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1.1 General Introduction

At the time of independence in 1947, the industrial base of the economy was very small and the industries were beset with many problems such as shortage of raw-materials, lack of infrastructure, deficiency of capital, bad industrial relations etc. It was only after the attainment of independence in 1947, the Indian Government realized the need for the rapid industrialization of the country. To achieve this goal the Government started the process of industrial development (Bakal, 1993).

Micro and Small Enterprises (MSEs) play an important role in the development of developed, underdeveloped and developing countries. In underdeveloped and developing countries the MSEs are very important in the context of employment opportunities, equitable distribution of wealth, balanced regional growth and development of rural and semi urban areas. The importance of this sector is well-recognized from its significant contribution to the socio-economic objectives of growth in generation of employment, output, exports and development of entrepreneurship (Rahman & Dey, 2010).

The dictionary meaning of the term finance is the application of skills or care to the manipulation, the use and the control of money. Finance means the study of money-its nature, behaviour, regulation and problems. It deals with the ways in which entrepreneur, investors, financial institutions and individuals handle their money. It involves knowledge of the use of money, credit, securities and funds of all kinds, financial legislation, financial usages and financial management. It covers a systematic overall control and regulation of all capital, revenue and expenditure (Pathak & Kalwar, 2011).

The finance has been traditionally classified into two categories- public finance and private finance. Public finance deals with the requirements, receipts and disbursements of funds in the Government institutions like State Government, local

self-Government and Central Government. Private finance is concerned with the requirements, receipts and disbursements of funds of individual, a profit seeking business organisation and non-profit organisation. Private finance may be classified into three categories namely personal finance, business finance and finance of non - profit organisation. Personal finance is concerned with the analysis of principles involved in managing individual daily requirements of funds. Business finance refers to an activity or a process which deals with acquisition of funds, use of funds and distribution of profits by a business enterprise. It is generally concerned with financial planning, acquisition of funds, use and allocation of funds and financial controls. The finance of non-profit organisation deals with the practices, procedures and problems involved in financial management of religious, educational, social and similar organisations (Gupta & Sharma, 2013).

The present study deals only with business finance. Among business finance, the study deals with the sole- proprietary finance. Sole-proprietary finance deals with sole proprietorship form of organisation. In this organisation a single individual promotes, finances, controls and manages the business enterprise and also bears the risk of the business. An enterprise can raise finance from two main sources namely long term sources and short term sources. There are two types of capital which are required for the smooth running of an enterprise namely fixed capital & working capital. Fixed capital can be raised from long term sources of finance and working capital can be raised from short-term sources (Gupta & Gupta, 2011).

The micro and small enterprises play an important role in the economy of the Barak Valley. However, the growth of MSEs in the Valley is slow in comparison to other parts of the state. In the Barak Valley, the importance of this sector assumes greater significance as there are few medium and large enterprises in the Valley. The MSEs have been recognised as an effective instrument in development of both rural and urban areas of the Barak Valley. Besides economic aspects, the social role of the MSE sector is quite significant for achieving the objectives such as attainment of self-sufficiency, reduction in disparities in income, removal of poverty and improvement of standard of living. The Central as well as State Governments have taken some special measures to develop this sector. But the development pattern of the MSEs of

the Valley is far from encouraging and these are plagued by myriad of problems. Financing is the key indicator for the development of such micro and small enterprises in the Valley.

1.2 Statement of the Problem

Finance has been called 'The Science of Money' (Basu, 1939). Finance is a key input of production, distribution and development and therefore, it is described as the 'Life blood' of an Industry and is a pre-requisite for accelerating the process of industrial development. Finance is defined as the provision of money at the time when it is required (Desai, 2005). During the pilot survey in Barak Valley the researcher has observed the financial problems viz., wrong financial planning, credit problems, improper utilization of funds etc., which the entrepreneurs of micro and small enterprises in the Valley are facing and simultaneously it has also been observed that financial requirements of these enterprises are poor. Without an adequate finance no enterprise can run and survive for a long time. So, it is necessary to maintain proper finance for smooth running of an enterprise.

The success of an enterprise depends upon correct estimation of necessary capital. Without an adequate amount of capital no enterprise can be started and cannot run smoothly. Before raising capital, it is essential for both new and existing enterprises to make estimates for long term and short term financial needs (Gupta & Sharma, 2013). Without proper estimates the enterprise may suffer either from inadequate or from excess capital. So the estimates should be made in such a way that all financial requirements are properly satisfied. Often problem arise that how to determine the fixed capital requirements and working capital requirements of the enterprises. Such requirements can be identified on the basis of the factors determining fixed capital requirements and working capital requirements of the enterprises.

The entrepreneur has not only to plan his financial requirements but also work out the strategies to make adequate finance available at various stages. The growth industries depend on finances from private sources as well as Government sources (Raul, 1997).The type of financial support an entrepreneur requires is long-term and short-term to ensure proper financing of his enterprise. Micro and small enterprises faced

problems in selecting sources from where they will get long-term and short-term capital. So it is also necessary to study the pattern of financing in micro and small enterprises.

Procurement of fund is another important area of finance. Micro and small enterprises generally faced problems in procuring finance from short-term and long-term sources. Inadequacy of loan amount along with delay in disbursement further aggravated the problem and compelled the entrepreneurs to take loan from private sources at a high rate of interest. Again, due to illiteracy and ignorance of the entrepreneurs, the subsidies amount are misappropriated (Raul, 1997).So it is necessary to study the factors affecting procurement of finance from short-term and long term sources by micro and small enterprises.

To develop MSE sector the Central and State Governments evolves their respective policies and design suitable incentives. Both Central and State Governments provide incentives to micro and small enterprises to overcome their financial problems and these incentives are important sources of finance for these enterprises (Rahman & Dey, 2010).Hence, the study is important from the view point of efficacy of various incentives from Central Government and State Government for the promotion of micro and small enterprises in Barak Valley.

The entrepreneurial development of Barak Valley to a large extent depends on proper financing in enterprises. Financing depends largely on the determinants and pattern of financing in enterprises. On the entrepreneurial scene, the Barak Valley is late entrant. Most of the enterprises in the Valley are micro and small enterprises and least of them are medium and large enterprises. Thus, the thrust of development has been more in the direction of micro and small enterprises. Therefore, the present study addresses the ‘determinants and pattern of financing in micro and small enterprises: a study in Barak Valley, Assam’ comprising three districts namely Cachar district, Karimganj district and Hailakandi district.

1.3 Profile of the Study Area

The North Eastern Region (NER) of India is covered by eight states, namely, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and

Sikkim. Assam is surrounded by Arunachal Pradesh in the north and north-east, by Nagaland and Manipur in the East, by the states of Mizoram and Tripura in the south-east, by Meghalaya in the south and by West Bengal in the west. It is also surrounded by two countries namely Bangladesh in the south-east and south-west and Bhutan in the north (Gopalkrishnan: 2000).

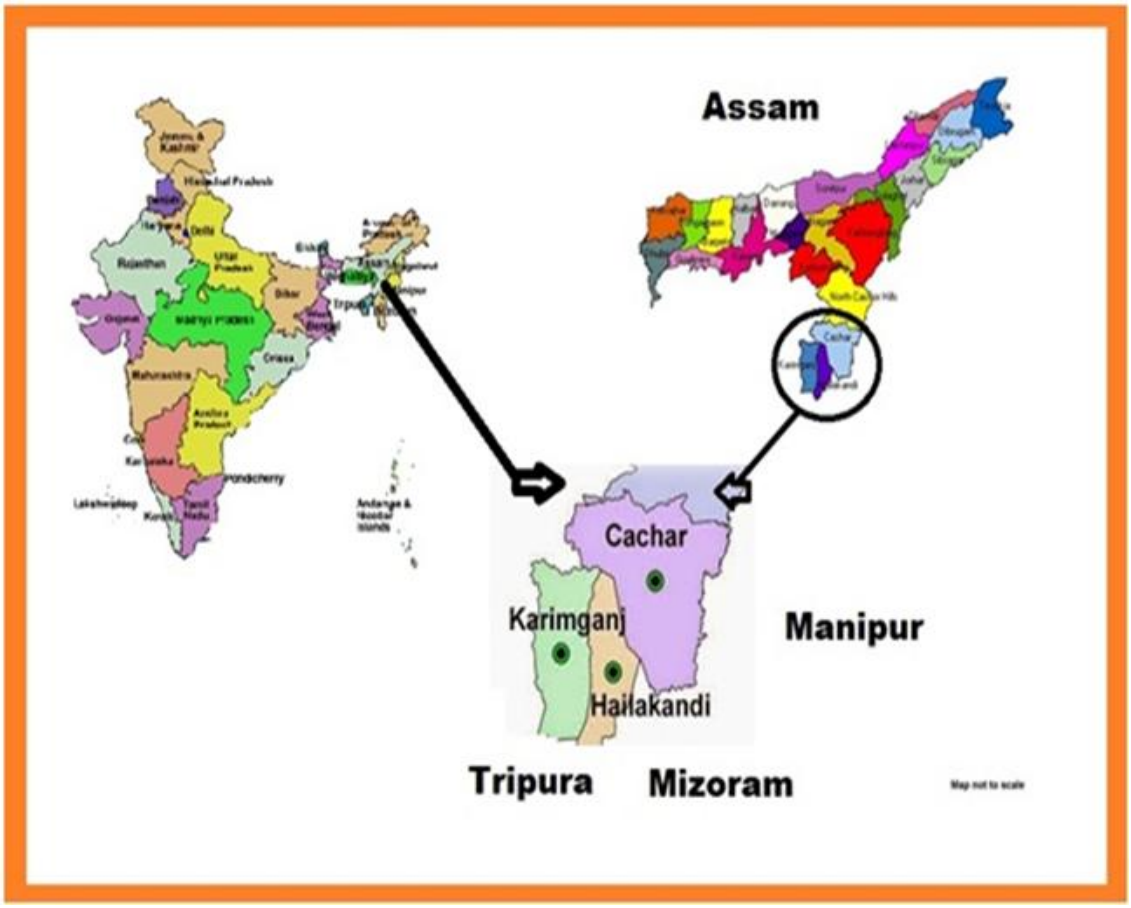
The geographical area of Assam is 78,438 sq. km. Assam shares about 2.4% of the country's total geographical area and provides shelter to 2.6% population of the Country. On an average the temperature of the State varies from 8° Celsius (winter season) to 36° Celsius (summer season). The humidity is high during summer season. According to 2011 census, the population of Assam is 3,12,05,576 (Economic Survey, Assam, 2014-15).

Since micro and small enterprises have been selected for the purpose of the present research work, it becomes pertinent to provide background information of Barak Valley.

1.3.1 Location

The Barak Valley is the southern region of Assam consists of three districts viz., Cachar, Karimganj and Hailakandi. The Barak Valley of Assam is named after its principal river the Barak. The official language of Barak Valley is Bengali. Most of the people in the Valley speak a dialect of Bengali, which is known as Sylheti (Das, 2012). The Barak Valley covers an area of 6922 sq km. The region shares its border with Dima Hasao district of Assam and the state of Meghalaya in the north, the state of Manipur in the east, the state of Mizoram in the south and the state of Tripura and the Sylhet district of Bangladesh in the west (Roy, 2009). The two main rivers Barak and Kushiara along with nineteen other tributaries and rivulets flow through the Valley. Cachar district accounts for 54.70% of the total area of the Valley and the share of Karimganj and Hailakandi districts in the total area of the Valley are 26.13% and 19.17% respectively (Statistical Handbook, Assam, 2016). The district headquarters of Cachar, Karimganj and Hailakandi are Silchar, Karimganj and Hailakandi respectively.

Figure 1.1: Map of Barak Valley of Assam, India



1.3.2 Topography

The Barak Valley is characterized by hills, hillocks, wide plains and low lying waterlogged areas. The region is flanked by southern belt Barail range with an average width of six or seven miles containing peaks between three and six thousand feet in height and on the eastern frontier lay the Bhuban range, a continuation of the Lusai hills. The hill divisions comprising mainly of the Borail ranges from Jaintia hills to a point marginal to west of Asalu range formed a continuous wall of hills gradually increasing in height towards the east (Bhattacharjee, 1977).

1.3.3 Climate

The climate of Barak Valley is typical. It consists of three seasons, namely, summer, rainy and winter (Gopalkrishnan, 2000). The rainy season starts from May and continues till October. The winter season commences from November and continues till the end of February. In short the climate of the Valley region is subtropical, warm

and humid. During the summer months temperature generally varies between 25° and 40° Celsius but during the winter season the temperature ranges between 10° and 25° Celsius (Roy, 2009).

1.3.4 Administrative Set Up

Barak Valley comprises of three districts namely Cachar, Karimganj and Hailakandi. Table 1.1 reveals that among the three districts of the Valley, Cachar is the largest district with total geographical areas of 3786 sq km and Hailakandi is the smallest district with total geographical areas of 1327 sq km. The area of Karimganj district is 1809 sq km.

Table 1.1: Area and Administrative Divisions

Districts	Area in sq.km.	Sub Division	Revenue circle	C.D. Block / Anchalik Panchayats	Gram Panchayats
Cachar	3786	2	5	15	163
Karimganj	1809	1	5	7	96
Hailakandi	1327	1	4	5	62
Barak Valley	6922	4	14	27	321

Source: Statistical Handbook of Assam, Directorate of Economics & Statistics, Govt. of Assam, 2016

Out of three districts of the Valley, the district Cachar has two sub-divisions while Karimganj district have one sub-division and Hailakandi district have also one sub-division. The number of revenue Circles in Cachar, Karimganj and Hailakandi districts are 5, 5 and 4 respectively. There are a total of 27 Community Development Blocks in the Valley. Cachar district comprises of 15 Community Development Blocks and in Karimganj and Hailakandi district, there are 7 and 5 Community Development Blocks respectively. The Barak Valley comprises of 321 Gaon Panchayats of which the district Cachar has covered by 163 Gaon Panchayats and Karimganj district comprised of 96 Gaon Panchayats and the Hailakandi district comprised of 62 Gaon Panchayats.

Deputy Commissioner of each district is the head who administers the district and is assisted by Additional Deputy Commissioner and Sub-Divisional Officers. Besides,

there are several district and sub-divisional officers representing different Government departments and working as a coordinating agency of the administration.

1.3.5 Area, Population, Gender Ratio and Density of Population

The proportionate area of Barak Valley in the total area of Assam is 8.82%t. Table 1.2 shows that three districts of the Barak Valley namely Cachar, Karimganj and Hailakandi covered 4.83%, 2.31% and 1.69%respectively of the total area of the state.

Table 1.2: Area and Population of Barak Valley and Assam

Area and Population	Cachar	Karimganj	Hailakandi	Barak Valley	Assam
Area (in sq.km)	3786 (4.83)	1809 (2.31)	1327 (1.69)	6922 (8.82)	78438 (100.00)
Population (in Lakhs) (as per 2011 census)	17.37 (5.57)	12.29 (3.94)	6.59 (2.11)	36.25 (11.62)	312.06 (100.00)

Note: *Figures in parenthesis denote percentages to total population of Assam*

Source: *1. Statistical Handbook of Assam, Directorate of Economics &Statistics, Govt. of Assam, 2016*

2. Census of India, 2011

As per the final population data released by the Census of India, 2011, 11.62% populations reside in Barak Valley. The share of population of Cachar, Karimganj and Hailakandi districts in the total population of Assam are 5.57%, 3.94% and 2.11%.Out of total area of the Valley only 1.36% area is covered by urban area and the remaining 98.64% is covered by rural area as shown in table 1.3.

Table 1.3: Rural-Urban Composition of Area in three Districts of Barak Valley

Districts	Area in sq. km.		
	Rural	Urban	Total Area
Cachar	3721.41 (98.29)	64.59 (1.71)	3786 (100.00)
Karimganj	1789.73 (98.93)	19.27 (1.07)	1809 (100.00)
Hailakandi	1316.47 (99.21)	10.53 (0.79)	1327 (100.00)
Barak Valley	6827.61 (98.64)	94.39 (1.36)	6922 (100.00)

Note: *Figures in parenthesis denotes percentages to total area of the respective place*

Source: *Statistical Handbook of Assam, Directorate of Economics & Statistics, Govt. of Assam, 2016*

It indicates that most of the area of the Barak Valley is covered by the rural area.

Table 1.4 clearly shows that the percentage of male population in the Valley as per 2011 census is 51.04% which is slightly higher than the percentage of female population of 48.96%. The male-female ratio is almost same in the three districts of Barak Valley and the state as a whole. In the state 51.08% population is male and 48.92% is female in the same census.

Table 1.4: Male-Female Composition of Population in Barak Valley and Assam

Districts / State	Males	Females	Total
Cachar	886,284 (51.04)	850,333 (48.96)	1,736,617 (100.00)
Karimganj	625,864 (50.94)	602,822 (49.06)	1,228,686 (100.00)
Hailakandi	337,890 (51.25)	321,406 (48.75)	659,296 (100.00)
Barak Valley	1,850,038 (51.04)	1,774,561 (48.96)	3,624,599 (100.00)
Assam	1 5,939,443 (51.08)	1 5,266,133 (48.92)	3 1,205,576 (100.00)

Note: Figures in parenthesis denotes percentages to total population
Source: Census of India, 2011

The figure relating to density of population (table 1.5) shows a wide difference between the Valley and the state. The density of population of the Barak Valley has been higher than that of Assam in 2001 census and in 2011 census. In 2001 census, the density of population of Barak Valley rose to 433 persons per square km, while the respective figure of Assam as a whole rose to 340 persons per square km. Finally in 2011 census the density of population of the Valley rose to 524 per square km which is much higher than Assam's density of population of 398 per sq. km. Among three districts of the Valley, Karimganj district (679 people per square km.) is more density populated which is followed by Hailakandi district (497 people per square km.) and Cachar district (459 people per square km.) as per 2011 census. One of the main reasons of wide difference in the density of population among the three districts of the Valley is economic development. The population density of all the three districts of the Valley has been increased from 2001census to 2011 census. This high density of population has created serious economic problems in the form of overcrowding of agriculture in this industrially backward area of the region.

Table 1.5: Population: Density and Gender Ratio

Districts / State	Density of Population (per sq.km.)		Sex Ratio (Females per 1000 Male)	
	2001	2011	2001	2011
Cachar	382	459	945	959
Karimganj	557	679	947	963
Hailakandi	409	497	935	951
Barak Valley	433	524	942	959
Assam	340	398	935	958

Source: Statistical Handbook of Assam, Directorate of Economic& Statistics, Govt. of Assam, 2016

An important indicator of sex parity is the number of females per thousand males. The sex ratio in Barak Valley is always higher than that of Assam. According to 2011 census, the sex ratio in Barak Valley is 959 which is higher than all Assam average of 958. As per 2011 census, the sex ratio in the three districts of Barak Valley is, in Cachar 959, in Karimganj 963 and in Hailakandi 951. The table also reveals that the sex ratio of the state and the Valley has been increased from 2001 census to 2011 census and the same has been also increased in the three districts of the Valley during the same period.

1.3.6 Rural - Urban Composition of Population

The percentage of urban population of Barak Valley reveals a marginal increase in 2011 census as compared to the figures of 2001 census while the percentage of rural population of Barak Valley reveals a marginal decrease in 2011 census as compared to the figures of 2001 census as shown in table 1.6. As per 2011 census, out of the total 36,24,599 population of Barak valley 86.97% population live in rural areas and the remaining only 13.03% population live in urban areas. Again as per 2011 census, rural population in Cachar, Karimganj and Hailakandi district is 81.83%, 91.07% and 92.70% respectively while urban population in these three districts are 18.17%, 8.93% and 7.30% respectively. This indicates that the economy of the Barak Valley is mainly a rural economy with a little rate of urbanisation reflecting the absence of industrial culture in large scale.

Table 1.6: Rural - Urban Composition of Population
(in percentage)

Districts / State	2001		2011	
	Rural	Urban	Rural	Urban
Cachar	86.1	13.9	81.83	18.17
Karimganj	92.7	7.3	91.07	8.93
Hailakandi	91.9	8.1	92.70	7.30
Barak Valley	89.34	10.66	86.97	13.03
Assam	87.1	12.9	85.90	14.10

Source: (i) Statistical Handbook of Assam, Directorate of Economics & Statistics, Govt. of Assam, 2016.

(ii) Census of India, 2011

The percentage of urban population of the Valley in both 2001 and 2011 is less than the state. It reveals that the process of urbanization in Barak Valley has been lower than that of Assam as a whole. As per 2001 and 2011 census, the rural population in both Karimganj and Hailakandi districts is higher than the state but in Cachar district it is much below than the state. According to 2001 census 89.34% population of the Valley was living in rural areas. There has been a marginal increase of urban population in Barak Valley between 2001 and 2011. The percentage of urban population in Cachar district rose from 13.9% in 2001 to 18.17 %in 2011 and in Karimganj district it rose from 7.3% in 2001 to 8.93% in 2011. But in Hailakandi district it fell from 8.1% in 2001 to 7.30% in 2011.

1.3.7 Literacy Rate

An important indicator of human development is the literacy rate. As per the census report of 2011, the literacy rate of the Barak Valley is found as 77.30% which is slightly higher than all Assam literacy rates of 72.19% (table 1.7). The percentage of male literacy of the Valley is 83.21% while the same for female is 71.12%. This indicates that females in the Valley are far behind in attainment of education than the males. There is an inter-district variation regarding the literacy rates which is reflected in table 1.7, in which Hailakandi district witnesses the lowest rate of literacy compared with Cachar and Karimganj districts.

Table 1.7: Literacy Rate in Barak Valley and Assam

Districts / State	Literacy Rate (%)		
	Males	Females	Total population
Cachar	84.78	73.68	79.34
Karimganj	84.12	72.09	78.22
Hailakandi	80.74	67.60	74.33
Barak Valley	83.21	71.12	77.30
Assam	77.85	66.27	72.19

Note: Literacy rate of Barak valley is calculated as a mean of the literacy rate of the three districts.
Source: Census of India, 2011

As per 2011 census, the literacy rate is highest in Cachar district (79.34%) which is followed by Karimganj (78.72%) and Hailakandi district (74.33%) in the Valley.

1.4 Conceptual Framework of the Study

1.4.1 Micro Enterprises

Under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the enterprise engaged in the manufacturing or production whose investment in plant and machinery excluding land and building does not exceed Rs. 25 lakh or the enterprise engaged in rendering of services whose investment in equipment excluding land and building does not exceed Rs. 10 lakh can be treated as Micro Enterprise (table 1.8).

Table 1.8: Classification of Micro and Small Enterprises Under MSMED Act, 2006

Enterprises	Manufacturing Enterprises *Investment in plant in machinery (excluding land and building)*	Service Enterprises *Investment in equipment (excluding land and building)*
Micro	Up to Rs. 25 lakh	Up to Rs. 10 lakh
Small	More than Rs.25 lakh and up to Rs. 5crore	More than Rs.10 lakh and up to Rs.2 crore

Source: Government of India, Ministry of MSME, 2011

1.4.2 Small Enterprises

Under the MSMED Act, 2006, the enterprise engaged in the manufacturing or production whose investment in plant and machinery excluding land and building is more than Rs. 25 lakh but does not exceed Rs. 5 crore or the enterprise engaged in rendering of services whose investment in equipment excluding land and building is more than Rs. 10 lakh but does not exceed Rs. 2 crore is known as Small Enterprise (table 1.8).

1.4.3 Fixed Capital

The funds required to purchase fixed or durable assets are known as fixed capital or long term capital. The fixed or permanent assets include land, buildings, machinery, equipment, furniture etc. The investment in non-current assets such as goodwill, patents, copyrights, long-term receivables, long-term investments etc., are also included in the fixed capital. The enterprise does not want to dispose off these assets and so the fixed capital is known as 'Block Capital'. It is required for the acquisition of fixed capital and non-current assets and it is also required for development, expansion and permanent working capital. Thus it is cleared that fixed capital is the amount invested in various fixed or permanent assets which are necessary for conducting the operation of an enterprise. Without an adequate amount of fixed capital no enterprise can be started and cannot run smoothly (Gupta & Sharma, 2013).

1.4.4 Working Capital

The money invested in current assets like raw materials, finished goods, debtors, payment of wages and salaries, fuel, repairs and maintenance of machinery, advertising etc. is known as working capital. The term working capital is often referred to as circulating capital (Weston & Brigham, 1977) and (Charles, 1960). The amount of working capital is not only available in the form of cash but also available in the form of near cash assets (Khandelwal, 1985). It is generally made of two components i.e., current assets and current liabilities (Banerjee, 2010).

There are two types of working capital known as permanent or fixed working capital and temporary or variable working capital (Pandey, 2004). The amount of working capital which is constantly and regularly required in the same way as fixed assets are

required is called fixed working capital (Agrawal, 1983). Variable working capital is the minimum amount required to meet the seasonal demands and some special exigencies (Kulkarni & Satya,1999 & Rustagi, 2013).

There are two concepts of working capital known as gross working capital and net working capital. Gross working capital generally deals with overall corporate assets of a business firm. It is simply called as the total current assets of a firm (Paramasivan & Subramanian, 2009). Net working capital is the amount of assets or cash that remain after subtracting a company's current liabilities from its total current asset (Brealey & Myers, 2003).

1.5 Objectives of the Study

The study has been undertaken to evaluate the determinants and pattern of financing in micro and small enterprises in Barak Valley, Assam. Following are the objectives of the study:

(i) To identify the determinants of financial requirements and their relative importance in micro and small enterprises of Barak Valley, Assam.

(ii) To evaluate the pattern of financing in micro and small enterprises in Barak Valley, Assam.

(iii) To analyse the factors affecting procurement of finance by micro and small enterprises in Barak Valley, Assam.

(iv) To analyse the efficacy of various incentives from Central Government and State Government for the promotion of micro and small enterprises in Barak Valley, Assam.

1.6 Hypotheses of the Study

For the purpose of the present study, the following hypotheses have been formulated.

1. The responses of the owners / managers of micro enterprises and small enterprises do not significantly vary about the degree of importance of select

factors capable of determining fixed capital requirements of the enterprises in Barak Valley.

2. The responses of the owners / managers of manufacturing enterprises and service enterprises do not significantly vary about the degree of importance of select factors capable of determining fixed capital requirements of the enterprises in Barak Valley.

3. The responses of the owners / managers of micro enterprises and small enterprises do not significantly vary about the degree of importance of select factors capable of determining working capital requirements of the enterprises in Barak Valley.

4. The responses of the owners / managers of manufacturing enterprises and service enterprises do not significantly vary about the degree of importance of select factors capable of determining working capital requirements of the enterprises in Barak Valley.

5. The responses of the owners / managers of micro enterprises and small enterprises do not significantly vary about the degree of importance of select factors capable of affecting procurement of finance from long term sources by the enterprises in Barak Valley.

6. The responses of the owners / managers of manufacturing enterprises and service enterprises do not significantly vary about the degree of importance of select factors capable of affecting procurement of finance from long term sources by the enterprises in Barak Valley.

7. The responses of the owners / managers of micro enterprises and small enterprises do not significantly vary about the degree of importance of select factors capable of affecting procurement of finance from short term sources by the enterprises in Barak Valley.

8. The responses of the owners / managers of manufacturing enterprises and service enterprises do not significantly vary about the degree of importance of

select factors capable of affecting procurement of finance from short term sources by the enterprises in Barak Valley.

1.7 Methodology of the Study

The present study has been conducted by using primary data and secondary data. Primary data have been collected from the field survey and secondary data have been collected from various sources, viz., books, annual reports, journals, websites, census reports, etc.

Total number of registered micro and small enterprises in Barak Valley as on 31-3-2012 which is the population of the study is 3161.Population has been identified on consultation with District Industries and Commerce Centre (DICC) officials and permanent registers of DICCs of the three districts viz., Cachar, Karimganj and Hailakandi districts. In order to conduct the survey on micro and small enterprises in Barak Valley of Assam, it has been decided to contact a sample of two hundred forty six (246) micro and small enterprises in Barak Valley of Assam. The said sample size two hundred forty six (246) has been decided by using sample size calculator (www.macorr.com) after accepting a sampling error of 6% with confidence level of 95% (table-1.9).

Table 1.9: Population and Sample size

Total Population (No. of registered enterprises as on 31-3-2012)	Confidence level	Sampling Error	Total sample size
3161	95%	6%	246

Of the 246 sample enterprises, 145, 60 and 41 enterprises have been selected from Cachar district, Karimganj district and Hailakandi district respectively through proportionate stratification method (table-1.10). In order to collect firsthand information, first of all, pilot survey has been conducted on 45 micro enterprises and 5 small enterprises in Barak Valley in January 2014 and accordingly gap of schedule has been found and modified and after that final survey has been completed on 30th, June, 2014.

Table 1.10: District-wise Distribution of Population and Sample Size

Districts	Population (No. of registered enterprises as on 31-3-2012)	Sample size
Cachar	1862	145
Karimganj	766	60
Hailakandi	533	41
Total	3161	246

Source: Registers, General Managers, DICCs, Cachar, Karimganj and Hailakandi districts.

The survey on 246 sample enterprises has been conducted on the basis of convenience sampling technique. In order to get actual response from the respondents local language of the particular place has been used. The registered enterprises which have at least one year experience and which are functioning have been studied in the present study. Out of 246 micro and small enterprises in Barak Valley, 201 micro enterprises and 45 small enterprises have been identified from the field survey on the basis of 'Micro, Small and Medium Enterprises Development (MSMED) Act, 2006'.

After the collection of data through field survey, the same have been fed into 'Microsoft Excel, 2007, and 'SPSS-version 16.0'for the purpose of analysis. The collected data have been suitably classified and tabulated. Statistical tools like, mean and standard deviation have been used to analyze the data obtained through field survey. Rank and percentage have been also used to analyse the collected data. The hypotheses are tested with the help of the statistical technique 'two independent samples Mann-Whitney U test'. The conclusion is drawn on the basis of data analysis.

Since the study has been done on 246 micro and small enterprises in Barak Valley of Assam and therefore it is necessary to know about the profile of the sample enterprises in the Valley.

1.7.1 Profile of Sample Enterprises

In order to conduct the field survey on the existing micro and small enterprises in Barak Valley, well-designed schedule has been prepared and data have been collected by the researcher from the 246 existing micro and small enterprises in Barak Valley.

Following is a summary of the profile of micro and small enterprises considered for the present survey.

1.7.1.1 Distribution by Age

Enterprises' age has an important impact on the perception of the stability, viability and survival of the enterprises. An enterprise's age influences the availability of its financing. In the present study age of the enterprises has been calculated from the date of their establishment up to the date of 30-6-2014 as the field survey was completed on 30-6-2014. On the basis of class intervals five age groups have been identified. These age groups are '1 to 5 years', '6 to 10 years', '11 to 15 years', '16 to 20 years' and above 20 years.

Table 1.11: Distribution of Enterprises by Age

Age	No. of Enterprises
1-5 years	70 (28.46)
6-10 years	89 (36.18)
11-15 years	63 (25.61)
16-20 years	11 (4.47)
Above 20 years	13 (5.28)
Total	246 (100.00)

Source: Field Survey

Table 1.11 reveals that 28.46%of the micro and small enterprises are belongs to youngest age group (i.e. ranging 1 year to 5 years) while only 5.28% are within the oldest age group (i.e. above 20 years). Most of the enterprises (36.18%) are within the '6 to 10 years' age group while 25.61% and 4.47% of the sample enterprises are within the age groups of '11 to 15 years' and '16 to 20 years' respectively. The analysis reveals that maximum number of enterprises is working from 6 to 10 years and least of them are working above 20 years.

1.7.1.2 Distribution by Area-wise Establishment

As per area of establishment of MSEs is concerned as shown in table 1.12, it is found that out of the 246 sample micro and small enterprises, 58.94% are established in rural areas while 41.06% are established in urban areas.

Table 1.12: Distribution of Enterprises by Area-wise Establishment

Area	No. of enterprises
Rural	145 (58.94)
Urban	101 (41.06)
Total	246 (100.00)

Source: Field Survey

It indicates that there is lack of entrepreneurship development in urban areas compared to rural areas.

1.7.1.3 Distribution by Type

In the present study two types of enterprises namely micro enterprises and small enterprises have been studied. Table 1.13 reveals that out of the 246 sample MSEs 81.71% are micro enterprises and 18.29% are small enterprises.

Table 1.13: Distribution of Enterprises by Type of Enterprises

Districts/ Valley	Micro Enterprises	Small Enterprises	Total
Cachar	120 (82.76)	25 (17.24)	145 (100.00)
Karimganj	47 (78.33)	13 (21.67)	60 (100.00)
Hailakandi	34 (82.93)	7 (17.07)	41 (100.00)
Barak Valley	201 (81.71)	45 (18.29)	246 (100.00)

Source: Field Survey

In Cachar district out of 145 enterprises, 82.76% are micro enterprises while 17.24% are small enterprises. In Karimganj district out of 60 enterprises, 78.33% are micro

enterprises while 21.67% are small enterprises. In Hailakandi district, out of 41 enterprises 82.93% are micro enterprises while 17.07% are small enterprises.

1.7.1.4 Distribution by Nature

In the present study the enterprises have been classified according to their nature of enterprises namely manufacturing enterprises and service enterprises. Table 1.14 shows that 78.86% of the sample enterprises are manufacturing enterprises and 21.14% of the enterprises are service enterprises.

Table 1.14: Distribution of Enterprises by Nature of Enterprises

Districts	Manufacturing Enterprises	Service Enterprises	Total
Cachar	116 (80.00)	29 (20.00)	145 (100.00)
Karimganj	45 (75.00)	15 (25.00)	60 (100.00)
Hailakandi	33 (80.49)	8 (19.51)	41 (100.00)
Barak Valley	194 (78.86)	52 (21.14)	246 (100.00)

Source: Field Survey

In Cachar district, out of 145 enterprises 80.00% are manufacturing enterprises while 20.00% are service enterprises. In Karimganj district, out of 60 enterprises 75.00% are manufacturing enterprises while 25.00% are service enterprises. In Hailakandi district, out of 41 enterprises 80.49% are manufacturing enterprises while 19.51% are service enterprises.

1.7.1.5 Age of the Respondents

The respondents' ages (table 1.15) ranged from '21 to 65 years'. The respondents above 50 years old accounted for 23.58% while 28.05%of the respondents of Barak Valley lie in the age group of '41 to 50 years'. The age group '31 to 40 years' has the highest number of respondents with 29.67%. Contrary to this, the age group '21 to 30 years' has the lowest number of respondents with 18.70% only.

Table 1.15: Present Age of the Respondents

Age	Respondents
21 to 30 Years	46 (18.70)
31 to 40 Years	73 (29.67)
41 to 50 Years	69 (28.05)
Above 50 Years	58 (23.58)
Total	246 (100.00)

Source: Field Survey

1.7.1.6 Gender of the Respondents

In the present study gender of the respondents has been also identified. Table 1.16 reveals that 92.68%of the respondents are male and only 7.32 % are female.

Table 1.16: Gender of the Respondents

Gender	Respondents
Male	228 (92.68)
Female	18 (7.32)
Total	246 (100.00)

Source: Field Survey

1.7.1.7 Educational Qualification of the Respondents

The result of the survey on the educational qualification of the respondents shows that 26.83%of the respondents are below H.S.L.C standard while 26.42% and 23.58%of the respondents are between HSLC and HS level. It is found that 20.73% and 1.63%of the respondents are graduate and post-graduate respectively. Only 2 respondents have done mechanical engineering and they are included in other qualification of the entrepreneurs (table 1.17).

Table 1.17: Educational Qualification of the Respondents

Educational Qualification	Respondents
Below HSLC	66 (26.83)
HSLC	65 (26.42)
Inter/HS	58 (23.58)
Graduate	51 (20.73)
Postgraduate	4 (1.63)
Other	2 (0.81)
Total	246 (100.00)

Source: Field Survey

1.8 Scope of the Study

1. The registered micro and small enterprises which are functioning have been studied in the present study.
2. The enterprises which have at least one year experience have been studied.
3. Only sole trading enterprises have been studied because there is lack of partnership firms and companies in Barak Valley as identified from official registers of the DICCs of the three districts of the Valley.

1.9 Limitations of the Study

1. In the present study unregistered micro and small enterprises and also medium and large enterprises have not studied.
2. Partnership firms and companies have not studied.
3. Present study is based on the opinion of respondents (schedule) and hence it may be biased.
4. Since the study is based on sample data and hence it may not represents the whole population. As a result, this may affect the judgment made on the basis of the sample of the study.

1.10 Organisation of the Study

The thesis is organised according to the following chapters:

Chapter-I Introduction-

General Introduction, Statement of the Problem, Profile of the Study Area, Conceptual Framework of the Study, Objectives, Hypotheses, Methodology, Scope, Limitations and Organisation of the Research Study.

Chapter-II Review of Literature-

Review of Studies Conducted Outside India, Review of Studies Conducted in India and Gap in the Literature.

Chapter-III Determinants of Financial Requirements of Micro and Small Enterprises-

Identification of Determinants of Fixed Capital Requirements, Relative Importance of Factors Determining Fixed Capital Requirements of Micro Enterprises, Relative Importance of Factors Determining Fixed Capital Requirements of Small Enterprises, Statistical Analysis of Relative Importance of Factors Determining Fixed Capital Requirements of Micro Enterprises and Small Enterprises, Relative Importance of Factors Determining Fixed Capital Requirements of Manufacturing Enterprises, Relative Importance of Factors Determining Fixed Capital Requirements of Service Enterprises, Statistical Analysis of Relative Importance of Factors Determining Fixed Capital Requirements of Manufacturing Enterprises and Service Enterprises, Identification of Determinants of Working Capital Requirements, Relative Importance of Factors Determining Working Capital Requirements of Micro Enterprises, Relative Importance of Factors Determining Working Capital Requirements of Small Enterprises, Statistical Analysis of Relative Importance of Factors Determining Working Capital Requirements of Micro Enterprises and Small Enterprises, Relative Importance of Factors Determining Working Capital Requirements of Manufacturing Enterprises, Relative Importance of Factors Determining Working Capital Requirements of Service Enterprises and Statistical Analysis of Relative Importance

of Factors Determining Working Capital Requirements of Manufacturing Enterprises and Service Enterprises.

Chapter-IV Pattern of Financing in Micro and Small Enterprises-

Sources of Long Term Finance, Sources of Long Term Finance of Micro Enterprises and Small Enterprises, Sources of Long Term Finance of Manufacturing Enterprises and Service Enterprises, Sources of Short Term Finance, Sources of short Term Finance of Micro Enterprises and Small Enterprises and Sources of Short Term Finance of Manufacturing Enterprises and Service Enterprises.

Chapter-V Factors Affecting Procurement of Finance by Micro and Small Enterprises-

Identification of Factors Affecting Procurement of Finance, Relative Importance of Factors Affecting Procurement of Finance from Long term Sources by Sample Enterprises, Relative Importance of Factors Affecting Procurement of Finance from Long term Sources by Micro Enterprises, Relative Importance of Factors Affecting Procurement of Finance from Long term Sources by Small Enterprises, Statistical Analysis of Relative Importance of Factors Affecting Procurement of Finance from Long term Sources by Micro Enterprises and Small Enterprises, Relative Importance of Factors Affecting Procurement of Finance from Long term Sources by Manufacturing Enterprises, Relative Importance of Factors Affecting Procurement of Finance from Long term Sources by Service Enterprises, Statistical Analysis of Relative Importance of Factors Affecting Procurement of Finance from Long term Sources by Manufacturing Enterprises and Service Enterprises, Relative Importance of Factors Affecting Procurement of Finance from Short term Sources by Sample Enterprises, Relative Importance of Factors Affecting Procurement of Finance from Short Term Sources by Micro Enterprises, Relative Importance of Factors Affecting Procurement of Finance from Short Term Sources by Small Enterprises, Statistical Analysis of Relative Importance of Factors Affecting Procurement of Finance from Short Term Sources by Micro Enterprises and Small Enterprises, Relative Importance of Factors Affecting Procurement of Finance from Short Term Sources by Manufacturing Enterprises, Relative Importance of Factors Affecting Procurement of

Finance from Short Term Sources by Service Enterprises and Statistical Analysis of Relative Importance of Factors Affecting Procurement of Finance from Short Term Sources by Manufacturing Enterprises and Service Enterprises.

Chapter-VI Efficacy of Various Incentives from Central Government and State Government for the Promotion of Micro and Small Enterprises-

Incentives of Central Government- Efficacy of Various Incentives from Central Government for the Promotion of Sample Enterprises, Efficacy of Various Incentives from Central Government for the Promotion of Micro Enterprises, Efficacy of Various Incentives from Central Government for the Promotion of Small Enterprises, Efficacy of Various Incentives from Central Government for the Promotion of Manufacturing Enterprises, Efficacy of Various Incentives from Central Government for the Promotion of Service Enterprises, Incentives of State Government- Efficacy of Various Incentives from State Government for the Promotion of Sample Enterprises, Efficacy of Various Incentives from State Government for the Promotion of Micro Enterprises, Efficacy of Various Incentives from State Government for the Promotion of Small Enterprises, Efficacy of Various Incentives from State Government for the Promotion of Manufacturing Enterprises and Efficacy of Various Incentives from State Government for the Promotion of Service Enterprises.

Chapter-VII- Findings and Suggestions

Summary of Findings of the Study, Suggestions, Scope of Further Research and Conclusion.

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