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Financial Inclusion of Small Entrepreneurs in Emerging Economies: Determinants, Barriers, and Strategic Solutions – A Systematic Literature Review

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Abstract

Financial inclusion is crucial for enabling small entrepreneurs to access formal financial services and support business growth. However, evidence on its determinants, barriers, and strategic solutions remains fragmented across disciplines, particularly in emerging economies. This study systematically reviews the literature on financial inclusion among small entrepreneurs in emerging economies and identifies key determinants, barriers, strategic solutions, and directions for future research. Following the PRISMA protocol, 295 articles published between 1989 and 2026 were retrieved from the Scopus database. After screening, 208 articles were selected for final review. Descriptive and thematic analyses were used to synthesize the literature, while Theory, Context, Characteristics, and Methodology (TCCM) framework was applied to develop a future research agenda. Financial literacy, entrepreneurial capability, social capital, fintech adoption and digital financial infrastructure emerged as major determinants of financial inclusion. Key barriers include collateral requirements, information asymmetry, enterprise informality, inadequate digital capabilities, geographic constraints, and trust deficits. Financial Literacy, Fintech innovations, alternative financing, and supportive policies were identified as important strategic solutions. The study develops a conceptual framework linking determinants, barriers, strategic solutions, and financial inclusion among small entrepreneurs. The findings provide insights for policymakers, financial institutions, and

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development organizations seeking to strengthen financial inclusion and the entrepreneurial ecosystem in emerging economies. The study consolidates fragmented multidisciplinary evidence and applies the TTCM framework to establish a structured research agenda for financial inclusion among small entrepreneurs.
Keywords: Access to Finance, Emerging Economies, Financial Inclusion, Fintech, Small Entrepreneurs, TCCM Framework

1. Introduction

Financial inclusion is a crucial factor for entrepreneurship, poverty alleviation, and inclusive economic growth. Financial inclusion is a broad concept encompassing access to and use of appropriate financial services by individuals and enterprises, particularly those who have traditionally been underserved by the formal financial sector (World Bank, 2014; Demirguc-Kunt et al., 2018). Within this broader enterprise dimension, Small and Medium Enterprises (SME) are particularly important because their access to finance has direct implications for business formation, investment, growth, and employment. Although small entrepreneurs contribute significantly to employment and economic development, many are still not a part of the formal financial system in many emerging economies.

SMEs are known to form the backbone of emerging economies and are key to their contribution to GDP growth and job creation, in addition to innovation and poverty alleviation (Beck & Demirguc-Kunt, 2006; Ayyagari et al., 2011). SMEs have a significant role in inclusive economic development in Nepal, given the country's geographical diversity, structural limitations, and dependence on decentralized economic activities. They are engaged in various sectors including agriculture, manufacturing, tourism, trade and services, and provide significant employment, particularly in the rural and semi-urban areas. Thus, SMEs are not only a means to income generation but also instruments of regional development and social inclusion (Independent Evaluation Group, 2019; Khatri, 2019). Despite their economic importance, SMEs in Nepal continue to face significant barriers to accessing formal financial services, especially due to geographical and demographic dimensions (World Bank, 2024; NRB, 2021).

There are several structural and institutional constraints that limit small entrepreneurs' access to formal financial services. These include weaknesses in financial and institutional development, stringent collateral requirements, limited credit-information infrastructure, and low levels of financial literacy (Beck & Demirgüç-Kunt, 2006; Xu & Zia, 2012). The reasons for limited access to formal financial services in Nepal include geographic challenges, poor branch coverage in remote areas and informal business operations (NRB, 2021). Access to financial services can support business activities and the growth of small businesses (Anga et al., 2021), ultimately supporting economic development.

In contrast, in developing countries such as Nepal, financial exclusion is widespread. Many SMEs may not have formal financial records or collateral for bank loans. This will impede entrepreneurial development and reduce SMEs' overall contribution to development. To counter these challenges, financial literacy has become one of the most popular demand-side interventions proposed to enhance financial inclusion. Financial Literacy is awareness and understanding of financial products and services, allowing businesses to make financial

decisions. This is an important part of bridging the knowledge gap between the financial institutions and underserved groups. On the supply side, financial inclusion is the provision of financial services to all people; it is seen as achievable when financial services are available and accessible in all geographic regions, and also financial products customized to the needs of those people. Financial literacy and financial inclusion are significant for improving individuals' skills to be effective participants in the financial system and for financial stability (Jonker & Kosse, 2022). Financial literacy can enhance financial inclusion by improving small business owners' access to, use of, and ability to benefit from financial services (Reddy et al., 2024). Financial inclusion has become a major global development priority, with successive editions of the World Bank's Global Findex Database documenting progress in financial access while highlighting persistent disparities across regions (Demirgüç-Kunt et al., 2018; Demirgüç-Kunt et al., 2022).

Though a lot of INGOs, NGOs, development organizations and government agencies are working to improve financial inclusion in Nepal, academic research on the financial inclusion of SMEs in Nepal is limited and fragmented. Existing research tends to be on general financial inclusion at the household level and limited empirical research is available on SME-specific constraints, determinants and enabling mechanisms as an integrated framework. Against this background, this systematic literature review seeks to synthesize the fragmented evidence on financial inclusion among small entrepreneurs and SMEs.

1.1 Research Objectives

The objectives of this review are to;

i. Analyze the development and evolution of research on financial inclusion among small entrepreneurs;
ii. Identify the key determinants and barriers influencing financial inclusion among small and medium-sized enterprises (SMEs);
iii. Examine the strategies and enabling mechanisms that can enhance financial inclusion in emerging economies;
iv. Develop an integrated conceptual framework linking the determinants, barriers, strategic interventions, and outcomes of financial inclusion, with relevance to the Nepalese context; and
v. Identify future research directions using the Theory, Characteristics, Context, and Methodology (TCCM) framework.

This review has three main contributions. First, it synthesizes fragmented research on financial inclusion among small entrepreneurs and SMEs into an integrated analytical perspective encompassing key determinants, barriers, strategic interventions, and entrepreneurial outcomes. Second, this review brings evidence from emerging economies and contextualizes its relevance to Nepal. The review highlights how geographical and structural issues may shape financial inclusion differently across contexts. Third, the study develops an integrated conceptual framework and identifies future research directions using the TCCM framework. This provides a basis for future research and policy interventions.

The remainder of the paper is organized as follows. Section 2 describes the methodological approach used for the literature search and the results are presented in Section 3. Section 4 includes the discussion of findings, Section 5 presents the future research agenda using the

TCCM framework, and Section 6 concludes. Implications and limitations are in Sections 7 and 8.

2. Methodology

The Systematic Literature Review (SLR) approach is used to synthesize existing research on the financial inclusion of small entrepreneurs in emerging economies. Following the SLR methodology suggested by Snyder (2019), the review began with "planning for the review", then "conducting the review", and finally "reporting the results of the literature survey". The SLR method is widely recognized for its rigor in combining fragmented academic evidence (Tranfield et al., 2003; Xiao & Watson, 2019). The review follows the "Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA)" framework. The PRISMA provides a standardized procedure for identifying, screening, and selecting relevant studies (Page et al., 2021).

2.1 Planning for review

2.1.1 Keyword Identification and Search String Development

The multi-step keyword strategy was used to retrieve the literature. Initially, broad keywords were identified based on prior literature and the study's objectives. These included terms such as *"financial inclusion"*, *"financial exclusion"*, *"SMEs"*, *"small entrepreneurs"*, *"micro and small enterprises"*, *"access to finance"*, *"credit constraints"*, *"financial development"*, *"digital financial inclusion"*, *"fintech"*, *"barriers"*, and *"determinants"*. Nepal-specific contextual terms such as *"Nepal"*, *"Nepal SMEs"*, and *"Nepal financial sector"* were also included to capture country-specific evidence. For completeness, additional keywords were incorporated based on established literature in development finance and SME financing, including *"banking access"*, *"informal finance"*, *"microfinance"*, *"financial literacy"*, *"rural finance"*, and *"emerging economies"*.

Finally, the keywords were structured into a systematic search string using Boolean operators (*AND/OR*) to retrieve relevant studies. This approach follows established systematic review methodology, which gives transparency, reproducibility, and methodological rigor (Tranfield et al., 2003; Xiao & Watson, 2019).

2.1.2 Data Sources and Database Selection

A comprehensive and systematic approach was followed to identify relevant literature on the financial inclusion of SMEs and small entrepreneurs, with a contextual focus on emerging market economies, specifically Nepal. Scopus was used as the main database for the retrieval of articles because it has high-quality coverage of journals, and it has been multi-faceted indexed to ensure that the selected literature is reliable and of an academic nature (Mongeon & Paul-Hus, 2016).

The literature search spanned the period 1989–2026 May, reflecting the development of the financial inclusion literature from a microfinance-based perspective to a financial technology perspective. Journal articles included in the study were published in English and peer-reviewed to ensure consistency and comparability across studies. The studies that were excluded were those without financial systems, not relevant to SMEs, in non-financial sectors, or non-peer-reviewed sources.

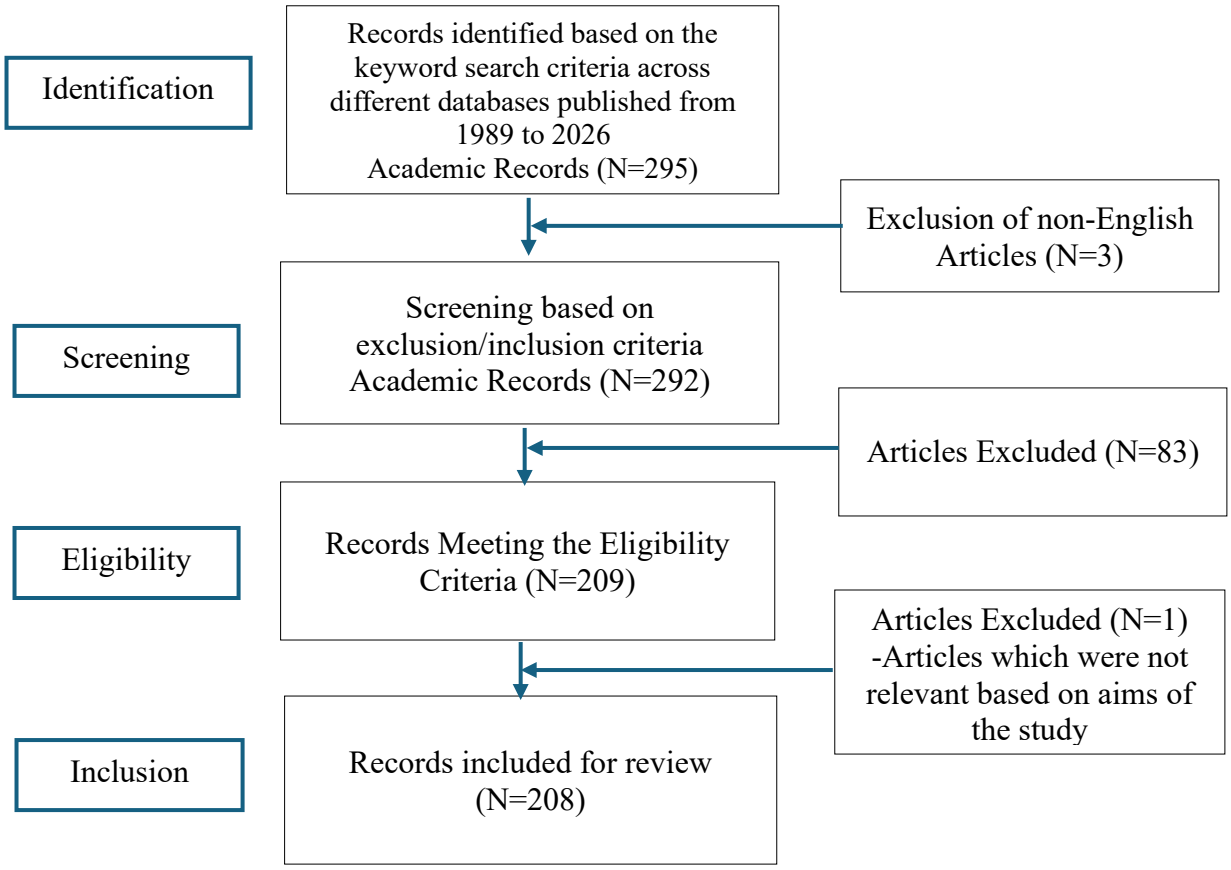
2.1.3 Shortlisting of Literature for Review

The study followed the PRISMA guidelines for systematic literature review, as illustrated in Figure 1. The PRISMA framework was used to ensure transparency, replicability, and methodological rigor in the selection of relevant studies.

Initially, a total of 295 records were identified through keyword-based searches in Scopus. These records were retrieved using predefined search strings as described in sub-section 2.1.1. In the first stage of screening, 3 non-English records were removed. These articles were then screened based on titles and abstracts to assess their relevance to the research objectives. Studies that did not focus on financial inclusion, SMEs, or emerging economy contexts were excluded at this stage. The remaining articles were evaluated based on predefined inclusion and exclusion criteria. Specifically, only peer-reviewed journal articles focusing on the financial inclusion of SMEs or small entrepreneurs were retained for further analysis. Scopus-indexed conference papers, reviews, Book Chapters, and books were included as Indexing in Scopus indicates their academic quality and rigor.

Finally, a total of 208 articles were included in the detailed qualitative synthesis of this systematic review. These studies form the basis for thematic analysis of determinants, barriers, enabling strategies, and conceptual frameworks related to financial inclusion of SMEs in emerging economies.

Figure 1. *Process for selection of the articles using PRISMA (Source: Page et al., 2021)*



2.2 Conducting the Review and Data Analysis

The selected studies were analyzed using a structured thematic approach. First, a descriptive analysis was conducted to examine publication trends, geographical distribution, methodological approaches, and thematic focus areas within the literature on financial

inclusion of SMEs. Subsequently, qualitative content analysis was performed to identify and categorize key themes. The analysis was supported by manual coding of themes, which were grouped into 7 broader conceptual categories aligned with the study's objectives. The seven themes are "Financial Literacy and Entrepreneurial Capability" , "Fintech and Digital Financial Inclusion", "Access-to-Finance Constraints", "Social and Demographic Barriers" "Government Support and Institutional Environment" "Alternative Financing Mechanisms" and "Financial Inclusion, Entrepreneurial Performance, and Sustainability " These categories were then used to develop an integrated conceptual framework illustrating the interrelationships between determinants, barriers, and policy interventions affecting SME financial inclusion in emerging economies.

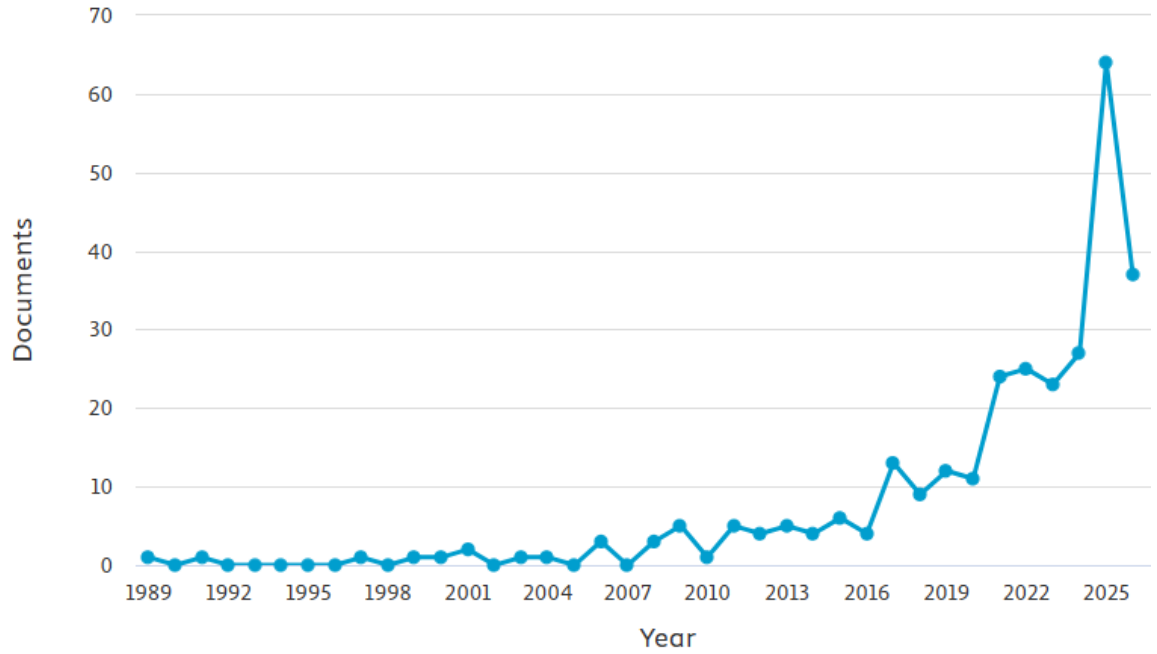
3. Results

3.1 Descriptive analysis

3.1.1 Number of publications

An analysis of research (Figure 2) over the last 37 years (1989–2026, May) reveals that publications on financial inclusion and access to finance have increased significantly over the previous 10 years. In 2016, there were 4 publications in the domain, and the trend has accelerated, with 64 publications in 2025. The first five months of 2026 have already witnessed 37 publications. The seven years (2019–2026) account for 76% of publications, demonstrating increased interest from researchers, industrial practitioners, and governments.

Figure 2: *Total publications per year*



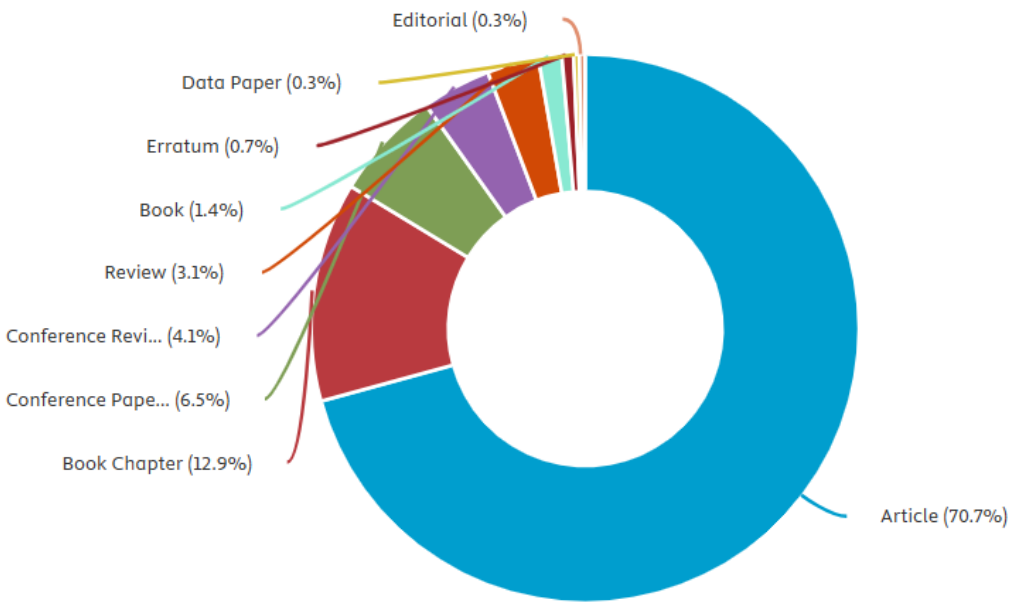
3.1.2 Type of publications & Source

The reviewed documents are mainly research articles (70.7%), followed by Book Chapters (12.9%), whereas 0.3% were editorials. Figure 3 shows the types of documents reviewed for the study. The 208 academic articles (out of 295 documents) were published in 157 Journals or conference proceedings. The most representative journals were the Sustainability (10 publications), Journal of Small Business and Enterprise Development (5 Publications), Cogent Business and Management (5 Publications), Journal of Small Business and Enterprise

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Development (4 publications), Investment Management and Financial Innovations (4 publications), and Enterprise Development and Microfinance (4 publications). The paper titled "*Small and medium-sized enterprises: Access to finance as a growth constraint"* had 1532 citations, followed by the paper *"How does financial literacy promote sustainability in SMEs? A developing country perspective"* with 186 citations. Figure 3 presents the type of documents used for the study.

Figure 3: *Types of documents*



3.1.3 Research settings

The studies have focused mostly on Asia, with India leading with 36 documents, Indonesia with 27, and Malaysia with 23. From 2019 to 2026 alone, India has been on top with 31 documents, followed by Indonesia (24), Malaysia (20), China (18), and South Africa (16). Nepal had only one Scopus-indexed paper during the period, reflecting the lack of quality studies in the area.

3.1.4 Keyword Analysis

The analysis focused on the 160 most frequent author-provided keywords to identify dominant themes and research trends in the literature. The most frequent keyword was "SME," occurring 120 times, followed by "Developing Countries" (74). The word "Financial Inclusion" has 40 Counts, "Emerging Economies" 35 Counts, and "Access to Finance" 30 Counts. Figure 4 presents the word cloud.

Figure 4: *Word Cloud of keywords (1989-2026)*



3.1.5 Theoretical perspectives

Various theories were used as the foundation by the reviewed articles. The highly used theory is "Institutional Theory" which explains how environments shape access to finance. The Technology Acceptance Model (TAM) was also used in many recent papers that discuss the adoption of fintech and digital financial services. Table 1 shows the different types of theories used in review articles.

Table 1: *Theoretical Foundations of reviewed articles*

Theory	Frequency	Status
Institutional Theory	High	Dominant
TAM / Technology Adoption	High	Dominant
Social Capital Theory	Moderate	Emerging
Information Asymmetry Theory	Moderate	Dominant
Financial Intermediation Theory	Moderate	Dominant
Dynamic Capability Theory	Moderate	Emerging
Human Capital Theory	Moderate	Emerging
Pecking Order Theory	Low	Niche
Trade-Off Theory	Low	Niche
Stakeholder Theory	Low	Emerging
Feminist Entrepreneurship Theory	Low	Emerging

3.2 Thematic Analysis

3.2.1 Financial Literacy and Entrepreneurial Capability

Financial literacy is found to be one of the most important factors that affect financial inclusion amongst small entrepreneurs in emerging economies. Studies indicate that entrepreneurs with higher financial knowledge are more capable of mastering financial products, assessing financing options, and interacting with formal financial institutions. Recent studies also

highlight the role of digital financial literacy in improving MSME performance and shaping entrepreneurs' engagement with digital financial services (Tandilino et al., 2025; Mutya & Ilankadhir, 2024). Likewise, evidence suggests that firms with a more adequately educated workforce face fewer financing obstacles, partly because human capital can improve firm performance and the technical capacity required to access external finance (Jabbouri & Farooq, 2021). All of the above suggest that financial capability is a key enabler of financial inclusion and entrepreneurial development.

3.2.2 Fintech and Digital Financial Inclusion

As the use of fintech technologies continues to rise, the access that small entrepreneurs have to financial services has been revolutionized. Research shows the positive effects of digital financial services, mobile money, digital payments, and fintech ecosystems on transaction costs, geographical barriers, and accessibility to financial services (Adam, 2021; Bisimwa Cisagara, 2026). Additionally, the impact of financial inclusion on MSME performance has been found to be mediated by digital financial inclusion, indicating that technology adoption can boost the effectiveness of financial capability development (Tandilino et al., 2025). New technologies such as artificial intelligence are increasingly being applied to credit assessment and risk evaluation, which help improve SME financing decisions, reduce time taken, and expand access to finance (Aruwaji & Swanepoel, 2025).

3.2.3 Access-to-Finance Constraints

Although financial inclusion efforts have made great strides, access to finance is a significant problem for small entrepreneurs. The literature identifies credit constraints, collateral requirements, and other financing obstacles as persistent barriers to SMEs' access to formal external finance (Beck et al., 2008; Jabbouri & Farooq, 2021). Evidence from India suggests that bank competition plays an important role in SMEs' access to finance, with greater competition alleviating financing constraints and improving firms' access to bank credit (Rakshit & Bardhan, 2023). The results indicate that both the supply and demand sides of financing constraints need to be tackled to enhance financial inclusion.

3.2.4 Social and Demographic Barriers

Many other studies have reported that there are other social and demographic factors that have an impact on financial inclusion. In developing countries, especially where social systems remain influential on economic opportunities, it has been proven that religion, caste, and social identity influence access to credit for SMEs (Ghosh, 2023). Likewise, educational differences and skill gaps limit the use and effective uptake of financial services by entrepreneurs (Jabbouri & Farooq, 2021). The results presented here show that financial exclusion is not just an economic issue, but rather is also influenced by social and institutional inequalities. A conducive government support and institutional environment are required. Institutions and government support are crucial factors that enable financial inclusion. Government interventions have a positive impact on entrepreneurial performance and digital financial inclusion, especially on MSMEs, as indicated by the evidence (Tandilino et al., 2025). Hence, the literature has emphasized the need to have policy frameworks, financial infrastructure and regulatory support to foster inclusive entrepreneurial finance.

3.2.5 Government Support and Institutional Environment

Government support and institutional quality play a critical role in facilitating financial inclusion. Evidence suggests that government interventions positively influence digital

financial inclusion and entrepreneurial performance, particularly among MSMEs (Tandilino et al., 2025). Institutional interventions to make a supportive entrepreneurship ecosystem can boost SMEs development in emerging economies (Bawa, 2025). Overall, the existing highlights the importance of policy frameworks, financial infrastructure and regulatory support in promoting the financial inclusion of small businesses.

3.2.6 Alternative Financing Mechanisms

The literature shows that the alternative financing channels remove the financing constraints for small businesses. Crowdfunding can be an avenue of finance for entrepreneurs and SMEs that face difficulties accessing conventional bank finance (Nordin & Zainuddin, 2023; Jannat, 2025). Crowdfunding platforms are effective tools for improving financial inclusion, but regulatory and information asymmetry issues must be addressed (Jannat, 2025). Based on these results, it can be concluded that alternative financing mechanisms are important for increasing financial inclusion for small entrepreneurs.

3.2.7 Financial Inclusion, Entrepreneurial Performance and Sustainability

The reviewed literature also shows across all studies that financial inclusion plays a positive role in entrepreneurial performance and business sustainability. Mobile financial services help the performance of informal businesses, and digital financial services help MSMEs for their growth (Bisimwa Cisagara, 2026; Tandilino et al., 2025). Moreover, digital payment systems have the potential to promote financial inclusion and MSME access to finance which leads to inclusive economic participation (Arner et al., 2024). More recent research also highlights the importance of innovation, entrepreneurial ecosystems and institutional support to shift the focus of financially included enterprises from a business survival to growth orientation (Bawa, 2025).

Financial inclusion is thus slowly seen not only as a prerequisite for economic growth but also as the enabler of sustainable entrepreneurial growth and socio-economic development in emerging economies.

3.3 Evolution of Financial Inclusion Research

The development of financial inclusion studies on small entrepreneurs in emerging economies has followed a gradual path of transition from conventional financial inclusion to technology-based and sustainability-driven financial inclusion. The reviewed studies suggest the scholarly focus has gone through four stages.

3.3.1 Early Phase: Access to Finance and Credit Constraints

The first phase concerned access to finance and credit constraints. The research thrusts started with the first one, which was mainly about the financing constraints that SMEs encounter. The oldest paper included in our literature is titled "*Constraints to small enterprise development in a Third World country: a Nigerian study*" published in 1989 by Onyewuenyi R.N. In this period, financial inclusion was mostly interpreted as the availability of formal financial services – mostly bank credit – to the population. They studied the problem of inadequate collateral, credit histories, information asymmetry and the lack of access to external financing sources. In fact, financial problems were found to hinder business growth, investment, and entrepreneurial development in emerging economies (Xu et al., 2022; Jabbouri & Farooq, 2021). Much of the literature of the time focused on comprehending structural barriers to entrepreneurs' access to formal financial markets. The course is designed to equip the learners with the skills and abilities required to maintain financial literacy and entrepreneurial capability.

3.3.2 Development Phase: Financial Literacy and Entrepreneurial Capability

As literature grew in maturity, attention shifted from simply accessing finance to also include financial inclusion. The focus turned to entrepreneurial skills, financial knowledge and skills, and human capital formation. Research studies increasingly showed that those entrepreneurs who had higher financial knowledge were in a better position to access and effectively use financial services. Financial literacy was identified as an important factor that impacts on the financing choices, business outcomes, and entrepreneurial outcomes (Mutya & Ilankadhir, 2024; Tandilino et al., 2025). In this stage, scholars emphasized the role of education, managerial skills, and financial skills in supportive entrepreneurial finance.

3.3.3 Digital Transformation Phase: Fintech and Digital Financial Inclusion

The Digital Transformation Phase is dedicated to Fintech and Digital Financial Inclusion. This book marks a turning point in the literature, with the rise of fintech and digital financial services. The study of mobile banking, digital payments, fintech lending, artificial intelligence and digital platforms was increasingly looking at how these tools could address the traditional challenges of financing small businesses. Research on digital financial inclusion began to gain traction and was shown to have positive effects on the performance of entrepreneurs, access to credit, operational efficiency and business growth (Adam, 2021; Bisimwa Cisagara, 2026; Aruwaji & Swanepoel, 2025). Scholars also started researching how digital financial literacy and technology adoption are key facilitators of entrepreneurial finance (Tandilino et al., 2025). This is a time for moving from traditional banking worldviews to technology-centric financial ecosystems.

3.3.4 Contemporary Phase: Inclusive and Sustainable Entrepreneurial Development

Other studies that are more recent consider a wider perspective that correlates financial inclusion with sustainable development, social inclusion, women entrepreneurship, entrepreneurial ecosystems, and institutional support mechanisms. Financial inclusion is seen as a driver of broader development goals, such as poverty alleviation, women empowerment, economic resilience, and sustainable business expansion (Bawa, 2025; Jannat, 2025). On the other hand, there has been a shift to alternative methods of financing, including venture financing, ethical banking, Islamic banking, and crowdfunding, indicating a growing interest in financial ecosystems that are more diverse and inclusive (Jannat, 2025).

The literature thus indicates a shift from a limited concept of credit accessibility to a multi-faceted approach to financial inclusion that also captures the technological, social, institutional and sustainability dimensions.

4. Discussion

4.1 Financial Inclusion of Small Entrepreneurs: An Integrated Perspective

The findings of this review suggest that financial inclusion among small entrepreneurs in emerging economies is not just access to bank credit or the availability of financial services. Instead, it represents a multidimensional process shaped by the interaction of individual capabilities, financial institutions, technological infrastructure, social conditions and the broader institutional environment. The seven themes identified in the review indicate that financial inclusion is influenced simultaneously by demand-side factors, supply-side factors, and broader technological and institutional conditions. This is consistent with evidence showing that SME financial access is also influenced by firm characteristics, information

constraints, institutional conditions, and the functioning of financial markets (Beck & Demirguc-Kunt, 2006; Ardic et al., 2012). Recent research also document an interaction among financial education, digital financial infrastructure, and financial inclusion (Jonker & Kosse, 2022; Arner et al., 2024; Reddy et al., 2025). These indicate the multidimensional nature of financial inclusion.

The evolution of the literature also supports this multidimensional interconnectedness. Earlier research primarily focused on limited access to formal credit and financial constraints (Beck & Demirguc-Kunt, 2006). Recent studies have examined financial capability, digital finance, institutional conditions, and the wider ecosystem (Ye & Kulathunga, 2019; Jabbouri & Farooq, 2021; Jonker & Kosse, 2022; Reddy et al., 2025). Over time, attention increased towards the emergence of fintech and digital financial inclusion (Ye & Kulathunga, 2019; Fauzi et al., 2020; Okello Candiya Bongomin et al., 2020). Most recent studies started linking financial inclusion with sustainability, social inclusion, entrepreneurial resilience and broader development performance (Ratnawati et al., 2024; Zhou & Pacala, 2025). Evidence from developing-country SMEs similarly indicates that financial literacy, financial information, creditworthiness, and institutional arrangements can influence firms' ability to access external finance (Wasiuzzaman et al., 2020; Ye & Kulathunga, 2019).

Taken together, these findings indicate that merely improving the supply of credit is not financial inclusion. Entrepreneurs must also possess the knowledge and capabilities to use financial services effectively, while regulators must provide supportive policies. The banks should provide accessible infrastructure, appropriate products and not-so-stringent requirements.

4.2 Interplay Between Determinants and Barriers to Financial Inclusion

An important insight emerging from the review is that the determinants and barriers to financial inclusion should not be treated as independent or competing explanations. For example, financial literacy and entrepreneurial capability may enhance an entrepreneur's ability to identify and use financial products, maintain proper financial records, and engage with banks. But these capabilities may not translate into actual financial access when they face strict collateral requirements or weak credit histories. Research on SMEs has identified credit constraints, information asymmetry, collateral requirements, and credit rationing major barriers to financial access (Beck & Demirguc-Kunt, 2006; Domeher et al., 2017; Jin & Zhang, 2019; Pietrovito & Pozzolo, 2021). Those financing obstacles are associated with both firm-level capabilities and broader financing conditions (Jabbouri & Farooq, 2021).

Similarly, digital financial services and fintech may reduce transaction costs and overcome geographical barriers. Research shows that technological innovations can expand access to financial services for underserved MSMEs and entrepreneurs (Okello Candiya Bongomin & Ntayi, 2020; Okello Candiya Bongomin & Munene, 2021). But the introduction of digital financial services may not automatically achieve financial inclusion. There might be issues such as digital illiteracy, limited digital capabilities, inadequate infrastructure, security and trust issues. So, the capabilities and institutional support environment are required (Yang & Zhang, 2020; Zhou & Pacala, 2025). Social factors also impact financial inclusion. The evidence from South Asia and Africa indicates that gender can influence access to credit and other sources of finance among SMEs (Wellalage & Locke, 2017; Woldie et al., 2018). Similarly, financial and digital capabilities help the development of women-led enterprises (Ahmad & Arif, 2015; Fauzi

et al., 2020). In the Nepalese context, digital financial literacy can also be an important tool through which FinTech contributes to financial inclusion (Adhikari et al., 2024).

The findings suggest that financial inclusion is shaped by the interaction between enabling conditions and constraining factors, rather than in isolation.

4.3 Strategic Solutions for Enhancing Financial Inclusion

The findings indicate that improving financial inclusion requires a coordinated set of interventions. Access to finance depends on the interaction between firm-level capabilities and external financial and institutional conditions (Ardic et al., 2012; Wasiuzzaman et al., 2020). Studies linking financial literacy to SME sustainability and financing decisions highlight the importance of entrepreneurial capabilities (Ye & Kulathunga, 2019; Indrawati et al., 2025). Recent evidence also reinforces the importance of financial literacy as a complement to financial access (Reddy et al., 2025). In contrast, fintech and digital payment systems can address geographical and transaction-cost barriers by improving the reach of financial services beyond branch-based banking (Okello Candiya Bongomin & Munene, 2021; Vong et al., 2012). Alternative financing mechanisms may help entrepreneurs who are unable to meet the requirements of traditional bank loans. Recent research on crowdfunding indicates that alternative digital financing can expand financing possibilities (Jannat, 2025). However, these types of new financing mechanisms are unlikely to be equally effective across all institutional contexts. In countries like Nepal, there is still no regulatory framework or well-developed digital infrastructure for alternative financing mechanisms like crowdfunding or P2P lending.

Government and regulatory support are an important component of financial inclusion strategies. Evidence on SME finance indicates that credit guarantee arrangements can facilitate access to finance (Lee et al., 2019).

Overall, the evidence supports a complementary rather than substitutive view of financial inclusion strategies. This interpretation is consistent with broader evidence that

4.4 Financial Inclusion and Entrepreneurial Performance and Sustainability

Our findings suggest that financial inclusion is not only an outcome. Rather, it is a potential mechanism for achieving broader entrepreneurial and developmental goals. Empirical evidence supports this relationship, with financial accessibility being associated with MSME performance in developing economies (Kumarasamy et al., 2024). The financial literacy and sustainable business performance are interconnected dimensions of SME development (Yang & Zhang, 2020; Ratnawati et al., 2024; Zhou & Pacala, 2025). Recent evidence from Nepal also suggests that financial literacy and access to finance influence SME sustainability (Khanal, 2025). Evidence from Vietnam shows that access to finance can influence SME productivity, while research across different developing-country settings indicates considerable variation in the financial constraints firms face (Giang et al., 2019).

The review thus points toward a broader pathway in which financial inclusion may facilitate entrepreneurial performance and sustainability. However, the strength of this relationship is shaped by contextual and firm-level conditions.

4.5 Theoretical Implications

The findings of this review have several theoretical implications for understanding financial nclusion among small entrepreneurs in emerging economies. First, the findings suggest that financial inclusion is a multidimensional and ecosystem-level phenomenon. Earlier literature largely conceptualized financial inclusion in terms of access to external finance and the

financing constraints faced by small firms (Beck & Demirguc-Kunt, 2006). However, more recent research emphasizes financial literacy, entrepreneurial capability, digital financial capabilities, social networks and institutional conditions impacting financial inclusion (Adhikari et al., 2024; Jonker & Kosse, 2022; Reddy et al., 2025; Ye & Kulathunga, 2019; Wasiuzzaman et al., 2020).

Second, the review contributes by integrating demand-side and supply-side explanations into a single conceptual framework. From the demand side, entrepreneurs' financial literacy, managerial capabilities, business characteristics, and social networks influence their ability and willingness to engage with formal financial institutions. From the supply side, creditworthiness, collateral requirements, financial products, credit information systems, and institutional arrangements influence access to finance (Domeher et al., 2017; Jin & Zhang, 2019).

Third, the review suggests that the effectiveness of determinants or interventions may not be the same among all entrepreneurs or institutional settings. For example, digital financial services can reduce geographical and transaction-cost barriers, but their effectiveness may depend on Digital literacy, digital capabilities, infrastructure, and trust also. The starting poing, however, is financial literacy itself. Similarly, financial literacy may improve entrepreneurs' ability to evaluate and use financial products, but it cannot by itself eliminate structural constraints such as collateral requirements. Evidence on financial literacy interventions also suggests that their effects can be positive but modest, particularly among disadvantaged groups (Ye & Kulathunga, 2019). Thus, the review suggests that the relationship between financial inclusion and its determinants is context-dependent rather than universally linear.

Finally, the review contributes theoretically by connecting financial inclusion with entrepreneurial performance beyond access to finance itself. Studies examining digital financial inclusion and SME development connect improved financial access with broader enterprise and development outcomes (Yang & Zhang, 2020) and the productive capability of small enterprises (Boermans & Willebrands, 2018). So this study positions financial inclusion as an intermediate mechanism that links entrepreneurial and ecosystem-level conditions to entrepreneurial outcomes.

Overall, the theoretical contribution of this review lies in integrating determinants, barriers, strategic interventions, contextual conditions, financial inclusion, and entrepreneurial outcomes into a single framework.

4.6 Relevance of findings in the Nepalese Context

Although this review draws on evidence from different countries, the findings are equally relevant to Nepal. The Nepalese financial environment is characterized by uneven access to formal finance (NRB, 2021).

The role of financial literacy and entrepreneurial capability is identified as an important determinant in this review. Nepalese studies indicate that financial literacy is linked with financial inclusion (Chaulagain, 2015; Chand et al., 2025). However, the evidence also suggests that expanding access to financial institutions alone may not ensure effective financial inclusion. The barriers identified in the review are also evident in the Nepalese context. Limited collateral, inadequate financial information, lending requirements, geographical constraints, and infrastructure limitations can restrict financing opportunities for small enterprises (Adhikari, 2022; Joshi, 2025). The findings concerning FinTech and digital

financial services are likewise relevant to Nepal. Evidence from Nepal suggests that mobile and internet access can contribute to greater financial inclusion (Adhikari et al., 2024; Niraula & Adhikari, 2019). Similarly, the adoption of electronic payment systems among Nepalese SMEs has been associated with improvements in business performance, although privacy and security concerns, digital literacy, and infrastructure remain issues (Chaudhary et al., 2024).

Nepalese literature also provides evidence on the relationship between financial inclusion and entrepreneurial performance. Evidence from Nepal highlights the importance of financial literacy and access to finance for the sustainability of SMEs (Dhakal, 2020; Khanal, 2025). These findings are consistent with the broader evidence from the review linking financial inclusion to business growth, resilience, innovation, and sustainability.

Overall, the Nepalese evidence provides contextual support rather than a separate body of evidence outside the review's conceptual argument. It demonstrates that the determinants, barriers, strategic solutions, and entrepreneurial outcomes identified across the emerging-economy literature are relevant to Nepal, but their effectiveness is likely to be conditioned by the country's institutional, geographical, technological, and socioeconomic environment.

4.7 An Integrated Conceptual Framework

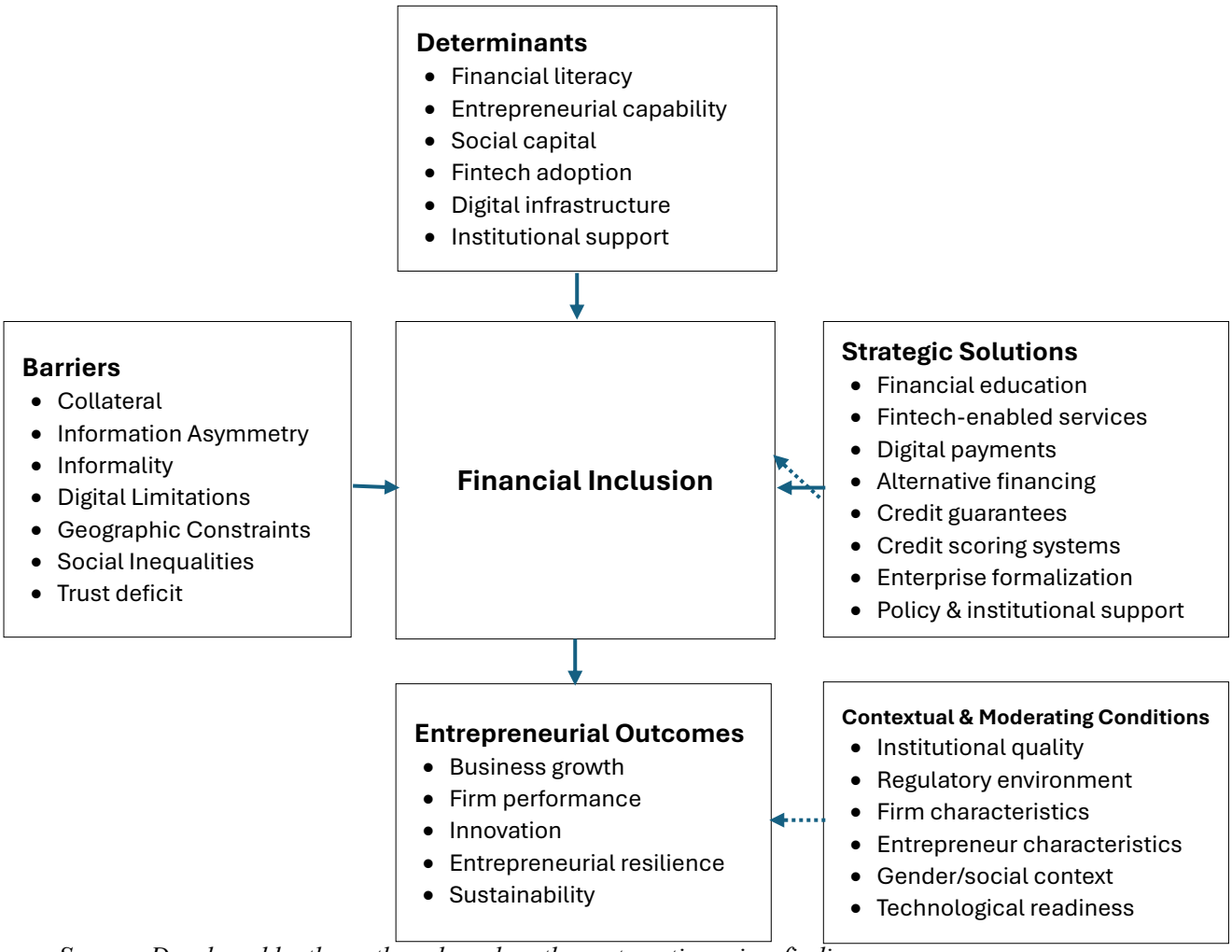
Building on the integrated interpretation of the thematic findings, this study proposes a conceptual framework that connects the major determinants, barriers, strategic solutions, and outcomes of financial inclusion among small entrepreneurs in emerging economies (Figure 5). This conceptualization is consistent with the literature showing that SME financial access is shaped by firm-level characteristics, financial market conditions, technological development, and institutional arrangements (Beck & Demirguc-Kunt, 2006; Ardic et al., 2012).

The determinants of financial inclusion are considered for the first level; these create conditions that can facilitate financial inclusion. This includes financial literacy, entrepreneurial capability, social capital, fintech adoption, digital infrastructure, and institutional support. However, these enabling conditions are constrained by barriers such as collateral requirements, information asymmetry, enterprise informality, social and demographic inequalities, limited digital capabilities, geographical constraints, and trust deficits. These barriers are repeatedly identified across the reviewed literature (Domeher et al., 2017; Jin & Zhang, 2019; Pietrovito & Pozzolo, 2021; Wellalage & Locke, 2017).

The framework also suggest the potential mechanisms to reduce these barriers and improve financial inclusion. These are financial education, fintech-enabled services, alternative financing mechanisms, digital payment systems, credit-support mechanisms, and supportive policy and institutional interventions. Improved financial inclusion may subsequently contribute to entrepreneurial outcomes, including enhanced access to resources, business growth, innovation, resilience, and sustainability. Evidence on digital financial inclusion, alternative financing, credit guarantee mechanisms, and SME productivity provides empirical support for these proposed pathways (Giang et al., 2019; Lee et al., 2019; Rizwan et al., 2024; Vong et al., 2012).

Thus, the proposed framework integrates previously fragmented streams of research into a single analytical structure.

Figure 5: *Integrated Conceptual Framework of Financial Inclusion for Small Entrepreneurs in Emerging Economies*



Source: Developed by the authors based on the systematic review findings.

5. Future Research Directions Based on the TCCM Framework

The reviewed literature provides substantial evidence on the determinants and outcomes of financial inclusion among small entrepreneurs in emerging economies. However, several theoretical, contextual, characteristics (construct-related) and methodological gaps remain. Using the TCCM framework, future research areas are classified into four: theory development, context, characteristics, and methods (Paul et al., 2024).

5.1 Theory Development (T)

The literature mostly focuses on a single theory, like the Technology Acceptance Model (TAM), Institutional Theory, Social Capital Theory, Dynamic Capability Theory, Resource-Based View (RBV), Theory of Reasoned Action (TRA) and Financial Literacy Theory. These theories account for some of the dimensions of financial inclusion, but they do not always represent the complexity of small entrepreneurs' situations in emerging markets. Future studies should build upon the ideas of integrated theoretical frameworks accounting for institutional, technological, and behavioral aspects. For instance, by integrating Dynamic Capability Theory and Institutional Theory, the explanation for digital technology utilization for entrepreneurship is possible under the different regulatory environments.

Likewise, the combination of the Social Capital Theory and Financial Inclusion Theory will enhance the understanding of the way in which network relationships promote access to formal and informal financing. Special focus should be placed on the channeling of financial inclusion to entrepreneurial outcomes. In this context, there are few theoretical explanations in previous studies on the factors that mediate between innovation capability, digital transformation, and resilience. Future research should thus aim to design and experiment with integrated causal models that clarify the value of financial inclusion to entrepreneurs.

5.2 Context (C)

The bulk of empirical evidence comes from South Asia and Sub-Saharan Africa, especially India, Bangladesh, Pakistan, Nigeria, Ghana, Cameroon and South Africa. There is limited knowledge on financial inclusion for small entrepreneurs in Latin America, the Middle East, Central Asia, Pacific Island countries, and fragile and conflict-affected economies, when compared to other regions. Going forward, more research needs to be done to understand the impact of contexts on financial inclusion outcomes in different institutional settings. Comparing rural and urban areas, formal and informal enterprises, as well as comparing women-led and male-led businesses, would offer valuable insights into contextual heterogeneity. In addition, there are new trends that have arisen in recent years, including digital public infrastructure, open banking, credit assessment based on artificial intelligence, and the financialization of climate finance, which are not discussed in much depth in the entrepreneurship and financial inclusion literature.

5.3 Characteristics (C)

5.3.1 Role of Financial Literacy and Financial Capability

Future research opportunities in the context of the role of Financial Literacy and Financial Capability include;

- Investigate the combined impact of financial literacy and digital financial literacy for access to formal financial services for entrepreneurs.
- Explore financial self-efficacy as a mechanism connecting financial literacy and entrepreneurial outcomes.
- Evaluate the impact of financial education initiatives among entrepreneurs in various groups and emerging economies.
- Investigate consequences of financial capability building for firm growth and financial resilience in the long term.

5.3.2 Role of Fintech and Digital Financial Inclusion

Future research opportunities in the Role of Fintech and Digital Financial Inclusion include;

- Explore the success of AI-driven credit scoring and alternative lending models to alleviate financing constraints.
- Discuss the role of mobile banking, digital payments and fintech ecosystems in enhancing financial inclusion of micro and small businesses.
- Discuss the potential for Blockchain, Open Banking and Digital Public Infrastructure to increase access to finance.
- Compare fintech-enabled financial inclusion across different institutional and technological environments.

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5.3.3 Role of Social Capital and Entrepreneurial Networks

Future research opportunities in this role include;

- Discuss the role of social networks in the access of entrepreneurs to formal and informal sources of finance.
- Research the linkages between social capital and digital financial services to financial inclusion.
- Discuss if and how entrepreneurial networks mitigate information asymmetries between lenders and borrowers.
- Compare and contrast network-based financing in the rural and urban entrepreneurial ecosystem.

5.3.4 Role of Women Entrepreneurship and Gender Inclusion

There are opportunities for future research on gender inclusion, such as:

- Research gender-specific barriers to access of formal financial services.
- Discuss the extent to which fintech helps to lower gender financing barriers.
- Discuss link between financial inclusion and women's entrepreneurial empowerment.
- Perform comparative analysis of gender-inclusive financial policies in emerging markets.

5.3.5 Government Policy and Regulatory Environment

Future research opportunities in the regulatory environment are;

- Review the impact of financial inclusion measures, credit guarantee, and entrepreneurship support programs.
- Discuss the impact of regulations and regulatory sandboxes in fintech on access to finance.
- Explore policy issues related to the financial inclusion of micro and informal businesses.
- Compare the financial inclusion outcomes of different regulatory and policy settings.

5.3.6 Role of Entrepreneurial Capabilities and Innovation

Innovation part future research opportunities include:

- Examine entrepreneurial resilience as one of the factors contributing to financial inclusion and business sustainability.
- Explore the link between financial inclusion and innovation capability as a channel.
- Discuss how the digital transformation improves entrepreneurs' financing opportunities.
- Evaluate relationship between entrepreneurial orientation and formal financial services.

5.3.7 Role of Firm Characteristics

Discuss the impact of firm size, age and ownership on access to finance.

- Explore the financial difficulties encountered by informal and start-up businesses.
- Identify and analyse the disparities in financial inclusion by sector.
- Examine the moderation effect of firm characteristics on the association between financial inclusion and business performance.

5.3.8 Consequences for Sustainable and Inclusive Development

There are opportunities for future research in this modern field, for example:

- Examine the contribution of financial inclusion to poverty alleviation and social inclusion.
- Examine the financial inclusion-Sustainable Development Goals (SDGs) linkage.
- Discuss the role of financial inclusion in building a strong entrepreneurial base in the community.
- Evaluate the contribution of Financial Inclusion to Sustainable and Green Entrepreneurship.

5.4 Methods (M)

Methodologically, the literature is dominated by cross-sectional survey designs and PLS-SEM approaches. While these methods provide useful insights, they limit causal inference and understanding of dynamic relationships. Future research should employ;

- Longitudinal studies
- Panel data analysis
- Dynamic GMM estimation
- Difference-in-Differences (DiD) designs
- Natural experiments
- Machine learning approaches
- Artificial intelligence-based predictive models
- Mixed-method research designs
- fsQCA (Fuzzy-set Qualitative Comparative Analysis)
- Multi-level modeling

6. Conclusion

This study aimed to conduct a systematic review of the literature on financial inclusion among small entrepreneurs in emerging economies.

The results indicate that financial inclusion is a multidimensional concept that is shaped by institutional, technological, organizational and individual aspects. The factors identified as the drivers of financial inclusion are: financial literacy, entrepreneurial ability, social capital, digital financial infrastructure, fintech adoption, and supportive institutional environments. Meanwhile, the challenges entrepreneurs encounter are enormous, including the need for collateral, information asymmetry, lack of credit history, informality of businesses, lack of digital skills, geographical restrictions and regulatory difficulties. The review also confirms the great potential in the innovative field of fintech, mobile banking, digital payment systems, financial literacy programmes, alternative financing channels and government support programmes for overcoming these obstacles and encouraging inclusive entrepreneurial finance. The study also demonstrates the transition that financial inclusion studies have taken from the traditional understanding of constraints on access to finance to the wider use of the term financial inclusion and its intersection with other concepts such as digital financial inclusion, entrepreneurial resilience, sustainability and inclusive economic development. A conceptual framework was created that connects entrepreneurial determinants, barriers, entrepreneurial strategies, and entrepreneurial outcomes based on the synthesis of existing evidence.

In addition, the TCCM framework was used to detect theory, context, construct-related, and methodological gaps and to come up with a research agenda for the future. Overall, the review notes that to enhance the financial inclusion of small entrepreneurs, a combination of financial

capability development, technological innovation, institutional support and inclusive policy interventions are needed. In developing countries like Nepal, where SMEs contribute significantly to employment creation, poverty alleviation and economic development in regions, such activities are of paramount significance.

7. Implications

7.1 Theoretical Implications

This study contributes to the literature of financial inclusion and entrepreneurship in several ways. First, it synthesizes the fragmentary evidence and insights from countries, sectors, and nearly 40 years of research to gain a deeper understanding of the drivers, barriers, and strategic pathways to financial inclusion for small entrepreneurs. The study incorporates knowledge from entrepreneurship, banking, development economies and fintech research to draw lessons from those areas, and to give a more holistic perspective on financial inclusion in emerging economies. Second, it reveals the shortcomings of adopting one theory to understand financial inclusion among small entrepreneurs. Previous research has been conducted individually on the phenomenon by using different theories such as Institutional Theory, the Technology Acceptance Model (TAM), Social Capital Theory and Information Asymmetry Theory. The synthesis indicates that none of the theories fully explain the complexity of financial inclusion. Third, the study designs a conceptual connection between the determinants and barriers of financial inclusion and strategic interventions and entrepreneurial outcomes. Lastly, the TCCM analysis reveals research areas that remain underexplored and offer potential for future research. These are alternative financing mechanisms, gender dimensions of financial inclusion, entrepreneurship resilience, sustainable entrepreneurship development and digital financial inclusion.

7.2 Practical Implications

The results of our study have practical implications for regulators, the government, financial institutions and fintech providers.

The findings confirm the importance for financial institutions to develop more holistic lending policies, reduce the requirements of having strict collateral and adopt a new credit rating system. Artificial Intelligence, Digital Credit Scoring and transaction-based lending models can be used to provide better access to finance for entrepreneurs with little or no traditional credit record. The review demonstrates the increasing possibilities of the fintech industry to solve financial access problems using mobile banking, digital payments, crowdfunding format and digital lending platforms. Fintech products must be designed to be easy to use and to suit the needs of entrepreneurs operating in resource-constrained environments. The findings indicate that financial inclusion programs should go hand-in-hand with entrepreneurship training, building digital skills, and formalization programs for development agencies and entrepreneurship support organizations. These interventions can help increase access to finance and its effective use.

The results suggest that there is a need for coordinated effort by the government, commercial banks, microfinance institutions, fintech and development partners for better financial inclusion of SMEs from a Nepalese perspective. The use of digital financial products and services in remote areas could have a substantial impact on the participation of entrepreneurs

in the formal financial system if the financial infrastructure and financial education are expanded.

8. Limitations and future scope

This study, while giving an in-depth understanding of the financial inclusion of small entrepreneurs in emerging economies, has several limitations. The first is that the review was conducted mainly on the Scopus database to maintain the academic rigor of the paper and its quality. While it is well known that Scopus offers a broad range of quality and indexed journals, some studies of interest may not be included in Web of Science, EBSCO, ProQuest, SSRN, Google Scholar, and regional databases. Hence, some pertinent literature may have been omitted. Secondly, only English-language publications were reviewed. This may have led to some important studies being missed, especially those published in local languages in new capital markets, particularly in emerging economies where financial inclusion is a priority.

Third, the study looked only at peer-reviewed academic literature and did not include conference papers, working papers, policy reports, dissertations, and other grey literature, which were not included in Scopus Index. This method increases the methodological rigor, but can reduce the incorporation of new evidence and practitioner experiences. Fourth, the results are not the result of a meta-analysis, but of qualitative synthesis. Therefore, the study does not quantify effect sizes or specify causality between the determinants of financial inclusion and entrepreneurial outcomes.

Lastly, while there is some contextual discussion in the review relevant to Nepal, the literature specific to Nepal is limited. An empirical study at the country level is thus recommended for future research to gain insight into the unique institutional, geographical, and socio-economic factors shaping the financial inclusion of SMEs in Nepal. This review can be extended by using multiple databases, through bibliometric and meta-analytic analysis, by cross-country comparative studies and by empirical testing of the conceptual framework suggested in this study. Such efforts would further enhance understanding of how financial inclusion contributes to entrepreneurial growth and sustainable development in emerging economies.

Conflict of Interest Statement

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Appendix

Search Criteria

TITLE-ABS-KEY
(("financial inclusion" OR "financial exclusion" OR "access to finance" OR "credit constraints" OR "digital financial inclusion" OR “fintech: OR “Barriers” OR “Determinants” "financial literacy" OR "banking access" Or “informal finance” OR “Rural Finance” OR “microfinance” OR “SME Financing”)
AND
("SMEs" OR "small and medium enterprises" OR "small entrepreneurs" OR "micro enterprises" OR "small business" OR "informal enterprises" OR “informal business”)
AND
("emerging economies" OR "developing countries" OR “Nepal” OR “Nepal SMEs”, OR “Nepal Financial Sector”))