

ABSTRACT

SMEs are very critical for the success of every country, regardless of its developed or developing economic structure, despite having its core importance in the role of the economy there are still many factors that need to be explored to identify the main causes which are hurdles for the growth of SMEs especially access to finance for SMEs in Pakistan. In this regard, current research aims to address this issue by taking the factor of access to finance that can lead to lending to SMEs. The qualitative research design is employed to gather information through personal interviews by using grounded theory. The findings of this study provide key determinants of access to finance which are identified after conducting the 18 in-depth semi-structured recorded interviews. The following factors are identified by researcher 1. Adverse selection 2. Undocumented segment/Sector 3. Default risk 4. Lemon problems 5. Information asymmetry 6. Low profit 7. Moral hazard 8. Unreliable information 9. Lack of collateral 10. Lack of succession planning 11. High-interest rate. The study will have implications for the State Bank of Pakistan, the Government, and running organizations like SMEDA etc. for the growth of SMEs.

KEYWORDS: SMES, ACCESS TO FINANCE, GDP RATIO RAISE, EMPLOYMENT INCREASE.