© INNOVATIVE RESEARCH THOUGHTS
Refereed | Peer Reviewed | Indexed
ISSN : 2454 – 308X | Volume : 08 , Issue : 04 | October - December 2022

# A study to know awareness of investors in SME sector

**Dr. Shambhaji Shivaji Jadhav**
Assistant Professor of Commerce,
Bhai Kishanrao Deshmukh Mahavidyalaya
Chakur (Latur) Maharashtra

**Abstract**

Since businesses, especially SMEs, are vital to the health of the economy, it is necessary to investigate the problems that arise from the investment procedures they undertake. Economic e ects as a consequence of the executed investment are critical from the perspective of the firm. The study's objective was to compare the outcomes of capital expenditures made by companies in Poland's Maopolska region that received European Union (EU) subsidies with those made by companies that used other funding mechanisms (i.e., no EU help was used). This study is the first of its kind to analyze and report information on corporate investments, particularly as it relates to businesses receiving EU funding. For this issue, there is no scientific literature that provides a comparative analysis of business investments (concerning EU subsidies). To address this knowledge gap, this study compares the effects of investment activities among companies that get and do not receive EU subsidies. The research relied on a thorough review of relevant domestic and international literature, as well as quantitative and qualitative analyses of the findings of a survey administered to 160 businesses using the CSAQ technique and supplemented by interviews with chosen respondents. Information is presented with both a descriptive and statistical focus. In addition, we employed a multiple linear regression model (MLR) to test our assumptions. According to studies, businesses may benefit from investing activities regardless of where the money for such operations comes from. The success of a business may be accomplished regardless of who provides the capital. Despite this, company representatives whose have obtained EU subsidies tend to be more optimistic about their positions in the market after investment. In general, businesses that have received EU subsidies see investment more favorably as a determinant in the company's future success. Furthermore, characteristics that affect the evaluation of businesses' financial standing were discovered using the MLR model. This article fills in some of the blanks in our understanding of the economic e ects of investments made by Polish SMEs that did and did not get European Union subsidies between 2007 and 2015.

**Keywords:** investments; enterprises; SMEs; subsidies for SMEs; EU aid; European funds; investment financing; economic effects; projects; Małopolska region; Poland; multiple linear regression model (MLR)

## Introduction

Activities conducted in the process of management of an economic entity should aim to maximize the income of its owners, resulting in a growth in the enterprise's market value. Only through making investment choices, which are among the most essential methods to increase a company's capital, can the intended result be achieved. Therefore, investment procedures that affect the future economic condition of this economic unit are given a unique status in the growth of the firm. In today's free market economy, with increased competition from both local and foreign companies, most businesses place a premium on making investments in physical assets that will aid in the expansion and improvement of their operations. “To achieve the intended impact of steady and long-term growth and development, it is the responsibility of small and medium-sized businesses to accurately assess their market position and make informed decisions about the nature and scale of their investment activities. Investments in the form of machines and equipment, land, transportation, buildings, and the like, as well as the costs associated with their design and cost estimation documentation, are all examples of tangible (real) investments. These assets are all recorded as fixed assets in an organization's financial statements. Increasing the company's production capacity via concrete investments is the cornerstone for the company's internal development. The expansion of this economic entity's activities or the strengthening of its market standing (and hence its profitability) are the means by which this may be accomplished. Small and medium-sized enterprises (SMEs) are often cited as the lifeblood of a modern economy. Even though their share of Pakistan's GDP is less than in some other nations, the impact of Pakistan's small and medium-sized enterprises (SMEs) should not be underestimated. But the expansion of the SME sector faces challenges from a number of sources, most notably the general difficulty in securing financing from financial institutions. An SME may be defined in several ways depending on the context. The Small and Medium Enterprise Development Authority (SMEDA), the Pakistan Bureau of Statistics (PBS), the SME Bank, and the State Bank of Pakistan (SBP) have each proposed their own unique sets of defining characteristics for a SME. Based on factors including headcount and capitalization, the Securities and Exchange Commission of Pakistan (SECP) made an effort to classify businesses as either big, medium, or small. The SME bank classifies businesses according to capital, whereas the PBS uses staff count. The only factors considered by SBP are the kind of company and the number of workers. Depending on factors like total employees, annual revenue, capital invested, growth rate, innovation, and industry type, the definition of a small or medium-sized enterprise (SME) varies from one state to the next . Quantitative and qualitative criteria have been proposed in the previous decade to define a small and medium enterprise (SME). What matters most to the quantitative principle is the total number of workers, the sum of capital invested, and the quantity of goods and services sold. The organizational model, managerial style, and yearly expansion of a company all influence how well the qualitative principle works.

**The financial Institutions (Banks)**

The majority of the research indicates that the availability of capital for small and medium-sized enterprises (SMEs) is affected by changes in the structure and lending infrastructure of financial institutions. These variations may have a major impact on the accessibility of capital for small and medium-sized enterprises (SMEs) by limiting the ways in which banks may use the lending technologies (such as transaction lending or relationship lending) at which they have a competitive edge. Financial ratios derived from a certified audited financial statement are only one example of the hard quantitative data upon which transaction financing platforms rely. Conversely, soft qualitative data gleaned through extended engagement with SMEs forms the basis of relationship financing. Soft data might include the financial institution's impression of the SME's owner's character and dependability gleaned through repeated interactions. Lending infrastructure also refers to the rules and regulations imposed on financial institutions, often by governments, that impact the kind of borrowers to whom they are able to provide credit.

**The SME Operators**

Bank of Africa's Chairman and Chief Executive Officer Paul Derreumaux identified three major barriers to the expansion of banks' loans to small and medium-sized enterprises. Lack of equity in small and medium-sized enterprises (SMEs), disorganization in human resources, accounting, and administrative administration, and a lack of foresight on the part of the company are all factors. According to him, most businesses start out of the entrepreneur's instinct rather than thorough research into the industry and the competition, which may lead to financial disappointment. These ideas come from the viewpoint of financial institutions, but do

ISSN : 2454 – 308X | Volume : 08 , Issue : 04 | October - December 2022

they really reflect the problems faced by SMEs? As a result of examining the divergent points of view, the research's intended trajectory is clearer.

**Some SME Definitions**

Since the definition of SMEs varies depending on who is doing the defining and where the defining is taking place, there is no one, all-encompassing definition for SMEs. For instance, in Canada, a small business is considered to be one with less than 100 employees, whereas a medium-sized business has between 51 and 499 workers. However, the World Bank considers businesses with fewer than 500 workers to be SMEs.

Small and medium-sized firms (SMEs) may be classified in two ways: by the number of workers and/or by the value of fixed assets. In Ghana, one of the most significant criteria is the number of people employed by a business. However, one must exercise caution when classifying SMEs based on fixed assets, since this definition is frequently rendered out-of-date by the persistent depreciation in currency rates. Employing less than 500 people is one of UNIDO's criteria for defining small and medium-sized enterprises (SMEs) in developing countries. Small businesses, like the ubiquitous hair salons and noodle eateries seen in urban areas, often employ between five and nineteen people. The term middle business is used to describe enterprises with 20-99 employees, such as factories and exporters. According to the Ghana Statistical Service's 1987 Ghana Industrial Consensus, small-scale businesses are defined as those with 5 to 29 workers and fixed assets of less than $100,000, whereas medium-scale businesses have 30 to 99 employees. According to the NBSSI, a small business is one that has fewer than 29 employees and an investment in equipment and machinery (not including land and buildings) of less than $100,000. Since it is more up-to-date, the definition of small and medium-sized enterprises (SMEs) found in the Venture Capital Trust Fund (VCTF) Act 2004 (Act 680 section 28) will be utilized in this study. "an industry, project, initiative or economic activity whose entire asset base, excluding land and buildings, does not exceed the cedi equivalent of US$1 million in value," as defined by the VCTF, is an example of a small and medium-sized enterprise (SME).

**Smes Contribution to Economic Development and Growth**

We must provide the private sector, which drives economic expansion, with the means to expand. A country's economic development may be defined as the structural change of its economy as measured by the rate of industrialization, gross national product growth, and per capita income. However, economic development is desired since it increases wealth and the economy's ability to consume and produce more goods and services via factors including increased investment, a larger labor force, more efficient use of inputs to boost output, and technological innovation. The quality of living in any country can only rise when its economy develops and expands, and this is particularly true if the government is able to facilitate this expansion by enacting monetary and fiscal policies that are both complimentary and conducive to expansion. Many economies place a high value on the small and medium-sized enterprise (SME) sector because of the jobs and tax revenue they provide, their propensity for innovation, and their crucial role in facilitating their nations' access to international markets. explain that the World Bank Group and other international organizations have invested heavily in the small and medium-sized enterprise (SME) sector in developing countries, making it a key driver of economic development. Since small and medium-sized enterprises (SMEs) make up roughly 93% of all registered firms in Ghana, they play a significant role in the country's economic growth in many ways, including creating jobs, developing new markets, encouraging enterprise, and inspiring innovation. acknowledge them as potential sources of employment and revenue in many developing nations, and so as engines through which growth goals of developing countries may be attained. draws parallels between how SMEs in Ghana operate as sponges, absorbing up excess labor, and how they generate a lot of money for the country. Because of their positive effects on competition and entrepreneurship, many experts believe that SMEs should receive direct government assistance in order to spur economic growth and development. Additionally, the expansion of SMEs has a greater impact on employment than that of big firms. This is because SMEs are more dependent on human labor and make more efficient use of limited resources. further notes that emerging nations need to care about SMEs since they represent a disproportionately big portion of both the business sector and economic growth in these nations. argued that small and medium-sized enterprises (SMEs) are significant because they contribute to economic efficiency, growth, and decentralization in addition to providing jobs.

**Review of literature**

(Oecd, 2004) studied “promoting entrepreneurship and innovative smes in a global economy” discovered, and The ability to maintain sustainable government finances and sound money; the ability to put in place an institutional environment where contracts can be enforced and property rights can be established; and the capacity to integrate with the global economy through trade and investment all play significant roles in determining a country's growth rate, according to recent assessments of growth. Stronger human and institutional skills are necessary for businesses in transition and emerging nations to take advantage of trade and investment possibilities as globalization advances. When it comes to international commerce and investment, governments set policy and businesses really do the dealing. Therefore, the potential for economic growth in transition and emerging nations is directly affected by supply-side bottlenecks in the trade and investment domains and by how governments, development partners, and the private sector itself manage these limits. In nations that are either in transition or still developing, SMEs are crucial. More than 90% of non-farming businesses fall into this category; they provide a substantial number of jobs, and they bring in a lot of money from both local and international markets. Consequently, the growth of small and medium-sized enterprises (SMEs) becomes an important tool in combating poverty.

(Yoshino, 2016) studied “Major Challenges Facing Small and Medium-sized Enterprises” discovered, and Businesses with less than 500 employees are the lifeblood of Asia's economy. They account for more than 98 percent of all Asian enterprises and generate almost two-thirds of all private sector employment in Asia. Therefore, effective efforts to aid SMEs are crucial to Asia's economic development. However, SMEs encounter difficulties due to low levels of financial inclusion, restricted access to capital, lack of databases, poor R&D expenditures, underdeveloped sales channels, and so on. This paper addresses four major factors that have stymied the expansion of small and medium-sized enterprises (SMEs) in Asia: a) a dearth of financial resources; b) a scarcity of comprehensive databases; c) a lack of investment in research and development; and d) a failure to make adequate use of information technology.

(Piątkowski, 2020) studied “Results of SME Investment Activities: A Comparative Analysis among Enterprises Using and Not Using EU Subsidies” discovered, and Since businesses, especially SMEs, are vital to the health of the economy, it is necessary to investigate the problems that arise from the investment procedures they undertake. If the corporation wants to see any return on its investment, it must see tangible benefits. The study's objective was to compare the outcomes of capital expenditures made by companies in Poland's Maopolska region that received European Union (EU) subsidies with those made by companies that used other funding mechanisms (i.e., no EU help was used). This study is the first of its kind to analyze and report information on corporate investments, particularly as it relates to businesses receiving EU funding. For this issue, there is no scientific literature that provides a comparative analysis of business investments (concerning EU subsidies). This research gap is addressed by comparing the consequences of investment activities in the two groups of companies analyzed (those receiving and those not receiving EU subsidies). The research relied on a thorough review of relevant domestic and international literature, as well as quantitative and qualitative analyses of the findings of a survey administered to 160 businesses using the CSAQ technique and supplemented by interviews with chosen respondents.

(Waheed & Siddiqui, 2019) studied "The Profiling of Awareness of Access and Use of Finance: A Case Study of SMEs In" discovered, and Both the availability of capital and the efficiency of SMEs in Pakistan are discussed, with an emphasis on the variables that impact the latter. In addition, the research analyzed the link between the characteristics of SME owners, owners' demands for funding, the challenges they have in getting money from Pakistani banks, and how that link impacts the performance of the analyzed SMEs. Environments in which small and medium-sized enterprises (SMEs) in Pakistan do business were also identified. The data was gathered via surveys and interviews with 150 SMEs in Pakistan. The paper investigates the effects of education, training, and experience on the success of small and medium-sized businesses' owners. We looked at the challenges SMEs in Pakistan face when trying to get financing, as well as the total demand for financing from SMEs, and firm characteristics including size, ownership, and the presence of a business plan. The lack of insurance, improper financial management, infeasible methods, insufficient data, and expensive loan costs were identified as the key reasons of inability to secure financing. The research also reveals that internal and external variables, such as capital availability, customer loyalty, and SME marketing, were major contributors to performance.

(Ackah & Vuvor, 2010) studied "The Challenges faced by Small & Medium Enterprises (SMEs) in Obtaining Credit" discovered, and This research, titled The Challenges Faced by Small and Medium Enterprises in Obtaining Credit in Ghana, was conducted to shed light on the difficulties SMEs in Ghana face when trying to secure loans from financial institutions (banks and non-banks) for the purposes of expanding their businesses and creating new jobs. The quantitative strategy was used to tackle this issue. Eighty small and medium-sized enterprises (SMEs) in the Accra and Tema metropolitan areas were randomly chosen to receive questionnaires. Key insights emerged from the data collected through these surveys. Although financial organizations like banks and non-banks are happy to lend money to small and medium-sized enterprises (SMEs), few Ghanaian SMEs are able to satisfy the criteria set by these institutions. Most small and medium-sized businesses (SMEs) simply do not have the collateral necessary to meet these standards. In addition, many SMEs have the problem of a limited amount of capital available for investment.

(Ghosh & Srinivasan, 2014) studied “Investor Confidence Test for SME segment in India – A Study to measure whether Indian SMEs follow Sentiments or Technical Methods” shown that India's small and medium-sized enterprise (SME) sector is the engine that drives the country's economy, accounting for 40% of India's exports and employing 60 million people and generating 1.3 million new employment annually. Since its inception in 2013, BSE has been a leader in the stock exchange industry. In 2013, BSE launched a platform specifically for small and medium-sized enterprises (SME) called BSE- SME. 1 According to the Europe India SME business Council, with an estimated 30 million SMEs in India and 12 million individuals projected to enter the workforce in the next three years, the Government of India is implementing various steps so as to boost their competitiveness in the worldwide market. According to Dun & Bradstreet, SMEs in India are responsible for 40% of the value added in manufacturing, 35% of goods exports, and 90% of the ownership of India's industrial units.

**Conclusion:**

Since empirical research has shown that SMEs mirror market value when investing in variable securities, it follows that every time a financial institution such as a bank or a mutual fund approaches SMEs, it should construct a portfolio based on market valuation. Since they are unlike the rest of the financial community in prioritizing technical criteria before giving due consideration to investment choices, they want technical counsel rather than following sentiment indices. This research would be useful for investment bankers who are routinely and actively assisting the SME category. Small and medium-sized enterprises (SMEs) are protected from the inevitable bubble creation in the economy, according to this research, even if they do not participate in any sentiment-driven bull surge in the stock market. By avoiding the higher valuation levels that might lead to a bubble, a method focused on valuation has shown to be fairly smart.

**References**

1. Ackah, J., & Vuvor, S. (2010). The Challenges faced by Small & Medium Enterprises (SMEs) in Obtaining Credit in Ghana. *Journal of Small Business Management*, *38*(3), 53–66.
2. Ghosh, B., & Srinivasan, P. (2014). *Investor Confidence Test for Hni Segment in India – A Study to Measure Whether Indian Hnis Follow Sentiments or Technical Methods*. *3*(6), 26–29.
3. Oecd. (2004). Promoting SMEs for Development. *2nd OECD CONFERENCE OF MINISTERS RESPONSIBLE FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)*, *June*, 1–59.
4. Piątkowski, M. J. (2020). Results of sme investment activities: A comparative analysis among enterprises using and not using eu subsidies in poland. *Administrative Sciences*, *10*(1).

https://doi.org/10.3390/admsci10010004
5. Waheed, W., & Siddiqui, D. A. (2019). The Profiling of Awareness of Access and Use of Finance: A Case Study of SMEs In Karachi. *Asian Development Policy Review*, *7*(3), 133–161. https://doi.org/10.18488/journal.107.2019.73.133.161
6. Yoshino, N. (2016). Major Challenges Facing Small and Medium-Sized Enterprises in Asia and Solutions for Mitigating Them. *SSRN Electronic Journal*, *564*. https://doi.org/10.2139/ssrn.2766242