Strategic And Financial Determinants Of Long Term Sustainability In Small And Medium Enterprises In India

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Abstract

This research explores the fundamental drivers that contribute to entrepreneurial success, particularly within small and medium enterprises (SMEs) in India. The purpose is to empower aspiring entrepreneurs with insights that can guide them in building sustainable ventures. Eight distinct elements influencing enterprise success were identified and critically assessed. These include internal dynamics such as operational strategies, collaborative efforts, financial strength, resource allocation, customer orientation, and marketing effectiveness. Additionally, external influencers like regulatory frameworks and market conditions were analyzed. These components formed the foundation of a conceptual model, which was tested through a structured questionnaire-based survey. Statistical analysis using SPSS was employed to examine the validity of twelve hypothesized relationships. The evaluation led to the confirmation of five hypotheses, offering empirical evidence of significant relationships between variables. The regression outcomes highlighted that the most influential parameters affecting SME performance include internal characteristics of the firm, customer engagement, financial planning, strategic practices, and external environmental factors. The findings reinforce the importance of an integrated approach to enterprise development that considers both internal efficiencies and external realities. This study presents practical implications for entrepreneurs, policymakers, and support organizations aiming to bolster the SME sector. It further encourages the adoption of holistic business planning to enhance competitiveness and resilience in fluctuating economic contexts.

Keywords: Entrepreneurship, Small Enterprises, Success Factors, Business Strategies, External Environment, India

1. Introduction

Prior studies have shown that SMEs are important to a nation's economy. SMEs make up a sizable share of all businesses in Thailand, across all industries. For instance, SMEs make up 94.5 percent of all businesses in the manufacturing industry. Additionally, small businesses make up 76.0 percent of all SMEs, while medium-sized businesses make up 18.7 % of all production facilities. According to estimates, SMEs made up % of all production establishments and employed 878,453 people, or 40% of the total.The prerequisites for successful company have hitherto been studied from the perspective of huge corporations rather than SMEs. In contrast to major corporations, SMEs are more uncertain as a result of environmental changes. SMEs react to environmental changes differently than large corporations do. A single-enterprise firm often cannot leave from one of its business units, but large firms may be able to do so.The assets and strategic decisions of the companies, along with the opportunities provided by the sector and location, limit the options for responding. Creating jobs to reduce poverty is one of the crucial tasks that SMEs play in this situation. Vietnamese SMEs utilize 64% of the country's industrial sector, and Thai SMEs are recognized widely as employment creators.Thai SMEs are crucial to the growth of the economy of the nation. SMEs made up 76.1% of all companies in the manufacturing industry in 2007, according to information supplied by NSO (2007). The industries that have the highest concentration of SMEs in Thailand are those that produce beverages, food, textiles, clothing, and wood and wood-related products as shown in figure 1.

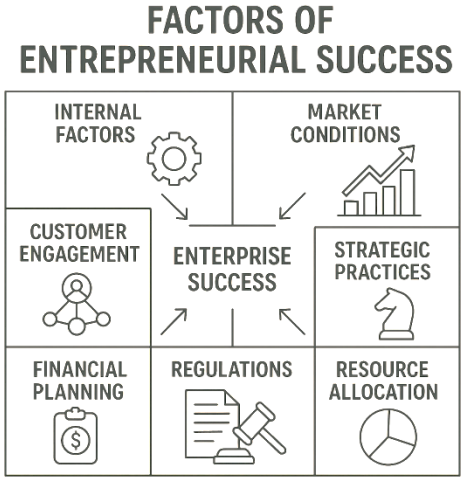

Figure 1 Factor of Entrepresneurial success

Small and medium enterprises (SMEs) benefited significantly from integrating lean

and Six Sigma methodologies, as these approaches enhanced their quality-audit capabilities and operational efficiencies. The graph-theoretic method provided a structured way to evaluate the critical success factors (CSFs) associated with Lean Six Sigma in Indian SMEs, particularly in terms of streamlining processes and improving customer satisfaction [1]. Furthermore, sustainability was revealed as a pivotal factor in SME success, especially when environmental and social responsibility were embedded into business strategies, contributing to long-term performance and stakeholder trust [2].

Moreover, the implementation of enterprise resource planning (ERP) systems in SMEs was found to be heavily dependent on the identification and management of key success factors such as user training, top management support, and business process alignment [3]. Similarly, Lean Six Sigma practices, when adopted in manufacturing-focused SMEs, contributed to improved process control and reduced waste, though successful execution demanded a balanced focus on organizational culture and employee engagement [4]. Additionally, fostering a culture of innovation, along with sustained efforts in marketing and product development, significantly enhanced market performance among SMEs, enabling them to stay competitive in dynamic markets [5].In continuation, practical adoption of Lean Six Sigma methodologies allowed SMEs to experience measurable improvements in quality and productivity. However, it required careful alignment of resources, leadership involvement, and capability development, as illustrated through various real-world implementations [6]. Also, in the context of emerging economies, factors such as access to capital, entrepreneurial orientation, and effective marketing strategies played crucial roles in business success, particularly for SMEs operating under regulatory and resource constraints [7].

Likewise, cloud computing emerged as a viable technological enabler for Indian SMEs, offering scalable solutions to support growth while minimizing IT infrastructure costs, thereby addressing common limitations such as lack of expertise and limited investment capability [8]. However, the journey toward lean manufacturing in SMEs was hindered by implementation issues including limited workforce skills, resistance to change, and inadequate training, which demanded systematic review and resolution [9]. Nonetheless, SMEs showed growing interest in cloud computing due to its potential to improve operational efficiency, although factors like security concerns and lack of awareness still posed adoption

barriers [10].Equally important, lean manufacturing literature revealed consistent trends pointing to the need for simplified frameworks tailored to SMEs, highlighting lean's adaptability across different operational contexts while underscoring the importance of continuous improvement [11]. In the face of digital transformation, SMEs engaging in business model innovation significantly improved their competitiveness, leveraging digital tools to reconfigure value creation and delivery processes [12]. Consequently, enhancing the quality of the business environment through policy support and infrastructure development contributed to greater SME resilience, especially in volatile markets [13].

Additionally, the resilience of SMEs was further conceptualized as a multidimensional construct encompassing adaptability, resource reconfiguration, and proactive risk management, all of which became increasingly vital in uncertain business climates [14]. Lastly, the widespread use of mobile applications provided a lifeline for SMEs during the COVID-19 pandemic, offering new avenues for business continuity, customer engagement, and operational agility, which helped sustain businesses during and after the crisis [15].

2. Researchmethodology

The dependent factor is success in business. The research data was gathered using a self-created questionnaire. There were three sections to the questionnaire. Information about the respondents' demographics, traits, and profiles made up the first section. In the second half, the participants were asked to evaluate claims about the contextual circumstances pertaining to each success component they encountered.Using a 5-point Likert scale with the strongly agree to strongly disagree option as its anchor, this section of the test included 40 questions that were meant to gauge various aspects of company performance. The significance of perceived company success was scored by the participants in the third section.Only 133 of the 180 sets of surveys provided in hard copy received responses. Seventy copies of hardcopy surveys were given to the directors, managers, and management teams of SMEs. Only 40 of the 70 sets of paper questionnaires received responses. Friends sent 20 sets of the surveys in soft copy, and out of the extra 100 sets of surveys that were delivered in hard copy to friends who are businessmen, directors, and members of the leadership team, just 10 sets received responses.Only 143 of the 200 questionnaire sets that were delivered early in total were ultimately collected and fully completed.The goal of the

study was to determine how entrepreneur traits, SME characteristics, leadership and expertise, services and products marketing practices and collaboration, resources and economics, strategy, and the physical factors relate to business performance.The following theories were deduced from the conceptual framework mentioned above:

H1 There is a connection between the traits of SMEs and their ability to succeed in business.

H2 In SMEs, there is a link between leadership, subject-matter knowledge, and business performance. H3 There is a link between the success of small businesses and their products and services. H4 There is a link between SMEs's market and customer success.

H5 There is a connection between the way businesses are conducted and collaboration and business performance in SMEs.

Resource and financial success are related to business performance in SMEs, according to hypothesis H6.

H8 There is a connection between the physical conditions and small- and medium-sized business success.

3. Surveyresults

Only 132 of the 200 sets of softcopy and hardcopy surveys that were delivered to chosen respondents were returned, yielding a response rate of 80%. However, only 143 surveys were utilized for analysis, and three were discarded because of insufficient data.

According to a descriptive study, there were 143 responses, and there were more men than women. 53.1% of respondents are men, according to the findings, and 43.2% are women. The majority of respondents, 62 (43.4%), were aged between 23 and 39; 30.2% (23) were between 22 and 29; 16% (21) were between 23 and 49; 12.3% (14) were older than 27; and 2.8% (3) were under 20. Seven (3%) respondents were in primary school, thirteen (8.2%) were in secondary school, sixteen (11.2%) were enrolled in certificate or diploma programmes, 23 (56.2%) were in bachelor's degree programmes.There were 19 responders (13.3%) with less than two years of work experience, 34 (23.8%) with two to five years, 41 (28.7%) with six to ten years, 24 (16.8%) with ten to twenty years, and 25 (17.5%) with more than twenty years. 24 (16.8%) of the organisations operated for less than five years, 20 (14%) for between five and ten years, 37 (25.9%) for between ten and fifteen years, 23 (16.1%) for

between fifteen and twenty years, and 39 (27.3%) for more than twenty years.18 employees, or 12.6% of the total,

1 to 5 employees, 53 (37.1%), 6 to 50 employees, 31 (21.7%), 51 to 100 employees, 15 (10.5%), 101 to 200 employees, and 26 (18.2%) employees or more. However, of the several types of organisations, 25 (17.5%) were family businesses, 29 (20.3%) were SMEs, and 19 (13.3%) were international corporations. 25 (17.5%) were government, and 45 (31.5%) were private companies.

Table 1 shows the distribution of SMEs by sector in the industrial sector in 2004.

Sector	Number of Establishments	SME	% of SMES
Textile	1125866	854200	85.4
Other	82486	67000	67
Funitiure	83486	62142	62
Fabricated Metal Products	67251	42126	42
Non - Metalic mineral products	15421	12541	12.5
Wearing Appareal	13254	15151	15.1
Total	1387764	1053160	284

Utilizing reliability analysis, we evaluated the internal consistency and data integrity. Cronbach's Alpha, a coefficient that gauges the consistency and reliability of items, is the measure of how well a group of items are positively associated to one another. The dependability number should be as close to 1.0 as possible. Less than 0.6 Cronbach's Alpha is often regarded as low, between 0.7 and 0.8 as acceptable, and over 0.8 as high. Cronbach's Alpha exceeded.70 for the dependent factor, seven independent factors, and the dependent factor. Therefore, it was believed that the data collected for this investigation was internally consistent and stable.

4.1 Correlationsanalysis

To determine whether features of entrepreneurs, SMEs, management and expertise,

goods and services, business practises and collaboration, resources and money, strategy, physical factors, and company success are associated, we performed correlations analysis. The findings indicate a 5% significance level correlation between all parameters. None of the p-values, however, exceeded.70. Results of the correlation analysis are shown in Table 2.

Table 2. Correlation analysis results

Variables Compared	Pearson Correlation (r)	Interpretation
Establishments vs SMEs	0.999	Very strong positive correlation
Establishments vs % of SMEs	**-0.273**	Weak negative correlation
SMEs vs % of SMEs	**-0.259**	Weak negative correlation

4.2 Key Determinants of Success in SME Operations

According to study's conclusions, characteristics of SMEs, their customers, their business practises and cooperation, their access to resources and financing, and their external environment all significantly contribute to the commercial achievement of SMEs in Thailand. It was discovered that the financial success of SMEs in Thailand was not significantly impacted by management expertise, product and service knowledge, or strategy as representation figure 2 .

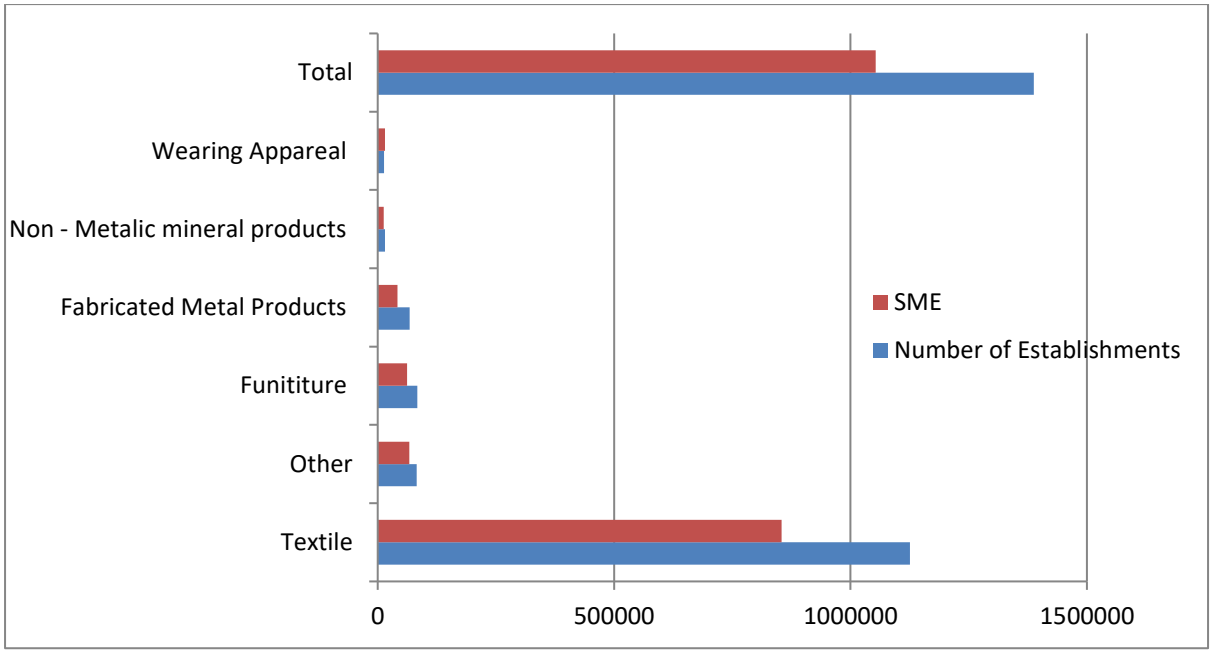

Figure 2 shows the findings of a regression analysis on the profitability of SMEs.

The histogram demonstrates the regularly distributed nature of the data utilised in this inquiry, and an F-value of.000 is regarded as significant at a 1% level of significance. As a result, it can be claimed that the model was fitted or that the linear regression method used in this inquiry was appropriate.

5. Discussion

A important relevance of the findings is that they will enable business owners and entrepreneurs to address the elements that will profoundly influence the success of their ventures in SME. Studying the variables influencing SMEs' commercial success is essential for comprehending business continuity and growth, which supports national economic development. Since the success of SMEs is a multifaceted phenomenon, several factors must be ideal at the same time in order to achieve business success. Firm success is influenced by both external and internal variables to the company. The owners of successful SMEs and those whose businesses failed shared similar beliefs about the most crucial elements for business success and the elements that should be avoided. The study examined SME characteristics, management and expertise, goods and services, clients and markets, business practises and collaboration, resources and money, strategy, and the outside environment.

Since innovative products add value for the customer, striking the right balance between product cost and quality is essential.In addition, firms must compete on the basis of their uniqueness and areas of strength, which are categorised as cost leadership, difference, and focus. Cost leadership-based businesses have strict operating costs controls, high productivity, are volume producers, or are tonnage-focused. Differentiation referred to businesses that offer variations in their goods or services. Lastly, focused businesses are those that concentrate on a specific market, demographic, region, or product line. To become world-class, focused businesses must continually improve their quality, cost, expected delivery time, customer service, and adaptability. Continuously expanding innovators should pay close regard to their research and development efforts as well as their capacity to stay inventive.

6. Conclusion

The characteristics of SMEs, customer and market, business practises and collaboration, resources and financing, and physical factors are the most important determinants of SMEs' success in India, according to our research into the most important

variables that influence this. The majority of SMEs in India have followed Michael Porter's cost leadership, differentiation, and focused strategies. The constant development of resources, finance, customers, and markets is necessary for Indian SMEs to remain successful. Government support in India has aided in the development of SMEs, and legal considerations are employed in hiring and firing decisions to guarantee SMEs' long-term financial success. In order to assure the success of their businesses, India's SMEs should make sure they have established a strong social network and positive relationships with the government. Inter-firm cooperation, according to the accepted Way of Doing Business & Cooperation hypothesis, helps organisations gain legitimacy and build a positive reputation in the marketplace. It also helps small businesses strengthen their strategic positions, concentrate on their core businesses successfully adapt to rapid technological change. In addition, Indian SMEs should continue to engage overseas consultants and expertise.

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