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R. A. Podar College of Commerce and Economics

Celebrating 75 years of Excellence
ISSUES AND CHALLENGES IN PROMOTING SME EXCHANGES AMONGST MSMES IN MAHARASHTRA

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DECLARATION

This is to hereby declare that the Research project titled, “ISSUES AND CHALLENGES IN PROMOTING SME EXCHANGES AMONGST MSMES IN MAHARASHTRA” is our own original work.

Due sources in the Research Project have been cited and acknowledged wherever necessary.

The information submitted is true and original to the best of our knowledge.

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Mumbai.
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Executive Summary

Indian SME as a sector accounts for about 95% of the industrial units and almost 40% of the gross industrial value added in the Indian economy. It contributes about 34% of the exports and 7% of the Indian Gross Domestic Product. There are approximately 3.6 million registered SME’s providing employments to roughly 20 million individuals. India ranks poorly in accessing international funds for running small and medium businesses. A few SMEs in India had managed to obtain funding after several unsuccessful attempt, others are struggling to stay afloat, while a few others had shut operations due to the lack of capital. Financial institutions that are created to provide capital to the entrepreneurs are either denying funding altogether or demanding astronomical interest rates that would wipe out the profitability of these small firms.

SME Exchange is an exchange established to enable the Small and Medium Size Enterprises to get listed and work more efficiently. Several major exchanges across the globe have established a separate SME Exchange for the listing and trading of securities of SMEs. In India, two major SME Exchange working viz. BSE SME established by the Bombay Stock Exchange and EMERGE, established by National Stock Exchange.

Listing on an SME Exchange, gives the SME vast list of benefits both as compared to the companies listed on the main board and to the unlisted companies. However the SME Exchange are facing problem in promoting the exchange amongst the MSME and the investors. There are few shortcomings that are restricting SME exchanges in India to get popular among the SMEs and Investors.

Thus, this research aims to focus on the current scenario of SME exchanges in the Indian Stock Market, to identify the approach to popularize the SME exchange among the SMEs and Investors and the reason for slow growth of SMEs in India.
Chapter 1

Introduction to SME Exchanges
1.1 Introduction

The Micro, Small and Medium Enterprises form the backbone of the Indian economy and have become engines of economic growth in India. It is estimated that the MSMEs account for almost 90 per cent of the industrial units in India and 40 per cent of value addition is in the manufacturing sector. It is increasingly recognised that the MSMEs play a crucial role in employment creation and income generation in the world. SMEs are the largest employer after agriculture sector in India. This sector provides support for competitiveness and employs about 75 million people in India. There are about 30 million operating SMEs out of which is 80 per cent are micro enterprise. They contribute 9-10 per cent of our GDP. Also MSMEs can be easily established as their requirements in terms of capital; technology, management and even utilities are not as demanding as it is in the case of large enterprises. Their development is closely associated with more equitable distribution of income and thus important for poverty alleviation. Development of the MSMEs has become extremely important to achieve the overall development in the country.

The Micro, Small and Medium Entrepreneurs represent a stage in economic transition from traditional to modern technology. During 1960’s, the behaviour of the individual came to be highlighted as a major factor contributing to Small-Scale Industrial Entrepreneurship. Thus, the supply of Small-Scale Entrepreneurs came to be recognized as critical to development of Small-Scale Industries. In India, state and private enterprises co-exist. The Small and Medium Enterprises sector and business are left completely to private enterprises.

The MSMEs produced a wide range of industrial products such as food products, beverage, tobacco and tobacco products, cotton textiles, wool, silk, synthetic products, jute, hemp & jute products, wood and wood products, furniture and fixtures, paper and paper products, printing publishing and allied industries, machinery, machines, apparatus, appliances and electrical machinery. MSMEs also have a large number of service industries. Consequently, many MSME opportunities are emerging out in fields like electric goods and applications, medicine, engineering, agriculture, communication, atomic-energy, telecommunications, food technology, packing etc. These opportunities have been increasing rapidly. Robust and vibrant MSMEs can derive benefits from the new opportunities in both public and private modes. In recent years, both government and private agencies have initiated strategies and programmes for developing the MSMEs skills among people.
1.2 What is a SME?

The Ministry of Corporate Affairs has classified the companies in India on the basis of the size of the company. Accordingly, there are two types of companies;

a. Small Companies; and
b. Other Companies

A. According to section 7(1) of MSMED Act, 2006;

a. In the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951-

   (i) A micro enterprise is an enterprise where the investment in plant and machinery does not exceed Rs.25 lakh;
   (ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs.25 lakh but does not exceed Rs.5 crore; and
   (iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

b. In case of enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

   (i) A micro enterprise is an enterprise where the investment in equipment does not exceed Rs.10 lakh;
   (ii) A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs.2 crore; and
   (iii) A medium enterprise is an enterprise where the investment in equipment is more than Rs.2 crore but does not exceed Rs.5 crore.
1.3 Sources of capital for SME

Capital is an important requirement for starting any business enterprises. For a small start-up, accumulating capital often proves to be a troublesome process.

The major sources of capital for SME may be classified as:

1. Personal Finance
2. Debt Financing
3. Equity Financing

**Personal Finance**

Personal finance includes the personal savings of the entrepreneurs, promoters etc. Personal finance is considered as the cheapest source of capital, as there are no finance costs such as interest, dividend associated with the same. However the funds generated through personal finance are generally insufficient on their own to start and run an organization. Thus, the source of capital from personal finance is often complimented by the other sources of capital i.e. Debt Financing and Equity Financing.

**Debt Financing**

Debt financing simply means “The act of business raising operating capital or other capital by borrowing. It is the most common method used for raising capital in SME sector. Capital generation through debt financing includes the following sources:

1. Bank Loans
2. Loans from Friends and Relatives
3. Issue of bonds and debentures

**Equity Financing**

Equity financing is the method of raising capital by selling company stock to investors. In return for the investment, the shareholders receive ownership interests in the company. Equity financing is a cheaper source of finance as compared to Debt financing as the company is not under statutory obligations to provide returns to investors. The company needs to pay the dividends to the equity share holders only in case of profits. However, this method of raising funds is not popular among SME sectoras compared to public sector or limited companies.
1.4 Need for SME Exchange

SME exchange is a stock exchange created to enable Small and Medium Enterprises to gain access to financial capital from potential investors. SME Exchange is having robust mechanism. It is fundamentally sustainable managed by experts. SME Exchanges are poised to throw various opportunities and have immense potential. The government and regulators have also recognised this fact and introduced various policy measures to help SMEs grow including activation of SME listing platform. While the primary role of the SME exchange is to provide funding there are additional benefits from enlisting on a public Exchange.

As the Equity Financing is a developing source of funds amongst the Small and Medium size enterprises, a stock exchange segment dedicated to the SME shall play a major role in developing the SME sector. The mission to establish SME Exchanges in India is to foster the development of a flourishing entrepreneurial culture and a competitive SMEs sector to support economic development.

The need and importance of SME can be enlisted as follows:

- SME exchange will provide the SMEs with equity financing opportunities to grow their business – from expansion to acquisition.
- Equity Financing will lower the Debt burden leading to lower financing cost and healthier Balance Sheet.
- It will expand the investors’ base, which in turn will help in getting secondary equity financing, including private placement.
- It will enhance company’s visibility. Media coverage can provide SME with greater profile and credibility leading to increase in the value of its shares.
- It provides incentives for greater venture capital participation by providing an exit option thus reducing their lock-in period.
- Greater incentive for the employees as they can participate in the ownership of the company and get benefit from being its shareholders.
- Encourage innovation and entrepreneurial spirit.
- Capital Market will help to distribute risk more efficiently by transferring the risk to those, who are best able to bear it.
- SME sector will grow better on two pillars of Financial system i.e. Banking and Capital Market.
Thus a dedicated Stock Exchange for SMEs’ shall lead to mobilization of the diversified resources of finance and help to build a bridge between the SMEs, Private Equity and the Venture Capitalist by providing an exit route to the investors.

1.5 International Scenario of SME Exchange

Out of 192 countries recognized globally, 149 have an official stock exchange. And among those countries roughly 57 have an alternate market for small and medium companies to raise funds. The alternate market functions mainly because the small and medium companies do not qualify for listing on the official stock markets due to stricter financial rules and regulation. The investor profile also differs in both the exchanges. While the main exchange attracts investors from all walks of life, the alternate exchange caters to a more educated investor who is aware of the risks involved in investing in start-up or growth companies. These Boards and Exchanges facilitate Small and Medium size Enterprise as well as new entrepreneurs to access the capital market as a source of finance. These alternate markets operate with varying levels of success and efficiency.

Today, most of the SME exchanges form a part of larger organizations like New York Stock Exchange, Euronext, National Association of Securities Dealer Automated Quotations (NASDAQ) OMX and London Stock Exchange.

Some of the important SME Exchanges/Boards internationally are:

1. MOTHERS, Japan,
2. The Alternative Investment Market (AIM) in the United Kingdom,
3. KOSDAQ in the Republic of Korea,
4. TSX – Venture Exchange (TSX-V) in Canada,
5. MESDAQ Malaysia
6. NASDAQ in the USA

A large section of investors such as Private Equity (PEs), Venture Capital (VCs), Angel investors, High Net-worth Individuals (HNIs) and strategic investors are benefited from these exchanges.
1.6 Indian Scenario of SME Exchange

SMEs contribute towards 45% of manufactured output and 40% of exports. However it faces the problem of finance which is proving to be a limiting factor to their growth. Indian SMEs have to compete with the global players and they are in need of capital at low cost. In order to promote the development of SMEs and equip them with proper finance tools, the Government of India initiated the idea of a separate exchange for the SMEs for raising capital. At present, there are only two SME Exchanges in India i.e. BSE SME platform (BSE) and EMERGE Platform (NSE). Both the exchanges have their own eligibility norms in addition to SEBI norms for listing.

SME Exchanges in India

1. EMERGE- NSE SME Platform

EMERGE is a credible and efficient market place to bring about convergence of sophisticated investors and emerging corporates in the country. It offers opportunities to informed investors to invest in emerging businesses with exciting growth plans, innovative business models and commitment towards good governance and investor interest. The companies listed on NSE Emerge were through book building.

EMERGE have customised processes and systems which helps prospective issuers in their journey of metamorphosing into listed public companies. This platform provides capital raising opportunities to credible and fast growing businesses with good governance standards. It is an ideal platform to raise funds for companies on a growth path, but not large enough to list on the Main Board.

2. BSE SME Exchange-

BSE SME Platform provides a great opportunity to the entrepreneurs to raise the equity capital for the growth and expansion of SMEs. It also provides immense opportunity to the investors to identify and invest in the good SME companies at early stage. It helps unleash the valuation of the company and in the process create wealth for all the stakeholders including investors.

The BSE SME was established with just one company on board, however over a period of time, several other companies took the medium of BSE SME exchange to get listed in the capital markets. Till date, 111 companies have been listed on BSE exchange, of which 6
companies have grown enough to migrate to the main board after completion of existing rules and regulations laid down by the exchange. So at present 104 companies trade on the BSE SME exchange.

BSE SME platform has helped the listed SMEs raise 755.78 crores from the capital markets. The BSE SME Platform offers entrepreneurs and investors an environment, which enables the listing of SMEs from the unorganized sector scattered throughout India, into a regulated and organized sector.

1.7 Eligibility Criteria for listing-
1. Net Tangible assets of at least Rs. 1 crore as per the latest audited financial results
2. Net worth (excluding revaluation reserves) of at least Rs. 1 crore as per the latest audited financial results
3. Track record of distributable profits in terms of sec. 205 of Companies Act, 1956 for at least two years out of immediately preceding three financial years and each financial year has to be a period of at least 12 months. Extraordinary income will not be considered for the purpose of calculating distributable profits. Otherwise, the net-worth shall be at least Rs 3 Crores.

4. Other Requirements
- The post-issue paid up capital of the company shall be at least Rs. 1 crores
- The company shall mandatorily facilitate trading in DEMAT securities and enter into an agreement with both the depositories.

5. Companies shall mandatorily have a website.
Certificate from the applicant company/promoting companies stating the following:
a. The Company has not been referred to the Board for Industrial and Financial Reconstruction (BIFR).
   Note: Cases where company is out of BIFR are allowed.
b. There is no winding up petition against the company that has been accepted by a court.

1.8 Growth of SME Exchange in India
The stage for SME exchange was started to build when Securities and Exchange Board of India (SEBI) came up with a framework for setting up SME platforms in the year 2008. It was further materialized when SEBI announced a detailed guidelines in 2010 and norms for a minimum lot size in February 2012.
The first SME exchange in India “BSE SME” was established by the Bombay Stock Exchange with just one company on board. “BSE SME” has been developed after studying the salient features, best practices and the business model of similar SME exchanges globally.

Following the suit, the National Stock exchange also announced the launch of its SME platform to be called “EMERGE”- symbolizing the aspirations of a large number of entrepreneurs actively participating in the Indian growth story and having the potential to unlock value and emerge on a bigger stage.

SME companies with post issue paid up capital up to 25 crore can list on the SME Exchange. The new thing about the SME Exchange is that the issue will be 100% underwritten which means that the issue will be 100% success. Other new aspect is that there will be support of three years in the secondary market through market making activity.

In 2013-14, there were 37 small and medium enterprises (SMEs) who got listed on Indian bourses, with public issues worth Rs. 317 crore. The listing norms have been extremely simplified and made convenient for SMEs compared to listing norms on the main board. There are relaxations as regards track record, IPO Grading, minimum number of allottees, etc. For example, to get listed on the Main Board of Emerge, a track record of three years is required whereas the issuer needs to have positive operating cash flows for the past two years to get listed on Main Board; on one hand IPO Grading is mandatory for listing on Main Board whereas it is not so for listing on EMERGE.

1.9 Sectoral Composition of Companies

Of the 97 companies listed, the BSE SME encompasses companies from various sectors. The sectoral composition of companies listed on BSE SME exchange is as follows
Issues and Challenges in promoting SME Exchange amongst MSMEs in Maharashtra

Chart No. 1.1 Sectoral Composition of Companies listed on SME Exchange

Sectoral Composition of the companies listed on SME Platform

- Manufacturing: 18%
- Distribution & Trading: 3%
- Construction & Engineering: 10%
- Advisory Services: 10%
- Financial Services: 6%
- Healthcare: 17%
- IT and Technology: 6%
- Movies & Entertainment: 3%
- Food Processing and Agricultural Products: 2%

Source: www.bsesme.com
1.10 Guidelines provided by SEBI

The Securities and Exchange Board of India has issued guidelines for proper and smooth conduct of business on the SME exchange.

The guidelines are as follows:

1. Issuer with post issue face value capital up to Rs.10 crores shall be covered under the SME Platform, Issuer with post issue face value capital between Rs.10 – 25 crores may get listed at SME Platform and Issue with post issue face value capital above Rs.25 crores has to necessarily listed at main board of the Exchanges.

2. The minimum application amount as well as minimum trading lot shall not be less than Rs.1,00,000/-

3. All existing Trading Members would be eligible to participate in SME exchange without any further registration.

4. 100% underwritten issues and Merchant Banker/s shall underwrite 15% in their own account.

5. The Merchant Banker to the issue will undertake market making through a stock broker who is registered as market maker with SME Exchange. The Merchant Banker shall be responsible for market making for a minimum period of 3 years.

1.11 Benefits of listing -

Benefits to SMEs -

Going public would provide the SME's with equity financing opportunities to grow their business - from expansion of operations to acquisitions. Companies in the growth phase tend to get over-leveraged at which point, banks are reluctant to provide further credit. Equity capital is then necessary to bring back strength to the balance sheet. The option of equity financing through the equity market allows the firm to not only raise long-term capital but also get further credit due through an additional equity infusion. The issuance of public shares expands the investor base, and this in turn will help set the stage for secondary equity financings, including private placements.

It enhances the company's visibility. Greater public awareness gained through media coverage, publicly filed documents and coverage of stock by sector investment analysts can provide the SME with greater profile and credibility. This can result in a more diversified group of investors, which may increase the demand for that company's shares leading to an
increase in the company's value. It has been seen that there is greater vitality of venture capital in stock market centered systems. The underdeveloped equity culture has made it difficult for companies to both get into the VC phase as well as graduate from venture capital/startups phase to a scale of operations that would make them internationally competitive. A vibrant equity market would prove to be an added incentive for greater venture capital participation by providing an exit option leading to a reduction in their lock-in period.

Becoming a public company establishes a market for the company's shares, providing its investors with an efficient and regulated vehicle to trade their own shares. Greater liquidity in the public market can lead to better valuation for shares as compared to private transactions. The employees of the SME enterprises can participate in the ownership of their own company and get benefit from being a shareholder. This can serve to ensure stronger employee commitment to the company's performance and success.

As a public company, company's shares can be utilized as an acquisition currency to acquire target companies, instead of a direct cash offering. Using shares for an acquisition can be a tax efficient and cost effective vehicle to finance such a transaction.

The development of the capital markets has helped distribute risk more efficiently by transfer of risk to those best able to bear it. This ability to transfer risk facilitates greater risk-taking, but this increased risk-taking does not destabilize the economy. Thus the capital markets ensure that capital flows to its best users and that riskier activity with higher payoffs are funded.

Listing has certain corporate governance guidelines. As the violation of the listing agreement entails the de-listing/suspension of securities from the rings of the exchange, the listed companies are expected to follow fair practices to the advantage of investors and public. It thus pre-supposes good Corporate Governance which results in sustainability of the Company. It helps the company to gain an edge over others.
A. Tax Benefits for SME Listing-

Besides other benefits, both BSE and NSE SME Exchange have a lot to offer in the form of Tax Benefits to the SMEs getting listed on their SME Platforms. Some of the tax benefits are listed below:

1. **ZERO Long-term Capital Gains Tax and less Short-term Capital Gains Tax.**
   The company listed on SME Exchange enjoys the following benefits-

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Capital Gain Tax</th>
<th>Unlisted</th>
<th>Listed with exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Long-term Capital Gains</td>
<td>20% after indexation</td>
<td>NIL</td>
</tr>
<tr>
<td>2.</td>
<td>Short-term Capital Gains</td>
<td>30%*</td>
<td>15%</td>
</tr>
</tbody>
</table>

   * depending upon assessee’s income slab

   Source: www.bsesme.com

2. **No Fresh Equity infusion tax**

   As per the Finance Act 2012, there is tax liability on fresh issuance of equity shares by an unlisted company to investors, other than “Registered Venture Fund”, if the issuance is made at a value more than the fair value. In this way, there could be heavy tax duty for SMEs. However, there is no tax liability for the companies listed on recognized stock exchange which includes SME too.

3. **NIL tax on transfer of distress business purchase**

   If there is a transaction where shares of an unlisted company are sold at a value less than share’s book value, there could be heavy tax liability in the acquisition of distressed assets. This tax liability does not get attracted towards the companies listed on recognized stock exchange which includes SME also.

Benefits to Shareholders:

The shareholders too derive manifold benefits if the shares held or owned by them are listed on the Stock Exchange. It offers liquidity to their holdings. It also enables them to obtain the best prices for the securities they want to sell off. It helps them to avoid canvassing from door to door to sell the securities. A mere telephonic or verbal order to a stock broker will help them to buy or sell a listed security. The prices are publicly arrived at on the basis of demand and supply; the stock exchange quotations are generally reflective of the real value.
of the security. Thus listing helps generate an independent valuation of the company by the market.

The Stock Exchange quotation helps the investors to keep themselves abreast of the price changes of the securities owned or held by them. The listing agreement signed with the exchange provides for timely disclosure of information relating to dividend, bonus and right issues, book closure, facilities for transfer, company related information etc. by the company. This gives more transparency and builds investors’ confidence. Banks usually prefers a security quoted on the stock exchange. Listing gives an added collateral value to the securities held by investors, for banks in making loans and advances. Listing is also advantageous in the matter of income-tax, wealth-tax, estate duty and other taxes payable by shareholders in their capacity as assesses.

Stock exchange bye-laws provide for explicit rules for sub division and consolidation of securities as desired by the investors. There is special trading sessions in the exchange for conversion of odd lots into market lots arranged by financial and institutional investors. Thus listing helps to provide flexibility to investors in the subdivision and consolidation of their holdings with speed and earnestness.

1.12 Challenges faced by SME Exchange

Following are the issues or challenges faced by the SME exchanges in promoting SME exchange amongst the SMEs-

In India, Slow growth of SMEs itself hampers the growth of SME Exchange. The reasons ranging from characteristics of entrepreneur (lack of skills, motivation and management experience), low technological capabilities, low human resources capabilities, lack of finance, lack of benefits of deduction for listing for shares in the SME exchanges and the complexity of ‘setting up a business in India’ stands as a major obstacle in the growth of SMEs in India.

Listing provides a lot of benefits to the SMEs and its stakeholders but still it fails to attract the attention of SMEs. Despite of various efforts taken by the stock exchanges to popularise SME Exchange, the results are not satisfactory. It is because of this lack of awareness that SME dread to get listed. The fear of not being recognised in spite of having spent a huge quantum of money on the listing procedure is a major reason for slow growth of SME Exchanges in India.
There is a general lack of awareness among entrepreneurs regarding the technicalities involved in getting listed, the benefits of the programme as well as the entire procedure of listing. The SME sector as a whole is unorganised and fragmented. They have been dealing with debts of various ranges. They still depend on banks as a source of funding. They do not know anything about equity capital, stock markets and other funding options, except banks. Thus, the growth of SME Exchanges is hampered. This negligence can be mitigated through promotion of SME exchanges through apt steps by the concerned Exchanges.

The evident fact which remained unnoticed is that 95% of SME businesses fail within a short period of time. The investments made by venture capital and private equity investors in small to medium growing companies are made with an assumption that 9 out of 10 companies would fail. This ratio of failure exists despite the fact that the investor initially expends significant efforts towards the growth of the company and subsequently they try to improve the performance of the company by hand holding, sitting on their boards and sometimes even by providing leads to new suppliers and customer. Investors lose massive amounts of money out of genuine failure of small businesses. In today's India where the investors are suspicious of equity investment, promoting SME exchanges has become a challenging task for the SME exchanges.

The company wish to list on SME Exchange had to fulfil almost all the regulatory burdens of a listed company. The exemptions given like a sixmonthly financial disclosure rather than a quarterly one barely reducesthe high cost of listing. The huge compliance burden with hardly any reduction in cost, a restriction on investment to only high net-worth investors, a stigma and possible prosecution attached to failure does not provide an attractive platform for promoters of SME companies.

The remission of regulatory obligations is so little and the cost differential in terms of compliance is nearly same as regular listed company, the SMEs would rather wait for a few years and list on the main exchange board rather than list prematurely and make enemies of investors who could be friendly investors in the future.

SMEs are generally considered as low credit institutions by the investors. They are usually treated as unreliable place for investments. This can be readily observed from trading pattern on the SME exchanges in India. For instance out of 97 companies listed on the SME exchange only 30 are traded on a regular basis.
1.13 Lack of proper Promotional Activities

Promotion and marketing forms a very important medium for success of any organizations. Promotional activities are responsible for creation of audience. People buy only those products which are well marketed.

SME Exchanges do not undertake any major promotional activities for encouraging SMEs to get their shares listed and this poses as a major hurdle in the progress of SME Exchanges in India. Lucrative incentives for listing can pave a way for growth of SME Exchanges in India.

BSE Ltd has taken various steps for creating awareness among the entrepreneurs, intermediaries and Investors about the SME Platform by doing seminars with SEBI, FICCI, CII, IMC, D&B, ICAI and ICSI and many other Industrial Associations at state and central level. But at the same time, the BSE SME exchange has not utilized the other promotional measures properly to attract the targeted audience.

1. Advertisement through television

BSE has rolled out a 20 second Television Campaign for the promotion of BSE SME exchanges. However the said advertisement is broadcasted on the DD News Network only.

The same video is uploaded on You Tube which can be reached at https://youtu.be/L1dhGg_5j24. The video was uploaded on 11th February 2014 but had only around 700 views and 2 likes as on 9th August 2015. This implies that the very few people are aware of the advertisement made for the promotion of SME exchange.

In addition to this, there is no discussion on the business news channels like ET Now, CNBC, TV 18, Zee Business etc. regarding performance of Companies listed on SME Exchange.

2. Advertisements through newspapers

Business newspapers play an important role in development of capital markets. People follow the business newspapers to plan their investment strategies. However there is no description of the results of scripts listed on BSE SME. As a result of this, people don’t get the knowledge of BSE SME from the major business newspapers such as The Economic Times and Financial Express.
3. Publicity on online trading sites

Continuing with the promotions through the business newspapers, the SME scripts are not properly displayed on the major online trading websites such as www.moneycontrol.com and www.economictimes.com

Details of very few scripts of SME Exchange, having a decent volume in the SME exchange are provided when searched. Similarly the scripts of SME exchange are not available on the famous trading mobile applications such as Money Control and ET Markets.
Chapter 2

Review of Literature
In India, launch of SME exchange has raised various questions about its functioning, liquidity, market making process and various other aspects. Various eminent personalities have different views about SME exchanges.

G. VairavaSubramanian & Dr. S. Nehru, in their research paper published in The International Journal of Economics & Business Studies stated that “SMEs can generate innumerable opportunities for their growth and ensure the industry gain recognition with all the sectors and country’s overall GDP growth will be guaranteed and the country can grow in line with international level. Equity infusion can generate more employment opportunities, more revenue & exports and therefore, good return on investment to the investor in the long run. SME industry will get better mileage out of this opportunity.”

Rajeev Agarwal - Whole Time Member, SEBI in his article published by Live mint on 13th March, 2013, said that “The launch of SME Exchange will play an important role in the growth of Indian SMEs. As small enterprises typically find it difficult to get investors and raise money, the guidelines for SMEs will have several relaxations compared with norms for other listed companies.”

PrithviHaldea, chairman and managing director of primary market tracker Prime Database argued that “In a market without retail investors and where one expects only informed wealthy investors to play the role of a mini-venture fund, the liquidity will not matter at all. The investors will be there only for long-term returns and daily trading will not matter in such cases. Other experts argue that the focus on market-making and the attempt to replicate the market design of regular exchanges for SME’s is faulty.

Dr. ShubhadaRao, Chief Economist at YES Bank believed that “SME Exchanges are a relatively new platform for raising equity in India, with the response of MSMEs remaining tepid so far. In addition, since retail investors are virtually barred from the SME Exchanges (as the minimum lot size for an IPO as well as trading is Rs.1 lakh), investment in SME Exchanges is a prerogative of PE funds, venture capitalists, angel investors, High Net-worth Individuals (HNIs) and large firms. Continuous monitoring of the functioning of SME Exchanges and amendment to investment norms in order to bring the retail investor closer to the MSME entrepreneurial community, will go a long way in shaping SME Exchanges as a dominant channel of MSME financing. Such advanced and unique solutions, as well as strong support led initiatives, will help build a robust support system that is much required to propel the MSME sector further on its growth trajectory.”
Ashish Chauhan, MD & CEO of Bombay Stock Exchange (BSE), in a seminar organized by ICSI Western region on 'SME Listing: Opportunities' addressed that “SMEs are the largest employer after agriculture sector in India. BSE is also encouraging other companies for listing. The government and regulators have also recognized this fact and introduced various policy measures to help SMEs grow including activation of SME listing platform.”

Mr. Ajay Thakur, BSE SME Exchange head in an article published in business standard on 6th March, 2014 brings into picture that, “SME listing provides many benefits like operational and tax benefits, and help SMEs to grow faster. Listing enables SMEs to create wealth through stock market mechanism. Cost of compliance for both IPO and post-IPO is significantly reduced as much onerous compliance are relaxed for SMEs”

Article published in Economic times on 22nd April, 2011 titled“SME Exchange: More attention finally for neglected small-cap stocks”, highlighted on some key drivers on how SME exchange can succeed namely:-

1) The Exchange must be large enough to attract institutional investors.

2) The BSE should shift all companies with market capital of less than Rs.500 crores to this exchange in a phased manner to make them compliant with the SME exchange route.

3) The Exchange must develop an in house research team or engage third-party research for SME companies.

4) It must charge reasonable and significant listing fees to ensure the seriousness of the companies.

5) These fees can be used to create a strong research team or engage third-party research to cover SME companies listed in the exchange. This will serve as a substitute for the equity analyst coverage that investors in large capital companies benefit from.

Sandeep Parekh (Founder, Finsec Law Advisors), has a different perspective which stated that, “Running SME exchanges in India today would be a big mistake. There would be bad economics and bad politics. He furthers says that “with the huge compliance burden with hardly any reduction in costs, a restriction on investment to only high net-worth investors, a stigma and possible prosecution attached to failure, this will not be an attractive platform for promoters of SME companies.”
Issues and Challenges in promoting SME Exchange amongst MSMEs in Maharashtra

Pranab Mukherjee- President of India stated that “The growth potential of MSME unit should not be impeded by the lack of access to financial resources. There is a need to increase the reach and coverage of financial institution by expanding branch network to locations near industrial cluster. SME Exchange platform will allow the small and medium unit to access the capital market and to raise the necessary resource.”
Chapter -3

Data Analysis and Interpretation
3.1 Research Methodology -

(I) Research Objectives -
1. To study the position of SME exchange in the Indian stock market.
2. To identify approach to popularize the exchange.
3. To evaluate the reason for slow growth of SME exchange

(II) Data Collection:
The data required for the study has been obtained from the secondary sources as well as primary sources.

Primary Sources:
For the purpose of study, the research team had selected 264 investors from pool of huge investors and 40 SMEs across Mumbai city. Academic purpose of the study was made known to them. Data was collected through the structured questionnaire. Direct Personal Interview method was followed to collect the required data by adopting Simple Random Sampling method. In addition to this, informal discussion with the investors and SMEs was also conducted so as to have an overall understanding of the situation. The collected data was then edited and consolidated by using Simple Statistical tools and were presented in the form of tables and figures. For the purpose of analysis of data, the simplest statistical tools were employed.

Secondary sources:
The secondary data has been obtained from the following sources:
- Reference Books
- Magazines & Journals
- Newspapers
- Internet websites
- Published and Unpublished Thesis
3.2 Data analysis and Interpretation:

(I) Analysis and Interpretation of Data collected from Investors-

a. Investment Avenues-
Investment avenues refer to the various opportunities available to the investors where they can invest their savings.

The common investment avenues include
1. Fixed Deposit
2. Shares
3. Bullions

![Chart No. 3.1 Investment Avenues of Investors](image)

Source: Data collected by the researchers

Out of the total respondents, 85% of the respondents invest in some or the other form which portrays a healthy percentage of investment. The Investing population was dominated by investments in two typical sectors viz. Fixed Deposits and Shares each owning 62 responses each. Investment in the Bullion Market was meagre by just a share of 3%. However, 15% of the respondents have ventured to explore responses beyond the normal avenues considering the risk element involved in the avenue. This shows that the investors are keen in investments on less risk avenues with fixed rate of returns rather than high risk investment with higher returns.
b. Outook of Share Investment

A dynamic inference sighted is that out of the responses, 50% of the respondents stated that they were of the opinion that investment in shares was better than conventional savings such as fixed deposits. This portrays a healthy mind-set of willingness to explore more risky and consequently higher rewarding investment avenues.

Investment in Securities had a balanced overview among the populace which was split rather equally between two avenues i.e. Cash Market and the F & O Sector. Out of the 130 respondents who preferred the latter, many showed interest in Futures and Options with 61 responses each whereas the Forwards received a share of only 17 responses.

c. Awareness of SME Exchange-

Awareness plays an important role in the investment pattern of any individual. We made an attempt to find the level of awareness of the SME Exchange amongst the people.

<table>
<thead>
<tr>
<th>Knowledge About SME</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>140</td>
<td>53</td>
</tr>
<tr>
<td>No</td>
<td>124</td>
<td>47</td>
</tr>
<tr>
<td>Total</td>
<td>264</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Data collected by the researchers

The respondents showed a rather equal response in terms of awareness as out of the 264 respondents, 140 respondents responded affirmatively which constitute 53% of the sample whereas 47% of the respondents are not aware of SME exchange. This shows that sincere efforts are required to educate the masses regarding SME Exchange in India.

d. Willingness in SME Investment-

“Where there is a will, there is a way.” Willingness upon a subject refers to making a decision keenly with its inherent risks and rewards.
About 20% of the respondents are positively about investing in SMEs which portrays that a small populace has enough knowledge of the SME Sector to take the risk and actually invest in this sector. Further 62% of the respondents willing to consider investing in SMEs which shows the great investment opportunity in this sector. It is observed that major percentage of the sample responded that they would be willing to explore the opportunities available in SME Investments which shows that if more awareness and specifics were made available, this large portion of the public shows potential investment in SMEs.

### Table No. 3.2 Willingness in SME Investment

<table>
<thead>
<tr>
<th>Willingness in SME Investment</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affirmative</td>
<td>53</td>
<td>20</td>
</tr>
<tr>
<td>Negative</td>
<td>47</td>
<td>18</td>
</tr>
<tr>
<td>Considerable</td>
<td>164</td>
<td>62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>264</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** Data collected by the researchers

### Chart No. 3.2 Willingness in SME Investment

**Source:** Data collected by the researchers

e. **Justification of Interest or Averseness in Investment**

Every investment decision is backed by the risk and rewards. Some of the major reasons that affect the investment decisions are as follows

1. Risk Factor
2. Return on investment
3. Growth Potential

**Chart No. 3.3-Reasons of Investment**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Factor</td>
<td>9%</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>29%</td>
</tr>
<tr>
<td>Growth Potential</td>
<td>47%</td>
</tr>
<tr>
<td>Others</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Data collected by the researchers

Out of the 53 respondents who responded affirmatively for investing in SMEs, 41 respondents cited the growth potential as their criteria of investments whereas others said that the risk factor and returns were reasons for the same.

Out of 47 respondents who gave a negative response regarding their willingness to invest in SMEs, 30 respondents said that risk factor is their primary concern for their averseness in investment. This gives a clear idea for the disinclination in investment in SMEs. This also proves that the public is willing to ignore factors such as low growth potential, low returns, untrusted platform and quasi-professional management cited in the questionnaire. This implies that if the risk involved in SME Investment is improved, the sector stand to gain a huge investment opportunity.

Out of the huge populace of 164 respondents who were willing to explore SME Investment, 79 respondents stated the growth potential as their main driver in their decision. 29 and 41 respondents cited the returns on investment and the risk involved as their reasons.

f. Vitality of Advertisement in Investment
Advertisement plays a vital role in creating awareness among the masses. It is a powerful tool that influences the minds of the investors. Investors tend to invest in securities which are well known in the market.

**Source:** *Data collected by the researchers*

When exploring the significance of advertisement in news media to inculcate investments, we found the following inferences:

Around 17% responses said that such advertisements are their primary determinant to invest.

Further 75% of the respondents stated that such advertisements certainly encourage their decision in investing in any sector even though they are not the primary driver of such decision.

However 8% of the respondents admit that advertising does not play any role in motivating and influencing their investment decision.

**II) Analysis and Interpretation of Data collected from SMEs-**

The research team had conducted a survey to know upon the viewpoint of Small and Medium Size Enterprises. The questionnaire was answered by 40 SMEs from various sectors.

**The findings are as follows-**
a. Knowledge about SMEs Exchange-

The question was aimed to explore the knowledge about the existence and operation of SME Exchanges amongst the beneficiary of the SME Exchange.

Out of the total responses, 17% of the SMEs answered in positive whereas 50% said that they have no knowledge about the SME Exchange. However 33% SMEs responded that they have heard about SME Exchange but they don’t have detail knowledge about it.

This shows that almost 83% of the respondents are unaware of the benefits of SME Exchange operating in India. This may be due to the lack of adequate promotional activities carried by the stock exchanges to educate the SMEs about the benefits of listing on stock exchanges.

*Chart No. 3.5-Awareness of SMEs about of SME Exchange*

Source: Data collected by the researchers
b. **Major source of capital of SMEs**

Finance is the lifeblood of any organisation. Capital is required at every stage of the company right from incorporation to expansion. Arranging of funds is always a hectic task for SMEs.

**Chart No. 3.6-Sources of Capital of SMEs**

<table>
<thead>
<tr>
<th>Major Source of Capital</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from banks</td>
<td>67%</td>
</tr>
<tr>
<td>Personal Savings</td>
<td>25%</td>
</tr>
<tr>
<td>Others</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Source:** *Data collected by the researchers*

Out of total responses, 67% of the SME rely on the loans from the banks as their major source of capital which shows that bank provides eminent financial support to SME sector and helps in the development of the same.

Further it is observed that 25% carry their businesses out of their personal savings as the capital requirement of their venture is small which can be managed out of their own savings.

About 8% of the respondents are dependent on the other sources like loan from friends and relatives, listing on stock exchange, venture capital etc. It is observed that Stock exchanges are lacking to provide the adequate capital required by the SMEs.
c. Motivation to get listed on SME Exchange -

“Motivation is what gets you started” - JM Rohn. True motivation plays a very important role in initiating and undertaking decisions. Motivation for an SME to get listed may range from increased availability to more publicity.

Source: Data collected by the researchers

Amongst the various reasons to get listed on SME Exchange, the majority of the SME i.e. 58% of the respondents felt that it was the increased availability of capital proved to be the major factor to get listed on the stock exchange. The additional capital may be required for expansion of business owing to the various opportunities available in the market.

About 33% respondents felt that listing will help them with the publicity of the company. It will improve the goodwill of the company as listing will ensure the credibility of the company which in turn will attract the investors to invest in the company.

Only 8% of the respondents said that they are motivated by the other factors like availing tax benefits, distribution of risk, to face cut throat competition, good corporate governance etc.

d. Do Listed SMEs have a beneficial edge over Non Listed SME?

Stock Exchanges provide a lot of benefits and relaxations to SMEs for getting listed on SME stock exchange as compared to listing on the main board. SEBI and Stock Exchanges are working towards attracting the SMEs by providing various benefits for getting listed.
58% of the SMEs are of the opinion that the listed SMEs do not have any benefits as compared to the Non-listed SMEs as the nature of their business is small and they arrange their capital requirement through other sources. Also some of the respondents are not educated enough to understand the benefits of listing. Some of the respondents are negligent of the benefits of listing due to their traditional mind-set.

However 25% say that listing is beneficial for the companies as the listed SMEs enjoy better creditability in the market, gains publicity, more liquidity etc. as compared to non-listed ones.

Finally 17% of the Respondents are of the opinion that listed SME may have a benefit. There is a kind of confusion amongst some of the respondents about the benefits of listing which is restricting them from listing in stock exchanges. Thus, there is a need to organise seminar or workshop to educate such SMEs about the benefits of listing.

**Source:** *Data collected by the researchers*
Chapter - 4

Suggestions and Conclusions
(I) Suggestions

1. Organizing Business Conferences
   Business conferences play an important role in promoting an idea to the business houses. Conferences shall enable the BSE SME to present the SME exchange to the small and medium size enterprises more effectively with the procedure to get listed, benefits of getting listed on SME Exchange, procedure to migrate to main board etc. Philip Kotler has rightly quoted, “Poor firms ignore their competitors; average firms copy their competitors; winning firms lead their competitors.” Similarly, participants of the conference shall tend to follow each other to get listed on the SME Exchange.

2. Conducting investment competitions
   It is said that the youth shall be the driving force of the country. Today the youth is equipped with brilliant ideas for starting new businesses and developing existing businesses. All they need is a platform that could support their ideas. BSE SME can help these ideas grow by providing the desired platform for expansion i.e. through listing of new enterprises.
   For attracting such enterprises we suggest that the BSE SME may conduct several financial competitions across the colleges of the country. This shall help both in developing enterprises and investor base for the BSE SME.

3. Reduction in compliances
   Listing of a company usually brings a number of other legal compliances for the companies. This is one of the major reasons for the reluctance of the SMEs to get listed. Exemptions in certain compliances may encourage the enterprises to get listed. It is suggested that the BSE may request the Securities and Exchange Board of India (SEBI) and Ministry of Corporate Affairs, Government of India to reduce the compliance procedure.

4. Increased visibility to the exchange
   It was noted in the survey that the majority of the enterprises and investors do not have the knowledge about the BSE SME exchange. This is mainly because the SME exchange has been brought to the lime light.
It is suggested that the BSE SME may undertake a massive mass media advertisement to create an awareness and visibility about SME exchange amongst the SMEs and Investors.

5. **Organizing Small and Medium Size enterprises.**
   The small and medium size enterprises in India are highly unorganized. Majority of them are not registered as well. BSE SME may organize special awareness drive for the registration and listing of such enterprises.

6. **Tax incentives for the investors**
   BSE, in consultancy with the Central Government may provide additional taxation benefits to the investors for dealing in securities of BSE SME. This shall help in increasing the demand for the shares of Small and Medium enterprises, which in turn shall influence the SMEs to get listed.

7. **Reduction in the proportion of priority lending**
   SMEs are regarded as the priority sector for the purpose of lending loans from banks. As a result SMEs get easy credit from the bank which discourages them to opt for listing. Reduction in the proportion of priority lending shall make the option of getting listed more open amongst the SME.

8. **Support from the government**
   Government can provide subsidies and grants to the companies listed on the SME Exchange so as to strengthen the financial statements of the listed SMEs. As a result it shall attract more investors towards the SME Exchange.

9. **Minimization of the risk**
   Another factor which keeps the potential investors away from the SME exchange is the risk. SMEs are associated as high risk investments in the capital market. BSE may provide minimum fixed returns on the securities of BSE SME to the investors under certain eligibility criteria, which may be withdrawn in a phased manner.

(II) **Conclusion:**
   In India, SMEs are considered as growth engines of the country. SMEs have achieved steady growth over the last couple of years. The role of SMEs in the industrial sector is
growing rapidly and they have become a thrust area for future growth. The Indian market is growing and the Indian industry is making rapid progress in various Industries like manufacturing, food processing, textile and garments, retail, precision engineering, information technology, pharmaceuticals, agro and service sectors.

Under the changing economic scenario, the SMEs have both the opportunities and challenges before them. The support given by the national and the state governments to the SMEs is not adequate enough to solve their problems. However for the sector to fully utilize its potential, it is essential that the entrepreneurs along with the government support take necessary steps for further development. It is quite evident that, nurturing this sector is essential for the economic well-being of the nation. SME Stock exchange plays a vital role in providing financial support to SMEs.

SME exchanges have witnessed robust response as evident from the fact that more and more SMEs are listing on SME platform. The trend is expected to scale up further. It has been made clear that the prospective investors in the market are willing to explore new avenues of investment other than the conventional modes. SME Investments are viewed as a legitimate consideration for investment avenues and factors such as returns on investment, management trust, professionalism, etc. have proven to be of lesser value in making investment decision. Risk factor involved in the investments in SMEs stands out as a key factor influencing the averseness in making the investment. Thus, if the stock exchanges venture out a way to stabilize the fluctuations involved, such investments stand to gain a lot of potential.

Growth potential is the main driver of prospective investors which shows that SME Investment is not viewed for short term gain, but rather for long term appreciation. Awareness is the pivotal criteria for investments as investors consider their make or break decision regarding investment after analysis of the same through various media. Thus, SME Exchanges are required to make an effort to publicize the same in the eyes of a typical investor which will certainly uplift SMEs by investing as an able contender for their buck. Also increased awareness is desired for SMEs to understand and access the capital market at this juncture. Series of initiatives for promoting capital market opportunities for SMEs need to be taken including Knowledge portal and knowledge sharing programs along with the industry chambers and professional institutions.
Issues and Challenges in promoting SME Exchange amongst MSMEs in Maharashtra

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Issues and Challenges in promoting SME Exchange amongst MSMEs in Maharashtra


Annexure

LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSMEs</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>MSMED Act</td>
<td>Micro, Small and Medium Enterprises Development Act</td>
</tr>
<tr>
<td>NASDAQ</td>
<td>National Association of Securities Dealers Automated Quotations</td>
</tr>
<tr>
<td>MOTHERS, Japan</td>
<td>Market of the high-growth and emerging stocks</td>
</tr>
<tr>
<td>AIM, U.K</td>
<td>Alternative Investment Market, United Kingdom</td>
</tr>
<tr>
<td>KOSDAQ</td>
<td>Korean Securities Dealers Automated Quotations</td>
</tr>
<tr>
<td>MESDAQ</td>
<td>Malaysian Exchange of Securities Dealing &amp; Automated Quotations</td>
</tr>
<tr>
<td>TSX-V</td>
<td>Toronto Stock Exchange- Venture Exchange</td>
</tr>
<tr>
<td>PEs</td>
<td>Private Equity</td>
</tr>
<tr>
<td>VCs</td>
<td>Venture Capital</td>
</tr>
<tr>
<td>HNIs</td>
<td>High Net-worth Individuals</td>
</tr>
<tr>
<td>NSE</td>
<td>National Stock Exchange</td>
</tr>
<tr>
<td>BSE</td>
<td>Bombay Stock Exchange</td>
</tr>
<tr>
<td>SEBI</td>
<td>Securities and Exchange Board of India</td>
</tr>
<tr>
<td>IPO Grading</td>
<td>Initial Public Offering Grading</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>STT</td>
<td>Securities Transaction Tax</td>
</tr>
<tr>
<td>FICCI</td>
<td>Federation of Indian Chambers of Commerce and Industry</td>
</tr>
<tr>
<td>CII</td>
<td>Confederation of Indian Industry</td>
</tr>
<tr>
<td>IMC</td>
<td>Indian Merchant Chamber</td>
</tr>
<tr>
<td>D&amp;B</td>
<td>Dun &amp; Bradstreet</td>
</tr>
<tr>
<td>ICAI</td>
<td>Institute of Chartered Accountants of India</td>
</tr>
</tbody>
</table>
Questionnaire for investors

1. Do you think that investing in shares and securities is a better option of growth as compared to conventional methods like FD?
   - Yes
   - No

2. Do you trade regularly in stock exchanges?
   - Yes
   - Occasionally
   - When I get some news
   - I do not trade

3. Where would you prefer to invest your money in securities?
   - Cash market
   - Futures contract
   - Forward contract
   - Options

4. Have you heard about BSE SME exchange? (BSE SME exchange is a stock exchange wherein shares of Small and Medium Enterprises are traded)
   - Yes
   - No

5. Would you like to invest in shares of SME?
   - Yes
   - No
   - May be

6. Reasons for your answer in point 5 above.
   - Growth potential
   - Risk factor
   - Returns on investment
   - Others

7. Does advertisement of a company on a business news network or in business newspaper play a important role in your investment decision?
   - Yes, they are the only source of information
   - Yes, but not always
   - Sometimes
   - Not at all

8. What other sources you use to collect data of a company?
SME Questionnaire

1. Name of the organization- ______________________

2. Established in which year- ______________________

3. Nature of industry- ______________________________

4. Net worth of the company- _______________________

5. Sources of Capital
   • Loans from banks
   • Personal Savings
   • Borrowings from friends and family
   • Personal Credit Cards
   • Other debt instruments

6. Are you a listed company?
   • Yes
   • No

7. If yes, on which exchange are you listed?
   • BSE SME
   • EMERGE (NSE)
   • Others

8. How did you come to know about the exchange?
   • Advertisement in Various Media
   • Brokers
   • Word of Mouth
   • Websites

9. How would you rate the listing procedure?
   • Easy
   • Complicated

10. What are the benefits received after listing?

11. Is there an increase in compliance cost after listing?
   • Yes
   • No
12. If No (w.r.t. Q7), have you heard about BSE SME exchange?
   • Yes
   • No

13. Does the management of the company hold an intention of getting the SME listed on the SME exchange in the near future? __________

14. What is the average working capital requirement of the company? __________

15. In the opinion of the company, what kind of relation in listing requirements will encourage SME to apply for listing?

16. Which of the following source of raising funds seems more acceptable to you and why?
   • Getting the company listed and utilizing shareholders money in a productive way.
   • Borrow from banking and other FIs so to capitalize the investment options available.

17. Does the cost of listing justify for the benefits availed after getting listed?

18. Does listing of an SME expose the entity to vulnerability from outsiders and forces them to disclose more-than-preferred information?

19. How does listing encourage the leap the SME needs to take to become a large-cap entity?

20. What are the suggestions you would recommend to an SME exchange for the holistic welfare of all.