

Growth of Financial Decision in Indian Small and Medium-Sized Enterprises

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Abstract – This study show that instant support, reliability, the focus of customers, the relationship and facilities are the factors contributing to the financial gap. Among these factors, commercial banks' instant support and installations can increase small and medium businesses' satisfaction and thus reduce the financial gap. The study also found that manufacturing industry is most affected by financial divide and access to bank finance will support micro, small and medium-sized businesses in India long-term growth and development. The factors leading to the financial gap were statistically negligible from the perspective of commercial banks, risk, NPA, loan costs and knowledge asymmetry. Documentation, slow delivery and feedback on bank lending facilities are not statistically important from a small and medium-sized enterprises point of view. Thus, each sector's misperceptions of another result from the existence of a financial gap. This led to the lack of demand from small and medium-sized businesses for bank loans. Many of those interviewed, 55% never confronted commercial banks. Better lending options have been available to those businesses that have approached commercial banks. India is regarded as the bank cradle and a good base for industrial growth. Financial inclusion for lending services by small and medium-sized enterprises, division of general banking services by lending services and consideration of determinants identified in the study can reduce the perceptual gap and in the future improve credit flow in this sector. The question of the lack of adequate and timely credit for SMEs therefore needs to be examined. Any study on this question on one side, whether from the point of view of SMEs or from the point of view of commercial banking, would not be complete. It is thus necessary to analyze this problem both in terms of offering commercial banks wide opportunities and in terms of their growth and development, also making a significant contribution to this sector.

Key Words: Growth, Performance, Financial Decision, Small and Medium-Sized, Indian Companies, Manufacturing Industry, Financial Inclusion.

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INTRODUCTION

A growing economy needs to be funded by financial systems that lead to development needs. The financial system is an integral part of a nation's economy in this sense. For modern society, a banking institution is important. It plays a crucial role in a country's economic growth. Commercial banks are the oldest of the financial institutions in the regulated sector with a large network of branches, strong public confidence and substantial shares in all banking operations. In India, commercial banks have taken on special responsibilities to meet the needs of various industries at different stages of growth in the process of financial deepening in India. Commercial banks are the main institutional finance contributors in most countries and they can be given pride in extending credit to different economic segments in India and other countries. Banks are considered to be a key element in driving the growth of small and medium-sized enterprises, as their lending allows

businesses to expand. The main source of financing for SMEs is commercial banks. Therefore, access by commercial banks to financial services is a key element in the growth of SMEs. Small and medium-sized businesses are struggling to access banks' external funding, as a major obstacle to their development is their lack of finance. A rising economy needs support from a financial system that meets the needs of the growth engine's production. In an Indian economy where double-sided unemployment and poverty issues are a crucial development programme, SMEs play a very significant and critical role. A sound banking system plays an important role in industrial development, output and economic growth. This mobilizes capital and assigns the highest returns to operations. In India, commercial banks have taken on additional responsibilities in various stages of growth to respond to the needs of the numerous and neglected sectors of the economy. Commercial banks are therefore

regarded as a central body for small and medium-sized enterprises to grow and develop. SMEs mainly relay their activities on bank finance and have access to appropriate and timely loans is vital for their growth and development. Any successful company is primarily preconditioned by finance. An industrial unit's very performance depends on finance and seeking solutions to many business problems based on financial power.

REVIEW OF LITERATURE

Anders, I. (2016) The Thesis content is divided into four parts: initial part (including risk capital definitions), the history of risk capital in Sweden, a description of the risk capital cycle and four risk capital processes. The thesis content includes the thesis. The provision of risk equity for growing small and medium-sized enterprises can be of great importance. There is a very well-established PE / VC sector in developed economies. Whereas market development and growth require specific measures to create a conduction environment in a proactive manner. The government has a very building role to play. Research and development play a significant role in this context. Although for this reason most SMEs have a very small budget. Thus, constantly updating the grading technologies and goods are crucial to a limited number. The paper found that even traditional management and management accounting methods, if properly modified, could be extremely useful, so that human resources can be optimised and rationalized. They can also provide useful input for workload distribution, process analysis and productivity measurement per hour for workmen. Accounting for management can provide useful information for evaluating events related to sales. The price of the goods can be beneficial. It can also help identify under-used human resources in order to leverage them more efficiently. This also provides useful insights and perspectives for better management of the costs and materials relevant to research and development projects.

Aprile, R. (2015) The world's economies move from production to operation. The transition is also taking place in the research world – the problems emerging from quicker and later information and management demands are evolving. Human resources and other factors are becoming increasingly relevant. Consider these intangible variables and determine how they are being used in the most efficient way to make the best possible impact – short, medium and long-term. It's becoming increasingly difficult. The conventional manufacturing firms concentrate on quantitative performance evaluation methods. It will also allow HR's work to be measured effectively. In the modified situation, these conventional approaches face the demand. The paper outlines the developments in the structures, their growth and subsequent improvements in the management and control systems. A case study by a prominent SME in the area of Information Technology (IT) examined

the paper. It recently implemented some new strategies in order to help the company achieve financial success in the short term and long term. It can be done by creativity and by efficient and productive spending on R&D. Financial results are very important to the long-term development of small and medium-sized enterprises.

Asuquo, A., I., Effiong, S., A., Tapang and Tiesieh, A. (2014) Nigeria is one of the most rapidly growing economies in Africa. One of the key contributors was SMEs. SMEs create jobs, industry, sustainability and creativity. SMEs create jobs. The government will work towards the scheme where small and medium-sized enterprises can play an essential role in the country's economic growth. Generally speaking, the main aim of SMEs is profit-making. Nonetheless, Nigerian SMEs still have financial management practices which must be investigated and have yet to prove their effect on profitability. If there are not good financial processes, it will be difficult for SMEs and their owners to manage them on a long-term basis. A relationship between financial management and profitability in small and medium-sized enterprises has therefore to be established. This would also allow the financial management of SMEs to be understood. Five key financial management practices are the focus of the study: capital structure management, working capital, the financial reporting and analysis, fixed asset management and financial accounting. Based on standard statistical analysis, positive relations were established between the management of finance and productivity of small and medium-sized enterprises.

Calvin, W., Elizabeth, W. and Janice, R. (2017) There is ample evidence to suggest that good strategic planning can boost business efficiency. When the company expands the preparation is very useful. This gives strong signals about the aspirations of the management. This also focuses on coordinated activities for specific explicitly specified goals by the entire team. The actions get consistency and thus better outcomes with a consistent path. Many small and medium-sized businesses already have no plans, and their motives are unclear. To most SME owners, the success of businesses are often well below their intangible corporate objectives such as freedom, personal material, and the lifestyle of their families. Strategic preparation therefore has little to no importance for these owner-managed enterprises. The article offers an alternate view, suggesting that while the expectations of SME owners are different, it helps.

Carrington, M., M. and Lisa, F., S. (2014) Increases in ERP application by Small and Medium Enterprises (SMEs) are one of the important developments recently in developing countries. Such programs, however, have very

high rates of failure in actual practice. The paper explores how the ERP projects in South Africa and Zimbabwe are pursued and justified by SMEs. The paper highlighted mainly how these SMEs explain ERP and particularly the costs involved in the application. The scientific research used the data obtained mainly through informal interviews, which were then analyzed using an existing theory system. The multiple case study approach contributed to the creation of current practices on the basis of which business cases are built in the new ERP system. While small and median businesses know what they expect from adopting the ERP systems, investments in ERPs are mainly based on certain anticipated benefits received by small and medium-sized company's managers – thereby generating many unforeseen costs and risks.

Daniel, T., Joseph, M., F. and Kwame, M. (2014) within a country's global economic growth, SMEs play a critical role. However, limited access to finance – be they debt or equity – restricts them most often. Nevertheless, the lack or restricted access to funding is often said to hinder them. Nevertheless, Ghana has not identified the precise nature of problems and related issues. It is necessary to devise strategies to address these problems once the problems are established. This paper focuses on the different aspects of credit restriction problems in Ghana. In providing funding, the biggest problem is the quality of the information submitted to its owners by the small and medium-sized undertakings. Lenders have very strong doubts about their authenticity most of the time. The main observation was that the main problem with the credit shortage was primarily the supply side. The policy actions by governments to concentrate on the availability of credit to SMEs are mostly based on the key guidelines since existing policies and their impacts are primarily for SMEs.

FINANCIAL MANAGEMENT IN SMES IN INDIA

The overall industrial sector of the country consists of micro, small and medium enterprises. It aims to Research the importance and success of large, small and media companies in India. Economic liberalization has created innovative barriers in the violent end while giving the Indian industry, including MSMEs, wonderful opportunities for growth and development. This paper seeks to look at small and medium-sized businesses' financial capital. The government is implementing a loan guarantee fund scheme to facilitate credit flow to micro, small and medium-sized companies. The study further explores the importance for the success of small companies of the management of working capital.

India has vibrant MSMEs that play an important role in the development of India's economy, trade growth and employment. According to the fourth All India MSME Census (2006-07), around 60 million MSMEs

were employed in the country. MSMEs account for approximately 8% of GDP, 45% of production and approximately 40% of exports. This sector produces over 8000 products. The table below shows the financial records for MSMEs in India.

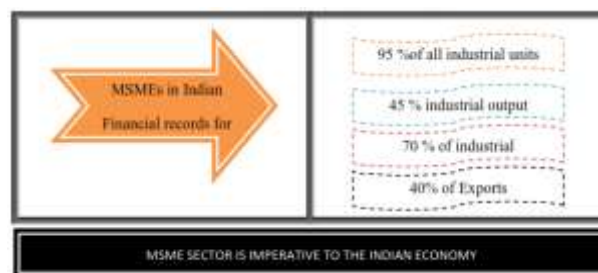


Figure-1 Financial records for MSMEs

The explanatory role for the fair distributions of profits, value added, work creations, export earnings, regional business dispersals, efficient use of entrepreneurial skills and resources has been taken over by small and medium-sized companies in agriculture, manufacturing and the services sector in India. The category performances of MSMEs are explained in table. 1 below.

Table 1 Category wise performances of MSMEs in India during 2009-2010

Category	Figures/per cent
Number of units	29.81 million
Employment	69.54 million person
Production	39,829,19 billion
Investment	6938.35 billion
Exports	2230.27 billion
Share in total national export	26.38 per cent
Share in GDP	8.72 per cent
Share in total industrial production	45 per cent
Number of products manufactured	Over 7500
Reserved items for the sector	20 items
Growth rate of overall industrial production	10.40 per cent
Growth rate of production	11.60 per cent

The micro- and medium-sized enterprises are implementing promotional schemes across the country. The 2006 MSMED Act usually classified companies as two: (i) produce and (ii) service providers. The two categories were further classified as micro, small and medium-sized enterprises on the basis of their investment in matches and machinery.

Manufacturing Enterprises:

Under the Law on Creation and Regulation of the First Schedule of Industries of 1951, companies were engaged in the production and production of

products of any industry. The producing business is defined as investment in plants and machinery.

- A micro-enterprise with no expenditure of twenty-five lakhs of rupees in plant and machinery;
- A small business with more than 25 rupees, but not more than five crore rupees, for investments in plants and machinery;
- A mid-size company with over five crore rupees, but not more than 10 crore rupees for plant and machinery investment,

Services Enterprises:

Investment in equipment is defined by companies involved in providing or rendering services.

- A micro enterprise, which invests not exceeding 10 lakh rupees in equipment;
- Small company with more than 10 lakh rupees, but not more than two crore rupees, or with investment in equipment;
- The medium-sized business in which equipment investments are more than two crore rupees, but not more than 5 crore rupees.

SMEs LACK FINANCIAL MANAGEMENT

The researchers conclude that it is widely acknowledged that financial management in SMEs is typically lacking in various research literature, academic qualifications, and practical experience. This seems to be backed by poor performance, a lack of debt and equity lenders and investors finances. The start-ups, micro units also generally have a high rate of failure and mortality. Number of units remained small throughout their life cycle. Many associated organizations – banks, credit rating agencies, PE & VC Investors, auditors and SMEs – see weak financial management, or complete lack of financial management as one of the key causes of the poor performance of small- and medium-sized enterprises. Effective management of the financial capital is directly involved in the planning, execution and analysis of long-term plans. They are even the manager's face of externals. It therefore plays an important role not only in market success but also in establishing a brand identity that is creditable to all stakeholders – who play a crucial role in the company's survival and growth. A world-renowned SME Management Consultant, GURU-Michael Gerber, can be used to illustrate the perfect example of its significance. He achieved high levels by 1985 after his consultancy in 1970/71. Yet he was bankrupt to everybody's shock – by 1986. The explanation behind was clearly "LACK and POOR –

Legal and Economic Accounting." He was able to get his company back on track after struggling for three years. Since then he has stressed the value for long term success in every company in genuinely qualitative financial management.

In addition, in general terms the reason for poor financial management in an organization, particularly in SMEs, must also be identified and diagnosed. In this study the real cause of poor financial performance in small and medium-sized companies has been identified and reversed. The same is discussed below. It is important to note that, although each one is independent – but if you study the same way, the real impact is felt – one leads in the same order. When it is optimistic – it can lead to good results and reputation – and bad – weak reputation outcomes.

A. SME Owners do not possess Entrepreneurial Qualities

The SME owner's Entrepreneurial Abilities are the first and most critical element in financial management. It is well known that all decision-making within SME companies is tightly regulated by SME owners. If he's a man with vision, passion, the company will grow or stagnate to meet only his personal needs. Moreover, the use to management skills gives him a 360° view to decision-making and how to navigate company decision-making. It also allows him to modify his role and adapt it to the organization's changing requirements. One of the essential support criteria is "understanding and appreciation of financial management," because financial management is not given sufficient importance unless you can appreciate this dimension.

B. Staffing of Finance Department & Infrastructure

As we know, it is difficult to achieve the results without a sufficiently trained workforce. There is no exception for SMEs and Finance. In order for small and medium sized companies in the beginning, they must have a true Leader – CFO or Accounts Chief. As listed below, the qualities required by a CFO are:

Qualities of a Head of Accounts / CFO:

- The Head of Accounts / CFO need to be man of initiative and self-motivator. The organization also needs to provide necessary support / training.
- The business should not be viewed purely from Accounting & Financial perspective but from a business perspective, if he / she have to be a business partner to SME Owner in real sense of the term. He / she is required to view business issues from

management perspective – broaden the outlook

- Emphasis on understanding Concepts and then its application in applicable business areas
- Need to integrate Financial Strategy with Corporate strategy
- Be pro-active. Should think creatively and out-of-box to bring value to table. Particularly in statutory and legal compliances – direct and indirect taxes – emphasis more on planning – compliance will definitely take place.
- Optimize use of Technology – computerization and minimize human interaction – to increase accuracy and speed.
- Institutionalize – key internal processes and systems – document – create SOPs and Checklists
- For increasing “competitive advantage” – work on Cost Leadership by using Benchmarking and Best Practices
- Create strong structure – 2nd line – invest in training
- Remaining abreast in terms of business eco-system – Risk Management / Business Sustainability
- Inter-act with outside eco-environment – writing articles / delivering lectures on current topics / issues
- Personality & communication – assertive and articulate – keeping in mind the audience – subordinates, peers, seniors or outsiders.

C. Formalized Systems & Processes

It is important for the organization, as a natural corollary to an expanding organization, to begin the conceptualisation, design and standardization of systems and processes for various key organizational processes. Not only should these procedures be standardized, they should also be formalized and recorded as far as possible by computer. This ensures consistent quality of results. The SME owner and the external persons associated with the business are regularly assured of quality results. The rising organization, McDonald / Wall Mart / Pantaloons, are classic examples.

D. Management Information Systems & Financial Reporting

It is the peak of the above-mentioned. Responsible management – knows, appreciates and best utilizes the timely, reliable details. There should be an internal organized plan of common formats for the distribution of information at different levels. "No more or less knowledge at different levels of the organization," is the cardinal concept. This leads to "good choices" based on evidence. It's the same for external stakeholders, particularly borrowers, investors, FIIs, credit rating agencies, etc., since their relationship with the organization is highly dependent on these sources. Qualitative and timely information can help create a good, meaningful partnership for a growing business.

E. Business Performance and Credibility

This is the product of all previous processes – which both small and medium-sized enterprises and SME owners would like to accomplish since the earlier four stages have not been complied with. Optimum market success leads SME owners and management team excitement and consistent performance is also instrumental in building growth capital. Satisfied stakeholders, on the other hand, will lead to excellent creditworthiness with due care and fair handling. Both of these factors are crucial and ensure long-term sustainability. The SME owner is responsible for that and financial and accounting is the distribution department. In aspect of the same, it is most important that all five phases are not just required but in order to achieve the desired results they are needed. If someone is missing, a split will take place and the desired target cannot be accomplished. The whole research effort was carried out to emphasize the connection and its significance in implementing "financial management" first and then to make sure the benefits of it are reaped by the organization to create an enterprise of long term sustainability that is able to deliver the results. Business financial performance and credibility are of the greatest importance for every business in any phase of growth. This is particularly so as it develops from start-up to microphase, to small and then medium phases. Growth would grow more rapidly in these sectors. All of them have their own meaning. Financial performance in industry can assist promoters and businesses in collecting growth capital. The higher the level it develops – the higher the requires. This is the stage – the company and the reputation of the promoter are very relevant. When companies and their supporters are associated with stakeholders and only if they enjoy their reputation. The manner in which the market addresses various public problems or IPOs is very clear.

CONCLUSION

The study identifies the factors that trigger India's financial gap. In order to address the problem of the financial gap, the government must support small and medium-sized enterprises in building strong financial sources and in preparing a sound business plan. Commercial banks must be assisted by having adequate infrastructure and a relationship with strict guidelines on lending to this sector to ease the credit flow to that sector. Rather of serving as a controller or regulator, the Government must foster the favorable climate and serve as a support force for commercial banks. Commercial banks should not be clubbed with general banking transactions, but should be encouraged to build more specialized industries to fund SMEs that may be of personal touch to the services provided to this market. Banks should, however, be voluntary in providing lending services which recognize the importance of SMEs for the Indian economy. Simultaneously, the beneficiary i.e. SMEs have to conform to the lender's standards and repay the loan lent from banks promptly. The SME financial actors, namely the authorities responsible for controlling the SMEs, banks and small and medium enterprises must take individual and collective responsibility for the overall economic effect of the financial gap. This study tries to address the issue from the point of view of the finance and finance supplier by analyzing the problem. The study finds that the financial gap in India is largely perceptible among banks and small and medium-sized enterprises. The perceptible difference contributed to a high degree of financial exclusion. India is regarded as the bank's cradle and a good base for industrial growth.

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