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### **ABSTRACT**

Small and Medium enterprises are considered as a back bone for overall industrial development of the country. Delhi has a number of registered and unregistered SMEs which are contributing a good portion of overall manufacturing and services of the country. India is a growing economy which is based on agriculture followed by manufacturing and service sector. In last decade the contribution of manufacturing and service sector in Indian economy is growing at a faster rate. Due to many policies framed by the government new entrepreneurs are coming up with new business ideas. The culture of startups is developing in India. The young generation prefers to start their own business rather than joining existing companies. Often SMEs face financial difficulties mainly during the start up.

A big number of SMEs are in scarcity of funds, they have yet to tap into the funds provided by the banks. Only a small portion of SMEs thus far have successfully received this funding and this big gap poses a question mark and triggered the need to conduct a study. Though there are a number of programs offered by the government but due to the red tapes, huge compliance and the

rigidity of the procedures, it hampers the smooth success of the programs. There are a number of different avenues of financing. A business may fulfill its financing needs keeping in mind the nature of requirements and nature and cost of the concerned source of financing. Different short term and long-term sources of financing is truly the blood circulation in the veins of any business firm. The customers are looking for best quality products with credit facility. The buyer wants to buy goods and services with mostly proportion on credit, as the existing funds may be used for other purposes. The credit limit of a firm is determined keeping in mind various factors such as researcher and bank appraisal of business situations, duration of association with the bank concerned, and firm's credit history at that bank. SMEs financing decisions are affected by different factors such as its future expectations, possible availability of funds, existing funds, government regulations, expansion plan and future uncertainties etc.

This research study focuses on investigating the financing of the SME's in Delhi with respect to financial constraints, various short term and long term sources of funds availed, factors affecting their financial decisions and the status of incentives provided by government institutions to facilitate SME business performance. In current scenario running a successful business is a highly challenging task. The environment related to business in India is highly dynamic. The level of competition is rising also the customers are looking for best quality products and services from the firms in addition to this a lot of challenges come from different fronts such as labour cost, labour quality, market rivalry, threat of market fluctuation, and government regulations.