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Research Topic

Designing a Capability-Based Model of Credit Literacy for SME Sustainability:

Evidence from SME Banking Customers in Nepal

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Abstract

Purpose:

In context of Nepal, rising default rate in SME portfolio has been identified as major setback for bank's performance and asset quality. Existing literature have led to a concern that SME are not able to optimally utilize the loan, giving rise to impact in business operation and in some case business failure in developing economy. So, a Capability-Based Model for Credit Literacy is developed through this research for enhancing SME sustainability. The research establishes relation between the capabilities including credit capability competence, risk management, capital allocation and scaling to construct of economic sustainability components including profitability, risk resilience, decision making and growth. Access to credit is proposed as mediator while SMEs clients of Nepalese from trade and service sectors are taken as moderator.

Design/Methodology/Approach:

The research is based on cross section study with mixed method. Data will be collected from SME client through structure questionnaire and credit personnel in bank through semi-structured interview. The contextual and academic appropriateness of research design, methodology is established in consideration to the validation of existing research. The philosophical position also has been critical realist with pragmatic methodological approach.

Findings:

The major findings of the thematic analysis is the dominance of positivist approaches to credit literacy, absence of empirically tested frameworks and credit literacy only limited to knowledge than capability relation to business performance in terms of profitability. The review clearly mentions the absence of comprehensive frameworks which combines all components of construct.

Originality/Value:

Contribution of this review is crucial as it presents a clear requirement for proper philosophical positioning of the applied research in line with contextualization and standard research requirements. The research provides comprehensive frameworks for integration into credit literacy for financial institutions while provides base framework for future academic research.

Keywords

Credit Literacy, Capability-Based Model, Sustainability, SME, Bank and Financial Institute, Nepal, Philosophical positioning

1. Introduction

In contextualization of developing economies, Small and medium-sized enterprises (SME) have important contribution for economic development through generating employment and decreasing poverty. Nepal which is categorized as one of developing economies by IMF, also has significant 22 percent share in total GDP contributed by SMEs, which account for 90 percent of the business established in Nepal (British International Investment, 2026). Despite the contribution the SME persistently face constrain on optimum utilization of credit due to weak financial management capacity resulting in high risk of business failure.

The access of credit was prioritized by mandatory incremental lending by 15 percent by Mid-July 2028 set by Nepal Rastra Bank, has increased the sectorial lending towards SMEs by financial institutes, mainly by Class-A commercial banks. But the challenge is not limited to access to finance only, it is mainly on utilization of the credit leveraging business sustainability.

This alarming challenge is evidenced by rising non-performing loan to 5.43 percentage (Nepal Rastra Bank, 2026) on Mid-April 2026. This decrease in quality of portfolio is caused mainly by substandard level of credit assessment, absence of adequate post disbursement monitoring and control from bank's side and deficiency of management of operational cash flow business operation, misappropriation of credit and mismatch of loan terms with financial position from business side. These conditions have been brought upon as an impact of subdued economic condition, improper utilization financed funds, lack of financial management knowledge and short of ability to utilize the loan to generate adequate return.

Mitigating this problem will require an intervention from policy, institutional and customer level. From the side of financial institutions, designing comprehensive credit literacy program that focuses on capability building targeting SMEs who are accessing credit is required. So, the framework is proposed integrating capability approach by Amartya Sen to ensure SME sustainability.

The research literature on credit literacy and SME sustainability in term of economic performance is fragmented. Many studies, especially based in Asian and African research using are based on narrow, individualistic and majorly positivist definitions of credit literacy using standardized test scores and correlating it mainly with access to finance or firm profitability. The research on credit literacy highlights the businesses need credit access or finding include that indication of need for capability development of the SMEs. The research in context of Nepal also shows a parallel picture There is no research which provides a comprehensive framework focusing on developing capabilities within the SME owner, which can help them utilize the credit to ensure business sustainability.

In absence of comprehensive framework, this research initiates the application of Amartya Sen capability approach for expansion of utility derived from credit literacy, which is subset of financial literacy. Capability is linked to business sustainability including profitability, resilience, decision making and growth with mediation and contextualization. It provides a basic framework which can be used in for enhancing the effectiveness credit literacy program targeting specific SME sectors, so that performance of credit asset for banks and return inclusive of resilience and growth from utilization of credit for SME increases. This research epistemological position is of interpretivist-critical realist with pragmatic methodology. The research not only reflects what capabilities is required and but also shows why it is required in relation to aspect of business sustainability. It also explains applicability of the framework to translate capability into performance. Several ethical dimensions are to be considered under this which required ensuring confidentiality of financial and SME data, ensuring uninfluenced voluntary consent, understanding of cultural and gender dynamics, maintaining power balance and proper use of data catering to research purpose.

The framework is designed to comprehend several key variables along with moderating and contextualizing factors whose brief discussion is:

- **Capability-based credit literacy-Independent variable**

Credit literacy is defined as combination of credit knowledge and capability. It has integrated **capability approach** by Amartya Sen, where the purpose of credit literacy is utility derived from credit rather than its access.

- **SME Sustainability-Dependent Variable**

SME sustainability is explored in context of Triple Bottom Line. In line with the scope of research, economic component has been measured by four sub-construct which are profitability, resilience, decision making and growth.

- **Access to credit-Mediator**

SMEs availing credit products and services is defined as access to credit.

- **Sectorial SME customers-Moderator**

Cross sectional data from Retail and Service based SMEs are taken as samples from Class-A-Commercial Banks of Nepal

2. Method for conducting the Literature Review

The main purpose of Critical Literature Review is going beyond summarizing to giving an informed perspective through analysing, critiquing and challenge the literature (Wright and Michailova, 2022).

2.1. Search Strategy

The most relevant articles were searched with key words and related terms in various databases including Emerald insight, Google Scholar, Research Gate, JSTOR, Science Direct and country specific platform for published economic and management journals. The time specification was set for article filtration from year 2022 to 2026 but older journals were also considered for literature review considering their importance of foundation provided for this research.

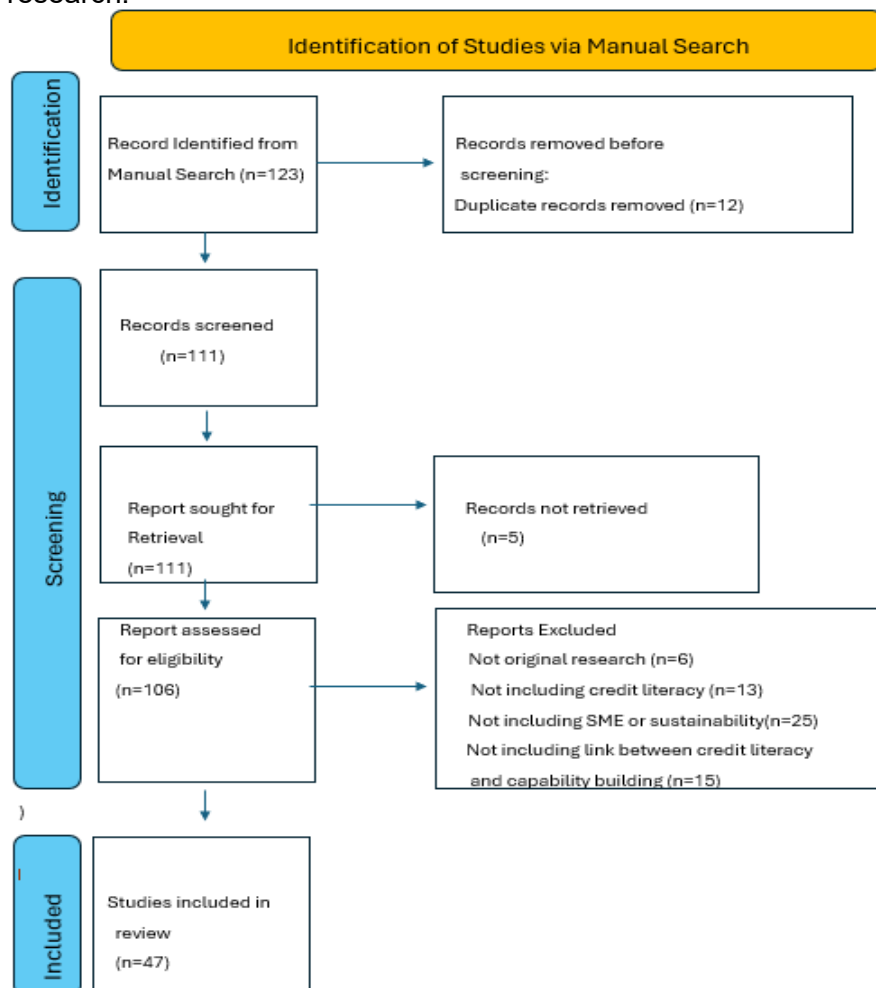


Figure 1: Prisma diagram showing identification of studies via Manual Search.

2.2. Inclusion/Exclusion Criteria

Total of 123 articles were identified which were further scrutinized as per scope of research with integration which further drill down the articles which excluded not original, not including credit literacy, SME sustainability variables and link between them. The result were 47 prime articles which were substantial for the research. Research including all elements of this framework was found to be very minimal especially in term of credit literacy which is subset of Financial Literacy.

2.3. Analytical Procedure

The articles are analysed based on contribution based on relevance to contextualization. Thematic synthesis is reflected and research paradigms are established

- **Thematic synthesis**

The literature review is thematically synthesized as base of core theories in relation the constructs, empirical relationship between the variables, insignificant relation between sub-constructs and evolutions of constructs in relation to the problem.

- **Evaluation of ontological/epistemological assumptions**

The conglomerate of core insights of the existing literature was analysed to establish reality of the research position for establishing framework and construct.

Interpretivist epistemological assumptions are established based on research methodology and main purpose of the research with applicability.

2.4. Limitation of review approach

The limitations of this review approach are

- The research articles in contextualization of Nepal relating to these constructs are very limited and may empirical evidential bases are derived from other developing economies.
- The review might not have captured the grey area of literature which can also contribute to the research.

3. Critical Literature Review

The literature review is done thematically for adequate synthesis from the existing literatures.

3.1. Thematical literature review

Due to limited availability of articles for credit literacy, articles in relation to Financial Literacy which as credit/ debt literacy as subset has been included in thematic analysis. Each dimension has been researched with articles analysing the scope of the sub-variables and also the linkage between the variable in presence of mediator and moderator.

The table below presents the critical Literature review of 45 prime articles related to research topic.

Citation	Theory	Methodology	Ontology	Epistemology	Critical Evaluation	Theoretical Framework Comparison	Limitations
Problem contextualization							
Tiaskara And Suryani (2025)	Theory of Planned Behaviour (TPB)	Quantitative (SEM-PLS)	Critical Realism	Positivist	SME's even with access to formal credit lack Strategic plan for reducing risk relating to credit impacting business performance and its sustainability which required intervention of financial literacy.	TPB focus: behavioural intention as mediator	lacks qualitative depth and study limited a specific country and sector
Ongesa (2025)	Human Capital Theory; TPB; Technology Acceptance Model	Qualitative (Thematic Analysis)	Constructivist	Interpretivist	For SME sustainability, intervention through financial literacy's is required to be constructed including capitalised, digitalized and behavioural intervention	Integrated framework includes psychological , resource, and technical elements	Conceptual only not based on primary data, framework remains untested,

							limited generalizability.
Pokharel (2025)	Human Capital Theory (HCT); Mediation Framework	Quantitative (SEM-PLS)	Realist	Positivist	Risk attitude need to be integrated as access to finance alone is not sufficient in the financial literacy	Mediation focus: extends HCT via access. It is less comprehensive.	It ignores other mediators or context
Elliyana, Widyastuti and Buchdadi (2024)	TPB; Debt Management Literacy; Financial Inclusion	Quantitative (SEM-PLS)	Critical Realism	Positivist	Improvement in access and debt management jointly contributes better repayment.	Dual framework (DML + Inclusion)	Qualitative data specific borrowers is not used and ignores institutional barrier.
Capability based Credit Literacy							
Thumma, S. and Rao, K.S. (2025)	Financial Literacy Theory; Relationship Banking Theory; Entrepreneurial Resilience Theory	Theoretical synthesis and mapping of intervention pathways	Critical Realist	Interpretivist/Pragmatism	This study provides for adaptive, customer centric framework with continuous engagement as the mechanism to build financial capability focusing on credit management ensuring increase in repayment capability for financial resilience.	Focus on comprehensive framework for financial resilience with continuous engagement	Lack of empirical testing and variable metrics.
Anuradha (2021)	Knowledge-based View	Quantitative (Cronbach's alpha)	Positivist	Positivist	Performance significantly is found to be significantly impacted by financial literacy	KBV focus: literacy as strategic knowledge.	Structural modelling is not done and research is not generalizable
Makdissi et al. (2025) (a)	Financial Knowledge & Behavioural	Quant. (SPSS)	Realist	Positivist	The finding converges that enhanced financial literacy ensures business sustainability through longitudinal training. It supports SMEs	Integration of risk behaviour	Contextualized in conflict and

	Theory; Risk Perception & Behaviour Theory				to build resilience by identifying, assessing and mitigating risk for especially financial and operational		self-report bias.
Abdallah et al. (2024)	Resource-Based View, Financial Literacy Theory	Quantitative (SEM-PLS)	Realist	Positivist	The study converges on credit literacy significantly improves business performance, with monetary access acting as a critical moderator. Debt, investment and insurance literacy are the strongest drivers for SME sustainability	Tests financial literacy as individual capability; moderating role of financial access	Small sample size and limited generalizability
Aziz et al. (2025)	RBV; Entrepreneurial Human Capital Theory; Resource Orchestration ; Institutional Theory	Quantitative (SPSS)	Critical Realism	Positivist	Optimal result for business can only be achieved when sound organization strategies, sufficient resources and constructive behavioural practices are integrated with financial through formal credit access reflecting need for capability model.	Multi-theory adds institutional dimension.	No causation and over-reliance on SPSS.
Mohamed et al. (2024)	Capability Theory (Sen, 1993)	Quantitative (Smart PLS)	Critical Realism	Positivist	The findings validate the development of financial capabilities including selection of needed funding, rise in innovation risk tolerance, profitability for business growth is done by financial literacy, validating Sen's capability theory application through contextualization.	Capability approach: unique Sen application	Lacks qualitative validation and has self-report bias.
Aassouli and Ahmed (2023)	OECD/INFE Core Competencies Framework, 2018	Qualitative (Integrated Framework)	Constructivist	Interpretivist	The expanded framework on business sustainability elaborates on business resilience through development of financial knowledge and capabilities in SME through financial literacy	Policy framework: OECD lens.	No empirical evidence/testing and bias limited to resilience.
Firdaus (2024)	Pecking Order; Agency; RBV;	Quantitative and Qualitative	Critical Realism	Pragmatist	Research re-established that financial capabilities included services are required by SME for their sustainability by maintaining	Most comprehensive integration	Limited sectoral coverage;

[illegible]

[illegible]

Nonde and Handema (2021)	Prospect Theory; Information Asymmetry; Financial Intermediation	Quantitative and Qualitative (SPSS + Thematic)	Critical Realism	Pragmatist	Study claims that financial literacy should disseminate clear Information about product to make SME use right financing for right repayment by reducing Information Asymmetry.	Three-theory unique blend (behavioural/ market/institutional).	Limited sectoral coverage and thematic bias.
Prasetyo and Priantoro (2025)	Ecological Modernization Theory	Quantitative (SMART-PLS)	Realist	Positivist	financial literacy equips businesses with understanding of financial products, manage loans, assess risks significantly moderated by access to finance for sustainable economic performance of MSME.	Ecological perspective: unique environmental theory application.	Limited theoretical depth.
Nyamboga et al. (2014)	Financial Literacy Empowerment; Behavioural Change Mechanism	Quantitative (SPSS)	Critical Realism	Positivist	Loan accessing Retail SMEs require financial literacy that enhances capacity for budgeting and self-internal audit enabling find out resource leakages, reinvesting the resources for on time loan repayment ensuring business sustainability.	Empowerment framework: emphasises self-audit/budgeting.	Limited to loan repayment only
Kumari et al. (2024)	Resource Baed View	Quant. (SEM-PLS)	Realist	Positivist	Targeted fundamental financial proficiency included in financial literacy helps business realize business specific financial product and services, by assessing affordability to enable repayment by building business structure for growth.	RBV application: straightforward proficiency focus.	Limited theoretical development
Odio et al. (2021)	Financial Inclusion; Innovation Diffusion; Risk Management; Collaborative Governance	PRISMA-based Review	Constructivist	Interpretivist	Innovative and tailored financial product such as loan based on revenue can be suited to businesses to ensure repayment and long-term profitability of SME	Multi-theoretical review (inclusion, innovation, risk, governance).	Conceptual only and PRISMA selection bias.
Njoki (2022)	TPB; Dual Process; Financial	Quantitative (SPSS)	Critical Realism	Positivist	Credit management related financial literacy development provides SMEs a better chance of efficiently utilizing the borrowed funds for	TPB + Dual Process: emphasises credit	Limited generalizability and has no

	Literacy Theory				realizing profits with budget financing which can help business growth.	management/ budgeting	qualitative depth.
Resilience-behavioural capacity							
Premaratha et al. (2023)	Financial Literacy Theory; ERM Theory	Quantitative (SPSS)	Realist	Positivist	For facing uncertainties and risk reaction significant contribution of financial literacy is endorsed by this study	ERM integration uniquely links literacy to enterprise risk management.	limited to risk identification and cross-sectional.
Abeyrathna and Kalainathan (2016)	Financial Risk Components; Risk Management	Quantitative (SPSS)	Positivist	Positivist	Through assessing purpose of using financial, identifying environmental affections, reducing uncertainties directly impacting business performance.	Risk components framework: direct focus on risk practices.	Limited theoretical depth; no literacy measures.
Khanal (2025)	Resource Based View; Dual Process	Quant. (SEM-PLS)	Critical Realism	Positivist	Risk attitude integration as mediator ensures sustainability through financial literacy, developing financial capability with access to credit.	Dual Process + RBV: integrates risk attitude with access.	Cross-sectional and limited sectoral analysis.
Sanusi et al. (2023)	Resilience Theory	Quant. (SEM-PLS)	Critical Realism	Positivist	Financial literacy is related to business resilience which develops capability in SME for understanding business cycle and matching the credit requirement for increasing profitability which creates buffer sustaining from financial risk.	Resilience framework: links literacy directly to resilience.	Limited theoretical integration, no qualitative validation.
Maravilla Jr. and Flores (2025)	RBV; Competence Framework	Quant. (SEM-PLS)	Realist	Positivist	Integration of financial literacy into entrepreneurial development initiatives can improve business competence, moderating business resilience.	RBV + Competence: links literacy to business competence & resilience.	Limited theoretical integration and lacks qualitative depth on competence development.

Subashree et al. (2025)	Working Capital Management; Credit Channel Theory	Quantitative (SPSS)	Critical Realism	Positivist	Internal business mechanism and external support mechanism can help build financial resilience	Dual mechanism	Limited theoretical development.
Babić et al. (2026)	Pecking Order, Trade-off, Dynamic Capabilities, Institutional Theory, RBV.	Quantitative (OLS and regression model)	Positivist	Empiricist	The findings of this study shows the financial management base for SME resilience which creates financial preconditions for innovation and digital investments.	Financial health for innovation leading sustainability.	Non-involvement of micro-firms and non-financial factors.
Decision Quality-Managerial Capability							
Indrawati et al. (2025)	Prospect Theory; Pecking Theory; Dual Dimension Risk Construct	Quantitative (SEM-PLS)	Critical Realism	Positivist	Financial literacy is influenced both by dual dimension of risk which is risk bearing and risk perception directly impacting business's decision making	Dual risk framework uniquely separates risk tolerance & perception.	Limited sectoral coverage and no qualitative exploration of risk formation.
Gonzalez-Prida et al. (2025)	Financial Education Theory; Decision-Making Theory	Quantitative (SEM-PLS)	Realist	Positivist	Financial literacy through development and utilization of financial knowledge in handling money and financial concepts increases business performance strength by enabling micro-entrepreneurs' decision-making.	Decision-making focused by emphasizing knowledge application.	Limited theoretical depth with no empirical evidence of longitudinal data on decision changes.
Omar et al. (2025)	Information Asymmetry Theory	Quantitative (SPSS)	Critical Realism	Positivist	Debt management literacy facilitated decision making among entrepreneur as it by avoiding	Asymmetry focus: uniquely links	Only limited to youth entrepreneur

					excess debt and leveraging credit for productive investment.	debt management literacy to reducing asymmetry.	not generalizable
Rahim and Balan (2020)	Financial Literacy Theory	Quantitative (SPSS)	Positivist	Positivist	SME sustainability is contribution of profitability in relation to financial management knowledge. Focussing is needed on financial knowledge in relation to appropriate investment decision increasing return.	Knowledge-profitability focus emphasises knowledge over other components	Limited to profitability
Expansion-Growth Capacity							
Nugroho et al. (2025)	Human Capital Theory; Financial Growth Theory	Quantitative (SEM-PLS)	Critical Realism	Positivist	Intensifies requirement of Financial Literacy program framework integrating capability development as financial capital singlehandedly to not sufficient to ensure business growth.	Dual capital framework emphasises capacity building over capital alone.	Absence of qualitative depth on capacity.
Sani (2025)	Upper Echelons; Entrepreneurial Orientation; Trade-off; Pecking Order	Quant. (OLS)	Critical Realism	Positivist	Provides empirical verification that financial literacy through business attributes can affect strategic choices, including selection optimal financing options for ensuring long-term growth of the business.	Multi-theory and comprehensive (upper echelons, EO, trade-off, pecking).	Limited causal inference
Hamzah (2025)	Resource-Based View	Quantitative (PLS-SEM)	Realist	Positivist	SMEs improve their resource management by participating in training programs focus on practical financial planning to increase financial resilience.	Challenges RBV-based internal capabilities collectively; budget planning strongest predictor	Lack of generalizability and qualitative depth
Latif (2025)	Organizational Learning Theory	Conceptual/Viewpoint paper	Constructivist	Interpretivist	This study supports the monetary resilience in enterprises is brought upon effectively through incremental learning	Shifts from individual trait to	No empirical testing and

					practices than enforced policy.	organizational learning capability; integrates single-loop (incremental) and double-loop (transformative) learning;	cost-benefit analysis
Okello, Onyango-Delewa and Owot (2025)	TPB; Financial Capability Theory; Sustainable Growth Theory	Quant. (Stata)	Critical Realism	Positivist	Validation for debt management requirement in financial literacy to materialize business growth. Providing tailored credit product has to be offered in expanded business.	Triple theory (TPB, capability, growth) and empirically tested.	Limited to debt management.
Mutamimah, Tholib and Robiyanto (2021)	Agency Theory; RBV	Mixed (Descriptive + Mod. Regression)	Critical	Pragmatist	With moderation by financial literacy, findings argue that transparency, accountability and responsibility reduce credit risk as corporate governance mechanism.	Agency-RBV integration uniquely links governance to credit risk through literacy. Emphasises governance over behaviour.	Limited to credit risk and limited descriptive analysis.
Serrasqueiro, Pinto and Sardo (2022)	Pecking Order Theory	Quant. (Moment Dynamic Estimator)	Realist	Positivist	Accumulating retained earnings and reinvestment can support firm growth in presence of debt positivity.	Pecking order focus emphasises debt positivity & retained earnings with unique dynamic approach.	Limited to debt with no literacy measures

3.2. Synthesis and Research Gaps

The thematic analysis of the article shows the comprehensive framework of credit literacy as a subset of financial literacy which comprehensively combines capabilities focusing on SME sustainability is not developed yet. Some, of the research articles propose a conceptual framing combining behavioural, financial management ability to SME profitability for credit repayment but. Initiations or designated credit literacy program effecting SME sustainability is still an under researched area.

While integrating capability model, it is necessary to develop an interactive framework that can customized or enhanced based on situational requirement, as it that no theory or framework go uncontested over passage of time.

A gap matrix is constructed based on gaps found in critically analysed articles and current issue-based sustenance of SMEs and increasing NPA in accessed debt problematized by financial institutions

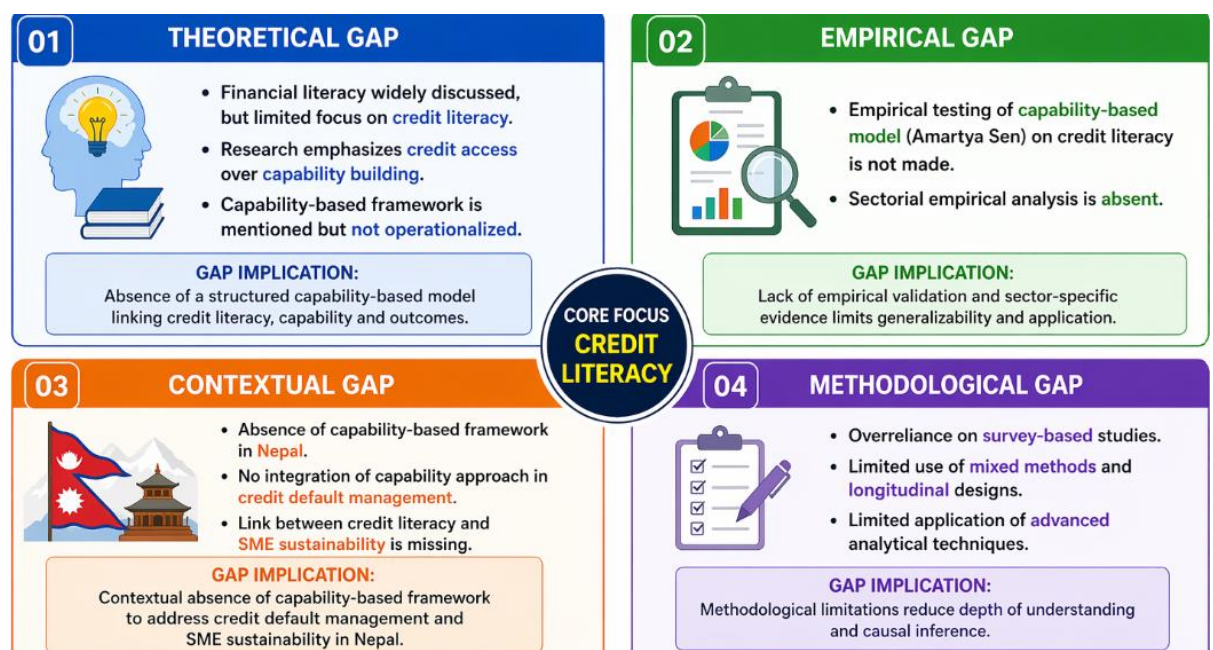


Figure 2: Gap Matrix including theoretical, empirical, contextual and methodological Gap

The conceptual framework is designed based on contextualized need of banks in Nepal, for betterment of quality of their asset which is credit and continuity of SMEs with stability and growth. The comprehensive framework proposed based on critical analysis of literature, contextualized issues and institutional requirement is presented below.

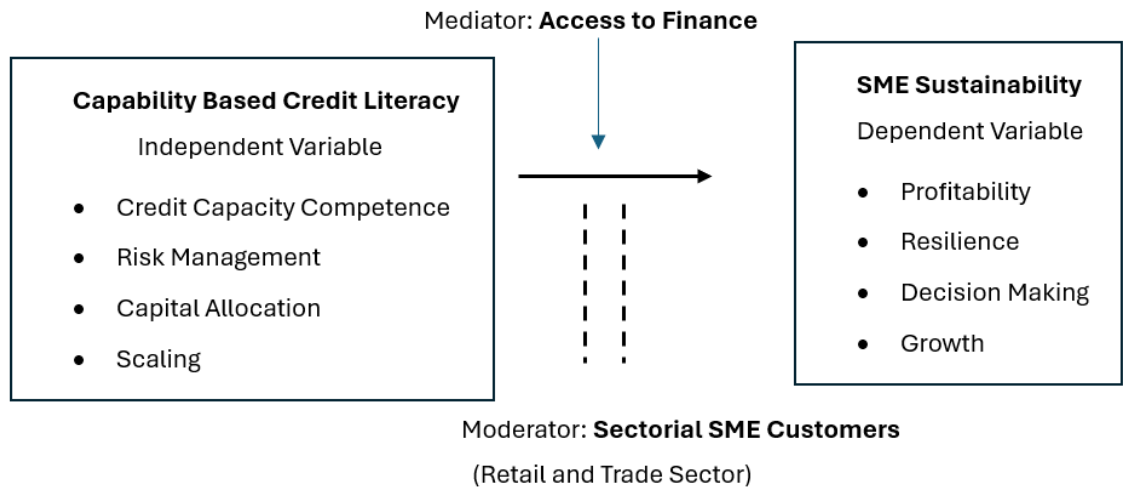


Figure 3: Conceptual Framework

The key positions of research philosophy are explored below:

- Ontology**
 The critical need of this research is based on the real time problem of high default rate in SME portfolio of Banks due mandatory enforcement of portfolio increment level in SME by Nepal Rastra Bank. The high default rate was also due to lack of post disbursement management of loan and lack of credit management by SME customers So, research is providing banks, sub-construct capabilities to be integrated in credit literacy program design for improving credit performance and ultimately the sustainability of their financed businesses. This positions the research into critical realist ontology.
- Epistemology**
 The critical analysis of literatures points out requirement specific capability-based framework of credit literacy for developing SMEs for timely repayment and business growth. Increasing default problem which is highest due to application of mandatory enforcement through policy level, followed by enforcement by BFIs decreasing the quality of has been report in published financial indicator report of banks by Nepal Rastra Bank. The articles based on Nepalese context as reviewed before also pinpoint the lack of comprehensive framework. So, this framework can be integrated for designing credit literacy to specific retail and service-based SME for ensuring economic viability, validating interpretivist along with methodically pragmatic epistemological positioning.
- Axiology**
 The research will be guided by ethical commitments based on informed consented with due consideration for professional and personal biases. The data collected from SME customer level through survey and credit related key banking professional through semi-structured interview. The research will have mutual contributions to institution, which are BFIs by

reducing the default rate and for SME themselves by enhancing their capability and sustainability. This positions the research into value-committed axiology.

4. Philosophical and Methodological Analysis of One Selected Study

4.1 Overview of the Study:

The article selected study for philosophical and methodological analysis is the article by Ssekakubo, J., Nkurunziza, G., Muwanga, R., and Tumwine, S. (2022) with title “Financial Literacy and Financial Performance of Micro Enterprises in Developing Economies: The Mediating Role of Credit Access,”. Their study examines the relationship between financial literacy and the financial performance of micro-enterprises, to establish mediating role of credit access. The study was based on SMEs of Nebbi District, Uganda, which is a developing-economy context with SME facing constrained financial access, low financial literacy level and high failure rate.

The purpose of this study is to establish financial literacy direct positive impact on the financial performance of micro-enterprises, and it also established whether the credit access mediates the relationship between financial literacy and financial performance.

The study has cross-sectional quantitative research design. Total sample of 196 enterprises were selected using Krejcie and Morgan sample-size approach from total population of 410 micro-enterprises. Closed-ended questionnaires were used for data collection. The usable data was generated from 148 samples.

Financial literacy was measured through financial knowledge, attitude and skills. The credit access was represented including term of loan including size, interest rate and repayment period while financial performance was measured in terms of profitability, liquidity and efficiency. Five-point Likert scale was used for measurement of constructs and data were analysed using hierarchical regression, Pearson correlation and mediation analysis.

This article is selected for study because it relevant research which addresses

- The applied managerial and policy level concern.
- Inclusive of most of the dimension of research topic including financial inclusion, business survival and offers practical mechanism for translating financial capability into business outcomes.
- Methodologically clear and empirically tested.
- Ideal for philosophical critique.

4.2. Ontology and Epistemology of Study

The study strongly implies objectivist ontology combined with positivist epistemology.

- **Ontology**

The constructs including financial literacy, credit access and financial performance are implicitly treated as objective phenomena that exist independently of researchers. The ontological assumption of this research is that organizational and financial phenomena is identifiable, operationalized and measurable using standard indicator. This gives conceptual clarity and enables statistical comparison across enterprises giving measured relationship. But, the subjective interpretation of entrepreneurs understanding of construct is lacking.

- **Epistemology**

The study is aligned with positivism and post positivism epistemological positioning. Knowledge is generated through deductive hypothesis testing, measurement, data and statistical analysis. This positioning questions relationship on measurable association between variables, their relationship strength and moderation effect. It has also shaped interpretation of findings. The cross-sectional design suggests rather than definitive causality, association is established.

Therefore, the study's philosophical assumptions enable systematic measurement and comparison but limit the understanding of socio-cultural contextual processes which shape the financial behaviour of micro-enterprises.

4.3. Axiology and researcher positionality

The study adopts instrumental axiology. The primary value from the research is practical implication is that of improvement of micro-enterprise financial performance. It reflects generation of knowledge that can inform entrepreneurs, financial institutions and policymakers.

However, the study lacks reflective account on researchers' positionality, potential biases and influence of their assumptions, absence is treated as researchers' neutrality which is ideal.

The selection of financial literacy and credit access as central explanatory variables reflect the view of why these enterprises fail or succeed as performance determined by performance within capabilities and financial behaviour of individual enterprise.

The lack of investigation of owner's perspective on success impedes the study and authors reflexivity. As practise-oriented DBA research must clearly reflect how their values, assumptions shape the research process for stronger philosophical perspective.

4.4 Methodological Quality: Reliability, Validity & Trustworthiness

The study portrays several strengths in several methodological aspect particularly in sampling, establishment of measurement scales and statistical procedures. But its quality is evaluated against standard of quantitative research

- **Reliability**

Previously established measurement scales are used which the part is a positive attribute. The authors create a base from existing studies to quantify financial literacy, credit access, and financial performance, supporting conceptual perpetuity and measurement accurateness.

Internal reliability of construct using Cronbach's alpha is not measured and use of five-point Likert scale does not necessarily establish reliability. Furthermore, reliability also becomes an issue when only managers or owners are selected with biasness based on assumptions that reflect the true orientation of enterprise.

- **Validity**

The study is based on reasonable content and construct validity which are derived from existing literature. Multiple dimensions of constructs show conceptual clarity.

The validity is also challenged as performance is measured through self-reported questionnaires where subjective reporting influenced by owner biasness comes to play when reporting financial conditions.

Since this study is cross-sectional the causal validity as the findings of the research may not hold in longitudinal and experimental study.

- **Sampling and Generalisability**

The study has strength in sampling procedure with clear sampling frame and strong response rate. However, the sample size is geographically restricted and a certain nature and age of business. So, the study lacks generalizability in variation of contextualization,

same study may hold a different finding. Contextualization variation can be differences in institutional environment, financial system and entrepreneurial culture.

For stronger qualitative research more description and contextual interpretation is required for applied business research, as the extent of credibility, dependability and transferability of finding of research must be existent.

4.5. Ethical Considerations

The study does not sufficiently demonstrate report the consideration and application of ethical procedures. The methodology explains how respondents were selected and administration of questionnaires but reporting procedure such as informed consent, confidentiality, voluntary participation, data protection and institutional ethical approval is not sufficient.

This research deals with financially sensitive information including credit terms, business profitability and performance, which may create risk of reputation and disclosure of business condition. So, the strong and clear confidentiality arrangements is required for voluntary participation ensuring the access to credit and relationship with financial institution will not be affected.

The applied research must further reflect reciprocity, reflexivity, contextual ethics and potential negative consequences of research recommendation, this study shows a notable gap.

The contextualization my research scope also in SMEs exploring the requirement of capability in credit literacy. The research also with sensitive data including SME details from the bank as well as SME details on financial indicators and business operational, market and strategic plan details which are very sensitive data so focus ensuring confidentiality while clearly communicating the purpose, use and protection of data and information must ensure to the participants for obtained for taking informed voluntary participation, complying with the contextualized ethical procedures.

4.6. Critical Appraisal

The study by Ssekakubo et.al (2022) provides a methodologically coherent quantitative study for addressing a clearly established business issue. The major strength of this research is:

- It based on recognized gap in literature and clearly formulates hypothesis, defining the constructs clearly.
- It has appropriate sampling strategy and a good response rate.
- It is supported by conceptual continuity of existing research, drawing on established measurement scales and systematic statistical procedures
- The finding is relevant for business owners, financial institutions and policy makers.

With construct and findings, it also contributes to the under researched literature of financial literacy in line with access of credit and relating it with enterprise level performance.

This research gives a further clarity on what is required to be considered from this research to further strengthen my research topic. It's necessary to understand and validate the construct, create clear mediation and context. The strong applied research not only delves into relationships of construct, but it established a deeper reason of why. Methodological strongness is also required for generating adequate and valid responses while maintaining ethical compliances. The biasness as far as possible must be recognized and minimized to present the true findings. Since the scope research of the research can be limited, the clear demarcation for future research and limitations must be mentioned.

5. Discussion and Contribution

5.1. Philosophical insights

The review and the case analysis showing that research philosophy is not abstract, but it is paramount to shaping the research purpose, design and findings. In this scope of the research, the positivist positioning dominates the credit literacy literature. Credit literacy is often an objective and measurable attribute, but application of theories in some the articles critically analysed above also show the conceptualization of credit literacy, SME sustainability, capability-based perspective with contextualization has been marginalised.

The integration of capability approach by Amartya Sen establishes a stronger philosophical contribution which is consistent with critical realism. It employs interpretive method for understanding of conversion factor and pragmatic methodology also validates the statistical and causal inference of the constructs.

5.2. Implications for theory

The review provides a critical insight for development of capability-based model of credit literacy for SME sustainability. The model considers credit literacy resources, capabilities and functioning.

The model extends on existing financial literacy theory that recognizing that only providing access to credit is not enough, the SMEs require capability freedom along with credit knowledge for transforming them into reciprocal SMEs economic sustainability constructs such as profitability, risk resilience, decision making and growth.

5.3. Implications for methodological choices:

The emerging need for capability-based credit literacy design in emerging economies should incorporate the quantitative designs. Mixed methods are required because they can measure the credit literacy level as well as provide conversion process. Cross-sectional designed for obtaining data from the SMEs can help to validate or modify constructs for opening study based for future research.

5.4. Implications for management and practice

This research not only establishes a framework for designing a comprehensive capability framework which can be integrated into credit literacy for financial institution to reduce default rate of its asset but also gives a research base for understanding the context and

measures for policy level. This approach shifts the responsibility from individual SME borrower to broader financial ecosystem. This research also creates greater understanding of perspective of SMEs towards their business sustainability and helps them to get the post disbursement credit support for optimal utilization of credit.

5.5. Implications for DBA-level Research Design

The critical review of existing research highlights the importance of philosophical reflexivity in the applied DBA-level research design. The selected studies reflect how positivist can produce rigorous but limited knowledge. The presented study proposes interpretivist-critical realist positioning while applying pragmatic methodology, recognizing the changing and complexity of credit literacy required currently adding dynamics of capabilities, and its inference with SME sustainability in context-dependent environment that requires integration multiple philosophical lenses.

6. Conclusion

This study has critically reviewed research published between 2020 and 2025 and some older research which are relevant to framework constructs of capability approach and establishing their relationship. The some of the research also give insight into Nepalese context in terms of literacy and SME sustainability, with particular attention to the capability approach.

Three themes were identified from the review of existing literature: the dominance of positivist credit literacy research; under researched capability approach in SME sustainability; and structural along with ethical dimensions of banking relationships in emerging economies

Firstly, the contribution of this coursework with critical review helps in understanding the context, development of constructs and establish research gap with viability with philosophical positioning

Secondly for DBA research practise especially focusing on my research topic, contributes to understanding of development and requirements of credit literacy, its relation to economic dimension of triple bottom life concept of business sustainability. It also provides detailed conceptualization which includes access to formal credit as mediators and SME of two different sector as moderator. It combines multiple theories and helps to identify and establish a clear research philosophical position based on context-sensitive knowledge production.

Scope of the future research test the comprehensive framework, by improving the academic and practical composition of the research scope ensuring that the research represent clear philosophical positioning based on content and context, selection of appropriate methodologies,

compliance to ethics, minimization of personal and professional biases and true representation of findings which are to be analysed for practical application in Banks of Nepal.

Abbreviation

BFI: Banking and Financial Institutions

SPSS : Statistical Package for the Social Sciences

PLS-SEM: Partial Least Squares Structural Equation Modeling

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