

EXECUTIVE SUMMARY

“AN ANALYSIS OF FINANCIAL FACTORS AFFECTING THE PERFORMANCE OF SELECTED SMEs WITH SPECIAL REFERENCE TO MAHARASHTRA STATE.”

Small and Medium enterprises have a very important role to play in the Industrialisation as well as economy of the country. Keeping in view the importance of the small and medium sector the government of India has made considerable efforts to promote their growth. The SMEs form the backbone of the Indian manufacturing sector and have become engines of economic growth in India. Micro, Small and Medium Enterprise (MSME) development Act, 2006 came into force on 2nd Oct, 2006. The Act aims at facilitating the promotion and development of Micro, Small and Medium Enterprises as well as ensuring their competitiveness and smooth flow of credit to them as well as minimizing instances of sickness among them.

Small & Medium Business Development Chamber of India projects the share of SMEs in the expansion of the Indian economy to increase to 40 per cent of the Gross Domestic Product in 2017. This assessment is supported by its supposition that by 2016 - 17 approximately 15 million additional people would be joining the SME sector. SME units have currently employed 1,117.32 lakhs people in the year 2014-15. As per All India census of MSMEs, share of MSME manufacturing output in total manufacturing output is 33.40% in 2014-15.

Maharashtra contributes approximately 6 percent of total registered functioning SMEs in India. The main objective of conducting this study was to obtain the in depth details of financial factors affecting the performance of SMEs in Maharashtra. The research targeted SMEs enterprises in Maharashtra and the unit of analysis comprised owners-managers of various sectors manufacturing businesses, training, healthcare, consultants, hospitals, hotels, jeweller, trading and finance.

The present position of financial performance of SMEs, their operational efficiency, the challenges they face can best be studied using descriptive research. Hence statistical tools viz. Kruskal wallis test, t test, correlation, regression is applied to evident the findings. Comprehensive Index is used to make the data on similar platform for comparison purpose. Audited financial statements of SMEs are collected and summarised for the purpose of analysis. SMEs preserve the Authentic financial data for limited years hence using five years

accounting year in depth study have been conducted to understand overall picture of selected SMEs. Samples are selected from Bombay stock Exchange of SMEs (BSE SME Exchange) , established in 2012 as a platform for issuing shares and Equity financing .Out of 70 of total SMEs listed on BSE SME Exchange sample of 12 was identified by lottery method. These 12 selected SMEs were further divided in Manufacturing and service sector for in depth understanding of SMEs and inter sector comparison.

This study is helpful in short-term and long-term prediction of the trajectory of growth by means of financial performance analysis. Internal factors like financial parameters, viz., Solvency, Liquidity, working capital, capital structure, Profitability etc also plays an important role for the growth of SMEs. The study of these Financial parameters helps in identifying the financial strong points and weaknesses of the SMEs by properly studying the relationship between the items of balance sheet and profit and loss account.

To sustain in the competitive market SMEs will have to be viable and profitable, which will help the national economy grow and further develop. The study has covered the financial challenges faced by the SMEs and measured the financial performance of the same. The results of the study are generalizable to the SMEs in Maharashtra. In the first chapter, overview of SMEs in India is given and research design is described in detail.

In the second chapter, Profile of Maharashtra is discussed in detail in context with industry and overview of SMEs in Maharashtra

In the third chapter review of literature reveals That though many studies on the small-scale industries have been carried out in India as well as abroad, yet no comprehensive study is devoted to analyze the effect of financial factors on SMEs feat in Maharashtra.

In the fourth chapter, all selected sample is described by their market product and financial aspects of selected SMEs are describe in detail.

In the fifth chapter , conceptual framework applied in the study is described in a theoretical manner.

In the sixth chapter, all the financial parameters are presented and analysed using financial and statistical tools.

In the seventh chapter all the findings and suggestions are summarised in a systematic pattern

The study can be concluded as the SMEs are able to generate funds from internal sources, thus breaking the various circles of financial breakdowns is essential. This study deals with the financial appraisal of the SMEs, which evaluates past, current and projected performance and, thus, is intended to give a picture of the overall growth of financial performance of the SMEs in Maharashtra.

It is known that the maximum utilization of fixed assets as well as current assets will result in better financial performance. Hence, all the selected SMEs can follow the suggested makeover to improve their financial position and performance. With the efficient financial management, the technological development and investment in research and development can accelerate the growth of SMEs of Maharashtra. Thus, the dream of our planners to accelerate the economic growth of the country will be fulfilled.
