

# A Study on the Factors Affecting the Growth of Micro and Small Business in Navi Mumbai

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## Abstract

*This studies article pursuits at examining the strategic elements affecting the increase of small business with special focus on micro and small groups located in Navi Mumbai. For the reason the statistics collection is executed from one hundred and five micro and small businesses situated in Navi Mumbai, India. multiple linear regression changed into performed to discover the connection among increase of micro and small groups that is a dependent variable and six impartial variables that are further segregated into 5 independent constructs: the sources and strategies of micro and small enterprise, talents of proprietors and personnel at micro and small business, Strategic orientation of micro and small business, making plans at micro and small business, external environment of micro and small business. The findings inside the studies a boom element model for the micro and small business has been located. Industrial sickness is determined to be the fundamental challenge to economies worldwide. This studies paper has explored the multifaced nature of the commercial illness inspecting its motive, effect on various stakeholders and ability remedial measures primarily based on the take a look at on monetary, managerial and environmental dimensions. A complete literature assessment, statistical evaluation this research paper attempts to enlighten the elements impacting the increase of the micro and small companies. Moreover, the paper examines the profound repercussions of Industrial sickness on employment, economic stability, and societal properly-being. Sooner or later the paper attempts to understand the effective techniques for stopping business illness.*

**Keywords:** Growth, Factors, Lifecycle, Micro and Small business, Industrial Sickness

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## INTRODUCTION

Micro and Small businesses are the major source and the engine of growth & development of any economy, they aid in generating jobs and income, stimulating the competition. They are the major sources of innovative mindset development among youth also a major source for creating and exploring the possibilities for innovative business ventures (de Kok et al., 2011). The presence of micro and small businesses in large numbers in any economy helps in reviewing various aspects related to their operations and in understanding their real operations. The micro and small enterprise are taking the driving seat resulting in strong recovery and growth of world economy and thus imposing itself as a relevant and important research area. Additionally, very high failure rates of micro and small businesses, has attracted the academicians and researchers interest towards overcoming issues related to growth of micro and small business.

The firms which needs investments less than 10crore rupees and a turnover of over Rs 5 crore, but approximately less than Rs 50 crore are termed small enterprises. At the most nascent stage are the organizations which has a ceiling of 1Cr for investment with a turnover of less than 5 crore rupees are defined as micro-enterprises. (Ministry of Micro, 2020)

The micro along with small business together accounts to 25% of gross domestic production in India. The statistical data revealed that these companies' together accounts to 30% of exports by mammoth 90 million job opportunities in the country. Thus, the importance of MSME in the growth and development of India is vital. The Union Budget 2023-24 focuses on ease of doing business for micro, small and medium businesses. The most important measures by the government includes the emergency credit line guarantee scheme (ECLGS), which has delivered additional credits to more than 131 lakh micro, small

and medium businesses. Although various significant strategic steps are being taken by the government for the development of MSME, but the actual results are still awaited.

(Network, 2024) As the MSME sector has a big burden of debt and delayed payments. The remarkable growth rate has been observed by micro, small, and medium enterprises in India accounting to 68% growth in business with the adoption of digital technology. 'MSME Digital Index 2024'.

(Mercy Ejojwokeoghene Ogbari, 2018) Strategic orientations is vital and highly recommended for the survival and sustainability of small businesses. The study done on strategic orientation of micro and small business identified by means of the comparative analysis of small business strategic orientations considering following major variables including aggressiveness, futurity, riskiness, reactivity and analysis and defensiveness for performance

Growth no doubt is a phenomenon which is determined by means of study on various factors, some of which are in the control of the owner of the business whereas some are not in control. By creating jobs, micro and small businesses help to reduce unemployment rates and stimulate economic growth. Another challenge in assessing the expansion of micro and small businesses is that the majority of studies focuses on the rate of business growth, typically failing to identify the significant qualitative variations as how those Companies have experienced expansion (McKelvie and Wiklund, 2010).

(Nieblas, August 17, 2022) According to this report Strategic planning was found to positively influence the performance of small and medium-sized businesses. Strategic planning helps to reduce the level of uncertainty in the business and promotes appropriate decision making and long-term thinking that promote the growth of a business. From the study, it was established that businesses that apply strategic planning can acquire good performance.

(Priya Dhamija Gupta, 2013) According to Business Environment (2001), environmental elements that have an impact on an enterprise's growth can be broadly divided into two categories: internal and external forces. The controllable internal factors consist of the businesses the people resources, strategy, and technological, financial, operational, and marketing capabilities. The uncontrollable external elements comprise economic, sociological, regulatory, legal, political, financial, trade, technical, demographic, and geophysical factors, among others. Concern should also be expressed about micro and small businesses' primary focus on general factors—also referred to as demographic factors—that influence their growth. These factors include the size and age of the business, its organizational structure, ownership, the industry in which it operates, and more (Wiklund, 2009)).

#### **Objectives of research:**

1. Taking into account the distinct economic, managerial, and environmental aspects, the current study sought to comprehend and investigate the different elements influencing the expansion of micro and small enterprises.
2. To comprehend how strategic elements impact Navi Mumbai's micro and small business growth
3. To create a study model for evaluating the possible influences on the expansion of Navi Mumbai's micro and small businesses.

#### **LITERATURE REVIEW**

##### **Micro and small business growth:**

(Prem Prakash, 2023.) Over the previous two decades, the Indian economy has performed well but the rewards of this expansion have not been distributed justly. The impact of micro and small businesses on various socio-economic groups in India has been studied using a variety of metrics, including employment generation, regional industry distribution and entrepreneurship. (Veena, 2021) How the industrial sector is growing in the country decides the growth of the economy. Micro, Small and Medium enterprises are the major contributors in the performance of Industrial sector in India.

(Rahman, February 16, 2021) The study found that the best level of profit with high significance is within the growth stage as the firms takes all types of initiatives during the growth stage of the life cycle of firms

like multiplied new product channels, or they were significantly proactive or they were purposeful. The profitability can go through totally different stages throughout its life cycle. From infancy to decline, the method a company conducts business keeps evolving aboard the event of the profitability. The ways a company employs throughout the introduction stage are different from the plans they create for the growth stage.

#### **Theoretical background of small business growth:**

Numerous research have produced a substantial body of literature that has clarified the phenomena associated with the expansion of micro and small firms. Since such research used various methodologies, it is necessary to categorize the growth-related models. Hamilton (2007). It is assumed that there are too many factors influencing growth and that the realization of growth cannot be explained by any particular factors with dominant effects (Farouk and Saleh, 2011; McMahon, 1998). Deterministic models, on the other hand, have developed throughout time with the goal of determining the set of internal and external variables that can account for the expansion of small firms by identifying certain traits, tactics, and practices associated with the expansion. There is literature that explains development in addition to these models. Growth and development of micro and small businesses in particular are examined in the framework of those classified models, taking into account the lifecycle development principle (Fadahunsi, 2012). These so called life-cycle models explain growth through the stages that businesses experience in their evolutionary development. Every development stage as described has unique characteristics that the company experiences during that phase and have a big impact on how the company may expand. (Aguilera-Andazuri, June 2019) Multiple linear regression and structural equation modeling are used to suggest the connections between competitiveness, technology, finance, and human resources.

The technique of comprehending micro and small enterprises based on life cycle development has been widely highlighted by several models proposed by means of a thorough literature analysis conducted between 1969 and 1972. Which, ever since, have appeared in increasingly sophisticated forms (Steinmetz, 1969; Filley Churchill and Lewis, 1983; Scott and Bruce, 1987; Greiner 1998; and House, 1969; Greiner, 1972; Carroll, 1974. These models can be summarized by saying that businesses are going through five distinct stages of growth. In every one of these phases, there is a calm time of expansion that is followed by a managerial crisis in the companies. Greiner (1972) delineated five distinct phases of development for small and medium-sized businesses. These phases are: innovation, guidance, delegation, and coordination.

(Sree, 2020) Challenges to MSME in India

1. Lack of credit from banks- The banks are providing on an average 50% total capital employed in fixed assets. The cost of credit is also high. Interest rates on MSME loans are between the values 8.65% to 16.25%.
2. Competition posed by the multinational companies who are providing good quality products at economical pricing.
3. The infrastructure of MSME is poor as a result they cannot increase their production capacity while having high production costs.
4. MSME have the real challenge related to raw material Unavailability of raw material and other inputs- For MSME's required raw material skilled work force and other inputs, which are not available in the market. Due to unavailability of these essentials, it is very difficult to produce the products at affordable prices.
5. Lack of advanced technology- The owners of MSME'S are not aware of advanced technologies of production.
6. Lack of distribution of marketing channels-The MSME'S are not adopting the innovative channels of marketing. The ineffective advertisement and poor marketing channels lead to a very poor selling.

7. Lack of training and skill development program- The owners are not aware of the innovative methods of production. The skill developmental schemes conducted by the government are not sufficient.

(Elias Hadjielias, 28 January 2022) This longitudinal qualitative study stressed on the owners, managers and their abilities to build up and strengthen any personal and leadership resilient actions at the level of the small business.

#### **Nascent stage of development (stage of existence) of small business:**

Every business begins its existence with the first step of being established, so this is the period when the business is also focused on creating a product and a market. Within this stage human resources are needed for taking business further, entrance to the key markets is initiated boosting some financial gains, while gaining trust of customers (Churchill and Lewis, 1983). Most of the decisions are made at an operational level, and tied to short-term return on assets and petite, almost non-existent, strategic thinking. Formal planning systems are skimp or non-existent in some cases. The business has a small number of employees, and accordingly there are no major opportunities or task delegations at all the levels. The strategy of the business is aimed at long-term survival, facing current challenges.

(Singh, 2023) Here are some of the key trends that are shaping the growth of small businesses in India:

- The growth of the digital economy is creating new opportunities for small businesses to reach new markets and sell their products and services online.
- The rise of the gig economy is providing new opportunities for small businesses to hire and work with freelancers.
- The increasing availability of affordable technology is helping small businesses to improve their efficiency and productivity.
- The government's focus on entrepreneurship and innovation is creating a more supportive environment for small businesses.

#### **Survival stage of small business:**

Through the second stage, micro and small enterprises leverage the momentum of their previous efforts to stabilize their growth and build on their early successes. However, the majority of the time, this stage is distinguished by a rise in complexity and sales (Scott). as well as Bruce (1987). There hasn't been much system development. Most formal planning consists of cash flow projections. It became imperative that the founder invest more time and energy into the management of the company and the first policies and procedures. Businesses that successfully navigate the initial phase and establish suitable management typically experience a phase of long-term, steady growth. (Mor Surender, 2020).

#### **Success stage of small businesses:**

Stage of small business success: At this point in their evolution, organizations are certain to encounter a number of challenges, some of which include: Using the company's successes to grow, or maintaining the company's stability and profitability.

The proprietor places a greater emphasis on the needs of the clientele before stepping up attempts to raise industry standards of quality. Functional delegation is supported by planning, which takes the shape of an operational budget. Sub stage growth suggests a different focus on the long-term prospects of the firm in terms of the stage's success (Churchill and Lewis, 1983). The expansion of the company necessitates higher production levels and more activities, which call for expertise.

#### **Take-off stage of small business:**

This stage involves a continuous process, followed by a planned expansion in order to increase market share, raise profit, turnover, and market share. The growth of firm capital is one of this stage's main goals, notwithstanding the expansion (Butler, 2006). Will there be enough money to meet the high demand, which suggests growth, is the question. Systems are impacted as expansion accelerates broad and complex. Operational and strategic planning are conducted concurrently and require particular managers.

Decisions at this stage are more strategic and tactical, and operational decisions are delegated to the appropriate supervisory levels. Over the years, depending on the industry and with the help of technology, especially the Internet, new tools are developed that further facilitate the development of small businesses.

**Resource maturity stage of small business:**

The biggest concern of the business that enters this stage is the consolidation and control of financial gains, caused by rapid growth and secondly, maintaining the advantages of the small business, which means flexibility in response and the entrepreneurial spirit. In this part of development, the business typically focuses more attention to efficient management of products or services, and not so much to expansion of activities. The business must extend its management forces quickly enough to eliminate inefficiencies, which can produce growth and bring the business to another professional level using the tools as: budget, strategic planning, and management by objectives and standard cost systems. Educational programs are used for training managers in the area of behavioral skills to achieve better teamwork and conflict resolution (Greiner, 1972). The business at this stage has sufficient manpower and financial resources to engage in detailed operational and strategic planning.

**The literature so reviewed on life cycle of micro and small business has identified the following growth factors:**

- The resources and processes at micro and small business aids the businesses to perform the necessary operational day to day activities. This is initial stage the human resources are hired for production and services with the soul aim to ensure the entrance into the main markets.
- The skills and knowledge possessed by the owner and employees of micro and small businesses is identified as major factor. As the businesses starts to grow, there arise the need for better and larger production facilities and improved quality of production along with better technology and advanced processes which need specialized knowledge and experience. Thus, training the managers and employees can fill that gap. The knowledge gained by the employees through trainings can be the instrument to encourage the growth of businesses.
- The third factor identified is the strategic orientation at micro and small. As the business is taking off from initial stage of growth to advance the focus takes a strong shift from minimal changes in their operational activity to tactical and then the strategic thinking. The strategic and tactical decisions are the responsibility of the business owner, whereas operational decisions are delegated to the appropriate supervisory levels.
- The degree of sophistication of planning in the business is the fourth major factor identified through extensive review of literature. As the business is progressing from initial to advanced stages of growth the volume and working become more complex. The increasing complexity necessitates the need for sophisticated planning concerning processes and resources.

**Research model design:**

A model is proposed to test the impact of the factors so identified related to theory of life cycle on the growth of the business by understanding the transformation of business in each stage containing the important dimensions of operations that are commonly mentioned in close correlation with growth and development of small business in that stage of growth.

Various empirical studies were done by various researchers that helped to understand the growth of small business using different variables, but the present study concentrates on the micro and small business situated in Navi Mumbai.

The studies done on various factors that affect growth some study concentrated on basic or demographic factors and many relevant studies necessitated the need for thorough analysis on strategies and competitive characteristics of micro and small businesses. (Scholes et al., 2010).

**Proposed Model:**

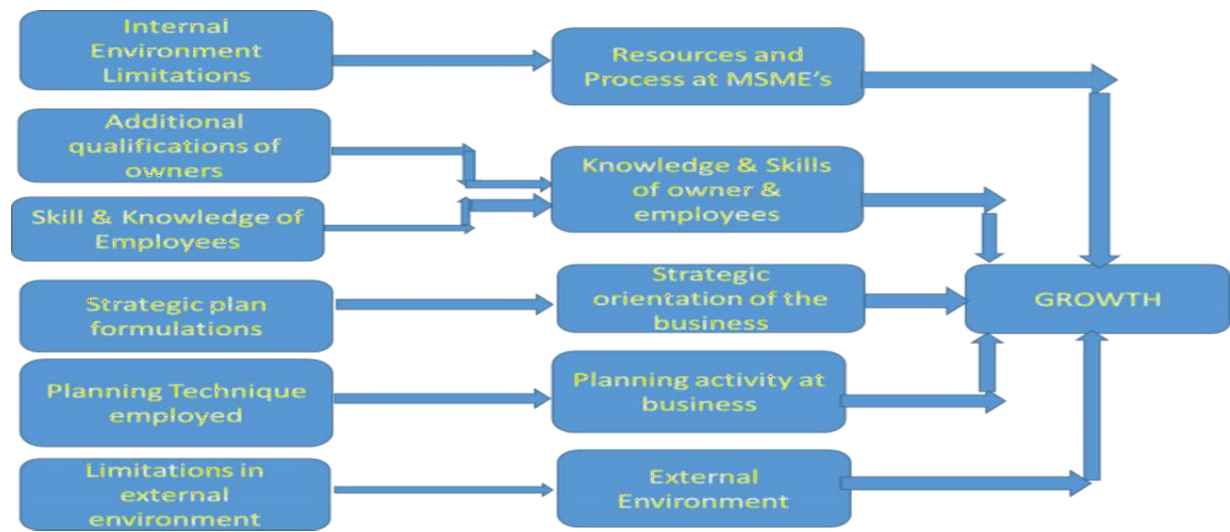


Fig-1

**METHODOLOGY:**

The present research is a combination of qualitative and quantitative research where qualitative data is obtained using a pilot study using interviews and for quantitative data, questionnaires are used to collect data from 105 micro and small business owners and employees using convenience sampling.

**H<sub>01</sub>:** Increasing limitations in internal environment adversely affect growth of micro & small business.

**H<sub>02</sub>:** Employers non-formal education has a positive effect on the growth of the micro and small business.

**H<sub>03</sub>:** Increasing the knowledge and skills among the employees in business cannot lead to the growth of the business

**H<sub>04</sub>:** More attention towards the development of strategic plan has positive effect on the growth of the micro and small business.

**H<sub>05</sub>:** More attention towards the sophisticated planning process positively affects growth of micro and small business.

**The resources and processes at micro and small business:**

According to (Kraus et al., 2006) by evaluating the internal environment of an organization and availability of resources strongly helps in determining the ability of the business to survive and grow. (Maressa, 2020) identified that resources and internal environment factors such as initial investment, access to land, access to finance, location, sectoral engagement, market linkage, and business experience are prominent factors explaining growth of a business. (Covin and Slevin, 1997; Sexton and Bowman-Upton, 1991) explained that, the small and medium businesses along with conserving the resources for growth must concentrate on developing the organization extensively.

**Knowledge & Skills of the owner and employees in a business:**

As described above and in model is expressed by means of two variables which are 1. Additional and informal knowledge of owner & 2. Skill & Knowledge of employees. Employee proficiency and expertise. Higher business growth rates are attained by educated business owners who possess the necessary information, drive, self-discipline, abilities, and confidence (Ucbasaran

et al., 2008). Nonetheless, several writers emphasize that managers play a critical role in the expansion of small businesses, ability to control expansion (Sexton and Bowman, 1991).

The skills and knowledge which is specific for the particular type of businesses becomes a competitive advantage for the business, and it is very difficult to imitate ensuring long-term growth and business development (Helfat and Harris, 1997). A few writers have demonstrated analytically and experimentally (Robson and Bennett, 2000) that there is a positive correlation between employee skill levels and business success. The frequency with which the organizations undertaking training for the employees during the process of growth is found to be positively related to firm size (Storey, 1994).

**Strategic orientation of MSME /small business.**

Strategic thinking of the owner and managing capabilities in the allocation of resources if lacking can be troublesome for a growth of a business (Bhide, 1996). The strategic planning capability of a business is the most sort after element for achieving the long growth. Some empirical studies have reinforced the importance of strategic plan in terms of the degree of fit between the resource base and the strategy of the business (Edelman et al., 2005). (Hitt and Reed, 2000) It is found that human capital resources capabilities and competencies are the source of strategy in micro and small business.

**The degree of sophistication of planning:**

All the businesses of any size have some or the other form of planning process (Kraus and Kauranen 2009). Failure of a strategic plan in small businesses may result in the complete failure of the business. The presence of formal and long-term planning in micro and small businesses are found to be positively related to the tendency of growth. (Masurel and Smith, 2000). The Research positive consistent relationship is observed between the extent of planning activities and the performance of small businesses (Robinson and Pearce, 1984). Planning is often considered to be a crucial element in small business ability to survive and grow (O Gorman, 2000).

**Analytical approach**

Multiple linear regression is applied to test the relationship between various variables where growth of micro and small business is a dependent variable and the resources available to small businesses through limitations in the internal environment; abilities and expertise held by small business owners and staff, as demonstrated by the owner's extra credentials and the staff members' unique abilities and expertise; small business's strategic approach the level of planning sophistication by the nature of the external environment through its limits, as well as the enterprises. Regression analysis has been used in a number of research to examine growth, i.e. the direct or moderated relationship between the growth and its hypothetical predictors

**Sample**

The businesses were selected at random by means of snowball sampling from micro and small businesses situated in Navi Mumbai. The sample size for the research is 105 In the table 1 are presented the basic descriptive statistics related to the sample.

Variables	Mean	Std. Deviation
Number of Employees in micro and small businesses	11.9	12.2
Age of the business	14	8.3
<b>Industry</b>		
Manufacturing	21	20.0
Services	33	50.2
Engineering works	21	24.9

Information Technology	30	4.9
<b>Ownership</b>		
Sole Proprietorship	52	92.5
Partnership Firms	41	7.5
Limited Liability Partnership (LLP)	12	8.1

Table 1. Sample statistics

**Characteristics of sample:** From the data so collected we can say that, the average number of employees in the business taken for study is 11.9 employees and the standard deviation is higher than 12, which is expected because there are a few businesses included which have more than 50 employees also. The average age of the micro and small business considered for study is 14 years, with high standard deviation indicates that some businesses can be older. The sample is mainly drawn from four sectors of the economy i.e. Manufacturing, Services, Engineering and IT.

**Questionnaire and data collection:**

The questionnaire is circulated after discussion over phone to the known micro and small business owner. The questionnaire contains 25 questions where data is collected using the five pointer Likert scale.

The reliability of the instrument is tested using Cronbach's alpha. The study done by Kline in 1978 have proposes a threshold level of 0.7 for newly developed measures where the values lower than 0.7 are considered unreliable. (De Vellis, 2003). However, relatives of 0.60 values can be accepted (Hair, et al. 2006), especially if the variable is measured with few items.

Table 2. Cronbach's  $\alpha$  of latent variables

Latent variable	Cronbach's $\alpha$
Growth	.851
Internal Environment limitation	.763
Additional education of owner	.666
Skill and knowledge of Employees	.737
Strategic plan	.897
Planning techniques in Business	.934

Cronbach's alpha

indicated that the overall reliability of the scale is at a good level from above

**Data Analysis and Interpretation:**

Proposed model as given in Fig-1 contains various variables including various independent variable and one dependent variable. The result of the regression analysis done on the data is as follows:

Table 2. Descriptive Statistics of factors of small business growth

	Mean	Std. Deviation	N
Growth	2.76	0.897	105
Internal Environment limitation	2.71	0.976	105
Additional education of owner	3.45	1.23	105

Skill and knowledge of Employees	3.86	1.02	105
Strategic plan	3.44	1.081	105
Planning techniques in Business	3.2	1.045	105

**Interpretation:**

From the table 2 above can conclude the following:

- The growth level experienced by the respondents is on higher side.
- The additional qualification of owner have high relevance whereas the standard deviation is also high
- High value is observed for acquiring knowledge and skill
- Value is observed for strategic plan reinforcing the importance of this aspect in growth of small businesses.

**Hypothesis Testing:**

The results obtained by means of conducting multiple linear regression are as follows:

Table 3. Results of multiple regression analysis

Latent variable	B	SE	β	p-value
Constant	.509	.206		.014
Internal Environment limitations	.159	.066	.149	.012*
Additional qualification of owner	.311	.051	.250	.000**
Skill and knowledge of employees	-.012	.061	-.013	.880
Developing Strategic plan	.281	.073	.306	.000**
Planning techniques	.098	.072	.106	.172
R <sup>2</sup>	.430			
Adjusted R <sup>2</sup>	.419			
F-statistics	6.273*			
Durbin-Watson	1.882			

\*\*p<0.01; \*p<0.05

B-unstandardized regression coefficient; SE-standards error of the coefficient; β- standardized coefficient; p-value - statistically significance

**Interpretation:**

- The data is symmetric and normal
- There is a 43% of the variability of the dependent variable i.e. Growth of Business is explained by the independent variables taken for the study.
- The variables namely additional qualification of the owner and strategic planning added statistically significantly to the prediction, p < .05.

Thus H01 is accepted

- From Table 3 we can conclude that the additional qualification of the owner which is a latent variable has positive and statistically strong relation with the dependent variable ( $p < 0.01$ ,  $B = 0.250$ ). Thus, it can be concluded that by increasing the owner's qualification the growth of small business is positively affected.[]

**Thus H02 is accepted**

- From Table 3 we can conclude that Knowledge and skills of employees is a latent and a continuous variable have negative and statistically insignificant impact on growth[] ( $p < 0.880$ ,  $B = -0.012$ ). Thus, we can conclude that by increasing the knowledge and skills among the employees in micro and small business cannot lead to the growth of the business.

**Thus H03 is rejected**

- Developing a strategic plan for the growth of the business is a latent variable, which involves determining the different elements contained in the strategic plan, The effect of this variable on growth is positive and statistically very strong ( $p < 0.00$ ,  $B = 0.306$ ). If the level of developing strategic plan increases by 1, the level of growth will increase by 0.306. Thus, we can conclude that, developing a strategic plan positively affects the growth of small business that too significantly.

**Thus H04 is accepted**

- Planning techniques is the latent variable, herein the average is calculated from the intensity of the use of various techniques. The effect of this variable on growth is positive, but statistically weak ( $p < 0.172$ ,  $B = 0.106$ ). Thus, we can conclude that greater attention to the sophisticated planning process can lead to the growth of the business.

**Thus H05 is accepted**

## **CONCLUSION:**

Based on the multiple regression applied on the variables, the findings empirically support the proposed model **FIG-1**

The findings have provided good confirmation for hypotheses 1, 2, 4, and 5.

Additionally, we can state that the multiple linear regression results indicate that three independent variables—the owner's qualification, internal environment limits, and strategic plan development—have a favorable influence on

. In addition to the resources themselves, and strategic processes of businesses are important because they facilitate the manipulation of the resources in creative way by developing value-creating strategies. This result also reinforces the hypothesis stating increasing limitations in internal environment adversely affect the growth of small business, to be accepted.

The findings of the research, empirically support the proposed model of growth factors related to small business. The model proposed the relationship between the dependent variable, which is the growth of business and six independent variables: limitations in the internal environment of micro and small business; additional qualification of the owner; Knowledge & special skills; development of a strategic plan; using planning techniques. The model has explained 43% of the variability in growth of small businesses in Navi Mumbai can be explained by the variables taken for the study. One particularly interesting finding in this research is the direct impact of resources on growth, although this relationship in many studies has been examined as indirect relationship, through the influence of business orientation and growth attitudes of micro & small business owner on growth.

## **Limitations and further research**

The variables under study although contribute for 43% variations in growth but they are not exhaustive. Many direct and indirect relationships are suggested in various empirical studies done so far on growth

of micro and small business. Those dependent and independent variables could provide additional knowledge for the growth and factors that can stimulate the growth of small business.

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