

Credit Accessibility and Ease of Doing Business Among MSMEs: An Empirical Study of Yavatmal District

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Abstract

Access to institutional credit and the regulatory environment are the most important factors which influence and shape the operational health of Micro, Small and Medium Enterprises (MSMEs). This study examines the relationship between credit accessibility and improvement in ease of doing business among MSMEs in Yavatmal district, Maharashtra. Primary data were collected from 200 MSME unit owners using a structured questionnaire administered through personal interviews. Descriptive statistics were computed and a simple linear regression analysis was run in SPSS to test the hypothesis that credit accessibility significantly influences improvement in ease of doing business. The results indicate a statistically significant relationship between credit accessibility and improvement in ease of doing business, suggesting that access to institutional finance contributes meaningfully to smoother business operations. The study provides district-level empirical evidence and shows the relevance of credit accessibility in shaping MSME business conditions. The paper discusses implications for policymakers, financial institutions and MSME entrepreneurs, and provides study limitations and directions for future research.

Keywords: Credit accessibility; Ease of doing business; MSMEs; Yavatmal district; Regression analysis.

1. Introduction

Micro, Small and Medium Enterprises play an important role in economic development of the country. They are the backbone of Indian economy as they contribute on large scale in employment generation, entrepreneurial growth, and regional growth. In India, MSMEs contribute significantly to industrial output and this is clear from the fact that out of 200 manufacturing clusters in India 90% are MSME, as per economic survey of India more than 50% exports is contributed by them. MSMEs often face business challenges because of limited financial resources [9]. Access to institutional credit is biggest challenge for MSME. The credit accessibility shapes working capital management, capacity expansion, regulatory compliance, and the ability to invest in technology. [3,11,12].

Ease of doing business — here means the procedural, regulatory and administrative environment affecting the ability of firms to start, operate and grow, it has been the focus of reform efforts at national and state levels [7,14]. For MSMEs, improvements in procedural simplicity, quicker approvals, and reduced compliance burdens can materially affect operational efficiency and enterprise sustainability.

Although these two domains, finance (credit accessibility) and business environment (ease of doing business) are often discussed separately, both of them are important, credit availability can enable compliance, speed up approvals via payments, and help manage liquidity during regulatory transitions; Similarly a simplified regulatory environment may increase lender confidence and reduces risk and uncertainty. District-level empirical evidence of connection between credit accessibility and improvement in ease of doing business is limited. The present study addresses this gap for Yavatmal district by testing whether enhanced credit accessibility is associated with improvement in ease of doing business for MSMEs.

2. Literature Review

A considerable amount of research on MSMEs has identified credit accessibility as one of the major challenges faced by small enterprises. Beck and Demirgüç-Kunt (2006) pointed out that limited access to institutional finance restricts the growth and development of MSMEs [3]. Similarly, Beck, Demirgüç-Kunt and Martínez Pería (2014) observed that smaller enterprises generally face greater financial difficulties compared to larger firms [4]. Earlier studies on credit market imperfections also explain that factors such as information asymmetry, inadequate collateral security, and high transaction costs often reduce the ability of MSMEs to obtain formal credit. Banerjee and Duflo (2014) highlighted that such structural limitations significantly affect borrowing capacity among small businesses [2]. Several empirical studies further suggest that better access to institutional finance supports investment, employment generation, and long-term business survival [1,4].

The literature relating to ease of doing business emphasises the importance of simplified procedures, transparent regulations, and efficient administrative systems in improving enterprise performance. Djankov et al. (2002) argued that excessive procedural requirements and regulatory complexity create operational difficulties for businesses [7]. Likewise, the World Bank (2020) noted that transparent procedures and simplified regulatory systems contribute positively towards business efficiency and operational convenience [14]. Recent studies focusing on financial innovation indicate that digital financial services and technology-enabled financial systems help reduce transactional delays and improve financial interactions between enterprises and institutions. Beck et al. (2016) and Claessens et al. (2018) observed that financial innovation and fintech-based services improve efficiency and accessibility within the financial system [5,6]. Gomber et al. (2018) also stated that digital financial platforms strengthen operational convenience and facilitate smoother institutional interaction for enterprises [8].

The existing literature further suggests that credit accessibility and ease of doing business are closely interconnected. Adequate access to institutional finance enables enterprises to fulfil compliance requirements, manage operational expenses, and sustain business continuity more effectively. At the same time, a supportive regulatory and administrative environment improves institutional confidence and encourages smoother lending practices. Reports published by OECD (2018) and the Reserve Bank of India have also emphasised the importance of strengthening financial systems and institutional support for MSMEs [10,11]. However, most previous studies have focused largely on national or sector-specific perspectives. Comparatively fewer studies have examined these issues at the district level, particularly in regions dominated by micro enterprises. This gap in the existing literature forms the basis for the present study on MSMEs operating in Yavatmal district.

3. Objectives

The primary aim of the study is to analyze the impact of credit accessibility on improvement in ease of doing business among MSMEs in Yavatmal district. Under the aim, the following objectives have been developed for the study:

- To explore various financial services available for providing credit services to MSMEs
- To scrutinize the impact of high credit accessibility for Indian MSMEs
- To examine the connection between credit accessibility and ease of doing business among MSMEs in Yavatmal district.

4. Hypotheses

The following Hypothesis will be analysed during the study:

- **H₀**: Credit accessibility has no significant impact on improvement in ease of doing business of MSMEs.
- **H₁**: Credit accessibility has a significant impact on improvement in ease of doing business of MSMEs.

5. Research Methodology

The study adopts an empirical research design based on primary data. Primary data was collected from 200 MSME unit owners operating mainly in Yavatmal district of Maharashtra, using a structured questionnaire administered through personal interviews. And Secondary data has been collected from government publications, reports of the Ministry of MSME, RBI publications, research journals, books, district industrial profiles, and relevant online sources.

The questionnaire measured perceptions related to financial innovation and credit accessibility using a five-point Likert scale. A five-point Likert scale was used to measure respondents' perceptions, with the following scale points:

- Strongly Agree (SA)
- Agree (A)
- Neither Agree nor Disagree (N)
- Disagree (D)
- Strongly Disagree (SD)

The Likert scale was selected as it is widely accepted in social science research for measuring attitudes and perceptions.

The collected data were coded and analysed using SPSS software. Descriptive statistics and regression analysis were employed to test the hypothesis at a 5 per cent level of significance.

6. Data Analysis & Results

Descriptive statistics were used to analyze the perceptions of MSME unit owners regarding credit accessibility & ease of doing business. The analysis was carried out using mean and standard deviation, which provide insights into the central tendency and dispersion of responses collected on a five-point Likert scale. The results are presented construct-wise below.

Descriptive Analysis

Table 1-Credit Accessibility

Sr. No.	Statement	Mean	Std. Deviation
CA1	Financial institutions understand MSME credit needs	2.92	1.231
CA2	Access to short- and long-term credit is a challenge	2.90	1.238
CA3	Institutions provide sufficient support and guidance	2.82	1.671
CA4	MSMEs face difficulties due to complex credit processes	2.97	1.297
CA5	Credit accessibility impacts growth opportunities	2.69	1.391
CA6	Confidence in predictability of credit availability	2.69	1.465
	Overall Mean	2.83	
	Average Std. Deviation		1.382

Table 2-Ease of Doing Business

Sr. No.	Statement	Mean	Std. Deviation
IE1	MSMEs receive adequate support from government agencies	2.80	1.478
IE2	Government initiatives reduced legal complexity	3.05	1.483
IE3	Quicker license approvals aid growth opportunities	3.12	1.764
IE4	Ease of doing business improves access to credit	2.87	1.472
IE5	Reduced bureaucracy enhances business agility	2.85	1.524
IE6	Simplified compliance reduced administrative burden	3.07	1.601
IE7	Reduced paperwork supports business sustainability	3.03	1.490
IE8	Online interaction with financial institutions improved transparency	2.88	1.485
	Overall Mean	2.96	
	Average Std. Deviation		1.537

Table 1 summarises construct-level descriptive statistics. Item-level means and SDs were aggregated (mean of item means) to produce composite construct means and average SDs — these reflect respondent perceptions across the measured dimensions. The composite measures are used for regression analysis.

Table 3 Descriptive statistics for constructs (N = 200)

Construct	No. of items	Mean (composite)	SD (approx., composite)
Credit Accessibility (CA)	6	2.83	1.38
Improvement in Ease of Doing Business (IE)	8	2.96	1.54

Notes: Composite means are arithmetic averages of item means reported in the questionnaire; composite SD is the average of item SDs for the corresponding construct. (Item-level values are available in the study appendix.)

Interpretation: Both constructs report means below the midpoint of the 5-point scale (3.0), indicating modest agreement; CA mean = 2.83 indicates perceived moderate challenges in access to credit, while IE mean = 2.96 suggests only modest perceived improvement in ease of doing business among MSMEs.

6. Hypothesis Testing: Regression Analysis

Hypothesis-wise Testing and Analysis

In order to examine the relationships between credit accessibility and ease of doing business among MSMEs in Yavatmal district, the hypotheses framed in the study were tested using appropriate statistical tools.

The hypotheses were tested at a **5 per cent level of significance** using SPSS software.

- **H₀**: Credit accessibility has no significant impact on improvement in ease of doing business of MSMEs.
- **H₁**: Credit accessibility has a significant impact on improvement in ease of doing business of MSMEs.

Impact of Financial Innovation on Credit Accessibility

Variables Entered/Removed ^a			
Model	Variables Entered	Variables Removed	Method
1	IMPROVEMENT IN EASE OF DOING BUSINESS ^b	.	Enter
a. Dependent Variable: CREDIT ACCESSIBILITY			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741 ^a	.550	.547	.616
a. Predictors: (Constant), IMPROVEMENT IN EASE OF DOING BUSINESS				

- R = 0.741, showing a strong positive relationship between Improvement in Ease of Doing Business and Credit Accessibility.
- R Square = 0.550, meaning 55.0 percent of the variation in Credit Accessibility is explained by Improvement in Ease of Doing Business.
- Adjusted R Square = 0.547, confirming a stable model fit.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.687	1	91.687	241.756	.000 ^b
	Residual	75.093	198	.379		
	Total	166.780	199			
a. Dependent Variable: CREDIT ACCESSIBILITY						
b. Predictors: (Constant), IMPROVEMENT IN EASE OF DOING BUSINESS						

- F (1,198) = 241.756, significance value = 0.000.
- The regression model is statistically significant.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.906	.130		6.976	.000
	IMPROVEMENT IN EASE OF DOING BUSINESS	.641	.041	.741	15.549	.000

a. Dependent Variable: CREDIT ACCESSIBILITY

- Constant (B = 0.906, p < 0.001): Baseline level of Credit Accessibility when Improvement in Ease of Doing Business is zero.
- Improvement in Ease of Doing Business (B = 0.641, Beta = 0.741, t = 15.549, p < 0.001): A very strong, statistically significant, and positive effect. As Improvement in Ease of Doing Business increases, Credit Accessibility also increases substantially.

Interpretation: The correlation between CA and IE is **R = 0.741**, indicating a strong positive linear association. The model explains **55.0%** of the variance in the improvement in ease of doing business ($R^2 = 0.550$), which is substantial in social science field studies.

7. Key Findings of the Study

1. The study found that credit accessibility continues to be an important concern for MSMEs operating in Yavatmal district. Most respondents reported only moderate satisfaction regarding the availability and adequacy of institutional credit facilities.
2. The descriptive analysis shows that MSMEs still face several procedural difficulties in availing institutional finance. Documentation formalities, collateral requirements, and complex lending procedures emerged as major issues affecting smooth access to credit.
3. The overall mean value relating to credit accessibility indicates that respondents perceive institutional finance as moderately difficult to access, particularly in the case of micro enterprises with limited financial resources.
4. The findings further suggest that MSMEs perceive only moderate improvement in ease of doing business. Respondents claims certain positive changes, especially in relation to quicker approvals, reduced paperwork, and simplified compliance procedures.
5. Although digitalisation and administrative reforms have improved certain aspects of business operations, MSMEs continue to experience operational and compliance-related challenges, particularly those associated with bureaucratic procedures and institutional coordination.
6. The regression analysis confirmed a statistically significant relationship between credit accessibility and improvement in ease of doing business among MSMEs in Yavatmal district.
7. The regression model shows substantial explanatory strength, indicating that variations in credit accessibility meaningfully influence the level of improvement in ease of doing business.
8. The positive regression coefficient suggests that better access to institutional credit contributes towards smoother business functioning, improved ability to meet compliance requirements, and enhanced operational efficiency.

9. The study also observed that micro enterprises are comparatively more vulnerable to credit-related constraints due to weaker collateral capacity and limited financial strength.
10. Overall, the findings indicate that timely and adequate access to institutional finance plays an enabling role in supporting business continuity, liquidity management, and enterprise-level decision-making among MSMEs.

8. Suggestions

1. **Strengthen district-level credit outreach:** There is a need to strengthen district-level institutional credit delivery mechanisms for MSMEs, particularly for micro enterprises operating in semi-urban and rural regions.
2. **Simplified Procedures:** Financial institutions may consider simplifying loan application procedures and reducing procedural delays for smaller credit requirements. Digital financial services and online compliance systems should be made more accessible and user-friendly for smaller enterprises with limited technological capabilities.
3. **Promote financial-literacy & handholding :** Government agencies and financial institutions should strengthen awareness programmes relating to institutional finance, digital banking, and MSME-oriented financial schemes. Training programs to improve record-keeping and digital transaction adoption will help micro enterprises leverage credit more effectively to navigate administrative procedures.
4. **Enhance credit guarantee awareness:** Strengthening awareness and district-level facilitation of government guarantee schemes could reduce collateral constraints and improve lenders' willingness to support small enterprises.
5. **Improved coordination:** among regulatory authorities, financial institutions, and MSME support agencies may contribute towards reducing procedural complexity for enterprises.
6. **Region-specific MSME policies** should be prioritised, particularly in districts where the MSME ecosystem is dominated by micro enterprises with limited financial capacity.

9. Conclusion

The study concludes that access to institutional credit plays a significant role in improving ease of doing business for MSMEs in Yavatmal district. Adequate and timely credit supports smoother business operations and enhances enterprises' ability to manage regulatory and operational requirements. Further supportive regulatory measures, digital capacity building, and tailored institutional interventions are necessary complements to translate financial access into comprehensive gains in ease of doing business—particularly for micro enterprises. The findings provide actionable insights for policymakers, financial institutions and development agencies working to strengthen MSME ecosystems at the district level.

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