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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.

I. Introduction

SMALL and Medium Enterprises (SMEs) are predominant business actors across countries in the world. In developing countries, SMEs are noted for their contributions to economic development [1]-[3]. Despite their small business capitalization, SMEs have created a snowball effect on a country's economy. Taking advantage of the large portion of SMEs within an economy, their operations have eased unemployment rate, supported domestic product and eventually generated income. However, SMEs are also affected by the domestic market upon which they operate. In this context, SMEs' growth in developed economies and their contributions differ from that of emerging economies.

In South East Asia, SME contribution is also significantly acknowledged [4]. Table I shows that amongst the selected countries, Indonesia hosts the most SMEs, which resulted in highest contribution to national GDP and total employment. The table also shows the comparative impact of small businesses to a national economy. These businesses are labor-intensive implied by the equally high contribution to employment. Based on these characteristics, Thailand presents similar case as Indonesia, thus the two countries have comparable economy profile in regards to SMEs.

TABLE I
PROPORTION OF SME' CONTRIBUTION [5], [6]

Relative to	Indonesia	Thailand	Malaysia	Singapore	Philippines
Total Establishments	99.9%	99.8%	97.3%	99,4%	99.6%
Gross Domestic Product	58.0%	37.0%	32.7%	45.0%	36.0%
Total Employment	97.2%	76.7%	57.4%	68.0%	61.0%

Access to finance is a strategic issue for SMEs' development [7], [8]. Financing stimulates opportunities for innovation and business growth particularly for start-up business [4]. The need to address SMEs' access to finance within ASEAN countries is even more crucial since SMEs' development is included in ASEAN Economic Community (AEC) Blueprint. In the advent of free movement of goods, services, capital and labour across ASEAN borders, the multiplier effect of SMEs on a national – or even regional – economy should not be overlooked. Despite the positive support from governments to fulfil SMEs' need of working capital, previous studies concluded that SMEs in developing countries, ASEAN countries included, are disadvantaged by low access to finance [7], [9], [10].

Financing providers are confronted with asymmetric information related to credit granting process [11], [10]. SMEs are deprived from receiving financing since lenders providers prefer to channel their funds to large businesses with more mature and well-established management of the business. Small companies present higher credit risk, higher transaction costs and provide lower return for lenders. Specifically, for Indonesia, evidence from previous studies showed the low

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access to finance obstructed MSMEs' capacity towards internationalization [13].

Based on abovementioned description, this research is aimed at examining factors affecting SMEs' access to finance in rural areas in Indonesia and Thailand. In order to focus the research, two rural areas are selected for Indonesia (Kota Depok and Kota Bogor) and Thailand (Hua Hin and Cha Am). The factors are seen from both supply (SMEs) and demand (financial institutions) perspectives. The significance of understanding these determinants comes in twofold. First, it would address the gap whereby academic research on access to finance specific to Indonesia and Thailand is not available. In this context, this study includes local and cultural context. Second, it would bridge the current gap between MSMEs and their financing providers in Indonesia based on comparative study with Thailand. Findings from this research should provide insights for policy making purposes to allow SMEs development in general.

II. Key Concepts of Access to Finance

A. Definitions of SMEs

One of the problems in cross-sectional studies on SMEs is the lack of conventions on the definition of SMEs. Countries across the world use different measures to categorize micro, small and medium enterprises. Although number of employees and business volume turnover appear to be the most common features to define MSMEs, their use also differ from one country to another. This issue predominantly occurs in developing countries compares to developed countries. European countries that are members of European Unions, for example, are benefitted from a uniform definition [14]. The clear definition allows straightforward policy and coordination amongst relevant stakeholders. In developing countries where SMEs development is a collaborative program with source of financing relatively contributed by national and foreign donors, it is crucial to have a consistent definition to be used for policy and development purposes [4].

In Indonesia, there are three definitions applied by government authorities. Table II shows that number of employees is the criteria used for statistical purpose. On the other hand, net assets (excluding land) and business turnover are used by the responsible ministry and the central government as formalized in Law Number 20 Year 2008 on Micro, Small and Medium Enterprises. In this research, we will use the definition as per Law Number 20 Year 2008 since this definition is the one employed by financial institutions in Indonesia.

TABLE II
DEFINITIONS OF MSMEs IN INDONESIA

Institution	Micro	Small	Medium
Bureau of Statistics	Not available	5 - 19 employees	20 - 99 employees
State Ministry of Cooperatives and SMEs	Not available	Net assets value of less than IDR 200 million (USD 14,886), AND less than IDR 1 trillion (USD 74,644) of annual sales	Net assets value between IDR 200 million (USD 14,886), AND IDR 10 trillion (USD 746,446)
The Government of Indonesia	Less than IDR 50 million (USD 3,734) of net assets, OR less than IDR 300 million (USD 22,409) of annual sales	Net assets value between IDR 50 million (USD 3,734) and IDR 500 million (USD 37,348), OR annual sales value between IDR 300 million (USD 22,409) and IDR 2.5 trillion (USD 185,494)	Net assets value between IDR 500 million (USD 37,343) and IDR 10 trillion (USD 746,446), OR annual sales value between IDR 2.5 trillion (USD 185,494) and IDR 50 trillion (USD 3,730,169)

Source: [15]-[17]; Conversion rate used: USD 1 = IDR 13,434.81, rounded to the nearest dollar.

TABLE III
DEFINITIONS OF SMEs IN THAILAND

Type	Number of employees		Fixed Assets	
	Small	Medium	Small	Medium
Manufacturing	< 50	51 - 200	< 50	50 million – 200 million THB (USD 1,398,017 – 5,594,106)
Services	< 50	51 - 200	< 50	50 million – 200 million THB (USD 1,398,017 – 5,594,106)
Wholesale	< 25	26 - 50	< 50	50 million –100 million THB (USD 1,398,017 – 2,797,331)
Retail	< 15	16 - 30	< 30	30 million –600 million THB (USD 839,224 – 16,784,482)

Source: [18]; Conversion rate: USD 1 = 35.7649 Baht (THB), rounded to the nearest dollar

In Thailand, definitions of SMEs are provided in broader meaning compared to Indonesia [19]. The criteria are determined based on the type of industry their business is operating. According to [18], SMEs in Thailand are defined according to number of employees and the size of their fixed assets excluding land. Table III shows that there are typically three categories of SMEs, namely that of Manufacturing and Services sectors, Wholesale sector and Retail sector. There is no specific category for micro business, although the term "micro" is used in informal documents. Tables II and III depict the problematical definition between these two countries. Referring to number of employees, the small enterprises operating in manufacturing, services and wholesale sectors in Thailand would be categorized in the same group as SMEs in Indonesia. In terms of Thai's retail medium enterprises, they are classified as medium enterprise in Indonesia. Similarly, using the value of fixed assets (excluding land), the definition of Thai' medium enterprise intersects with that of micro and small enterprises in Indonesia. This means, what is construed as medium enterprise in Indonesia falls into big enterprise in Thailand. In order to ensure compatibility of the findings, this research focuses on micro and small enterprises in Indonesia which is comparable with SMEs in Thailand. Thus, the terms "MSME" and "SME" are used interchangeably in this study.

B. Microfinance Institutions

Microfinance institution (MFI) refers to a formal and informal institution that provides financial intermediary to those who have little or no access to banks [20]-[22]. These scholars identified social objective as the distinction between microfinance institution and other financial institution. Emerge as a vehicle to promote informal financing, microfinance institution is "tasked" not only to provide financing, but also to alleviate poverty, to nurture women participation in economy and to increase living standard of its customers [23]. In addition, microfinance institution is expected to financially viable and achieved financial sustainability. Maintaining good financial performance creates a challenge for microfinance institutions since (1) they cannot price their product (i.e. credit) competitively, and (2) most of these institutions are financially subsidized which raise the dependency issue. A handful microfinance institution survives the financial assistance ruse. One of these institutions is People' Bank (Bank Rakyat Indonesia, BRI) in Indonesia [21], [24], [25]. The twofold goals, though noble in intent, continue to fail to complement each other and eventually affected the performance of microfinance institutions. Reference [26] marked the dilemma as "Microfinance Schism" and offered a win-win solution which involved a separation of goal and innovative lending schemes.

Throughout time, traditional financial intermediaries such as commercial banks joined the microfinance enthusiasm [22]. They provide financing for "unbankable" customers and small-scale businesses under the perception that it is profitable after all. The motivation to serve small scale businesses is supported by two facts. First, across the world, small businesses have risen above the financial crises which imply financial sustainability. Second, the involvement with small business financing will allow banks to fulfill their own interests. The first interest is to gain economic incentive [22]. The second interest is to gain social incentive whereby banks claim their acts to serve and be involved in small business financing as part of their corporate social responsibility [22].

In Indonesia and Thailand, traditional financial intermediaries are an integral part of microfinance institutions. Indonesian commercial banks are mandated to achieve a predetermined threshold of MSMEs' loans. The rationale for inclusion of banks as financing providers for small business can be found on their strong capital structure and financial performance. Thus, banks are more equipped to offer competitive and attractive credit scheme. However, this rationale has not stood the test of time. Reference [22] found that traditional financial institutions are reluctant to meet small business financing needs due to substandard cost-benefit analysis even when these businesses are bankable. Within this context, Thailand provides an advance outlook with government active involvement in the matter since 2008. There are four Specialized Financial Institutions (SFIs) to serve more than 99% SMEs that form the nation's economy. These are microfinance institutions in their entirety since they serve the twofold functions. They are facilitated and supported by government policies. Their innovative financing includes the "One Village One Product" (OTOP) loans and asset capitalization program (SME Development Bank of Thailand).

C. Access to Finance

Access to finance is defined as "the ability of an individual or enterprise to obtain financial services" [27]. These provisions include savings, loans and other financial products such as insurance. The emphasis on access to finance lies on the existence of opportunity and availability of financial provision rather than the utilization of such provision. Reference [27] further describes the distinction between access to finance and the actual exercise of these opportunities. In this context, intention acts as the discriminating factor. People (or enterprise), as part of the general population, who are in need of financial service but not served by financial institutions are said to be involuntary excluded from acquiring financial services. The majority of the reasons to exclude this group relates to disparity in objectives between financing providers and (prospective) users.

The significance of access to finance can be linked to financial growth and welfare [7], [28]. It shows that there is inequality due to financial exclusion of some groups. To include these groups, financial institutions should provide equal opportunities and affordable financial services as are provided to the rest of the population. The use of financial provisions serves as the engine for individual and enterprise to engage in the economy further, thus reducing poverty and increasing welfare. In the case of SMEs, the issue of financial exclusion is marked as the second factor that hampers their business growth [29]. SMEs in Indonesia and Thailand experience the same challenge when it comes to access to finance [4]. The main reason for this relates to information asymmetry, which lead to moral hazard and adverse selection.

It was argued that MSMEs' self-reliance in financing is resulted in their agility towards the changing economic environment [30]. The fact that MSMEs are relatively alienated from financing provisions by microfinance institutions has proven to be an advantage and disadvantage at the same time. Whilst it contributes to the country's economic performance during peril times, it also obstructs MSMEs growth capability [9], [10]. The main reason for low count of financing provisions to MSMEs can be traced back to MSMEs' informal and unsystematic governance of their business [31], [32]. In this regard, it is essential to understand factors that are affecting small businesses access to acquire financing as well as loan providers' financing schemes when assessing MSMEs' access to financing.

Access to finance is measured from supply and demand side. There are three dimensions to access to finance measurement, namely physical access, affordability, and eligibility [27]. These dimensions are translated into below indicators:

1. Credit demand: reasons for not having bank account, barriers to access (location, fees, processing time, document requirements), source of finance, preference of financing, reason for not applying for credit, reason for being rejected by financial institution, internal financial structure.
2. Credit supply: appropriate product and service, reasons for rejecting financial provision, credit registry, processing time, credit information sharing, importance of collateral.

These dimensions and indicators show the significance of asymmetry information that eventually increases the price of financial product and service. This research will use the same dimensions and indicators mentioned above with considerations to local context.

D. Previous Studies

Studies on access to finance are commonly carried out using international perspective based on the initiative of The World Bank. These studies [7], [8], [32]-[36] provide an understanding of relationship between access to finance and the economy. In these studies, access to finance is seen from the supply side. Financing providers in developing countries (banks and other MFIs, are challenged with physical access and financial incentive [8], while [34] highlights product innovation and networking capacity of these financing providers. This leads to a call for government intervention related to collateral policy and financial institution reform [37]. Previous studies [7], [8], support the asymmetric information argument to explain the impediment of SMEs financing. Essentially, the lack of reliable and comprehensive credit information from SMEs have led to increased price of the product pricing. Using the number of SME loan as indicator for access to finance, previous studies concluded that access to finance in developing countries is significantly impaired.

Studies on regional and national level are notably limited. To the best of the authors' knowledge, primary research for ASEAN countries are scarce. The more common approach to address this issue is through desk study and interviews with finance providers. Scholars [33] have identified the need for an instrument (questionnaire) to collect more comprehensive data from finance users. To this date, an instrument that is accepted by academic and business community is yet available. As such, this research is carried out to fill the gap in the body of literature.

III. Financing Issues in Indonesia and Thailand

SMEs in Indonesia and Thailand share the same significant role to respective economy. As the backbone of domestic market, the government has strategic interest to maintain the existence of these small businesses. Development of SMEs in Indonesia and Thailand has followed a different path. Although financial exclusion of SMEs occurs in Indonesia and Thailand, the government of Thailand has responded to this urgent situation in a more systematic manner through various pro-MSME policies and financial system reform [12]. The government of Indonesia depends on commercial banks to meet MSMEs financing needs. This is realized through directives to allocate banks' loan portfolio to MSMEs financing [38]. However, there is unclear evidence that this policy has been successful. The development of Co-operatives is also lagged despite the fact that they have maximum outreach potential to serve MSMEs at grassroots level. In contrast, the government of Thailand shares financing obligations to several SFIs, namely SME Development Bank, Bank of Agriculture and Agricultural Cooperatives, Government Savings Bank and Export-Import Bank. The distinction of responsibilities has led to more effective approach in fulfilling their target.

Another difference between SMEs in Indonesia and Thailand can be seen from their business resilience during financial crises. Indonesian economy was able to avoid the aftermath of global financial crises in 1998 and 2008 due to the economic viability of MSMEs [9]. On the other hand, MSMEs in Thailand showed less resilience during 1998 financial crisis. When compared to large-scale businesses, there were more SMEs' suffered from scaling down their business and bankruptcy [38]. This might closely have related to the business nature of these MSMEs. According to [39], as many as 98% of the total operating business in Thailand is SMEs that are manufacturing companies. The downfall of US financial system which impact have reached Asian region has affected this industry severely. The situation was worsened by the country's weak financial structure. Since then, Thai Government has managed to improve its economic infrastructure and monetary regime [40]. One of the main reform priorities is related to financing policies and practices, which entails a reformulation of SME definition [36]. Taking into account the high non-performing loans (NPLs) of small businesses, the government regulated reformation of SME Bank. The shift in paradigm required the SME Bank to take on more active role and responsibilities toward empowerment of SMEs [12]. The fruit of these efforts can be seen from the small businesses' contribution to national economy as shown in Table I. In this regard, it is essential to understand the transformation of financing providers in Thailand that they are able to achieve their business goals and fulfill the social demand to promote SMEs business sustainability at the same time.

IV. Research Methodology

In order to achieve the research aim, questionnaires are distributed to 30 SMEs' owners in each of the selected rural areas in Indonesia (Kota Depok and Kota Bogor) and Thailand (Hua Hin and Cha Am). Rural areas in each country are host to homogenous industry. Majority SMEs in Kota Depok and Kota Bogor operate in food and beverage, laundry service, clothing and small fashion ornaments. Majority SMEs in Hua Hin and Cha Am operate in retail sector focusing on food and beverages, hair beauty, medicines and furniture. This amounted to 120 respondent selected using systematic random and accidental sampling. The questionnaire covers three dimensions of access to finance, they are: Accessibility, affordability and eligibility. Questions are designed to obtain the SMEs' financing behavior including their financing needs and preference, experience with bank(s), financial risk and business growth. Likert 5-scale is used on the questionnaire with final data presented in three categories, namely "Inappropriate" (for negative response), "Neutral" and "Appropriate (for positive response). Data collected from the questionnaires are processed using Statistical Package for the Social Science version 17 (SPSS 17). In addition, interviews with bank officials in both countries are conducted to explore the issue in more detail. The list of questions includes financing scheme, innovative financing product, and loan policy. Findings from interviews are used to understand the different microfinance policy between Indonesia and Thailand and to explore any cultural context that might affect the policy. One particular difference related to financing providers is the more concentrated market in Thailand as opposed to that in Indonesia. Banks are more homogeneous in terms of their business scope. The similar context between the two countries can be found in the fact that banking sector is heavily regulated by authorities in respective countries.

V. Findings and Discussion

A. Characteristics of Respondent

Table IV shows comparable profile between respondent in Indonesia and Thailand in terms of gender and personal bank account. However, SMEs in Thailand are more systematic in managing their business finance compares to their Indonesian counterpart. This is indicated by higher number of SMEs operating using separate bank account in Thailand (61.7%) than in Indonesia (38.3%). Another argument for this different style is inferred from interviews with banks in Thailand. Financing is based more on business liquidity verified by historical transactions on their bank account. Thus, SMEs in Thailand are motivated to own separate account. In Indonesia, financing is also based on business sustainability with primary documents present business legality. In this regard, SMEs in Indonesia are lacking incentive to have separate business account.

TABLE IV
Respondent Profile (Selected)

Description	INA	THA
Gender:		
Female	55. 0%	58.3%
Male	45.0%	41.7%
Own a personal bank account:		
Yes	93.3%	91.7%
No	6.7%	8.3%
Own a separate bank account for business:		
Yes	38.3%	61.7%
No	61.7%	38.3%
House and/or business is located near a bank:		
Yes	93.3%	85.0%
No	6.7%	15.0%

B. Accessibility Dimension

There are three questions that reflect accessibility dimension. This dimension refers to ease of access rather than geographical distance between SMEs and financing providers [27].

Table V shows an agreement amongst sampled SMEs in both countries on their ease of access to banks. However, SMEs in Indonesia have higher positive response (98.3%) than Thailand (83.30%). Many of Thai SMEs responded neutral (6.0%) compared to Indonesia (1.0%) which can be assigned to demographical difference. The density for the selected rural area in Kota Depok and Kota Bogor are 15,063 inh/km^2 and 9,067 inh/km^2, respectively. On the other hand, density rate for Hua Hin is 93.17 inh/km^2 and 111.8 inh/km^2 for Cha Am. The fact that SMEs in Kota Depok and Kota Bogor have more banks located surround their house and/or business place has contributed to their easier access to financing providers. These two arguments explain the slightly different response on ease of access to banks between the two countries.

TABLE V
Accessibility Dimension

Description	Inappropriate		Neutral		Appropriate	
	INA	THA	INA	THA	INA	THA
Bank(s) is (are) located near my house	13.3%	15.0%	1.7%	15.0%	85.0%	70.0%
Bank(s) is (are) located near my place of business	6.7%	8.3%	3.3%	13.3%	90.0%	78.3%
Bank(s) is (are) easy to access with public or personal transportation	1.7%	0.7%	0.0%	15.0%	98.3%	83.3%

C. Eligibility Dimension

Eligibility dimension address the cognitive and affective drive of SMEs' owners. There are five questions designated to capture SMEs knowledge on financial provisions and their perception on their financing likelihood.

Table VI shows that SMEs in Indonesia perceive themselves knowledgeable on banking products in general and products that are intended for SMEs including the related administrative procedures. Thai SMEs response on these questions has to be cautiously analyzed with the high number of the neutral and negative responses. Based on the interviews, several banks in Thailand have regular information sessions (e.g. twice a year) to reduce the accessibility gap. This suggests that the efforts might not be sufficient for banks to promote their products.

TABLE VI
Eligibility Dimension

Description	Inappropriate		Neutral		Appropriate	
	INA	THA	INA	THA	INA	THA
I know a range of financial services offered by bank(s)	20.0%	30.0%	5.0%	35.0%	75.0%	35.0%
I know SMEs' financial services offered by bank(s)	26.7%	30.0%	5.0%	41.7%	68.3%	28.3%
I am familiar with loan application procedures applied by bank(s) to my business	18.3%	21.7%	0.0%	21.7%	81.7%	56.7%
I am able to provide collateral for my loan application	13.3%	13.3%	6.7%	18.3%	80.0%	68.3%
I am able to provide all documents required for loan application	16.7%	6.7%	3.3%	18.3%	80.0%	75.0%

In terms of their financing capability, SMEs in both countries respond in the same manner. Both acknowledge their abilities to fulfill bank administrative and financial requirements. Notwithstanding previous studies on the relationship between collateral and SMEs lending [41]-[43], SMEs do not perceive collateral as an issue that weakens their position in obtaining financing. This suggests that there is a dissenting view between SMEs and banks with regard to the role of collateral. Based on the interview with Indonesian banks, it is found that collateral quality remains an issue. The unreliable collateral increases loan price to cover banks' cost to mitigate this additional risk. On the other hand, Thai banks do not express any significant concern related to collateral. Banks will automatically take SMEs' business as financial collateral in the absence of any other collateral.

In contrast to banks' perception about the low quality of SMEs' documents, Indonesian SMEs do not acknowledge any potential difficulties in satisfying bank's administrative requirement. This is another room for asymmetric information that might lead to high loan price. As for Thailand, the main document for loan application is SMEs' bank book. In this regard, asymmetric information does not exist since the document is issued by bank. This also suggests that administrative procedure for loan application is much simpler in Thailand than in Indonesia.

D.Affordability Dimension

There are two questions proposed to measure affordability dimension, they are SMEs' perception on their capacity to satisfy bank's administrative requirement and loan pricing.

TABLE VII
AFFORDABILITY DIMENSION

Description	Inappropriate		Neutral		Appropriate	
	INA	THA	INA	THA	INA	THA
Documents required by banks are easily provided	25.0%	16.7%	13.3%	21.7%	61.7%	61.7%
The loan interest is affordable	26.7%	16.7%	18.3%	15.0%	55.0%	68.3%

Table VII shows that SMEs in Indonesia and Thailand are quite confident about their ability to meet banks' administrative and financial requirement. However, the inappropriate response on documents (25.0% for Indonesia and 16.7% for Thailand) warrants a closer look especially when it is compared to the similar question in eligibility dimension. It seems that SMEs in both countries have less confidence when a qualitative indicator – easily provided - is introduced. This suggests that SMEs still have reservations in their ability to meet banks' standard. In Indonesia case, banks are obliged to prudently operate especially when information is unreliable or scarce. Thus, trust issue between SMEs and banks remains unresolved. The response on interest rate is consistent with previous studies that identified interest as one of the "Achilles heel" in SME development [42], [44]. Although interest rates in Indonesia and Thailand are determined by respective Central Bank, the rate does not seem to facilitate SME financing.

E. Local and Cultural Context

In the questionnaire, there are four questions designed to explore the role of alternative financing providers which are commonly found in developing countries [45], [46]. These alternative financing can come from formal organization such as pawnshop, factoring and cooperative units, or informal group such as family and friends. The additional questions are separated from the three dimensions since they present different consequences and issues to SMEs.

Table VIII shows that there is more variety of financing alternatives in Indonesia than in Thailand. This is consistent with microfinance policy set by the Thai government which concentrates the market to 14 commercial banks and 2 retail banks. In contrast, the very saturated market in Indonesia hosts 118 commercial banks and 1,644 rural banks. In addition, there are cooperative units, pawnshops and leasing companies operating and providing financing to SMEs in Indonesia. As such, SMEs in Indonesia prefer to go to bank as opposed to the other three formal financial institutions. Most of the arguments provided for such preference are: (1) security reason, (2) professionalism, (3) lower interest rate and (4) unlimited fund.

Bank's dominance as SMEs' primary financing resource is challenged by informal alternative, namely family and/or friends. Whilst both countries share some cultural values, it is clear that borrowing money for business from acquaintance is not one of these values. As many as 63.3% of the sampled Indonesian SMEs acknowledge the presence of family and/or friends as their potential financiers with 73.78% of them would act on it if need arises. Only 33.3% of the sampled Thai SMEs acknowledge the existence of family and/or friends for their financial last resort with 90.1% admit that they would borrow money for their business. The readiness of Indonesian SMEs to take advantage from their family and/or friends is based on these reasons: (1) ease of documents, (2) religious view on interest, (3) relax installment terms, (4) absence of collateral, (5) personal closeness and (6) "unbankable".

TABLE VIII
FINANCING ALTERNATIVES

Description	Inappropriate		Neutral		Appropriate	
	INA	THA	INA	THA	INA	THA
I have friends/family who can lend money for my business when I need it	35.0%	48.3%	1.7%	18.3%	63.3%	33.3%
I prefer to borrow money from friends / family than to the Bank	45.0%	58.3%	8.3%	11.7%	46.7%	30.0%
I prefer to borrow money from cooperative units (or other informal financial institutions) than to the Bank	46.7%	93.3%	20.0%	3.3%	33.3%	3.3%
I prefer to use the services of pawnshops / leasing than the bank	53.3%	83.3%	18.3%	3.3%	28.3%	3.3%

In affordability dimension, trust issue is identified as SMEs in Indonesia decrease their confidence to meet banks' rigorous administrative requirement. Table VIII shows consistent response of SMEs in Indonesia and Thailand in relations to respective country's microfinance policy. Based on the interview with Indonesian banks, trust issue occurs as a result of unsystematic management of SMEs' business. This leads to unreliable data which in turn increases SMEs' credit risk. To overcome this problem and mitigate credit risk, banks conduct a rigorous data collection. Therefore, they form good professional relationship with their clients. This explains the strong positive response (80%) and low negative response (13.3% and 16.7%) for both questions.

Interview with Thai banks reflects the non-existence of trust issue due to the aforementioned reason. This explains the moderate responds to these questions. SMEs in Thailand do not identify any excess support extended to them. The different issue stems from, among other, the country's microfinance policy. Whilst the Indonesian government emphasizes on empowerment of SMEs, the Thai government focuses on supporting SMEs' operational capability. Indonesian government translates the policy into programs that strengthen managerial aspects (production, marketing, finance and human resource). Thai government follows strict path towards improving its financing providers to better serve SMEs needs.

TABLE IX
RELATIONSHIP WITH BANK PERSONNEL

Description	Inappropriate		Neutral		Appropriate	
	INA	THA	INA	THA	INA	THA
I have good professional relationship with bank (staff) that operates around my house / location of my business	13.3%	13.3%	6.7%	18.3%	80.0%	68.3%
Bank's staff help me to comply to every requirement set by bank(s) for financing my businesses	16.7%	6.7%	3.3%	18.3%	80.0%	75.0%

VI. CONCLUSIONS

In developing countries, SMEs have significant contribution to the national economy. Nevertheless, their growth is obstructed by lack of access to finance. Previous studies provide international perspective on the issue which highlights issues faced by financing providers. This research fills the gap in the literature by not only providing perspective from Indonesia and Thailand, but also presenting SMEs' perception on their access to finance. Dimensions that are used to measure access to finance are accessibility, eligibility and affordability with additional local and cultural context. Questionnaires are distributed to selected SMEs in Indonesia (Kota Depok and Kota Bogor) and Thailand (Hua Hin and Cha Am) amounted to 120 SMEs. Interviews with banks in both countries are conducted to explore clarifications on open issues.

Findings of this research suggest that SMEs in Indonesia and Thailand perceived to have good access to finance. Asymmetric information occurs in Indonesia case with slight consequence on SMEs' hesitation towards meeting banks' rigorous financing procedure. Thai SMEs do not experience asymmetric information or trust issue. The local and cultural context introduces financing alternatives and trust issue for Indonesia. Banks are regarded leading financing provider with slight disruption when informal financing alternative is available. These findings warrant for microfinance policy refinement for Indonesia, which should be addressed in future research.

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