Chapter: 9

SUMMARY OF FINDINGS, CONCLUSION AND POLICY IMPLICATIONS

9.1: 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.

9.2: CORE FINDINGS:

It may be recalled that this research has used both secondary and primary data to fulfill 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:

9.2.1: Findings from the Analysis of Secondary Data:

- The unincorporated non agricultural enterprises (manufacturing, trading and other services) in Assam during 2010-11 employed more than 15.41% of the workforce and contributed 9.36% to the GSDP of the state. As by definition, the unincorporated enterprises constitute a sub set of the unorganised enterprises; the percentage share of unorganised enterprises in the total workforce and GSDP of the state would be higher than this.
- Over the years, larger percentage of the unorganised enterprises reported that non availability or very costly credit (capital) is a 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 thinness of financial access 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.

- Among the manufacturing enterprises, the enterprises in the rural areas are more dependent on the informal sources of credit compared to those in the urban areas. Similarly, smaller enterprises are relatively more dependent on non-institutional sources of credit. Thus, it can be concluded that there is demand for credit from these enterprises; but the formal financial institutions are not in a position to fulfill their demand. Therefore, they are dependent on the non-institutional sources of credit. Policies regarding financial inclusion of the unorganised manufacturing enterprises should address this issue.

- Among the enterprises in the services sector, larger percentage of loan originates from the institutional sources of credit; only a smaller percentage is taken from the non-institutional sources. Thus, it contradicts the traditional belief that the formal financial institutions are not interested to provide credit to the unorganised enterprises. The actual situation is that, either there is lack of demand for credit or loans taken from non-institutional sources are not reported.

9.2.2: Findings from the Analysis of Primary Data:

9.2.2A: Profile of the Sample Unorganised Enterprises:

- Among the sample enterprises, around 40% were OAEs and the rest were establishment enterprises. Larger segment of enterprises were established by individuals, who were interested
to be self employed; followed by those who were unable to have government job.

- Large numbers of sample enterprises were not registered with any agency. Majority of the registered sample enterprises were registered with the municipal authority.
- Around 55% of the sample enterprises were found to maintain their accounts regularly.
- Majority of the sample entrepreneurs were educated. But most of them did not have any training before starting their business and around 30% of them got training through apprenticeship.
- One lakh rupees invested in fixed asset creates 1.9 units of employment in the sample enterprises. Cost of employment generation in the manufacturing sector is lower compared to that in the services sector; and cost of employment generation is higher in Guwahati compared to that in Silchar.
- The average monthly Gross Value Added per worker is higher in the service sector enterprises compared to that in manufacturing enterprises. GVA per worker is higher in Guwahati compared to that in Silchar.
- The average gross value added per enterprise and average monthly mixed income accruing to the entrepreneurs’ household from the enterprise is higher in the manufacturing sector compared to that in the services sector. Financial performance of the sample enterprises in Guwahati is better than those in Silchar.
- The average monthly profit per enterprise across different categories in Silchar is negative, except in case of two sectors; while it is positive for most of the enterprises in Guwahati.
- Majority of the enterprises reported that shortage of capital and shortage of trained labour are the problems faced by them.
9.2.2B: Financial Coverage of the Unorganised Enterprises:

- Almost all the sample enterprises have access to saving accounts. But their access to current account is not a satisfactory.
- Majority of sample entrepreneurs have check book and ATM; but the use of mobile banking and internet banking is limited.
- Around 80% of the sample enterprises in Guwahati and 56% of the enterprises in Silchar took loan at least once irrespective of the sources. Again 44% of the enterprises in Guwahati and 39% in Silchar borrowed at least once from the formal financial institutions.
- Many enterprises borrowed from semi-formal financial institutions and informal sources at least once. The main cause of borrowing from these sources is the easier procedure of borrowing, less time consuming and flexible repayment period.
- Larger percentage of loans taken by the entrepreneurs for other than business expenditure was housing loans and car or bike loans.
- Largest segment of enterprises (41.67%) did not take any loan from the formal financial institutions due to the complicated procedure and too much documentation. Only a small percentage of enterprises applied for loan, but their application was rejected.
- None of the sample enterprises makes payments to their workers through the banking system. Around 30% of them in Guwahati and only a few of them in Silchar make their business transaction partially through the banking system.
- Larger percentage of sample entrepreneurs in Guwahati as well as in Silchar has life insurance coverage; but access to business insurances coverage of the enterprises is not satisfactory.
9.2.2C: Pattern of Financing Unorganised Enterprises:

- Borrowing from formal financial institutions has been the main source of capital investment for the unorganised enterprises. However, own fund has also played a significant role in case of capital investment made by the sample unorganised enterprises.
- But own fund has the larger share in the total amount of working capital expenditure. The percentage share of borrowing from formal financial institutions in working capital expenditure is very small. Thus, borrowing from formal financial institutions 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. However, the semi formal financial institutions are playing a significant role in Guwahati in terms of financing expenditure of unorganised enterprises; but their presence is limited in Silchar. The informal money lenders also have been playing a relatively bigger role in Guwahati compared to that in Silchar.
- Larger percentage of loan taken by the entrepreneur’s household for other than expenditure on business, was either to create capital asset or for expenditure on consumer’s durables. Majority of such loans were originated from formal financial institutions.

9.2.2D: Depth of Financial Access and Factors Determining Financial Access of Unorganised Entrepreneurs:

- Investigation into the depth of financial access indicates 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.
The turnover of the enterprises have positive significant impact on their overall financial access and access to business insurance; but have no impact on access to credit.

Level of education has positive significant impact on the overall financial access of an unorganised enterprise; but it does not have significant impact on their access to credit and business insurance.

Registration status has positive significant impact on access to credit of an enterprise; but its impact on overall financial access and access to business insurance is not significant.

Enterprises in Guwahati have significantly better access to credit; but those in Silchar have significantly more access to business insurance. However, no significant difference is found between locations, regarding their overall access to financial services.

Entrepreneurs in the land transport activity have significantly better (positive) overall financial access and access to credit.

9.2.2E: Factors Determining Production and Productivity of Unorganised Enterprises:

Financial access does not have significant impact on the financial performance of an enterprise; but it has significant impact on the growth performances of the enterprise. Similarly, financial access has no impact on the productivity of the sample enterprises.

Education and training of the enterprises have no significant impact on their financial and growth performances. However, training has positive significant impact on their productivity.

Financial performance of the OAE is significantly better than establishments; however growth performance of the establishment enterprises is better.
Financial performance of the enterprises in manufacturing of wooden furniture is significantly better; but they have negative growth performance.

Financial performance of the enterprises in Guwahati is significantly better than those in Silchar. However, the growth performance of the enterprises in Silchar is higher. Similarly, enterprises in Silchar are found to be more productive than those in Guwahati.

9.3: THE BROAD CONCLUSIONS AND POLICY IMPLICATIONS:

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. A 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.

Though there is need for credit, many unorganised sector entrepreneurs are hesitant to approach banks. This is despite the fact that the suppliers of financial services are also physically present in the urban localities. Thus, there is a delivery and access gap, which needs to be addressed. There is a perception among the unorganised enterprises that getting a bank loan is a lengthy and cumbersome process. Greater financial literacy among the unorganised entrepreneurs may help matters in this regard.

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.

A Larger percentage of sample enterprises reported that power cut is a problem for them. So, policies should be taken for uninterrupted and quality power supply. For the emergence of some of the modern sector enterprises (such as in information and communication sector), different type of infrastructure is also necessary. If bandwidth availability in Guwahati and other cities is enhanced, many information technology and communication business enterprises can emerge. So, steps should be taken to provide high speed internet services.

Make in India policy is adopted by the government in the present days to create more and more employment opportunities. It is found that in the unorganised manufacturing enterprises more and more employment opportunities can be created with lower investment in fixed asset. So, policies should be there for the growth of the manufacturing enterprises.

A large segment of the sample enterprises reported that non availability of trained labourer is a problem faced by them. It is surprising that in a state with huge educated unemployed the enterprises are facing scarcity of labourer. There may be information asymmetry in the labour market for unorganised enterprises and/or the remunerations offered by the unorganised enterprises are not sufficient to attract workers. This topic demands further indepth investigation.