

## Financial Literacy and Access to Finance as Problems of Micro, Small and Medium Enterprise : A Review of Literature<sup>1</sup>

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### Abstract

Micro, Small, and Medium Enterprises (MSMEs) are the important elements in making a nation progressive by generating employment opportunities worldwide. But the growth of MSMEs is always challenged by some problems. Hence, this study seeks to investigate the major problems confronted by MSMEs in the growth process. For this, scholarly published articles, journals, OECD/NCFE Reports, Annual Report of MSME, and World Bank Reports have been reviewed for the study. Financial literacy (FL) and Access to finance (ATF) were detected as the severe problems among several constraints in MSMEs' growth process. Financial knowledge, attitude, and behavior are integral elements which help in improving the FL. A conceptual model is being prepared showing inter-relationship of improved growth of MSMEs by way of improved FL and increased ATF. The demand-side ATF is being reviewed in the study addressing the global approach.

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**Keywords :** MSME; Financial; Literacy; Access to finance; India

### I. Introduction

MICRO, SMALL, AND Medium Enterprises (MSMEs) are the vital ingredient of growth in developed as well as in developing nations (Bhuyan, 2016). But there are always some constraints due to which MSMEs face serious threats to be on the road to glory and hence unable to attain the desired success. Several problems affect the growth and development of MSMEs such as lack of capital, inadequate technology, absence of required skills, financial illiteracy of entrepreneurs, lack of awareness, ineffective governmental policies, etc.

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### 5.3 Limitations of the Research

Present research is a review of scholarly developments on FL and ATF and is based on secondary data and reports. Hence future research can be performed to find the problems of MSMEs concerning a particular country with the help of primary data. The empirical validation of the proposed conceptual model can be carried out. This study is majorly focusing upon the demand side factor of ATF but in future studies, supply-side factors of ATF could also be considered for theory building.

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