

# Do SME IPOs Improve Financial Performance Post-IPO? Evidence from Industry-wise Ratio Analysis in India

Khadija Hans<sup>1</sup>, Jayshree Siddhpuria<sup>2</sup>

<sup>1</sup>(Research Scholar, Sarvajanik University, Surat

Email : elyjah1525@gmail.com)

<sup>2</sup>(Assistant Professor, S. R. Luthra Institute of Management, Sarvajanik University, Surat

Email : jayshree.mandaviya@gmail.com)

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## Abstract:

This study analyses pre-IPO and post-IPO financial performance of Indian SMEs offered between 2013 to 2022 across industries using Wilcoxon tests on profitability, efficiency, leverage and liquidity ratios. Results reveal improved liquidity and reduced leverage universally, but declining efficiency and mixed profitability. SME IPOs enhance stability yet challenge asset utilization.

*Keywords* — SME, IPO, profitability, efficiency, leverage, liquidity.

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## I. INTRODUCTION

The study examines whether SME firms in India experience real financial improvement after going public through SME IPO platforms. Focusing on IPOs issued between 2020 and 2022, it analyzes changes in firms' financial performance before and after listing. The research evaluates key financial ratios related to profitability, efficiency, leverage, and liquidity to understand how raising equity capital influences firms' financial structure and operations. Unlike studies that focus mainly on short-term listing gains, this work investigates both short-term and long-term performance. It also adopts a sector-wise approach, comparing firms across different industries to determine whether the impact of SME IPOs on financial performance varies by sector.

## II. LITERATURE REVIEW

This literature review synthesizes empirical studies investigating the financial and operating performance of firms following an Initial Public Offering (IPO) across diverse global markets. The collective research highlights a consistent "post-

IPO dip" in performance, though the extent of this decline is moderated by regional regulations, industry types, and ownership structures.

### *Emerging Markets and Banking Performance*

In South Asia and the Middle East, the transition to public status presents unique challenges. Al-Homaidi et al. (2019) found that while Indian commercial banks improved their capital and management efficiency post-IPO, they struggled with liquidity and asset quality. Similarly, Ahmad et al. (2011) observed a decline in profitability for Saudi Arabian firms following their listings. In Indonesia, Ibrahim and Sagala (2022) noted that while firms like Astra International significantly increased their capital and expansion capacity, this success was not necessarily representative of all sectors. Darmadi and Gunawan (2013) highlighted that firms going public during the 2008 - 2009 financial crisis faced greater performance volatility due to their smaller size and younger age.

*Ownership and Corporate Governance*

The role of ownership structure is a recurring theme in determining post-IPO health. Jain and Kini (1994) provided foundational evidence from the US showing that while operating performance declines after an IPO, there is a strong positive correlation between post-issue performance and the level of equity retained by the original entrepreneurs. This is echoed by Kousenidis (2005) in Greece, who argued that ownership concentration and the presence of private equity are vital for sustaining performance.

In the Asian context, Chen and Wang (2023) found that Chinese firms often experience a decline in operating performance post-IPO, frequently linked to the complexities of state ownership. In Thailand, Ekkayokkaya (2014) demonstrated that Venture Capital - backed firms tended to maintain better performance than non Venture Capital - backed firms. Sharma (2019) further noted that Indian firms often struggle during the transition from traditional, family-run models to formal corporate governance structures post-listing.

*Industry Dynamics and Long-Term Survival*

The nature of the industry and firm-specific characteristics also dictate long-term success. Loughran and Ritter (2004) compared IPOs in established versus new industries in the US, finding that while new industry firms often underperform significantly in the long run, this difference disappears when controlling for firm age and specific characteristics. In a more specialized study on India, Jain and Kini (1995) confirmed a general decline in ROA and ROE across selected companies post-listing. Finally, focusing on survival rather than just performance, Firth and Liao-Tan (1998) identified that in New Zealand, high leverage and small asset size at the time of the

IPO were the most significant predictors of firm failure within five years.

**III. RESEARCH METHODOLOGY****A. Research Design**

The study uses Analytical research design.

**B. Research Objectives**

1. To analyse short term, medium term and long-term profitability of SMEs before and after the IPO across different industries.
2. To analyse short term, medium term and long-term efficiency of SMEs before and after the IPO across different industries.
3. To analyse short term, medium term and long-term leverage of SMEs before and after the IPO across different industries.
4. To analyse short term, medium term and long-term liquidity of SMEs before and after the IPO across different industries.

**C. Hypothesis**

H<sub>1</sub>: There is no significant difference in profitability of SMEs before and after the IPO across different industries.

H<sub>1</sub>' : There is a significant difference in profitability of SMEs before and after the IPO across different industries.

H<sub>2</sub>: There is no significant difference in efficiency of SMEs before and after the IPO across different industries.

H<sub>2</sub>' : There is a significant difference in efficiency of SMEs before and after the IPO across different industries.

H<sub>3</sub>: There is no significant difference in leverage of SMEs before and after the IPO across different industries.

H<sub>3</sub>' : There is a significant difference in leverage of SMEs before and after the IPO across different industries.

H<sub>4</sub>: There is no significant difference in liquidity of SMEs before and after the IPO across different industries.

H<sub>4</sub>' : There is a significant difference in liquidity of SMEs before and after the IPO across different industries.

**D. Sample selection**

600 SMEs offered during 01/04/2013 to 31/03/2022 are taken under study.

**E. Variables**

To measure profitability Earnings per share (EPS) and Net profit margin (NPM) are used.

To measure efficiency Return on assets ratio (ROA) and Total assets turnover ratio (TAT) are used.

To measure leverage Debt to equity ratio (DE) and Equity ratio (ER) are used.

To measure liquidity Current Ratio (CR) is used.

**F. Data collection**

The study uses secondary data. Data is collected from red herring prospectus, company financial statements and websites of BSE and NSE.

**G. Statistical Techniques**

The study uses Wilcoxon Signed Rank Test to measure pre-IPO and post-IPO performance of SMEs.

**IV. FINDINGS AND INTERPRETATION**

Ratio	Industry	Time	Pre median	Post median	p-value
EPS	Agri business & FMCG	Long	.1600	.3500	0.025
		Medium	.2250	.7500	0.014
		Short	.9000	.5000	0.33
	Consumer, Retail & Trade	Long	.1950	.2000	0.833
		Medium	.2200	.2300	0.579
		Short	.4950	.3000	0.773
	Financial Services	Long	.1000	.2500	0.131
		Medium	.1900	.3900	0.033
		Short	.3000	.2000	0.31
	Healthcare & Pharma	Long	.2500	.8950	0.031
		Medium	.5500	.6000	0.748
		Short	.5100	.4500	0.094
Industrial & Engineering	Long	.7000	1.1000	0.183	
	Medium	.7000	1.4000	0.163	
	Short	1.3000	1.1000	0.411	
Infrastructure & Realty	Long	.2700	.2350	0.682	
	Medium	.8000	.5000	0.993	
	Short	.9500	.5000	0.359	
IT, Media & Services	Long	.3000	.8000	0.315	
	Medium	.4000	.9000	0.096	
	Short	1.0000	1.2000	0.32	
Net Profit Margin	Agri business & FMCG	Long	.0150	.0286	0.625
		Medium	.0239	.0197	0.405
		Short	.0346	.0177	0.127
	Consumer, Retail & Trade	Long	.0126	.0230	0.968
		Medium	.0149	.0300	0.018
		Short	.0235	.0289	0.321
	Financial Services	Long	.0126	.0213	0.335
		Medium	.0190	.0214	0.255
		Short	.0354	.0330	0.748
	Healthcare & Pharma	Long	.0236	.0154	0.979
		Medium	.0227	.0327	0.099
		Short	.0583	.0450	0.638
Industrial & Engineering	Long	.0100	.0180	0.798	
	Medium	.0198	.0192	0.633	
	Short	.0377	.0260	0.002	
Infrastructure	Long	.0176	.0174	0.769	

& Realty	Medium	.0266	.0164	0.376
	Short	.0369	.0134	0.000*
	Long	.0192	.0495	0.000*
IT, Media & Services	Medium	.0242	.0388	0.011
	Short	.0335	.0342	0.841
	Long	.0080	.0059	0.125
Agri business & FMCG	Medium	.0100	.0083	0.07
	Short	.0129	.0086	0.004
	Long	.0109	.0175	0.5
Consumer, Retail & Trade	Medium	.0153	.0222	0.000*
	Short	.0229	.0260	0.58
	Long	.0215	.0281	0.706
Financial Services	Medium	.0299	.0339	0.879
	Short	.0474	.0343	0.199
	Long	.0305	.0225	0.752
Healthcare & Pharma	Medium	.0316	.0397	0.831
	Short	.0576	.0584	0.174
	Long	.0187	.0223	0.566
Industrial & Engineering	Medium	.0265	.0267	0.023
	Short	.0441	.0336	0.000*
	Long	.0287	.0330	0.807
Infrastructure & Realty	Medium	.0417	.0321	0.016
	Short	.0527	.0191	0.000*
	Long	.0283	.0555	0.176
IT, Media & Services	Medium	.0417	.0479	0.626
	Short	.0577	.0459	0.064
	Long	.5196	.1837	0.047
Agri business & FMCG	Medium	.3788	.2498	0.049
	Short	.6264	.4559	0.026
	Long	.9217	.8265	0.161
Consumer, Retail & Trade	Medium	1.1076	.8739	0.021
	Short	1.1396	.9714	0.000*
	Long	1.2779	.7676	0.003
Financial Services	Medium	1.4135	1.0313	0.000*
	Short	1.3586	1.1754	0.003
	Long	1.2415	.7076	0.000*
Healthcare & Pharma	Medium	1.4363	.9438	0.000*
	Short	1.1945	.9189	0.002
	Long	1.3498	.9377	0.000*
Industrial & Engineering	Medium	1.3518	.9125	0.000*
	Short	1.3412	1.0589	0.000*
	Long	1.5729	.9120	0.007
Infrastructure & Realty	Medium	1.6903	.9339	0.000*
	Short	1.5774	.9356	0.000*
	Long	1.4315	.9513	0.000*
IT, Media & Services	Medium	1.6051	.8701	0.000*
	Short	1.3540	.9442	0.009
	Long	1.1646	.4244	0.085
Agri business & FMCG	Medium	1.3193	.5533	0.000*
	Short	0.9900	.4630	0.002
	Long	2.2261	.9067	0.000*
Consumer, Retail & Trade	Medium	2.2392	.8613	0.000*
	Short	1.9929	.9435	0.000*
	Long	1.4343	.7733	0.000*
Financial Services	Medium	1.7781	.8383	0.000*
	Short	2.0019	.7787	0.000*
	Long	2.6475	.6480	0.000*
Healthcare & Pharma	Medium	2.2919	.8849	0.000*
	Short	2.1359	.8869	0.000*
	Long	2.7523	.8770	0.000*
Industrial & Engineering	Medium	2.6580	.9167	0.000*

		Short	2.0409	.9854	0.000*
	Infrastructure & Realty	Long	2.0408	.6584	0.000*
		Medium	1.6423	.8303	0.002
		Short	1.4343	.8568	0.000*
	IT, Media & Services	Long	2.1978	.5211	0.000*
		Medium	1.8490	.6071	0.000*
		Short	1.5495	.4078	0.000*
Equity Ratio	Agri business & FMCG	Long	.4197	.6879	0.004
		Medium	.4250	.6439	0.000*
		Short	.5025	.6835	0.002
	Consumer, Retail & Trade	Long	.2665	.5043	0.000*
		Medium	.3006	.5305	0.000*
		Short	.3341	.5146	0.000*
	Financial Services	Long	.2517	.5607	0.000*
		Medium	.3600	.5432	0.000*
		Short	.3331	.5622	0.000*
	Healthcare & Pharma	Long	.2747	.6068	0.000*
		Medium	.3038	.5315	0.000*
		Short	.3189	.5311	0.000*
	Industrial & Engineering	Long	.2532	.5029	0.000*
		Medium	.2668	.5009	0.000*
		Short	.3257	.5015	0.000*
	Infrastructure & Realty	Long	.2702	.5336	0.000*
		Medium	.3305	.5464	0.000*
		Short	.3953	.5386	0.000*
IT, Media & Services	Long	.2841	.6249	0.000*	
	Medium	.3168	.6122	0.000*	
	Short	.3802	.7103	0.000*	
Current Ratio	Agri business & FMCG	Long	2.4454	2.2146	1
		Medium	1.8953	2.4117	0.619
		Short	2.0833	2.4280	0.87
	Consumer, Retail & Trade	Long	1.2572	1.7022	0.000*
		Medium	1.4025	1.6616	0.049
		Short	1.4161	1.8596	0.004
	Financial Services	Long	1.2567	1.9692	0.002
		Medium	1.3606	1.7880	0.004
		Short	1.3868	1.7401	0.001
	Healthcare & Pharma	Long	1.2250	1.8175	0.001
		Medium	1.3331	1.7221	0.003
		Short	1.3132	1.6900	0.000*
	Industrial & Engineering	Long	1.3099	1.6740	0.000*
		Medium	1.3034	1.6748	0.000*
		Short	1.3982	1.7719	0.000*
	Infrastructure & Realty	Long	1.3131	1.7602	0.001
		Medium	1.3626	2.1456	0.000*
		Short	1.6195	2.1427	0.056
IT, Media & Services	Long	1.2926	2.2386	0.000*	
	Medium	1.4342	2.3643	0.000*	
	Short	1.4594	2.4924	0.000*	

0.000\* value ~ 0

If  $p < 0.05$  (Significant)

If  $p > 0.05$  (Insignificant)

Ratio	Industry	Time	Result	Hypothesis
EPS	Agri business & FMCG	Long	Insignificant increase	Accept
		Medium	Significant increase	Reject
		Short	Significant increase	Reject

Consumer, Retail & Trade	Long	Insignificant decrease	Accept	
	Medium	Insignificant increase	Accept	
	Short	Insignificant increase	Accept	
Financial Services	Long	Insignificant decrease	Accept	
	Medium	Significant increase	Reject	
	Short	Insignificant increase	Accept	
Healthcare & Pharma	Long	Insignificant increase	Accept	
	Medium	Insignificant increase	Accept	
	Short	Significant increase	Reject	
Industrial & Engineering	Long	Insignificant decrease	Accept	
	Medium	Insignificant increase	Accept	
	Short	Insignificant increase	Accept	
Infrastructure & Realty	Long	Insignificant decrease	Accept	
	Medium	Insignificant decrease	Accept	
	Short	Insignificant decrease	Accept	
IT, Media & Services	Long	Insignificant increase	Accept	
	Medium	Insignificant increase	Accept	
	Short	Insignificant increase	Accept	
Net Profit Margin	Agri business & FMCG	Long	Insignificant decrease	Accept
		Medium	Insignificant decrease	Accept
		Short	Insignificant increase	Accept
	Consumer, Retail & Trade	Long	Insignificant increase	Accept
		Medium	Significant increase	Reject
		Short	Insignificant increase	Accept
	Financial Services	Long	Insignificant decrease	Accept
		Medium	Insignificant increase	Accept
		Short	Insignificant increase	Accept
	Healthcare & Pharma	Long	Insignificant decrease	Accept
		Medium	Insignificant increase	Accept
		Short	Insignificant decrease	Accept
	Industrial & Engineering	Long	Significant decrease	Reject
		Medium	Insignificant decrease	Accept
		Short	Insignificant increase	Accept
	Infrastructure & Realty	Long	Significant decrease	Reject
		Medium	Insignificant decrease	Accept

Return on Assets	IT, Media & Services	Short	Insignificant decrease	Accept	Industrial & Engineering	Medium	Significant decrease	Reject
		Long	Insignificant increase	Accept		Short	Significant decrease	Reject
		Medium	Significant increase	Reject		Long	Significant decrease	Reject
	Agri business & FMCG	Short	Significant increase	Reject	Infrastructure & Realty	Medium	Significant decrease	Reject
		Long	Significant decrease	Reject		Short	Significant decrease	Reject
		Medium	Insignificant decrease	Accept		Long	Significant decrease	Reject
	Consumer, Retail & Trade	Short	Insignificant decrease	Accept	IT, Media & Services	Medium	Significant decrease	Reject
		Long	Insignificant increase	Accept		Short	Significant decrease	Reject
		Medium	Significant increase	Reject		Long	Significant decrease	Reject
	Financial Services	Short	Insignificant increase	Accept	Agri business & FMCG	Medium	Significant decrease	Reject
		Long	Insignificant decrease	Accept		Short	Insignificant decrease	Accept
		Medium	Insignificant increase	Accept		Consumer, Retail & Trade	Long	Significant decrease
Healthcare & Pharma	Long	Insignificant increase	Accept	Medium	Significant decrease		Reject	
	Medium	Insignificant increase	Accept	Short	Significant decrease		Reject	
	Short	Insignificant decrease	Accept	Financial Services	Long	Significant decrease	Reject	
Industrial & Engineering	Long	Significant decrease	Reject		Medium	Significant decrease	Reject	
	Medium	Significant increase	Reject		Short	Significant decrease	Reject	
	Short	Insignificant increase	Accept	Healthcare & Pharma	Long	Significant decrease	Reject	
Infrastructure & Realty	Long	Significant decrease	Reject		Medium	Significant decrease	Reject	
	Medium	Significant decrease	Reject		Short	Significant decrease	Reject	
	Short	Insignificant increase	Accept	Industrial & Engineering	Long	Significant decrease	Reject	
IT, Media & Services	Long	Insignificant decrease	Accept		Medium	Significant decrease	Reject	
	Medium	Insignificant increase	Accept		Short	Significant decrease	Reject	
	Short	Insignificant increase	Accept	Infrastructure & Realty	Long	Significant decrease	Reject	
Agri business & FMCG	Long	Significant decrease	Reject		Medium	Significant decrease	Reject	
	Medium	Significant decrease	Reject		Short	Significant decrease	Reject	
	Short	Significant decrease	Reject	IT, Media & Services	Long	Significant decrease	Reject	
Consumer, Retail & Trade	Long	Significant decrease	Reject		Medium	Significant decrease	Reject	
	Medium	Significant decrease	Reject		Short	Significant decrease	Reject	
	Financial Services	Short	Insignificant decrease	Accept	Agri business & FMCG	Long	Significant increase	Reject
Long		Significant decrease	Reject	Medium		Significant increase	Reject	
Medium		Significant decrease	Reject	Short		Significant increase	Reject	
Healthcare & Pharma	Short	Significant decrease	Reject	Equity Ratio	Agri business & FMCG	Long	Significant increase	Reject
	Long	Significant decrease	Reject			Medium	Significant increase	Reject
	Medium	Significant decrease	Reject			Short	Significant increase	Reject

Current Ratio	Consumer, Retail & Trade	Long	Significant increase	Reject	
		Medium	Significant increase	Reject	
		Short	Significant increase	Reject	
	Financial Services	Long	Significant increase	Reject	
		Medium	Significant increase	Reject	
		Short	Significant increase	Reject	
	Healthcare & Pharma	Long	Significant increase	Reject	
		Medium	Significant increase	Reject	
		Short	Significant increase	Reject	
	Industrial & Engineering	Long	Significant increase	Reject	
		Medium	Significant increase	Reject	
		Short	Significant increase	Reject	
	Infrastructure & Realty	Long	Significant increase	Reject	
		Medium	Significant increase	Reject	
		Short	Significant increase	Reject	
	IT, Media & Services	Long	Significant increase	Reject	
		Medium	Significant increase	Reject	
		Short	Significant increase	Reject	
	Agri business & FMCG	Long	Insignificant increase	Accept	
		Medium	Insignificant increase	Accept	
		Short	Insignificant decrease	Accept	
		Consumer, Retail & Trade	Long	Significant increase	Reject
			Medium	Significant increase	Reject
			Short	Significant increase	Reject
Financial Services		Long	Significant increase	Reject	
		Medium	Significant increase	Reject	
		Short	Significant increase	Reject	
Healthcare & Pharma	Long	Significant increase	Reject		
	Medium	Significant increase	Reject		
	Short	Significant increase	Reject		
Industrial & Engineering	Long	Significant increase	Reject		
	Medium	Significant increase	Reject		
	Short	Significant increase	Reject		
Infrastructure & Realty	Long	Insignificant increase	Accept		
	Medium	Significant increase	Reject		

IT, Media & Services	Short	Significant increase	Reject
	Long	Significant increase	Reject
	Medium	Significant increase	Reject
	Short	Significant increase	Reject
	Long	Significant increase	Reject

## V. CONCLUSION

Across all industries, SME IPOs shows mixed results. Most industries show improved liquidity and leverage stability but decrease in efficiency and profitability in assets use. EPS often rise in the long term which indicated growth while NPM stays flat or dips. There is poor profitability and asset efficiency in Infrastructure & Realty industries, EPS gains are also minimal and weak short term CR. Financial service industry shines with consistent CR and ER and EPS also boosts in the medium term. Strongest profitability gains are seen in Agri-business & FMCG industries with significant increase in EPS in medium and short term. Across all industries TAT declines which indicates companies are unable to generate sales from their assets. DE also decreases across all time windows which indicates firms are now less dependent on outside debt.

Overall, the numbers show that after listing most SME companies slowly perform worse instead of better. In a few cases some industries and time periods show gains but these are rare and do not change the main picture. Most profit, return and efficiency ratios go down, and debt related measures also become weaker. This means that, for many SME IPOs the good results seen around the time of the issue do not last. So, investors and regulators need to watch these companies carefully after they get listed.

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