Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 6 | June 2025 -Peer-Reviewed Journal

STOCKS OF SMEs- EMERGING INVESTMENT ALTERNATIVE FOR RETAIL INVESTORS

Prakhar Kumar Singh*

**Prakhar Kumar Singh is presently pursuing MBA-Full time course from Faculty of Management Studies, University of Delhi, Delhi.*

ABSTRACT

Investment in equity market has always been area of interest for investors having higher investment risk appetite. The investment made in new ventures in the initial stages have always been far more rewarding than investment in mature stages of business but are subject to higher risk also. Considering the high level of risk , the companies having adequate track record of business were allowed to access funds through securities markets in the past. But, considering the emerging need for investment in start ups and new age businesses in India , a dedicated platform for listing and trading of equity shares of SMEs has been created at recognized stock exchanges in India. This is one the significant initiative taken by the Government in promoting entrepreneurship. This will assist SMEs planning for growth and expansion to raise funds from retail investors as well through issue of equity shares. The retail investors having risk appetite to invest in small and medium enterprises can subscribe to the issue of these companies and subsequently trade in the shares of SMEs at these trading platforms of Stock exchanges. The present study has been conducted to examine the trend of investors participation at SME platform and compare its popularity among equity investors against main board trading at stock exchanges. Various statistical tests have been employed to draw meaningful conclusion.

KEY WORDS: *SMEs, EMERGE Platform, SENSEX, Kolmogorov Smirnov test, Levenes statistic, Mann Whitney U test.*

INTRODUCTION

The business environment in India over in the recent past has undergone significant transformations. Government has taken several initiatives to promote entrepreneurship and assist budding entrepreneurs. The integration of information technology with business models has led to origination of new set of business models. New sources of funding particularly for new and growth oriented business have emerged which is helping in transforming dreams into reality of many young entrepreneurs. To meet the need of funds for expansion of such emerging businesses, the idea of separate platform on existing stock exchanges in India was proposed by the Government. The framework for recognition and supervision of stock exchanges/platforms of stock exchanges for small and medium enterprises (SMEs) was laid down by SEBI on November 5, 2008. This has helped many small companies, which do qualify to get listed on main board exchange, to raise funds through issue of equity shares and get them listed on separate platform governed by National Stock Exchange of India or Bombay Stock Exchange. The stock exchanges were suggested to obtain prior approval of SEBI after make necessary changes in their byelaws and complying with other requirements essential for setting up separate platform for SMEs. At present, both National Stock Exchange as well as Bombay stock exchange , have their separate SME platforms. During the initial period, a limited activity was observed in the stocks of SMEs but subsequently it has picked up exponentially and has drawn large interest of investors as observed from the statistical findings of the study.

Concept of SME Exchange

SME exchange is a dedicated trading platform ,set up separately by recognized stock exchanges,where shares of Small and Medium Enterprises are listed and traded. Those companies which have not grown to a level to qualify for Initial Public Offering (IPO) and enlist their securities on main board platform of stock exchanges are given opportunity to access funds through public by way of equity shares and enlist them at SME Exchange. The concept came into existence after recognizing the importance of SME for the economic growth of India, The platform was set up by the BSE SME platform and EMERGE Platform (NSE) subsequent to fulfillment of requirements specified by Securities and Exchange Board of India.

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 6 | June 2025 -Peer-Reviewed Journal

Emerging interest of retail investor's participation in SME Exchange

In the initial years after the inception of SME exchange, the participation of retail investors was not very encouraging. However, over the last few years particularly in the post covid period, the level of activity has increased exponentially in comparison to stocks listed on main board. In order to examine if the return offered by the SME Index has been significantly different from traditional and commonly used barometer for equity investors i.e. BSE Sensex, the value of the two indices were observed for the period July, 2021 to April, 2025 at frequent levels as shown in table 1.

S.No.	Date	Value of SME Index	Return on SME since 16 July, 2021(%)	Value of BSE SENSEX	Return on BSE SENSEX since 16 July, 2021(%)
1	16 July,2021	4253		53140	
2	29-Oct-21	7163	68.42	59306	11.60
3	21-Jan-22	20308	377.50	59037	11.10
4	22-Apr-22	14755	246.93	57197	7.63
5	29-Jul-22	12920	203.79	57570	8.34
6	14-Oct-22	18837	342.91	57919	8.99
7	20-Jan-23	26136	514.53	60621	14.08
8	23 April,23	24831	483.85	59665	12.28
9	21-Jul-23	27673	550.67	66684	25.49
10	27-Oct-23	38005	793.60	63782	20.03
11	25-Jan-24	57037	1241.10	70700	33.04
12	19 April , 24	61994	1357.65	73088	37.54
13	4Oct,2024	102390	2307.48	81688	53.72
14	25 Oct,2024	94631	2125.04	79402	49.42
15	10 Jan,2025	114755	2598.21	77378	45.61
16	11 Apr,2025	84550	1888.01	75157	41.43

Table 1: Return and Value of BSE SME and BSE SENSEX

The return generated by these indices taking 16 July, 2021 as base period were calculated using the formula shown below:

Return for nth period

= [(Value of Index at nth period – Value of Index at base period)/ Value of Index at base period)] X100

The return on these indices have also been mentioned in table 1 alongwith the value of indices. As can be observed from the values of the indices, the SME Index has gradually increased at higher rate in comparison to the BSE Sensex. To check, if the difference is statistically different or not, appropriate statistical technique has been applied.

Hypothesis of the study

The null hypothesis of the study was that there is no significant difference in the return on SME Index an BSE Sensex.

H_0 : Mean return on SME Index = Mean return on BSE Sensex

H_a : Mean return on SME Index ≠ Mean return on BSE Sensex

Analysis of data

The descriptive statistics pertaining to the return on two indices obtained through SPSS is shown below in table 2.

Descriptives

				Statistic	Std. Error
Index	SME Index	Mean		1006.6463	219.72074
		95% Confidence Interval for Mean	Lower Bound	535.3922	
			Upper Bound	1477.9004	
		5% Trimmed Mean		970.3495	
		Median		550.6701	
		Variance		724158.038	
		Std. Deviation		850.97476	
		Minimum		68.42	

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 6 | June 2025 -Peer-Reviewed Journal

		Maximum		2598.21	
		Range		2529.79	
		Interquartile Range		1545.10	
		Skewness		.760	.580
		Kurtosis		-.936	1.121
	BSE Sensex	Mean		25.3537	4.28204
		95% Confidence Interval for Mean	Lower Bound	16.1696	
			Upper Bound	34.5377	
		5% Trimmed Mean		24.7620	
		Median		20.0263	
		Variance		275.038	
		Std. Deviation		16.58428	
		Minimum		7.63	
		Maximum		53.72	
		Range		46.09	
		Interquartile Range		30.33	
		Skewness		.494	.580
		Kurtosis		-1.414	1.121

Table 2: Descriptive statistics of BSE SME and BSE SENSEX

The mean return on SME Indices is 1006.63 percent in comparison to 25.37 percent return on BSE Sensex appears to be significantly different.

In order to assess suitable parametric or non parametric test to be applied, the normality and homogeneity of variance of the data has been examined as under :

		Kolmogorov-Smirnov[a]		
		Statistic	**df**	**Sig.**
Index	SME Index	.237	15	.023
	BSE Sensex	.218	15	.053

Table 3: Test of Normality for BSE SME Index and BSE SENSEX

The significance value for the both the indices in case of Kolomgorov Smirnov test ,as can be observed from table 3, is found to be less than 0.05 , which indicates that the data is not normal.

In order to test the homogeneity of variance , Levene statistic was used with the help of SPSS. The SPSS output for Levene Statistic is shown below in table 4

Test of Homogeneity of Variance					
		Levene Statistic	**df1**	**df2**	**Sig.**
VAR00002	Based on Mean	1.854	1	28	.184
	Based on Median	1.455	1	28	.238
	Based on Median and with adjusted df	1.455	1	19.733	.242
	Based on trimmed mean	1.926	1	28	.176

Table 4: Test of Homogeneity of variance

The significance value for the test of homogeneity (Levene statistic) is found to be less than 0.05 , which indicates that there is no homogeneity of variance. Since the conditions for normality of data as well as test of homogeneity of variance have not been complied, the hypothesis is tested using suitable non parametric test which in this case is 'Mann Whitney U 'test. With the help of SPSS, the test was applied on the data under study and the following output as shown in table 5(a) and table 5(b) has been obtained. The mean rank for the indices has been shown in table 5(a). It can be seen that there is large difference between the mean rank for return on SME index and BSE Sensex.

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 6 | June 2025 -Peer-Reviewed Journal

Table 5(a) : Mean Rank of return on SME index and BSE SENSEX

Ranks				
		N	**Mean Rank**	**Sum of Ranks**
Index	SME Index	15	23.00	345.00
	BSE Sensex	15	8.00	120.00
	Total	30		

The test statistics for Mann-Whitney U is shown in table 5(b) .

Table 5(b) : Mann-Whitney U test statistics for return on SME index and BSE SENSEX

Test Statistics[a]	
	Index
Mann-Whitney U	.000
Wilcoxon W	120.000
Z	-4.666
Asymp. Sig. (2-tailed)	.000
Exact Sig. [2*(1-tailed Sig.)]	.000[b]
b. Not corrected for ties.	

As can be observed from table 5(b), the p-value for the Mann-Whitney U test is 0.000 which is less than 0.05. This implies that the null hypothesis is rejected. In other words, there is statistically significant difference between the return on SME index and BSE Sensex during the period July, 2021 to April, 2025.

CONCLUSION OF THE STUDY

The outcome of the study clearly reflects the growing interest of retail investors in investment of Stocks of SMEs. This will certainly help the budding entrepreneurs in accessing funds through issuance of equity shares and ensuring the liquidity of their stocks at SME Platforms of stock exchanges. The initiative of the Government enabling new ventures to access funds through this channel has proved effective. The increasing participation of retail investors in SMEs make it necessary for the Securities and Exchange Board of India (SEBI) as well as recognized stock exchanges – NSE and BSE to be more vigilant and ensuring proper surveillance of trading pattern of the stocks of SMEs. Reasonable level of statutory compliances and timely disclosure of all material information in the interest of investors shall be made mandatory through listing agreements and other necessary laws of stock exchanges. These kind of steps are necessary not only to protect interest of retail investors but also to maintain their confidence of making investment in stocks of new age businesses and start ups.

REFERENCE(S)

1. *SEBI Circular no. CIR/MRD/DSA/17/2010 dated May 18, 2010*
2. *www. https://www.bsesme.com/*