Abstract

Micro and Small Enterprises (MSEs), worldwide form an integral part of the country, providing considerable contribution to the economy of the nation. There are evidences on the linkages between SMEs, economic growth and poverty alleviation. The literature survey on finance and economic development demonstrates the inadequacies of finance to firm growth. Further, lack of finance was found as the immediate reason for business failure. There is an increasing agreement among development economists that clustering helps small enterprises to overcome growth constraints and compete in international markets. However, it was observed that there is a limited literature available for developing countries on MSEs and access to finance because of the sparser availability of basic data. Prior studies have identified several key research questions and observations that require investigation and affirmation. With this background, the present study is an attempt to examine the problem of access to finance for micro and small enterprises with specific reference to two selected artisanal clusters namely Thanjavur artplate cluster and Swamimalai icon cluster, both situated in Thanjavur District of Tamil Nadu, India. The study consists of five broad objectives, namely, to analyse the socio-economic characteristics of owner-mangers and worker-artisans, access to finance related issues, factors influencing credit to MSEs, men self help groups and their possible use in promoting entrepreneurship and learnings from international experiences on improving access to finance for MSEs. The study has followed ‘comparative case study method’ and chosen MSEs in two artisanal handicraft
metalware clusters that were known for historic importance, heritage and culture. The clusters chosen had not been researched so far. Both primary and secondary data were collected to test the hypotheses and to accomplish the objectives of the study. The primary data was collected from 63 owner-mangers and 148 worker-artisans of both the Thanjavur and Swamimalai clusters drawn through disproportionate stratified random sampling method representing 50 per cent of the population from both the clusters. It was found that the access to finance was not a problem in the study areas concerned, as most of the MSEs voluntarily excluded themselves, citing business reasons. The problem lies in poor demand / market for the products and hence the low usage of bank credit besides a few cases of loan refusals. Further, the study also supports the findings of Vos et al. (2007) on contentment hypothesis. The study has developed a series of mnemonics for use by banks while screening the loan applications. The concept of men SHGs is yet to develop (as many of the artisans were not the members of any of the SHGs), and hence the use of SHGs in promoting entrepreneurship among worker-artisans was not established. Many international good practices and experiences that help reduce the constraints faced by MSMEs have been studied. Twelve best practices that could be emulated by India were identified and commended.