

Access of Small and Medium Enterprises to Finance in Rural Areas: Case of Indonesia and Thailand

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Abstract : Small and medium enterprises (SMEs) are regarded as the engine for economic development, notwithstanding their continuous financing conundrum. In the case of developing countries, access to finance is a reflection of the effectiveness of government policy. The widely accepted perspective to assess small businesses' access to finance is that of economic view. The existing body of literature presents access to finance in three dimensions; they are accessibility, eligibility and affordability. Within this perspective, the role of socio-cultural has not explored. This study is aimed at investigating the existence of any socio-cultural factors within access to finance issue in Asian countries where governance is enriched by countries' values and beliefs. The significance of this study is the instigation of supplementary dimension to assess access to finance that eventually contributes to the development of micro-finance policy. Indonesia and Thailand are selected as cases in point, where distinction is drawn on the level of cultural diversity and micro-finance policy in respective country. A questionnaire is used to collect information related to the three dimensions of access to finance as well as to explore alternative financing reasoning to elaborate the issue from the demand side. Questionnaires are distributed to 60 small business owners operating in Indonesia and the same number in Thailand. In order to present a complete understanding on the matter at hand, interviews with banks are conducted to capture the perspective as presented by the supply side. Research findings show that small business owners and banks in Indonesia and Thailand are in agreement that access to finance is not deemed as an issue. However, trust issue that exists mutually between financing users and providers leads small business owners in Indonesia to look for alternative financing other than banks. The findings contribute to the refinement of micro-financing policy in Indonesia and Thailand.

Keywords : access to finance, Indonesia, small and medium enterprises, Thailand

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