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Modelling the Determinants of Access to Finance and Entrepreneurial Intention: Evidence from Young Entrepreneurs in Gurugram

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ABSTRACT

This study examines the challenges faced by young entrepreneurs (aged 17–22) in accessing seed funding in India, with a particular focus on the role of government support, financial readiness, and structural constraints. It aims to evaluate whether existing policy interventions effectively improve access to finance and reduce funding barriers for this demographic. The study adopts a quantitative research design using primary data collected through a structured questionnaire administered via snowball sampling. Data from young entrepreneurs in Gurgaon, India were analyzed using Structural Equation Modeling (SEM) to examine the relationships between government support, entrepreneurial ability, financial readiness, access to finance, funding barriers, and entrepreneurial intention. The results indicate that young entrepreneurs face significant difficulties in accessing seed funding from formal financial institutions. Government support and entrepreneurial ability positively influence access to finance, while financial readiness significantly reduces perceived funding barriers. Access to finance has a strong positive effect on entrepreneurial intention, whereas funding barriers negatively impact entrepreneurial intention. These findings highlight that both institutional support and individual preparedness play a critical role in shaping entrepreneurial outcomes. The study is limited by its reliance on non-probability sampling and self-reported data, which may affect generalizability. Future research may incorporate longitudinal designs and comparative analysis across regions or age groups. The findings suggest that policymakers should enhance awareness and accessibility of government schemes, while financial institutions should adopt alternative credit assessment mechanisms to support young entrepreneurs. Improving financial readiness through education and training can further reduce funding barriers. Improving access to finance for young entrepreneurs can promote innovation, reduce youth unemployment, and contribute to inclusive economic development. This study contributes to the literature by focusing specifically on young entrepreneurs, an underexplored demographic, and by integrating government support, financial readiness, and behavioral factors into a unified empirical framework using SEM.

Keywords: Youth entrepreneurship; access to finance; government policy; financial inclusion; seed funding; structural equation modeling (SEM); India; startup ecosystem.

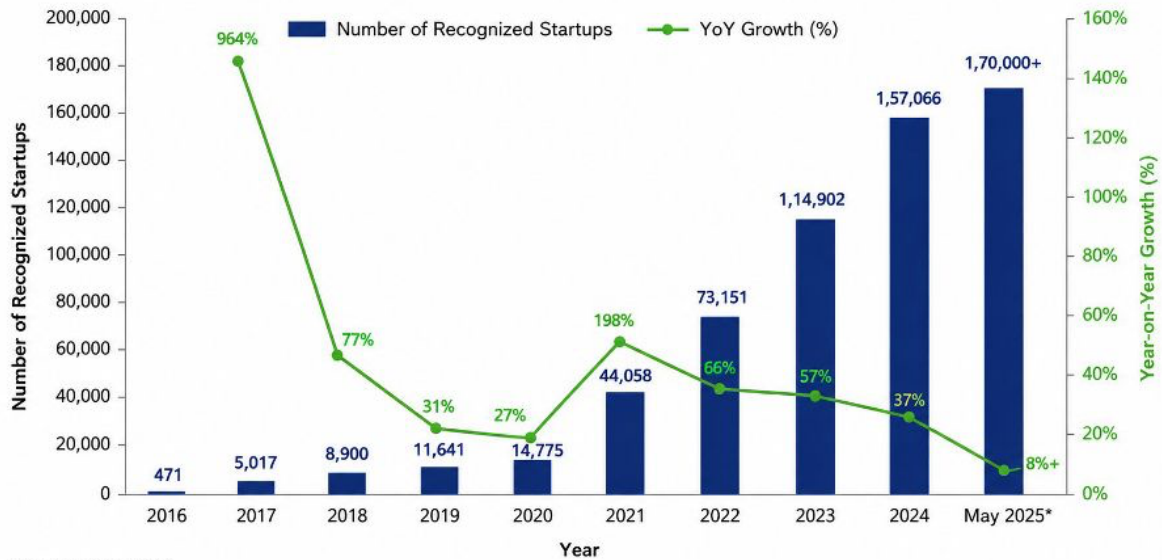
INTRODUCTION

Entrepreneurship is widely recognized as a key driver of economic growth, innovation, and employment generation, particularly in emerging economies such as India. In recent years, the Indian government has introduced a range of policy initiatives aimed at fostering entrepreneurial development, including Startup India (2016), Pradhan Mantri MUDRA Yojana (2015), and the Startup India Seed Fund Scheme (2021). These initiatives are designed to improve access to finance, strengthen institutional support, and create an enabling ecosystem for new ventures. Recent developments in digital finance, fintech ecosystems, and AI-enabled entrepreneurial platforms have further transformed the entrepreneurial landscape for young individuals.

Studies suggest that digital financial inclusion, fintech adoption, and AI-assisted financial systems are increasingly influencing entrepreneurial intention and startup financing accessibility among youth entrepreneurs (Bhullar et al., 2025; Ha et al., 2026). In emerging economies such as India, government-led digital entrepreneurship initiatives and fintech-enabled

funding mechanisms have improved entrepreneurial participation; however, concerns regarding institutional accessibility, financial confidence, and funding readiness continue to persist among young entrepreneurs (Kurniasari, Abd Hamid, et al., 2025; Sharma et al., 2026). As shown in Figure 1, India has experienced substantial growth in startup registrations following the introduction of Startup India and related policy initiatives.

Figure 1: Growth of DPIIT-Recognized Startups in India (2016–May 2025).



*Data up to May 2025

Source: Department for Promotion of Industry and Internal Trade (DPIIT), Startup India Dashboard (<https://www.startupindia.gov.in>), Accessed May 2025.

Despite these policy advancements, access to seed funding remains a critical challenge, particularly for young entrepreneurs. Individuals aged 17–22 represent an emerging entrepreneurial segment characterized by high innovation potential but limited financial capacity, lack of credit history, and minimal collateral. These constraints significantly restrict their ability to secure funding from formal financial institutions such as banks and government-backed schemes. Existing literature provides mixed evidence regarding the effectiveness of government interventions in improving financial access. While several studies suggest that government support enhances entrepreneurial ecosystems and firm performance (Das & Rangarajan, 2020; Eniola & Entebang, 2015), others highlight persistent structural barriers such as information asymmetry, institutional inefficiencies, and unequal access to financial resources (Beck & Demirgüç-Kunt, 2006; Rajamani, 2022). Notably, much of the existing research focuses on MSMEs in general, with limited attention to the specific challenges faced by young entrepreneurs.

In this context, access to finance is influenced not only by institutional factors such as government support but also by individual-level factors such as entrepreneurial ability and financial readiness. Government support reflects the awareness and accessibility of policy initiatives, while financial readiness captures the preparedness of individuals in terms of financial knowledge and availability of resources. Together, these factors play a crucial role in determining whether young entrepreneurs can overcome funding barriers and successfully access formal finance. This study addresses these gaps by examining the challenges faced by young entrepreneurs in accessing seed funding and analyzing how government support, entrepreneurial ability, and financial readiness influence access to finance, funding barriers, and entrepreneurial intention. Specifically, the study investigates the structural relationships among these constructs to understand how both institutional and individual factors jointly shape entrepreneurial outcomes.

Adopting a quantitative research design, this study utilizes primary data collected from young entrepreneurs in Gurgaon, India through a structured questionnaire administered using snowball sampling. Structural Equation Modeling (SEM) is employed to analyze the relationships between government support (GOV), entrepreneurial ability (EA), financial readiness (FR), access to finance (AF), funding barriers (FB), and entrepreneurial intention (EI). The study makes three key contributions. First, it extends existing literature by focusing specifically on young entrepreneurs, an under-researched demographic in entrepreneurship studies. Second, it integrates government support, financial readiness, and behavioral factors into a unified analytical framework. Third, it provides empirical evidence on the gap between policy availability and accessibility, offering insights for policymakers to design more inclusive and effective financial support mechanisms.

The remainder of the paper is structured as follows. Section 2 reviews the relevant literature and develops the conceptual framework. Section 3 outlines the research methodology. Section 4 presents the empirical results and discussion. Section 5 concludes with implications for policy and future research.

LITERATURE REVIEW

Theoretical Foundations

Institutional Theory

Institutional theory suggests that formal structures such as regulations and policies shape entrepreneurial activity and economic performance (North, 1990). In emerging economies like India, government interventions play a crucial role in influencing entrepreneurship by providing regulatory frameworks and financial incentives (Socrates & Gopalakrishna, 2020). These institutional mechanisms are designed to reduce uncertainty and encourage entrepreneurial participation. However, their effectiveness depends largely on implementation efficiency and accessibility.

Resource-Based View (RBV)

The Resource-Based View (RBV) posits that firm performance depends on access to valuable, rare, and inimitable resources (Barney, 1991). Financial capital is a critical resource for new ventures, especially in the early stages of business formation. Empirical studies highlight that lack of access to financial resources significantly constrains entrepreneurial growth (Beck & Demirgüç-Kunt, 2006). This constraint is particularly severe for young entrepreneurs who often lack both financial capital and social networks.

Financial Constraints Theory

Financial constraints theory explains that credit markets are imperfect due to information asymmetry, leading to credit rationing (Stiglitz & Weiss, 1981). Entrepreneurs without sufficient collateral or credit history are often denied access to formal financing. Early-stage ventures face higher uncertainty, which increases perceived risk among lenders (Nanda & Rhodes-Kropf, 2013). As a result, young entrepreneurs are disproportionately affected by financial constraints.

Behavioural Dimensions of Entrepreneurial Finance

Behavioural factors play a critical role in shaping entrepreneurial intention and access to finance, particularly among young entrepreneurs. Beyond structural and institutional barriers, perceptions of financial risk, fear of rejection, lack of institutional trust, and low confidence in navigating formal financial systems significantly influence entrepreneurial financing behaviour. Recent studies suggest that behavioural dimensions such as financial self-efficacy, perceived feasibility, and digital financial confidence strongly affect entrepreneurial decision-making and financing outcomes among youth and early-stage entrepreneurs (Pham et al., 2025; Sharma et al., 2026). Young entrepreneurs often demonstrate high levels of innovation orientation and technological adaptability but comparatively lower financial confidence due to limited entrepreneurial experience, weak credit histories, and insufficient collateral. Prior research indicates that perceived institutional complexity and fear of debt discourage young individuals from approaching formal financial institutions, even when government support schemes and startup financing initiatives are available (Bhullar et al., 2025). In many cases, subjective perceptions regarding procedural barriers become as influential as actual financial constraints.

Recent behavioural finance literature further highlights the importance of entrepreneurial self-efficacy and financial attitudes in influencing entrepreneurial intention. Studies on fintech-enabled entrepreneurship and digital financial behaviour demonstrate that individuals with higher financial self-efficacy and stronger digital financial literacy exhibit greater confidence in pursuing entrepreneurial opportunities and engaging with formal financial systems (Aoun et al., 2026; Ha et al., 2026). Similarly, research by (Nurfaizal, 2025) suggests that technological self-efficacy and innovation capability positively influence entrepreneurial intention among young individuals. Behavioural perceptions also influence how entrepreneurs interpret funding accessibility and institutional support. Financial optimism, trust in financial institutions, and confidence in government initiatives can significantly shape willingness to seek external funding. Conversely, fear of rejection, low financial preparedness, and perceived institutional rigidity may discourage entrepreneurial participation despite the availability of financial schemes (Kurniasari, Abd Hamid, et al., 2025; Wiharno & Rahmantya, 2025). Consequently, entrepreneurial intention is shaped not only by actual access to finance but also by subjective perceptions regarding funding accessibility, institutional trust, and individual financial confidence. These behavioural dimensions provide an important explanatory lens for understanding why many young entrepreneurs continue to face financing challenges despite increasing policy support and expanding entrepreneurial ecosystems.

Government Policy and Entrepreneurship

Positive Impact of Government Policies

Government policies play a significant role in fostering entrepreneurship by providing financial support, infrastructure, and regulatory facilitation. Studies show that policy initiatives positively influence MSME growth and sustainability (Das & Rangarajan, 2020). Similarly, Eniola and Entebang (2015) found that government support enhances firm performance through improved access to resources. Policy interventions across different stages of the entrepreneurial lifecycle further strengthen business development (Socrates & Gopalakrishna, 2020).

Limitations of Policy Implementation

Despite the availability of policies, several studies highlight implementation gaps. Khak-sar (2011) argued that policy effectiveness depends on institutional efficiency and awareness among entrepreneurs. Empirical evidence indicates that many MSMEs continue to face financial barriers despite policy support (Rajamani, 2022). This suggests that accessibility and awareness are critical determinants of policy success.

Access to Finance and Youth Entrepreneurship

Structural Financial Constraints

Access to finance remains one of the most significant barriers to entrepreneurship. Small firms face greater financing constraints compared to large firms due to higher risk and lack of collateral (Beck & Demirgüç-Kunt, 2006). In the Indian context, SMEs often rely on informal sources of finance due to limited access to formal banking systems (Kumar & Rao, 2016). These constraints are more severe for young entrepreneurs who lack credit history and financial credibility. Recent literature indicates that digital financial literacy and fintech adoption increasingly shape access to entrepreneurial finance among young individuals. Kurniasari et al. (2025) found that financial literacy and fintech adoption significantly improve SME sustainability and funding accessibility by enhancing financial preparedness and institutional engagement. Similarly, Sharma et al. (2026) demonstrated that financial self-efficacy and digital financial literacy positively influence financial well-being and financing confidence among youth entrepreneurs. However, studies also report that lack of financial confidence, inadequate credit history, and institutional distrust continue to discourage young entrepreneurs from approaching formal financial institutions.

Emerging Role of Digital Finance

Recent developments in digital finance have improved access to funding. Fintech platforms and digital lending systems have reduced transaction costs and expanded financial inclusion. Verma et al. (2025) found that digital finance significantly enhances MSME performance and access to credit. However, these benefits are not uniformly distributed and depend on digital literacy and awareness. Emerging research also highlights the role of AI adoption, digital self-efficacy, and technological confidence in shaping entrepreneurial intention among young individuals. Ha et al. (2026) found that AI adoption and fintech exposure significantly strengthen entrepreneurial intention through improved perceived feasibility and self-efficacy. Likewise, Nurfaizal (2025) reported that technological self-efficacy and innovation capability positively influence entrepreneurial intention among digitally oriented youth entrepreneurs. These findings suggest that entrepreneurial intention is increasingly shaped by behavioural and technological dimensions alongside traditional financial factors.

Youth-Specific Challenges

Young entrepreneurs face unique barriers, including lack of experience, limited networks, and low credibility. Perceived entrepreneurial ability plays a crucial role in determining entrepreneurial outcomes (Arenius & Minniti, 2005). These factors contribute to higher rejection rates and increased reliance on informal funding sources among youth entrepreneurs. Recent studies further highlight the growing role of digital governance and fintech-enabled policy ecosystems in entrepreneurial development. Bhullar et al. (2025) emphasized that fintech integration within entrepreneurial ecosystems significantly improves funding accessibility, startup scalability, and financial inclusion. Similarly, recent evidence suggests that AI-enabled financial technologies and government-supported digital entrepreneurship initiatives positively influence entrepreneurial participation among youth by reducing informational and procedural barriers (Ha et al., 2026). Despite these advancements, institutional complexity and uneven policy awareness continue to limit the effectiveness of government support mechanisms among first-generation entrepreneurs.

METHODOLOGY

Research Design

This study adopts a quantitative research design to examine the challenges faced by young entrepreneurs (aged 17–22) in accessing seed funding in Gurgaon, India. A cross-sectional survey method is employed to collect primary data and analyze relationships between key constructs. The study utilizes Structural Equation Modeling (SEM) to test the hypothesized relationships among government support, financial readiness, access to finance, funding barriers, and entrepreneurial intention.

Sampling Technique

The study employs a non-probability snowball sampling technique, which is suitable for hard-to-reach populations such as young entrepreneurs. Snowball sampling is appropriate for hard-to-reach entrepreneurial populations (Naderifar et al., 2017). Initial respondents were identified through entrepreneurial networks, and subsequent participants were recruited through referrals.

Table 1: Sampling Sources.

<i>Sampling Source</i>	<i>Description</i>
University	
Entrepreneurship Cells	Student entrepreneurship clubs, innovation cells, and university-based startup communities that support entrepreneurial activities.
Startup Incubators	Early-stage venture incubators and business incubation centers that provide mentorship, networking, and startup support.
Online Platforms	Professional and entrepreneurial networking platforms, including LinkedIn, Instagram, startup forums, and online entrepreneurial communities used to reach potential respondents.

Source: Author's Compilation

Sample Size

A minimum sample size of 200 respondents was targeted to ensure statistical adequacy for SEM analysis. According to established SEM guidelines, a sample size above 150 is sufficient for reliable parameter estimation. The final dataset consisted of 212 valid responses, meeting the required threshold for structural model testing.

Data Collection

Data were collected using a structured questionnaire administered through online platforms (Google Forms). The questionnaire was distributed among young entrepreneurs aged 17–22 in Gurgaon.

Table 2: Survey Design Overview.

<i>Aspect</i>	<i>Description</i>
Method	Online survey (Google Forms)
Respondents	Young entrepreneurs (17–22 years)
Location	Gurgaon, India
Sampling Method	Snowball sampling
Scale Type	5-point Likert scale

Source: Author's Compilation

1.5 Measurement of Variables

All constructs in this study were measured using a structured questionnaire with a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The measurement items were adapted from established literature and modified to suit the context of young entrepreneurs. The study includes six latent constructs: Government Support (GOV), Entrepreneurial Ability (EA), Financial Readiness (FR), Access to Finance (AF), Funding Barriers (FB), and Entrepreneurial Intention (EI).

Table 3: Construct Definitions.

<i>Construct</i>	<i>Definition</i>	<i>Source</i>
Government Support (GOV)	Awareness and accessibility of government schemes	Das & Rangarajan (2020)
Entrepreneurial Ability (EA)	Skills, confidence, and business understanding	Arenius & Minniti (2005)
Financial Readiness (FR)	Financial literacy and collateral availability	Beck & Demirgüç-Kunt (2006)
Access to Finance (AF)	Ease of obtaining funding from institutions	Kumar & Rao (2016)
Funding Barriers (FB)	Perceived difficulty in obtaining funding	Stiglitz & Weiss (1981)
Entrepreneurial Intention (EI)	Likelihood of starting a business	Arenius & Minniti (2005)

Note: Each construct was measured using multiple observed indicators as shown in Table 4.

Source: Author's Compilation

Table 4: Measurement Items.

<i>Construct</i>	<i>Code</i>	<i>Measurement Item</i>
Government Support (GOV)	GOV1	I am aware of government startup schemes
	GOV2	Government schemes are easy to access
	GOV3	Government support improves funding opportunities
Entrepreneurial Ability (EA)	EA1	I have a clear business idea
	EA2	I am confident in starting a business
	EA3	I understand how startups operate
Financial Readiness (FR)	FR1	I understand financial requirements of a startup
	FR2	I can prepare basic financial plans
	FR3	I have resources/collateral for funding
Access to Finance (AF)	AF1	I find it easy to access funding
	AF2	Banks support young entrepreneurs
	AF3	I have access to formal funding sources
Funding Barriers (FB)	FB1	It is difficult to obtain seed funding
	FB2	Lack of collateral limits funding access
	FB3	Financial institutions hesitate to fund youth
Entrepreneurial Intention (EI)	EI1	I intend to start a business
	EI2	I would start a business if funding were easier
	EI3	Access to finance affects my decision

Source: Author's Compilation

Table 5: Measurement Scale Summary.

<i>Construct</i>	<i>Number of Items</i>	<i>Scale Type</i>
Government Support (GOV)	3	Likert (1–5)
Entrepreneurial Ability (EA)	3	Likert (1–5)
Financial Readiness (FR)	3	Likert (1–5)
Access to Finance (AF)	3	Likert (1–5)
Funding Barriers (FB)	3	Likert (1–5)
Entrepreneurial Intention (EI)	3	Likert (1–5)

Source: Author's Compilation

DATA ANALYSIS TECHNIQUES

The collected data were analyzed using the Statistical Package for the Social Sciences (SPSS) Version 27 and Structural Equation Modeling (SEM) to evaluate the proposed conceptual framework and test the research hypotheses. The analytical procedure consisted of sequential stages beginning with data screening and reliability assessment, followed by validation of the measurement model through Confirmatory Factor Analysis (CFA), and finally estimation of the structural model to examine the hypothesized relationships among the latent constructs. This systematic approach ensures the reliability and validity of the measurement instrument while providing robust empirical evidence for testing the proposed research model.

Analytical Framework

The overall analytical framework employed in this study consists of three major stages, namely reliability analysis, measurement model validation, and structural model estimation. Each stage serves a specific purpose in ensuring the accuracy and robustness of the empirical findings. The Study Region that has been chosen for study is extended from 76°E – 100°E and 4°N – 24°N. This region is a part of the North Indian Ocean (NIO). For the cyclonic study, we took the BoB region, in the period of pre-monsoon month (April-May) and post-monsoon months (October–December).

Table 6: Data Analysis Framework.

Stage	Technique	Purpose
Stage 1	Reliability Analysis	Assess internal consistency of the measurement items
Stage 2	Confirmatory Factor Analysis (CFA)	Validate the measurement model through convergent and discriminant validity
Stage 3	Structural Equation Modeling (SEM)	Test the hypothesized relationships among the constructs

Source: Author's Compilation

Reliability Analysis

Cronbach's alpha analysis was conducted to examine the internal consistency of the measurement items associated with each construct. Internal consistency reflects the degree to which multiple indicators measure the same latent construct. In this study, Cronbach's alpha (α) was employed as the primary reliability coefficient because it is one of the most widely accepted measures of scale reliability in behavioral and social science research.

Cronbach's alpha is computed as follows:

$$\alpha = \frac{k}{k-1} \left(1 - \frac{\sum_{i=1}^k \sigma_i^2}{\sigma_T^2} \right) \quad (1)$$

where:

k = Number of measurement items

σ_i^2 = Variance of the i th item

σ_T^2 = Total variance of the composite construct

According to Hair et al. (2021), a Cronbach's alpha value of 0.70 or above indicates satisfactory internal consistency, whereas values exceeding 0.80 represent good reliability and values above 0.90 indicate excellent reliability.

Confirmatory Factor Analysis (CFA)

Following the reliability assessment, Confirmatory Factor Analysis (CFA) was performed to evaluate the adequacy of the measurement model. CFA examines whether the observed measurement items adequately represent their respective latent constructs and assesses both convergent and discriminant validity.

The measurement model can be represented as:

$$X = \Lambda_x \xi + \delta \quad (2)$$

$$Y = \Lambda_y \eta + \varepsilon \quad (3)$$

where:

X, Y = Observed variables

ξ, η = Latent constructs

Λ_x, Λ_y = Factor loading matrices

δ, ε = Measurement error terms

The adequacy of the measurement model was evaluated using the following criteria:

Standardized factor loadings > 0.70

Composite Reliability (CR) > 0.70

Average Variance Extracted (AVE) > 0.50

Convergent validity was established when all indicators significantly loaded on their respective constructs and satisfied the recommended thresholds for CR and AVE. Discriminant validity was assessed using the Fornell–Larcker criterion, whereby the square root of the AVE for each construct exceeded its correlations with other constructs.

Structural Equation Modeling (SEM)

After validating the measurement model, Structural Equation Modeling (SEM) was employed to test the hypothesized causal relationships among the latent constructs. SEM enables the simultaneous estimation of multiple dependent relationships while accounting for measurement errors, thereby providing a comprehensive assessment of the conceptual framework.

The structural model is expressed as follows:

$$AF_i = \beta_1 GOV_i + \beta_2 EA_i + \zeta_{1i} \quad (4)$$

$$FB_i = \beta_3 FR_i + \zeta_{2i} \quad (5)$$

$$EI_i = \beta_4 AF_i + \beta_5 FB_i + \zeta_{3i} \quad (6)$$

where:

AF = Access to Finance

FB = Funding Barriers

EI = Entrepreneurial Intention

GOV = Government Support

EA = Entrepreneurial Ability

FR = Financial Readiness

β = Structural path coefficients

ζ = Structural disturbance (error) terms

The significance of the structural relationships was evaluated using standardized path coefficients, critical ratios (t-values), and corresponding p-values. Positive and statistically significant coefficients provided empirical support for the proposed hypotheses.

Model Fit Evaluation

The adequacy of the structural equation model was assessed using multiple goodness-of-fit indices recommended in the SEM literature (Hair et al., 2021). Since no single index is sufficient to determine model fit, several complementary indices were examined to provide a comprehensive evaluation of the proposed model.

Table 7: Model Fit Criteria.

<i>Fit Index</i>	<i>Acceptable Threshold</i>	<i>Interpretation</i>
Chi-square (χ^2/df)	< 3.00	Good model fit
Comparative Fit Index (CFI)	> 0.90	Acceptable model fit
Tucker–Lewis Index (TLI)	> 0.90	Acceptable model fit
Root Mean Square Error of Approximation (RMSEA)	< 0.08	Reasonable model fit
Standardized Root Mean Square Residual (SRMR)	< 0.08	Good model fit

Source: Adapted from Hair et al. (2021).

The combined interpretation of these indices provides a comprehensive assessment of the extent to which the proposed structural model adequately represents the observed data. A model satisfying the recommended threshold values is considered to demonstrate acceptable empirical fit and can therefore be used for hypothesis testing and interpretation of structural relationships.

RESULTS AND DISCUSSION

Descriptive Statistics

A total of 212 valid responses were collected from young entrepreneurs aged 17–22 years in Gurgaon. The sample comprised 54% male and 46% female respondents. Approximately 62% of the participants were in the planning stage of entrepreneurship, whereas 38% were actively operating a startup venture. Descriptive statistics for the major study constructs are presented in Table 8. The mean scores indicate moderate to high levels of agreement across all constructs. Among the variables, Entrepreneurial Intention (EI) recorded the highest mean score ($M = 3.91$), indicating a strong entrepreneurial inclination among the respondents. Conversely, Access to Finance (AF) exhibited the lowest mean ($M = 2.72$), suggesting that respondents perceived considerable difficulty in obtaining financial support. Furthermore, Funding Barriers (FB) reported a relatively high mean ($M = 3.84$), reinforcing the perception that financial constraints remain a significant challenge for young entrepreneurs.

Table 8: Descriptive Statistics.

<i>Construct</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>N</i>
Government Support (GOV)	3.21	0.74	212
Entrepreneurial Ability (EA)	3.68	0.66	212
Financial Readiness (FR)	2.95	0.81	212
Access to Finance (AF)	2.72	0.79	212
Funding Barriers (FB)	3.84	0.71	212
Entrepreneurial Intention (EI)	3.91	0.69	212

Source: Author's Compilation

The descriptive statistics indicate that although young entrepreneurs demonstrate strong entrepreneurial aspirations, limited financial readiness and restricted access to finance continue to present substantial obstacles. These findings support the central premise of the study that financial accessibility plays a critical role in shaping entrepreneurial intentions.

Reliability and Validity Analysis

The reliability and validity of the measurement model were assessed prior to hypothesis testing to ensure that the constructs adequately measured their intended latent variables. Reliability was first evaluated using Cronbach's alpha (α), while Composite Reliability (CR) and Average Variance Extracted (AVE) were subsequently employed to establish convergent validity within the Structural Equation Modeling framework.

Composite Reliability was calculated as:

$$CR = \frac{(\sum \lambda_i)^2}{(\sum \lambda_i)^2 + \sum \theta_i} \quad (7)$$

where

λ_i = standardized factor loading of indicator i

θ_i = error variance of indicator i ($\theta_i = 1 - \lambda_i^2$)

A Composite Reliability (CR) value greater than 0.70 indicates satisfactory internal consistency. The results revealed that Cronbach's alpha values ranged from 0.78 to 0.83, indicating acceptable reliability for all constructs. Likewise, all Composite Reliability values exceeded 0.80, confirming strong internal consistency across the measurement scales.

Convergent Validity

Convergent validity evaluates whether multiple indicators representing the same construct share a high proportion of common variance. It was assessed using standardized factor loadings and the Average Variance Extracted (AVE).

AVE was computed as

$$AVE = \frac{\sum \lambda_i^2}{n} \quad (8)$$

where

λ_i = standardized factor loading

n = number of indicators

An AVE value of 0.50 or higher indicates adequate convergent validity.

The results demonstrated that

all standardized factor loadings exceeded 0.70;
all Composite Reliability values exceeded 0.70; and
all AVE values were greater than 0.50.

These findings confirm that each construct adequately explains the variance in its observed indicators and therefore exhibits satisfactory convergent validity.

Discriminant Validity

Discriminant validity determines whether each construct is empirically distinct from the remaining constructs in the model. The Fornell–Larcker criterion was employed for this purpose.

The criterion is expressed as

$$\sqrt{AVE_j} > r_{jk} \quad (9)$$

where

AVE_j = Average Variance Extracted of construct j

r_{jk} = correlation between constructs j and k

Discriminant validity is established when the square root of the AVE for each construct exceeds its correlations with all other constructs. The results indicate that this condition was satisfied for every construct included in the model, thereby confirming satisfactory discriminant validity.

The measurement model demonstrated excellent psychometric properties, indicating that the constructs were both reliable and valid. Cronbach's alpha values for all constructs exceeded the recommended threshold of 0.70, confirming satisfactory internal consistency, while Composite Reliability (CR) values were above 0.80, further demonstrating strong reliability. Additionally, all standardized factor loadings were greater than 0.70, indicating that the observed indicators adequately represented their respective latent constructs. The Average Variance Extracted (AVE) values exceeded the recommended threshold of 0.50, establishing convergent validity, and discriminant validity was successfully confirmed using the Fornell–Larcker criterion, demonstrating that each construct was empirically distinct from the others.

Table 9: Composite Reliability and Convergent Validity.

Construct	Factor Loadings (λ)	CR	AVE	Interpretation
Government Support (GOV)	0.78, 0.81, 0.84		0.86	0.66 Reliable
Entrepreneurial Ability (EA)	0.80, 0.83, 0.86		0.88	0.71 Reliable
Financial Readiness (FR)	0.75, 0.79, 0.82		0.84	0.62 Reliable
Access to Finance (AF)	0.77, 0.82, 0.85		0.87	0.69 Reliable
Funding Barriers (FB)	0.81, 0.84, 0.87		0.89	0.73 Reliable
Entrepreneurial Intention (EI)	0.83, 0.86, 0.88		0.91	0.76 Reliable

Source: Author's Compilation

The results presented in Table 9 indicate that all constructs exhibit satisfactory convergent validity. Standardized factor loadings exceed the recommended threshold of 0.70, demonstrating that each indicator adequately measures its corresponding latent construct. Composite Reliability values range from 0.84 to 0.91, confirming strong internal consistency, while AVE values range from 0.62 to 0.76, indicating that each construct explains more than half of the variance in its indicators. Table 9.

Table 10: Discriminant Validity (Fornell–Larcker Criterion).

Construct	GOV	EA	FR	AF	FB	EI
GOV	0.82					
EA	0.46	0.84				
FR	0.39	0.42	0.8			
AF	0.53	0.49	0.44	0.83		
FB	0.41	0.38	-0.51	0.47	0.85	
EI	0.48	0.52	0.4	0.58	0.45	0.87

Source: Author's Compilation

Table 10 presents the discriminant validity results based on the Fornell–Larcker criterion. The diagonal values represent the square root of the Average Variance Extracted for each construct, while the off-diagonal values indicate inter-construct correlations. Since each diagonal value exceeds the corresponding inter-construct correlations, discriminant validity is established for all constructs. Collectively, these findings confirm that the measurement model is both reliable and valid, providing a sound basis for subsequent structural model analysis.

Measurement Model Fit

The adequacy of the measurement model was assessed using several goodness-of-fit indices commonly recommended in Structural Equation Modeling literature.

Table 11: Measurement Model Fit Indices.

<i>Fit Index</i>	<i>Value</i>
Chi-square (χ^2/df)	2.31
CFI	0.93
TLI	0.91
RMSEA	0.067
SRMR	0.054

Source: Author's compilation based on SEM analysis using R

The model fit indices indicate that the measurement model provides an acceptable representation of the observed data. The Chi-square to degrees of freedom ratio is below the recommended threshold of 3.0, while the CFI and TLI values exceed 0.90. Similarly, RMSEA and SRMR are below 0.08, indicating satisfactory model fit. Following validation of the measurement model, the structural model was estimated using Structural Equation Modeling. The structural model also demonstrated acceptable fit ($\chi^2/\text{df} = 2.45$, CFI = 0.92, TLI = 0.90, RMSEA = 0.069), suggesting that the proposed theoretical framework adequately explains the relationships among the study constructs.

Path Analysis Results

The standardized path coefficients obtained from the structural model are presented in Table 12.

Table 12: Hypothesis Testing Results.

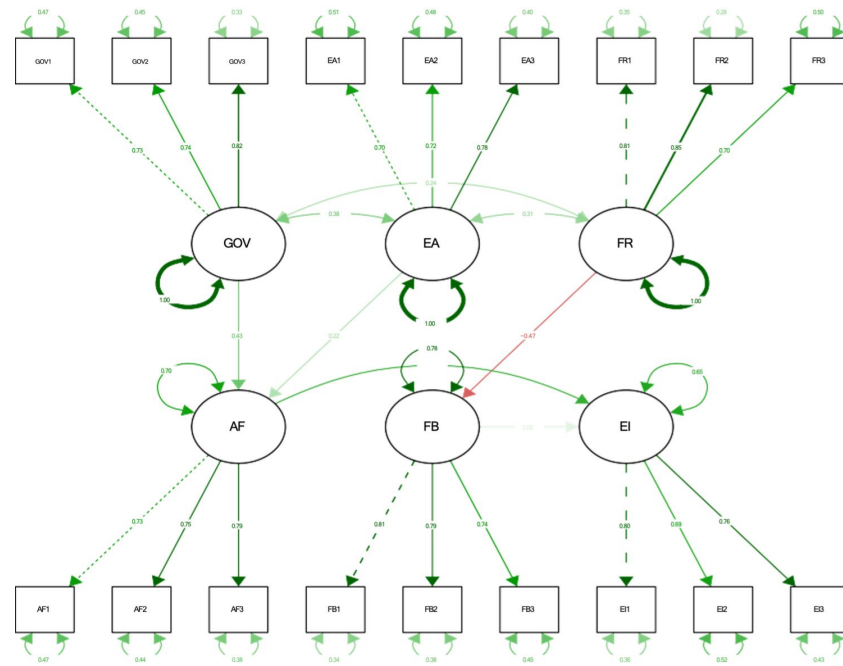
<i>Hypothesis</i>	<i>Path</i>	β	<i>t-value</i>	<i>Result</i>
H1	GOV $\rightarrow$ AF	0.41	5.87***	Supported
H2	FR $\rightarrow$ FB	-0.36	-4.92***	Supported
H3	EA $\rightarrow$ AF	0.29	4.11***	Supported
H4	AF $\rightarrow$ EI	0.52	7.34***	Supported
H5	FB $\rightarrow$ EI	-0.27	-3.98***	Supported

*** $p < 0.001$

Source: Author's compilation based on Structural Equation Modeling results.

The structural model results reveal that all five hypothesized relationships are statistically significant at the 0.001 significance level, providing strong empirical support for the proposed conceptual framework. Government Support ($\beta = 0.41$) and Entrepreneurial Ability ($\beta = 0.29$) positively influence Access to Finance, indicating that institutional support and individual entrepreneurial competencies improve entrepreneurs' ability to secure financial resources. Financial Readiness exhibits a significant negative relationship with Funding Barriers ($\beta = -0.36$), suggesting that financially prepared entrepreneurs experience fewer obstacles in obtaining funding. Furthermore, Access to Finance has the strongest positive influence on Entrepreneurial Intention ($\beta = 0.52$), whereas Funding Barriers significantly reduce entrepreneurial intentions ($\beta = -0.27$). These findings collectively demonstrate that improving financial accessibility while reducing funding constraints is essential for strengthening entrepreneurial intentions among young entrepreneurs.

Figure 2: Structural Equation Model with Standardized Path Coefficients



Source: Author's compilation based on SEM analysis using R.

The structural relationships identified through Structural Equation Modeling (SEM) were further cross-validated using the R statistical software (lavaan package). The results obtained from both analyses exhibited consistent directional relationships and comparable standardized path coefficients, thereby strengthening the robustness and reliability of the proposed model. Figure 2 illustrates the complete structural equation model, comprising both the measurement model and the structural model. The measurement component depicts the relationships between the latent constructs and their corresponding observed indicators through standardized factor loadings, whereas the structural component illustrates the hypothesized causal relationships among the six latent constructs included in the study. The measurement model demonstrates satisfactory psychometric properties, as all standardized factor loadings exceed the recommended threshold of 0.70, confirming that the observed indicators adequately represent their respective latent constructs. These findings provide additional evidence supporting the convergent validity and reliability of the measurement model established in the previous section. The structural model reveals several important relationships among the study variables. Government Support (GOV) exhibits a positive and statistically significant influence on Access to Finance (AF), indicating that increased awareness, accessibility, and effectiveness of government support schemes improve the ability of young entrepreneurs to obtain financial resources. Likewise, Entrepreneurial Ability (EA) positively influences Access to Finance, suggesting that individuals possessing stronger entrepreneurial skills, business knowledge, and confidence are more successful in securing financial support from formal funding institutions.

In contrast, Financial Readiness (FR) demonstrates a significant negative relationship with Funding Barriers (FB). This finding suggests that entrepreneurs with higher levels of financial literacy, better financial planning capabilities, and greater availability of collateral perceive fewer obstacles when seeking external finance. Financial preparedness therefore serves as an important mechanism for reducing financing constraints during the early stages of venture creation. The model further indicates that Access to Finance (AF) has the strongest positive effect on Entrepreneurial Intention (EI) among all structural relationships examined. This result highlights the critical importance of financial accessibility in encouraging entrepreneurial activity among young individuals. Conversely, Funding Barriers (FB) exert a significant negative influence on Entrepreneurial Intention, indicating that perceived difficulties in obtaining external funding discourage potential entrepreneurs from pursuing business opportunities. The standardized path coefficients support the proposed conceptual framework and demonstrate that both institutional factors and individual entrepreneurial capabilities jointly influence entrepreneurial intentions through their effects on financing accessibility. The findings emphasize that improving access to financial resources while simultaneously reducing perceived funding barriers can substantially enhance entrepreneurial participation among young entrepreneurs. The positive relationship between Government Support and Access to Finance further highlights the important role of public policy in fostering entrepreneurial development. Government-sponsored financial assistance programmes, startup incentives, subsidized loans, incubation initiatives, and entrepreneurship development schemes contribute significantly to improving funding opportunities for early-stage entrepreneurs. However, the standardized path coefficient indicates a moderate rather than strong effect, suggesting that government interventions alone may not be sufficient to overcome financing challenges. The effectiveness of such programmes largely depends on entrepreneurs' awareness of available schemes, the efficiency of programme implementation, administrative accessibility, and the responsiveness of financial institutions.

These findings are consistent with previous empirical studies that emphasize the contribution of government policies and institutional support toward strengthening entrepreneurial ecosystems and improving venture performance. Das and Rangarajan (2020) reported that effective government support mechanisms facilitate entrepreneurial growth by improving resource accessibility and reducing institutional constraints. Similarly, Eniola and Entebang (2015) found that policy support and institutional assistance positively influence entrepreneurial success through enhanced access to financial and non-financial resources. The present study extends these findings by demonstrating that government support indirectly strengthens entrepreneurial intention through its positive influence on access to finance. Furthermore, the significant positive relationship between Entrepreneurial Ability and Access to Finance suggests that financial institutions are more likely to support entrepreneurs who demonstrate stronger business competencies and greater confidence in venture management. Likewise, the negative association between Financial Readiness and Funding Barriers reinforces the importance of financial literacy and business planning in reducing perceived financing difficulties. Together, these findings indicate that improving entrepreneurial capabilities and financial preparedness can complement government initiatives in promoting entrepreneurial development. Taken together, the empirical results provide strong support for the proposed theoretical framework and demonstrate that entrepreneurial intention among young entrepreneurs is influenced not only by personal competencies but also by the broader financial and institutional environment. These findings offer valuable implications for policymakers, financial institutions, universities, and entrepreneurship support organizations seeking to strengthen entrepreneurial ecosystems by improving financial accessibility and reducing barriers to startup financing.

Financial Readiness and Funding Barriers (H2)

Financial readiness was found to have a significant negative effect on funding barriers ($\beta = -0.36, p < 0.001$), indicating that higher financial literacy and availability of collateral reduce perceived difficulties in accessing funding. This finding aligns with financial constraints theory (Stiglitz & Weiss, 1981), which emphasizes the importance of information and collateral in credit approval decisions. The result suggests that improving financial literacy and resource availability can significantly reduce structural barriers faced by young entrepreneurs.

Entrepreneurial Ability and Access to Finance (H3)

Entrepreneurial ability shows a positive and significant relationship with access to finance ($\beta = 0.29, p < 0.001$). This indicates that individuals with higher confidence, knowledge, and preparedness are more likely to secure funding. This finding supports the Resource-Based View (Barney, 1991), which posits that individual capabilities are critical resources influencing firm success. It also aligns with prior research suggesting that entrepreneurial competence enhances funding opportunities and business outcomes.

Access to Finance and Entrepreneurial Intention (H4)

Access to finance exhibits the strongest positive effect on entrepreneurial intention ($\beta = 0.52, p < 0.001$). This indicates that availability of financial resources is a key determinant of whether young individuals decide to start a business. This result reinforces existing literature that identifies finance as a critical enabler of entrepreneurship (Beck & Demirgüç-Kunt, 2006). It highlights that improving access to funding can directly increase entrepreneurial activity among youth.

Funding Barriers and Entrepreneurial Intention (H5)

Funding barriers have a significant negative effect on entrepreneurial intention ($\beta = -0.27, p < 0.001$), indicating that perceived financial difficulties discourage young individuals from pursuing entrepreneurial activities. This finding supports the argument that structural constraints such as lack of collateral and institutional trust significantly hinder entrepreneurial participation. It also aligns with prior studies highlighting the adverse impact of financial barriers on startup formation.

The results collectively suggest that access to finance plays a central mediating role in the relationship between government support, entrepreneurial ability, and entrepreneurial intention. While government policies and individual capabilities positively influence access to finance, financial readiness primarily reduces perceived barriers. These findings indicate that both structural and individual factors jointly determine entrepreneurial outcomes. Importantly, the relatively high mean of funding barriers (as shown in Table 8) combined with its negative impact on entrepreneurial intention suggests that financial constraints remain a critical challenge for young entrepreneurs. The findings of this study are broadly consistent with prior research indicating that financial access is a key determinant of entrepreneurial success (Beck & Demirgüç-Kunt, 2006). The positive role of government policies aligns with studies by Das and Rangarajan (2020), while the persistence of funding barriers confirms the observations of Rajamani et al. (2022). However, this study extends the literature by specifically focusing on young entrepreneurs, demonstrating that despite policy advancements, structural and perception-based barriers continue to limit access to finance for this demographic.

CONCLUSION

This study set out to examine the challenges faced by young entrepreneurs aged 17–22 in accessing seed funding, with a particular focus on the role of government support, financial readiness, and structural constraints. Using a quantitative approach

and Structural Equation Modeling (SEM), the study provides empirical evidence on the key determinants influencing access to finance and entrepreneurial intention. The findings reveal that access to finance remains a significant challenge for young entrepreneurs, despite the presence of various government initiatives. Government support was found to positively influence access to finance, indicating that policy awareness and participation in schemes can improve funding opportunities. However, the effect is moderate, suggesting that policy availability alone is insufficient without effective implementation and accessibility. Financial readiness, encompassing financial literacy and availability of collateral, was found to significantly reduce perceived funding barriers. This highlights the importance of individual preparedness in overcoming structural challenges. Entrepreneurial ability also plays a critical role, positively influencing access to finance, thereby reinforcing the importance of skills, confidence, and knowledge in entrepreneurial success.

Importantly, access to finance emerged as the strongest predictor of entrepreneurial intention, while funding barriers negatively impacted individuals' willingness to start a business. These findings confirm that financial constraints remain a central obstacle to youth entrepreneurship, even in the presence of supportive policy frameworks. The study demonstrates that both institutional factors (government support) and individual factors (financial readiness and entrepreneurial ability) jointly shape entrepreneurial outcomes. The results highlight a gap between policy intent and practical accessibility, particularly for young entrepreneurs with limited financial and social capital. This study contributes to the existing literature by integrating multiple theoretical perspectives, including Institutional Theory, Resource-Based View (RBV), and Financial Constraints Theory, into a unified framework. First, the findings support Institutional Theory by demonstrating that government policies play a significant role in shaping access to finance. However, the results also indicate that institutional effectiveness depends on awareness and implementation, extending prior research by highlighting the importance of accessibility. Second, the positive effect of entrepreneurial ability on access to finance supports the Resource-Based View, emphasizing the role of individual capabilities as strategic resources. The study shows that entrepreneurial competence enhances not only business performance but also the ability to secure funding. Third, the negative impact of funding barriers on entrepreneurial intention provides strong empirical support for Financial Constraints Theory. The findings confirm that information asymmetry, lack of collateral, and perceived risk continue to limit access to formal finance. By focusing specifically on young entrepreneurs, this study extends the literature by addressing an underexplored demographic and demonstrating how traditional financial constraints are amplified in early-stage entrepreneurship. The findings of this study have important implications for policymakers, financial institutions, and aspiring entrepreneurs.

For policymakers, the results suggest that while existing initiatives such as Startup India and MUDRA have improved the entrepreneurial ecosystem, there is a need to enhance awareness and simplify access procedures. Policies should be more targeted toward young entrepreneurs, with reduced documentation requirements and simplified eligibility criteria. For financial institutions, the study highlights the need to develop alternative credit assessment mechanisms that go beyond traditional collateral-based lending. Incorporating factors such as entrepreneurial potential, business ideas, and digital financial footprints can improve access to funding for young entrepreneurs. Alternative credit assessment mechanisms may include cash-flow based lending, psychometric credit scoring, fintech-enabled digital credit evaluation, startup incubation certification, and transaction-history-based lending models. Such mechanisms reduce dependence on traditional collateral requirements and improve financial inclusion for first-time young entrepreneurs. For educational institutions, the findings emphasize the importance of financial literacy and entrepreneurial training programs. Enhancing financial knowledge and business skills can significantly reduce perceived barriers and improve funding outcomes. For young entrepreneurs, the study underscores the importance of building financial readiness and entrepreneurial competence. Developing clear business plans, improving financial knowledge, and leveraging available support systems can enhance the likelihood of securing funding.

The study provides several key policy recommendations aimed at improving access to finance for young entrepreneurs:

- i. **Enhancing Awareness:** Government agencies should implement targeted awareness campaigns to improve knowledge of existing schemes among young entrepreneurs.
- ii. **Simplifying Procedures:** Application processes for funding schemes should be simplified to reduce bureaucratic barriers and improve accessibility.
- iii. **Youth-Focused Schemes:** Dedicated funding programs for young entrepreneurs should be introduced, with relaxed eligibility criteria and lower collateral requirements.
- iv. **Promoting Digital Finance:** Leveraging fintech and digital lending platforms can provide alternative funding channels and improve financial inclusion.
- v. **Skill Development Initiatives:** Integrating financial literacy and entrepreneurship training into educational curricula can enhance preparedness among young individuals.

Despite its contributions, this study has several limitations. First, the use of snowball sampling may limit the generalizability of the findings. Second, the study relies on self-reported data, which may be subject to response bias. Future research can address these limitations by using probability sampling techniques and incorporating longitudinal data to examine changes over time. Comparative studies across different regions or age groups can provide further insights into the dynamics of entrepreneurial finance. Additionally, future studies may explore the role of emerging factors such as digital finance,

artificial intelligence, and alternative funding mechanisms in shaping entrepreneurial outcomes. This study highlights that while India has made significant progress in developing a supportive entrepreneurial ecosystem, access to finance remains a critical bottleneck for young entrepreneurs. Bridging the gap between policy availability and accessibility will be essential for fostering inclusive and sustainable entrepreneurial growth.

ETHICAL DECLARATION

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