-fragility but not growth or prospering.

Family participation is generally high in all of the sampled firms. Only 31 businesses hired non-family workers, whereas all others used only family labor. This mirrors out the pattern in undercapitalized family businesses, where unpaid or low-paid family labor decreases costs of operation.

Sources of Finance

Participants were also asked to indicate where they sourced the principal funding to establish and run their businesses: Multiple responses were allowed which are presented in the following table.

Table 2: Sources of Finance

| Source of Finance | Frequency | Percentage |
|--------------------------------------|-----------|------------|
| Personal Savings | 52 | 69.3 |
| Cooperatives | 28 | 37.3 |
| Microfinance Institutions | 21 | 28.0 |
| Informal Lenders (Relatives/Friends) | 34 | 45.3 |
| Commercial Banks | 9 | 12.0 |

Results show that the most frequent source of finance is personal savings (67.3%). A big share of informal lenders might also be revealing ease of access and minimal involvement.

Commercial bank access is very low—primarily for lack of collateral, formality in documenting the loan and perceived risk by the banks. Cooperatives and microfinance institutions are middle path options, offering credit relatively easily, but at interest rates that is typically more than that banks would charge.

Level of Access to Finance

Access to credit was measured on indicators such as access to loan, interest rate, collateral demand of banks and enough amount of loans.

Table 3: Level of Access to Finance

| Indicator | Strongly Satisfy | Satisfy | Neutral | Dissatisfy | Strongly Dissatisfy | Total |
|----------------------------------------------|------------------|---------------|---------------|---------------|---------------------|--------------|
| It is very easy to access finance | 5 (6.7%) | 12 (16.0%) | 10 (13.3%) | 28 (37.3%) | 20 (26.7%) | 75 (100%) |
| Interest rates are low enough to pay | 2 (2.7%) | 10 (13.3%) | 15 (20.0%) | 30 (40.0%) | 18 (24.0%) | 75 (100%) |
| I have sufficient collateral to borrow loan | 3 (4.0%) | 8 (10.7%) | 12 (16.0%) | 32 (42.7%) | 20 (26.7%) | 75 (100%) |
| Loan I borrow was adequate to my requirement | 4 (5.3%) | 14 (18.7%) | 10 (13.3%) | 30 (40.0%) | 17 (22.7%) | 75 (100%) |

Table 3 above shows the clients' evaluation of their accessibility to the finance as measured on four indicators using a five-point Likert scale (strongly satisfied to strongly dissatisfied). With regards to the degree of access in funding, a total of 17 (22.7%) were satisfied ("Strongly Satisfy" and "Satisfy") as compared to 48 who dissatisfied ("Dissatisfy" and "Strongly Dissatisfy"). It suggests that most entrepreneurs have difficulties in accessing loans, especially because of high collateral and bureaucratic demands, and low literacy in matters related to finance.

In terms of interest, only 12 (16.0%) indicated a level of satisfaction with rates, and 48 (64.0%) expressed dissatisfaction. This implies that high cost of borrowing, particularly from non-institutional lenders and for the microfinance institutions, stands as a binding force on profitability and investment potentiality.

Regarding the availability of collateral, only 11 respondents (14.7%) felt that they had confidence to fulfil all their collateral requirements and 52 (69.4%) were unhappy with this aspect. This reflects the rigidity of asset-based lending faced by most small entrepreneurs.

Finally, in relation to adequacy of loan size, 18 respondents (24.0 per cent) agreed that the size of loans they had received was adequate but 47 (62.7 per cent) disagreed that it met their business needs. This underfunding could put constraints on investments and businesses' growth.

In conclusion, the results suggest that access to finance is an important obstacle performances. Policy-makers and banks need to formulate policies that make all process less cumbersome through reducing interest rates, easing collateral requirements and ensuring loans are matched with small businesses.

Growth Status of Businesses

Business growth for all three variables— from sales, profit and assets was calculated based on self-reported changes during the previous 5 years. The growth status of very small firms is reported in the following table.

Table 4: Growth Status of Businesses

| Indicator | Rapidly Growing | Growing | Constant | Decreasing | Rapidly Decreasing | Total |
|-----------|-----------------|---------------|---------------|---------------|--------------------|--------------|
| Sales | 15 (20.0%) | 26 (34.7%) | 19 (25.3%) | 10 (13.3%) | 5 (6.7%) | 75 (100%) |
| Profit | 12 (16.0%) | 24 (32.0%) | 22 (29.3%) | 10 (13.3%) | 7 (9.3%) | 75 (100%) |
| Assets | 8 (10.7%) | 21 (28.0%) | 30 (40.0%) | 10 (13.3%) | 6 (8.0%) | 75 (100%) |

The table shows how businesses grew over the past three years, as recorded by sales, profit, and assets. Interviewees were asked to classify the growth as "Rapidly Growing," "Growing," "Stable," "Decreasing" and "Rapidly Decreasing".

With regards to sales growth, the majority of firms (41 firms or 54.7%) experienced an increase in which 15 firms (20.0%) reported experiencing high growth. Nonetheless, 15 (20.0% of the 75 firms who responded to this question) admitted that their sales were decreases (market competition, inflationary pressure and restricted working capital being common problem). It shows that over half the firms are growing their sales, but many are not managing for the growth.

Profit expansion trailed sales growth, which supports the idea that cost escalation, price constraints and difficulty in differentiating between household and corporate spending have hurt profitability. Less respondents (n = 12; 16.0%) went through a fast increase of profit, and more respondents (17 out of 75, 22.7%) showed decrease. This emphasizes the possibility that firms could be generating more sales at the cost of higher profit margins, which means that there is less financial efficiency.

In terms of asset expansion, just 8 (10.7 percent) noted a rapid growth rate; and 30 (40.0 percent) said there had been no change in the value of assets. Sixteen (21.3%) of the responses were negative in value – suggesting constraints with availability of funds for reinvestment. Higher levels of asset accumulation were found among businesses with better access to finance, while those who depended solely on personal savings had slower asset growth.

So far so good indeed, but sales grow faster than income and assets, meaning that cost management reinvestment activities or financial planning are much of a challenge like one could say. The results suggest that

enhanced provision of finance, financial literacy and effective resource management are also required to facilitate sustainable business development.

Relationship between Access to Finance and Business Growth

Correlation and regression analysis were used to access the relationship between finance accessibility and growth of the firm. For both variables, composite indices were calculated (i.e., access to finance was measured across four dimension: easy of access; interest rate; collateral availability and adequacy of loan amount, while business growth was measured with three indicator: sale, profit and asset).

Correlation Analysis

Table 5 displays the correlation results between finance and overall firm growth and its sub-dimensions.

Table 5: Correlation between Access to Finance and Business Growth

| Variables | Sales Growth (r) | Profit Growth (r) | Asset Growth (r) | Overall Business Growth (r) |
|-------------------|------------------|-------------------|------------------|-----------------------------|
| Access to Finance | 0.59** | 0.57** | 0.48** | 0.61** |

Note: **p < 0.01 (2-tailed)

According to the correlation, there is a positive strong relationship between access to finance and general growth in business ($r = 0.61$, $p < 0.01$). This indicates that firms with better financing facilities grow more in terms of sales, profit and assets. In particular, finance access exhibited large and statistically significant positive associations with sales growth ($r = 0.59$), profit growth ($r = 0.57$) and asset growth ($r = 0.48$), all at the 1 percent level of significance.

These results would suggest that by making financing more accessible (i.e. lowering interest rates, simplifying loan processes, facilitating the guarantee of loans and taking into account better margins in terms of quantity) will lead to a direct improvement in business performance. The less strong linkage with asset growth does indicate that such access to finance would enhance, but not substitute for, other factors including financial management skills, business planning and reinvestment strategies in driving asset growth.

In general, the findings provide evidence that access to finance is an important factor for sustainable business expansion and strengthens the call for policy-makers and financial institutions to combat hurdles of accessing credit.

Regression Analysis

To explore the predictive influence of access to finance on business growth, a simple linear regression analysis was carried out. In this model, overall business growth was the dependent variable and access to finance was considered as the independent variable. The equation of the regression is given as:

$$\text{Business Growth} = \alpha + \beta + \varepsilon$$

Where:

- α represents the constant (intercept),
- β is the regression coefficient of access to finance, and
- ε denotes the error term.

Table 6: Regression Results of Access to Finance on Business Growth

| | | | |
|----------------------|------|------|-------|
| Constant | 1.12 | 2.41 | 0.018 |
| Access to Finance | 0.58 | 6.73 | 0.000 |
| R² | 0.37 | | |

According to the regression results, finance access has positive and statistically significant returns on firm growth ($\beta = 0.58$, $t = 6.73$, $p < 0.01$). This indicates that better financial access (in term of easier loan process, lower interest rate, sufficient collateral policy and higher amount diversification in borrowing) may very well help a lot in improving firm performance.

The intercept term ($\alpha = 1.12$, $p = 0.018$) is also significant, suggesting that in period without access to financial support firms do still grow at a baseline level potentially driven by other operational or entrepreneurial aspects of their business.

The adjusted R^2 (0.37) indicates that 37 percent of the variance in business growth has been accounted for by financial access, which means a heavy influence of financial accessibility on business performance. Access to finance is an important factor of growth, however the other 63 percent of variation is determined by factors

like market circumstances, management capabilities, competition and reinvestment activities.

Discussion and Findings

The results of this study, until-now-ignored research, contribute to an understanding of the nexus between access to finance and business growth among very small family businesses in Chitwan district. The analysis indicates that such firms depend mostly on their personal savings and informal creditors, given the difficulties they encounter in accessing formal financial intermediaries (commercial banks). This tendency mirrors the structural and processing impediments that small businesses encounter, such as high collateral requirement, complicated documentation, and some level of perceived risk by the formal credit providers. Cooperatives and microfinance provide some relief but their high interest rates and low loan amounts restrict businesses' financial capacity.

The accessibility of finance was regarded as a significant obstacle for their growth. The scale of dissatisfaction was overwhelming, as over half of the entrepreneurs are not satisfied on access to loan, interest rate charged, collateral requirement and also on satisfactory lending. It seems that high collateral needs and a complex application process restrict credit availability, while high interest rates lower profitability and reinvestment capability. Low loan levels, which limit expansion and asset growth provide strong evidence that under-financing is a fundamental impediment to small firm growth. This is in line with previous studies that indicate that financial restrictions limit operations scaling up, innovativeness and long-term survival among very small enterprises.

Analysis of business growth showed that the sales were growing moderately to high in more than one half of the businesses, whereas profit and asset growth had not tracked consistently behind them with several firms reporting a stable or falling trends. This gap indicates the lack of effectiveness in cost control, pricing policy and reinvestment. Confusion between family and business earnings can then exacerbate measurement problems as well as constrain proper financial planning. Firms that had greater access to finance were able to accumulate more assets than their counterparts, emphasizing the significance of accessibility of financial resources for investment and business growth.

It was evident following the relationship between access to finance and business growth using correlation and regression analyses. Finance accessibility was a strong predictor of sales, profits and assets growth and it explained 37 per cent in the variance of business growth. These findings reinforce the fact that financial accessibility serves not just in support of operational continuity but also as an enabler of sustainable expansion. It described only 37 percent of the variance, so it's obviously that other things, such as good and bad management, market conditions, competition or entrepreneurial strategies have an also impact on business outcomes.

Taken together, results highlight the central role of better access to finance for the smallest family businesses. Loan processes, financing cost, the necessity of collateral, and loan size that are skewed in favor of borrowers while at the same time matching people's business capacities can boost financial inclusion and drive growth. Programs for financial literacy and focused assistance in the areas of reinvestment and accumulation of assets could be used to coincide with such measures, which have potential to enhance resilience and longer-term viability of small family firms.

Conclusion

The relationship between access to finance and the growth of very small family business is the focal point of this research. From the results, it is observed that these businesses mainly depend on personal savings and informal sources like loans from relatives and friends and they do not have access to formal financial agencies i.e. commercial banks. The barriers to financial access identified included constraints such as high interest rates, security expectations from the borrower, complicated loan processes and low amounts of loans.

Business growth analysis discovered that sales growth was moderate to high for most of the businesses while profit and asset growth were behind, hence showing inefficiencies in aspects such as cost management, reinvestment strategy and financial planning. There also had a positive and significant correlation with asset accumulation (i.e. the higher t in firms' level of access to finance, the bigger their investment decisions indicating that financial inducements are very crucial in streamlining business growth and sustenance).

Correlation and regression results also revealed that a robust and statistically significant positive relationship existed between finance accessibility and the general expansion of business. Finance could explain 37 percent of the variation on firms' performance, so that this is key in driving further business growth; what was not explained was due to other factors such as management ability, market conditions, and competition.

Finally, the study suggests that enhanced access to affordable, adequate and timely financial resources is crucial for encouraging the growth and sustainability of micro family businesses, which are an important component of Nepal's informal economy. Improved access to finance, is not only conducive the continued operation of businesses but also it promotes investment in productive assets and maximizes profit and enables them to grow, resulting in local economic development and poverty reduction.

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