

**DETERMINANTS AND PATTERN OF FINANCING IN  
MICRO AND SMALL ENTERPRISES: A STUDY IN  
BARAK VALLEY, ASSAM**

*A thesis submitted to Assam University, Silchar in partial  
fulfillment of the requirement for the Degree of Doctor of  
Philosophy (Ph.D) in Commerce*

*by*

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**Ph.D. Registration No.: Ph.D/1649/2011**

**Dated 21/09/2011**



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2017**

## **Chapter-VII**

### **Findings and Suggestions**

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## Chapter-VII

### Findings and Suggestions

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#### 7.1 Summary of Findings of the Study

Summary of Findings of the present study are presented in the following sections -

##### **A. Summary of Findings in relation to objective No.1**

1. The study has identified fourteen important factors / determinants determining fixed capital requirements of micro and small enterprises in Barak Valley which are nature of business, size of the business, choice of techniques, method of acquiring fixed assets, growth prospects, types of product, product diversification, scope of business, technology up gradation, international environment and economic conditions, changes in consumer preference, competition, government rules and regulations and estimation of intangible assets requirements. It has been found from the study that the factor nature of business is the most important factor determining fixed capital requirements of micro and small enterprises in Barak Valley while product diversification is the least important factor determining fixed capital requirements of the enterprises in the Valley.
2. The factor nature of business is found to be the most important factor determining fixed capital requirements of micro enterprises and product diversification is found to be the least important factor determining fixed capital requirements of micro enterprises in Barak Valley.
3. The factor nature of business is also found to be the most important factor determining fixed capital requirements of small enterprises while product diversification is found to be the least important factor determining fixed capital requirements of small enterprises in Barak Valley.
4. The result of two independent samples Mann-Whitney U test reveals that there is statistically significant difference between the responses of the owners / managers

of micro enterprises and small enterprises about the degree of importance of the factors namely nature of business, size of the business, choice of technique, method of acquiring fixed assets, growth prospect, types of product and technology up gradation capable of determining fixed capital requirements of the enterprises in Barak Valley at 5% level of significance.

5. The present study reveals that the factor nature of business is the most important factor determining fixed capital requirements of manufacturing enterprises while product diversification is the least important factor determining fixed capital requirements of manufacturing enterprises in the Barak Valley.
6. The factor nature of business is the most important factor determining fixed capital requirements of service enterprises while the factor types of product is the least important factor determining fixed capital requirements of these enterprises in the Barak Valley.
7. The result of two independent samples Mann-Whitney U test reveals that there is statistically significant difference between the responses of the owners / managers of manufacturing enterprises and service enterprises about the degree of importance of the factors namely nature of business, size of the business, choice of technique and types of product capable of determining fixed capital requirements of the enterprises in Barak Valley at 5% level of significance.
8. The study has also identified twenty six important factors determining working capital requirements of micro and small enterprises in Barak Valley which are nature of business, size of business, seasonal variations, manufacturing process, working capital cycles, rate of stock turnover, credit policy, business cycles, rate of growth of the business, earning capacity, credit availability, dividend policy, management's ability, competition level, profit appropriation, price level changes, operating efficiency and performance, demand conditions, leverage, return on assets, tangibility of assets, growth opportunities, level of economic activity, profit planning and control, production policy and external environment. It has been found from the study that the factor competition level is the most important factor determining working capital requirements of micro and

small enterprises in Barak Valley while size of the business is the least important factor determining working capital requirements of the enterprises in the Valley.

9. The factor competition level is found to be the most important factor determining working capital requirements of micro enterprises and size of the business is found to be the least important factor determining working capital requirements of micro enterprises in Barak Valley.
10. The factor manufacturing process is the most important factor determining working capital requirements of small enterprises while size of the business is also found to be the least important factor determining working capital requirements of small enterprises in the Valley.
11. The result of two independent samples Mann-Whitney U test reveals that there is statistically significant difference between the responses of the owners / managers of micro enterprises and small enterprises about the degree of importance of the factors namely manufacturing process, working capital cycle, rate of stock turnover, credit policy, business cycles, rate of growth, earning capacity and competition level capable of determining working capital requirements of the enterprises in Barak Valley at 5% level of significance.
12. In this study, it has been found that the factor working capital cycle is the most important factor determining working capital requirements of manufacturing enterprises while size of the business is the least important factor determining working capital requirements of manufacturing enterprises.
13. The factor competition level is found to be the most important factor determining working capital requirements of service enterprises while rate of stock turnover is the least important factor determining working capital requirements of service enterprises in the Barak Valley.
14. The result of two independent samples Mann-Whitney U test reveals that there is statistically significant difference between the responses of the owners / managers of manufacturing enterprises and service enterprises about the degree of importance of the factors namely manufacturing process, working capital cycle,

rate of stock turnover and credit policy capable of determining working capital requirements of the enterprises in Barak Valley at 5% level of significance.

## **B. Summary of Findings in relation to objective No.2**

1. It has been found from the study that out of the seven sources of long term finance of micro and small enterprises, own capital is the major source of long term finance followed by banks and professional money lenders.
2. Own capital is found to be the major source of long term finance of micro enterprises followed by banks and family members and relatives.
3. It has been found that banks is the major source of long term finance of small enterprises followed by own capital and professional money lenders.
4. Own capital is found to be the major source of long term finance of manufacturing enterprises followed by banks and professional money lenders.
5. Own capital is also found to be the major source of long term finance of service enterprises followed by banks and family members and relatives.
6. The study results that out of the ten sources of short term finance of micro and small enterprises, own capital is the major source of short term finance followed by trade credit and instalment credit.
7. Own capital is found to be the major source of short term finance of micro enterprises followed by trade credit and family members and relatives.
8. Own capital is found to be the major source of short term finance of small enterprises followed by banks and instalment credit.
9. Own capital is found to be the major source of short term finance of manufacturing enterprises followed by trade credit and banks.
10. Own capital is also found to be the major source of short term finance of service enterprises followed by trade credit and family members and relatives.

### **C. Summary of Findings in relation to objective No.3**

1. It has been found from the study that the factor time period is the most important factor affecting procurement of finance from long term sources by micro and small enterprises in Barak Valley while form of organisation is the least important factor affecting procurement of finance from long term sources by micro and small enterprises in the Valley.
2. The factor time period is found to be the most important factor affecting procurement of finance from long term sources by micro enterprises and form of organisation is found to be the least important factor affecting procurement of finance from long term sources by micro enterprises in Barak Valley.
3. The factor time period is also found to be the most factor affecting procurement of finance from long term sources by small enterprises and the factor knowledge is found to be the least important factor affecting procurement of finance from long term sources by small enterprises in the Valley.
4. The result of two independent samples Mann-Whitney U test reveals that there is statistically significant difference between the responses of the owners / managers of micro enterprises and small enterprises about the degree of importance of the factors namely documentation formalities, inadequacy of finance, time period, risk, form of organisation and knowledge capable of affecting procurement of finance from long term sources by the enterprises in Barak Valley at 5% level of significance.
5. The factor time period is found to be the most important factor affecting procurement of finance from long term sources by manufacturing enterprises while form of organisation is found to be the least important factor affecting procurement of finance from long term sources by these enterprises in Barak Valley.
6. The factor knowledge is found to be the most important factor affecting procurement of finance from long term sources by service enterprises and cost of

finance is found to be the least important factor affecting procurement of finance from long term sources by service enterprises in Barak Valley.

7. The result of two independent samples Mann-Whitney U test reveals that there is statistically significant difference between the responses of the owners / managers of manufacturing enterprises and service enterprises about the degree of importance of the factor namely time period capable of affecting procurement of finance from long term sources by the enterprises in Barak Valley at 5% level of significance.
8. It has been found from the study that the factor time period is the most important factor affecting procurement of finance from short term sources by micro and small enterprises in Barak Valley while form of organisation is the least important factor affecting procurement of finance from short term sources by the enterprises in Barak Valley.
9. The factor time period is found to be the most important factor affecting procurement of finance from short term sources by micro enterprises while form of organisation is found to be the least important factor affecting procurement of finance from short term sources by micro enterprises in Barak Valley.
10. The factor risk is found to be the most important factor affecting procurement of finance from short term sources by small enterprises while form of organisation is found to be the least important factor affecting procurement of finance from short term sources by the these enterprises in the Valley.
11. The result of two independent samples Mann-Whitney U test reveals that there is statistically significant difference between the responses of the owners / managers of micro enterprises and small enterprises about the degree of importance of the factors namely documentation formalities, inadequacy of finance, cost of finance, risk, form of organisation and knowledge capable of affecting procurement of finance from short term sources by the enterprises in Barak Valley at 5% level of significance.



12. The factor time period is found to be the most important factor affecting procurement of finance from short term sources by manufacturing enterprises while form of organisation is found to be the least important factor affecting procurement of finance from short term sources by these enterprises in Barak Valley.
13. The factor knowledge is found to be the most important factor affecting procurement of finance from short term sources by service enterprises and documentation formalities is found to be the least important factor affecting procurement of finance from short term sources by service enterprises in Barak Valley.
14. The result of two independent samples Mann-Whitney U test reveals that there is statistically significant difference between the responses of the owners / managers of manufacturing enterprises and service enterprises about the degree of importance of the factors namely documentation formalities, inadequacy of finance, cost of finance, time Period and risk capable of affecting procurement of finance from short term sources by the enterprises in Barak Valley at 5% level of significance.

#### **D. Summary of Findings in relation to objective No.4**

1. It has been found from the study that most of the total micro and small enterprises in Barak Valley are not aware about incentives of Central Government as it is observed from the field survey that there is lack of proper co-operation from officials of the District Industries and Commerce Centres of the three districts of Barak Valley and the educational qualifications of the respondents of the Valley are very poor. The perceived level of awareness of micro and small enterprises about incentives of Central Government in Barak Valley varies from 28.05% to 35.37%. It is very surprising that 64.63% to 71.95% of the total micro and small enterprises in the Valley are not aware about any of the incentives of Central Government. Most of the micro and small enterprises in Barak Valley are aware of capital investment subsidy (35.37%) and least of them are aware of comprehensive insurance scheme (28.05%).

2. In this study, the researcher has found that micro and small enterprises in Barak Valley who are aware about incentives of Central Government, most of them have not applied for the incentives. To be more specific the micro and small enterprises in Barak Valley who are aware about incentives of the Central Government but have not applied for excise duty exemption (75.00%), income tax exemption (65.06%), capital investment subsidy (60.92%), interest subsidy on working capital loan (56.96%), comprehensive insurance scheme (72.46%) and transport subsidy (78.08%). After discussion with the respondents, it is found that most important reasons for not applying the incentives of Central Government are procedural complicity, legal formalities, private payment to officials and delay in sanctioning and releasing the incentives.
3. It is clear from the study that most of the micro enterprises in Barak Valley are not aware about incentives of Central Government. The perceived level of awareness of micro enterprises about incentives of Central Government in the Valley varies from 19.40% to 26.37%. It is very surprising that 73.63% to 80.60% of the micro enterprises in the Valley are not aware about any of the incentives of Central Government. Most of the micro enterprises are aware of capital investment subsidy (26.37%) and least of them are aware of comprehensive insurance scheme (19.40%).
4. It has been observed from the study that the micro enterprises in Barak Valley who are aware about incentives of Central Government, most of them have not applied for the incentives. To be more specific the micro enterprises in Barak Valley who are aware about incentives of the Central Government but have not applied for excise duty exemption (87.76%), income tax exemption (72.34%), capital investment subsidy (66.04%), interest subsidy on working capital loan (62.05%), comprehensive insurance scheme (66.67%) and transport subsidy (80.00%).
5. It has been found from the study that most of the small enterprises in Barak Valley are not aware about incentives of Central Government. The perceived level of awareness of small enterprises about incentives of Central Government in the Valley varies from 66.67% to 80.00%. However, 20.00% to 33.33% of the

small enterprises in the Valley are not aware about any of the incentives of Central Government. Most of the small enterprises are aware of income tax exemption (80.00%) and least of them are aware of comprehensive insurance scheme (66.67%).

6. The finding of the survey reflects that the small enterprises in Barak Valley who are aware about incentives of Central Government, most of them have not applied for the incentives. To be more specific the small enterprises in Barak Valley who are aware about incentives of the Central Government but have not applied for excise duty exemption (57.14%), income tax exemption (55.56%), capital investment subsidy (52.94%), interest subsidy on working capital loan (48.39%), comprehensive insurance scheme (80.00%) and transport subsidy (75.76%).
7. The study reveals that most of the manufacturing enterprises in Barak Valley are not aware about incentives of Central Government. The perceived level of awareness of manufacturing enterprises about incentives of Central Government in the Valley varies from 30.93% to 39.18%. It is very surprising that 60.82% to 69.07% of the manufacturing enterprises in the Valley are not aware about any of the incentives of Central Government. Most of the manufacturing enterprises are aware of capital investment subsidy (39.18%) and least of them are aware of comprehensive insurance scheme (30.93%).
8. The study indicates that the manufacturing enterprises in Barak valley who are aware about incentives of Central Government, most of them have not applied for the incentives. To be more specific the manufacturing enterprises in Barak Valley who are aware about incentives of the Central Government but have not applied for excise duty exemption (72.00%), income tax exemption (63.01%), capital investment subsidy (57.90%), interest subsidy on working capital loan (54.29%), comprehensive insurance scheme (71.67%) and transport subsidy (75.76%).
9. It is clear from the study that most of the service enterprises in Barak Valley are not aware about incentives of Central Government. The perceived level of awareness of service enterprises about incentives Central Government in the Valley varies from 13.46% to 21.15%. It is very surprising that 78.85% to

86.54% of the service enterprises in the Valley are not aware about any of the incentives of Central Government. Most of the service enterprises are aware of capital investment subsidy (21.15%) and least of them are aware of transport subsidy (13.46%).

10. It has been found from the study that the service enterprises in Barak Valley who are aware about incentives of Central Government, most of them have not applied for the incentives. To be more specific the service enterprises in Barak Valley who are aware about incentives of the Central Government but have not applied for excise duty exemption (100.00%), income tax exemption (80.00%), capital investment subsidy (81.82%), interest subsidy on working capital loan (77.78%), comprehensive insurance scheme (77.78%) and transport subsidy (100.00%).
11. The finding of the survey reflects that most of the total micro and small enterprises in Barak Valley are not aware about incentives of State Government as it is observed from the field survey that there is lack of proper co-operation from officials of the District Industries and Commerce Centres of the three districts of Barak Valley regarding awareness about incentives of State Government and the educational qualification of the respondents of the Valley are very poor. The perceived level of awareness of micro and small enterprises about incentives of State Government varies from 24.39% to 39.43%. It is very surprising that 60.57% to 75.61% of the micro and small enterprises in the Valley are not aware about any of the incentives of State Government. Most of the micro and small enterprises in Barak Valley are aware of interest subsidy on term loan (39.43%) and least of them are aware of market linkage assistance scheme (24.39%).
12. It has been found from the study that micro and small enterprises in Barak Valley who are aware about incentives of State Government, most of them have not applied for the incentives. To be more specific the micro and small enterprises in Barak Valley who are aware about incentives of the State Government but have not applied for interest subsidy on term loan (64.95%), power subsidy (61.80%), subsidy on quality certification / technical know-how (87.14%), subsidy on drawl of power line (82.35%), exemption from value added tax (74.73%), exemption

from stamp duty and registration fee (94.44%), special incentives for mega projects and revival of sick enterprises(85.72%) and market linkage assistance scheme (96.67%). After discussion with the respondents, it is found that most important reasons for not applying the incentives of State Government are procedural complicity, legal formalities, private payment to officials and delay in sanctioning and releasing the incentives.

13. It is evident that most of the micro enterprises in Barak Valley are not aware about incentives of State Government. The perceived level of awareness of micro enterprises about incentives of State Government in the Valley varies from 17.91% to 32.84%. It is very surprising that 67.16% to 82.09% of the micro enterprises in the Valley are not aware about any of the incentives of State Government. Most of the micro enterprises are aware of interest subsidy on term loan (32.84%) and least of them are aware of market linkage assistance scheme (17.91%).
14. It has been found from the study that the micro enterprises in Barak Valley who are aware about incentives of State Government, most of them have not applied for the incentives. To be more specific the micro enterprises in Barak Valley who are aware about incentives of the State Government but have not applied for interest subsidy on term loan (59.09%), power subsidy (66.04%), subsidy on quality certification / technical know-how (91.89%), subsidy on drawl of power line (91.89%), exemption from value added tax (79.63%), exemption from stamp duty and registration fee (95.12%), special incentives for mega projects and revival of sick enterprises(82.93%) and market linkage assistance scheme (97.22%).
15. The study reveals that most of the small enterprises in Barak Valley are not aware about incentives of State Government. The perceived level of awareness of small enterprises about incentives of State Government in the Valley varies from 53.33% to 82.22%. However, 17.78% to 46.67% of the small enterprises in the Valley are not aware about any of the incentives of State Government. Most of the small enterprises are aware of exemption from value added tax (82.22%) and least of them are aware of market linkage assistance scheme (53.33%).

16. It has been found from the study that the small enterprises in Barak Valley who are aware about incentives of State Government, most of them have not applied for the incentives. To be more specific the small enterprises in Barak Valley who are aware about incentives of the State Government but have not applied for interest subsidy on term loan (77.42%), power subsidy (55.56%), subsidy on quality certification / technical know-how (81.82%), subsidy on drawl of power line (70.97%), exemption from value added tax (67.57%), exemption from stamp duty and registration fee (93.55%), special incentives for mega projects and revival of sick enterprises(89.66%) and market linkage assistance scheme (95.83%).
17. The study results that most of the manufacturing enterprises in Barak Valley are not aware about incentives of State Government. The perceived level of awareness of manufacturing enterprises about incentives of State Government in the Valley varies from 27.84% to 42.78%. It is very surprising that 57.22% to 72.16% of manufacturing enterprises in the Valley are not aware about any of the incentives of State Government. Most of the manufacturing enterprises are aware of interest subsidy on term loan (42.78%) and least of them are aware of market linkage assistance scheme (27.84%).
18. The study displays that the manufacturing enterprises in Barak Valley who are aware about incentives of State Government, most of them have not applied for the incentives. To be more specific the manufacturing enterprises in Barak Valley who are aware about incentives of the State Government but have not applied for interest subsidy on term loan (59.03%), power subsidy (60.00%), subsidy on quality certification / technical know-how (88.52%), subsidy on drawl of power line (79.66%), exemption from value added tax (71.95%), exemption from stamp duty and registration fee (93.55%),special incentives for mega projects and revival of sick enterprises(83.87%) and market linkage assistance scheme (96.30%).
19. It has been found from the study that most of the service enterprises in Barak Valley are not aware about incentives of State Government. The perceived level of awareness of service enterprises about incentives State Government in Barak

Valley varies from 11.54% to 26.92%. It is very surprising that 73.08% to 88.46% of service enterprises in the Valley are not aware about any of the incentives of State Government. Most of the service enterprises are aware of interest subsidy on term loan (26.92%) and least of them are aware of market linkage assistance scheme (11.54%).

20. The finding of the survey reflects that the service enterprises in Barak valley who are aware about incentives of State Government, most of them have not applied for the incentives. To be more specific the service enterprises in Barak Valley who are aware about incentives of the State Government but have not applied for interest subsidy on term loan (100.00%), power subsidy (77.78%), subsidy on quality certification / technical know-how (77.78%), subsidy on drawl of power line (100.00%), exemption from value added tax (100.00%), exemption from stamp duty and registration fee (100.00%), special incentives for mega projects and revival of sick enterprises(100.00%) and market linkage assistance scheme (100.00%).

## **7.2 Suggestions**

The study suggests the following important suggestions:

1. The study suggests that the micro and small enterprises in Barak Valley have to determine their fixed capital requirements mainly on the basis of nature of their business and they have to determine their working capital requirements mainly on the basis of competition level of their enterprises.
2. To fulfill the financial requirements of the micro and small enterprises in the Valley, banks specially non-banking financial institutions should provide more finance to the enterprises.
3. It has been suggested that the lenders should provide finance to the micro and small enterprises in the Valley at the time of their requirements.
4. Banks, non-banking financial institutions and even DICC's should simplify documentation formalities to increase the accessibility of finance by micro and

small enterprises in Barak Valley and they should reduce their charges to the enterprises in the Valley.

5. The Central Government and State Government should aware the enterprises about their incentives through various awareness programmes and entrepreneurial development programmes in Barak Valley.
6. The micro and small enterprises in the Valley must aware about incentives of Central Government and State Government and they have to follow the websites namely [www.assam.gov.in](http://www.assam.gov.in), [www.msme.gov.in](http://www.msme.gov.in) and [www.industries.assam.gov.in](http://www.industries.assam.gov.in)
7. The officials of the DICC's of the three districts namely Cachar district, Karimganj district and Hailakandi district should properly co-operate with the enterprises in sanctioning and releasing the incentives of Central Government and State Government.
8. The entrepreneurs and the managers of the enterprises in Barak Valley should be more educated and they should have much knowledge about the sources of finance.
9. To develop the enterprises in Barak Valley, it is suggested that there should be more women entrepreneurs in the Valley.

### **7.3 Scope of Further Research**

Further research can be conducted in the areas of unregistered micro and small enterprises, medium enterprises and large scale enterprises. Also the accounting and marketing practices followed by the MSMEs are the suitable areas where research can be conducted. Moreover, in future the researchers can conduct the study on determinants and pattern of financing in partnership firms and companies in Barak Valley. Further research can be also conducted on the efficacy of incentives of the State Government under Industrial and Investment Policy of Assam, 2014.



## **7.4 Conclusion**

Micro and small enterprises play important role for the development of Indian economy. The MSE sector is considered to be an engine of growth in our country as well as other developed, underdeveloped and developing countries of the world because of its contribution to employment, national income and exports earnings. Financing in enterprises is the key issue for such development. Without adequate finance the enterprises cannot run efficiently and therefore finance is regarded as the life blood of the enterprises. The success of the enterprises depends upon the correct estimation of their financial requirements. The enterprises have to estimate their financial requirements on the basis of factors determining fixed capital requirements and working capital requirements. In order to fulfill the financial requirements, the enterprises have to identify and analyse the proper sources of finance and the factors affecting procurement of finance from such sources. Besides, the enterprises must be aware about the sources of finance and various incentives of Central Government and State Government for the promotion of enterprises in the country.