

## **EXPLORING FACTORS HINDERING MSME GROWTH IN SEYCHELLES: CHALLENGES AND STRATEGIES THE MSMES USE TO SUSTAIN BUSINESS**

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### **Abstract**

In Seychelles, the Micro, Small and Medium (MSMEs) have been regarded as the backbone of an economy due to their contribution to the economy. Despite the considerable research conducted on the MSME, there is a lack of in-depth studies on the challenges faced and strategies that MSMEs to sustain their business. This research aims to explore the challenges that impede the MSME's growth in Seychelles and discover the strategies that those businesses use to survive and sustain their business during a crisis. In this exploratory study, a semi-structured interview was conducted with owners of seven MSMEs operating in Seychelles. Through the findings, it was discovered that most of the challenges that the MSME experienced in Seychelles were external challenges. The challenges include financial constraints, government support, supply chain disruption, drop in revenue and labour availability. Some of the key strategies include promotion through social media, diversification, and other intensive strategies. This study is expected to provide a better understanding of SMEs.

**Keywords:** *Survival, MSME, Strategies, Challenges, Hinder, Growth*

## 1.0 Introduction

In this Modern era, the market environment is continuously evolving, requiring businesses to be innovative to generate a more competitive outcome (Ahmed et al., 2020). Small-Scale businesses are significant contributors to employment creation and play an essential role in contributing to the national economy (Essel et al., 2019; Kadam, 2019). Seychelles is a small island state found in the Indian Ocean, with approximately 98,000 people, of which three-quarters of the population is living on the main island Mahe. Seychelles has been ranked with the highest GDP per capita in Africa (World Bank, 2021). In 2019, Seychelles recorded a GDP of 1.58 billion dollars (O'Neil, 2021). This small developing archipelago depends mainly on the tourism industry and imports, making the country economically vulnerable to external shocks. For instance, during the pandemic, the economy declined significantly from 3.9% in 2019 to a negative 13% in 2020, mainly driven by low tourism activities (World Bank, 2021).

Before Covid-19, the Seychelles economy was performing well, mainly due to foreign direct investment (FDI) and their contribution to the development of the key economic sectors within the country (Unctad, 2020). The pandemic has heavily impacted Seychelle's economy, as the virus has left the country with economic uncertainty. The data collected by the chamber of commerce and industry has indicated that the MSMEs were the most vulnerable during the pandemic, as most of them are highly dependent on the tourism sector (Nation, 2020). According to the Ministry of Finance, Trade, Investment, and Economics (2019), MSMEs play a vital role in developing the Seychelles economy as it represents the primary source of new start-up businesses. These businesses have great potential as it contributes to economic growth and innovation. The Growth of the MSME in Seychelles is driven by the domestic private sector, contributing to the overall GDP and employment rate. The 2019 tax registration data shows that the MSMEs in Seychelles account for 90% of all businesses and contribute to 41% of the total employment rate of the country. However, the MSMEs contribute to 16% of the total GDP, which indicates that they are not operating effectively and efficiently within the market (Nation, 2020).

Many kinds of literature acknowledge that the MSMEs are encountering constraints that hinder their ability to grow to their full potential (Ahmed, 2021; Djatmiko & Pudyastiwi; 2021; Tinarwo, 2016; Bjelvert & Tornberg, 2019). However, these studies have been conducted in a different economic context; therefore, little or no study is conducted on a small island state such as Seychelles. Moreover, it is essential to conduct this study in Seychelles, as research or data are scarce on the MSME (unctad, 2020). Therefore, this study is sought to thoroughly explain the significant challenges that the MSMEs in Seychelles encountered that hindered their growth potential.

Despite those challenges, MSMEs are still operating within the Seychelles market; this can be seen through their total percentage against all firms in Seychelles. However, their production is few compared to the larger companies (nation, 2020). Moreover, the literature has identified the survival strategies that the MSME used to remain operational in the market (Nadyan et al., 2021). Nevertheless, there is surprisingly no study in Seychelles that has analyzed the strategies that MSME uses to survive despite the constraints they encountered. It is essential to conduct this study in Seychelles as it can provide the authority with information on the current situation of the MSME as well as provide insight into how the MSME survives in another economic context. Therefore, this research also explained the survival tactic used by the MSME in Seychelles.

## **2.0 Literature Review**

### **2.1 Challenges Faced by Businesses**

Access to finance and other financial constraints is one of the key challenges faced by MSMEs during a crisis. Past studies and scholars have agreed that the significant constraints that hinder the growth of the MSME are financial constraints (Gupta, 2018; Singh, 2015). In its study, Belas (2017) mentioned that many SMEs encounter multiple difficulties implementing profitable projects due to the lack of financial capital. Gupta (2018) agreed that the MSME faced difficulties attaining timely and adequate finance from organized sources such as the bank and the financial institution. Singh (2019) argued that numerous conditions prevented the bank from providing credit to the SME, for instance, the unstable equity pattern and the lack of credit history.

The inability of the MSME to provide collateral or guarantee upon application of loans increases the difficulties for those businesses to attain access to finance (Belas, 2017). In their paper, Panday, A P. & Shivesh (2007), cited by Gupta (2018), agree that investor rarely invests within those businesses due to the high risk affiliated with the MSME. Choudhury & Goswami (2019) Mentioned that the size of the loan amount and the lack of sufficient assets to provide collateral hinder the small business's ability to obtain access to formal loans. Saifurrahman and Kassim (2021) revealed that one of the main obstacles that hinder the growth, sustainability, and performance of the MSME, especially in developing and emerging countries, is the lack of skills, attitude, knowledge, and awareness on how to manage the finance professionally and transparently.

According to Saifurrahman and Kassim (2021), MSME entrepreneurs make inadequate, ineffective, and inappropriate financial decisions because they lack financial knowledge and do not have the time to learn personal financial management. Khatri (2019) reveals that the MSME lacks awareness of the financial assistance scheme available. However, Hassan et al. (2011) argued that the financial institution created for SMEs does not offer the suitable working capital required by those businesses. During the pandemic, it was more difficult for the MSME to obtain access to financing (Affandi et al., 2020). For instance, In Indonesia, 74% of the MSME was unable to obtain finance within those periods, which caused many MSME to run out of business as they were unable to continue their production (Affandi et al., 2020).

Another critical challenge is the competencies of MSMEs to manage and sustain their business during a crisis. Rahman (2016) revealed that the past literature has failed to address the real issues of the MSMEs and claimed that marketing and management skills are the common challenges. According to Cant (2012) & Ramachandran (2019), SMEs lack the knowledge to market a product. Ramachandran (2019) agreed that the significant challenges that SMEs face are the lack of sufficient knowledge in marketing the goods produced by the firm and the lack of adequate contact that may help towards business development. Cant (2012) further agreed that insufficient marketing knowledge might reduce the SME's profitability in the business. Goyal et al. (2017) further highlighted that the MSME is constrained by the lack of access to the market and inadequate demand. Based on research conducted in Ethiopia, 69% of the SMEs categorized the lack of access to the market as a challenge. The researcher has provided considerable evidence that marketing is one of the significant and influential role in the growth and success of the MSME, and it is an essential factor that may contribute to the success or failure of the MSME (Singh, 2019).

According to Rahman et al. (2016), a lack of managerial competencies reduces the ability of SMEs to develop sound plans and strategies for effective management. Thorat & Padma (2016) highlighted that in many MSMEs, the owners are the managers, as they do not have the funds to hire a professional and well-trained manager. As a result, they cannot decide on the technology and capital. They often underestimate the amount of capital the business requires, install poor technology, and

make the wrong management decision. Hence management incompetence has been identified as a challenge that hinders the business's growth ability.

The lack of training and inadequate skills is another major constraint for the MSME, and it has a significant impact on MSME growth (Bouazza, 2015). Lack of skilled workforce and entrepreneurial and managerial expertise is another challenge highlighted by Kumar (2018); for instance, in Bihar, it is argued that the lack of managerial competencies and proper training on capital management and resource planning hinder the growth of those businesses. Similar research conducted by Singh (2019) mentioned that MSMEs obtained more challenges in terms of human resources than larger firms. Mittal and Ramman (2021) agreed that limited managerial skills by small business owners would limit the growth potential of the businesses.

Government regulatory requirements further added to the challenges faced by MSMEs. A study by McKinsey (2020) highlighted that state and local governments are facing an unprecedented and rapidly evolving situation during a crisis. The study stated that state and local governments are facing the extraordinarily difficult task of addressing unprecedented crises. The poor regulatory environment is another challenge that hinders MSME growth in most regions around the globe; for instance, Sub-Saharan Africa has been ranked as the worst place of doing business (Samson et al., 2017). Bouazza et al. (2015) agreed that an unfavourable business climate harms the growth of the small firm, and the complicated rules and regulations, unfavourable tax system, and inadequate infrastructure may hamper the growth of the MSME. The author also added that corruption increases unfair competition within the market.

Competition and sustaining competitive advantage is another challenge faced by MSMEs. According to Singh (2019), many MSMEs encountered tough Competition from Multinational corporations and large domestic firms in the market. They have advanced managerial ability, production and technology, skilled workers, and a diversified range of products with better product quality. Based on the survey conducted by Kusi et al. (2015), 96% of the respondent agrees that poor domestic demand is a constraint that limits the growth of the MSME in Ghana. Bouazza et al. (2015) argued that competition is a significant hindrance for small businesses. Khatri (2019) highlighted that the market is uncertain and highly turbulent for the MSME because of the intense competition from the cheap importation of the finished good, which had resulted in many MSMEs shutting down their operation.

Drop-in revenue and increased costs added to the challenges faced by MSMEs. Hartono et al. (2020) emphasized that the decline in demand during the pandemic had constrained the MSME to growth, as the public income declined, causing sales to decrease. As a result, some MSMEs encountered difficulties paying for their expenses, such as loans. Shafi et al. (2020) agreed that the MSMEs were constrained by the decrease in demand, as 44% of their respondent agreed that they experienced a reduction in demand during the pandemic.

Availability of raw materials and supply chain disruptions further added to the challenges faced by MSMEs. According to Khatri (2019), the MSME encountered numerous challenges due to the unavailability of raw materials. As the author exclaimed that the MSME sector is greatly affected by Supply chain inefficiency, as the procurement of the material is the most challenging task amongst those groups of business; as they depend on the middleman since they have a weak financial position and are smaller in size, which makes the entire process costly. Shafi et al. (2020), Agreed by claiming that 47.83% of the MSME experienced supply chain disruption during the pandemic, as its results illustrated that most MSME is vulnerable to supply chain disruption.

Generally, Mabhungu & van der Poll (2017) argues that part of the MSME's challenges may have nothing to do with the lack of financial access, and market, but rather being able to sustain the performance to succeed or survive. The author further added that lack of access to finance will not

always result in survival or success as the business may have a more outstanding debt if the source is a loan.

## **2.2 Survival Strategies And Tactics used by MSMEs**

According to Nadyan et al. (2021), survival strategy is an interesting concept to study, as many small firms are currently facing multiple problems keeping their business afloat, especially during Covid-19. The survival strategy refers to the ability of businesses to survive within the market as they deal with financial shock or pressure using multiple strategies. The MSMEs are diligent workers that do not give up under any condition; although they have multiple limitations, they can still survive. Nadyan et al. (2021) stated that the MSME uses three main strategies to survive in the market: active, passive, and network strategies. In the active strategy, the MSME usually diversifies their income or seeks another job position to obtain an additional income by doing a side job. Passive strategies are when the MSME operates frugally to meet their family's primary needs. The network strategy is when the MSME uses the social network by generating a formal and informal relationship with the institutional and social environment. During the covid-19, the MSME cut off employees, lowered prices, made new products, and changed their businesses to support and survive in the market (Reniaty, 2019).

According to Gupta (2016), SMEs are prone to failure and need working capital; therefore, they rely on government support to survive. Shafi (2020) agreed that the MSME encountering financial issues needs the Government, national, and local provincial to provide them with loans, especially during the pandemic. Based on a study conducted by Sinurat et al. (2021), it was discovered that customer loyalty is essential for small businesses to survive as customers will purchase the product continuously once they feel confident about the product. Therefore, they will not switch to a substitute product. Additionally, SMEs adjust and respond to the business environment to remain operational. Syapsan (2019) agreed that SMEs could move from one business to another due to its flexibility.

Ifekwem & Adedamola (2016) added that SMEs could be sustainable if they overcome the internal and external challenges that they encounter. The author discovered that SMEs in Nigeria use Porter's generic competitive strategy to grow and survive within the market. It was highlighted that the SMEs used the focus strategy to concentrate on a specific market segment, as they have limited resources. They use a differentiation strategy to differentiate their product from their more significant rivalry to increase their income/profit. Moreover, SMEs also use cost leadership to compete and survive by having a low cost per unit. In the survey conducted in Oshodi-Isolo LGA, 64% of respondents agreed that the SMEs used the generic competitive strategy to survive in the market, and 76% of respondents agreed that small businesses use the differentiation strategy to survive in the Oshodi-Isolo LGA market. Rahman (2016) argued that the survival and success of a firm depend on its ability to become innovative and maintain business competitiveness and relevancy.

During Covid-19, the MSME used three strategies to survive and expand in the market: by using online technology, adapting to the new environment, and minimizing the expenses that are irrelevant to the business (Nadyan, 2021). Neneh (2011) argues that MSMEs survive because the owner possesses an entrepreneurial instinct. According to Bourletidis & Triantafyllopoulos (2014), many businesses experienced a reduction in their sales during the pandemic as people searched for cheaper substitute products in the market. Thus, SMEs have a high level of adaptation as they produce inferior goods to meet the market demand due to the sudden shift from luxurious to necessary goods. Additionally, many entrepreneurs reduced the price of their products to attract new customers and reduce the cost from the supplier through the process of stock procurement.

Omar (2020) categorized the SMEs' strategies to survive during the pandemic as marketing and financial strategy. Based on an interview with 20 SMEs in Malaysia, the author identified that SMEs

adopt flexible strategies to maintain their financial position in the market. Those small businesses ability to grab new opportunities by venturing into a new product line, their quick action and flexible resources have sustained their cash flow and prevented their firms from going into bankruptcy. For instance, one of the respondents highlighted that they have stopped selling all their products to focus on selling hand sanitiser and disinfectors due to the high demand. Some of the respondents change the salary scheme of their employees, save money in their cash reserves to sustain their business in times of hardship, and others seek help from the Government through the schemes. SMEs also used social media to advertise their product.

### **3.0 Research Methodology**

This research was conducted using the interpretive approach, the most common type of research philosophy for qualitative research, as it assumed that the reality is socially constructed as there is no single observable reality. It is believed that there is different realities or interpretation of a single event. According to Merriam & Tisdell (2016), researchers do not find knowledge; they construct it instead. Interpretivist researchers have the intention to understand the "worlds of human experience." Interpretivism relies on the participants' view of the scenario being studied and relates the research's impact on their background and experience. Interpretivism assumes that reality is subjective and can differ from individual to individual. Thus, this approach was used to provide an in-depth understanding through collecting and interpreting the qualitative data that led to a conclusion on the research phenomena (Alharahsheh & Pius, 2020).

The inductive approach was used for this study as it is usually based on interpretivism phenomenology (Thomas, 2006). The inductive approach is commonly used in the qualitative analysis as it uses the raw data to build concepts, themes, and models rather than testing hypotheses (Jebreen, 2017; Merriam & Tisdell, 2016). The raw data was collected from the interviewed, analyzed, and used to generate a theory. This approach was used to extend the knowledge of the MSME's constraints and strategies and develop new theories or concepts (Daellenbach & Woiceshyn, 2018). According to Merriam & Tisdell (2006), basic qualitative research is based on the belief that knowledge is created by people continuously as they interact with and make meaning of an experience, phenomenon, and activity.

The basic qualitative research approach was used to thoroughly understand the factors that hinder the growth and strategies used by the MSME to remain operational in Seychelles, based on the MSME business owner experience. The qualitative approach was used in this study to meet the research objectives and explore the participant's opinion on the research topic based on their knowledge, experience, and feelings through the interview (Buelow & Chamberlain, 2009). The qualitative study is preferable for this research as it seeks an in-depth understanding and answers the research question. Time Horizon is the total time it takes for the researcher to complete the whole research. For this exploratory study, the Cross-sectional time horizon, also known as the one-shot, was used to collect data. Using the cross-sectional studies, the data was collected only once within the eight months FYP duration to answer the study's research question, and there was no follow-up (Bryman, 2006; Bougie, 2016).

According to Merriam & Tisdell (2016), the researcher is the primary instrument for the data analysis and collection, as the main goal of this research is to obtain a better understanding of the research phenomena. An online face-to-face semi-structured interview was conducted with each participant individually. The qualitative interview question was small compared to the quantitative approach, as it aimed to explore the participant's opinion on the research phenomenon. The interview consisted of an open-ended question and was often accompanied by probing questions, and the semi-structured guide was used to guide the interview. The interviewer ensured that the dialogue in the interview meanders the research question. In this exploratory study, the primary data was collected using the semi-structured interview on the zoom platform, as the participants were in Seychelles and the

interviewer was in Malaysia. According to Showkat & Parveen (2017), the interview duration varies, but it is usually a long-time duration, as the interviewer explored the participants' experience of the research phenomena.

The interview question was distributed to the participants before the interview. The Pilot test was conducted before the primary interview to ensure the clarity and appropriateness of the question while also predicting the total time that the whole interview would take. Each participant was given a week to prepare themselves before the formal interview. After each interview, the researcher wrote the script to ensure that any adjustment needed to be made to the interview question can be done before the following interview, as the aim was to ensure that the interviewee answered the research question entirely. The pilot testing was unreliable, as some questions had to be adjusted for the interview to go more smoothly and effectively. Purposive sampling was used to select and identify the information-rich cases to effectively utilize the available resources (Etikan et al., 2014). This sampling method was used to identify the participants based on their possessed qualities.

According to Mason (2010) and Guest et al. (2020), no quantified number of interviews is required for the qualitative study. Creswell (1998) cited by Guest, (2005) recommended a sample size of 5-6 participants, and MORSE (1994) cited by Guest, (2005) recommended a minimum sample size of 6 participants. As recommended by Cresswell (1998) cited by Guest, (2005) and Morse (1994) cited by Guest, (2005), the size of the population sample was seven participants. The saturation points also guided the sample size, as it has been highlighted as the best method to determine the sample size for the in-depth interview.

The data analysis was conducted after the data collection when new themes or categories were not identified (Bloom et al., 2006). The recorded interview was transformed into a written transcript; the written transcript was analyzed through coding, and the text was coded into themes (Bailey, 2008). Although transcribing seems to be a straightforward task. The researcher had to translate the audio or video from creole into English while fixing the grammar error to ensure that the script was understandable and readable. *Thematic analysis* is a systematic method used to identify and offer knowledge into the patterns of meaning (Theme) across the data set. This analytical method enabled the researcher to make sense of the shared or collective experience and meaning. The thematic analysis was used to identify what was familiar with the information given during the interview and make sense of those commonalities (Clarke, 2012).

#### 4.0 Results and Discussion

This research involved 7 MSME business owners from different sectors on the Mahe island. The age of the participants varies between 21-51 years old, and the business age varies from 1.5-6 years old. All the participants were eligible for this study as they had all been identified as MSME business owners. To comply with the ethical standard regarding confidentiality, the participants in this research had been referred to as participants 1 to participants 7.

**Table 1: List of Participants**

Name	Age	Duration in Business	Duration of Interview
Participants 1	26	3 years	48:20
Participants 2	54	6 years	36:00
Participants 3	39	6 years	30:55
Participants 4	21	3 years	20:39

Participants 5	51	1.5 years	15:41
Participants 6	34	5 years	19:00
Participant 7	35	5 years	20:00

The participants shared their experience on the subject matter through the one-to-one semi-structured interview that varied between 15-45 minutes. With the aid of the Semi-structured guide, the participants were directed to answer the two-research question. The data were analyzed manually using thematic analysis, which was conducted to extract the codes and categorize the data into themes.

### Research Question 1

What are the constraints that impede the Growth of MSMEs?

Following their experience as an MSME business owner in Seychelles, the participants highlighted multiple constraints that had hindered their growth potential in Seychelles.

### External Challenges - Government Support

Government support was one of the significant challenges that the MSME encountered in Seychelles. Five of seven participants agreed that the Government did not provide sufficient support and constrained their businesses to grow.

**Participant 1:** *"Government is partially putting pressure on small businesses. The tax and fees that they are imposing are destroying small businesses. They are offering some grand, but sometimes getting access to the funding is difficult. For instance, they should better market the opportunity they offer the small businesses. Moreover, the Government created some NGOs to promote and help small businesses. However, not every organization is advertising the service they are offering."*

**Participant 2:** *"I believe that the government should be putting more pressure on the bank to help the businesses so that they give a better deal when it comes to the loan."*

**Participant 3:** *"In my opinion, I do not think that they are doing enough, especially when it comes to the export of fish, because as I mentioned before, we only get compensation on fuel, and that is all. Some businesses benefitted from some schemes, but mainly the more significant company, the small fisherman, did not benefit a lot. The Government is not paying close attention to what we can produce and what value we can bring to the industry."*

**Participant 6:** *"During the covid-19 period, the Government told us to close our service because of the high covid cases; they did not help us with any money or funding."*

This study above is consistent with the study conducted by Gupta (2016), which emphasized that the Government is a body that the MSME should rely on to survive in the market. Shafi (2020) agreed that the MSME encountering financial issues needs the government authorities to provide them with loans, especially during covid-19. According to Choushury & Goswami (2019), For innovation to occur within a country, there must be appropriate government policy and support networks. Moreover, the finding aligns with the study conducted by Khatri (2019) and Muralitharan et al. (2020), which claimed that there is a lack of awareness of the scheme offered by the Government to the MSME.

### Financial Constraints

Another prominent theme that the participants discussed was financial constraints. Five out of seven participants agreed that financial constraints are another factor hindering the growth of the MSME in Seychelles.

**Participant 1:** *"We had to work harder for us to get more revenue to pay for the necessary expenses, especially during the covid-19 when the raw material became more expensive and fewer people purchased our product."*

**Participant 2:** *"The Financial problem is one of the major problems that the MSME face. Construction is a business that would not evolve if you don't have finance because you will not buy new equipment to develop your business. Moreover, the interest with the commercial bank is a bit high."*

**Participant 3:** *"The problem is sometimes fisherman finds it difficult to get loans with those banks, which gives the people the boost or upper hand for them to continue."*

**Participant 4:** *"There is a lack of access to funding, especially in the software as a service. When it comes to providing services, we lack the funding to develop them, and we lack the funding to maintain them."*

**Participant 6:** *"There were times when I couldn't pay my rentals. it was not easy since I am renting a house and a saloon simultaneously. DBS provides small businesses with loans, but it is very difficult for us to get financial access with the other commercial bank."*

This research is consistent with the research conducted by Belas (2017), which exclaimed that many SMEs encounter difficulties implementing profitable projects due to the lack of financial capital. Moreover, Biwas (2014) cited by Belas (2017) agree that MSME encountered challenges in obtaining finance from external sources such as the bank because it is expensive and limited. This finding was also consistent with a study conducted by Affandi et al. (2020), as they acknowledge that it is more difficult for the MSME to obtain access to finance during pandemics. The financial gap theory further supports the findings, as it implies that multiple obstacles prevent SMEs to obtained access to finance. Additionally, the study conducted by Hartono et al. (2020) further explained how the reduction in sales and public income during the pandemic had impeded the MSME's ability to pay their expenses.

### **Lower Revenue and Customers**

Another essential theme identified is the significant drop in the number of customers. Four participants agreed that they had experienced a reduction in the demand for their goods or services during the pandemic. Most of the participants exclaimed that they struggle to maintain their sales during covid-19, as the demand in the market worsens.

**Participant 1:** *"During the covid-19 the demand for printing had reduced, as we were not getting the same amount of orders we used to get from our loyal customers. The purchasing power of our small client had reduced by a lot. Therefore, the small customer cannot purchase many items from our business".*

**Participant 3:** *"The main problem is that Our market size had reduced; therefore, it was not attractive for the fisherman to go fishing. When hotels were closed during the lockdown, and tourists were not entering the country, the people and businesses were not buying our fish."*

**Participant 5:** *"My biggest challenge was to be able to maintain sales. That is because hotels were closed and there was a lack of tourists, while most takeaways were also closed, so I struggled to keep sales. Since hotels were my biggest customers, my profits dropped, and I had to rely on more minor sales such as individual sales or takeaways."*

**Participant 6:** *"Before covid-19, we had more clients, and during the covid-19 is a bit difficult for us to work because of the reduction in customers."*

This finding is consistent with the research conducted by Hartono et al. (2020), which illustrates a reduction in customer demand during the pandemic as public incomes declined. This study is supported by the study conducted by Kusi et al. (2015), which highlighted that poor domestic demand is a constraint limiting the growth of the MSME. Bourletidis & Triantafyllopoulos (2014) highlighted that many businesses experienced a reduction in sales during covid-19, as people tend to

search for a cheaper substitute product. Goyal et al. (2017) further acknowledge that the inadequate demand in the market constrains the MSME.

### **Supply Chain Disruption**

Another theme shared by the participants of this study is the supply chain disruption; four participants exclaimed that the raw material constraints had disrupted their supply chain.

**Participant 1:** *"Our main challenge is the increasing price for the raw material. We were unable to purchase the amount of raw material that we required. The increase in the prices makes it difficult for us to obtain these raw materials".*

**Participant 3:** *"The main challenge is that the price is not stable when it comes to the materials. For instance, the price for the hooks and lines is constantly increasing"*

**Participant 5:** *"One of the major challenges we faced was the lack of raw material because there were no cargo and flight during covid. Hence, we didn't get the spices to do the masala."*

**Participant 6:** *"Material that I work with is a bit difficult for me to get access to it."*

This study had found to be consistent with the research conducted by Khatri (2019), which indicated that the MSMEs are encountering challenges due to the unavailability of the raw material. In its study, Khatri (2019) further mentioned that the MSME encountered difficulty acquiring the raw material due to their size and financial position. They depend on the middleman, making the process more expensive, henceforth supporting the MSME answer on the expensive raw material. Additionally, the study of Shafi et al. (2020) also proved that MSMEs are vulnerable to supply chain disruption, especially during the pandemic.

### **Maintaining Competitive Advantage**

The participants indicated that numerous competitors offer similar or cheaper products or services in their field, which generated intense competition in the environment. Therefore, hampering the growth of their business.

**Participant 1:** *"we had to make our service more attractive because it is a bit challenging, as we have different competitors who are doing printing in the market. Some customers prefer to print their products abroad because it is cheaper"*

**Participant 3:** *"There are many fishermen and a lot of people doing this business, so we are stagnant".*

**Participant 5:** *"The product made in Seychelles is more expensive than the imported product. If you compare raja with my local masala, raja is way cheaper".*

This study is consistent with the research conducted by Bouazza (2015), which argued that competition is one of the major hindrances for small businesses. The finding is supported by Khatri (2019), which indicated that the market for the MSME is uncertain and turbulent because of the intense competition from the cheap importation of the finished good.

### **Internal Challenges - Unavailability of Labour**

The unavailability of labour is another theme identified in the interview. Two participants mentioned that they encountered difficulty obtaining workers interested in working in their field.

**Participant 3:** *"The main problem with my business is the lack of labour as it is difficult for us to get the workers that work in this type of field. I am currently having difficulty finding good local fishers who understand how to work in the fisheries industry".*

**Participant 2:** *"The biggest problem is that we do not have employees because in December all the foreign employees returned to their home country due to the covid-19 issue and we cannot make them*

*return to Seychelles until now. Even though we tried to replace them with the local employee, the problem with the local workers is that we do not get any, and those we are getting are unreliable."*

This finding is consistent with the study conducted by Kumar (2018), as he claimed that the lack of skilled workers is a challenge experienced by the MSME. Sign (2019) agreed with the finding by stating that the MSME encountered more human resources challenges than the larger firms.

### **Managerial Competencies**

In their interview, two participants indicated that the MSME did not have the managerial skills or competencies to deal with some of the challenges encountered, which hampered the business's growth. The participants also emphasized that the MSME does not have adequate training to manage their business effectively.

**Participant 1:** *"We had to deal with some challenges internally since we are a business that is still young, and we have a lack of experience, so we had to adapt to those things. Many people that are doing business did not go to business school. We have to do trial and error; we learn from our experience".*

**Participant 2:** *"There are those small businesses whose management system is zero. For the small business to grow, they need a good management system".*

The finding is consistent with the research conducted by Rahman et al. (2016), which claimed that the lack of managerial competencies reduces the ability of the MSME to manage their business effectively, which corresponds to the participant's response on the subject matter. The finding also corresponds with Thorat & Panda's (2016) study, which claimed that the MSME business owner could not afford to hire a manager. Therefore, they cannot decide on factors such as capital and technology, thus, hindering the business's ability to grow. A study conducted by Kumar (2018) and Mittal and Raman (2021) agreed that the lack of managerial skills and proper training slows the growth of businesses.

### **Lower Growth of Revenue**

A common theme highlighted by the participants is that the MSME is experiencing a reduction in their growth; due to the challenges they experienced, especially during covid-19.

**Participant 1:** *"During covid-19, the growth of the business had reduced as we were stagnant".*

**Participant 2:** *"The employee doesn't see themselves as part of the company, and that is one of the problems that I think prevent the small business from growing."*

**Participant 3:** *"As a business owner, I find it difficult to grow in that business. People were supposed to break through in that industry, and I see it as a struggle."*

**Participant 4:** *"The lack of necessary funding and the necessary support from the government had impacted our business a lot."*

**Participant 5:** *"Since hotels were my leading customers, my profits dropped, and I had to rely on minor scales."*

**Participant 6:** *"We cannot be productive; we cannot get the material to satisfy the customer."*

This finding is consistent with the literature, as many studies had highlighted how different challenges had hindered the growth of the MSME. For instance, the study conducted by Gupta (2018) explains how financial challenges hamper the growth of businesses. Thorat & Padma (2016) exclaimed that management incompetence hinders MSME growth. Kumar (2018) agrees with this statement by stating that a lack of management competencies and proper training slows the growth of businesses. Moreover, in Ghana Bouazza et al. (2015) argued that competition is one of the major hindrances for small businesses.

## Research Question 2

What are the survival strategies that the MSME are using to remain operational in the Seychelles market?

To survive in this competitive and intense financial hardship period, the MSME business owner highlighted different strategies that their businesses have been using before and during the pandemic while also expressing the future strategies they intend to use to grow their business.

### Product Promotional Strategy

The findings of this research show that the majority of the MSMEs use a promotional strategy to market their product to potential customers. Five participants indicated that they utilize social media or word of mouth to advertise their products.

**Participant 1:** *"We have ventured a little bit on marketing; we had to make our service more attractive. We had advertised on Facebook and Instagram; We had sent fliers to all the emails on our system. To be honest, it had worked"*

**Participant 2:** *"Most of the work that we get is our previous customers that re-take our service and the client that we received from word of mouth."*

**Participant 3:** *"Beforehand, we advertise our product mainly through the phone call from our contact and the people that bought our product and sold it to the hotel, and sometimes it was from the contact that we got from the hotel. Now we have attracted people from social media platforms such as Facebook."*

**Participant 4:** *"We started to implement the social media strategy, so we focus on reaching out to people on social media rather than just word of mouth or typical offline marketing."*

**Participant 6:** *"We had to advertise and post on Facebook; that is the strategy I am using."*

This finding aligned with the research conducted by Omar (2020), which claimed that the MSME used social media to advertise their product as a form of marketing strategy. Moreover, during the pandemic, the MSME used a marketing strategy to survive in the market.

### Pricing Strategy

Another theme being discussed by the participants in the pricing strategy. Precisely, two participants indicated that they had to retain or reduce the prices of their products or services to maintain and attract new customers.

**Participant 1:** *"The demand for Printing has reduced, so as an entrepreneur we had to search for the client by ourselves; hence, we had to reduce the prices of our product to make it more affordable and attract more customers."*

**Participant 5:** *"I tried my best to sell my product at the same price, but I lost a bit of my profit. I'll rather lose some profit and sell my product rather than increase the price of my product, and I don't sell anything."*

This finding is consistent with the research conducted by Reniati (2019), which indicated that MSMEs during the pandemic reduced the price of their product for them to survive in the market. The research conducted by Bourletidis & Triantafyllopoulos (2014) also supported the findings. They claimed that the MSME reduced the price of their product to attract new customers. This finding is also consistent with the study conducted by Ifekwem & Adedamola (2016), which claimed that SMEs used cost leadership to compete and survive in the market by having a low cost per unit in the industry.

## **Product Branding**

Some participants expressed that they had strengthened their product strategy to attract and maintain their customers. They used this strategy to obtain their trust and loyalty towards the product and services they offered.

**Participant 1:** *"We had to emphasize on the product quality we had also increased the speed of our services."*

**Participant 2:** *"The strategy that we had used at the beginning is that we had created a brand name. We didn't go for profit; instead, we built our brand reputation, we made sure that we were a reliable business, and brought quality products and services."*

**Participant 5:** *"I made my product more interesting in terms of the packaging."*

The finding is consistent with the research conducted by Sinurat et al. (2021), which discovered that customer loyalty is essential for small businesses to survive in the market because the customer would be the one who at the end of the day would purchase the product, once they are confident in the SME's product, they will not switch to the substitute product in the market.

## **Promotion Strategy**

Some of the participants declared that they used the promotion strategy to encourage the customer to purchase their product to increase the sale of their business.

**Participant 1:** *"during covid-19, we promoted the mask, and product design related to Covid. For instance, the stickers related to social distance".*

**Participant 5:** *"I provide my customer with a sample to test my masala, and then if they like it, they can start buying it. Through this strategy, I get more customers."*

The finding is a new aspect discovered in this study, as it is not consistent in the literature above; since the previous research in the literature did not indicate the promotion as a strategy that the MSME used to remain operational.

## **Partnership**

Two participants mentioned in their interview that the primary strategy they are using is joining partnerships with other businesses in the market to facilitate the development and growth of their business.

**Participant 2:** *"We had collaborated with SIT for us to get students to train, in a way for us to deflect our labour force because foreign workers cost twice as much than local employees."*

**Participant 4:** *we are also doing some partnerships that will help sustain our business in the long run, so we have a few partnerships that we have done that are helping us stay afloat. We are thinking of partnering with a telecom provider to boost the trust or loyalty in our services because the services that we will offer rely a lot on internet access. Then we are planning on partnering with the banks as well because there are services that we want to offer that relies on the banking infrastructure. one last thing that we are doing right now is partnering with NGOs to create workshop and stuff like this and to create awareness for our services".*

This finding is a new aspect of discovery for this research, as the literature above did not identify partnership as a strategy that the MSME used to stay afloat or grow in the market.

## Diversification

To survive during the pandemic, some participants diversified their businesses by offering new products or services to attract more customers and increase their revenues to accommodate their expenses.

**Participant 1:** *"During the covid-19, we had to become more innovative to attract new customers. Covid has also brought some opportunities for us because it reached a point where all the shops needed stickers for social distancing, and everyone needed to wear a mask, so we printed many masks."*

**Participant 3:** *"In terms of the strategy, we had seen that we need to be more innovative; we need to reach out to more customers because there is a lack of exportation."*

**Participant 4:** *"we had to find some ways for us to do the things that we do not want to do. For example, develop websites for other people because there are already many businesses doing those types of things"*.

**Participant 6:** *"We were targeting to buy some things for me to sell apart from the hairline product. I started selling things related to beauty, such as perfumes; I sell them in the saloon."*

This finding is consistent with the research conducted by Nadyan (2021), which claimed that the MSME adapts to the new environment by diversifying their product to survive and expand in the market. This finding is also consistent with the study conducted by Omar (2020), which claimed that the MSME could grab the opportunity in the market by venturing into a new product.

## 5.0 Implication of Study

The result indicated that one of the common challenges that MSMEs are encountering in Seychelles is inadequate government support, as many participants claimed that the Government does not provide them with enough support for them to grow. From the finding, it is evident that many MSME is not aware of the scheme or grant offer by the Government. Therefore, the Government or policymaker can use this finding to modify the scheme to accommodate the MSME's challenges and increase the awareness of the scheme and the grant they are offering in the market. Another significant challenge identified in this research is the financial constraints, the Government and the banks can use this new finding to increase the accessibility of the financial loan for the MSME in Seychelles, and the bank may reduce the interest on the loan for small businesses so that the MSME can better afford the financial service in the market.

Moreover, future MSMEs can use this new finding to educate themselves on the internal and external challenges that impede MSME growth to prepare themselves better before entering the market. Through this research, they would learn from the experience of the current MSME in Seychelles. Through this exploratory study, the current and future MSMEs would learn and understand the strategies used by the MSMEs to survive and remain operational in the market. One of the most effective strategies used by the participants in the promotional strategy was advertising on social media. The participants declared that this strategy is helpful for them to share the awareness of the product or services they offer to attract customers. Another essential strategy identified is the diversified business strategy to attract new customers, especially during covid-19. Therefore, the future and current MSMEs can use the finding in this study to identify the strategy that will suit their business more, as they will be able to obtain a list of strategies that the MSMEs are using and the impact that those strategies have on these MSME businesses performance.

Theoretically, this study contributed new knowledge to the existing literature on the research phenomena. In this research, the MSME claimed that the challenges they had experienced had hindered their ability to exploit new opportunities within their industries. The literature did not identify partnership and promotion as a strategy that the MSME used to survive in the market. The

MSME claimed that these strategies were effective as they helped them accommodate some of their challenges. Additionally, the literature supported some of the participants' responses regarding the challenges and strategies—for instance, inadequate government support, unavailability of labour, promotional, and price strategy.

## **6.0 Limitations and Recommendations**

Firstly, the qualitative research method was used to collect data from the participants. Therefore, seven participants were chosen for this study, limiting the research's generalization. The conclusion was created based on the input provided by those individuals rather than the average MSME in Seychelles. The researcher would recommend that the future researcher conduct a quantitative study on the research phenomenon to increase the sample size of this research and obtain a more generalized understanding.

Moreover, in this exploratory study, the researcher did not target a specific sector to collect the data, as the participants chosen were selected from different industries on Mahe, therefore, limiting the researcher's ability to explore the research phenomena in a specific sector thoroughly. Future research should focus on a specific sector to thoroughly understand the research phenomena in the industry chosen. The research is conducted on Mahe island in Seychelles, limiting the data collection scope to explore the research topic beyond the Mahe island to get a more thorough and accurate analysis of the phenomenon. The future researcher should conduct the research phenomenon in another geographical location to obtain another perspective on factors that hinder the growth and strategies used by the MSME to remain operational in another geographical environment.

This research only focuses its data collection on MSME business owners. Therefore, it failed to gather information from other institutions that work with the MSME, such as ESA, which is familiar with the research phenomenon as they work with different MSMEs daily, causing the data collected to be biased, which may explain why there were multiple external challenges identified in this study. It is suggested that the future researcher consider interviewing other institution that works directly with the MSME, rather than focusing their data collection solely on the MSME business owner to reduce the biasness of the data collection, as those institutions will also be familiar with the research topic. This study was qualitative research; only seven participants were interviewed. Therefore, the researcher did not confirm or test the theme to a larger population. It is recommended that the researcher conduct a mixed method followed by a quantitative to test the theme in the future.

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