

## Analysis of Financial Factors Affecting the Performance of Selected SME's With Special Reference to Maharashtra State

---

Jaikumar Reddy

---

### **Abstract**

Globally MSMEs have been playing a significant role in the development of all the countries, developed as well as developing ones. This is evident from their massive contribution with regards to the national GDP, employment generation, industrial output, annual turnover, and global exports. Indian economy has gained ample impetus on account of the ever-enlarging contribution of MSMEs. More than 62 percent population are working in MSMEs. Government policies have been proactively drafted to promote MSMEs. However, sick units are still a grave problem for India. This is enormous waste of investment which affects the national economy. Survival and sustenance of MSMEs is dependent upon how MSMEs face and take on the fierce global competition. Major reasons as identified earlier are lack of credit facilities, marketing acumen, infrastructural inadequacies and shortage of raw material. It is evident from research in this area that most of the problems of the MSMEs could be mended if finances are available on time to SME sector. The present study has covered SMEs for both the manufacturing and service sectors in the state of Maharashtra. To sustain in the competitive market SMEs will have to be viable and profitable, which will help the national economy grow and further develop. To be profitable and sustainable they have to earn the profit at least equal to the rate of interest on their borrowings from all the sources. The study has covered the 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.

**Keywords:** MSME, Indian Economy, National Economy, SME, Financial Performance

---

### **Introduction**

"India is the fourth largest economy in the world (in terms of Purchasing Power Parity mode, and the second largest in developing Asia) which accounts for 22% of GDP, 33.8% population and 32.5% of the potential workforce in developing Asia."<sup>1</sup> The prevalence of development is visible from the augmented investment in infrastructure, copious job opportunities, surfacing private sector with small and big companies/ corporate houses and high rise in consumerism. This has also reflected in the small scale sector. The MSME sector substantiates growth of Indian

economy and small sector -friendly policy framework by the Indian government and adequate infrastructural support can make SMEs prominent contributor for the growing Indian economy.<sup>2</sup> "Last five decades is evident of effervescent and strong growth of Micro, Small and Medium Enterprises (MSME) sector is as high as our developing growth of India. Generating large opportunities in employment is handled by SME sector in India. Considering its low cost investment, it is a great boon for the Indian economy. This provides a accelerated push to rural area for industrialization, which will further eliminate regional imbalances, maximum equitable distribution of national income and wealth. Socio economic development of the country has been enormously aided by MSME as it plays an imperative role of being subsidiary to the bigger industries.

#### **Micro, Small and Medium Enterprises are Broadly Classified into Two Categories;**

- i. Manufacturing. ii. Those engaged in Rendering Services

Small and medium enterprises have unique definitions globally. The number of employees is also a base to segregate the establishments in Micro, small, medium in some countries. In some other countries, small and medium enterprise is definition is depending upon the annual turnover of the company. The concept of size is also a relative fact with reference to the local economies, further it depends on the economy of countries as large company can be small in large economy and small economy can be large in small economy.

#### **The Small-Scale Industries (SSI) Sector in India**

According to Dr B Yerram Raju, Dean of Studies & Senior Faculty Member at Administrative Staff College of India at Hyderabad states "the encouraging and promoting policies of the small-scale sector are always on foot front in India since independence, the priorities of each five-year plan have changed as per dynamic environment." "The Six Industrial Policy Resolutions which have been framed since 1948 have set out the guidelines for the country's industrial development with different degrees of emphasis on the main objectives." Post-independence, industrialization strategy was based on 'The Industries Development and Regulation Act of 1951. As per planning commission the model for industrialization in the 1950s was based on capital-intensive heavy industries. Through consumption-good producing, labour oriented, evenly dispersed small and medium enterprises are the paramount foundation for employment creation." As the process of dynamic economic environment led to varying priorities, the policy focus shifted to regional inequality (1977), promoting ancillary (1980), major concentration in rural areas and promotion of exports (1990) and then to Small, Tiny and Village Industries (1991).

Production cost of SME is less as associated to large scale industries. SMEs have smaller capital investments and are labour intensive in India. This is why small and medium enterprises are very significant as for countries like India where more output at lower cost and more employment are equally important. Countries like Japan and China are on this track especially in the rural areas. Nanda<sup>9</sup> (January, 2016) in his paper states "MSMEs have contributed to economic development in several ways, like generating employment openings for both rural as well as urban people, supplying goods and rendering services at reasonable costs by innovating solutions, improvising material for sustainable development of national economy. SMEs in India face a variety of problems - scarcity of sufficient and timely banking, avenues

to raise finance, non-accessibility of appropriate technology, lack of proper marketing strategies, and shortage of skilled manpower." Globalization and domestic reforms have major emphasis on SME sector in India. SMEs had felt pain on many counts like growth, employment, performance, exports and issues arising out of these. Subrahmanya (2004)<sup>10</sup> SME sector friendly government policies have opened doors to new opportunities for development for SMEs. SMEs have faced the challenges of fresh technology; lack of financial facilities and infrastructure Government's pro small and medium enterprise policies assist SME to be more competitive at the domestic as well as international level. Country has achieved remarkable export earnings and is characterized by low investment requirements. It offers operational flexibility, ease of mobility, lesser imports, ability to manufacture home grown technology, and improvisation which impacts cost reduction. All these are making India highly competitive in domestic as well as global markets. This has given an impetus to the entrepreneurship and in turn to the SME sector, which is now responsible for nearly 45 percent of national industrial output and contributes to 40 percent of exports As per MSME annual report 2017-18. Although a large number of SMEs are unregistered, they are significantly contributing to national wealth. It is growing regularly at 11.5% per year as per MSME annual report 2017-18. This count to be greater than the total GDP growth which is at the rate of 8 percent<sup>11</sup>The SME sector has impacted Indian economy to a great extent. It has kindled hopes in the minds of young entrepreneurs and motivated them to develop indigenous alternatives and technologies.

SMEs have demonstrated steady development in the last few years. However, the sector has faced quite a few constraints which have resulted into wasteful resource management. It culminates into hampering the growth and development of SMEs. The enterprises become vulnerable and result into economic slowdown mainly due to scarce financial management, which is the major blockage to their development. India has a strong network of SMEs, which produce material for the consumption of the large industries as raw or ancillary products or services. This provision of subsidiary support system ranges from agriculture to aviation. Developed countries have long been dependent on products and services of SMEs for their survival. They provide processed products to the large-scale industries. It thus becomes a tool of sustenance.

Figure 1: MSME'S Contribution to Indian Economy

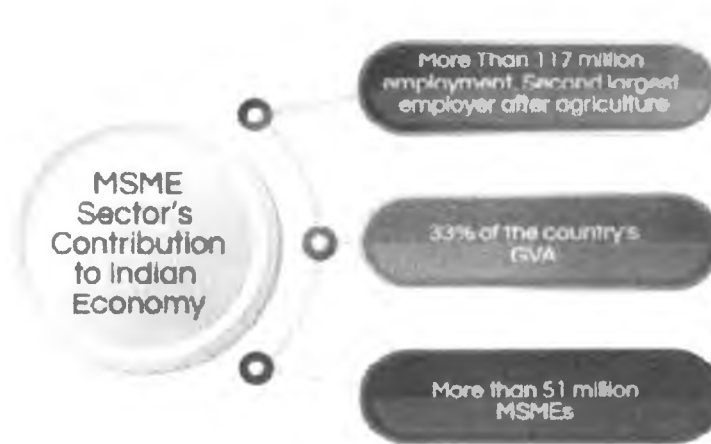
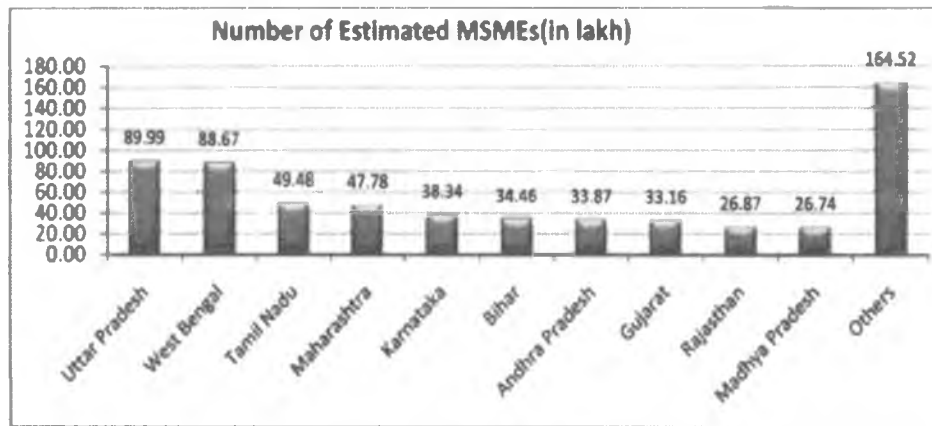
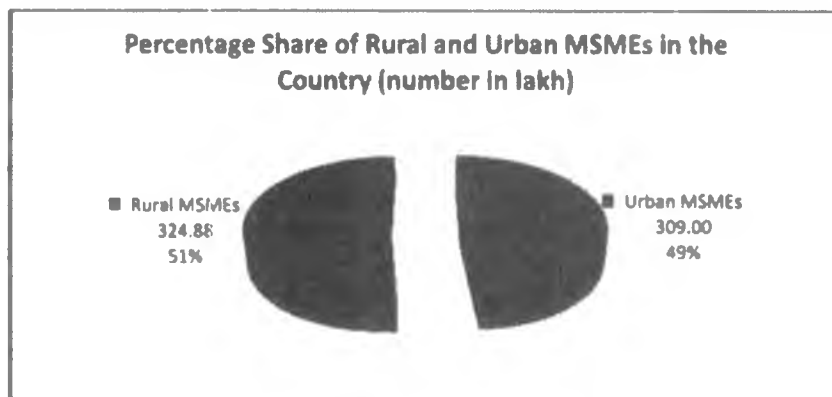


Figure 2: Number of Estimated MSME'S



Many SMEs provide final and finished products to the consumers, thus becoming self-sufficient from raw material to the supply of the finished products. This gives SMEs to innovate and improve their products on a continuous basis. And also reenergizes the SME sector to a great extent and propels the economy onto the path of development.

Figure 3: Percentage Share of Rural and Urban MSMEs in the Country



### Literature Review

Babajide and Abiola (2011) carried out "Impact Analysis of Microfinance in Nigeria and studied about the financing restraints approach to identify whether microfinance institutions' enhanced access to credit for micro enterprises in Nigeria works or not. According to this approach, microenterprises with upgraded access to credit rely less on internal funds for their investments. They compared investment sensitivity to internal funds of micro. (a municipal with significant presence of Microfinance Banks (MFBs) with that of micro enterprises in Ekiti State (a municipal with no (or limited) presence of MFBs). They conducted a cross sectional study and collected data about Microfinance Institutions (MFI) branch location. The study conclusions reveal that MFBs eased micro businesses' financing constraints."

**Research by Afeef (2011)** aimed to study "the potential effect of working capital management on the profit performance of SMEs in Pakistan. Effect of working capital management was studied on profitability of a sample of 40 Pakistani SMEs listed in Karachi Stock Exchange for a period of six continuous years from 2003 to 2008. The researcher scrutinized totally 240 (40X6) firm-year observations. Correlation analysis was conducted to decide the relationship between efficient working capital management and corporate profitability for the sample under study while the Multiple Regression analysis was employed to explore the combined interactive effect of the variables of working capital management on profitability of selected firms. Results of the analyses revealed that indicators of working capital management had an appreciable impact on financial performance i. e. profitability of firms under study."

**Kinyua (2014)** studied "Factors Affecting the Performance of Small and Medium Enterprises in the Jua Kali Sector in Nakuru Town, Kenya' and concluded that SMEs who have easy access to finance had the potential to significantly and positively influence performance of SMEs in Jua Kali Sector, however access to finance were yet to be fully utilized to the advantage of the SMEs in the study area. Management skills had the capability to positively and significantly influence the performance of SMEs and yet had only been marginally adopted by the SMEs in the study area. Similarly, the study came to conclusion that the effect of macro environment on performance of SMEs was positive and significant especially on production output despite being moderately rated among the SMEs. Finally, the study concluded that infrastructure was not statistically found to be significantly impacting the performance of SMEs in the study area."

OECD Report SMEs are lagging behind in adopting digital technologies. While, in most countries, the divide is narrow for simple connectivity and web presence, the gap broadens when considering participation in e-commerce and, especially, more sophisticated applications. For instance, across OECD countries, enterprise resource planning (ERP) software applications to manage business information flows are popular among large firms (more than 75% adoption rate in 2014) but less used by SMEs (less than 20%). In many countries, a large adoption gap is also observed for cloud computing, i.e., the renting of computer power from an external provider, which can allow smaller firms to use Big Data, while overcoming some of the barriers associated with the high fixed costs of ICT investment.

**Lama (2013)** conducted research on 'Micro, Small and Medium Enterprises (MSMEs) In India-Problems and Prospects' and came to the conclusion that "MSMEs have turned out to be as an engine of growth in Indian economy by way of their substantial impact to GDP and industrial production. The MSMEs are required to increase its productivity; efficiency and quality reduce costs and innovate." "Government policy should help MSMEs to increase their competence and attractiveness within a market driven economy. In order to avert the most important sickness in MSMEs, new approaches like the cluster approach or connecting the power of industry association should be encouraged. To keep this growth engine on the precise route and direction, it is necessary to put emphasis on the formulation of friendly policies, conducive operating environment, improvement of proper infrastructure, securing peace and security, arranging proper finance, efficient manager and arranging appropriate modern technology for MSMEs."

### Objectives of the Study

- To study the financial position and performance of SMEs in the state of Maharashtra.
- To analyse the sustainability and performance of selected SMEs.
- To analyse the efficiency of financial management in selected SMEs

### Methodology

The present research is a study of the financial performance of the SMEs in Maharashtra. It has attempted to evaluate the financial stability and operational health of different sectors. The present position of financial performance of SMEs, their operational efficiency, the challenges they face can best be studied using descriptive research. Hence the researcher has used descriptive design for this research. 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 SMEs.

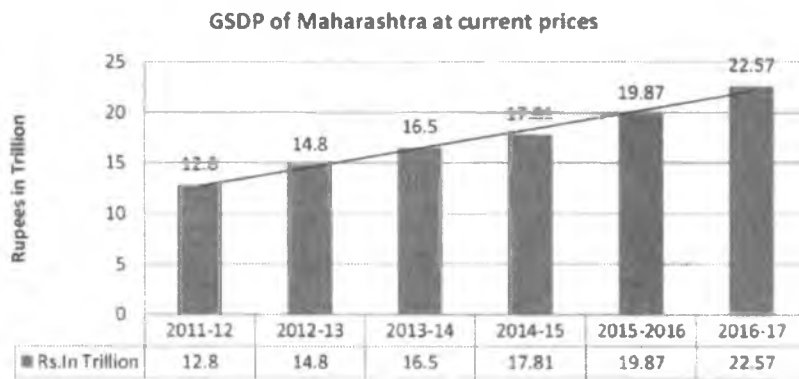
### Results

Small and Medium Enterprises (SMEs) have played a crucial role in India's economic growth. In the year 2014-15 more than 30 million units manufacturing SMEs contributed towards 6.11 per cent of the country's GDP. The service sector's contribution to GDP was 23.28 percent, and totally SMEs as a sector's contribution to the GDP was 29.39%. 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 GDP 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. However, SMEs suffer from major challenge of high rate of devastation and many enterprises may not even progress beyond infancy. Sustenance and success to grow into a big enterprise is, though a dream for all enterprises, is achieved by only a very few. The causes of failures are attributed to many factors, which impede on the progress and cause sluggishness. These are difficulty in accessing the credit, regulatory framework, management issues, market barriers and education and training. Therefore, present study is aimed at investigating the factors affecting the performance of SMEs enterprises within Maharashtra in India. Such research gaps have necessitated to study on the subject. The developmental process of liberalization and global market integration has opened up enormous prospects for the sector, along with new challenges. The new ambitious National Manufacturing Policy (2016), which aims to make India a manufacturing pivot and upsurge the sectoral stake to 25 per cent in the next decade from the present level of 15-16 per cent, necessitates extensive backing from SME sector and significant hike in the growth rate of MSME sector from the existing level of 12-13 % per annum." These demands merging of hard work and resources. MSMEs are going through an evolutionary phase including redesigning of policies, strategies and amenities since the announcement of new policies in 1991 and thereafter reformist implementation of liberalized and globalized policies in India. The change in the Government's approach of looking at the MSME sector and regulatory facilitation should reflect in reducing the hurdles.

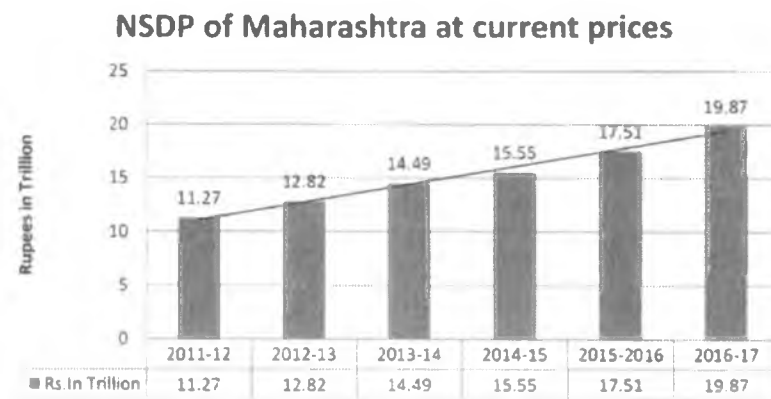
**Discussion**

With a strong, future-oriented government at its helm, Maharashtra continues to be the destination for growing sector. The state of Maharashtra is fully industrialized and highly urbanized. Being a progressive state, it has a literacy rate of 82.3 per cent. It is the second richest state in India on the basis of per capita income of its residents. Its geographical expanse is 3,07,713 sq. km and it is one of the largest states, which justifies its name. The financial and commercial capital of India, Mumbai, is at the heart of the state and its Capital city. As per Average capita income Mumbai is the heart of Maharashtra State and hence migrants are fascinated from the rest of Maharashtra and other states in India. "Maharashtra contributes for nearly 35.1 per cent of the country's total automobile output by value. The state has well designed infrastructure which is beneficial for industrial development. The state has domestic as well as international airports which add to the betterment of the transportation facilities. Government of Maharashtra came up with a new policy for electronics sector - 'Electronics Policy 2016' to boost the industry. In the same year, the Government of Maharashtra formulated a new policy on Tourism -- 'Maharashtra Tourism Policy 2016,' to propel the income through tourism."

**Figure 4: Gross State Domestic Product of Maharashtra at Current Prices**



**Figure 5: Net State Domestic Product of Maharashtra from 2005-06 to 2015-16**



The main products exported from the state are gems & jewellery, petrochemicals, readymade garments, software products, cotton yarn, metal & metal products, agro-based products, engineering items, drugs & pharmaceuticals and plastic & plastic items. Maharashtra became the best-performing State by shipping goods worth \$72.83 billion in 2014-15. This is because Maharashtra has traditionally dominated the export business because of advantage in terms of coast line. Special Export-processing Zones (SEZs) have played an important role in promoting exports from the state. Cost and efficiency of the transport system are of paramount importance for staying competitive in export markets. In order to appreciate the efforts taken by the exporters and to promote exports the state as well as central governments are giving awards based on export performance. Along with this award space rent subsidy for participation in international exhibitions scheme is implemented for SMEs. From 2007-08 onwards the state's share remained at 27 per cent in the total exports from India.

#### **Initiatives by Government of Maharashtra**

- In order to intensify the capacity of renewable energy sources in the state, the state government has professed a new energy policy, for which an investment of US\$ 69.66 million has been proposed.
- The Government of Maharashtra is promoting the development of several Special Economic Zones (SEZs) across Maharashtra for sectors such as IT/ITs, pharmaceuticals, biotechnology, textile, automotive & auto components, gems & jewellery and food processing. As of December 2017, the state had 28 operational SEZs, of which the majority share is contributed by IT/ITs, engineering and electronics segment.
- The Government of Maharashtra provides single-window clearance to all units to reduce the average time required for establishment of such units and issue various clearances required for setting up of industries at a single point.
- The Government is focusing on providing IT-related infrastructure, fiscal incentives to IT units and an institutional framework for the IT sector.
- The Government is setting up the Delhi-Mumbai Industrial Corridor (DMIC), a mega infrastructure project of total cost US\$ 90 billion, with the help of the Government of Japan, which has agreed to lend US\$ 4.5 billion for this project. Seven nodes are in the development stage for the Phase-1 of the project, which is expected to greatly boost India's manufacturing sector.
- The Maharashtra government has set up an international biotech park in Hinjewadi, 10 km from Pune. This is the first public-private biotechnology park initiative in the state.
- Textile parks, aimed to provide world-class infrastructural components for the textile sector and enhance productive capacity, are being set up in Maharashtra to maintain its leadership position in textile exports and production.
- As a part of the 'Make in India' initiative, the state government is planning to come up with an electronics policy for companies interested to invest in this sector in Maharashtra."

#### **Maharashtra Industrial Development Corporation**

Development Corporation (MIDC) is a prestigious project of the government of Maharashtra.



This was set up to promote entrepreneurial businesses by providing infrastructure like land, water and electricity. It has been providing facilities drainage, transportation and streetlights. The corporate philosophy of MIDC is the "Prosperity to all through Industrialization".

The major objectives of establishing MIDC were:

- To set up industrial areas for planned and systematic industrial development
- To function as a special planning authority in development of industrial areas The State Government is implementing following important programmes through MIDC:
- Establishment of growth centres
- Establishment of mini-industrial area to cover all talukas in the state
- Setting up of 'Five starred industrial areas in the state.
- Construction of roads, drainage systems and provision for street lights in the industrial areas.
- Establishment of effluent collection and disposal systems for Chemical Zones.
- Implementing Government/Semi Government Projects. Maharashtra Industrial

The first industrial area was started by MIDC was in 1962 in Thane district as Wagle Estate. MIDC has developed specialized parks for different sectors like chemicals, biotechnology, engineering, petrochemicals, automobiles and their components, electronics, textile, transportation, consumer durables, information technology, pharmaceuticals, wine brewing, recycling and many such productions. "The significant historical policy decisions taken by MIDC transformed the socioeconomic profile of the state as its activities spread to the remotest places in the interior of Maharashtra. This positively impacted the industrial scenario in the state. MIDC developed five-star industrial areas at nine locations in Maharashtra taking into account the international standard facilities essential to attract global companies to invest in the state. At the close of financial year 2015-16 about 94 percent developed plots are allotted to entrepreneurs."

### **Cooperative Industrial Estates**

Maharashtra state has commenced a programme of development of industries, where there is no MIDC zone. It has initiated supporting the industrial belt on cooperative basis. The state government contributes to share capital and provides technical guidance for establishing industries. To meet the cost of establishing such units is on a sharing basis. The project funding comes from the state (20 per cent of project cost), loans from the banks (60 per cent loans to be raised from bank/financial institutions) and members of the society (20 per cent is the contribution of the members of the society as share capital). By the end of September 2016, there were 107 industrial estates were functioning (out of 142 registered), 29 estates are yet to be commissioned and remaining 6 had filed for liquidation. These functional 107 co-operative industrial estates have generated about 1.8 lacks of employment opportunities.

### **Industrial Cluster Development Programme**

Government of India has pronounced scheme for development of potential clusters for enhancing the productivity and competitiveness of MSMEs. This will help locally available

resource management very effective and efficient; and further lead to their sustainability. Government of India has approved 16 cluster projects and 5 projects are approved in principle. The total grant released so far by the government is approx. 100 crores.

#### **Benefits of the Cluster Development Scheme**

"Cluster Development approach is considered as an effective approach for inducing competitiveness in the industry by ensuring inter-firm cooperation based on networking and trust. Due to geographical proximity of units and homogeneity/similarity of products, development interventions can be made for a large number of units and simultaneously leading to higher gains at lower cost of implementation. The approach aims at sustainability in long run. It helps overcome disadvantages of economies of scale and weak capital base. It will increase competitiveness by leveraging the advantages of flexible structure and faster decision-making process. The enterprises will be able to meet market challenges. The information will be disseminated quickly. Best practices will be shared (organizational capabilities, skills, technological innovations). The enterprise will be cost effective due to distribution of many common costs and wider public appropriation of benefits is possible. The clusters achieve success mainly due to the amendment of organizational strategy by the SME units when they face crisis of any kind. The SMEs can get the benefit of each other's strengths and gain collective benefit. They get to develop local network and connect with each other to get the best of collective wisdom. This further propels research, innovation and development. It also promotes healthy competition amongst them. The synergy thus developed is used for positive attitude towards collective work.

#### **Special Economic Zone**

Special Economic Zones (SEZ) have been developed by MIDC to provide trouble free environment for exporters, in view of the export prospective of the products defined dutyfree. These products are to be considered to be foreign territory for the purpose of trade operations and duties and traffics. Maharashtra has such 74 Special Economic Zone approvals from the government of India. Maharashtra has remained in the first position in India for the highest productivity, economic performance, efficiency, infrastructures and overall competitiveness due to the planned and strategically designed industrial development. The State has adopted the Special Economic Zone (SEZ) policy with effect from February 2006. As on 31st October 2016, in all 25 SEZs (out of 243 SEZ proposals received) were executed with total investment of 32,255 crores having generated employment of about 3.60 lakh. Totally 72 SEZs were de-notified and withdrawn. The state-owned Maharashtra Industrial Development Corporation (MIDC) is supporting Information Technology (IT) and Bio Technology (BT) and have developed IT and BT Parks with the help of Industrial Development Corporation of Maharashtra Limited (CIDCO). Government of Maharashtra has developed as well as revised IT and BT policies. Up to December 2016, 37 public IT parks with an investment of about 18,000 crores and have been generating about 2.68 lacs employment. To encourage private investments, the state has been encouraging and promoting Private Public Partnership (PPP) projects. To create world class infrastructure for IT industry, 487 private IT parks have been approved, out of which 170 IT parks are operating worth nearly 4000 crores investments and 5.5 lacs employment. The balanced 317 IT parks with proposed investment of approx. 10250 crores are likely to provide about 13.66 lacs employment opportunities. Two Public BT Parks

have been developed in the state at MIDC Jalna and MIDC Hinjewadi (Pune). Six private BT parks are proposed with an investment of about 300 crores. Ten BT- SEZs under public sector are proposed in the State with a proposed investment of about 4500 crores and anticipated employment generation of about 1.64 lacs. "As of March 2007, totally 87000 MSMEs are working in the Maharashtra state with an investment of nearly 15000 crores and employment of about 11lacs<sup>66</sup>. During the 'Make in India' event organised in Mumbai from 13th to 18th February 2016, totally 3,018 MoUs were signed by the State with proposed investment of 8,04,897 crores & expected employment of about 30.5 lacs. Up to September, 2015, in all 2,43,721 MSME units, with an investment of Rs.56,552 crore generating employment of 29.19 lakh were functioning."

### **Financial Management**

"Planning is an inextricable dimension of financial management, the term financial management connotes those funds flows are directed according to some plan." By James Van Horne. "Financial management is that activity of management which is concerned with the planning, procuring and controlling of the firm's financial resources." By Deepika & Maya Rani "Financial Management is the Operational Activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operation." By Joseph Massie

The scope of financial management consists of three groups. The primary scope being related to finance and cash, second scope being in the rising of fund and their administration, finally the third focusing on the activities of rising funds, these are part and parcel of total management, Isra Salomon felt that in view of funds utilization third group has wider scope. "It can be said that all activities done by a finance officer are under the purview of financial management. But the activities of these officers change from firm to firm, it become difficult to say the scope of finance. Financial management plays two main roles, one - participating in funds utilization and controlling productivity, two - Identifying the requirements of funds and selecting the sources for those funds. Liquidity, profitability and management are the functions of financial management. The fundamental purpose of financial accounting is to provide useful financial information to users of the company that facilitates in decision making. The income statement reflects the results of the business while balance sheet accounts for the position of business. Together they are compared with each other to see how efficiently a company is using its assets to generate profits. "Most investors and creditors use financial ratios to analyse the companies. There are innumerable ratios that can be combined for analysis purposes." These ratios become meaningful only when it is compared to the industry benchmark or the acceptable rule of thumb. Otherwise, the ratios cannot be of much use to judge whether or not a company is fiscally sound. Thus, financial analysis is a crucial part of overall economic analysis carried out by various business organizations in around the world. It depicts the financial health of the given company and helps the companies to channelize their financial resources and also helps in managing the funds of the company in an efficient manner. Financial analysis guides the companies in the future course of action and the direction in which any particular company should move on.

Figure 6: Average Current Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15

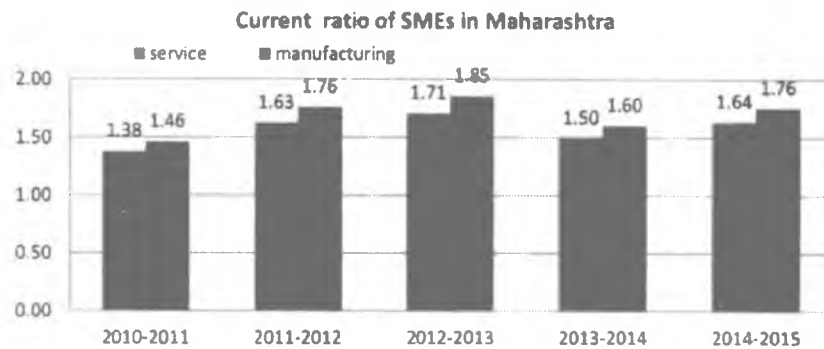


Figure 7: Average Quick Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15

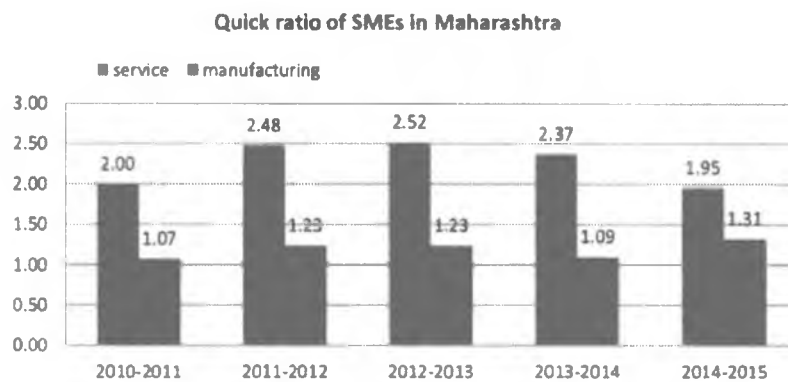


Figure 8: Average Cash to Current Asset Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15

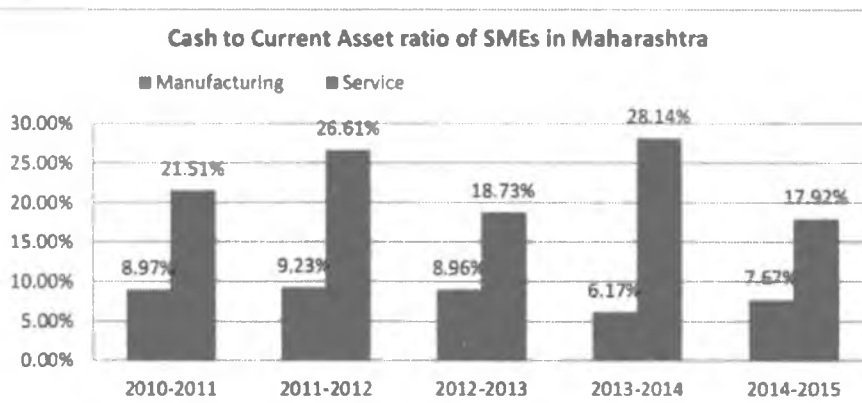


Figure 9: Average Current Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15

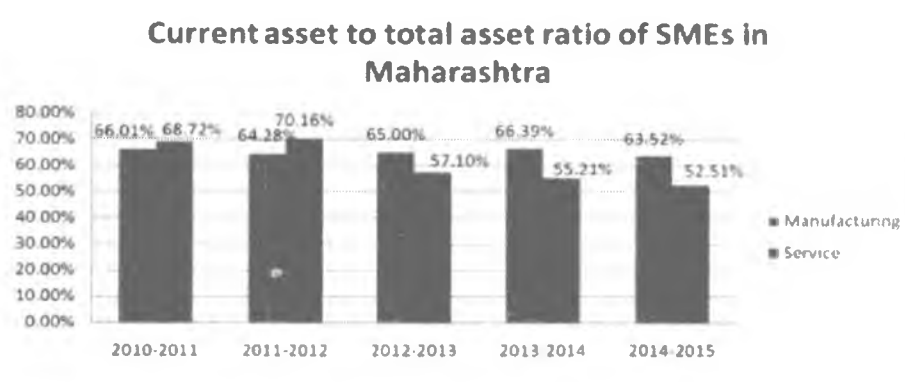


Figure 10: Average Liquid Asset to Current asset ratio Of Selected SMEs During the Study Period from 2010-11 to 2014-15

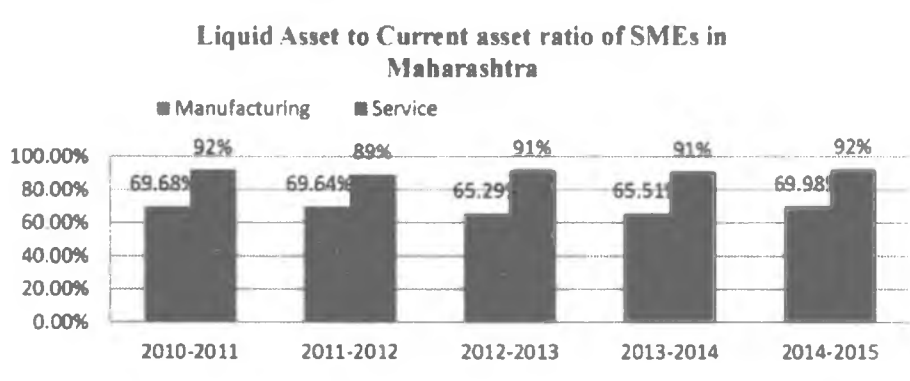
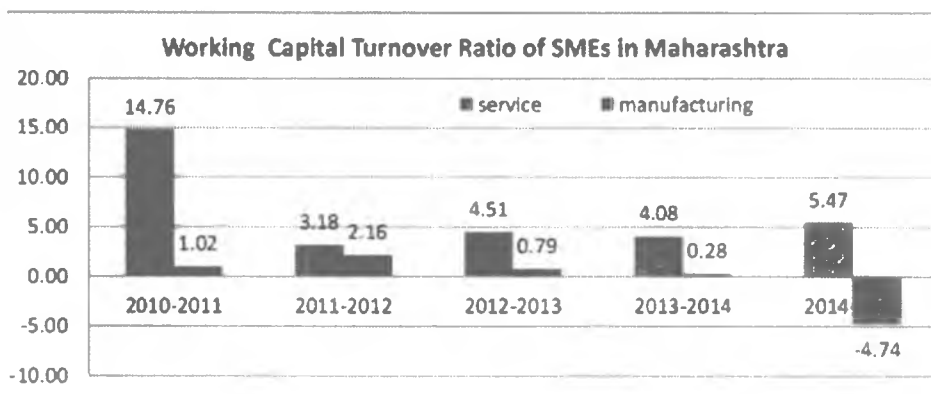
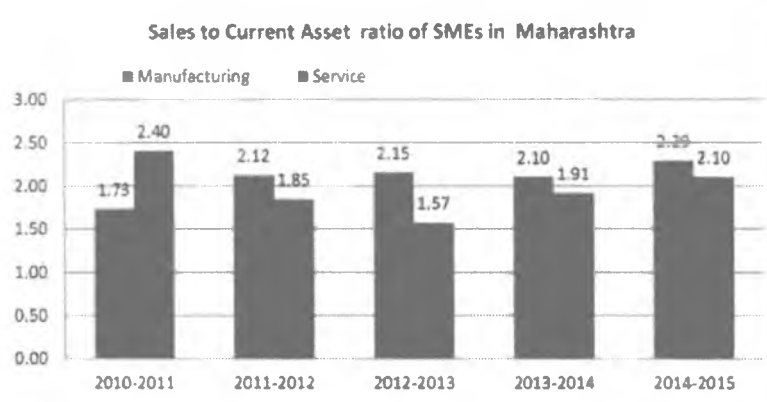


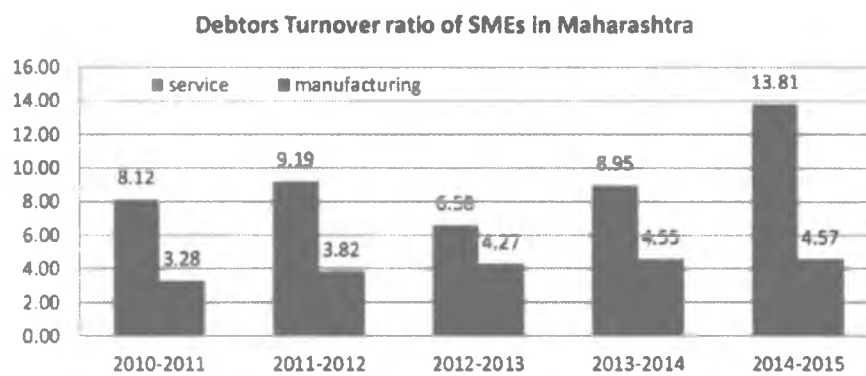
Figure 11: Average Working Capital Turnover Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15



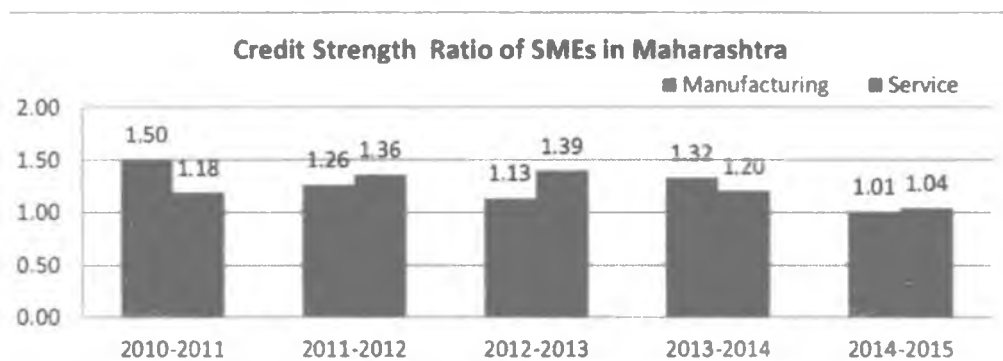
**Figure 12: Average Sales to Current Asset ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**



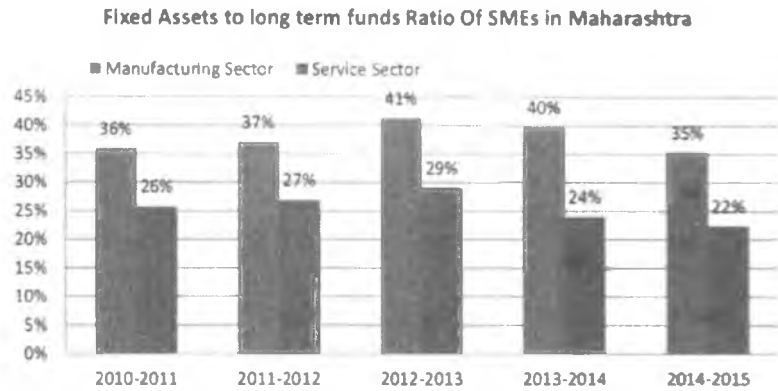
**Figure 13: Average Debtors Turnover ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**



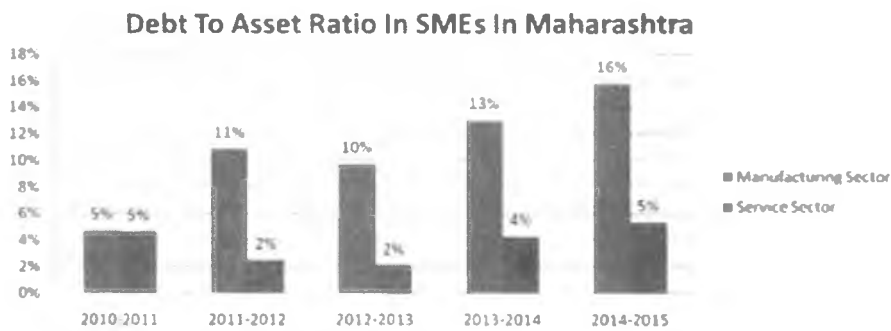
**Figure 14: Average Credit Strength Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**



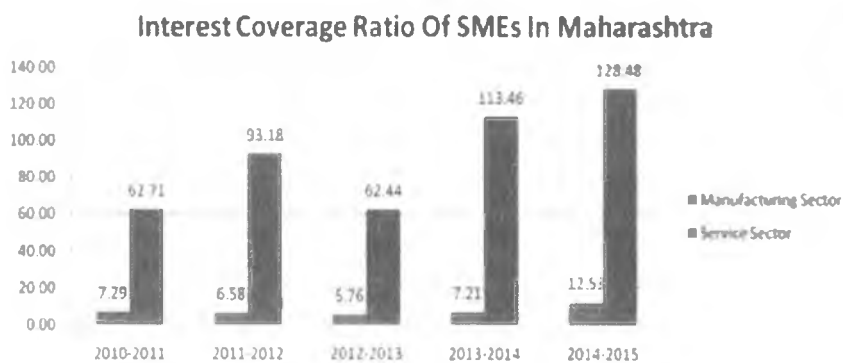
**Figure 15: Average Fixed Assets to Long Term Funds Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**



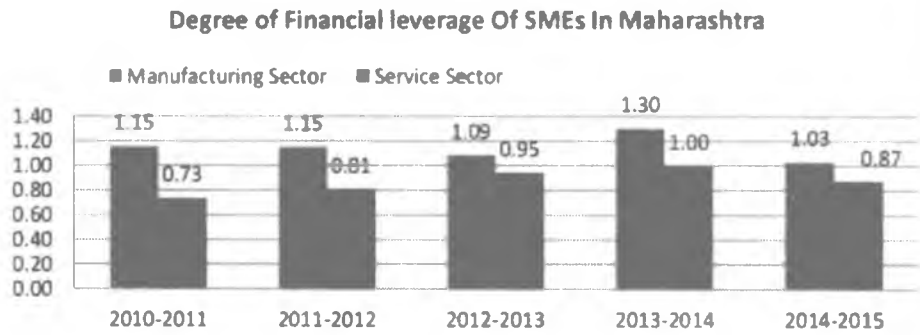
**Figure 16: Average Debt to Assets Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**



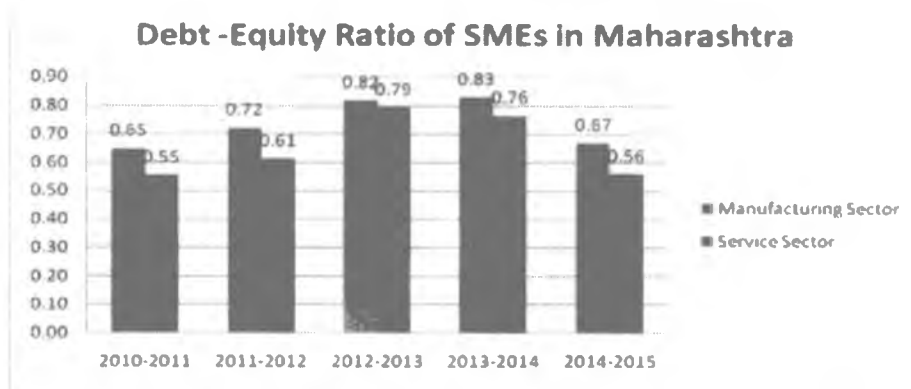
**Figure 17: Average Interest Coverage Ratio of Selected SMEs During the study Period from 2010-11 to 2014-15**



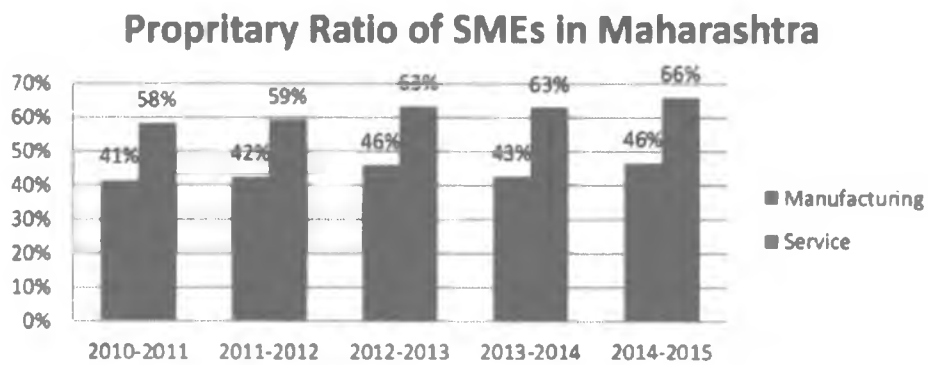
**Figure 18: Average Financial Leverage Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**



**Figure 19: Average Debt Equity Ratio of Selected SMEs During the Study Period from 2010- 11 to 2014-15**

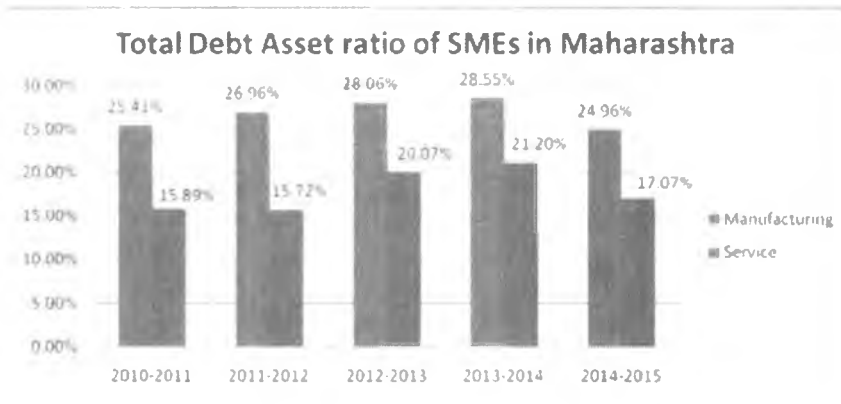


**Figure 20: Average Proprietary Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**

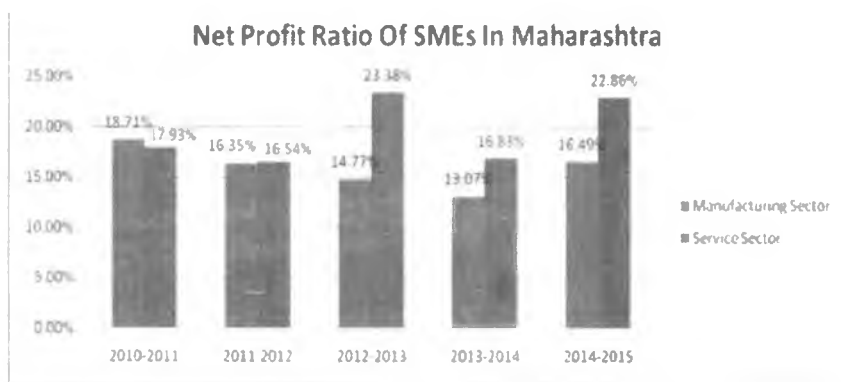




**Figure 21: Average Total Debt Asset ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**



**Figure 22: Average Net Profit Ratio of Selected SMEs During the Study Period from 2010- 11 to 2014-15**



**Figure 23: Average Return on Capital Employed Ratio of Selected SMEs During the Study Period from 2010-11 to 2014-15**



Figure 24: Return on Asset of SMEs in Maharashtra

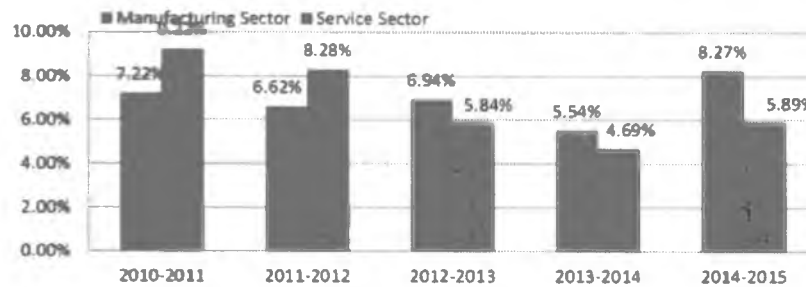
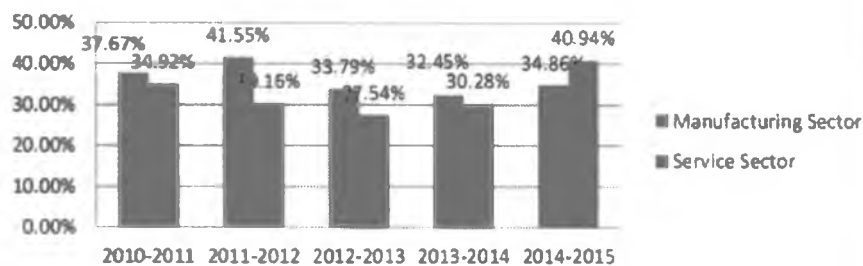


Figure 25: Return on Net Worth of SMEs in Maharashtra



### Conclusion

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 from 2 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 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.

## References

- Amuthalakshmi P. and Kamalanabhan T.J., (2006), "A Study on Education and Entrepreneurship development" Small Enterprises Development, Management and Extension Journal, Vol.33 No.1, Mar. 2006.
- Annual report MSME 2017-18 District Council report MSME
- BalaSubrahmanya, M. H. (2004), 'Small Industry and Globalization: Implications, Performance and Prospects', Economic and Political Weekly, Volume XXXIX, No.18, pp 1826-1834.
- Babajide Abiola, July 5, 2011, Impact Analysis of Microfinance in Nigeria, International Journal of Economics and Finance, p217
- Chandra, S. (2004). Small Industries Development Organization (SIDO) in Global perspective. Laghu Udyog Samachar: Journal of Small Scale Industries, 28- 29(12-2), pp. 249-253
- Dr. Raju KD. "Small and Medium Enterprises (SMEs) in India: Past, Present and Future" PHDCCI Working Paper (2008)
- Emmanuel TweneboahSenzu and Haruna Ndebugri, examining business performance of micro, small and medium scale enterprise through accounting records keeping; case study in Ghana
- F. Voulgaris, D. Asterlou , G. Agiomirgianakis, The Determinants of Small Firm Growth in the Greek Manufacturing Sector ,Journal of Economic Integration 18(4), 2003; 817-836
- Gupta, S. K. & Sharma, R. K. (2005). Management accounting: Principles and practice. New Delhi, India: Kalyani Publishers
- Irena Jindrichovska, Financial Management in SMEs, European Research Studies, Volume XVI, Special Issue on SMEs, 2013
- Jawaharlal "Advanced Management Accounting, Text and Cases, S. Chand & Company Limited, 3rd Edition, 2008, New Delhi.
- Jaimin R. Vasa , April 2016 ,a comparative study of smes' contribution in india and china: a study of selected sectors, gujarat technological university Ahmedabad
- Lama, Assistant Professor Department of Commerce University of Calcutta. Micro, Small and Medium Enterprises (MSMEs) In India-Problems and Prospects Pe111a, Business Studies-Vol : XXXIII & XXXIV, 2012 & 2013
- Mwaniki, Moffat Karo 2012, Factors affecting performance of small and medium enterprises in Kenya: A case study of SMEs in Thika municipality
- Mbugua Stephen Kamunge ,Dr. Agnes Njeru , Ondabu Ibrahim Tirimba,2014, Factors Affecting the Performance of Small and Micro Enterprises in Limuru Town Market of Kiambu County, Kenya.
- Renu Verma (2005), "Performance of Small-Scale Industries (Pre and Post Reform Period)", Udyog Pragati, 29(2). April-June, pp.35-41.
- Small Scale Industries Board, quoted by Desai, Vasant. (1983), "Organisation and Management of Small-Scale Industries". Himalaya Publishing House, New Delhi, p.4
- Thachappilly, Gopinathan. (2009). "Financial Ratio Analysis for Performance Check: Financial Statement Analysis with Ratios Can Reveal Problem Areas". Journal of financial ratio analysis for performance evaluation.
- Vohra,P.S. and Dhillon,J.S.(2014). Best Financial Practices Lead Financial Performance of SMEs,Int. Journal of Accounting and Financial Management Research ,ISSN(P): 2249-6882; ISSN(E): 2249- 7994,Vol. 4, Issue 3, Jun 2014, 5-16.