

Factors influencing success of MSME's entrepreneurs: A study at Bangalore city

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Research

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Abstract

The purpose of this research is to look into the critical success factors (CSFs) of micro, small and medium enterprise (MSMEs) in Bangalore. A questionnaire was created using several factors/indicators identified in earlier studies and data was collected from 230 MSMEs entrepreneurs. Individual factors, business characteristics, management factors, business support, capital availability, and the business environment were grouped into six categories by exploratory factor analysis. Researchers used CFA to ensure the accuracy of their measurements, and then a SEM model was created to examine the influence of various variables on an entrepreneur's chances of success. The most important predictor of entrepreneur success was found to be the presence of a business support factor. Results of this study add to the body of knowledge and discuss managerial implications that are useful for current and new business owners and entrepreneurs.

Introduction

In today's economy, small and medium-sized businesses (SMEs) play a critical role. There is a lot of academic debate about how to measure the success of small and medium-sized businesses. SME performance is critical to employment, wealth, social and economic growth, according to academics from a wide range of fields of study. Measurement of success has a significant impact on the research process, according to Murphy et al. If a certain variable has a positive effect on one metric, but has a negative effect on a different one, this could be the case. An effect on one success indicator does not guarantee a similar outcome on another performance measure, which underscores the importance of justifying how success is measured.

Literature Review

It is common to use a performance indicator to explain, predict, and recognise the presence of entrepreneurial success when attempting to quantify its size and scope. This is based on the work of Venkatraman and Ramanujam in 1986. However, according to Fisher and colleagues, it has been difficult to operationalize and measure entrepreneurial performance up until now (2014).

According to Sarwalo et al. (2013), a company's return on investment (ROI) can be quantified by looking at its profit margins and sales figures, while qualitative measures like knowledge and business experience can be used to gauge how well a company performs in terms of such things as providing high-quality goods and services to its customers, coming up with innovative new products and processes, leading and working in teams, and more. Both Carnison and Lee and Tsang (2001) used performance efforts to assess venture growth, which included growth in sales, firm assets, and profit, while Sanchez & Marin (2005) used productivity and profitability to assess entrepreneur success. Entrepreneur performance can best be measured using both financial and non-financial indicators, as found in a study conducted in 2000 by Beal. However, most entrepreneurs were unwilling to provide the data required.

It has long been known that small and medium-sized businesses have important success criteria. Chinese small businesses are more likely to be successful because of factors such as their marketing, competitive dynamics, industry trends, their location, the availability of capital to them, as well as their owner's experience. There are many similarities between small businesses in China and the United States, except for one thing: the lack of capital. Chong (2012) examined the CSFs for SMEs in Malaysia and found that management skills, government assistance, training, and financial resources, as well as marketing and customer service, were the most critical elements for SMEs.

Ng and Kee (2012) identified CSFs for developing countries' SMEs (small and medium-sized enterprises). These CSFs include leadership and management, intellectual capital, innovation in the workplace, entrepreneurial skills, human resources, and a market orientation. It's been determined, however, that SMEs must also consider factors that are specific to the business as well as those that are more systemic in nature. Both internal (such as marketing and the ability to compete, technological innovation, and entrepreneurship) and external (such as gender and motivation) entrepreneur qualities are included in these non-individual aspects (limited finance, market conditions, intensive competition).

Entrepreneurial activities of Tunisian micro-enterprises strongly moderated the effect of human, social, and financial capital on the performance of small businesses, according to Omri et al. (2015). Entrepreneurial factors (age and gender of the owner, level of education, work experience, and managerial abilities), business factors (size and age of the company, finance, customer relationship management, human capital, and marketing planning) and business environment factors make up the CSFs for small and medium-sized businesses (SMEs).

Conceptual Framework

An investment strategy based on theoretical research is vital for all stakeholders, including individuals and small businesses as well as government agencies, in order to help ensure the success of small projects while also guarding against management problems and financial failure. This will also direct local community institutions to support these projects by providing a conceptual framework for the success factors of SMEs. Researchers can now build on the study's findings to better understand how key success factors affect SMEs in the Bangalore region.

Objective

- 1 To study various factors affecting success of entrepreneurs
- 2 To identify the CSF which influence success of MSME entrepreneurs

Research Hypotheses

Based on the exhaustive literature and different theories or concepts discussed by previous research, the present study framed following hypotheses:

Hypothesis 1: The success of an entrepreneur is influenced by individual factors related to entrepreneurs

Hypothesis 2: The success of an entrepreneur is influenced by socio-cultural factors.

Hypothesis 3: The success of an entrepreneur is influenced by business support factors related to MSMEs.

Hypothesis 4: The success of an entrepreneur is influenced by management factors related to MSMEs.

Hypothesis 5: The success of an entrepreneur is influenced by business environment factors related to MSMEs.

3. Research Methodology

3.1 Population and Samples

The study is empirical in nature and information has been gathered from MSMEs entrepreneurs in Bangalore. The objective of this research is to understand different factors responsible for the success of an individual entrepreneur or their enterprise. The information regarding entrepreneurs was collected from MSME official website of India and Karnataka. Based on previous literature, a semi structured questionnaire was prepared and using simple random sampling this questionnaire was distributed to entrepreneurs of different MSMEs. The criteria for selecting MSMEs was that the firms must have been operating for more than 1 year.

Before conducting the final survey, a pilot study was conducted with 30 entrepreneurs to assure the validity and reliability of the scale. After their feedback few ambiguous questions were deleted and questionnaire was improvised for large scale survey. The link of the questionnaire prepared on Google docs was shared through emails, or by posting on company's Facebook page. The objective and sincerity of the research was mentioned.

The first part of the questionnaire consists of demographic details of entrepreneurs and characteristics of their business. The second part is about entrepreneurs' response towards different factors affecting their success. These questions were asked on 5-point Likert scale.

Finally, the researcher received 242 responses from MSMEs CEO/director of founder. But during data screening process few responses were incomplete or had missing values. So for the final study 230 responses were selected for structural modelling and hypothesis testing.

3.2 Research Instrumentation

The study has selected five factors ad dereminants of entrepreneur success.

Al Tit & Omri (2019) and Nikoli'c et al. (2015) developed the items for individual variables, management factors, business support factors, and business environment elements .

Employee qualities and their impact on a company's financial stability are both influenced by socio-economic variables. Wube designed a four-item questionnaire to be used with previously published questionnaires (2010).

3.4 Data analysis Tool:

The data analysis of collected data from 230 responses was performed using Statistics 24 and AMOS program. The study first conducted descriptive statistics of data, then factor analysis was performed. The AMOS program was used for in-depth analysis of the relationship between variables.

4. Results

4.1 Demographic Details of the Respondents:

Following is a table that lists the demographic information of the selected entrepreneurs, including gender, education level and occupation. The data was analysed using descriptive statistics.

Table 1: Demographic information about the respondents (N=230)

Measures	Items	Frequency	Percentage
Gender	Male	156	62.8
	Female	74	37.2
Age	Below 24	13	5.5
	25-30	36	15.5
	30-35	48	20.9
	35-40	73	31.7
	40 & above	60	26.3
Education	Secondary	4	1.6
	Undergraduate	25	10.5
	Postgraduate	197	85.2
	Others	4	1.6
Occupation	Business	145	63.04
	Salaried	56	24.34
	Others	29	12.6
Type of business	Micro	65	28.2
	Small	82	35.6
	Medium	83	36.08
Activities of business	Manufacturing	98	42.6
	Transport	12	5.21
	Construction	29	12.6
	Trade & commerce	56	24.34
	Restaurants	9	3.91
	Service	19	8.26
	Others	7	3.04

4.2 Descriptive statistics of all the variables: It indicates that mean of the variables observed from 3.56 to 4.53. The skewness and kurtosis values for the data is between -2 to +2 and standard deviations are above 0.5. All these facts confirm that the data is normally distributed for analysis using a structural equation model.

Table 2 Descriptive statistics:

Variables	Mean	Standard deviations	Skewness	Kurtosis
IF1	4.53	.763	-1.889	1.773
IF2	4.38	.837	-1.315	1.057
IF3	4.41	.824	-1.545	2.085
IF4	4.52	.824	-2.112	2.101
IF5	4.36	.913	-1.532	2.024
BSF1	4.39	.859	-1.559	2.291
BSF2	4.40	.874	-1.576	2.105
BSF3	4.41	.835	-1.536	2.085
MF1	4.13	.879	-.851	0.241
MF2	4.21	.888	-1.225	1.512
MF3	4.39	.879	-1.671	2.059
MF4	4.33	.933	-1.595	1.700
BEF1	4.38	.799	-1.422	2.085
BEF2	4.40	.775	-1.411	2.075
BEF3	4.47	.829	-1.773	2.184
BEF4	4.46	.818	-1.710	2.012
SCF1	3.65	.731	-2.153	2.076
SCF2	4.20	.768	-1.466	2.149
SCF3	3.56	.811	-2.053	1.721
SCF4	3.84	.768	-1.985	2.206
S1	4.47	.728	-1.622	1.332
S2	4.43	.679	-2.171	2.016
S3	4.38	.693	-1.849	2.77

4.3 Factor analysis:

The study used factor analysis before conducting any analysis. The factor analysis help in determining different successful factors of entrepreneurs. The study selected principal component analysis using Promax for factor extraction. The various results obtained from factor analysis such as the Kaiser–

Meyer–Olkin (KMO) test of sample adequacy statistic is 0.922, which indicate sample is good enough for further analysis. The significant value of Bartlett test of sphericity also supports the adequacy at the 1% level of significance.

Finally, the factor extraction based on Eigen value above 1 and Scree plots above elbow point’s value revealed the six factors were finalized for the study explaining the total variance of 78.53%, with factor loading of each item above 0.7.

The internal consistency for the proposed scale items were calculated using Cronbach’s alpha value of reliability. The values for the study items are shown in the table 2. It can be inferred form the table that alpha values ranging from 0.815 to 0.914 and all these values are above the threshold value of 0.70. (Hair et al., 2010).

Table 2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling.		.922
Bartlett's Test of Sphericity	Approx. Chi-Square	4476.406
	Df	253
	Sig.	.000

Source: Primary survey

Table 3: Scale Items and Factor Loadings

	Scale Items	Factor Loadings	Cronbach's alpha
Individual factors (IF)			
IF1	I am confident to perform good in this business	.789	0.878
IF2	I am very innovative and creative in my actions	.780	
IF3	I always try hard to improve my performance	.769	
IF4	I am a risk seeker and good at handling failures	.729	
IF5	Experience and business skills	.789	
Business support factors (BSF)			
BSF1	Financial support	.903	0.914
BSF2	Government support	.897	
BSF3	Family and friends support	.875	
Management factors (MF)			
MF1	Management commitment and support	.806	0.860
MF2	Human resource management practices	.781	
MF3	Organizational culture	.738	
MF4	Work environment and communications	.716	
Business environment factors (BEF)			
BEF1	Economic factors	.811	0.826
BEF2	Technological factors	.764	
BEF3	Legal factors	.751	
BEF4	Ecological factors	.734	
Socio-cultural factors			
SCF1	The support from close ties (spouse, parents, friends) has a positive effect on my business growth & success	.858	0.815
SCF2	The society's attitude towards my products/services is positive	.842	
SCF3	I have no cultural influences	.816	
SCF4	The society views my involvement in business positively.	.713	
Entrepreneur Success			
S1	There is an increase in sales and profitability o	0.813	0.905

S2	The number of employees started to increase	0.785
S3	The reach of products increased in market and are having high market potential	0.712

Source: Primary survey

4.4 Confirmatory factor analysis (CFA) of measurement model of each latent variable.

The two major results of CFA i.e. Goodness of fit of the model prepared by considering each latent variable as exogenous variable and the reliability & validity of the CFA model.

The goodness of fit indices mentioned in table 4 indicate that model is fit with empirical data as all the indices values are under the threshold values.

The reliability and validity in table 5 mentioned that Composite reliability (CR) values used for internal consistency measurement of the data is above the threshold value of 0.7. The Average Variance Extracted (AVE) values greater than 0.5 confirm the composite validity of data. Further, all the Maximum shared variance (MSV) values are below AVE, confirmed the discriminant validity of the data. Thus, the data of the present study is reliable and valid for hypothesis testing.

Table 4: Goodness of Fit indices in CFA model

Indices	Abbreviation	Observed values	Recommended criteria	References
Normed chi square	χ^2/DF	1.910	$1 < \chi^2/df < 3$	Hair et al., (2010)
Goodness-of-fit	GFI	.873	>0.90	
Adjusted GFI	AGFI	.837	>0.80	
Normed fit	NFI	.911	>0.90	
Comparative fit	CFI	.955	>0.95	
Root mean square error	RMESA	.063	<0.05 good fit <0.08 acceptable fit	
Tucker-Lewis's index	TLI	.947	$0 < TLI < 1$	

Source: Primary survey

Table 5: Reliability and validity

CR	AVE	MSV	IF	SCF	MF	BEF	S	BSF	
IF	0.879	0.594	0.883	0.771					
SCF	0.927	0.762	0.936	0.558***	0.873				
MF	0.861	0.608	0.872	0.529***	0.646***	0.780			
BEF	0.926	0.758	0.935	0.630***	0.590***	0.740***	0.871		
S	0.908	0.766	0.910	0.633***	0.632***	0.674***	0.704***	0.875	
BSF	0.953	0.871	0.956	0.434***	0.430***	0.485***	0.523***	0.600***	0.933

Note: Statistical significance (* p < 0.05, ** < 0.10, **** < 0.001) of the correlation

Convergent validity and reliability are met if CR > 0.7 (composite reliability) and AVE > 0.50 (convergent validity) (discriminant validity is met)

Source: "Master Validity Tool", AMOS Plugin, Gaskin, J. and Lim, J. (2016).

4.5 Structural equation Modelling (SEM) for hypothesis testing:

The structural model is series of regression lines drawn from predictors to outcome variables. For the present study, with given data the SEM model was tested for checking the impact of different factors such as internal, socio-cultural, management, business environment and business support on the success of MSMEs entrepreneurs.

The findings of the figure 3 and table 6 revealed the impact of each factor on dependent variable (success of entrepreneur). The standardized coefficient weights (β), critical ratios and p values are used for testing the hypotheses. It was mentioned that Factor 1 (Individual factors) had a significant influence on entrepreneur success ($\beta = 0.202$, CR = 2.875, p = 0.004) as the p value < 0.05, thus hypothesis H1 was accepted.

The impact of socio-cultural factor is positive with regression weights value $\beta = 0.173$, CR = 2.485, p = 0.013, confirming the hypothesis H2.

Management factors are also having positive and significant impact on success of entrepreneurs $\beta = 0.178$, CR = 2.010, p = 0.044, hence hypothesis H3 was approved since critical ratio above 1.96 with p < 0.05.

The business support factors are significantly influencing the success of entrepreneur with $\beta = 0.237$, CR = 4.107, p = 0.00. Thus, hypothesis H4 was accepted as the p value < 0.05. Finally, the business environment factors are also contributing in success of the entrepreneurs as $\beta = 0.219$, CR = 2.505, p = 0.012, confirming the hypothesis H5.

The findings of the study revealed that all the five factors selected in the study are able to explain 65% of total variance in success of the MSMEs entrepreneurs, remaining 35% variance is beyond the scope of present study.

Further, the goodness of fit indices of the structure model Chi-Square Value CMIN/DF = 2.146, GFI = 0.919, AGFI = 0.889, NFI = 0.929, CFI = 0.959, and RMSEA = 0.057 are under the threshold values confirming the good fit of model.

Table 6: Results of structural model:

Hypo. No	Path	β	CR	P value	Decision
H1	Individual factors à Success	.202	2.875	.004	Accepted
H2	Socio-cultural factors à Success	.173	2.485	.013	Accepted
H3	Management factors à Success	.178	2.010	.044	Accepted
H4	Business environment factors à Success	.219	2.505	.012	Accepted
H5	Business support factors à Success	.237	4.107	***	Accepted

Source: Primary survey

Discussion

The results of the current study confirmed that all the five factors selected as determinants of entrepreneur's success have significant impact on MSMEs entrepreneurs' success. The most important factors that affect the success of MSMEs entrepreneurs in Bangalore city were those related to business support provided in the form of finance, government support, family and friend's support. The next important success determinant is Business environment factors in terms of legal, economic and technological environment of the country is also responsible for the success and performance of MSMEs entrepreneurs. These findings are with the study of individual factors and business support.

These factors are followed by internal factors considered in the study, which are self-confidence, risk taking, and need for achievement. The other important factors related to success are management factors. It constitutes the commitment of employees and employers in the organizations, effective use of advanced technology, organizational culture, best practices for human resource and work environment. The same results were confirmed by the study of Omri et al, (2015).

Finally, the impact of socio-cultural factors is low but positive. Therefore, these factors such as support from strong relations, society, and family.

Implications

When entrepreneurs get support either from internal or external resources it leads to the establishment of the enterprise. The study confirmed that business supports are the most important determinants of the entrepreneurs. It is suggested for managers to keep their watch on financial resources for success of the business. The support provided by government such as subsidy, incentives, new schemes and loan at low interest rate can enhance MSMEs performance.

The internal factors are also responsible for success of entrepreneurs. The increased confidence, motivation and risk-taking abilities result in enhancing performance of the business. This will motivate managers, owners of the MSMEs and government policy makers to arrange seminars, workshops and skills development programs to create courage for starting new venture.

Limitations and scope for future study:

Due to the fact that we only looked at three major cities for sampling, we have some limitations. To get more complete results that take into account geological and cultural differences in different regions, future researchers may decide to take this study national scale. Our findings can be applied to other Islamic countries, so we encourage future researchers to do so (comparative study). Future studies on female entrepreneurs in developed countries should employ a mixed-method approach, according to the current findings. A larger picture of this research area can be gained by considering additional variables in subsequent research. Finally, and most importantly, testing any moderator, such as literacy or financial literacy, that increases or decreases the relationship between these factors and women entrepreneurs' success is also recommended.

Declarations

Author Contributions: Conceptualization, M.C.Y.; methodology M.C. Y.; software, M.C.Y.; validation, M.C.Y.; supervision, G.K.; project administration G.K. Both authors have read and agreed to the published version of the manuscript.

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Conflicts of Interest: The authors declare no conflict of interest.

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Figures

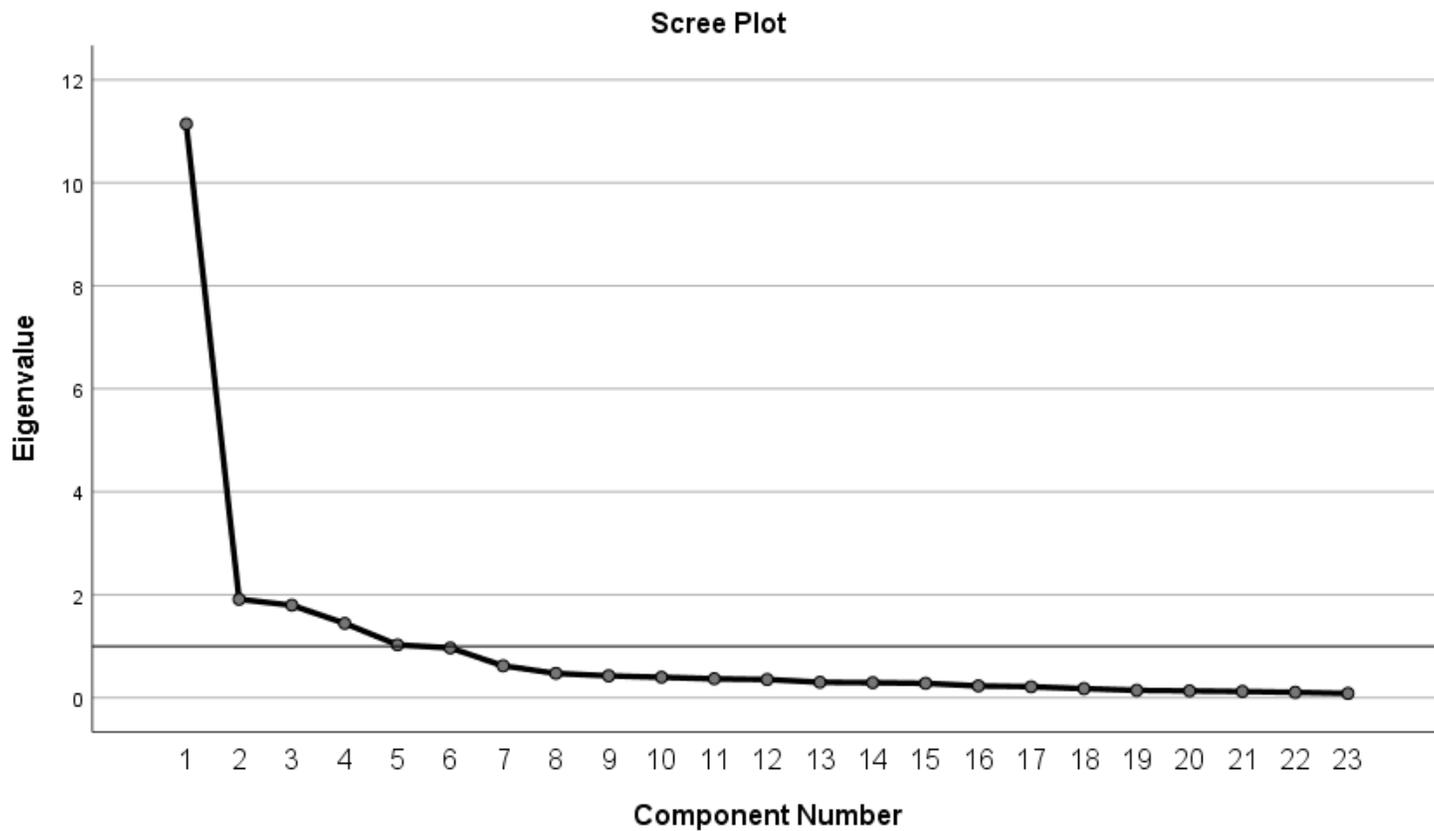


Figure 1

Scree plot for factor extraction

Source: Primary survey

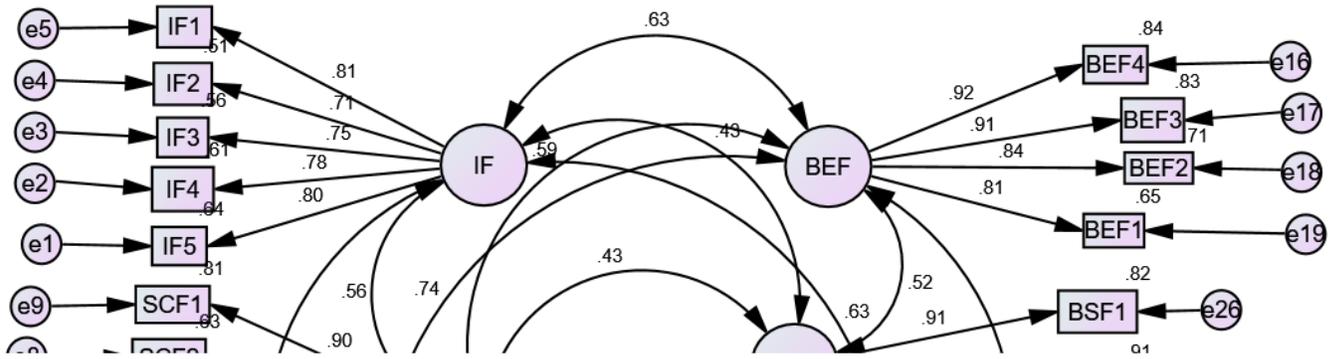


Figure 2

CFA model for the measurement scale

Source: Primary survey

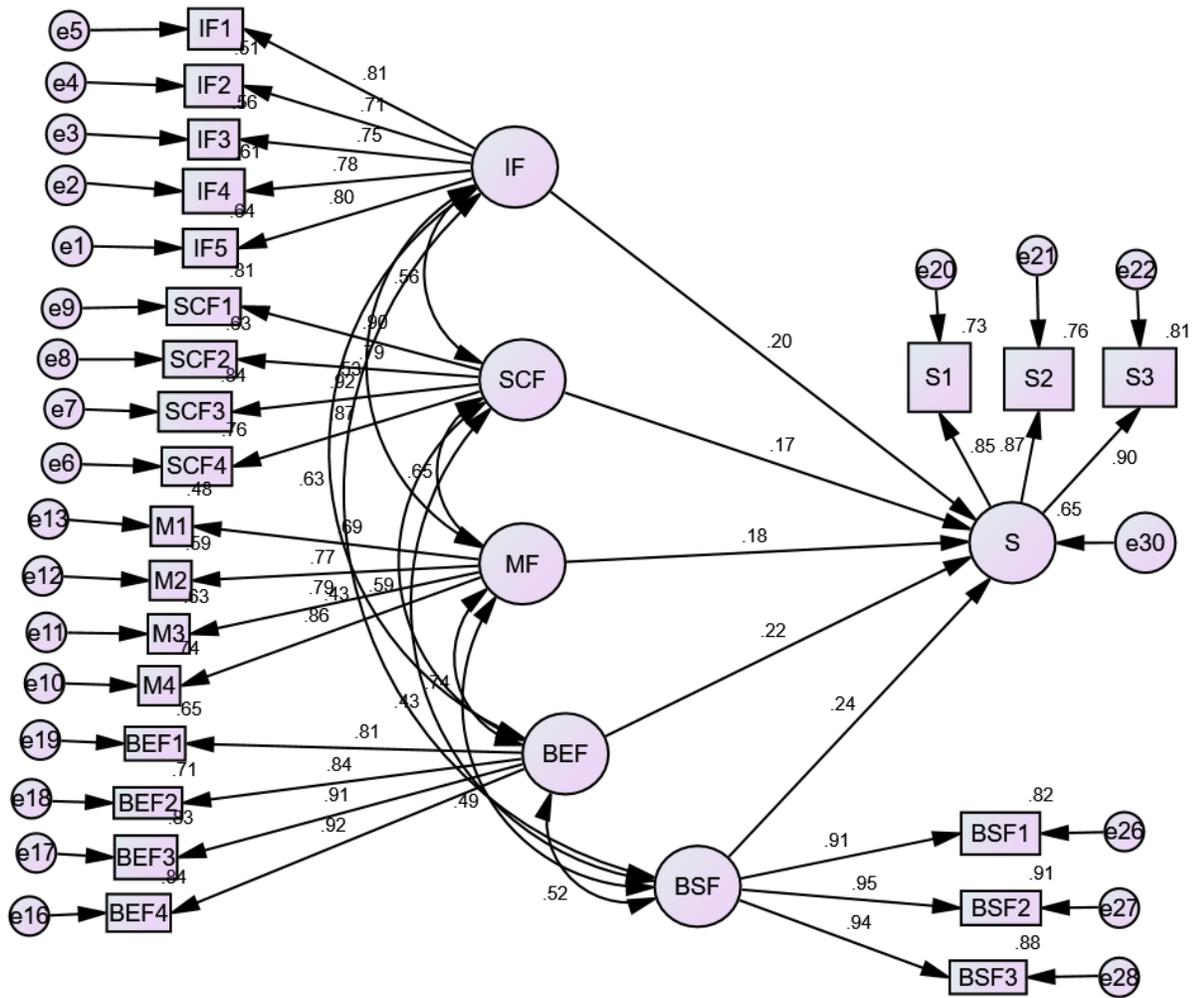


Figure 3

Structural Equation Model for Entrepreneur Success

Source: Primary survey