



AN EVALUATIVE STUDY OF THE IMPACT OF FINANCE FOR SME FROM GHATKOPAR TO THANE REGION IN MAHARASHTRA STATE

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Abstract:

Finance for SME evaluation is very essential as day by day enhancements of SME will have a positive impact towards the financial health of the economy. SMEs have a lot of unsolved issues. SMEs are one of the biggest supports to solving problems of rural and urban economic development and are a catalyst of economic growth. It affects the financial health and wellbeing of the nation. However SMEs have succeeded with some good lending options. There is a mix of options available for SMEs effective practices and smooth operation. Hence evaluation is essential to understand finance for SME. This detailed Evaluation is aimed at analyzing the impact of Finance for SME from Ghatkopar to Thane Region in Maharashtra State.

Keyword: *Finance, SME, Impact, Impact of finance for SME, Financial options for SME, Financial practices of SME, Financial health of Economy, Rural and Urban Economic development.*

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Introduction:

SME stands for small and medium-sized enterprises. These are businesses with investment, turnover, and workforce below a certain threshold. In India, SMEs comprise both manufacturing and service enterprises. Small and medium enterprises are categorized based on the composite criteria of annual turnover and investment in plant and machinery or equipment. Impact of Finance is very pivotal and necessary when it comes to Small and Medium Enterprises. Various operations of SME require immediate Finance, which at times is not available and hence working becomes very much difficult. Finance is useful when it is available at the right time and at the right place.

Finance is the main source or life blood for any organization's smooth operation or impactful conduct. Small and Medium Enterprises are very vital for the

Indian economy to prosper, SME can really become a good support system of development programs in the Indian economy.

Gradually SME is making their presence felt in a strong sense, hence it is very necessary to provide a proper financial support system. Growth of SME will really provide a boost to India's global economic dreams projected by the Government.

Impact of Finance for Sme in India:

1. Positive Impact of Finance for SME:

1. Easy Access to required technological support:

Easy access is a big impact of Finance for SME in India as they can acquire or hire technology to have smooth production systems. Automation of machines provides a fast production process and hence speedy implementation of the demand by customers can be done. This all depends upon



available Finance to SME in India.

2. Solution to business problems:

There are lots of business problems for SME in India which can become major reasons for downfall of business operations. Availability of Finance in the right time can easily provide solutions to most of the business problems available in the market. Impact of Finance in solving business problems of SME is very positive in India.

3. Survival and Growth

Another very positive impact of Finance is that SMEs find it easy to survive in business competitiveness and efficiency. It really impacts the growth of SME in terms of managing and marketing the products manufactured by the SMEs. Infact, survival and growth prospects are a very positive factor for SME

4. Sound performance :

Finance makes business sense of operations very bright when it comes to Performing for SME. SME performance in terms of Financial as well as marketing is very strong. This sound performance is possible due to the very right system of available Finance options for SME. Financial impact on SME performance is very positive.

2. Negative Impact of Finance for SME :

1. Challenges of Market:

Finance provides a very hardcore reality in the market when it comes to the affordability part of SME. The market provides all kinds of possible challenges to SME such as higher rate of interest, difficult lending policies, lengthy procedures. SME faces a very negative impact on Finance when it comes to facing the challenges of the market.

2. Possibility of Frauds:

Fraudulent activities are becoming very common

and regular when it comes to obtaining Finance from banks and financial institutions. SMEs can land up facing frauds or scams in obtaining Finance which may provide them bigger troubles as the capacity to bear the unwanted loss is very difficult for SME. Hence there is potential of dealing with frauds in current systems of obtaining Finance.

3. Labour problems:

Unavailability or Unaffordable Finance sources leads to labor problems for SME. Labour may not get timely payments or they can remain unpaid which will create labor turnover problems during business operations. It is a very much negative impact of Finance on SME when it comes to labor as without labor business operations come to a standstill.

4. Non availability of right funds in right time:

Another very important negative impact of Finance is non availability of adequate funds in the right time for SME. SME can be badly impacted by non availability of funds as it will hurt business operations and may lead to closure for SME. SME in India faces various challenges and overcoming the problem of non availability of right funds in the right time still prevails .

3. Sources Of Finance for SME in India:

In India finance for SME is a major requirement. It provides better Financial health to SME in rural as well as urban areas of our country. Sources of Finance provides settlement to SME in terms of marketing, finance, technology and managing throughout business practices by SME. Sources of Finance also give smooth conduct of business operations and various administrative activities performed by SME in India. Sources of Finance in India for SME are in upgrading mode.

So few sources of Finance for SME available in India is given below:



1. Own Capital :

Own Capital is a prime source for SME operations. It becomes easy for the business as there is no specific burden of repayment of money and also there is no stress of payment with interest. SME can use their own available capital to operate business. Though availability of own Capital is an issue for most of the SME, few SME do manage to operate their business with Own Capital hence it is a very important source and really gives a boost to the working system in functioning of SME.

2. Family & Friends :

Another source of finance for SME is obtaining funds from family members, relatives and friends. They are the well wishers and they willfully lend money to the known SME. This helps SME to operate their business in a meaningful manner. Again availability of Finance from this source do have question marks in society as many time family members may not have adequate availability of Finance to provide assistance to SME. Sometimes, friends may not be ready to help or they turn away from helping in financial terms to business. Hence, it is not a very easily available source of Finance for SME in India. This source has lots of complicated issues in personal as well as legal terms.

1. Banks :

Banks are considered as a relevant source of Finance for SME in a real sense. A large number of SME manage their business from Bank finance. Eligibility of getting Bank Finance can be one of the issues as SOME may not fit in eligibility criteria for lending policies of various banks. Most banks in India have very stringent and structured rules for financing which the SME may not be in position to fulfill. So this source also provides lots of difficulty in obtaining Finance for SME.

2. Small Business Loans from Financial Institutions :

SME do have opportunities to manage finance from Financial Institutions which offer loans for small businesses. It may relax certain eligibility criteria and hence obtaining loans may be easy. Important thing to note is interest rates may be higher so it becomes a little costly affair and this in turn becomes very difficult for SME to repay the debt. This source may not fulfill the adequacy requirements for SME in terms of financial Management.

3. Crowdfunding :

Crowdfunding is also known as Peer to Peer (P2P) funding. This is a form of lending in which one individual borrows from another. This is a good opportunity for SME as there is no possibility of intermediaries so cost may be reduced in Financial Management of SME. This source becomes more important for SME as affordability is in very much capacity and repayment is also very simple and easy.

Research report of this study provides that Financial requirement level is increasing day by day for SME. SME are also well aware of the various sources of finance available to them. Infact SME exhibited a real growth in financial performance after having better facilities or sources of Finance available for them. Though certain constraints of easy availability are also felt by SME.

Review of Literature:

Finance is very significant for growth as well as enhancing profit of Small & Medium Enterprises so that the business flows & flourishes in the right direction Cowling et al. (2012), and Shaban et al. (2014). This way a sound Financial system of Small & Medium Enterprises will enable economic development of the country. This paper also highlights that not only Large scale organizations are responsible for growth of a country but also small & Medium Enterprises can really



prove to be a good participant in economic development of the particular country. (**Abdulaziz Abdulsaleh, Andrew Worthington**)

Even private sector firms cease to generate or provide sufficient support in terms of employment. So Small & Medium Enterprises come as very much a relief to jobless people in the country though all Small & Medium Enterprises may not be so successful due to financial uncertainty or unaffordability (**Agyapong, 2010**). Hence sources of Finance & Finance become very meaningful for Small & Medium Enterprises (Vatavu, 2012).. Even interest rates may be very high in obtaining credit facilities which in turn may cause unaffordability of Small & Medium Enterprises & affect the normal functioning of business. Another view presented in the paper is that sometimes Small & Medium Enterprises may not be Shaban et al. (2014) in situation to make repayment due to tight financial position which again provides negative impact of Finance for Small & Medium Enterprises (**John Ackah, Sylvester Vuvor**)

Major parts of economic prosperity in developed and developing countries are due to SMEs (Sadi & Henderson, 2010; Muneer & Rehman, 2012). SMEs are the factor of job creation, providing about 51% of new jobs and sharing about 22% of GDP in Saudi Arabia (Mohammed, 2015 b). There are about 60-70% of employment is based on the SMEs sector in OECD countries (OECD, 2006). SMEs are not only giving jobs but also are the sources of producing innovative things which fulfill the needs of society appropriately (OECD, 2006; Sadi & Henderson, 2010; Shaban et al., 2014). SMEs are also a source of innovation and flexibility in the market which gathered more value in developed as

Research Analysis and Findings of the Study:

Awareness of Evaluation of Finance for SME

SR. NO.	Evaluation of Finance for SME	No. of respondents
1	Yes	30
2	No	15
3	Can't Say	5
	Total	50

well as developing countries (Al-Disi, 2010; Zeitouni, 2012; Karadage, 2015). According to the business statistics of 2013 in European Union countries almost all companies were SMEs. Especially it captured the manufacturer market up to 95% in most countries. 99.9% in Turkey, 80% in United States manufacturers are SMEs (OECD, 2005). Beck & Kunt (2006), Cowling et al. (2012) reported that there are 4 million SMEs in the United Kingdom, making up 46% of private sector employment.

Research Gap:

It becomes very much limitations when it comes to obtaining response from Small & Medium Enterprises specially in terms of financial aspect while conducting research following things were restrictive

Possibility of less fair view of Finance & impact of Finance on Small & Medium Enterprises from respondents due to lack of awareness like sources of Finance available to Small & Medium Enterprises. Also The banks do not provide that much direct financial support to Small & Medium Enterprises as they focus on large sectors more.

Objectives of the Study:

To understand the impact of Finance for SME from Ghatkopar to Thane Region in Maharashtra State.

Research Methodology:

For the present study both the primary and secondary data have been used. The primary data is collected with the help of a structured questionnaire. It is used to arrive at a better conclusion. A total of 50 respondents from Ghatkopar to Thane, Region in Maharashtra State were chosen for the study. The stratified random sampling method was used for identifying the samples of the study.



Interpretation:

When the respondent were asked whether they are aware about Evaluation of Finance for SME. They out of 50 respondent, 30 respondents said “Yes” and 15 respondents said “No” and 05 said Can’t say. There majority respondent were found that they were aware about Evaluation of Finance for SME.

Relevance of Finance study for SME

SR. NO.	Relevant for SME	No. of respondents
1	Yes	38
2	No	8
3	Can’t Say	4
	Total	50

Interpretation:

When the respondent were asked whether finance study is relevant for the SME, then out of 50 respondent, about 38 respondents said “Yes” and while 08 respondents said “No” and 04 said Can’t say. Therefore, majority were in the favor on the about the said statement.

Problems in Finance available to SME

SR. NO.	Problems in Finance availability	No. of respondents
1	Yes	16
2	No	32
3	Can’t say	02
	Total	50

Interpretation:

When the respondent were asked whether they face any problems in Finance availability. It was found that No, there is no problem because out of 50 respondent, around 16 respondents said “Yes” and majority about 32 respondents said “No” and about 02 said they can’t say anything.

Awareness about the sources available for Finance to SME

SR. NO.	Sources of Finance for SME	No. of respondents
1	Yes	34
2	No	15
3	Can’t say	01
	Total	50

Interpretation:

They are aware about the sources available for Finance to SME. It was revealed that majority respondent said YES, the Awareness of the availability of Finance among SME is more because out of 50 respondent, about 34respondents said “Yes” and 15 respondents said “No” and 01 said Can’t say.

Possibility of evaluating impact of Finance for SME

SR. NO.	Impact of Finance for SME	No. of respondents
1	Yes	27
2	No	5
3	Can’t say	18
	Total	50



Interpretation:

When the respondent were asked whether it is possible to evaluate impact of Finance for SME. The result was “Yes” because out of 50 respondent, 27 respondents said “Yes” and 05 respondents said “No” and 18 said "can't say.

Suggestions:

Finance for Small & Medium Enterprises can be more impactful if

1. Financial assistance can be made easily available to them through online platforms.
2. Training & Awareness programmes can be arranged for Small & Medium Enterprises on how to obtain loans through online platforms.
3. Regulations for financing to Small & Medium Enterprises can be less stringent & stressful so that obtaining loans can be smooth.
4. Finance for Small & Medium Enterprises should have better connectivity from Banks & financial institutions.

Conclusion:

The SMEs are growing rapidly in the country with the help of the financial support provided to them from the formal and informal setups. Results of the research have both theoretical and practical suggestions for enhancing financial management practices especially in small enterprises for expansion of this sector Results of the research have both theoretical and practical suggestions for enhancing financial management practices especially in small enterprises for expansion of this sector. Government support for the SME sector is still limited to offering finance, but the study found that the government could play a significant role in supporting the SME sector. Many Small & Medium Enterprises have shown positive response in financial availability to them. Small & Medium Enterprises find very less problem in obtaining finance. Evaluation of Finance for SME is impactful as many are aware of sources of Finance. Majority of Small & Medium Enterprises still do not have proper support of financial management systems as they lack basic knowledge & awareness. These SMEs are the initial startups of many of the entrepreneurs in

Mumbai. Results of the research have both theoretical and practical suggestions for enhancing financial management practices especially in small enterprises for expansion of this sector. SMEs are also a source of innovation and flexibility in the market which gathered more value in developed as well as developing countries.

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