

# **A Study on Challenges of MSME in Tourism and Hospitality Industry**

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## **ABSTRACT:**

Worldwide dynamism and rapid evolution in tourism industry, call for a new entrepreneurial approach, both in new business development and existing businesses. This paper aims to identify the relationship and role of Micro, small and medium enterprises in the tourism and hospitality industry and their link to the socio-economic development of the local community. Micro, Small and medium-sized enterprises (MSME) are non-subsidary, independent firms which employ lesser than a given number of employees. Micro, Small and medium enterprises (MSME) make up the vast majority of businesses in most countries. In the early stage of the tourism development, entrepreneurship has played a vital role, especially in the rural and ethnic community where the multinational firms and international hotel chains were less interested in investing because of comparatively-small size of the potential market. The objective of this report was to present an analytic report about the existing psychological, economic, legislative, and social problems in these types of businesses. The most notable disadvantage of MSME is, usually, the lack of financial resources, weak capitalization. The entrepreneurial challenges faced by the tourism industries need not be viewed as obstacles but they need to focus on strategies to help them combat this. The entrepreneurs can grab these opportunities by choosing the right field.

Key Words: Tourism, MSME, entrepreneur, challenges, development

## **INTRODUCTION:**

Tourism and hospitality industry is a complex sector, a distinct field of activity, a component of economic and social life that offers multiple opportunities for small business development, but also capital intensive and highly competitive. Currently, entrepreneurship, business development and innovation through MSME are important drivers for success in the tourism and hospitality industry, major sources of jobs. Worldwide dynamism and rapid evolution in this industry, call for a new entrepreneurial approach, both in new business development and existing businesses. This paper aims to identify the relationship and role of Micro, small and medium enterprises in the tourism and hospitality industry and their link to the socio-economic development of the local community. Entrepreneurship in tourism and hospitality industry must boost competitiveness, leading to increased productivity and economic development. Tourism entrepreneurship is a dynamic factor in the development of local society's economy. The aim of the article was to find problems in small tourism entrepreneurship. The objective of this report was to present an analytic report about the existing psychological, economic, legislative, and social problems in these types of businesses. The most notable disadvantage of MSME is, usually, the lack of financial resources, weak capitalization.

## **MSME:**

Micro, Small and medium-sized enterprises (MSME) are non-subsidary, independent firms which employ lesser than a given number of employees. Micro, Small and medium enterprises (MSME) make up the vast majority of businesses in most countries. It may also vary from industry to industry. The strength of MSME is the high capacity to adapt to changing business environments, the flexibility to redirect their activity. These are entities that are much easier to control due to their smaller size and can be considered as staff “incubators”, MSME in the local market being the most powerful private employer in the economy at national level. At the same time, MSME generally lack the financial strength to support themselves for long periods of reduction or stagnation of activity or financial loss, requiring support in these periods, when they cannot act as a supplementary source of budget revenue. The tourism industry offers a wide range of business opportunities for the local people, which develop the social norms and financial activity as well. Among all types of tourism business, a high percentage of people choose to start with a small type of tourism business, because of flexibility, less capital and social demands.

**MSME in Tourism Industry:**

The increased demand in the tourism industry stimulated the emergence of more small and medium sized hotels, resorts and lodges. The hospitality industry targets: food, recreation, accommodation for those who are away from home for longer or shorter periods of time, including hotels, restaurants and commercial activities such as: guest houses, snack bars and fast-food establishments.

The development of family business provides a specific backdrop for entrepreneurial activities in the tourism and hospitality industry. These businesses are often focused on a vision that puts personal and family needs and preferences before profit maximization. The tourism industry attracts many entrepreneurs through business operations in this area, even if in most cases, more than 80%, leadership is provided by the owner, who does not always have the necessary training. In the Asia pacific region, recently they had tremendous elevation of farm attractions, homestays, family style restaurants and cafés and retailing stores that cater to tourists of different type. In the early stage of the tourism development, entrepreneurship has played a vital role, especially in the rural and ethnic community where the multinational firms and international hotel chains were less interested in investing because of comparatively-small size of the potential market. For the sake of economic development, entrepreneurship was considered as a central force, because it generates growth and has a great impact on innovation and change.

The above diagram shows that the wider-angle of components in tourism industry. Though the primary trades are well-known as tourism businesses, also in the secondary trades has huge contribution in tourism industry. According to that diagram the primary trades were referred to hotel industry, travel agency, catering industry, transport industry and all the subcomponent under those industries. The ranges of secondary trade are also extensive, for instance retail shop, convenience, facilities, bank and finance institutions, suppliers of goods and services for hoteliers and all the other related business with those trades.

Leisure and hospitality business can be linked with the local product and resources and help to diversify the economy, enhance the government revenue, amplify the educational and cultural horizon and improve feelings of self-worth. It improves the quality of life related to the higher level of income, and the standard of living. Tourism industry helps to preserve the heritage and traditional back up; also it enables environmental protection and improvement. Tourist are mostly attracted to the local culture, so it peptonize cultural virtues and provide employment for the artist, musicians and other performing artist. It enhancing the cultural heritage and provides recreational facilities that may be used by a local population. It breaks down the language obstacles, social

cultural barriers, class barriers, racial barriers, political barriers and religious barriers. Creates a friendly image for the destination worldwide and promotes a global community- international understanding and peace.

### **CHALLENGES OF MSME**

Different kinds of challenges are associated with the tourism business. The flow of the income can vary from time to time. Sometime he could face the money loss because of competition, market price, or government policy, so he needs to be prepared to forgo regular income. The challenges and difficulties can be different in any type of tourism business. Some challenges came up with planning and starting business. Some challenges appear during running the business, some challenges with organizing and changing markets. Some challenges attached with marketing and future planning.

### **FINANCIAL DIFFICULTIES**

Money matter is one of the bigger fact, no matter what are you doing whether for personal life or for a business. To start up a new business you always have to think about money. In this case, most entrepreneurs are facing problem with collecting the capital. It is necessary to have entrepreneur's own capital or savings to start. Though there is many financing company and expertise assistance are available but nobody has seek their advice and money lending except one from all the interviewees. According to them, it is very hard to fund raise their business unless they have their own savings capital and it is impossible to get success from the business by taking loan. Often the lack of friends and family members make it difficult to arrange desired fund for the business, when friends and family is one of the biggest option to fund the capital. In every stage of the business, finance is most essential elements to continue it smoothly. As it is needed to start a business, also it is necessary to be prepared for the unforeseen expenses. People who are not financially solvent and does not have their own capital in most cases it is hard for them to be successful, and many of them think, after taking loans if business get fail it becomes very difficult to recover that crisis. Likewise, this type of uncertainty and not enough savings creates unbroken restriction to the entrepreneurs' path.

### **COMPETITION:**

Competition is one of the biggest challenges for the small business. This competition has a lot of influence especially on tourism business. Small businesses are mostly typical and when someone thinks about starting a new business, they are almost same kind (e.g. food, accommodation). As a result, growth of the business becomes so competitive and it is hard to go further with the business. Less competitive market increases the business growth and attracts more people. Selling a variety of products, offering credit facilities, selling of quality goods and services and offering customers' additional services like free training, using price to compete may mean lower profits, even if it may translate into higher volumes. However, this strategy can be employed by everybody hence spelling a death knell for the business given the fierce competition in the small business sector.

### **REGULATION:**

Official procedures and regulations did not hinder the business activity but there is some bureaucracy still exists in the business registration and in other legal system. A. Starting a business in the food industry require some mandatory official procedures and preparations. Building up a hygienic kitchen, environment inspection, food inspection sometime makes a business slower in the establishing period; for this long procedure an entrepreneur often revert from the business

activity. To make an entrepreneur motivated and inspired for the business activity, government rules and regulations should be more flexible for the small businesses.

**POOR SECURITY:**

Security threats pose a great challenge to businesses and many business owners and managers employ various means to help prevent or deter would-be criminals. Some entrepreneurs make use of security firms or guards to safeguard their businesses in addition some close early to avoid this while others opt to carry their stocks home while some sleep in their business premises as a security measure. This implies higher cost of doing business as they respond to the security challenges.

**SEASONALITY:**

Seasonality has long been recognized as one of the most distinctive features of tourism, and after the movement of people on a temporary basis, may be the most typical characteristic of tourism on a global basis. Most tourism product has its own season for demand. It fluctuates greatly between seasons of the year. The nature of seasonality has great influence on tourism businesses. The occupancy of tourism service goes higher during the peak season, which goes up to 90% to 100%. Seasonality has frequently been viewed as a major problem for the tourism industry, and has been held responsible for creating or exacerbating a number of difficulties faced by the industry, including problems in gaining access to capital, in obtaining and holding full-time staff, for low returns on investment causing subsequent high risk in operations, and for problems relating to peaking and overuse of facilities.

**HIGH FIXED COST:**

A fixed cost is referred to one that has to be paid just once in advance to run a particular business and to receive customers. Tourism service has a very high fixed cost of service operation and has a low variable cost compare to the other business. The main components of fixed cost in tourism businesses are; site (capital costs and annual maintenance costs); rents, leases and rates; equipment (including repairs, renewals and servicing); heating, lighting and other energy costs; insurances; wages and salaries and social provision for full time employees; management overheads and administrative costs; the bulk of marketing costs.

**INTERDEPENDENCE:**

Each aspect of the tourism component is in part dependent on other aspects or components for success. A vacation planner buys a combined product, when they start their journey to the destination, not just one product. If the destination is an attraction then it is related with accommodation, transport and other services, such as recreational activities and catering.

**STRESS:**

It is such a problem for which many people are afraid to become an entrepreneur. Especially at the initial stage of business, all the process of entrepreneurship could be stressful. It is entrepreneur himself who take the responsibility for the success or failure of the business. Not only when the entrepreneur is in duty, has almost all the time had an entrepreneur needed to engage with the entrepreneurial activity. It is hard to find time for leisure and recreation. He needs to manage his time very effectively.

**CONCLUSION:**

The hospitality and tourism industry is in no doubt a good provider of economic development in the country. The entrepreneurial challenges faced by the tourism industries need not be viewed as obstacles but they need to focus on strategies to help them combat this. Challenges are inevitable which include: Problem solving, being agile, promotion inter firm cooperation and networking, in addition to this embracing technology and subsequent upgrading. There are huge opportunities available in mostly all fields for entrepreneurship in India. Tourism has a wide opportunities in India because domestic and foreign tourist rising every year. India has heritage sites, hills stations, beaches, diverse culture, wild life, rural life etc. Attract tourist. The number of tourist is increasing year by year in India because of this sector must be well organised and require well trained professionalism persons and good hospitality. Due to, lot of opportunities for entrepreneurs in the field tourism like; provide good transport facility, hotels, available guides to tourist etc. The Indian government is also contributing to create opportunities through “make in India”. The entrepreneurs can grab these opportunities. The conclusion of this research is that; there are lot of opportunities available for entrepreneurs in India. From these opportunities anyone can start and explore himself as an entrepreneur by choosing the right field.

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