

RECORD KEEPING PRACTICES OF MICRO AND SMALL ENTERPRISES IN CACHAR DISTRICT OF ASSAM: AN EMPIRICAL STUDY

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ABSTRACT

In a developing country like India where diversified classes of people are living and many remains unemployed and underemployed, here Micro and Small Enterprises (MSEs) emerged as a major source of employment opportunities to young generation in the country. But MSEs increasingly face competition not only from their peers but also from large corporations participating in niche markets once regarded as a preserve for small businesses (Ntakobajira, 2013). Research on micro and small business development has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2002). The past studies indicate that three out of five businesses fail within the first few months of operation. Improper recordkeeping is one of the most significant challenges for the survival and growth of Micro and small enterprise. Poor record keeping, lack of planning, improper financing and poor management have been cited as the main causes of failure of micro and small enterprises (Longenecker, 2006). Studies show that micro and small enterprise do not access finances from the financial institutions due to lack of business records as a requirement (William et al, 1999). The same situation prevail in the Cachar district of Assam. In the present study an attempt has been made to identify the status of record keeping practice of MSEs in the study area. Primary data has been collected and descriptive statistic has been used to analysis the data.

KEYWORDS: MSEs, Record Keeping and Cachar, Micro and Small Enterprise.

Introduction

Micro and Small Enterprises play a very crucial role even in industrially advanced and developed nations like the U.S.A., the U.K., Canada, West Germany and more particularly in Japan (Baruah, 2000). In respect of developing nations like India, Micro and Small Enterprises (MSEs) have especial importance because of their capability to create employment opportunities, equitable distribution of national income, balanced regional growth and development of rural and semi urban areas. MSEs can provide immediate large-scale employment, offer a method of ensuring a more equitable distribution of the national income and facilitate effective mobilization of resources of capital and skill which might otherwise remain unutilized. Micro and small enterprises have been largely recognized as a foundation stone for the industrial development of any country. In India, micro and small enterprises has a very vital role to play in the progress of the country and considered as the second largest source of employment after agriculture in India. A tremendous growth of micro and small scale sector has resulted in decentralized industrial development, better distribution of wealth, investment and entrepreneurial talent. There is a broad consensus that a vibrant micro and small enterprise sector is one of the principal driving forces in the development of a market economy and vital for a healthy economy (Nafukho and Muya, 2010). Since the prospects of getting white collar jobs is becoming harder and harder day by day for every people. To cope with these challenges, the development of self-employment, especially in the area of micro and small enterprises became the last resort for them. Entrepreneurship on micro & small enterprises is the only solution to the problems of unemployment and proper utilization of both human and non-human resources and improving the living condition of the poor masses (Sigh, 2009).

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As entrepreneurship is too often cited as a solution to all kinds of economic problems and social ailments in many parts of the world, now a day's entrepreneurship has captured the attention of both scholars and policy makers. The main reason of this concern is the growing need for entrepreneurs who accelerate economic development through generating new ideas and converting them into profitable ventures. Since the encouragement of entrepreneurship activity in micro and small enterprises is essential for the development. Thus, it can be said that Micro and Small Enterprises are the engines for driving the vehicle of economic growth of a country.

Statement of the Problem

It is said that an economy is the effect for which entrepreneurship is the cause. The development or underdevelopment is the reflection of the development or underdevelopment of entrepreneurship in the society (Bakshi, 2007). Various levels of economic development across the countries and even within the country are attributable to differences in entrepreneurship development. Entrepreneurship plays a crucial role in the growth of any Society particularly in a fast developing country like India. The entrepreneur is an important agent in our society who can be a catalyst of social and economic changes. So, entrepreneurship development have become vital strategy for harnessing the vast untapped human skills to channelize them into accelerating industrialization and growth of micro and small scale sector (Desai, 1999). It is well recognized that the entrepreneurship is highly important for utilization of available material resources, generation of job opportunities, creation of wealth for further investment and raising an economic welfare. Disguise unemployment still persists in agriculture and it will continue to be so until and unless alternative employment opportunities are created by encouraging entrepreneurship in micro and small scale sector. Micro and Small Scale Enterprises have only been recognized in last few years as an important subclass of the enterprise sector. Entrepreneurs in this sector not only provide gainful employment but also provide work to others and contribute significantly in building up economically strong nation and lessening social tension by creating more number of jobs.

In a developing country like India where diversified classes of people are living and many remain unemployed and underemployed, here micro and small enterprises has emerged as a major source of employment opportunities to young generation in the country. Therefore there has been a growing concern and interest by the government, development agencies and researcher for the improved performance and growth of the Micro and Small Enterprises. Micro and Small businesses increasingly face competition not only from their peers but also from large corporations participating in niche markets once regarded as a preserve for small businesses (Ntakobajira, 2013). Research on micro and small business development has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2002). The past studies indicate that three out of five businesses fail within the first few months of operation. Access to financing continues to be one of the most significant challenges for the creation, survival and growth of Micro and small enterprise. Poor record keeping, lack of planning, improper financing and poor management have been cited as the main causes of failure of micro and small enterprises (Longenecker, 2006). Other studies also show that micro and small enterprise do not access finances from the financial institutions due to lack of business records as a requirement (William et al, 1999).

So the current study aims at identifying the status of recordkeeping in Micro and small enterprises in the study area and the study will also identify the types of records kept by these enterprises in their day to day operations and to identify the main reason behind if not maintaining proper record of their business transaction in the Cachar district, as promotion of micro and small enterprises are gaining importance in the present context as an important poverty alleviation tool. So the present study will make an attempt to explore the status of record keeping practice of micro and small scale enterprises in the study area.

Objectives of the Study

- To identify the status of record keeping practice of MSE's in the study area.
- To identify the types of Record Kept by the MSEs in the study area.
- To find out the main reasons for not maintaining proper record by the MSEs in the study area.

Limitations of the Study

There are certain limitations which the researcher came across during the project which are as under:

- The study is based on simple survey so if census will be made on the study area the result may or may not be the same.

- Study covers only Cachar district of Assam. Hence the findings of the study are entirely applicable to this district only.
- The study is based on the response of the owner of micro and small enterprises. Their attitude may change with the change of times. Therefore the responses reflect their contemporary views on the prevailing conditions.

Brief Profile of the Study Area

The District is located in the Barak Valley region of south Assam in the North East Region of India. The District of Cachar is bounded by the Borail Hills in the north, the state of Manipur in the east and Mizoram in the south, and Meghalaya & districts of Hailakandi and Karimganj and also part of Bangladesh in the west. The total area of the district is 3,786 sq. kms (Rural: 3721.41Sq.Km and Urban: 64.59Sq.Km) against the state area of 78,438 sq. kms. So the present Cachar district comprises an area of 4.8% of the state total areas. The rank of the district among all districts of the state in terms of area is 6th (Six).

Research Methodology

The target population was drawn from all micro and small registered in District Industrial Centre (DIC) Cachar from 1st April, 2009 to 31st March 2015. Micro and Small is defined as per MSMED Act, 2006. The total number of registered micro and small enterprises run by the entrepreneurs in different activities amounted to 340 in the study area. In order to get the necessary data the study population was divided into two strata because the population of study area is not homogenous and is sub-divided into sub-units namely To get the representative sample from each stratum the researcher further employed simple random sampling technique while selecting sample from each stratum. A total of 93 respondents were used to get the necessary information for the study which is more than 25% of the population under study. The study mainly uses primary data. Primary data has been collected using self-administered questionnaires from sampled MSEs units through drop and pick method. Statistical Package for Social Sciences (SPSS) version 18 was used to aid in coding, entry and analysis of quantitative data obtained from the Survey.

Data Analysis and Interpretation

The present work is based on primary data. In order to obtain primary data, field survey was conducted with the help of a questionnaire and responses of ninety three respondents were collected from Micro and Small enterprises operating in the Cachar district of Assam.

Profile of Respondents

Following is a summary of the profile of the respondents of the present study.

Type of Sample Enterprises

As regards the type of business, majority of the respondents that is 48 number were from manufacturing sector and 45 respondents were from service sector as shown in the below Cross Table.

Table 1: Type of Business & Category of Business

Type of Business	Category of Business		Total
	Micro	Small	
Service	29	16	45
Manufacturing	40	8	48
Total	69	24	93

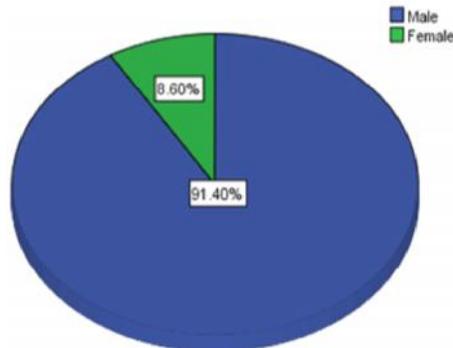
Source: Field Survey

Whereas between these manufacturing and service sector majority of the enterprise belongs to micro enterprise which is in total 69 number of enterprise out of 93 samples and remaining 24 enterprises were small enterprise.

Distribution of Gender of the Respondents

The study revealed that about 8.60 percent of the respondents were females while 91.40 percent were males as in figure 1 illustrated. This study shows more males participate in micro and small enterprises in compare to female.

Figure 1: Gender of the Respondents

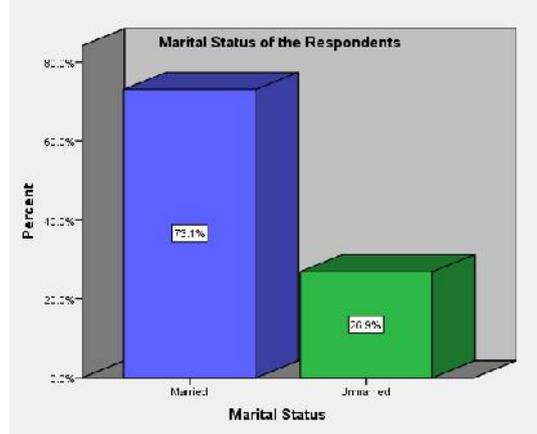


Source: Field Survey

Marital Status of the Respondents

Among the 93 respondents of the study, findings showed that most of respondents were married i.e., 73.10% while 26.90% were single. In figure 2 below provides more illustrations. In this case the study revealed that married respondents participate more in the entrepreneurial activity in the form of micro and small enterprise because they are to seek money so that to keep family in which their responsible to: they need money to send children to school, food, clothes and for medication, from this reason they are to have other source of income, in so doing they employ themselves to MSEs.

Figure 2: Distribution of Marital Status of the Respondents



Source: Field Survey

Distribution of Age of the Respondents

According to the finding about 49.46 percent of the respondents were aged in between 28 to 37 years old followed by 24.73 percent whose age was 38 to 47 and whereas 15.05 percent respondent were belongs to 18-27 years age grope and only 15.05 percent respondents were aged between 28 to 37 years and more than 42 years respectively but none of the respondents were from the age group of Below 18 and even 18 to 22 years as indicated in Table 2 below.

Table 2: Distribution of Age of the Respondents

Age of the Respondents	Frequency	Percent
Below 18	0	0
18-27	14	15.05
28-37	46	49.46
38-47	23	24.73
More than 47	10	10.76
Total	93	100.0

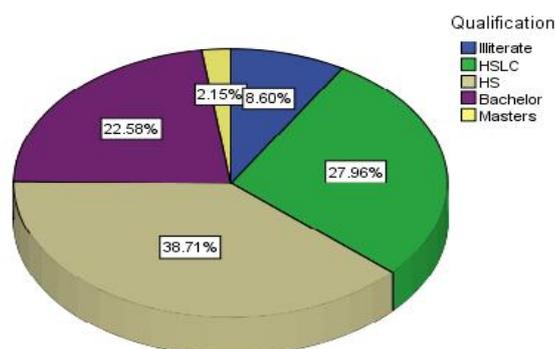
Source: Field Survey

The study concludes that the most responded MSEs owner group age were in between 28 and 37 years. Therefore, the age group 28 to 37 is middle aged and normally this group is the more self-employed group than other group because at these ages normally people starts take care of their families. It is also revealed that majority of the respondents were young in age.

Education Level of the Respondents

The majority of the respondents (owners) of MSEs were having education upto HS this accounted to 38.71% while 27.96% had HSLC, 22.58% of respondents had Bachelor Degree and only 2.15% had post master degree whereas, 8.60% respondents were illiterate. The study concludes that most people engaged in MSE sector have upto higher secondary level education.

Figure3: Education Level of MSEs Owners



Source: Field Survey

Record Keeping Practices of Micro and Small Enterprise

Record keeping is most important for the enterprise. The status of record keeping practice of the respondents are tabulated below

Table 3: Category of Business and Record Keeping of Business Transactions

		Do you Keep Proper Record of Your Business Transactions		Total	
		No	Yes		
Category of Business	Micro	Count	23	46	69
	% within Category of Business	33.3%	66.7%	100.0%	
	Small	Count	0	24	24
	% within Category of Business	0%	100%	100.0%	
Total		Count	23	70	93
		% within Category of Business	24.7%	75.3%	100.0%

Source: Field Survey

Table 3 shows that every-one of the respondents i.e. 100% of the respondents from small enterprise response that they maintained record of their enterprise business transactions. While in the case of micro enterprise 66.7% response that they maintain record and only 33.3% respondents response that they don't maintained any record of their business transactions.

Way of Record Keeping by Micro and Small Enterprises

Respondents Response related to business transaction and record has been stated in the Table below.

Table 4: Category of Business and Way of Maintaining Record

		If Yes, How Do You Keep Records		Total	
		In Note Book	Ledger		
Category of Business	Micro	Count	38	8	46
	% within Category of Business	82.6%	17.4%	100.0%	
	Small	Count	0	23	23
	% within Category of Business	0%	100%	100.0%	
Total		Count	38	31	69
		% within Category of Business	55.1%	44.9%	100.0%

Source: Field Survey

After analyzing the data it observe that out of the total respondents from Micro enterprise only 8 (i.e., 17.4%) respondents maintaining their business record in ledger and majority of the respondents i.e., 38 (82.6%) respondents maintained their business transaction records in a note book. They are not maintaining any ledger. But in case of small enterprise 100% of the respondents' response that they were maintaining their business records in ledger.

Reasons for Not Maintaining Proper Business Record

Proper record keeping is very much essential for each and every business unit. For the present study those enterprise who did not maintained proper record of their enterprise were responses the reason for not keeping the proper record and their response are tabulated below-

Table 5: Reasons for Not Keeping Proper Business Record

Reasons under consideration	No. of Respondents	Percentage of Respondents
I don't know how to keep proper record	10	43.48
Its time consuming	10	43.48
No need to keep any record	20	86.96
It is Expensive	7	30.43
Others	0	0

Sources: Filed Survey(N.B. –Due to multiple responses the total will be more than the number of micro enterprise respondents not keeping proper business records)

After analyzing the data is identified that majority of the respondents i.e., 86.96% response that do not keep proper record because they think they 'no need to keep any record' followed by 43.48% respondents respond that the reasons are they don't know how to keep proper record and it is time consuming respectively. And only 7 respondents i.e., 30.43% respondents respond that keeping proper record is expensive for them and no one respondents response for any other reasons.

Maintaining of Ledgers

By analyzing the data of the table 6 it is identified that majority of the respondents i.e., 61.29% respondents never maintained Sales Book whereas 36.56% respondents Always maintained Sales Book and only 2.15% respondents respondent they maintained sales Book Often. In case of Creditor Ledge it is identified that majority respondents i.e., 63.44% respondents never maintained Creditors ledger and 35.48% respondents always maintained Creditors ledger and only 1.08% respondents response that they often maintained Creditors ledger.

Table 6: Responses Regarding the Types of Accounts Maintained

Ledgers under Considerations	Always		Often		Occasionally		Seldom		Never	
	No.	%	No.	%	No.	%	No.	%	No.	%
Sales Book	34	36.56	2	2.15	--	--	--	--	57	61.29
Creditors Ledger	33	35.48	1	1.08	--	--	--	--	59	63.44
Cash book	33	35.48	1	1.08	--	--	--	--	59	63.44
Debtors Ledger	31	33.33	1	1.08	--	--	--	--	61	65.59
Purchase book	29	31.18	--	--	--	--	--	--	64	68.82
Stock Ledger	22	23.66	1	1.08	1	1.08	1	1.08	68	73.12
Petty Cash book	20	21.51	1	1.08	--	--	3	3.23	69	74.19
Others	0	0	0	0	0	0	0	0	0	0

Source: Field Survey

In case of Cash Book majority respondents i.e., 63.44% response that they never maintained Cash Book and only 1.08% respondents response that maintained cash book often. In case of Debtors ledger Majority respondents i.e., 65.59% response that they never maintained Debtors ledger and 33.33% respondents response that they always maintained debtors ledger and only 1.08% response that they often maintained debtors ledger. In case of purchase book majority respondents response that i.e., 68.82% they never maintained purchase book and 31.18% respondents response that they always maintained purchase book. None of the ledger i.e., Sales Book, Creditors Ledger, Cash Book, Debtors Ledger & Purchase book maintained occasionally or seldom. In case of Stock Ledger 73.12% respondents response that they never maintained stock ledger whereas 23.66% respondents always maintained stock ledger and only 1.08% response that they often occasionally and seldom maintain stock ledger. In case of 74.19% response that they never maintained petty cash book, 3.23% respondents seldom maintain petty cash book, 1.08% response that they often maintain petty cash book and only 21.51% respondents response that they always maintained petty cash book. None of the respondent's response any other books of accounts they use to maintain in their enterprise under study.

Findings

- It is observed that majority of the respondents (91.40%) were males very few (8.60%) respondents were female. So it can be said that female participation in the micro and small enterprise in the study area is very poor.
- It is found that majority of the respondents (73.1%) were married and 26.90% respondents were unmarried.
- Most of the respondents (49.46%) were within the age group of 28 to 37 years. Therefore, the age group 28 to 37 is middle aged and normally this group is the more self- employed group than other group because at these ages normally people starts take care of their families. So it is revealed that majority of the respondents were young in age.
- It is observe from the study that majority of the respondents started their enterprise in the age group of 28 to 37 years and very few started their enterprise in the age group of 18 to 27 years which means that majority of them initially don't start business and they choose business as last resort for them.
- It is identified from the study that majority of the respondents 38.71% respondents have education up to HS, 27.96% respondents education level was HSLC only few portion of respondents were illiterate and post graduate i.e., 8.60% and 2.15% respectively. So it is revealed that very few micro and small enterprise owners were highly educated and illiterate Majority of the respondents were having education High school, higher secondary and graduation level.
- It is identified from the study that all the respondents (i.e. 100%) from small enterprise were maintaining proper record of their enterprise but in case of micro enterprise some respondents i.e., 66.7% were maintaining record and some (33.3%) respondents were not maintaining any record of their business transactions.
- The study revealed that in case of micro enterprise majority i.e., 82.6% respondents maintain record in note book and only 17.4% responded micro enterprise maintained in ledger where as in case of small enterprise all the respondents maintained their enterprise proper record in ledgers.
- The study also identified the reasons for not maintaining proper record by some micro enterprise as all small enterprise maintained proper record. So it is identified that majority i.e., 86.96% of respondent believe that they have no need of keeping any record. 43.48% responded that they don't know how to keep proper record and its time consuming respectively and only 30.43% respondents responded that it is expensive to keep proper record keeping for them none of the respondent response for any other reason for not maintaining proper record keeping for their enterprise.
- By analyzing the data it is identified that in case of maintaining Sales Book, Creditors Ledger, Cash Book, Debtors Ledger, Purchase Book, stock ledger and Petty Cash Book majority of the respondent never maintained these accounts whereas a few respondent responded that they always maintain these books of account and very few respond the maintain these account often. But in case of Stock Ledger and Petty Cash Book very few responded that they also maintain these account occasionally and seldom.
- It is identified that in relation to always maintaining of ledgers among Sales Book, Creditors Ledger, Cash Book and Debtors Ledger were always maintained by majority of the respondents in comparison to other ledgers under consideration.

Suggestions

- Entrepreneurs promotional camping specially for female must be done so that more female participation in micro and small entrepreneurship can come out in the near future. So change of mindset is an important step for developing entrepreneurial environment in the study area.
- It is identified from the study that majority of the respondents started their enterprise in the age group of 28 to 37 years and very few started their enterprise in the age group of 18 to 27 years which means that majority of them initially don't start business and they choose business as last resort for employment. So an initiative must be taken by the government to channelize people of this group towards entrepreneurship.

- Training must be given to the owners or managers of the registered enterprises especially to micro enterprise owners regarding the maintenance of books of account immediately after registration.

Conclusion

After analyzing the data the study conclude that female participation in micro and small enterprise is less in comparison to male in the study area. The study revealed that small enterprise maintaining proper records of their business transactions but micro enterprise does not keep proper accounting records because of lack of accounting knowledge and don't feel the importance of record keeping. As a result, there is inefficient use of accounting information to support financial performance measurement by MSEs. It is also difficult for the entrepreneurs to calculate their business profit efficiently. Non availability on accounting information creates difficulty for the owner of the enterprise to take proper decision of their business. So the study recommended that proper steps must be taken by the government for inculcating the environment of record keeping in MSEs especially for new generation micro enterprises of the study area.

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