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Abstract

This paper attempts to study financial access of unorganized manufacturing enterprises in India given their importance to the economy and the fact that finance has been the main constraint on their growth. We approach financial access from the macroeconomic growth perspective and hence focus on the availability of financial resources for the purpose of productive investment. Financial access is analysed at two distinct levels: 1) enterprises availing loan from the formal financial system; and 2) adequacy of loan from the formal financial sources in taking care of productive investment undertaken. The latter is measured as financial resource gap i.e. the proportion of productive investment *not* financed by the formal financial resources. Firm-level characteristics such as scale of operation, technology, performance, owned assets, ownership, education of owner, enterprise type, maintenance of accounts records and registration with government agencies, are considered as possible factors influencing financial access of enterprises. With the help of NSS unit level data and using Probit and Tobit, the results suggest that the unorganized manufacturing enterprises have limited financial access and large financial resource gap. Scale of operation, proportion of owned assets, enterprise type and ownership type, maintenance of accounts and registration with the government agencies found to have significant impact on the financial access of enterprises. Regarding financial resource gap, scale of operation, capital intensity, proportion of owned assets, education, maintenance of accounts and registration with government agencies turned out to be statistically significant factors.