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Unorganised Enterprises and Financial Inclusion: A Study in Assam

Prasenjit Bujar Baruah

August 2019

Centre for Development Studies
Department of Economics
Rajiv Gandhi University
Rono Hills, Arunachal Pradesh

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PREFACE

The Centre for Development Studies (CDS) was set up as a research adjunct at the Department of Economics, Rajiv Gandhi University (RGU), Itanagar, Arunachal Pradesh, with a generous grant from the Ministry of Finance (Department of Economic Affairs), Government of India. The objectives of the Centre include the creation of high-quality research infrastructure for students and researchers and faculty members, in addition to sponsoring and coordinating research on various developmental issues having policy implications both at the regional and national level. Publishing working/policy papers on the research outcome of the Centre, monographs and edited volumes areamong the key activities of the Centre. The present working paper by Dr. Prasenjit Bujar Baruah, titled, '***Unorganised Enterprises and Financial Inclusion: A Study in Assam'***, is the research outcome of a project funded by the CDS. It is the *fourth* in the series of working paper published by the Centre for Development Studies.

The working paper focuses on the status and patterns of financing of the unorganised enterprises of Assam. It also analyses the impact of financial access on the performance of the urban unorganised enterprises in the State. It indicates that a large number of unorganised enterprises are engaged in both manufacturing and services sector in Assam and have also employed a large percentage of the workforce in the State. The enterprises in this sector have contributed significantly to the gross state domestic product. Large percentage of the unorganised enterprises reported that non availability and costly credit were the main challenges faced by them and the own fund of the entrepreneurs was the main source of their investible resources and formed the maximum share in the total amount of working capital expenditure. To measure the depth of financial access an index was developed incorporating four aspects of financial access viz. saving, credit, insurance and payment through the financial institutions. Majority of the entrepreneurs have partial financial access and only a few have higher access to financial services. Thus, although financial coverage was not a major problem in the study area; depth of financial services was not found to be satisfactory.

This working paper, with its focus on financial inclusion among the unorganised enterprises will be of interest and use to policy planners, academics, researchers and students. I congratulate the author for the excellent time bound work.

Date: July, 2019

Vandana Upadhyay
Coordinator, Centre for Development Studies
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SUMMARY

UNORGANISED ENTERPRISES AND FINANCIAL INCLUSION: A STUDY IN ASSAM

The unorganised sector has attracted the attention of theoreticians and researchers over the years. In the initial days this sector was considered as a transitory phenomenon. It was assumed that along with economic development those engaged in this sector would be able to absorb themselves in the organised sector. Thus in course of time this sector would disappear. But in reality, in many developing countries the rate of decline in informal sector is very low and still it occupies a significant share in those economies. It has changed the view of the theoretician and researchers regarding unorganised sector. Presently the unorganised sector is regarded as a characteristic component of the developing and underdeveloped countries. This sector has been playing an important role in such economies both in terms of employment generation and contribution to gross domestic product. It was also realised that if appropriate policies were implemented, this sector would be able to contribute much more to these economies.

However, the enterprises in this sector have been facing various constraints. Literature states that among different constraints financial exclusion is the most severely experienced one, as access to other facilities is also linked to their access to credit. This has motivated the researcher to undertake a study on pattern of financing in the urban unorganised enterprises of Assam. The rationale for limiting the study to the urban sector is derived from the fact that the issues concerning the urban unorganised sector have some distinct feature from those concerning the rural sector. Limiting the study to the urban sector has enabled better focusing on those issues. This study has followed the definition forwarded by the National Commission for Enterprises in the Unorganised Sector; i.e. unorganised enterprises are those unincorporated private enterprises owned by individual or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis with less than ten workers. Moreover, while the growth and status of the entire unorganised sector in Assam is reviewed in the study, the focus is mainly on the pattern of financial aspects of the unorganised enterprises.

This study is based on both secondary and primary data. Status of the unorganised enterprises of Assam is studied based on the secondary data. Pattern of financing of the urban unorganised enterprises and their financial access is analysed based on

primary data. Further, analysis is made to find out the impact of financial access on the performance of the urban unorganised enterprises in Assam.

The Study based on secondary data indicates that a large number of unorganised enterprises are engaged in both manufacturing and services sector in Assam. The unincorporated non-agricultural enterprises in Assam has employed a large percentage of the workforce in the State.The enterprises in this sector have also contributed a significant percentage to the gross state domestic product. However, its contribution to GSDP is less than proportionate to its share in total workforce. Larger percentage of the unorganised enterprises reported that non availability or very costly credit is the principal problem faced by them. The average size of the outstanding loan per enterprises in Assam is smaller than that of all-India average; which indicates financial thinness in this state. However, considering the debt asset ratio, it is found that these enterprises have the potentiality to absorb larger amount of credit.

Analysis based on primary data shows that own fund of the entrepreneurs is the main source of their investible resources. However, borrowing from FFIs has also played a major role in capital investment for the unorganised enterprises. But, own fund has the maximum share in the total amount of working capital expenditure. Reinvestment of earning from the enterprise is the principal source of working capital expenditure. The percentage share of borrowing from FFIs in working capital expenditure is very small. The percentage share of non-institutional sources is also very small both in case of capital investment and working capital expenditure. In case of capital investment, it is found that registered enterprises have better access to credit from formal financial institutions. In case of working capital expenditure, it is found that entrepreneurs with higher education have better access to credit from formal financial institutions. To measure the depth of financial access of the sample enterprises an index is developed incorporating four aspects of financial access viz. saving, credit, insurance and payment through the financial institutions. Majority of the entrepreneurs have partial financial access and only a few have higher access to financial services. Thus, although financial coverage is not a major problem in the study area; depth of financial services is not satisfactory. It is found that registration of the enterprise has a positive significant impact on their depth in financial access. Financial access has no impact on the financial performance of the sample enterprises.

The unorganised enterprises are found to be dependent on their own fund and credit from informal sources for financing their business. But starting a business by investing entirely own fund means the entire risk of the business is on that particular entrepreneur. Moreover, scaling up the business primarily on own fund is a difficult proposition; especially for the unorganised enterprises. A larger percentage of the

unorganised enterprises are from economically weaker sections of the society. So, if such an entrepreneur makes the entire investment out of his pocket, definitely he/she has limited access to credit from formal financial institutions. Registered enterprises have better access to financial services than the rest. So, credit policies targeting the purely informal (unregistered) enterprises are necessary.

The sample unorganised enterprises also have limited access to business insurance. In other words, the entire risk of their business is borne by the entrepreneur himself/herself. Policies to provide insurance coverage, (specially micro-insurance at subsidised premium) would be helpful for the unorganised enterprises. Moreover, awareness is to be created regarding the importance of business insurance; as many entrepreneurs have no idea about the business insurance coverage. Awareness regarding payment made through banking services is also of importance.

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CHAPTER 1

INTRODUCTION

1.1 Motivation for the Study

The role of unorganised sector in the dynamics of developmental transition of economies has attracted the attention of theoreticians and researchers over the years. In the post war period it was assumed that the trickledown effect would ensure development of each and every segment of the economy and ensure employment to all. During those days the informal sector in the economy was regarded as a residual sector or something like a waiting house for the labour (Harris and Todaro, 1970). Along with economic development they would be absorbed in the organised sector. Later, it is found that the unorganised (informal) sector in the developing countries is neither a residual nor a temporary one. Rather it is a common component of such economies (Mukherjee, 2009). This has changed the view of the economists and policy makers regarding the unorganised (informal) sector. This sector has been playing an important role in the developing and underdeveloped countries both in terms of employment generation and contribution to gross domestic product (Charmes, 1999, NCEUS, 2008). However, the enterprises in this sector have various problems; such as lack of entrepreneurial capacity and skill, lack of training, lacking of access to capital and credit, raw materials and market, and technology as well as the absence of an umbrella organisational system. Literature state that among these problems, access to credit is the most important one as other problems are also linked to their access to credit. It has motivated the researcher to make an investigation into financial inclusion of the urban unorganised enterprises in Assam.

1.2 Conceptual Framework and Review of Literature

1.2.1 Definition of the Unorganised Enterprises

The unorganised sector is a heterogeneous one. So, the policy makers and researchers find it difficult to come up with a specific definition of unorganised sector as well as unorganised enterprises. Researchers and policy makers usually formulate definition of the unorganised enterprises based on the specific aspect of this sector, they are interested to study.

The 15th International Conferences of Labour Statisticians held in Geneva in the year 1972, provided a precise definition of the informal enterprises for the first time. It defined informal enterprises as all those private unincorporated non-agricultural enterprises, which were owned by the individual (or households) that could not be separated from the other activities of their owner and sold at least some portion of their output in the market; and/or were not registered under specific form of national legislation and their employees were also not registered (Bhalla, 2009). The employment size would have to be below a certain level, which was to be determined by the concerned national circumstances.

In India, according to National Sample Survey Office (NSSO), unorganised enterprises are all those private enterprises which are not registered under sections 2m (i) and 2m (ii) of Factories Act, 1948 and Bidi and Cigar Workers (Condition of Employment) Act, 1966 (NSSO, 2008). During 2010-11, NSSO conducted its 67th round of survey on unincorporated non-agricultural enterprises in India. In India, those enterprises are considered as incorporated, which are registered under Companies Act, 1956. This survey included those private enterprises which were not incorporated; i.e. those enterprises which are not registered under Companies Act, 1956 (NSSO, 2012). Additionally, it excluded enterprises which were registered under section 2m(i) and 2m(ii) of the Factories Act, 1948 or Bidi and Cigar Workers (Condition of Employment) Act, 1966. Thus, unincorporated enterprises constitute a subset of unorganised enterprises.

According to National Commission for Enterprises in the Unorganised Sector (NCEUS), unorganised enterprises would cover all those unincorporated private enterprises owned by individual or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis with less than ten workers (NCEUS, 2007). This commission used the terms unorganised and informal interchangeably. In Indian context, this definition seems to be the most appropriate one.

1.2.2 Financial Exclusion of the Unorganised Sector Enterprises

Access to credit is one of the important determinants of the growth of any enterprise. The World Bank (2008) considers financial inclusion (financial access) as the availability of financial services to all without any barrier. Thus, financial access is a broader concept that includes both those who have access to financial services and those who are voluntarily excluded. In fact, it is a supply side concept. Moreover, financial inclusion indicates the availability of financial services both from the institutional and non-institutional sources. But, it is difficult to differentiate between

the voluntary and non-voluntary exclusion from financial services. Moreover, due to exploitative characteristics of the non-institutional sources, one segment of literature measured financial access as the actual availability and adequacy of credit from formal financial institutions (FFI) (Bhavani et al, 2012). Another segment of literature measures financial access as the availability of credit from formal as well as from semi-formal financial institutions (SFFI) (Goyal, 2013).

Very often, lack of alternative wage employment force many, specially the poor, to seek self-employment by setting up their own business. Thus, these units by definition have capital constraint (Bhavani et al, 2012). A large section of the existing literature states that the unorganized enterprises rarely obtain credit from FFI (Farazi, 2014). As a result, all of their financial needs for starting up business are made through personal saving schemes, supplemented by borrowing from individuals. Reinvestment of profit is another dominant source of investment for working capital (Morewagae et al, 1995). Compared to small scale organized enterprises, the unorganized enterprises have lesser percentage of their borrowings from the banks (Farazi, 2014). This problem is found to be more serious one for women entrepreneurs (Agarwal et al, 2010). NCEUS (2007) stated that financial exclusion is the problem most severely experienced by the informal enterprises in India. Moreover, other facilities like training and skill formation, technological improvement are also related to the availability of credit (NCEUS, 2007).

Unorganized enterprises do not apply for loans due to complex application procedures, unfavourable interest rates and high collateral requirements (Farazi, 2014; Bujar Baruah, 2016). Similarly, registration status of a firm, owner's level of education, level of financial sector development and quality of legal framework increases the probability of informal firms' access to credit from formal financial institutions. The unorganized enterprises are ready to pay even higher rates of interest; which may be due to higher demand for credit on their side. Bhavani et al. (2012) reported that volume of sale, proportion of owned assets, account records and registration with any government agency are determinants of access to credit. Literature states that possession of landed property; educational attainment, social networking etc. have positive impact on the financial inclusion of an informal entrepreneur (Farazi, 2014). Morewagae et al. (1995) states that these entrepreneurs should learn about the importance of savings by themselves and should also be informed about different loan packages. However, another segment of literature is of the view that these results are not based on an objective analysis of return to investment, but purely based on a subjective assessment of the entrepreneur concern

(Sethuraman, 1992). However, a large segment of literature reports that credit can play an important role in raising the income of the unorganised enterprises.

Considering the financial exclusion of unorganised enterprises the government of different countries have introduced various government subsidised credit schemes. Some of them are credit cum skill development programmes. In India, during the early days of independence, co-operatives were assumed to play a major role in providing credit to the unorganised enterprises along with the agricultural sector. In 1955, the State Bank of India (earlier known as Imperial Bank) was nationalised with the motive to provide easier credit and other financial services to such enterprises. Thereafter, in 1969 fourteen commercial Banks were nationalised. After nationalization the priority sector of rural areas, agricultural sector and weaker section was defined with 40% of mandatory credit and interest concession. Later the definition of the priority sector was broadened and many small and tiny industries were also included in that list. In 1975, the Regional Rural Banks were established, with the aim to provide easier credit to the rural weaker sections. In 1982, the National Bank for Agriculture and Rural Development (NABARD) was created to provide credit to the agriculture and allied activities. NABARD also provides credit as well as non-credit assistance to the non-farm sector. In 1990, the Small Industries Development Bank of India (SIDBI) was created as the apex refinance bank and principle development financial institution for the promotion, finance and the development of small industries sector and co-ordinate the functions of other institutions engaged in similar activities. Along with the above mentioned policies, different subsidised schemes have been undertaken by the government to provide credit to the unorganised enterprises. But such programmes could not achieve their goals and resulted in high overdue with the banks. Presently micro-finance has emerged as an alternative source of credit for the unorganised enterprises and households over the world and is helping such enterprises (Banergee et al, 2011). But the main argument against the micro-finance programme is that this programme provides very small amount of loans to the client; which is not sufficient to fulfil the credit needs of an unorganised enterprise (Mahajan, 2005). Moreover, larger percentage of loans taken under micro-finance programme was for consumption purposes; only a small percentage was meant for asset creation and productive purposes (NCEUS, 2007; Bujar Baruah, 2012).

Considering the inability of the existing FFIs to fulfil the credit needs of the nonfarm unorganised sector, the National Commission for Enterprises in the Unorganised Sector (NCEUS, 2007) suggested for the creation of a National Fund for the Nonfarm Unorganised Sector following the structure of National Bank for Agricultural and

Rural Development (NABARD). In 2015, the Micro Units Development and Refinance Agency Ltd. (MUDRA) was set up through a statutory enactment. It will be responsible for refinancing micro-finance institutions in the business of lending to small entities.

1.3 Scope of the Study

This study is limited to urban unorganised enterprises only, which broadly corresponds to Todaro's informal sector. More specifically this study has followed the definition forwarded by the National Commission for Enterprises in the Unorganised Sector (NCEUS); i.e. unorganised enterprises are those unincorporated private enterprises owned by individual or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis with less than ten workers.

After prolong period of slow economic growth, the economy of Assam has experienced an acceleration in the growth process[1]. This acceleration is given mainly by the growth of the service sector, but is also contributed by industrial and agricultural growth. Though Assam still lags behind the country in terms of urbanisation, the census figure indicates a trend towards urbanisation[2] in Assam too. In this context, the investigation into the nature, growth and composition of the urban unorganised sector of Assam has become necessary. Moreover, a number of studies regarding rural nonfarm sector has been made in Assam (Chakravorty, 2014), so this particular study is related to the urban unorganised sector. In this study, special attention is given to the issues of financing enterprises in this sector.

The rationale for limiting the study to the urban sector is derived from the fact that the issues concerning the urban unorganised sector have some distinct feature from those concerning the rural sector. Limiting the study to the urban sector has enabled better focusing on those issues.

Moreover, while the growth and status of the entire unorganised sector in Assam is reviewed in the study, the focus is mainly on the pattern of financial aspects of the unorganised enterprises.

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[1] *After stagnating below 3% throughout the 1990s, the growth of real GSDP in Assam has accelerated to 4% in 2000-01 and further to 6% in the later years of the decade (Bezbaruah, 2013).*

[2] *Percentage of Assam population live in urban areas was 12.90% and 14.1% respectively according to 2001 and 2011 census. During this period in Assam, the decadal growth rate of urban population was 27.89% against the overall population growth rate 17.07%.*

1.4 Objectives and Research Questions

1.4.1 Objectives

This present study has the following broad objectives

(1) To review the current status of the unorganised enterprises in Assam.

(2) To analyse the pattern of financing of urban unorganised enterprises in Assam.

(3) To identify the factors limiting the financial access of urban unorganised enterprises in Assam.

1.4.2 Research Questions

Underlying the above mention objectives of the study, there are two primary research questions;

(a) What are the causes of financial exclusion of the urban unorganised enterprises?

(b) Does better financial access improve financial performance of the urban unorganised enterprises?

1.5 Data Source and Methodology

1.5.1 Secondary Data Source

This study is based on both secondary and primary data. The principal (as well as reliable) source of secondary data of the unorganised enterprises in India is the surveys conducted by National Sample Survey Office (NSSO). National Sample Survey (NSS) on unorganised enterprises is done from time to time and the survey reports are published. Data available from the 67thand 73rdround of NSS on unincorporated non-agricultural (excluding construction) enterprises in India is used to analyse the status of the unorganised enterprises. Secondary data was also collected from the published reports of national commission for enterprises in the unorganised sector, economic survey of Assam for different years and statistical handbook of Assam for different years.

1.5.2 Need for Primary Data and Sampling Design

For pursuing the second and third objectives primary data is collected, as secondary data is not sufficient to fulfil these objectives.

Location Selection: The primary data is collected by conducting a sample survey in Guwahati and Dibrugarh during June- December, 2017. Guwahati, the largest urban location in Assam is selected purposively; while Dibrugarh is selected randomly from the urban bodies in Assam with more than one lakh population.

Activity Selection: Based on NSS data on sectoral composition of urban unorganised enterprises in Assam and a preliminary field observation of Guwahati four sub-sectors of unorganised manufacturing enterprises and four sub-sectors of service sector enterprises were selected. The sub-sectors selected from the manufacturing sector were manufacture of wooden furniture, manufacture of textile and wearing apparels, manufacture of food and beverages and fabricated metal products. The sub-sectors selected from the services sector were retail trading, trade and repairing of motor vehicles, land transport activity and food service activity (restaurants). These selected sub-sectors have relatively higher share in the total number of urban unorganised enterprises in Assam.

Cluster Selection: At the first stage, both Guwahati and Dibrugarh were divided into some clusters on the basis of location. Then some clusters were selected randomly covering different locations of the city to make the sample more representative.

Ultimate Sample Unit Selection: Although random sampling is the best sampling, it is not feasible here as the sampling frame could not be constructed. This is because a large segment of unorganised enterprises are not registered with any agency and no record is available regarding the total number of urban unorganised enterprises in Assam. So, sample enterprises were selected from the clusters using non-random method akin to accidental sampling. Utmost care was taken to minimise the limitations of non-random sampling.

1.5.3 Analytical Framework

The first objective is fulfilled by compiling, assimilating and comparing available secondary data. The exercise is done using ratios, averages and figures.

The second objective is fulfilled by analysing the data collected in the field study on the financial aspects from the enterprises. The financial resource gap is calculated both for capital investment and working capital expenditure. To identify factors determining pattern of financingsample enterprises regression analysis is done.

The third objective is fulfilled by examining the variation in the financial access of different enterprises covered in the field study and regressing the same on various

background factors of those units. To measure the financial access of each unit an index of financial access/ inclusion is formulated.

The analysis of the pattern of financing the unorganised sector and the factors affecting the financial access of the unorganised enterprises has given an insight into the first research question i.e. what causes the financial exclusion of the unorganised enterprises.

To fulfil the second research question, some measure for financial performance is devised. Then that measure is regressed on financial access and other explanatory variables.

1.6 Structure of the Report

This report consists of six chapters. The second chapter based on secondary data discusses the present status of unorganised enterprises in Assam.

The third chapter prepares a profile of the sample urban unorganised enterprises, the primary survey covered.

The fourth chapter analyses the pattern of financing sample urban unorganised enterprises.

The fifth chapter analyses the depth of financial access of the sample urban unorganised enterprises and factors determining their financial access. Further, the impact of financial access on financial performances of the urban unorganised enterprises is analysed here.

The sixth chapter summarises the discussion and concludes with policy suggestion.

CHAPTER 2
STATUS OF UNORGANISED SECTOR ENTERPRISES IN ASSAM: A DEPICTION USING SECONDARY DATA

2.1 Introduction

It has already been discussed in the previous chapter that the unorganised sector is a common component of the developing and underdeveloped economies like India. Assam[3] being one of the relatively backward states in India is not an exception. This chapter, based on secondary data compiled from various sources tries to highlight various aspects of the unorganised enterprises in Assam. National Sample Survey Office (NSSO) has been conducting surveys of unorganised sector enterprises from time to time. Previously, NSSO defined unorganised and informal enterprises separately. Accordingly, informal enterprises constituted a subset of the unorganised sector enterprises. Further, surveys of unorganised manufacturing and service sector enterprises were done separately.

However, 2010-11 onwards NSSO had stopped both the surveys on unorganised sector enterprises and informal sector enterprises and starts national survey on unincorporated non-agricultural enterprises. The unincorporated non-agricultural enterprise survey includes all the enterprises which are also included in the unorganised enterprise survey; except those which are registered under Companies Act, 1956. Moreover, the difference in the estimated total number of enterprises given by the definitions of these two surveys is very small[4]. So, data available from this survey is also used to analyse the condition of the unorganised enterprises. NSSO conducted two national surveys of unincorporated non-agricultural enterprises in the year 2010-11 and 2015-16 respectively. Further, NSSO surveys of unincorporated enterprises covers manufacturing, trading and other service sector enterprises. So a comparison among these three segments of enterprises is possible for these two years. This chapter compiled and calculated data from these two surveys to have an understanding of the status of unorganised enterprises in Assam.

[3]For example, the per capita NNP at factor cost of India during 2013-14 (at 2004-05 prices) was Rs. 39,904; while during the same period, the NSDP of Assam was Rs. 24,533 only.

[4] For example, the 57th round of NSSO survey of unorganised service sector enterprises states that at the all India level only 1.8% of the unorganised service sector enterprises were registered under companies' act, 1956; which is slightly higher (3.9%) for the establishment enterprises. In Assam, 4.0% of the unorganised service sector enterprises (4.7% in case of establishment enterprises) were found to be registered under companies' act, 1956. Similarly, NSS 62nd round stated that only 0.56% of the unorganised enterprises were registered under companies act, 1956.

This chapter has seven sections. The second section discusses the composition of the unorganised enterprises in Assam. The third section discusses the employment generated in the unorganised enterprises in this state. The gross value added in the unorganised enterprises in Assam is discussed in the fourth section. The fifth section examines the various problems faced by the unorganised enterprises in Assam. The sixth section analyses the financial access of the unorganised enterprises. The seventh and final section summaries the discussion and concludes with concluding remarks.

2.2 Composition of Unincorporated Non-agricultural Enterprises

The unincorporated non-agricultural enterprises include both manufacturing and service sector enterprises. The composition of the unincorporated non-agricultural enterprises in Assam can be explained with Table 2.1. There is an increase in the total number of enterprises over the years. Assam has relatively larger share in the total number of trading enterprises in India, compared to that of manufacturing and other service sector enterprises. Similarly, Assam's share in the total number of establishment enterprises is higher than that in OAEs.

Table 2.1: Estimated Total Number of Unincorporated Non-agricultural Enterprises in Assam

	2010-11			2015-16		
	OAE	**Est.**	**All**	**OAE**	**Est.**	**All**
Manuf.	1,57,682 (1.93) {72.15}	60,877 (2.36) {27.85}	2,18,559 (2.00) {100.00}	152938 (0.90) {75.27}	50249 (1.76) {24.73}	203187 (1.03) {100.00}
Trading	4,68,815 (2.63) {83.97}	89,504 (3.06) {16.03}	5,58,318 (2.69) {100.00}	567505 (2.91) {84.78}	101882 (2.85) {15.22}	669390 (2.90) {100.00}
Other Services	3,15,273 (1.90) {84.26}	58,914 (1.87) {15.74}	3,74,188 (1.90) {100.00}	266283 (1.55) {77.96}	75265 (2.08) {22.04}	341548 (1.65) {100.00}
All Enterprises	941770 (1.93) {81.82}	209295 (2.36) {18.18}	1151065 (2.00) {100.0}	986729 (1.84) {81.27}	227396 (2.26) {18.73}	1214125 (1.91) {100.00}

Source: Values in '()' indicate the percentage share of Assam in the total number of enterprises in India.

Values in '{}' indicate the percentage share of different types of enterprise in total number of unorganised enterprises in Assam.

Source: Compiled and calculated from Operational Characteristics of Unincorporated Non-agricultural Enterprises (Excluding Construction) in India, Report No. 546, NSS 67th Round, 2010-11 & *Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73 Round, National Sample Survey Office*

Here, it would be beneficial to have an idea about the percentage share of different sub-sectors in the total number of unincorporated non-agricultural enterprises in Assam. The overall share of the manufacturing sector in the total number of unincorporated non-agricultural enterprises during 2010-11 and 2015-16 were 18.99% and 16.74% respectively. These two rounds of surveys categorized the unincorporated enterprises into 25 sub-sectors. These are cotton ginning, cleaning and baling; food products and beverages; tobacco products; textiles; wearing apparel: dressing and dyeing of fur; tanning and dressing of leather (luggage, handbag, saddler, harness and footwear); wood and products of wood & cork (except furniture); coke, refined petroleum products and nuclear fuel; chemicals and chemical products; rubber and plastic products; other non-metallic mineral products; basic metals; fabricated metal products, except machinery and equipment; machinery and equipment (not elsewhere classified); office equipment and computing machinery; electrical machinery and apparatus (not elsewhere classified); radio, television and communication equipment and apparatus; medical precision and optical watches and clock; motor vehicles, trailers and semi-trailers; other transport equipment; furniture manufacturing (not elsewhere classified) and recycling.

Table 2.2: Percentage Share of Different Sub-Sectors in the Total Number of Unincorporated Manufacturing Enterprises in Assam

Activities	2010-11	2015-16
Wearing Apparel	10.14	11.97
Textiles	18.84	7.5
Manufacture of Wooden furniture	11.11	17.67
Food Products and Beverages	27.94	32.47
Wood Products	23.69	17.34
Fabricated Metal Products	2.31	2.86
Other manufacturing	5.97	10.19
Manufacturing Activities	100.00	100.0

Source: Compiled and Calculated by the Author *from Economic Characteristics of Unincorporated Non- Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, National Sample Survey Office & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73 Round, National Sample Survey Office*

The percentage share of different sub-sectors in the total number of unincorporated manufacturing enterprises in Assam is shown in Table 2.2. Among different sub-

sectors, the enterprises in the manufacture of textile and wearing apparels taken together have the largest share in the total number of unincorporated manufacturing enterprises in Assam over the years. Manufacture of wood products, manufacture of food products and beverages and manufacture of fabricated metal products are other sub-sectors with a significantly larger share in the total number of unincorporated manufacturing enterprises. None of the unincorporated manufacturing enterprises belonged to the sub-sectors such as cotton ginning, cleaning and bailing; manufacture of paper and paper products; pharmaceutical, medicinal chemical, and botanical products; manufacture of machinery and equipment N.E.C., and some other transport equipment. Rest of the subsectors independently have limited share in the total number of unincorporated enterprises.

Here, it is imperative to have an idea about the share of different sub-sectors in the total number of unorganised service sector enterprises in Assam. The unincorporated non-agricultural enterprise survey 2010-11 and 2015-16 classified the unincorporated service sector enterprises broadly into trading enterprises and enterprises in other services. Among different sectors of unincorporated non-agricultural enterprises, trading is the largest sector. Trading enterprises have 48.50% and 55.13% share in the total number of unincorporated non-agricultural enterprises in Assam during 2010-11 and 2015-16 respectively. The percentage share of different sub-sectors in the total number of unincorporated trading enterprises in Assam is given Table 2.3. The unincorporated trading enterprises are broadly categorised into four categories. Among different categories, retail trading occupies the lion's share in the total number of trading enterprises.

Table 2.3: Percentage Share of Different Sub-Sectors in the Total Number of Unincorporated Trading Enterprises in Assam

Activities	2010-11	2015-16
Retail Trading	90.73	94.88
Wholesale trading	7.18	2.91
Trade and Repair of Motor vehicles and motorcycle	1.63	2.21
Activities of Commission Agents	0.45	0
Trading Activities.	100.0	100.0

Source: Compiled and Calculated by the Author from Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, National Sample Survey Office & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73 Round, National Sample Survey Office

Enterprises in the other services sector had 32.51% and 28.13% share in the total number of urban unincorporated non-agricultural enterprises in Assam during 2010-11 and 2015-16 respectively. Enterprises in unincorporated service sector (other than trading) are categorised into different sub-sectors such as accommodation business; food service activities; land transport; water transport; warehousing and storage; support activities for transport, postal and courier activities; information and communication; financial service activities except insurance and pension funding; other financial service activities; real estate activities; professional, scientific and technical activities; administrative and support service activities; education; human health and social work; other community, social and professional service activities. The percentage share of different sub-sectors in the total number of unincorporated service sector enterprises in Assam is given in Table 2.4. Among different sub-sectors land transport; other community, social and professional service activities; real estate business and food service activities have a dominant share in the total number of unincorporated enterprises. The others category includes support activities for transportation, postal and courier activities, accommodation, water transport, and warehousing and storage. The individual share of these activities is less than 1%.

Table 2.4: Percentage Share of Different Sub-Sectors in the total Number of Unincorporated Other Service Sector Enterprises in Assam

Activities	2010-11	2015-16
Land Transport	37.40	29.18
Other Community, Social and Professional Service Activities	19.58	27.25
Food Service Activities	19.16	16.96
Education	4.37	5.25
Human Health and Social Work	1.90	2.55
Real Estate Activities	0.95	4.44
Financial Service Activities	9.79	3.12
Information and Communication	1.30	1.52
Administrative and Support Service Activities	2.60	7.09
Professional, Scientific and Technical Activities	1.08	1.54
Others	1.87	1.10
Total Service (excluding trade)	100.00	100.00

Source: Compiled and Calculated by the Author from Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, National Sample Survey Office & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS 73 Round, National Sample Survey Office

2.3 Employment Generated in the Unincorporated Non-agricultural Enterprises

Employment generation is one of the measures to estimate the importance of unincorporated enterprises. The unorganised enterprises in Assam have been employing a large number of semi-skilled and unskilled labourers over the years. NSS 67th round on the unincorporated non-agricultural enterprises (2010-11) states that the unincorporated manufacturing enterprises' share in the workforce[5] of the state was 3.53%; while that of unincorporated trading and other services sector enterprises' was 6.83% and 5.05% respectively. Thus, the entire unincorporated non-agricultural enterprises (manufacturing, trading and other services) in Assam employed more than 15.41% of the workforce of the state during 2010-11. During 2015-16, unincorporated non-agricultural enterprises has around 20.4% share in the total number of workforce in Assam.

Table 2.5: Estimated Total Number of Workers Employed in the Unincorporated Non-agricultural Enterprises in Assam

	2010-11			2015-16		
	OAE	**Est.**	**All**	**OAE**	**Est.**	**All**
Manufacturing	2,14,194 (1.03) {50.75}	2,07,831 (1.48) {49.25}	4,22,025 (1.20) {100.00}	193704 (0.85) {50.19}	192245 (1.44) {49.81}	385949 (1.07) {100.00}
Trading	5,73,772 (2.34) {70.17}	2,43,865 (2.53) {29.83}	8,17,637 (2.40) {100.00}	632518 (2.35) {70.47}	264959 (2.24) {29.53}	897476 (2.32) {100.00}
Other Services	4,37,120 (1.79) {72.26}	1,67,784 (1.15) {27.74}	6,04,904 (1.55) {100.00}	284265 (1.46) {53.42}	247873 (1.46) {46.58}	532138 (1.46) {100.00}
All Enterprises	1225086 (1.76) {66.42}	619480 (1.62) {33.58}	1844566 (1.71) {100.00}	1110487 (1.61) {61.16}	705076 (1.67) {38.84}	1815563 (1.63) {100.00}

Values in '()' indicate the percentage share of Assam in the total number of workers employed in the unorganised enterprises in India.

Values in '{}' indicate the percentage share of workers employed in different types of unorganised enterprises in Assam.

Source: Compiledand calculated from Key Results of Survey on Unincorporated Non-Agricultural Enterprises (Excluding construction) in India, 2010-11, NSS 67th Round & Key Indicators of Unincorporated Non-agricultural Enterprises (Excluding Construction) in India, 2015-16, NSS 73rd Round.

[5]The workforce of Assam for the year 2010-11 is estimated with 2011 census data and that of 2015-16 is estimated from Report on Fifth Annual Employment- Unemployment Survey, 2015- 16 (Volume I), Labour Bureau, Ministry of Labour and Employment, Government of India.

The number of workers employed in different sectors of unincorporated non-agricultural enterprises is given in Table 2.5. There is a decline in the total number of workers employed in the unincorporated non-agricultural enterprises in Assam during 2010-11 and 2015-16. This decline is due to the decline in the number of workers employed in the OAEs. It is also found that larger percentage of the workers are employed in the OAEs.

2.4 Gross Value Added in the Unincorporated Enterprises

Discussions on unorganised enterprises would be incomplete without any discussion on the gross value addition made by these enterprises and their contribution to the economy of the state. Table 2.6 shows the percentage share of different sectors in the GSDP of Assam. During 2010-11 the unincorporated non-agricultural enterprises had 10.09% share in the GSDP of Assam, which declined to 9.55% during 2015-16.

Table 2.6: Percentage Share of Different Sectors of Unincorporated Non-agricultural Enterprises in the GSDP of Assam

Sectors	2010-11	2015-16
Manufacturing Enterprises	2.10	1.36
Trading Enterprises	5.44	5.21
Other Service Sector Enterprises	2.55	2.99
Overall	10.09	9.55

GSDP data are collected from the Economic Survey of Assam for the respective years.

Source: Compiled and calculated by the author from *Economic Characteristics of Unincorporated Non- Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73 Round*

Here queries arise regarding the relative importance of different subsectors of unincorporated non-agricultural enterprises in Assam economy in terms of gross value added. During 2010-11, the trading sector has the highest share (53.90%) in the GVA made by the unincorporated non-agricultural enterprises in Assam. The share of manufacturing and other service sector enterprises were 20.82% and 25.28% respectively. During 2015-16 the percentage share of manufacturing, trading and other service sector enterprises in the GVA made by the unincorporated non-agricultural enterprises were 14.21%, 54.51%, and 31.28% respectively.

The percentage share of different sub-sectors[6] in the GVA made by the unincorporated manufacturing enterprises in Assam is given in Table 2.7. Enterprises in the manufacture fabricated metal product, manufacture of furniture, manufacture of textile and wearing apparels, and manufacture of food and beverages have a larger share in the GVA made by the unincorporated manufacturing enterprises. Percentage share in the GVA is significantly lower for the enterprises in the manufacture of tobacco products, manufacture of leather products, manufacture of cock and refined petroleum products, manufacture of motor vehicles, trailers, and semi-trailers, manufacture of electrical equipment, manufacture of basic metal, and manufacture of rubber and plastic products.

Table 2.7: Percentage Share of Different Sub-Sectors in the GVA Made by the Unincorporated Manufacturing Enterprises

Activities	2010-11	2015-16
Fabricated Metal Products	11.88	5.87
Manufacture of furniture	12.97	22.56
Textiles	23.72	5.64
Food Products & Beverages	20.26	30.75
Wearing Apparel	7.73	7.25
Woods and Products of Wood and Cork (except furniture)	13.07	11.78
Printing and Reproduction of recorded media	0.51	1.15
Other non-metallic mineral products	0.89	7.03
Other manufacturing	8.97	7.97
All Manufacturing Activities	100.00	100.00

Source: Compiled and Calculated by the Author from Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73 Round

Here, it is imperative to have an idea about the percentage share of different sub-sectors in the GVA made by the unincorporated trading and other service sector enterprises. Among the enterprises in the trading sector, retail trading had the largest share; followed by those in the wholesale trading (please refer to Table 2.8).

[6]The published reports of the 73rd round of NSSO survey 2015-16, does not provide any data on GVA made by different sub-sectors of the unincorporated nonagricultural enterprises in Assam. So, data on average GVA per enterprise across different sub-sectors at the all India level is used to calculate the share of different sub-sector of unincorporated nonagricultural enterprises in Assam in that year. Although it does not give a correct estimation, it is expected to give some idea to the readers.

Table 2.8: Percentage Share of Different Sub-Sectors in the GVA Made by the Unincorporated Trading Enterprises

Categories	2010-11	2015-16
Retail Trading	81.10	88.18
Wholesale Trading	13.50	7.74
Trade and Repairing of Motor Vehicle	4.67	4.08
Commission Agents	0.73	0.01
Trading Enterprises	100.00	100.00

Source: Compiled and Calculated by the Author from Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, National Sample Survey Office, Government of India & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73 Round, National Sample Survey Office, Government of India

Among different sub-sectors, land transport had the largest share in the GVA made by the unincorporated other services (excluding trading) sector enterprises in Assam (please refer to Table 2.9). Enterprises in food service activity and enterprises in other community, social and professional service activities have a relatively larger share in the GVA made by the unincorporated services sector enterprises in Assam.

Table 2.9: Percentage Share of Different Sub-Sectors in the GVA Made by the Unincorporated Other Service Sector Enterprises

Categories	2010-11	2015-16
Land Transport	33.06	20.84
Other Community, Social and Professional Service Activities	16.62	15.07
Food Service Activities.	20.81	18.79
Education.	5.68	19.02
Human Health and Social Work.	3.73	5.84
Professional, Scientific and Technical Activities.	2.05	2.21
Administrative and Support Service Activities.	4.32	7.54
Information and Communication.	1.72	1.98
Accommodation.	0.77	3.34
Financial Service Activities.	8.54	0.81
Real Estate Activities.	0.85	3.53
Others	1.85	1.03
All in the Other Service Sector	100.00	100.00

Source: Compiled and Calculated by the Author from Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, National Sample Survey Office, Government of India & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73 Round, National Sample Survey Office, Government of India

Gross Value Added Per Enterprise

Let's have an idea about the productivity of the unincorporated nonagricultural enterprises in Assam. The productivity of the enterprises can be known from gross value added (GVA) per enterprise and gross value added per worker in this sector.

Table 2.10: Annual Gross Value Added (in Rs.) per Unincorporated (Non-Agricultural) Enterprises in Assam

	2010-11			2015-16		
	OAE	**Est.**	**All**	**OAE**	**Est.**	**All**
Manufacturing	83,336	2,12,387	1,00,246	88785	348357	152979
Trading	74,177	2,44,948	1,01,553	104668	316174	136859
Other Services	56,247	1,50,456	71,080	89856	313565	139205
Overall	66,265	204,494	91,399	98213	322424	140217

Source: Compiled and Calculated by the Author from Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, National Sample Survey Office, Government of India & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73 Round, National Sample Survey Office, Government of India

The annual average GVA per enterprise in the different sectors is given in Table: 2.10. During 2010-2011, GVA per unincorporated enterprise was highest among the trading enterprises followed by that in the manufacturing enterprises. During 2015-16, GVA per enterprise was highest among the manufacturing enterprises, followed by those in the other services.

Gross Value Added per Worker:

Along with gross value added per enterprise the productivity of the labourers employed in an enterprise is also of importance. The productivity of labour force explains whether the workers employed in a particular enterprise are gainfully employed or not. A comparison among the annual average GVA per worker in different segments of the unincorporated enterprises (manufacturing, trading and other services) can be made with the help of Table 2.11. It can be seen that the annual average GVA per worker is highest among the trading enterprises. Again, the GVA per worker increased along with the increased size of the enterprise; i.e. the productivity of the workers in the establishment enterprises is higher than those in the OAEs. Again the overall GVA per worker in the unorganised enterprises in Assam is lower than that at the all India level.

Table 2.11: Annual Gross Value Added (in Rs.) per Worker Employed in the Unincorporated (Non-Agricultural) Enterprises in Assam

	2010-11			2015-16		
	OAE	Est.	All	OAE	Est.	All
Manufacturing	46,007	77,972	51,916	70100	91054	80538
Trading	60,608	89,901	69,345	93910	121575	102078
Other Services	40,568	52,830	43,969	84175	95268	89344
Overall	50940	69089	57036	87266	104009	93769

Source: Compiled and Calculated by the Author from Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India, 2010-11, (Technical Report No. 549), NSS 67th Round, National Sample Survey Office, Government of India & Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India (2015-16), Technical Report No.582, NSS73rd Round, National Sample Survey Office, Government of India

2.5 Problems Faced by the Unorganised Enterprises

From the above discussion, no more confusion exists regarding the importance of the unorganised enterprises in Assam economy. Despite of their importance they are facing various problems. The percentage distribution of the unincorporated non-agricultural enterprises in Assam according to different problems faced by them is shown in Table 2.12. The problems severely experienced by the unincorporated enterprises are such as problem of electricity, fall in demand and non- recovery of financial dues. Lacking in access to credit or high cost of credit is another problem faced by the enterprises.

Table 2.12: Percentage of Unincorporated Enterprises Facing Different Problems in Assam

	2010-11				2015-16			
	M	T	O.S.	All	M	T	O.S.	All
No Specific Problem	46.2	36.6	42.7	40.4	45.2	50.7	55.3	51.1
Problem of Electricity	12.6	9.4	5.3	8.7	11.2	9.2	12.5	10.5
Shortage of Raw Materials	10.9	6.7	1.2	5.7	6.0	3.2	1.0	3.1
High Cost or Shortage of Credit	**12.7**	**23.9**	**14.5**	**18.7**	**6.5**	**8.8**	**4.4**	**7.2**
Fall in Demand	11.8	13.1	23.8	16.3	25.3	16.0	18.2	18.2
Non Recovery of Financial Dues	25.6	36.2	30.6	32.4	11.8	20.4	7.3	15.3
Non-availability of Labour	12.9	2.4	2.3	4.4	1.6	0.4	1.0	0.8
Others	4.6	8.2	9.9	8.1	10.8	8.7	13.3	10.4

Sources: Operational Characteristics of Unincorporated Non-agricultural Enterprise (Excluding Construction) in India *2010-11, (Technical Report No. 546), NSS 67th Round, & Operational Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding construction) in India 2015-16, (Technical Report No.581), NSS 73rd Round,*

Thus non availability of credit or very costly credit (capital) is one of the problems faced by the unorganised enterprises in Assam. Various existing reports and literature also support this argument. Moreover, other problems such as lack of technology or training of the workers are also related to the shortage of capital. Considering this point, the next segment of this chapter examines unorganised enterprises' access to credit in Assam.

2.6 Access to Credit of the Unorganised Enterprises

Access to credit is one of the pre-requisites for any enterprises to work smoothly. The outstanding amount of loan per unincorporated enterprises in Assam is given Table 2.13.

Table 2.13: Outstanding Amount (in Rs) of Loan per Unincorporated Enterprise in Assam

	2010-11			2015-16		
	OAE	**Est.**	**All**	**OAE**	**Est.**	**All**
Manufacturing	66	3339	978	310	25008	6418
Trading	268	6024	1191	953	19887	3835
Other Services	725	17536	3372	2181	5124	2830
Overall	387	8484	1859	1185	16132	3984

Source: Economic Characteristics of Unincorporated Non- Agricultural Enterprises (Excluding construction) in India, 2010-11, Report No. 549, NSS 67th Round & Economic Characteristics of Unincorporated Non-agricultural Enterprises (Excluding Construction) in India, 2015-16, ReportNo.582, NSS 73rd Round.

Table 2.13 shows that over the years there is an increase in the outstanding amount of loan per enterprise. The outstanding amount of loan per establishment enterprise is higher relative to that of OAEs. The average amount of loan taken by the unorganised enterprises (manufacturing as well as service sector) in Assam is smaller than that of all-India average; which indicates financial thinness in this state.

Outstanding amount of loan per enterprise is not sufficient to understand the financial health of an enterprise. To have an idea about credit absorption capacity of an enterprise, information about fixed asset of the enterprise is also important, because an enterprise with higher level of fixed asset has the capacity to borrow higher amount of money. Thus, an outstanding amount of loan as a percentage of the value of fixed assets of an enterprise would give a clearer picture of his financial status. The outstanding amount of borrowing per unincorporated enterprise as a percentage of their value of fixed asset can be explained with the help of Table 2.14.

The debt asset ratio has increase during 2010-11 and 2015-16. In other words, during 2015-16 unincorporated enterprises have relatively more access to credit compared to 2010-11. Again establishment enterprises have higher debt asset ratio compared to that of OAEs. However, the lower overall debt asset ratio shows that the unincorporated enterprises have higher credit absorption capacity.

Table 2.14: Outstanding Loan as a Percentage of Fixed Asset per Unincorporated Enterprise

	2010-11			2015-16		
	OAE	Est.	All	OAE	Est.	All
Manufacturing	0.11	2.11	1.10	0.66	9.44	6.35
Trading	0.37	1.60	1.01	1.34	8.51	4.00
Other Services	1.03	6.29	3.26	1.58	1.16	1.38
Overall	0.55	3.04	1.72	1.39	5.20	3.13

Source: Economic Characteristics of Unincorporated Non- Agricultural Enterprises (Excluding construction) in India, 2010-11, Report No. 549, NSS 67th Round & Economic Characteristics of Unincorporated Non-agricultural Enterprises (Excluding Construction) in India,2015-16, ReportNo.582, NSS 73rd Round.

2.7 Summing Up

The principal findings about the unorganised enterprises in Assam emerging from the analysis of available secondary data are summed up in the following points

- A large number of unorganised enterprises are engaged in both manufacturing and services sector in Assam. The unincorporated non-agricultural enterprises in Assam employed more than 15.41% of the workforce of the state during 2010-11; which increased to 20.4% during 2015-16.
- The unorganised enterprises are contributing a significant percentage to the GSDP of the state. During 2010-11 the entire unincorporated non-agricultural enterprises contributed 10.9% to the GSDP of the state; which increased to 9.55% during 2015-16.
- Over the years, a large percentage of the unorganised manufacturing and service sector enterprises reported that non availability or very costly credit (capital) is the principal problem faced by them.
- However, considering the debt asset ratio of the various types of unorganised enterprises, it is found that these enterprises have the potentiality to absorb larger amount of credit.

- However, NSSO unincorporated enterprise surveys only gives data on outstanding amount of loan per enterprise. To have a complete and meaningful discussion on financial access of the unorganised enterprises, data on sources of credit andutilisation of credit is also of importance. Moreover, for an unorganised enterprise access to other financial services such as savings, insurance and repayment through banking system is also of importance. But these data are not available from the existing secondary sources.

The above summary of findings emphasizes more broadening and deepening of delivery of access to financial services of the unorganised enterprises in Assam. However, to understand the barriers to greater financial inclusion of such enterprises more in depth, analysis at the grassroots level is felt necessary. Hence, a field investigation was carried out during June-December, 2017 for better fulfilment of the objectives taken up from this study. Given the heterogeneity and diversity within the unorganised sector enterprise, a detailed intensive study covering all type of enterprises is difficult for an individual researcher. Hence, the present study aims to focus on certain components of the unorganised enterprises of the state. The rural unorganised sector is comprised of the farm sector, the traditional mainstream of the rural economy and the rural nonfarm sector, which has gradually gaining greater importance. While, the farm sector has been extensively studied in Assam, several studies have become available on rural nonfarm unorganised enterprises also. Hence, in the present study, the focus is on the urban unorganised enterprises; which as per above findings are gaining importance but not been investigated enough.

CHAPTER 3

A PROFILE OF THE SAMPLE URBAN UNORGANISED ENTERPRISES

3.1 Introduction

Based on secondary data, the discussion in the previous chapter gives an overall picture of the unorganised sector enterprises in Assam. It was concluded in that chapter that existing secondary data was not sufficient to investigate the extent and depth of financial access of unorganised enterprises in Assam. So, an intensive field investigation of urban unorganised sector enterprises in Assam to study their financial access was conducted in Guwahati and Dibrugarh during June- December, 2017. Guwahati is the largest urban location of the state based on population census, 2011. Further, Dibrugarh was selected randomly among the cities with more than one lakh population. In this chapter, different aspects of the sample urban unorganised entrepreneurs and enterprises are discussed.

This chapter consists of six sections. The second section discusses different characteristics of the sample enterprises, along with an introduction of the field survey location. The third section makes an investigation into the financial performance of the sample unorganised enterprises. The fourth section highlights on employment generated in the sample unorganised enterprises. The fifth section discusses various issues related to financial access of the unorganised enterprises. The concluding msection summaries the discussion.

3.2 Profile of the Sample Enterprises

3.2.1 The Field Study Location

The primary field investigation was conducted in Guwahati and Dibrugarh. Guwahati is the largest city of the entire northeastern region and is also one of the fastest developing cities of India. Dispur, the capital of Assam, is located within Guwahati. According to 2011 census, the total population of Guwahati Municipal Corporation area is 957,352. Dibrugarh town, one of the major urban location in Assam is located at eastern corner of Assam, which is 435 km from Guwahati. Dibrugarh town is the district headquarter of Dibrugarh district. According to 2011 census the total population of Dibrugarh town is 139,565. However, the total

population of the proposed Dibrugarh metropolitan area is 154,296. Both in Guwahati and Dibrugarh, there is an acceleration growth in population during last a few decades. Moreover, there is a huge immigration of population to both the urban areas from different parts of the state and also from other parts of the country. And a large number of them are engaged in the unorganised sector either as self-employed or as a worker in some unorganised enterprise. All these have encouraged the researcher to conduct the field investigation in these two urban locations.

In Guwahati the sample were selected from the locations like Adabari, Maligaon, Bharalu, Silpukhuri, Chandmari, Bamunimaidam, Noonmati, Nagengi, Shatgaon, Mathgharia, Zoo Road, Ganeshguri, Panjabari, Kahilipara and Lokhra. In Dibrugarh, the sample were selected from Boiragi Math, Amolapatty, Milan Nagar and Chowkidingi area. The sample selection process is already described in Chapter 1.

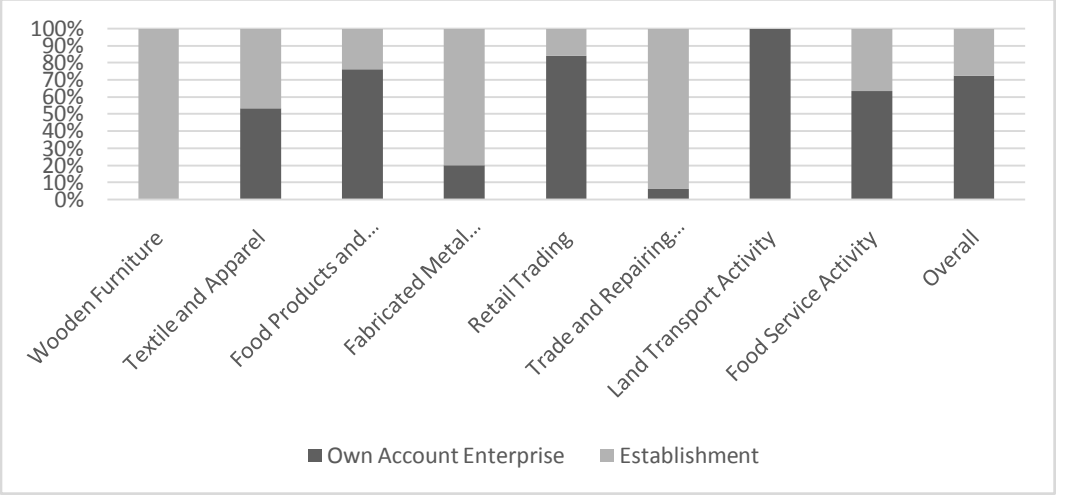
Table 3.1: Distribution of the Sample Enterprises Across Different Sub-Sectors

	Guwahati	Dibrugarh	Overall
Manufacturing of Wooden Furniture	8 (80.0%)	2 (20.0%)	10 (100.0%)
Manufacturing of Textile and Apparel	9 (60%)	6 (40%)	15 (100.0%)
Manufacturing of Food Products and Beverages	14 (82.4%)	3 (17.6%)	17 (100.0%)
Manufacturing of Fabricated Metal Product	2 (40.0%)	3 (60.0%)	5 (100.0%)
Manufacturing Sector	32 (69.6%)	14 (30.4%)	46 (100.0%)
Retail Trading	16 (31.4%)	35 (68.6%)	51 (100.0%)
Trade and Repairing of Motor Vehicles	7 (46.7%)	8 (53.3%)	15 (100.0%)
Land Transport Activity	0	21 (100.0%)	21 (100.0%)
Food Service Activity	18 (81.8%)	4 (18.2%)	22 (100.0%)
Services Sector	42 (38.2%)	68 (61.8%)	110 (100.0%)
Overall	74 (47.4%)	82 (52.6%)	156 (100.0%)

Source: Calculated by the author from Field Survey Data (June- December, 2017)

A profile of the sample selected is shown in Table 3.1. A sample of 74 units from Guwahati and that of 82 units from Dibrugarh were selected. The the overall size of the sample was 156 units. The number of units selected from different sub-sectors is proportionate to their share in the total number of urban unorganised enterprises in Assam. However, due to some technical reasons no units from land transport activity in Guwahati is included in the sample. The sample consists of 46 manufacturing enterprises and 110 service sector enterprises.The sample consists of both own account enterprises (OAE) and establishments. OAE is that which run on a fairly regular basis without any hired workers. On the other hand, establishment enterprises appoint at least one hired worker. As many as 72.4% of the sample enterprises were OAEs, and the rest (27.6%) were establishment enterprises (please refer to Figure 3.1). All the enterprises in the wooden furniture category were establishments, while all the enterprises in land transport activity were OAEs.

Figure 3.1 Distribution of the Sample Enterprises according to their Type



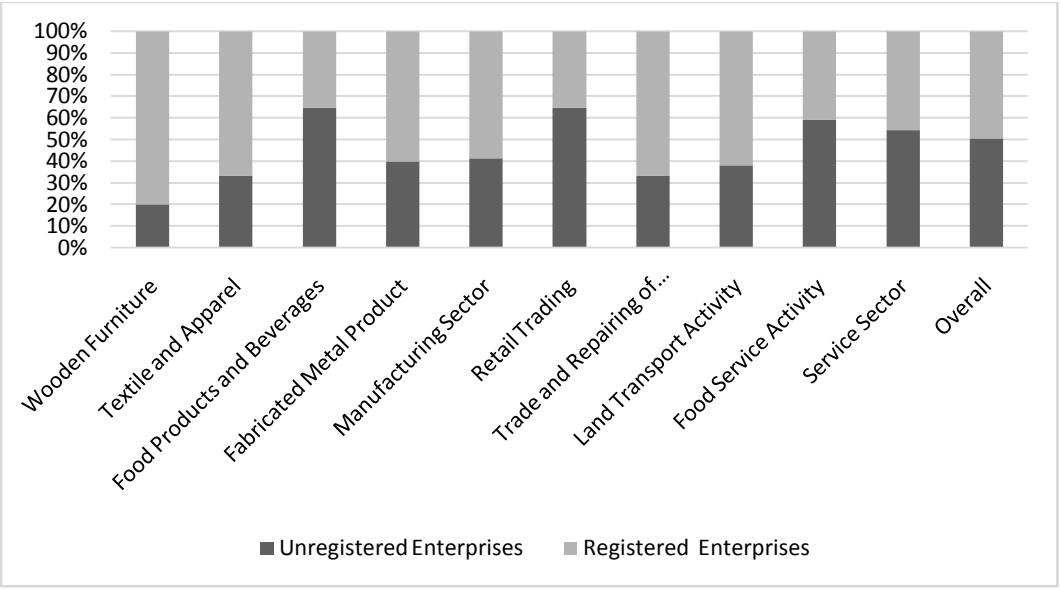
Source: Calculated by the author from Field Survey Data (June- December, 2017)

3.2.2 Registration Status of the Enterprises

One of the characteristics of unorganised enterprises is non registration with some specific government agency. However, there are also some other government agencies where an enterprise may be registered. For example, all the enterprises in urban areas have to be registered with the municipal authority of that city/ town. Again, the motorized vehicles of the land transport activity are to be registered with the district transport offices (DTO). Sometimes, registration with some specific

departments become compulsory to avail the benefits of government subsidized schemes.

Figure 3.2 Distribution of the Sample Enterprises according to their Status of Registration



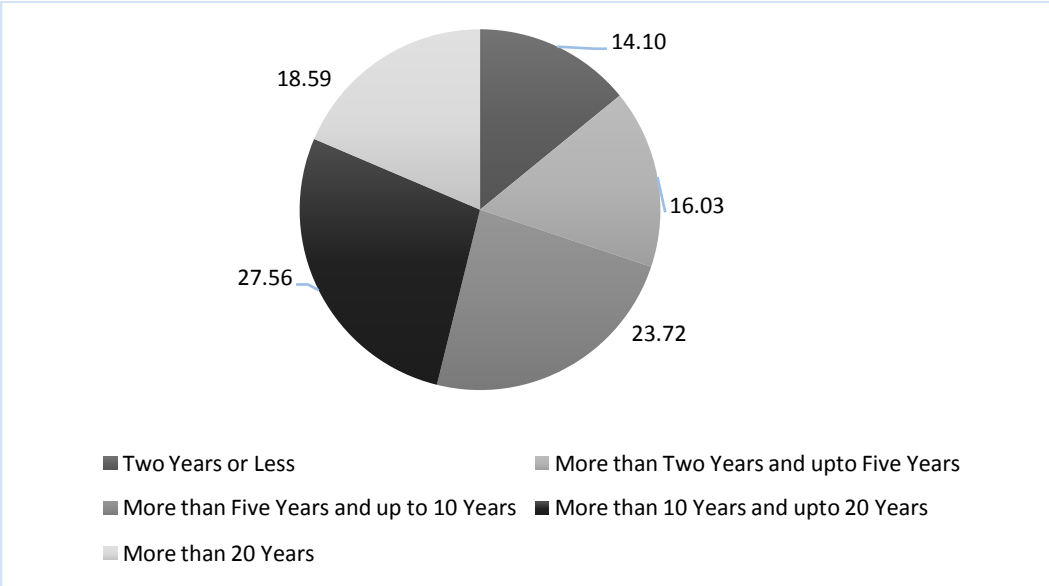
Source: Calculated by the author from Field Survey Data (June- December, 2017)

Figure 3.2 shows the percentage distribution of different categories of sample enterprises registered with some government agencies. Around 50% of the sample enterprises were registered with some government agency. Most of them are registered with the municipal authority of that area. Relatively larger percentage of service sector enterprises are registered compared to that of manufacturing sector. Among different sub-sectors of the sample enterprises relatively larger percentage of of enterprises in manufacturing of food products and beverages, and retail traders are registered with some government agencies.

3.2.3 Age of the Enterprises

Age of the enterprises is one of the characteristics that affect the pattern of financing unorganised sector enterprises as well as their financial access. All the sample enterprises were at least one-year-old. Figure 3.3 shows that as many as 14.01% of the sample enterprises were less than two years old; while18.59% of the enterprises were more than 20 years old.

Figure 3.3 Percentage Distribution of the Sample Enterprises according to their Age



Source: Calculated by the author from Field Survey Data (June- December, 2017)

3.2.4 Level of Education of the Entrepreneurs

Here queries arise about the level of education of the entrepreneurs. One segment of existing literature also states that the level of education is positively related to the performance of the enterprises and their access to credit. The level of education of the sample entrepreneurs can be explained with the help of Table 3.2. As many as 10.9% of the sample entrepreneurs were illiterate or below primary level and around 13.5% were graduate or higher degree holders. On an average, the level of education of the sample entrepreneurs in Guwahati is more than those in Dibrugarh.

Table 3.2: Percentage Distribution of the Enterprises according to their Level of Education

	Guwahati	Dibrugarh	Guwahati + Dibrugarh
Illiterate and Below Primary	10.8	11.0	10.9
Primary pass and below Matriculation	31.1	39.0	35.3
Matriculated and Undergraduate	43.2	37.8	40.4
Graduate and Above	14.9	12.2	13.5
Overall	100.0	100.0	100.0

Source: Calculated by the author from Field Survey Data (June- December, 2017)

Along with education, training of the entrepreneurs is also important for the productivity of the enterprises. It is expected that those enterprises, which have access to proper training are more efficient. The source of training and skill may be formal training or informal training. Moreover, a large segment of the entrepreneurs as well as the workers acquire skill through apprenticeship. Only 7.1% of the entrepreneurs have access to formal training; while around 27% of the entrepreneurs acquired their skill informally. Majority of them acquired their skill through apprenticeship.

3.2.5 Problems Faced by the Sample Enterprises

It is already discussed in the previous chapter that the unorganised enterprises are facing various problems. This study collected information whether the enterprises were facing some problems or not. None of the sample enterprises faced problems of non-availability of electricity connection and lack of infrastructure. The percentage of enterprises facing different problems is given Table 3.3.

Table 3.3: Percentage of Sample Enterprises Facing Different Problems

	Problem of Electricity	Access to Credit	Marketing of Products	Law and Order Problem	Non-Availability of Trained Labour
Wooden Furniture	60.0	70.0	40.0	0	90.0
Textile and Apparel	60.0	93.3	20.0	0	20.0
Food Products and Beverages	41.2	88.2	23.5	0	23.5
Fabricated Metal Product	100.0	40.0	40.0	20	40.0
Retail Trading	35.3	72.5	11.8	13.7	3.9
Trade and Repairing of Motor Vehicles	60.0	73.3	0	0	53.3
Land Transport	14.3	90.5	0	9.5	0
Food Service Activity	77.3	68.2	22.7	4.5	72.7
Overall	47.4	76.9	15.4	7.1	28.2

Source: Calculated by the author from Field Survey Data (June- December, 2017)

Majority (76.9%) of enterprises has been suffering from shortage of capital or access to adequate amount of credit and other financial services (please refer to Table 3.3). Non availability of trained labour is another problem faced by a significantly larger percentage (28.02%) of unorganised enterprises. Non-availability of trained labour in

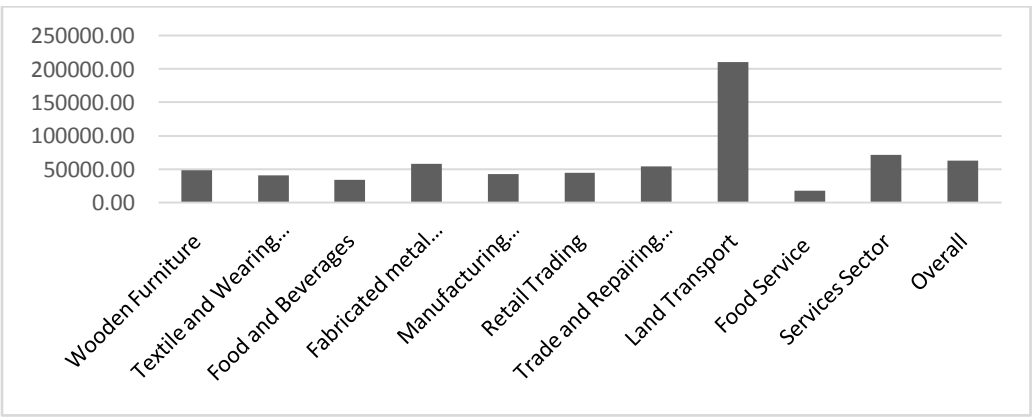
an economy like that of Assam where there is widespread unemployment is questionable. Probably, these enterprises do not (or unable) pay that much salary to the labourer which is expected by a potential worker (Bujar Baruah, 2016). Power cut is another problem faced by the enterprises. Law and order problem such as strikes, affects the working environment in both the study areas. Majority of the enterprises engaged in land transport (57.1%) activity states to be suffering from the interference of police and local administration.

3.3 Fixed Asset, Turnover and Financial Performance of the Sample Enterprises

3.3.1 Value of Fixed Asset of the Enterprises

The production and productivity of an enterprise is dependent on its volume of fixed asset. Along with modernisation of any enterprise, the volume of machinery it holds increases. Noted that the fixed asset requirement of the enterprises differs from one sector to another. Data was collected on the value of machinery, tools and equipment and other fixed assets the particular enterprise holds. Although land and building is one of the important fixed assets, information about their value was not collected due to difficulty in valuation. The average value of fixed asset (excluding land and building) per enterprise across different sub-sector is given Figure 3.4.The average value of fixed asset per enterprise is highest among the enterprises in the services sector compared to that in the manufacturing sector. The variation in the value of fixed asset across different sector is also higher among the enterprises in the services sector.

Figure 3.4 Value of Fixed Asset per Sample Enterprises across Different Sub-Sectors (in Rupees)

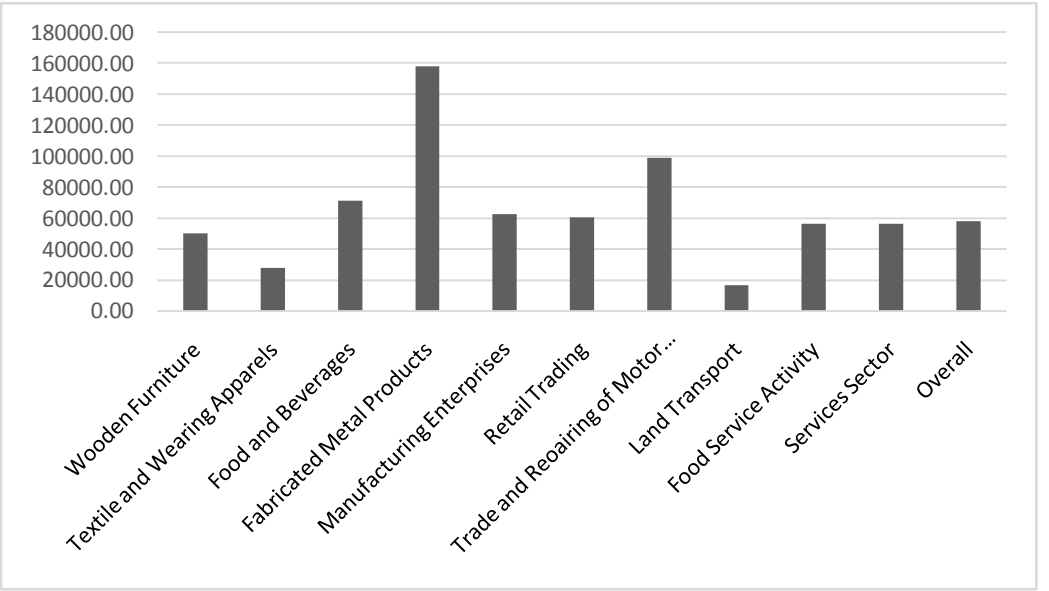


Source: Calculated by the author from Field Survey Data (June- December, 2017)

3.3.2 Turnover of the Enterprises

Turnover of any enterprise is derived by multiplying the volume of total product with its price. As the sample unorganised enterprises do not produce a single product, it is difficult to derive total revenue with the above mentioned formula. So, during interview the enterprises were asked about their daily or weekly or monthly average turnover (revenue) which one is convenient for them. Those values were further verified by comparing among different enterprises. The average monthly revenue of different category of enterprises is given in Figure 3.5.

Figure 3.5 Monthly Turnover per Sample Enterprise across Different Sub-Sectors (in Rupees)



Source: Calculated by the from Field Survey Data (June- December, 2017)

The average monthly revenue (please refer to Figure 3.5) of the sample enterprises was Rs.58,083. In the manufacturing sector, the average monthly revenue (Rs.62,347) is higher than that in the services sector (Rs.56,300). Among the manufacturing enterprises, the average monthly revenue per enterprise is highest in manufacture of fabricated metal products (Rs.158,000) sector and lowest in the manufacture of textile and wearing apparels (Rs.27,733) sector. Among the enterprises in the services sector, monthly revenue per enterprise is highest in trade and repairing of motor vehicles (Rs.98,800) and lowest among in the land transport activity (Rs.16,476).

3.3.3 Gross Value Added in the Enterprises

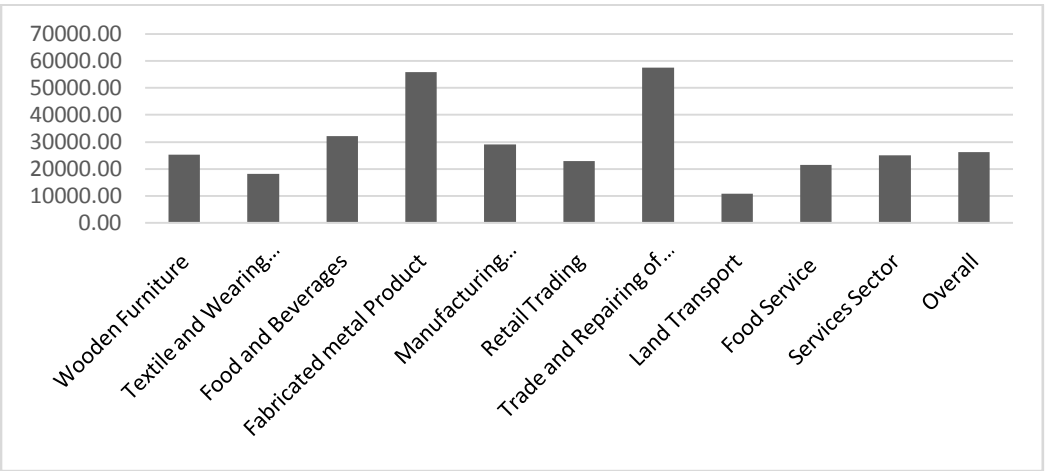
Having discussed monthly revenue, here queries arise regarding value added in the sample enterprises. Gross Value Added (GVA) in an enterprise indicates the productive capacity of that particular enterprise. The GVA in an enterprise is calculated as the difference between total revenue and the intermediate cost.

Gross Value Added= Total Revenue – Intermediate Consumption

Gross Value Added = (Total Sale Revenue + Addition to Inventory) – (Value of Raw Material + Electricity Consumed+ TA + DA + Other Intermediate Cost)

The total revenue has two components; total sale revenue and changes in inventory. In the sample enterprises, the change in inventory is found to be more or less constant. As already mentioned in the earlier section, the intermediate cost consists of cost of raw materials, cost of electricity consumed, indirect taxes, travel allowances, debenture allowances and other intermediate cost. Other intermediate costs include cost of telephone bills etc. The average GVA per unorganised enterprise in different sectors is given in Figure 3.6.

Figure 3.6 Monthly Turnover per Sample Enterprise across Different Sub-Sectors (in Rupees)



Source: Calculated by the from Field Survey Data (June- December, 2017)

Figure 3.6 indicates that the monthly average GVA per sample unorganised enterprises is Rs.26,323. The monthly average GVA in the manufacturing enterprises (Rs.29,212**)** is greater than that in the service sector enterprises (Rs.25,115). Among

the manufacturing enterprises, the monthly average GVA per enterprise is the highest in the manufacture of fabricated metal products (Rs.56,080) and the lowest in the manufacture of textile and wearing apparel sector (Rs.18,368). In the services sector, average GVA per enterprise is maximum in the trade and repairing of motor vehicles (Rs.57,653) and minimum in the land transport activity (Rs.10,874).

3.4 Employment Generated in the Sample Enterprises

As discussed in the previous chapters, the unorganised sector has been employing a large number of unskilled and semi-skilled labourer in Assam. Many unorganised units are established by individuals who are unable to have a job in the organised (formal) sector. Thus, self-employment generation is the prime objective of establishing such enterprises. Presently, many people migrate to the urban areas with the objective to be employed in the unorganised sector only.

Table 3.4: Average Number of Workers Employed in across different Sectors

	Number of Workers Employed
Wooden Furniture	2.3
Textile and Wearing Apparel	1.8
Food Product and Beverages	1.7
Fabricated Metal Product	3.2
Manufacturing Enterprises	**2.04**
Retail Trading	1.43
Trade and Repairing of Motor Vehicle	2.4
Land Transport	1.05
Food Service Activities	2.14
Service Sector Enterprises	**1.63**
All Enterprises	**1.75**

Source: Calculated from Field Survey Data (June- December, 2017)

This study covered only those enterprises which were employing less than 10 regularly hired workers. As many as 72.4% of the sample enterprises were Own Account Enterprises (OAE) and by definition they did not appoint any regularly hired workers. The number of workers employed in the unorganised enterprises includes regular workers and casual workers. The average number of workers

employed by the sample unorganised enterprises is given in Table 3.4. The average number of workers employed in the sample unorganised enterprises is 1.75.

The workers employed in the unorganised enterprises are of different types i.e. self-employed workers, hired workers and family labour. Self-employed enterprises run their business to generate employment opportunities for himself/ herself. Family labour means those family members of the entrepreneurs, who are engaged in the enterprise. Generally, a family labour is not paid for his work. Hired labourers are those who are paid for their participation in the enterprise. As many as 57.51% of the workers employed in the sample enterprises were self-employed workers/ working owner. Noted that all the sample entrepreneurs were working owners. As many as 28.21% of the workers were hired workers and the rest (14.29%) were family labour.

Table 3.5: Average Number of Employment Generated per Rs.100,000 Invested in Fixed Asset (Excluding Land and Building)

	Average Number of Workers
Wooden Furniture	4.68
Textile and Wearing Apparel	4.38
Food Product and Beverages	4.93
Fabricated Metal Product	5.52
Manufacturing Enterprises	**4.73**
Retail Trading	3.19
Trade and Repairing of Motor Vehicle	4.37
Land Transport	0.50
Food Service Activities	11.95
Service Sector Enterprises	**2.26**
All Enterprises	2.75

Source: Calculated from Field Survey Data (June- December, 2017)

Another important point is the cost of employment generation. Table 3.5 shows that one lakh rupees invested in fixed asset may create around 2.75 units of employment opportunities in the sample unorganised enterprises. Equal amount of money invested in the manufacturing sector creates more employment compared to that in the services sector.

3.5 Financial Access of the Sample Enterprises

Access to financial services is necessary for smooth functioning of any enterprise. Financial access covers a wide range of services, such as access to savings services with formal financial institutions, access to credit, life insurance coverage of the entrepreneur as well as the business insurance and payment made through the banking system. Unorganised enterprises' access to different types of financial services is discussed in this section.

3.5.1 Access to Saving Services

Saving is one of the important financial services for an enterprise. During the primary survey, data were collected from the enterprises whether or not they were holding Saving Account, Current Account, Recurring Deposit (RD) account and Fixed Deposit (FD). Noted that the terms and condition of savings in different types of accounts as well as the return from these different types of accounts is also different. The percentage distribution of different categories of enterprises according to their holding of different types of accounts is discussed with the help of Table 3.6. As many as 97.4% of the sample enterprises have saving accounts. But the access to current account is not a satisfactory one; i.e. only 10.3% of the sample enterprises have current accounts. Around 5.8% of the sample enterprises have recurring deposit with the banks or other formal financial institution. Similarly, only 6.4% of the sample enterprises have fixed deposit (FD) account.

Table 3.6: Percentages of Enterprises Having Access to Different Types of Bank Accounts

	Savings Account	Current Account	Recurring Deposit	Fixed Deposit
Manufacturing Sector	**97.8**	**6.5**	**6.5**	**13.0**
Wooden Furniture	90.0	10.0	0	0
Textile and Apparel	100.0	6.7	6.7	6.7
Food Products and Beverages	100.0	5.9	0	17.6
Fabricated Metal Product	100.0	0	40.0	40.0
Services Sector	**97.3**	**11.8**	**5.5**	**3.6**
Retail Trading	96.1	19.6	7.8	3.9
Trade and Repairing of Motor Vehicles	100.0	20.0	6.7	6.7
Land Transport Activity	100.0	0	0	0
Food Service Activity	95.5	0	4.5	4.5
Overall	**97.4%**	**10.3**	**5.8**	**6.4**

Source: Calculated from Field Survey Data (June- December, 2017)

3.5.2 Access to Credit of the Sample Enterprises

Access to credit or borrowing made by the enterprise is one of the important dimensions of financial access. An enterprise needs credit for the smooth functioning of its business. An enterprise may borrow from formal, semi-formal as well as from informal sources. Formal financial institutions (FFI) includes banks and other term lending institutions. Semi-formal financial institutions (SFFI) include Self Help Groups (SHGs), Micro- finances institutions etc. and the informal sources include indigenous money lenders, traders and friends and relatives. The unique characteristic of loans from friends and relatives is that these are interest free loans. Here, it will be informative to have an idea about the percentage of enterprises borrowed from formal, semi-formal and informal sources. The percentage distribution of enterprises taking loan from any sources can be explained with the help of Table 3.7.

Table 3.7: Percentage of Sample Enterprises Having Access to Credit from Different Sources

	Guwahati	Dibrugarh	Guwahati + Dibrugarh
Formal Financial Institutions	28.4	34.1	31.4
Semi-formal Financial Institutions	4.1	25.6	15.4
Friends and Relatives	1.4	6.1	3.8
Indigenous Money Lenders	1.4	2.4	1.9
Overall	33.8	59.8	47.4

Source: Calculated from Field Survey Data (June- December, 2017)

As many as 47.4% of the sample enterprises had access to credit irrespective of sources; while only 31.4% had taken loan from FFIs. Further, 33.8% of the enterprises in Guwahati and 59.8% of the enterprises in Dibrugarh had access to credit irrespective of formal or informal sources. Around 28.4% of the enterprises in Guwahati and 34.1% of the enterprises in Dibrugarh had borrowed from banks.

3.5.3 Payments Made Through the Banking System

Another dimension of financial inclusion of an enterprise is the payment made through the banking system. The use of banking system to make payments makes the business procedure easier and generates a cashless system. It was found that all the enterprises paid to the labourers in cash. Regarding the rest of the payments, none of the enterprise makes it fully through the banking system. One segment of

enterprises makes their payments partially through the banking system and the rest have not made any payment through the banking system. The percentage distribution of enterprises, make their payments partially through the banking system can be explained with Table 3.8. As many as 17.3% of the sample enterprises makes of their payments partially through the banking system. While 23.9% of the manufacturing enterprises make their payment though the banks; 14.5% of the enterprises in the services sector makes payment of their business through the banks.

Table 3.8: Percentage of Sample Enterprises according to their Uses of Different Banking Services

	Cheque Book	Debit Card	Payment through Banks (Partially)
Manufacturing Sector	**37.0**	**84.8**	**23.9**
Wooden Furniture	40.0	60.0	20.0
Textile and Apparel	6.7	93.3	13.3
Food Products and Beverages	52.9	94.1	29.4
Fabricated Metal Product	60.0	80.0	40.0
Services Sector	**21.8**	**85.5**	**14.5**
Retail Trading	27.5	86.3	17.6
Trade and Repairing of Motor Vehicles	40.0	73.3	33.3
Land Transport Activity	0	100.0	0
Food Service Activity	18.2	77.3	4.5
Overall	**26.3**	**85.3**	**17.3**

Source: Calculated from Field Survey Data (June- December, 2017)

To make payments of their business through the banks, an enterprise must have access to some banking services; such as cheque book, ATM/ Debit card, credit card, mobile banking, internet banking etc. The availability or access to these services indicates higher degree of financial inclusion. Only a few sample enterprises were using mobile banking, internet banking and credit cards. As many as 85.3% of the sample enterprises had access to debit cards and 26.3% of them were using cheque book facilities (please refer to Table 3.8).

3.5.4 Access to Insurance Services

Another dimension of financial inclusion is the insurance coverage of the enterprise. The insurance coverage of the sample enterprise is given Table 3.9.

Table 3.9: Percentage of Enterprises Having Access to Insurance Services

	Life Insurance	Business Insurance
Manufacturing Sector	65.2	13.0
Wooden Furniture	40.0	0
Textile and Apparel	53.3	0
Food Products and Beverages	82.4	17.6
Fabricated Metal Product	80.0	60.0
Services Sector	45.5	24.4
Retail Trading	51.0	15.7
Trade and Repairing of Motor Vehicles	60.0	20.0
Land Transport Activity	28.6	76.2
Food Service Activity	40.9	0
Overall	51.3	21.2

Source: Calculated from Field Survey Data (June- December, 2017)

The unorganised enterprises by definition cannot be separated from the entrepreneurs. Accordingly, there are two dimensions of the insurance coverage i.e. the life insurance coverage of the entrepreneur and the business insurance coverage of the enterprise. Table 3.9 shows that more than 51.3% of the sample entrepreneurs have life insurance coverage. Relatively larger percentage of enterprises in the manufacturing sector have access to life insurance coverage than that of services sector. Access to life insurance coverage is positively related to their level of education and family income of the entrepreneurs. As many as 21.2% of the sample enterprises have access to business insurance. Business insurance coverage is relatively higher among the service sector enterprises compared to those in manufacturing enterprises. Among different sub-sectors, relatively larger percentage of enterprises in land transport activity have business insurance coverage. It is because majority of them have vehicle insurance.

3.6 Summing Up

This chapter has presented a profile of the sample urban unorganised enterprises belonging to Guwahati and Dibrugarh. Different aspects of the sample enterprises discussed in this chapter are summarised below.

- As many as 72.4% of the the sample enterprises were OAEs and the rest were establishment enterprises. Around 50% of the sample enterprises were not

registered with any agency. Larger percentage of enterprises were registered with the municipal authority of the respective areas.

- Majority of the entrepreneurs were educated. But most of them did not have any training. A larger section of the entrepreneurs got training through apprenticeship.
- Majority of the enterprises reported that shortage of capital and shortage of trained labour are the problems faced by them
- One lakh rupees invested in fixed assets generates 2.7 units of employment in the sample enterprises. With fixed amount of investment more unit of employment is generated in the manufacturing sector compared to the services sector.
- Average value of fixed asset per enterprise is highest among the enterprises in the services sector compared to that in the manufacturing sector.
- The monthly average GVA in the manufacturing enterprises is greater than that in the service sector enterprises. Among the manufacturing enterprises, the monthly average GVA per enterprise is the highest in the manufacture of fabricated metal products and the lowest in the manufacture of textile and wearing apparel sector. In the services sector, average GVA per enterprise is maximum in the trade and repairing of motor vehicles and minimum in the land transport activity.
- Almost all the sample entrepreneurs have saving account; while 10.3% of them have access to current account. Around 6% of the entrepreneurs have access to recurring deposits and fixed deposit.
- As many as 47.4% of the sample entrepreneurs had access to credit irrespective of sources; while only 31.4% had taken loan from FFIs. Around 28.4% of the entrepreneurs in Guwahati and 34.1% of the entrepreneurs in Dibrugarh had borrowed from banks.
- As many as 17.3% of the sample entrepreneurs makes of their payments partially through the banking system.
- As many as 85.3% of the sample entrepreneurs had access to debit cards and 26.3% of them were using cheque book facilities. Only a few sample entrepreneurs were using mobile banking, internet banking and credit cards.

- As many as 51.3% of the sample entrepreneurs have life insurance coverage; but significantly higher percentages (around 80%) of the enterprises do not have business insurances coverage.

The above discussion gives an overall idea about the characteristics of the unorganised enterprises, gross value added and employment generation and also about their access to different financial services. But no conclusion can be drawn regarding the pattern of financing the sample unorganised enterprises and the depth of their financial inclusion. Further queries arise regarding the impact of financial access on the financial performance of the sample enterprises. Such analysis is taken up in the next chapter.

CHAPTER 4

PATTERN OF FINANCING SAMPLE URBAN UNORGANISED ENTERPRISES

4.1 Introduction

It is discussed in the previous chapters that inadequacy of capital or lack of access to credit is one of the problems experienced by a larger percentage of unorganised enterprises. Literature state that the unorganised enterprises do not have access to credit from Formal Financial Institutions (FFIs) (NCEUS, 2007; Fazari, 2014). As a result, own savings and credit from the informal sources plays an important role in financing their business. Here, queries arise regarding the pattern of financing their business by the unorganised enterprises under study. Literature on the agricultural financing states that the pattern of financing capital expenditure is different from that of financing working capital expenditure (Khaund, 2002). Farazi (2014) found that the share of bank loan in the total amount of capital investment is higher compared to that in working capital expenditure of unorganised enterprises. Noted that while capital investment is a stock concept, working capital is a flow concept. So, these two aspects are to be discussed separately.

This chapter consists of four sections. The second section discusses the pattern of financing capital investment made by the unorganised enterprises during last five years. The third section is about the pattern of financing working capital expenditure of the unorganised enterprises during last one year. The fourth and final section summaries the discussion.

4.2 Pattern of Financing Capital Investment

Investment in capital goods is important for any enterprise. Capital investment is the part of investment either to start a new business or for the large scale expansion of the existing ones. The production and productivity of any enterprise depends on the amount of capital invested in that activity. The need for capital investment is not equal for all the sectors of the economy. Moreover, it is difficult to have information regarding the capital investment made by the enterprises in a distant past. So, data was collected from the sample enterprises about the capital investment they made during last five years. In Guwahati, 43.24% of the sample enterprises made capital investment during last five years; while in Dibrugarh, that of 73.17% made capital

investment during last five years. Among the entrepreneurs which made capital investment during last five years, 59.38% in Guwahati and 45% in Dibrugarh made it entirely from own fund; while the rest took at least some amount of loan from different sources for capital investment.

A particular enterprise may borrow from different sources to finance their business. Here, queries arise regarding the percentage share of different sources in the total amount of capital investment made by the sample urban unorganised enterprises. Table 4.1 shows that own fund of the sample urban unorganised enterprises has 53.83% share in the total amount of capital investment they made during last five years. The share of borrowing from formal financial institutions and semi-formal financial institutions were 43.59% and 6.34% respectively. Friends and relatives of the entrepreneurs contributed 7.74% share in the total amount of capital investment they made during last five years; while the share of money lenders were 0.29% only.

Table 4.1: Percentage Share of Different Sources in the Total Amount Capital Investment made by the Sample Enterprises during Last Five Years

Entrepreneurs' Own Fund	Formal Financial Institutions	Semi-formal Financial Institutions	Friends and Relatives	Money Lenders
53.83	43.59	6.34	7.74	0.29

Source: Calculated by the Author from Field Survey Data (June- December, 2017)

Table 4.2 Average Size of the Loan from Different Sources taken for Capital Investment during Last Five Years (in Rupees)

Formal Financial Institutions	Semi-formal Financial Institutions	Friends and Relatives	Money Lenders
197,167	53,750	210,000	20,000

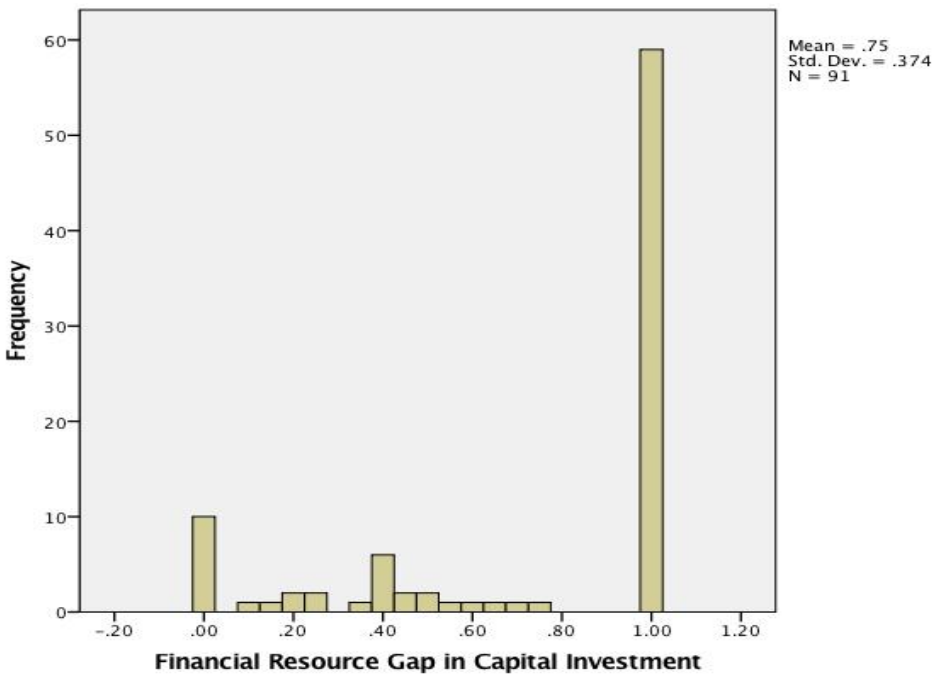
Source: Calculated by the Author from Field Survey Data (June- December, 2017)

Let's have an idea about the average size of the loans the sample urban unorganised enterprises have from different sources. Table 4.2 shows that the average size of the loans the entrepreneurs have from the formal financial institutions was Rs.197,167; while that of from semi-formal financial institutions was Rs.53,750. The average size of the loans originated from friends and relatives was higher than that of from money lenders.

4.2.1 Financial Resource Gap in Capital Investment

Bhavani and Bhanumurthy (2012) states that any enterprise (organised or unorganised) would prefer to borrow from the formal financial institutions rather than from informal institutions. Thus if an enterprise has borrowed from informal sources of credit, it means that there is demand for credit, but the formal financial institutions are not in a position to fulfil their credit needs. In other words, borrowing from informal financial sources by an enterprise indicate the gap between demand for and supply of credit. They termed it as Financial Resource Gap (FRG). In other words, FRG indicates the percentage of business expenditure not financed by formal financial institutions. Bhavani and Bhanumurthy (2012) estimated the FRG for capital expenditure and working capital expenditure togather. However, they themselves stated that it is not appropriate to do so as the former is a stock concept, while the latter is a flow concept. Here a trial is made to estimate the FRG in capital investment and working capital expenditure separately.

Figure 4.1 Distribution of the Sample Enterprises (those made Capital Investment) according to their Level of FRG in Capital Investment



Source: Calculated by the Author from Field Survey Data (June- December, 2017)

Noted that out of the 156 sample observations, 91 made at least some amount of capital investment during last five years. Figure 4.1 gives an idea about the financial resource gap in the capital investment made by those 91 sample entrepreneurs. It can be seen that the FRG of the sample entrepreneurs ranges from zero to one. Larger number of enterprises have FRG one in case of capital investment.

4.2.2 Factors Determining Financial Resource Gap in Capital Investment

Queries arise regarding the factors affecting financial resource gap in capital investment of the sample urban unorganised enterprises. To have an answer to this question an econometric model is estimated. Financial Resource Gap (FRG) of the sample enterprises (those have made capital investment during last five years) is the dependent variable.

Table 4.3: Definition of the Explanatory Variables and Expected Sign of their Coefficients

Sl. No.	Explanatory Variable	Definition	Exp. Sign
1	Turnover (MT)	Turnover, measured in monthly revenue of that enterprise (in Rupees '000)	+
2	Registration (REG.)	=1 if the enterprise is registered with some government agency, otherwise 0	+
3	Age of the enterprise (AGE)	Number of years of the enterprise	+
4	Education1 (E1)	=1 if the entrepreneur is a high school graduate, but not a college graduate, otherwise 0	+
5	Education 2 (E2)	=1 if the entrepreneur is college graduate and above, otherwise 0	+
6	Sector (S)	=1 if the enterprise is in manufacturing sector, otherwise 0	+/-
7	Location (LD)	=1 If the enterprise is in Guwahati, otherwise 0	+/-

Given the dependent variable the explanatory variables are turnover of the enterprise (MT), registration status of the enterprise (REG.), age of the enterprise (AGE) and level of education of the entrepreneurs. For level of education the surveyed enterprises have been classified into three ordered categories. The lowest category includes those who have not completed their secondary level of education. The second category includes those who have completed secondary education, but have not graduated from colleges and universities. The highest category comprises of the graduate and above. To represent the three categories two dummies E1 and E2 has been used; with the lowest category being the base. E1=1, for the second category and 0 for otherwise. And E2=1 for the highest category and 0 for otherwise.

Additionally, for two sectors (manufacturing and services) one sector dummy and for two locations one location dummy are included. The definition of the explanatory variables and the expected signs of their coefficients are given in Table 4.3.

Functional Specification of the model:

Given the dependent variable FRG in capital investment and the above mentioned explanatory variables, the formulation of the model is done as follows:

Y= f (MT, REG. AGE, E1, E2, LD., S) ……... ……..(1)

The FRG is a continuous variable, but bounded between 0 and 1. However, large number observations are with one value of the dependent variable. In other words, the sample observations are censored at 1. In case of such data, Tobit regression (with Right Censoring) is appropriate. The result of the Tobit regression is given in Table 4.4.

Table 4.4: Result of Tobit Regression for the Determinants of FRG in Capital Investment

Explanatory Variables	Coefficients	Robust Std. Error
Turnover (in Rupees '000)	0.0023	0.0015
Registration	-0.7732***	0.1981
Age of the Enterprise	0.0045	0.0099
Education 1	0.3957 *	0.2284
Education 2	0.0869	0.2643
Sector (Manufacturing=1)	-0.1024	0.2336
Location (Guwahati=1)	-0.3370	0.2219
Constant	1.4602***	0.2221
F(7, 84)	3.25***	
Log Pseudo Likelihood	-64.4765	
Pseudo R^2	0.1390	

*** indicates 1% Level of Significance and * indicates 10% level of Significance

Table 4.4 shows that registration status of the enterprises is negatively related to the FRG of the sample enterprises. In other words, the registered enterprises have better access to credit for capital investment. Explanatory variable Education1 has positive impact on the FRG in capital investment of the enterprises. Turnover of the enterprise and age of the enterprise has no impact on their FRG in capital investment. One of the probable explanation is that larger percentage of the enterprises did not make any capital investment during last five years.

4.3 Pattern of Financing Working Capital Expenditure

In addition to capital investment, enterprises also need loans for working capital expenditure. Working capital expenditure is the expenditure to run day to day expenditure in the business. It includes expenditure on labour, raw materials, taxes, travel expenses etc. As many as 14.86% of the sample enterprises in Guwahati and that of 23.17% in Dibrugarh took loans for working capital expenditure. However, only 13.5 % of the sample enterprises in Guwahati and that of 13.41 % in Dibrugarh had access to credit from formal financial institution for working capital expenditure. Many enterprises in retail trading have balances with the suppliers of raw materials; which can also be regarded as one type of loan from the traders. The percentage share of different agencies in the total amount of working capital expenditure made by the sample enterprises during last one year is given in Table 4.5. Entrepreneurs own money have 94.61% share in the total amount of working capital expenditure of the sample enterprises. Reinvestment of income earned by the entrepreneurs' household from the enterprise has a significant share in it. Borrowing from formal financial institutions have 4.66% share in the total amount of working capital expenditure of the sample entrepreneurs. Borrowing from formal financial institutions for working capital expenditure is found in the form of cash credit. Semi-formal financial institutions and informal sources (both money lenders and, friends and relatives) have very small share in the working capital expenditure.

Table 4.5: Percentage Share of Different Sources in the Total Amount Working Capital Expenditure during Last One Year

Entrepreneurs' Own Fund	Formal Financial Institutions	Semi-formal Financial Institutions	Friends and Relatives	Money Lenders
94.61	4.66	0.60	0.06	0.07

Source: Calculated by the Author from Field Survey Data (June- December, 2017)

Table 4.6: Average Size of the Loan from Different Sources taken for Working Capital Expenditure during Last One Years

Formal Financial Institutions	Semi-formal Financial Institutions	Friends and Relatives	Money Lenders
176,750	53,125	50,000	50,000

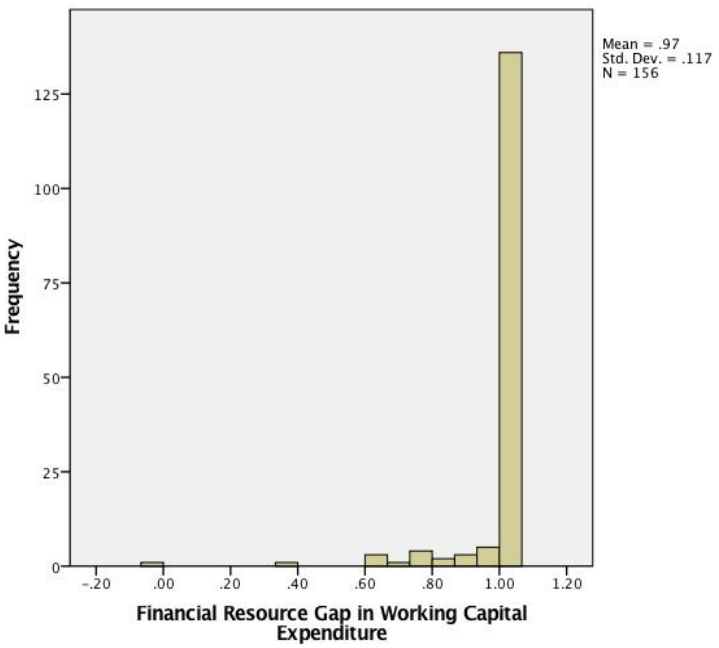
Source: Calculated by the Author from Field Survey Data (June- December, 2017)

Let's have an idea about the average size of the loans (excluding those who have not borrowed from that source for working capital expenditure) taken by the sample entrepreneurs from different sources for working capital expenditure. Table 4.6 shows that the average size of the loan taken by the sample entrepreneurs from formal financial institutions was Rs.176,750; while that from semi-formal financial institutions was Rs.53,125 only.

4.3.1 Financial Resource Gap in Working Capital Expenditure

Let's have an idea the financial resource gap in working capital expenditure of the sample enterprises. As defined above financial resource gap is measured as the percentage of expenditure not met by the borrowing from formal financial institutions (Bhavani and Bhanumurthy, 2012). The distribution of the sample enterprises according to their level of financial resource gap in working capital expenditure is given in Figure 4.2. Larger percentage of the enterprises have financial resource gap one in working capital expenditure. In other words, they have not borrowed from FFIs to finance their working capital expenditure.

Figure 4.2 Distribution of the Sample Enterprises according to their Level of Financial Resource Gap in Working Capital Expenditure



Source: Calculated by the Author from Field Survey Data (June- December, 2017)

Since, financial resource gap (FRG) in working capital expenditure of the sample enterprises are concentrated at one, a Tobit regression model is estimated to identify the determinants of financial resource gap in working capital expenditure. The explanatory variables are turnover of the enterprise, registration of the enterprise, age of the enterprise and level of education of the entrepreneurs. Additionally, for two sectors one sector dummy and for two locations one location dummy is included in the model. The definition of the explanatory variables and the expected signs of their coefficients are similar to that in the case of financial resource gap in capital investment (as given in Table 4.3). The result of the Tobit model is given in Table 4.7.

Table 4.7: Results of Tobit Regression for the Determinants of FRG in Working Capital Expenditure

Explanatory Variables	Coefficients	Robust Std. Err.
Turnover (in Rupees '000)	-0.0008	0.0005
Registration	-0.1441	0.1431
Age of the Enterprise	-0.0051	0.0057
Education 1	0.1197	0.1616
Education 2	-0.3693***	0.1343
Sector (Manufacturing=1)	0.1627	0.1222
Location (Guwahati=1)	0.0262	0.1274
Constant	1.7244***	0.1721
F(7, 149)	2.55**	
Log Pseudo Likelihood	-42.7074	
Pseudo R^2	0.1692	

**** indicate 1% Level of Significance and ** indicate 5% level of significance*

Table 4.7 shows that Education 3 has negative significant impact on financial resource gap for working capital expenditure of the sample enterprises. In other words, entrepreneurs with graduation and above level of education have better access to credit from formal financial institutions for working capital expenditure. Actually, entrepreneurs with more education are better informed about different credit facilities they have from the formal financial institutions. Rest of the explanatory variables have no impact on financial resource gap in working capital expenditure.

4.4 Summing Up

The above discussion gives a clear picture of the pattern of financing of the sample urban unorganised enterprises. Own fund of the entrepreneurs is the main source of investible resources for the sample enterprises in case of capital investment. Borrowing from FFIs has also been played a major role in capital investment. However, own of the entrepreneurs' fund has larger share in the total amount of working capital expenditure. Reinvestment of earning from the enterprise is the principal source of working capital expenditure. The percentage share of borrowing from FFIs in working capital expenditure is very small. Thus, borrowing from FFIs has played an important role in case of capital investment; but not in case of working capital expenditure. The percentage share of non-institutional sources is very small both in case of capital investment and working capital expenditure.

To know the dependence of the sample enterprises on their own fund financial resource gap of the enterprises are estimated. Both in case of capital investment and working capital expenditure, larger percentage of the enterprises have financial resource gap one. In case of capital investment, registered enterprises have lower financial resource gap. In other words, registered enterprises have better access to credit from formal financial institutions for capital investment. In case of working capital expenditure, entrepreneurs with higher education have lower financial resource gap; i.e. entrepreneurs with higher education have better access to credit from formal financial institutions for working capital expenditure.

Thus, the unorganised enterprises are found to be highly dependent on own fund for financing their business. But, starting a business investing entirely owned fund means the entire risk of the business is on that particular entrepreneur. Moreover, scaling up the business primarily on own fund is a difficult proposition; specially for the unorganised enterprises. Here, queries arise regarding the factors limiting the unorganised entrepreneurs' access to credit and other financial services. This analysis is done in the next chapter.

CHAPTER 5

FINANCIAL ACCESS OF THE SAMPLE ENTERPRISES AND ITS DETERMINANTS

5.1 Introduction

The coverage of the unorganised enterprises by different dimensions of financial services is discussed in Chapter 3. However, simply access to financial services is not enough. Existing literature state that the level of financial access may range from barely access (thin access) to super access (Goyal, 2013). The adequacy of different financial services could be understood with some measure of the depth of financial services. In this chapter, an index of financial access is formulatedto indicate the depth of financial access of the unorganised entrepreneurs (enterprises). Further, certain exercise is done to find out factors determining overall financial access of an unorganised entrepreneur. By definition, it is difficult to separate an unorganised enterprise from the entrepreneur, so the terms unorganised enterprises and unorganised entrepreneurs are used interchangeably.

This chapter has four sections. The second section discusses the depth of financial access of the sample urban unorganised entrepreneurs and factors determining their financial access. The third section analyses the impact of financial access on financial performance of the sample enterprises. The concluding section summaries the discussion.

5.2 Depth of Financial Access of the Unorganised Entrepreneurs

5.2.1 Financial Access Index (FAI)

Here an index of financial access is constructed incorporating four dimensions of financial access viz. saving, credit, insurance and payment. Initially, for the four dimensions four indices are constructed. Then incorporating the four indices the financial access index is constructed. To construct these four indices, first score is given to each aspects of financial access.

In case of **saving,** those entrepreneurs having current account are given score 2. Those entrepreneurs who do not hold a current account, but hold a savings account are given score 1. And entrepreneurs without any account are given score 0. If an entrepreneur has both saving and current account, he is given the higher score only.

Thus, maximum possible score is 2. Thereafter, to derive the saving index the actual saving score of the entrepreneur is divided by the maximum score value 2. Thus, the Savings Index (SI),

$$\textbf{SI} = \text{Savings Score}/2 \qquad \text{where } 0 \leq SI \leq 1$$

In case of **credit**, those entrepreneurs who have access to credit from formal financial institutions (FFI) are given score 4. Entrepreneurs having access to credit from semi-formal financial institutions are given score 3. Entrepreneurs who have borrowed from friends and relatives are given score 2. And those who have access to credit from money lenders are given score 1. Finally, those entrepreneurs who have not taken any loan are given score 0. If an entrepreneur has access to credit from more than one sources is given the higher score only. Thus, the maximum possible credit score of an entrepreneur is 4. Thereafter, dividing the actual credit score of an entrepreneur by maximum possible credit score, the credit index (CI) is estimated; i.e.

$$\textbf{CI} = \text{Credit Score}/4 \qquad \text{where } 0 \leq CI \leq 1$$

To estimate **Insurance Index (II),** those entrepreneurs who have business insurance are given score 2. Those entrepreneurs who don't have business insurance but have life insurance are given score 1. And finally those entrepreneurs who do not have any insurance is given score 0. Those entrepreneurs who have access to both are given the higher score only. Finally, to derive the insurance index actual insurance score of the entrepreneur is divided by the highest insurance score 2; i.e.

$$\textbf{II} = \text{Insurance Score}/2 \quad \text{where } 0 \leq II \leq 1$$

In case of payment, those entrepreneurs who make all transactions of their business through the banks are given score 2. Entrepreneurs who make their business transactions partially through the banks are given score 1. And those who do not make any payment of their business through the banks are given score 0. Finally, the actual payment score of an entrepreneur is divided by the maximum payment score to derive the **payment index** (PI).

$$\textbf{PI} = \text{Payment Score}/2; \quad \text{where } 0 \leq PI \leq 1$$

Assigning Weights to the Different Aspects of Financial Access: All the four dimensions of financial access are not equally important for an unorganised entrepreneur. One of the previous studies (Bujar Baruah, 2016) gave equal weights to all the four components. However, considering the small scale nature of the enterprises saving and credit are expected to have more weights compared to

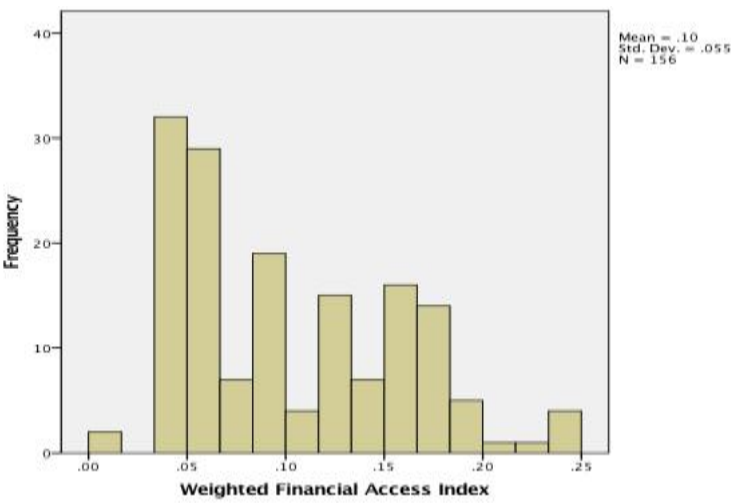
insurance and payment component. The present study tries to assign weights to these four components. With this objective 20 entrepreneurs were interviewed. They were asked to reveal their views regarding the importance of the components of financial access. The component of financial access which they reported to be the most important one was given score 4. Those components of financial access which they reported to have second and third rank according to their importance were given score 3 and 2 respectively. The least important component was given score 1. Equal number of entrepreneurs (9) gave highest importance to saving and credit. The rest two entrepreneurs reported insurance to be the most important aspect of financial access. Fifteen out of twenty entrepreneurs reported payment made through the banks to be the least important component of financial access for them. Then the scores given to each aspects were summed up. Finally, the total score of each component were divided by the grand total (sum total of the scores of the four components) to derive the weight of that component. Accordingly, saving, credit, insurance and payment made through the banks got weights 0.35, 0.30, 0.21 and 0.14 respectively.

Finally, the **Financial Access Index** (**FAI**) is estimated as a weighted average of the above mentioned four indices. Thus,

$$\mathbf{FAI} = (SI.\ SW + CI.\ CW + II.\ IW + PI.\ PW)/4 \qquad \text{Where, } 0 \leq FAI \leq 1$$

5.2.2 Depth of Financial Access of the Sample Urban Unorganised Enterprises

Figure 5.1 Distribution of the Sample Enterprises according to their Depth of Financial Access



Source: Estimated with the primary data collected from the field survey (June- December, 2017)

The distribution of the enterprises according to their level of financial access is given in Figure 5.1. It can be seen that financial coverage is not a major problem in the study area. Only two of the sample entrepreneurs do not have access to financial services (or FAI=0). However, the depth of financial access is a serious problem among the sample entrepreneurs. It can be seen that the highest level of financial access is 0.25 only; while larger percentage of the sample entrepreneurs have 0.05 level of financial access only.

5.2.3 Determinants of the Depth of Financial Access of the Entrepreneurs

An econometric model is estimated for the probable determinants of the depth of financial access of the sample entrepreneurs. Dependent Variable for the analysis is the Financial Access Index (FAI) of the sample units as defined above.

Table 5.1: Definition of the Explanatory Variables along with the Expected Sign of their Coefficients

Sl. No.	Variable	Definition	Exp. Sign
1	Turnover (MT)	Turnover, measured in monthly revenue of that enterprise (in Rupees '000)	+
2	Registration (REG.)	=1 if the enterprise is registered with some government agency, otherwise 0	+
3	Age of the enterprise (AGE)	Number of years of the enterprise	+
4	Education 1 (E1)	=1 if the entrepreneur is a high school graduate, but not a college graduate, otherwise 0	+
5	Education 2 (E2)	=1 if the entrepreneur is college graduate and above, otherwise 0	+
6	Location (LD)	=1 If the enterprise is in Guwahati, otherwise 0	+/-
7	Wooden Furniture (S1)	=1 If the enterprise is in manufacture of wooden furniture, otherwise 0	+/-
8	Textile and wearing apparel (S2)	=1 If the enterprise is in manufacture of textile and wearing apparel sector, otherwise 0	+/-
9	Food Product and Beverages (S3)	=1, if the enterprise is in manufacture of food products and beverages, otherwise 0	+/-
10	Fabricated Metal Product (S4)	=1, if the enterprise is in manufacture of fabricated metal product, otherwise 0	+/-
11	Trade and Repairing of Motor Vehicle (S5)	=1, if the enterprise is in trade and repairing of motor vehicle, otherwise 0	+/-
12	Land Transport (S6)	=1, if the enterprise is in land transport activity, otherwise 0	+/-
13	Food Service Activity (S7)	=1, if the enterprise is in food servicing activity, otherwise 0	+/-

The explanatory variables included are the turnover of the enterprise, registration of the enterprise, the age of the enterprise and the level of education of the entrepreneur. Bhavani et al. (2012) and Farazi (2014) stated that turnover of the enterprise, registration of the enterprise and level of education of the entrepreneur have positive impact on the financial access of the entrepreneur. Age of the enterprise is included as an explanatory variable as it is conceivable that longer an enterprise has been established easier it should be for it to access formal financial services.

For level of education the surveyed enterprises have been classified into three ordered categories. The lowest category includes those who have not completed their secondary level of education. The second category includes those who have completed secondary education, but have not graduated from colleges and universities. The highest category comprises of the graduate and above. To represent the three categories two dummies E1 and E2 has been used; with the lowest category being the base. E1=1, for the second category and 0 for otherwise. And E2=1 for the highest category and 0 for otherwise. Further, for two locations one location dummy and for eight sub-sectors seven sector dummies are included. Among different sub-sectors retail trading is considered as the base category. The definition of the explanatory variables and the expected sign of their coefficients are given in Table 5.1.

Considering financial access index as the dependent variable and the above mentioned explanatory variables, the formulation of the model is done as follows:

Y = f (MT, REG., AGE, E1, E2, LD., S1, S2, S3, S4, S5, S6, S7) ……(5.1)

Functional Specification of the Model: Here, the dependent variable is the financial access index; theoretically which value ranges between 0 and 1. For such dependent variable logistic regression is appropriate. Where,

$$Y_i = \frac{1}{1+e^{-Zi}} \quad \ldots\ldots (5.2)$$

Where,

$$Z_i = \beta_0 + \beta_1 MT_i + \beta_2 REG_i + \beta_3 AGE_i + \beta_4 E1_i + \beta_5 E2_i + \beta_6 S1_i + \beta_7 S2_i + \beta_8 S3_i + \beta_9 S4_i + \beta_{10} S5_i + \beta_{11} S6_i + \beta_{12} S7_i + \beta_{13} LD_i + U_i$$

Where, U_i is the disturbance term assumed to be normally distributed.

Equation (5.2) Can be written as

$$Y_i = \frac{e^Z}{1+e^Z} \quad \ldots\ldots (5.3)$$

Or, $1-Y_i = \frac{1}{1+e^Z}$ ……..….(5.4)

Or $\frac{Y_i}{1-Y_i} = e^z$ ……. (5.5)

Now, using logarithm equation (5.5) may be transformed in to a linear equation, i.e. Ln $(\frac{Y_i}{1-Y_i}) = \text{Ln } e^z$

Or Ln $(\frac{Y_i}{1-Y_i}) = Z_i$ ……..… (5.6)

Or, Ln $(\frac{Y_i}{1-Y_i}) = \beta_0 + \beta_1 MT_i + \beta_2 REG_i + \beta_3 AGE_i + \beta_4 E1_i + \beta_5 E2_i + \beta_6 S1_i + \beta_7 S2_i + \beta_8 S3_i + \beta_9 S4_i + \beta_{10} S5_i + \beta_{11} S6_i + \beta_{12} S7_i + \beta_{13} LD_i + U_i$ ……(5.7)

Equation (5.7) can be solved using linear regression[7] after computing Ln $(\frac{Y_i}{1-Y_i})$ from the original Y_i values.

Table 5.2: Logistic Regression Result for the Determinants of Financial Access

Explanatory Variables	Coefficients	Robust Std. E.
Turnover (in Rs.'000)	0.0001	0.0007
Registration	0.6874***	0.2514
Age of the Enterprise	0.0090	0.0102
Education1	0.2236	0.2223
Education2	0.2639	0.2212
Location (LD.)	-0.4642***	0.1700
Wooden Furniture (S1)	-1.5889	1.2402
Textile & Apparels (S2)	-0.2973	0.2039
Food Products & Beverages (S3)	0.0452	0.1615
Fabricated Metal Products (S4)	0.4434*	0.2637
Trade & Repairing of Motor Vehicles (S5)	-0.3513	0.2482
Land Transport Activity (S6)	-0.0652	0.2040
Restaurants (S7)	-0.5092	0.5388
Constant	-2.5829	0.2263
R Square (R^2)	0.1887	
F (14,141)	3.20***	

**** indicate 1% level of significant, ** indicate 5% level of significant and * indicate 10% level of significant*

Breusch-Pagan test confirms the presence of heteroscedasticity in the data set, so robust std. errors of the coefficients has been estimated.

[7]Figure 5.1 shows that the original dependent variable FAI was not normally distributed, but the transformed variable is found to be normally distributed.

The results of the regression model are given in Table 5.2. Registration of the enterprise is positively significant at 1% level of significant. This means that enterprises which are registered with some government agency have better access to financial services. Thus, there is need for some policies targeting the unregistered (purely informal) enterprises. Location dummy is negatively significant at 1% level. In other words, enterprises in Dibrugarh have better access to financial services than those in Guwahati. Enterprises in fabricated metal products sector have better access to financial services than those in the retail trading (base category). Rest of the variables do not have any impact on the financial access of the entrepreneurs.

5.3 Impact of Financial Access on Financial Performance of the Sample Enterprises

Having discussed the financial access of the sample unorganised enterprises, queries arises regarding the impact of financial access on performance of those enterprises. The gross value added (GVA) in an enterprise indicates the financial performance of that enterprises. However, the enterprises in the unorganised sector range from pity traders with limited investment to small scale industries with significantly higher level of investment. Enterprises with higher investment have the probability to have higher GVA. In other words, gross value added of these enterprises are not strictly comparable. So, GVA is scaled by the value of fixed asset to make it comparable across the sample observations. In this section, a regression model is estimated for the factors determining the GVA to fixed asset ratio of the sample enterprises. Here, gross value added scaled by the value of fixed asset (Y) is the dependent variables.

Explanatory Variables: Financial access index (FAI) as discussed above is the prime explanatory variable. The other explanatory variables are turnover of the enterprise, age of the enterprise and level of education of the entrepreneurs. A larger enterprise (higher turnover) is expected to have better financial performance. Age of the enterprise is included as an explanatory variable as it is conceivable that longer an enterprise has been established, it would be in a position to perform better than the others. For eight sectors seven sector dummies are included considering retail trading as the base category. Further, for two locations one location dummy is included. The definition of the explanatory variables along with the expected sign of their coefficients is given in Table 5.3.

Table 5.3: Definition of the Explanatory Variables along with their Expected Impact on Financial Performance of the Sample Enterprise

Sl. No.	Variable	Definition	Exp. Sign
1	Turnover (MT)	Measured by monthly revenue of an enterprise	+
2	Financial Access (FAI)	Measured by value of financial access index	+
3	Age of the enterprise (Age)	Number of years of the enterprise	+
4	Education 1 (E1)	=1 if the entrepreneur is high school graduate, but not a college graduation, otherwise 0	+
5	Education 2 (E2)	=1 if the entrepreneur is college or university graduate, otherwise 0	+
6	Location (LD.)	=1 if the enterprise is located in Guwahati, otherwise 0	+/-
7	Wooden Furniture (S1)	=1 if the enterprise is in the manufacture of wooden furniture, otherwise 0	+/-
8	Textile and wearing apparel (S2)	=1 If the enterprise is in the manufacture of textile and wearing apparel sector, otherwise 0	+/-
9	Food Product and Beverages (S3)	=1, if the enterprise is in the manufacture of food products and beverages, otherwise 0	+/-
10	Fabricated Metal Product (S4)	=1, if the enterprise is in the manufacture of fabricated metal product, otherwise 0	+/-
11	Trade and Repairing of Motor Vehicle (S5)	=1, if the enterprise is in the trade and repairing of motor vehicle services, otherwise 0	+/-
12	Land Transport (S6)	=1, if the enterprise is in land transport activity, otherwise 0	+/-
13	Restaurants (S7)	=1, if the enterprise is in the restaurant business (food servicing activity), otherwise 0	+/-

Functional Specification of the Model

Given, gross value added scaled by value of fixed asset (Y_1) as the dependent variable and the above mentioned explanatory variables, the formulation of the model is done as follows:

$$Y = f(FAI, MT, Age, E1, E2, Loc, S1, S2, S3, S4, S5, S6, S7) \quad \ldots\ldots\ldots(5.1)$$

Theoretically, the dependent variable Y may take any positive or negative values; so linear regression is admissible here. The model may be written as:

$$Y_{1i} = \beta_0 + \beta_1 (MT_i) + \beta_2 (FAI_i) + \beta_3 (E1_i) + \beta_4 (E2_i) + \beta_5 (Age_i) + \beta_6 (Loc_i) + \beta_7 (S1_i) + \beta_8 (S2_i) + \beta_9 (S3_i) + \beta_{10} (S4_i) + \beta_{11} (S5_i) + \beta_{12} (S6_i) + \beta_{13} (S7_i) + U_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (5.2)$$

Where, U_i is the disturbance term, assumed to be normally distributed. As Breusch-Pagan test confirms the presence of heteroscedasticity in the data set, robust standard errors of the coefficients has been estimated. Results are presented in Table 5.4. Financial access has no significant effect on the financial performance (GVA to fixed asset ratio) of an enterprise. Enterprises in Guwahati have performed significantly better compared to those in Dibrugarh. The coefficient of the textile and wearing apparels sector, fabricated metal product sector, land transport sector and restaurants are negative and significant. It means that the performance of the enterprises in these sectors are weaker than those in the retail trading (base category).

Table 5.4: Results of the Linear Regression Model for the Determinants of GVA of the Sample Enterprises

Explanatory Variables	**Coefficient**	**Robust S.E**
Financial Access (FAI)	1.4213	3.9645
Turnover (MT)	0.0075	0.0054
Age (AGE)	-0.0193	0.0188
Education1 (E1)	-0.9089	0.7075
Education2 (E2)	0.4601	0.9630
Location (LD.)	2.0967***	0.6519
Wooden Furniture (S1)	-0.5603	0.7973
Textile and Wearing Apparels (S2)	-1.5636**	0.6675
Food & Beverage (S3)	*-0.5836*	1.1858
Fabricated Metal Prod. (S4)	-2.0163*	1.0557
Trade & Repairing M.V (S6)	-1.5104	1.8831
Land Transport (S7)	-0.9282**	0.3656
Restaurants (S8)	-1.6117**	0.7378
Constant	1.2167**	0.5298
R square	0.1868	
F(13,142)	5.13***	

*** represents 1% level of significant, ** represents 5% level of significant and * indicate 10% level of significant

Breusch-Pagan test confirms the presence of heteroscedasticity in the data set, so robust std. errors of the coefficients has been estimated.

5.4 Summing Up

The discussion in this chapter shows that the coverage of the unorganised enterprises by financial services is not a problem in the study area. However, the depth of financial access is not satisfactory. Among different factors affecting financial access of the unorganised entrepreneurs, it is found that registration of the enterprise has positive significant impact on their financial access. It demands for policies to provide credit and other financial services to the unregistered (purely informal) enterprises. Further, financial access has no impact on financial performance of the sample enterprises. It is probably due to the fact that larger percentage of the enterprises only have thin financial access.

CHAPTER 6

SUMMARY OF FINDINGS, CONCLUSION AND POLICY IMPLICATIONS

6.1 This chapter is meant for inferring the overall conclusions of this research and extracting the policy implications thereof. To facilitate such inferences, the broad findings of this research have been recapitulated in the following section.

6.2 Core Findings

It may be recalled that this research has used both secondary and primary data to fulfil the set of research objectives and to get answers to the research questions. The principal findings of this research are restated in the following two sub-sections:

6.2.1 Findings from the Analysis of Secondary Data

- A large number of unorganised enterprises are engaged in both manufacturing and services sector in Assam. The unincorporated nonagricultural enterprises in Assam has employed a large percentage of the workforce in the state.
- The enterprises in this sector has also contributed a significant percentage to the gross state domestic product. However, its contribution to GSDP is less than proportionate to its share in total workforce.
- Over the years, a large percentage of the unorganised manufacturing and service sector enterprises reported that non availability or very costly credit (capital) is the principal problem faced by them. The average amount of loan taken by the unorganised enterprises (manufacturing as well as service sector) in Assam is smaller than that of all-India average; which indicates financial thinness in this state.
- However, considering the debt asset ratio of the various types of unorganised enterprises, it is found that these enterprises have the potentiality to absorb larger amount of credit.

6.2.2 Findings from the Analysis of Primary Data

6.2.2A Profile of the Sample Unorganised Enterprises

- The sample enterprises include both OAEs and establishment enterprises. Around 50% of the sample enterprises were not registered with any agency.

Maximum percentage of enterprises was registered with the municipal authority of the respective areas.

- Majority of the entrepreneurs is educated. But most of them did not have any training before starting their business. A larger section of the entrepreneurs got training through apprenticeship.
- Majority of the enterprises reported that shortage of capital and shortage of trained labour are the problems faced by them
- The monthly average GVA in the manufacturing enterprises is greater than that in the service sector enterprises.
- Almost all the sample entrepreneurs have saving account. However, only 10.3% of them have access to current account.
- As many as 47.4% of the sample enterprises had access to credit irrespective of sources; while only 31.4% had taken loan from formal financial institutions.
- As many as 17.3% of the sample enterprises makes payments of their business partially through the banks.
- Larger number of the sample enterprises had access to debit cards and 26.3% of them were using cheque book facilities. However, only a few sample enterprises were using mobile banking, internet banking and credit cards.
- Around 50% of the sample entrepreneurs have life insurance coverage; but significantly higher percentages of the enterprises do not have business insurances coverage.

6.2.2B Pattern of Financing Unorganised Enterprises

- Own fund of the entrepreneurs is the main source of their investible resources. However, borrowing from FFIs has also been played a major role in capital investment for the unorganised enterprises.
- However, own fund has the maximum share in the total amount of working capital expenditure. Reinvestment of earning from the enterprise is the principal source of working capital expenditure. The percentage share of borrowing from FFIs in working capital expenditure is very small.
- The percentage share of non-institutional sources is very low both in case of capital investment and working capital expenditure.
- In case of capital investment, it is found that registered enterprises have better access to credit from formal financial institutions. In case of working capital expenditure, it is found that entrepreneurs with higher education have better access to credit from formal financial institutions.

6.2.2C Depth of Financial Access and Its Impact on Performance of the Enterprise

- To measure the depth of financial access of the sample enterprises an index is developed incorporating four aspects of financial access viz. saving, credit, insurance and payment through the financial institutions.
- It is found that majority of the entrepreneurs has partial financial access and only a few have higher access to financial services. Thus, it can be concluded that although financial coverage is not a major problem in the study area; depth of financial services is not satisfactory.
- It is found that registration of the enterprise has positive significant impact on their depth financial access.
- Financial access has no impact on the financial performance of the sample enterprises.

6.3 Conclusion and Policy Implication

The unorganised enterprises are found to be dependent on their own fund and credit from informal sources for financing their business. But starting a business investing entirely owned fund means the entire risk of the business is on that particular entrepreneur. Moreover, scaling up the business primarily on own fund is a difficult proposition; especially for the unorganised enterprises. Larger percentage of unorganised enterprises are from economically weaker section of the society; who engage themselves in such activity as they are unable to have a job in the organised sector. So, if such an entrepreneur makes the entire investment out of his pocket, definitely he/she have limited access to credit from formal financial institutions.

Registered enterprises have better access to financial services than the rest. So, credit policies targeting the purely informal (unregistered) enterprises are necessary.The sample unorganised enterprises also have limited access to business insurance. In other words, the entire risk of their business is borne by the entrepreneur himself/herself. Policies to provide insurance coverage, (specially micro-insurance at subsidised premium) would be helpful for the unorganised enterprises. Moreover, awareness is to be created regarding the importance of business insurance; as many entrepreneurs have no idea about business insurance coverage. Awareness regarding payment made through banking services is also of importance.

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