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FINANCING CONSTRAINTS ON SMES IN EMERGING MARKETS: DOES FINANCIAL LITERACY MATTER?

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Abstract

In the current context, SMEs in emerging markets are facing a number of obstacles to accessing financing sources. Therefore, various studies have discussed determinants of SMEs' accessibility to finance. Yet to expand the conceptual framework in this research area, this article proposes that financial literacy of owner/managers is a key influencing factor of SMEs' access to financing sources. The collaboration between firms' characteristics and owner/managers' characteristics, specifically financial literacy of owner/managers, develops the unification of power resources. This would lead to an improvement to the quality and efficiency of financial decision making of SMEs to overcome constraints on the access to financing sources in emerging markets.

Keywords: Financial Literacy, Credit Constraints, SMEs Financing, Emerging Markets.

JEL Classification: D14, G32, O1, O16.

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