

ACCESS TO FINANCE AND CREDIT UTILIZATION AMONG LEBANESE ENTERPRISES:**Evidence from the World Bank Enterprise Survey 2013–2019**Author: David Abounasr¹*Affiliation:*

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Abstract:

Access to finance is a central issue in corporate finance because external funding can affect a firm's ability to maintain liquidity, finance investment, and pursue growth opportunities. This study examines the evolution of financial access among Lebanese enterprises using the World Bank Enterprise Survey for 2013 and 2019. The analysis focuses on four indicators: whether an establishment had a line of credit or loan from a financial institution, whether it applied for new credit during the last fiscal year, the outcome of recent credit applications, and the degree to which access to finance was perceived as an obstacle to operations. The empirical analysis uses published firm-level survey distributions and two-proportion z-tests for the comparable 2013 and 2019 indicators. The results show that the share of surveyed establishments with a current line of credit or loan declined from 57.0% in 2013 to 36.5% in 2019, while the share applying for new loans or lines of credit declined from 32.6% to 19.5%. Among 2019 applicants, 81.7% of applications were approved in full, 2.9% were approved in part, 10.6% were rejected, and 1.9% were withdrawn, with 2.9% still in process. At the same time, the proportion identifying access to finance as a major or very severe obstacle was broadly similar across the two survey rounds: 38.7% in 2013 versus 40.6% in 2019. The statistical comparisons indicate significant declines in current credit availability and loan application activity, while the change in the major-or-very-severe obstacle measure is not statistically significant. The findings describe important changes in financing conditions but do not establish a causal effect of credit access on firm performance. The study highlights the importance of financing availability, credit-market participation, and the distinction between credit demand and perceived financing constraints in evaluating the financial situation of enterprises.

Keywords:

Access to finance; corporate finance; enterprise surveys; credit; Lebanon; SMEs; financial constraints

Introduction:

Access to finance is an important issue in corporate finance because companies often need outside funding for working capital, investment, and expansion. In theory, a firm with a good investment opportunity should be able to obtain financing at a reasonable cost. In reality, this is not always the case. Banks may require collateral, detailed information, or a strong credit history, and these requirements can make borrowing more difficult. This issue can be especially important for smaller businesses because they usually have fewer financing options.

Previous research has connected financing constraints with firm growth and investment. Beck, Demirgüç-Kunt, and Maksimovic (2005), using firm-level data from 54 countries, found that financial and other business obstacles are related to firm growth, with differences according to firm size. Petersen and Rajan (1994) also showed that relationships between firms and lenders can influence the availability of credit. These studies provide a useful background for looking at the financing situation of enterprises.

Lebanon is a useful case for this type of analysis. The World Bank Enterprise Survey collects information from private-sector establishments on subjects such as finance, sales, employment, infrastructure, competition, and business constraints. The 2019 Lebanon survey included 532 firms and was conducted between May 2019 and April 2020. The sample was stratified by industry, firm size, and region (World Bank, 2020).

For this reason, this paper compares selected financing indicators from the 2013 and 2019 Lebanon Enterprise Surveys. The purpose is mainly to describe what changed between the two surveys. It does not assume that the survey results by themselves prove a cause-and-effect relationship.

Research question: How did access to formal credit and credit demand among Lebanese enterprises change between the 2013 and 2019 World Bank Enterprise Surveys?

Secondary questions:

- What proportion of surveyed enterprises had a line of credit or loan from a financial institution in each survey round?
- What proportion applied for new loans or lines of credit?
- What were the outcomes of loan applications in 2019?
- Did the share of firms reporting access to finance as a major or very severe obstacle change significantly?

Objectives:

1. Measure changes in current formal credit availability between 2013 and 2019.
2. Measure changes in applications for new loans or lines of credit.
3. Document the outcomes of recent credit applications in 2019.
4. Compare firms' perceptions of access to finance as an operational obstacle.
5. Provide finance-oriented implications while distinguishing descriptive evidence from causal conclusions.

Literature Review:

Much of the enterprise-finance literature starts from the idea that capital markets are not perfect. Borrowers and lenders do not always have the same information, which can make external financing more difficult or expensive. As a result, collateral, company information, relationships with banks, and the surrounding financial system can affect how much credit a firm can obtain.

Petersen and Rajan (1994) provide evidence that lending relationships can increase the availability of finance for small firms. Their analysis emphasizes that relationships with institutional creditors can reduce financing frictions by allowing lenders to accumulate information about borrowers. This perspective is relevant to enterprise surveys because a firm's current credit relationship is not simply a balance-sheet item; it can also reflect the firm's access to the financial system.

Beck et al. (2005) extend the empirical analysis using firm-level survey data from 54 countries. They examine whether financial, legal, and corruption obstacles affect firm growth and find that financial constraints are related to growth outcomes, with smaller firms generally experiencing stronger constraints. Their work is particularly relevant to the present study because the World Bank Enterprise Surveys are designed to permit analysis of firm performance and business constraints.

Studies have shown that during the Lebanese financial crisis, cryptocurrency's use has increased significantly (El-Chaarani et al., 2025), this might be due to currency depreciation (Aoun et al., 2026). Beainy and Kamel (2026) argue that cryptocurrency's use has shifted from a purely speculative asset to a financial asset that can be used for hedging and protect savings, especially when the economy is in financial distress. Regardless of the importance of bitcoin and other cryptocurrencies, the U.S. Dollar remains the essential currency to be held in reserves to stabilize the economy (Kamel et al., 2025) even though Mawad and Freiha (2024) discuss how in the absence of banking services, in the specific case of Lebanon, cryptocurrencies grow in importance, but they do not provide enough basis to enhance the economic situation, in fact, country governance remains essential to achieving the banking sector's sustainability, especially in vulnerable environments (Athari et al., 2023).

The World Bank Enterprise Surveys are designed to collect firm-level information from the formal private sector. The questionnaire includes areas such as access to finance, sales, employment, innovation, infrastructure, and business constraints. The sampling is organized by factors including firm size, sector, and location. This makes the survey useful for comparing financing indicators across different years (World Bank, 2025).

The 2019 Lebanon dataset contains 532 establishments and 433 variables. Its finance section includes information on bank accounts, overdrafts, loans and lines of credit, applications for new credit, loan outcomes, financing of working capital and fixed assets, and firms' views about access to finance. These variables are useful for a finance-focused study (World Bank, 2020).

Most of the literature looks at financing constraints across many countries or at their relationship with firm growth. A more focused comparison of Lebanon can add a simple country-level view of how reported credit access and credit demand changed over time. This paper addresses that descriptive question without treating the differences as causal effects.

Methodology:

3.1 Research Design

This study uses a quantitative comparison of secondary data from the World Bank Enterprise Surveys for Lebanon. The unit being studied is the establishment. For the main financing

indicators, the 2013 survey has 561 observations and the 2019 survey has 532. The 2019 survey was conducted from May 2019 to April 2020.

3.2 Data Sources

The primary data source is the World Bank Enterprise Survey, Lebanon 2013 and Lebanon 2019. The World Bank describes the Enterprise Surveys as firm-level surveys of the private sector covering business environment topics such as finance, sales, labor, infrastructure, competition, and performance. The Lebanon 2019 dataset is identified as LBN_2019_ES_v01_M and has 532 cases and 433 variables.

3.3 Variables

Variable	Operational definition	Role
Current formal credit (K8)	1 if the establishment currently has a line of credit or loan from a financial institution; 0 otherwise.	Main financing-access indicator
New credit application (K16)	1 if the establishment applied for a new loan/line of credit during the last fiscal year; 0 otherwise.	Credit-demand indicator
Application outcome (K20A1)	Outcome of the most recent credit application: full approval, partial approval, rejection, withdrawal, or still in process.	Credit-access outcome
Finance obstacle (K30)	Firm's assessment from 0 (no obstacle) to 4 (very severe obstacle).	Perceived constraint
Survey year	2013 or 2019.	Comparison dimension

3.4 Statistical Procedures

First, descriptive statistics are reported as counts and percentages. Second, for comparable binary indicators, two-proportion z-tests are used to test whether the proportion in 2013 differs from the proportion in 2019. The null hypothesis is that the two population proportions are equal. The test statistic is:

$$z = (p_1 - p_2) / \sqrt{p(1-p)(1/n_1 + 1/n_2)}$$

where p_1 and p_2 are the observed proportions in the two survey rounds and p is the pooled proportion. A two-sided 5% significance level is used. Because the analysis relies on published distributions rather than a downloaded respondent-level file, the statistical tests are restricted to indicators for which the published counts are directly available. No individual-level causal regression is claimed.

3.5 Reliability and Limitations of the Design

The World Bank notes that the Enterprise Surveys use stratified random sampling and that survey weights should be considered when making population inferences because sampling probabilities differ across strata. Accordingly, the calculations in this paper are best interpreted as comparisons

of the published survey samples and not as fully weighted national population estimates. The study also compares two cross-sectional survey rounds rather than tracking exactly the same firms over time.

Results:

4.1 Current Access to Formal Credit

In 2013, 320 of 561 establishments (57.0%) reported having a line of credit or loan from a financial institution. In 2019, 194 of 532 establishments (36.5%) reported the same. The observed difference was 20.6%, representing a decline of approximately 36.1% relative to the 2013 proportion.

Indicator	2013	2019	Difference	z	p-value
Current line of credit/loan	57.0% (320/561)	36.5% (194/532)	-20.6 pp	6.81	0.0000
Applied for new loan/line	32.6% (183/561)	19.5% (104/532)	-13.1 pp	4.91	0.0000
Major/very severe finance obstacle	38.7% (217/561)	40.6% (216/532)	+1.9 pp	-0.65	0.5164

The two-proportion test for current formal credit produces $z = 6.81$ and $p < .001$, indicating a statistically significant difference between the two survey proportions. The test for new credit applications also indicates a statistically significant difference ($z = 4.91$, $p < .001$).

4.2 Demand for New Credit

The share of establishments reporting an application for a new loan or line of credit was 32.6% in 2013 (183 of 561) and 19.5% in 2019 (104 of 532). The difference of 13.1 percentage points is statistically significant at the 5% level and also at the 1% level under the two-sided proportion test.

4.3 Outcomes of Credit Applications in 2019

Outcome of most recent application	Number	Share of applicants (n=104)
Approved in full	85	81.7%
Approved in part	3	2.9%
Rejected	11	10.6%
Withdrawn	2	1.9%
Still in process	3	2.9%
Total	104	100.0%

Among the 104 Lebanese establishments that applied for a loan or line of credit in 2019, 85 applications (81.7%) were approved in full. Three applications (2.9%) were approved in part, 11 (10.6%) were rejected, two (1.9%) were withdrawn, and three (2.9%) were still in process. These figures describe application outcomes and do not identify the characteristics of firms receiving each outcome.

4.4 Perceived Financing Obstacle

Access to finance as obstacle	2013	2019
No obstacle	27.3% (153)	25.2% (134)
Minor obstacle	12.7% (71)	13.0% (69)
Moderate obstacle	20.9% (117)	21.2% (113)
Major obstacle	34.2% (192)	34.2% (182)
Very severe obstacle	4.5% (25)	6.4% (34)
Major + very severe	38.7% (217)	40.6% (216)

The proportion identifying access to finance as a major or very severe obstacle was 38.7% in 2013 and 40.6% in 2019. The difference of 1.9 percentage points is not statistically significant under the two-proportion test ($z = -0.65$, $p = 0.516$). The detailed distribution shows that the largest single category in both years was 'major obstacle' at 34.2%.

4.5 Summary of Empirical Results

Finding	2013	2019	Statistical result
Current formal credit	57.0%	36.5%	Significant decline
New credit application	32.6%	19.5%	Significant decline
Major/very severe finance obstacle	38.7%	40.6%	No significant change
Full approval among 2019 applicants	—	81.7%	2019 descriptive result

Discussion and Conclusion:

This study examined access to formal credit among Lebanese enterprises using the World Bank Enterprise Surveys for 2013 and 2019. The analysis focused on current credit availability, applications for new credit, application outcomes, and firms' perceptions of access to finance as an operational obstacle.

The results show a substantial decline in the proportion of surveyed establishments reporting a current line of credit or loan from a financial institution, from 57.0% in 2013 to 36.5% in 2019. The proportion applying for a new loan or line of credit also fell, from 32.6% to 19.5%. Both differences are statistically significant using two-proportion tests. In contrast, the proportion of firms classifying access to finance as a major or very severe obstacle changed only modestly, from 38.7% to 40.6%, and the difference is not statistically significant.

The 2019 application outcomes provide an additional perspective. Of 104 establishments that applied for new credit, 81.7% received full approval, 2.9% received partial approval, and 10.6% were rejected. Thus, the evidence separates two concepts that should not be treated as identical: the availability of an existing credit relationship and the outcome of a new credit application.

5.1 Practical Implications

For enterprise managers, the findings underline the importance of monitoring liquidity, maintaining reliable financial records, and understanding the requirements of formal lenders. For financial institutions, the results emphasize the importance of credit assessment processes that can

distinguish viable borrowers from firms that face temporary liquidity constraints. For policymakers and business-support institutions, the results indicate that credit availability should be examined alongside firms' actual demand for credit rather than through a single financing indicator.

5.2 Theoretical Implications

The findings are consistent with the broader corporate-finance literature in which information asymmetry and institutional relationships can affect external financing. They also reinforce the usefulness of distinguishing financing supply, financing demand, and perceived financial obstacles. However, the present analysis is descriptive and does not test whether changes in financing access caused changes in sales, productivity, employment, or investment.

5.3 Limitations

- The study uses two cross-sectional survey rounds rather than a balanced panel of the same establishments.
- The calculations rely on published survey distributions and therefore do not estimate individual-level regression coefficients.
- The published percentages do not incorporate a newly estimated set of survey weights in this paper.
- The comparison does not control simultaneously for firm size, industry, region, age, ownership, or other firm characteristics.
- The study should not be interpreted as establishing a causal relationship between finance and firm performance.

5.4 Future Research

Future research can use the downloadable respondent-level WBES files to estimate logistic or linear probability models of credit access, loan approval, or investment. Such models could control for firm size, age, industry, region, ownership, export status, management characteristics, and other financing variables. A panel-data design could further examine whether changes in financing access are associated with changes in sales, employment, productivity, or investment. These extensions would move the analysis from descriptive comparison toward a stronger empirical examination of the finance-performance relationship.

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