Determinants Affecting Small Business Financially in Nepal: A Structural Equation Modelling Analysis

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Abstract

Background: Small businesses in Kathmandu Valley play a crucial role in local economies by creating jobs, fostering community connections, and driving growth and innovation. However, they face significant financial challenges that can hinder their development.

Objective: This study aims to analyze the determinants that affect small businesses financially in Kathmandu Valley, focusing on how these factors influence business growth and sustainability.

Method: An exploratory research design was employed, with data collected through structured questionnaires. Structural Equation Modeling (SEM) was used for inferential analysis. The study sampled 403 individuals from the Kathmandu Valley to represent the population.

Result: The SEM analysis identified four constructs as fitting well with the model out of six. The results reveal that globalization and external factor risk significantly impact financial hurdles faced by small businesses. Additionally, government policy was found to play a moderating role, partially mediating the relationship between the dependent and independent variables and showing a significant impact.

Conclusion: The study highlights key determinants that affect the financial aspects of small businesses in Kathmandu Valley. By identifying these factors, the research provides insights into how small enterprises can be better supported financially, contributing to their growth and long-term sustainability.

Paper Types: Research Paper

Keywords: Financial Hurdles, Small Business, Structural Equation Modeling, Financial Management

JEL Classification: M00, F65, G28, E44 and C50

Introduction

Small and Medium Enterprises (SMEs) are the lifeblood of many economies, especially in developing countries, playing a pivotal role in fostering economic empowerment and social change (Karki et al., 2021, Devkota et al., 2022). Owned and operated by individuals or households, these enterprises often operate without entering formal contractual arrangements with banks, suppliers, clients, or other stakeholders purely for profit-oriented motives (Devkota et al., 2021). Despite their prevalence and the assumption that they positively impact economic growth, the full potential of SMEs remains largely untapped, as highlighted by Schlogl (2004). In the face of rapid changes, SMEs are crucial drivers of development in many nations. According to Schlogl (2004), these small firms dominate economies in terms of employment and the sheer number of companies. However, their economic imperatives and the challenges they face have not been thoroughly tested. This paper aims to delve into the background challenges faced by SMEs, recognizing their significance in accelerating economic development and reducing poverty. A key aspect of this examination is the financing gap among SMEs and larger enterprises, a vital factor in determining economic growth (Cofie, 2012). SMEs contribute significantly to global employment and economic development (Maharjan et al., 2024), representing about 90% of businesses worldwide and contributing over half of global employment. In emerging economies, formal SMEs contribute up to 40% of national income (GDP), and these figures increase substantially when informal SMEs are included (Adhikari et al., 2021). The importance of SME development is underscored by the need for 600 million jobs by 2030 to accommodate the growing global workforce, making SMEs a high priority for governments around the world. However, access to finance remains a critical obstacle to SME growth, with 40% of formal micro, small, and medium enterprises (MSMEs) in developing countries facing an annual financing gap of $5.2 trillion (IFC).

In the context of Nepal, a landlocked and less developed country, the establishment and operation of small business enterprises emerge as a viable alternative for industrial growth, especially in rural areas. Limited physical infrastructure and resources create challenges for large-scale industries, making SMEs an attractive option for entrepreneurs with modest capital and resources. These enterprises contribute significantly to both entrepreneurship and industrial development in the country (Devkota et al., 2020), utilizing local capital, expertise, and raw materials to operate and sell products in local or neighboring markets (Karki, 2018, Kharel et al., 2022). The Government of Nepal, through the Ministry of Industry, has been actively involved in the development of micro-enterprises, aiming to improve the economic conditions of low-income families and socially marginalized individuals. Since 1998, in collaboration with the United Nations Development Program (UNDP), the Small Scale Enterprise Development Program has been in operation, resulting in the creation of 53,345 micro-enterprises between 1999 and 2011. The distribution of these enterprises across different caste groups reveals interesting patterns, with Janajati, Brahaman/Chhetri, Dalit, and other caste groups each playing a significant role in various development regions (Karki, 2017).

Despite being a phenomenon in less developed countries like Nepal, small business enterprises are essential for economic growth due to their low investment requirements, minimal technology dependence, and suitability for smaller markets. The role of SMEs in job creation and economic development is widely recognized, with the Asian experience demonstrating the impact of medium-sized enterprises within the MSE sector. In urban areas, SMEs have witnessed growth in manufacturing, construction, trade, hotels, transportation, and communication, contributing to a shift from agriculture-led to industry-led economies (Role of worker's guilds in micro and small enterprises in Nepal). The internet has revolutionized consumer behavior and business operations by enabling shops to provide a vast range of products and services to global customers 24/7 (Devkota et al., 2021). The economic benefits of SMEs are substantial, ranging from job creation to the transformation of agrarian economies into industrial ones. SMEs facilitate the absorption of productive resources across the economy, contributing to the formation of flexible economic systems where small and large firms are

interconnected (Ghimire, 2011). However, the growth of SMEs is hindered by financial challenges, posing a significant obstacle to their development.

In this context, this study aims to addressing financial hurdles faced by small businesses in Kathmandu Valley, Nepal, with focusing on to alleviate economic and social issues. The research examines the impact of these challenges, emphasizing the lack of formal credit access hindering SME growth and impeding economic development. The key issues hindering industrial development include political instability, insecurity in industries, poor labor relations, energy shortages, weak infrastructure, low productivity, limited technology adoption, inadequate skilled workforce, ineffective supply management, and export diversification challenges (B.K et al., 2019). By addressing these issues, the study aims to contribute to solving economic and social problems in the region. The findings provide valuable insights for small businesses to overcome financial obstacles and serve as a resource for future researchers exploring related literature and issues, fostering a foundation for further studies in this domain.

Research Method

Theoretical Framework

The theoretical framework of this study focuses on the organizational finances, recognizing the existence of acute asymmetries of information between agents. The research analyzed the capacity of the area to translate the examination object. The research also analyzes a hypothetical direction that may give a clarification to the structure of assets and their model to SMEs. To this end, the writing on the decision of capital structure is a specific financial condition with a thorough creation and popular standards (Aabi, 2014).

The pecking order theory is an implication of how asymmetric information impacts investment and financing alternatives. As indicated by the deviated data hypothesis, a company's capital structure is intended to mitigate the inefficiencies in the company's venture choices brought about by the data asymmetry. Since investors have less data than managers with respect to the estimation of the firm, it follows that the estimation of the gave value will be under-evaluated by the market. One approach to maintain a strategic distance from this circumstance is through financing with a security not underestimated by the market, for example, inward assets or riskless obligation (Vinz, 2015). In light of this ion Myers (1984) proposed "the pecking order" theory of financing, which asserts that organizations like to raise their new speculation, first from their inward assets through utilizing held profit, second by low-risk debt, lastly by issuing equity (Al Manaseer et al., 2011).

The major thought behind the principal-Agent model is that the principal is occupied for a task thus employs the Agent, yet being too occupied implies that the principal can't monitor the Agent wisely. There are various ways that the principal may at that point attempt to aspire the Agent: this note examines motivating force contracts later notes examine more extravagant and increasingly practical models. Principal-Agent model may appear to be excessively unique to be helpful. Be that as it may, we start with this model since it is a fundamental structure hinder for numerous talks all through the course concerning not just dealing with the impetuses of people yet additionally dealing with the motivations of organizational units, and of firms themselves (Gibbons, 2010).

Conceptual Framework

A Conceptual framework is a visual portrayal that assists with illustrating the connection between cause and effect in a financial context. It is additionally called a Conceptual Model or research model. Various factors and the accepted connections between those factors are remembered for the model and reflect the expectations. A Conceptual Framework is a device that is utilized before an investigation. This makes a Conceptual Framework a logical apparatus. It is utilized to make applied qualifications and unite various thoughts. Solid Conceptual Frameworks lead to real acknowledgment of the planned

goal (Gartner, 1985).

Small business enterprises give chances to business visionaries, employments for neighbors and gathering places for networks. They're established in the scene where they develop, and they give back imperativeness and sustenance. Although maintaining a private venture includes going for broke than working for a huge, built-up organization, the rewards are both quantitative and qualitative, including wide based flourishing and a snare of harmonious connections. Small businesses are the integral part of an economy because they provide opportunity and vision for startups and entrepreneurs and create meaningful jobs. They encourage small economies and keep money close to home and supporting neighborhoods and communities (Seidel, 2019). In theory of the firm, inefficiencies of the institutional environment and the resulting transactions costs justify the existence of firms. The vast majority of the upsides of the corporate structure, for example, constrained obligation, can on a fundamental level be acquired by private contracting between business owners or then again accomplices and their banks and clients. This view holds that corporate structure is to a great extent unessential. Therefore, organizations and unincorporated organizations ought to have the option to account their exercises comparatively (Demirguc-Kunt et al., 2006). The relationship is presented in figure 1.

Figure 1: Financial Aspects of Small Business Enterprises and its Impacts
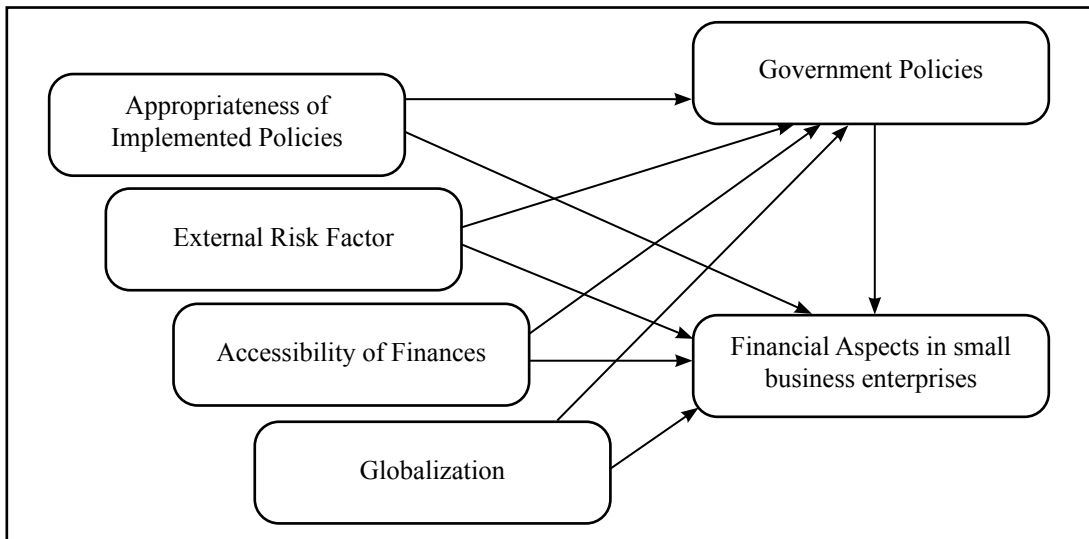
Financial Factor Affecting Small Business

Many small companies begin with a great deal of hope. The founder is brilliant and has a vision, the initial team is hard-working and imaginative, and there is a sound idea behind the company. Unfortunately, due to financial difficulties typically faced by entrepreneurs, even successful small businesses fail, often within the first year or two (Petersen, 2019). So, generally speaking, to keep your finances in order, you should do all that is in your control, as financial errors may destroy your entire business. Therefore, be vigilant about introducing the right processes and keep an eye on your finances to make sure your company is safe, so that you can take action as soon as you feel something is not right (Dan Radak, 2019).

Government policy

Many laws and policies that guide companies are set up by governments. Some laws, such as the minimum wage, are mandatory, while other policies can indirectly affect your business. In order to adapt to evolving rules and regulations, businesses need to be sufficiently flexible. Government investments, accessible loans, and low interest rates are crucial for enhancing small businesses in

Nepal (Rai et al., 2020). As states and municipalities have their own set of laws, this is valid not only at the national level, but also more locally (Williams, 2019). Local companies help sustain the tax base by taxing corporations and supplying workers with salaries. Municipalities, cities, states and the federal government are motivated by the prospect of workforce expansion and economic growth to provide different types of assistance, such as grants, research opportunities, favorable legislation and job training programs (Milano, 2019).

H1: Government Policy has no significant relation with Financial Aspects of Small Business

Accessibility of Finance

Financial access is essential for small and medium-sized companies to expand (SMEs). It enables entrepreneurs to innovate, to increase productivity, to grow into new markets and to create millions of jobs. Yet, in developing countries, most small and medium-sized enterprises (SMEs) are unable to obtain the funding they need to achieve their potential (Paravisini et al., 2012). For businesses, access to finance is an essential factor, enabling them to grow their perations, equipment modernization or movement into new industries, thereby increasing their ability competitiveness and support for their development. Usually, however, ease of access to finance is correlated with company size, indicating that the smaller the corporation, the harder it is to be tap into external options for financing (OECD, 2019).

H2: Accessibility of finance has no significant relation with Government Policy

H3: Accessibility of finance has no significant relation with Financial Aspects of Small Business

Globalization

For a small company, a good aspect of improved globalization is that their product or 'message' will often have a greater effect. The successful connectivity of businesses and customers worldwide through communication (internet) and shipping routes is a paving stone for globalization (cargo flights). Globalization has encouraged large companies to grow into countries that may have been off their radar previously (OECD, 2019). Many companies are seeking to broaden their global reach and extend their supply chain to an international level in order to meet increased customer demand. Globalization's bottom line is that it provides an opportunity for companies to widen revenue sources, diversify risk, and raise brand value (Myatt, 2017)

H4: Globalization has no significant relation with Government Policy

H5: Globalization has no significant relation with Financial Aspects of Small Business

Appropriateness of Implemented Policies

In the workplace, HR practitioners are frequently presented with employee relations concerns and faced with deciding on the best way to deal with these problems. Company policies are designed to create standards and provide guidelines about how to approach circumstances in the workplace consistently. More investment and institutional support and policies are vital for small businesses in Nepal. (Phuyal et al., 2017). Business policies help to preserve order within the organization to ensure fair and equitable treatment of individuals. Policies also help workers know what is required of them (SHRM, 2008).

H6: Level of technological advancement has no significant relation with Government Policy

H7: Level of technological advancement has no significant relation with Financial Aspects of Small Business

Level of External Risk Factor

Running a company entails many threats, regardless of its position and industry. These threats may be both internal, arising from your own organisation, or external, arising from economic, political or social events that you can not manage. Among these two, it is obviously the simplest to handle internal risks.

H8: External Risk Factor has no significant relation with Government Policy

H9: External Risk Factor has no significant relation with Financial Aspects of Small Business

Variable Construct

Based on the basis of theories and conceptual model defined in the previous chapter, variables are defined for our research (See Table 1). Here the independent variables are accessibility of finance, globalization, appropriateness of implemented policies and level of external factor risk. Government policy is the mediator variable and financial aspects of small business is the dependent variable.

Table 1: Latent and Observed Variables

Construct	Variable	Description
Financial factors affecting small business	Undercapitalization	The failure of small businesses is directly linked to initial undercapitalization.
	No Costs	The business plan should include financial projections that take into consideration startup costs, operating costs, taxes and fees and estimated revenues.
	Cash Flow	Consistency of cash flow is the major factor for smooth flow of business.
	Reliance on Credit	Over reliance on credit can be harmful for small business.
	Tax Compliance	Tax compliance is important to encourage local and other small businesses.
	Change in social behavior	Change in government policy can change the social behavior in the business environment.
	Business Friendly decision	A stable political system can make business-friendly decisions that promote local businesses.
Government Policies	Low interest attracts investors	Lower interest rates attract investment as businesses increase production.
	Better regulations promote growth	Fair and effective regulations promote business growth.
	Rate of Inflation	Businesses do not thrive when there is a high level of inflation.
	Amount of skilled labor	The amount of skilled labours affects the accessibility to finance.
	Provision of credit	Financial access promotes growth for enterprises through the provision of credit
Accessibility of finances	Efficiency	Financial Accessibility is the major source for improving efficiency of small business.
	Employment Opportunities	Accessibility of finance can help to improve employment opportunities in terms of small business.
	Innovation	Accessibility of finance can be the major source of innovation for small businesses.

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Globalization	Access global market	Globalization enables small business enterprises to access to global market.
	Competition	Increasing globalization also increases competition.
	Decrease quality of product	Globalization has decreased the quality of products.
	Increase in price	It leads to increase in price of products.
	Change in policy leads in transactions	Frequent changes in policies affect the daily transaction of business.
Appropriateness of Implemented policies	Lower rates increase investment	Lower interest rates attract investment as businesses increase production.
	Change in social environment	The government policy can change the social behaviour in the business environment.
	Policies and satisfaction	Appropriateness of Implemented policies is directly linked to employee's satisfaction.
	Positive work environment	Policies help to create positive work environment.
	Natural disasters	Natural risk factors include natural disasters that affect normal business operations.
	Import/ Export Laws	Changes in import and export laws may affect business negatively.
Level of External Factor Risk	Change is Tax tariffs	Frequent change in tariffs, taxes, and other regulations can also impact in business.
	Technological advancement	Technological change can bring advantages and opportunities for businesses.
	Supply Chain	Effective supply chains and efficient movement of goods and services leads to reliable infrastructure.

Study Area, Population and Sample size

Our study has adopted exploratory research design (Magar et al., 2023). The study area for this research is Kathmandu valley of Nepal. Nepal has 77 districts, and among the 77 district, 3 districts include in Kathmandu valley (Kathmandu, Bhaktapur and Lalitpur) situated in province 3 were taken for the study area of this research. Kathmandu Valley lies at 1,300 meters above sea level and is located between latitudes 27°32'13" and 27°49'10" north and longitudes 85°11'31" and 85°31'38" east (Maharjan et al., 2022, Bhandari et al., 2021). Its three districts, Kathmandu, Lalitpur, and Bhaktapur, cover an area of 899 square kilometers, whereas the area of the valley as a whole is 665 square kilometers (See Figure 2). The valley encloses the entire area of Bhaktapur district, 85% of Kathmandu district and 50% of Lalitpur district (Shakya et al., 2021).

The nation has seen an empowering development of smaller and medium enterprises (SMEs) over the most recent multi decade as the quantity of such endeavors expanded to 400,000 in the middle of 2006/07 to 2015/16 when contrasted with 69,431 till financial 2005-06, as indicated by the Department of Cottage and Small Industries (DCSI). Despite the fact that the modern atmosphere had been breaking

down and huge ventures were antagonistically influenced because of different reasons like political insecurity, power blackout and work bothers, among others, in the most recent decade, the quantity of MSMEs developed exponentially in a similar period (Acharya, 2017). The sample size taken for study was 403 which was calculated by using Cochran's formula i.e. n0= z 2pq/e² (Devkota et al., 2021, Karki et al., 2021 & Khadayat et al., 2024).

Figure 2: Study Area
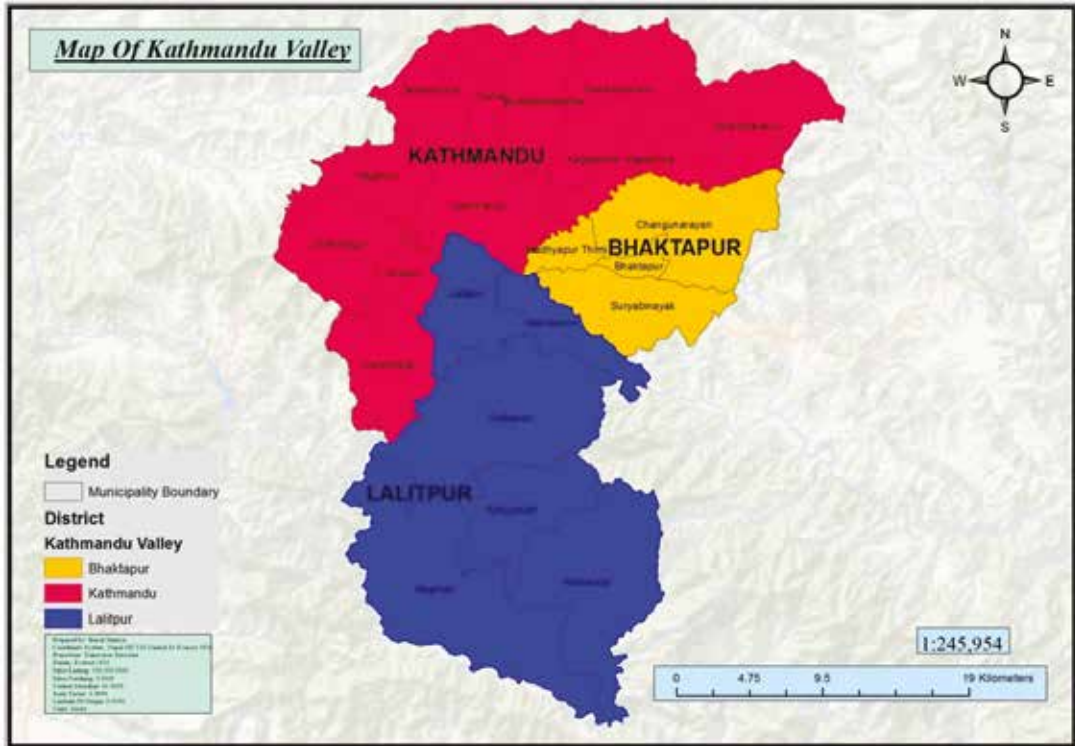
Instrument and Procedure of Data Collection and analysis

In this study the KII & Structured questionnaire were used. Small business enterprises survey and key informant interviews were primary sources used in the study. On one hand, to get quantitative data from individual venture, the owners survey was conducted, and on the other hand, KII was conducted before starting research methodology for understanding whether the current research has covered issue related to the field and it is used to map the institutional context in which owners made their decisions and to cross-reference the information provided. KII has been conducted with three experts. Methodology has been developed based on the suggestion of experts. A questionnaire has been prepared & implemented for the data collection. We collected data from 403 responses. The study also tested with the convergent validity and discriminant validity. The convergent validity was tested by using Cronbach method.

In this study data analysis is primarily based on inferential analysis. Several Software are used for inferential statistics such as STATA, SPSS AMOS for data analysis. For this study, we have used SPSS AMOS, and we have taken several steps from Factor Analysis to Structural Equation Modelling (SEM).

Data Analysis and Results

This survey is conducted within Kathmandu valley among which 49.87% of respondent are from Lalitpur, 24.81% from Kathmandu and 25.31% are from Bhaktapur where 45% of them are female

and 55% are male. Majority of respondents are of age group 25-35 which is 34.57% after that 26% of respondents are of age group 30-39. Similarly, majority of the respondents have bachelor degree including both male and female. It is identified that 261 respondents work in a sole proprietor business entity and 142 respondents work in partnership business entity.

Summary Statistics

We have used mean, median, standard deviation, skewness, and kurtosis to summarize the data. The mean ranges from 2.1663 to 2.8908 and standard deviation ranges from 0.51477 to 1.02356 indicating less scatteredness of data. For a study to be free from the issue of normality the skewness should lie between -3 to +3 and the kurtosis should lie between to -10 to +10 (Kallner, 2018., Ghimire et al., 2023). In the study the skewness and kurtosis ranges from -0.628 to 0.548 and -1.542 to 0.479 respectively which lies within the requirement indicating absence of normality problem and indicating that it is suitable for further investigation.

Exploratory Factor Analysis (EFA)

Exploratory factor analysis (EFA) seeks to discover the significance of a series of responses-influencing constructs (Pett et al., 2003). For analysis of exploratory factor analysis, KMO and Bartlett's Test was used. A KMO value above .60 and significance below 0.05 indicates that the variables are analyzed by a factor is appropriate (Bertsch et al., 2005). The KMO value is 0.754 and the Bartlett value is 0.000 which comply with the required threshold of KMO and Bartlett's Test. This indicates that the data are normally distributed. Likewise, Harman's single factor test is used so as to test whether the study consist of any kind of common method of bias. As per Harman's single factor test, the total variance for single factor should be less than 50% (Aguirre-Urreta et al., 2019). In this study, the total variance for single factor is 25.965% which is less than 50%. It implies that the study is free from common method bias. Cronbach's alpha was used in order to analyze the internal consistency of all the construct with minimum threshold value of 0.70 and the value of Cronbach's alpha in the study was greater than 0.75 (see table 2) which represent good internal consistency among variables. The factor loadings for the rotated component matrix are shown in Table 3 and the results are interpreted by using those factors loading values greater than 0.5.

Measurement Model

Confirmatory factor analysis (CFA) measures whether responses are influenced in a predicted way by a given set of constructs (Pett et al., 2003). Construct reliability yielded an estimation of genuine dependability that was, on average, higher than Cronbach's alpha (Thapa et al., 2022).

In this model the obtained value is compared with the standard value required. The standard value for the indicator is CMN/DF<5, RMR<0.08, RMSEA<0.08, GFI>0.80, IFT>0.90, TLI>0.90 and CFI>0.90 (Ahmad et al., 2016). In our study, all the values of indicator comply with the criteria required. So, the structural model is considered to be fit. Similarly, in order to evaluate validity, convergence validity and discriminant validity are tested. Hair et al. (2018) stated that for convergence validity and discriminant validity, the criteria of CR > 0.70 (Basnet et al., 2024) & AVE > 0.70 and the criteria of AVE >MSE & √AVE > correlation needs to be satisfied respectively. In our study, all the above criteria are fulfilled (see table 2) indicating the data are reliable and valid.

Table 2: Reliability and validity

Construct	Indicator	Factor Loading	CRONBACH'S ALPHA	CR	AVE	MSV
Financial factors affecting small business	F_1	.852	0.788	0.796	0.570	0.099
	F _2	.860				
	F _3	.764				
Government Policy	GP _1	.854	0.872	0.878	0.707	0. 085
	GP _2	.920				
	GP _3	.874				
Accessibility of finance	AF_1	.862	0.812	0.815	0.597	0.022
	AF_2	.872				
	AF_3	.811				
Globalization	G_5	.856	0.826	0.854	0.662	0.662
	G_6	.823				
	G_7	.842				
Appropriateness of Implemented policies	IP_1	.630	0.788	0.799	0.584	0.358
	IP_2	.721				
	IP_3	.879				
External Factor Risk	EF_1	.882	0.905	0.907	0.765	0.154
	EF_2	.903				
	EF_3	.875				

Table 3: Latent Construct Correction

	F	IP	EF	AF	G	GP
F	**0.755**					
IP	-0.205	**0.764**				
EF	-0.315	0.392	**0.875**			
AF	-0.044	0.011	0.143	**0.772**		
G	-0.276	0.598	0.367	0.009	**0.814**	
GP	-0.029	0.291	0.122	0.147	0.160	**0.841**

Test of Hypothesis

A hypothesis is a precise, testable declaration of what the researcher(s) predict will be the effect of the study (Speights et al., 2018). The hypothesis formulated in the study were tested and decisions were taken. The path analysis of the report is presented in figure 3 and the result is showing from table 4. The null hypothesis of no relationship among variable is rejected if the P value ≤ 0.05. In this study, all the hypothesis are rejected except H_1, H_3 and H_8. H_1, H_3 and H_8 is rejected so we conclude that there is no significant relation between Government Policy and Financial Aspects of Small Business,

Accessibility of finance and Financial Aspects of Small Business, External Risk Factor and Government Policy respectively. Similarly, H_2, H_4, H_5, H_6, H_7 and H_9 are rejected. So, Accessibility of finance, Appropriateness of Implemented policies is significantly related to Government Policy (See Tabe 4). Globalization has no significant relation with Government Policy and Financial Aspects of Small Business. Similarly, Appropriateness of Implemented policies and External Risk Factor has no significant relation with Financial Aspects of Small Business.
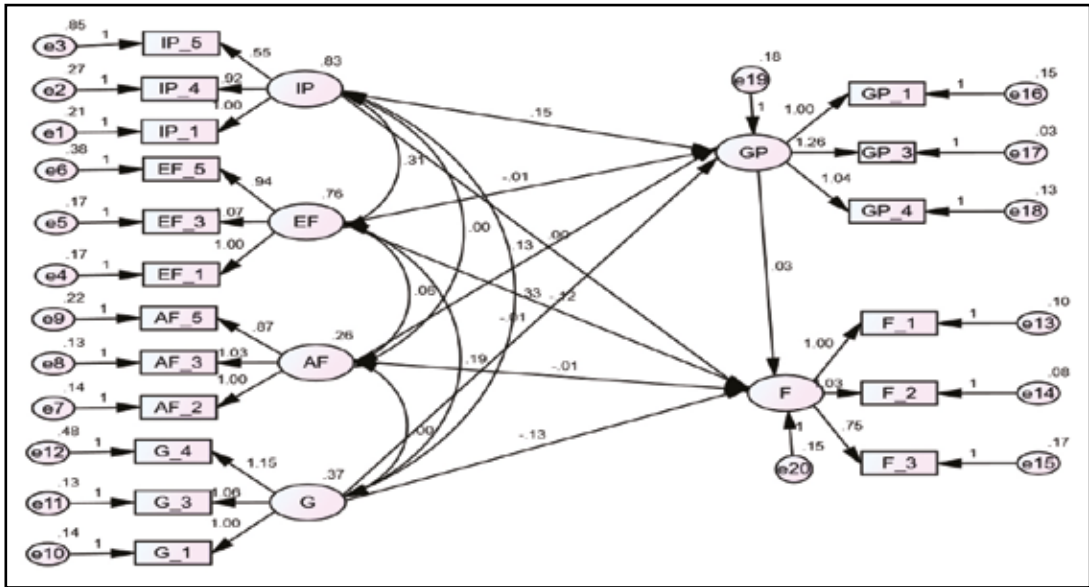
Fig 3: Structural model

Table 4: Path estimates for structural model

Hypothesis	Estimate	S.E.	C.R.	P	Significant / Insignificant
H_1: GovernmentPolicy → Financial Aspects	-.005	.011	-.507	.612	Insignificant
H_2: Accessibility of finance → Government Policy	.034	.013	2.537	.011	Significant
H_3: Accessibility of finance → Financial Aspects	-.009	.013	-.730	.466	Insignificant
H_4: Globalization → Government Policy	.044	.015	2.823	.005	Significant
H_5: Globalization → Financial Aspects	-.070	.016	-4.442	***	Significant
H_6: Appropriateness of Implemented policies → Government Policy	.119	.024	4.911	***	Significant
H_7: Appropriateness of Implemented policies → Financial Aspects	-.078	.023	-3.392	***	Significant
H_8: External Risk Factor → Government Policy	.048	.021	2.227	.026	Insignificant
H_9: External Risk Factor → Financial Aspects	-.115	.022	-5.130	***	Significant

Mediation Analysis

A mediation test investigates whether the influence of the independent variable on the dependent variable occurs through a third intermediate variable. The SOBEL test is used for mediation analysis

where the mediation effect of government on the relationship between (See Table 5). In this research the mediating effect of government policy on the relationship of dependent variable i.e., Financial Aspects of Business (FH) with the independent variables i.e., Globalization (GB) and External Factor Risk (EFR). It is concluded that there is considerable mediation relationship between the Financial Aspects of Business, government policy and independent variable i.e., Globalization and External Factor Risk since the p value in both relations GB→GP→FH and EFR→GP→FH is near to zero i.e., $P<0.05$ with a=0.388 & b= 0.326 and a=0.310 & b=0.342 respectively.

Table 5: Result of Indirect Effect and Sobel Test Examining the Mediating Relationship

			Mediating Effect		Test Statistic	p-value
			B	s_b		
GB → GP → FH	A	0.388	0.326	0.326	4.7119	0.00***
	s_a	0.041				
EFR → GP → FH	A	0.310	0.342	0.056	4.1419	0.00***
	s_a	0.055				

Discussion

SEM is used to analyze the regression analysis, the variable analysis and the assessment of the normality pattern. There are five factor studies based on latent variables relative to observed variables. The model's fitness criteria demonstrate fitness. The result revealed significant relationship between Accessibility of finance, Globalization, Appropriateness of Implemented policies with Government Policy. Similarly, there is significant relationship between Globalization, Appropriateness of Implemented policies and External Risk Factor as they have less than 0.05 as P value.

The hypothesis 1 states government policy has no significant relation with financial aspects of small business. This study concluded that there is no significant relationship between government policy and financial aspects of small business. This study provides different result to that observed by Harash et al., (2014) which stated that there is relationship between government policy and financial performance of SMEs. In addition, it also stated that government policy has a major impact on the competitiveness and profitability of SMEs. The hypothesis 2 is rejected which states that accessibility of finance has no significant relation with government policy indicating there is significant relation of accessibility of finance with government policy and hypothesis 3 stated that accessibility of finance has no significant relation with financial aspects of small business which is accepted indicating no significant relationship of accessibility of finance with accessibility of finance. Contrasting the finding of this study Omri et al., (2015) in their research observed that financial-capital-related variables have a direct positive effect on small businesses success.

The testing of hypothesis 4 and 5 revealed that there is significant relationship of Globalization with Government Policy and accessibility of finance. This result is in line with Mahmutović et al., (2017) whose findings show that double impact of globalization by showing, on the one hand, its positive effects and, on the other hand, the negative effects on the performance of the companies. Additionally, the research results have shown that negative effects are felt more strongly in the case of small and medium-sized companies than in the case of large companies. H_6 and H_7 are rejected means Appropriateness of Implemented policies has significant relationship with Government Policy and Financial Aspects. Similarly, H_8 is accepted indicating external risk factor has no significant relationship with government policy whereas H_9 is rejected indicating external risk factor has significant relationship with financial aspects of small business. This implies that small business needs to focus on formulation

and implementation of policies and the external factors while operating a business.

The research was conducted in Kathmandu valley where the authors tried their best to take larger sample size so as to analyze the determinants affecting small business financially and help small businesses to guide them to manage those determinants.

Conclusion

The study conducted aimed at analyzing the determinants affecting small business financially. This paper offers insights into the different financial aspects and their determinants. The general purpose of the research is to explore which of the financial aspects are used the best, where the main purpose is then supported and guided by supporting purpose. This research analyzes and results to business owners, customers and other mediating factors as government to strengthen their overall response to the relevant consequences of small business. This work may be useful for more researchers in the same area of study. This study concluded that access to finance, globalization, Appropriateness of Implemented Policies and Level of External Risk Factor has impact on small business entreprises and so as to promote samll business they need to be faciliated with the above factors.

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