



CHALLENGES AND SOLUTIONS FOR SMALL BUSINESS ENTREPRENEURS

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INTRODUCTION:

Small enterprises are a vital component of the industrial ecosystem. They have a crucial impact on economic development. The growth potential of small enterprises is predominantly contingent upon the prevailing economic circumstances of the country in which they are situated. Throughout a business cycle, an economy experiences expansion, reaches a maximum point, and subsequently enters a decline, followed by a phase of contraction known as a depression. The depression eventually reaches its lowest point before the next phase of expansion begins. A depression refers to a prolonged economic downturn characterised by declining prices, limited access to credit, excessive output, reduced demand, decreased investment, and a significant increase in unemployment.

Operating small enterprises can be challenging. There is a lack of consistent income, absence of benefits provided by employers, and ultimate responsibility lies with the owners. In addition to the high level of uncertainty around the benefits, the work is demanding, requiring a small number of individuals to do multiple functions typically handled by larger organisations, such as sales planning, product management, finance/accounting, collections, management, and IT. These businesses are already experiencing losses as a result of the financial crisis. They have implemented a hiring freeze, initiated employee layoffs, and implemented cost-cutting measures. While the banking system has managed to avert a total collapse, numerous small businesses are nevertheless experiencing the strain caused by the economic crisis. Evidently, a

rapid recuperation is not anticipated. Customers exhibit heightened apprehension around their personal income and expenditure. As this cycle persists, it will increasingly compel small enterprises to optimise their resources and make difficult decisions in order to endure the ongoing crisis. Businesses and customers are facing a shortage of credit, necessitating owners to exercise prudence in their credit utilisation and prioritise cash flow optimisation. Additionally, it is an opportune moment to innovate and strategize for post-credit crisis company endeavours. In his book "The AMA Complete Guide to Strategic Planning for Small Business," Kenneth J. Cook stated that comprehending one's industry and foreseeing its future trends and orientations provides the necessary information to respond and exert influence over one's share of that market.

OBJECTIVES:

- 1) To understand the benefits of small businesses compared to huge corporations
- 2) To examine the internal and external challenges faced by small business entrepreneurs.
- 3) To disclose the solutions for small-scale entrepreneurs

METHODOLOGY:

This paper relies on secondary sources of data. The secondary data has been gathered from many books, journals, and websites.

ADVANTAGES OF SMALL BUSINESS OVER LARGER COMPANIES:

Small business entrepreneurs can creatively apply the same principle to capitalise on the financial conditions and potential business slowdown. Occasionally, being little can be advantageous. The owner may be unaware, yet small businesses possess numerous benefits over larger corporations amid an economic slump. For example:

1. Agility: Large corporations exhibit a sluggish pace, while tiny businesses possess the ability to swiftly adjust to emerging trends and industry

advancements. Remain detached from industry and market trends. Small enterprises frequently find it more convenient to modify their company plan and even shift their course. The smaller scale allows for a rapid evaluation and revision of the business plan, as well as the ability to respond to market situations, such as taking advantage of new sales channels.

2. Financial Control: Small enterprises typically encounter fewer difficulties when it comes to reducing expenses and implementing cost-cutting measures. Even a simple task like turning off lights and machinery to decrease energy costs is more easily handled in a small organisation. However, it is also more convenient to relocate to smaller facilities and even function with a more adaptable staff.

3. Rapid Response: It is likely that owners have a closer proximity to clients compared to the Managing Director of a large corporation. Entrepreneurs can promptly assess their emotional state and determine their true desires. This allows for prompt and precise decision-making regarding the necessary actions to retain customers.

4. Access to Support: The government provides ample assistance through the newly implemented Small Business Finance Scheme. Larger corporations lack the level of transparency, ease of access, and impartiality in their support services.

By capitalising on these strengths, they can enhance their likelihood of surviving the upcoming year. Any occurrence that provides additional time for a small business proprietor is a valuable opportunity to contemplate the business and its prospects for expansion, as well as personal development goals and strategies for advancing the business to a higher level.

STRATEGIES AND AVENUES FOR IMPROVING A BUSINESS:

This insight explores the potential prospects and presents further suggestions that can be applied immediately, resulting in dividends when the economy rebounds. Each proposal is predicated on the premise that the financial crises/recession has impeded business operations, affording business owners the

opportunity to contemplate and pursue significant business concepts that are typically neglected when business is running at full capacity.

There are numerous methods to improve a corporation when one can finally dedicate complete attention to the job. For instance, a decrease in business activity provides an opportunity for owners to update their marketing materials and technology, train their employees in multiple skills to enhance adaptability, or strengthen their own financial resources by either obtaining an open line of credit or accepting the numerous offers of new business credit cards that are available to financially stable businesses.

RESEARCH AND DEVELOPMENT:

In contemporary company, research and development holds significant significance due to the escalating levels of rivalry, production processes, and methodologies. Hence, the small firm should prioritise the initial action of emphasising "innovation". This does not imply the need to generate entirely novel business concepts, but rather presents an opportune moment to enhance existing practices. Continuously seeking opportunities to innovate will enhance the "VALUE" of the current firm and ensure its long-term survival.

PERSONNEL:

Although businesses often want to avoid downsizing or staff layoffs, it may be necessary to explore this option in order to ensure the financial stability of the company. Utilise this period to provide training to staff in various job roles or the utilisation of novel technologies, so ensuring that the business workforce surpasses competitors in terms of customer value and overall business performance, consequently granting the business a competitive advantage in marketing and operations. Once the business experiences an increase in activity, as it is bound to do, the owner will have a rejuvenated and well-informed workforce that is prepared to address client needs, provided they have utilised the slow market period to unwind, contemplate, and recharge on a personal level. This enables small enterprises to optimise employee utilisation on alternative projects or downsize their workforce.

PURCHASING:

During a market downturn, it is advisable for small business owners to engage in negotiations to secure lower costs without sacrificing quality. Additionally, they can seek favourable payment terms that allow for a longer credit period, as well as potential benefits such as volume discounts or off-season discounts. Alternatively, they can consider renegotiating existing agreements. Currently, it is an opportune moment to get extended agreements at discounted prices. Additionally, it is advisable to explore alternative transit options that might lead to cost reduction. Prioritise your utilities and operational matters above all other considerations. Prioritising electricity and water expenses is essential. Having already excluded non-essential items from your budget, it will now be simpler to allocate funds for the necessary expenses that require careful consideration.

PRODUCTION:

Businesses can strive to enhance quality by implementing various methodologies such as 6-sigma, TQM, Kaizen, etc. Additionally, they should prioritise maintenance to minimise downtime. Furthermore, they can make informed decisions regarding whether to produce internally or outsource (make or buy).

MARKETING:

Successful enterprises are founded on exceptional customer service. Amidst the current period of ambiguity that we all encounter, delivering exceptional service will ensure client loyalty. It is crucial to prioritise the provision of services to "loyal customers". Exemplary customer service entails always seeking opportunities for enhancement. To identify methods for improvement, it is advisable to directly solicit input from your existing clients and promptly respond to it. Utilise periods of staff inactivity to assess the current items and devise novel packages for customers, rather than resorting to reducing the prices of existing packages. These items might serve as a bridge between existing products or provide a more streamlined and affordable option

for clients. Hence, during a period of economic decline, it is imperative for the small business proprietor to thoroughly analyse the client demographics of the organisation and ascertain novel customers and innovative marketing strategies to effectively target them. Emphasise the implementation of the most efficient and economical marketing and advertising strategies. Maintain the website's currency by minimising promotional content and emphasising more affordable items. Enhance profit margins by directly selling to clients and eliminating intermediaries whenever feasible. Therefore, prioritise the enhancement of sales rather than the pursuit of new product development. Instead of allocating significant resources to development, focus on seeking out fresh outlets and new clients.

FINANCIAL MATTERS:

"Generating revenue is a creative process, while reducing expenses is a technical process." If debtors are tardy in making payments, the amount of accounts receivable can become unmanageable. If this circumstance is allowed to continue, the small business owner ultimately ends up offering free loans to others who may not have the financial means to cover all of their expenses. Now is the opportune moment to retrieve payment for all outstanding debts that have been overdue for a period of 30 days or longer. Minimise daily operational expenses. Implementing alternative schedules can enable a business to fulfil its requirements in a reduced number of days per week, hence decreasing operational expenses. Strategic financial planning can alleviate issues and assist prudent individuals in avoiding financial losses during economic downturns. This encompasses maintaining a reserve of financial savings, implementing early cost-cutting measures during an economic decline, and renegotiating rental agreements, among other strategies. Let me clarify, the proposal is not to initiate the aforementioned enterprises, but rather to incorporate more business lines into existing operations, so creating new sources of revenue. These other revenue streams are mutually supportive of the primary revenue, so that when the original revenue decreases, these revenues will increase. Hedging is a risk management technique that is considered the most effective method.

ISSUE OF MICRO ENTREPRENEURS:

The presence of numerous challenges in rural areas poses significant barriers to the development of entrepreneurship.

1. Issue within the organisation:

- i. Small-scale entrepreneurs face a lack of finance. The financial planning is inadequate. There is a possibility of an unfavourable debt equity ratio and insufficient working capital.
- ii. Small-scale entrepreneurs face challenges in accessing affordable high-quality raw materials. This occurs as a result of their constrained capital, which leads to an escalation in the cost of raw materials.
- iii. Small business owners in rural areas encounter challenges regarding their geographical location. Insufficient infrastructure, inadequate transportation, scarcity of trained and skilled workforce, low labour productivity. It raises the labour expenses.
- iv. The old manufacturing system is used due to a lack of competence in information technology. There is a deficiency in understanding marketing methods and other related variables.
- v. Rural entrepreneurs primarily rely on a single customer or a limited number of consumers, which prevents them from capitalising on market opportunities due to a lack of robust market organisation.
- vi. They must confront an inadequate pricing policy.
- vii. They have storage issues as a result of a lack of capital and sufficient facilities.
- viii. Insufficient technical expertise and a shortage of trained and skilled workers hinder the achievement of optimal capacity utilisation. This may result in significant wastage, inadequate quality control, and delays in implementing necessary modernization measures.

2. External Issue:

- I. The supply of raw material is irregular.
- II. In rural areas, the issue of power deficit is highly severe.

- III. Additionally, issues may arise around water scarcity.
- IV. In rural areas, there is a lack of sufficient transportation infrastructure and poorly maintained roads.
- V. The issue of natural disasters.
- VI. vi. Influence of the political climate.
- VII. vii. Insufficient financial resources give rise to numerous difficulties.

TREATMENTS:

The issue of small-scale enterprises needs to be addressed in order to promote rural development. The following measures are recommended for the advancement of rural entrepreneurship.

1. Loan cum grant scheme: In order to address the issue of financial constraints, it is recommended to implement loan schemes that also incorporate grant elements. A low-interest rate should be provided for long-term loans in rural areas.
2. Preservation of traditional trade: Villages possess a rich heritage of traditional crafts, including the production of agricultural equipment, leatherwork, and ornamental items. Government intervention is essential to safeguard traditional trade.
3. A specialised training programme should be created to enhance the proficiency of the workforce.
4. Education: Entrepreneurial education ought to be provided at educational institutions such as schools, colleges, and universities. An essential component is required.
5. Entrepreneurship Development Programmes (E.D.P. Programmes) are necessary for cultivating an entrepreneurial mindset.
6. Marketing Centres: To address the challenges of marketing in rural areas, it is necessary to construct marketing centres.
7. Information Provision: Government assistance is necessary to provide information to small entrepreneurs regarding increasing output and enhancing quality. This information should be disseminated in both Hindi and regional languages.

SUMMARY:

An array of strategies will be implemented to encourage individuals to engage in entrepreneurial endeavours. Dedication and unwavering backing are essential for any endeavour aimed at liberating India. A collective endeavour must be made to elevate entrepreneurship in the small-scale industry sector. It is imperative for social activists, NGOs, government agencies, and the corporate sector to actively participate in facilitating the transformation of individuals and encouraging them to pursue entrepreneurial opportunities in small-scale industries (SSI).

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