

# CHALLENGES FOR ENTREPRENEURS IN HOSPITALITY INDUSTRY DURING COVID-19 PANDEMIC

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## ABSTRACT

Entrepreneurship is a key element of growth and development prospects for all countries. A nation how so ever rich in material resources, cannot prosper if its resources are not put to productive use, for this purpose, energetic entrepreneurs are needed who can contribute effectively for national prosperity. The only solution is promotion and development of Entrepreneurship, as entrepreneurship aims at making an individual a job provider and not a job seeker. The economic activities of different nation irrespective of their status have been severely affected during this COVID-19 pandemic and economists considered it as recessions and a depression. Coronavirus disease (COVID-19) has affected many entrepreneurs irrespective of type of industry but some have been affected more than others. This paper examines main challenges of entrepreneurs which entrepreneurs face during the COVID-19. The main problems faced by the entrepreneurs are cash flow deficit, raw material shortage, labour shortage, demand reduction, contract breach risk and logistics block in hospitality industry for an entrepreneur during COVID-19 pandemic. Finally, the conclusion states the theoretical and practical implications by highlighting the effects on the small and medium sized enterprises in hospitality industry. Data was collected using a structured questionnaire. The study chooses entrepreneurs from hospitality industry in the Puri District of Odisha. The collected data was presented in the tabular form and they are interpreted.

**Keywords:** COVID-19, entrepreneurship, hospitality industry, challenges, Puri District, Odisha

## INTRODUCTION

Entrepreneurship is considered to be a significant determinant of economic development. New entrepreneurial activities play a pivotal role in the process of creative destruction that encourages innovation, employment and growth. In an emerging country like India, entrepreneurs are making remarkable contribution towards economic development. Developments in the fields like education, infrastructure, industrialization, information technology and other primary amenities have helped in building favorable entrepreneurial environment in the country. Women entrepreneurship is gaining importance in India and women have created their position in the industry. The policy and institutional framework towards developing entrepreneurial skills, providing vocational education and training has widened the horizon for economic empowerment of women. Government of India and State Governments have implemented various schemes like exclusive Entrepreneurship Development Programmes (EDPs), Trade Related Entrepreneurship Assistance and Development

Scheme for Women (TREAD), Mahila Coir Yojana and various financial grants in order to encourage women entrepreneurship in the nation.

Entrepreneurship requires an entrepreneur to be a person of superior ability who pursues his or her goals despite of obstacles, opposition, setbacks, and failure. He or she must persist in the face of adversity, unknown challenges, and risks and learn from failures, have confidence in his or her capacity to deal with the world, and take practical rational steps in the pursuit of the goals. The successful entrepreneur tends to be a visionary, competent, independent, action-oriented, passionate, confident, and virtuous person who uses reason to focus his or her enthusiasm on reality in the efforts to attain the goals. Hence, the entrepreneurs face many challenges while starting their business. It includes financial related problem, government related problem, production related problem and labour related problem. It discuss about the various barriers and how they overcome the barriers by solving the problem.

The economic activities of different nation irrespective of their status have been severely affected by this pandemic and economists considered it as recessions and a depression (McKibbin and Fernando, 2020). In addition, the lockdowns resulted in reduction in the demand for certain products while the restrictions on international movement have affected the supply chain (Nicola et al., 2020). Further, decrease in consumer spending primarily caused due to rise in unemployment rates has also affected the economy (Sigala, 2020). This situation requires academic research that can provide firms and governments with strategies on how to cope with the change Liguori and Pittz (2020) highlight how new strategies are needed for a business to survive and thrive in the era of Covid-19. Given the omnipresence of entrepreneurship in the global business environment, it is important to understand how the Covid-19 crisis has impacted the economy (Foss, 2020).

The purpose of this article is to provide an overview of various forms challenges experienced by the entrepreneurs with regard to the Covid-19 crisis. Since, the adverse impact of Covid-19 crisis still operable, entrepreneurship provides a way to positively impact the global business environment. Furthermore, by focussing on entrepreneurship it can advance our understanding of the disparate ways business activities can help in times of crisis. Finally, the conclusion states the theoretical and practical implications from the study by highlighting the effects on the small and medium sized enterprise industry.

## **REVIEW OF LITERATURE**

Dana's (1987) also suggests that entrepreneurial learning style preferences are consistent with active participation and that increased opportunities to participate in the classroom would increase student awareness and enhances the ability to learn from experience. Dana further argues that the emphasis should be on improving entrepreneurial skill development and on the importance of learning the skill to learn as an ongoing process rather than on traditional management course content. According to Hisrich and Peters (1989) entrepreneurship is the process of creating something of value by devoting the necessary skills, time and effort, and, assuming the accompanying financial and sometimes physical and social risks, to reap the resulting monetary rewards and personal satisfaction||. Today, entrepreneurship is becoming increasingly important. Individual, social and environmental factors all have a direct bearing on the entrepreneurial process, its motivation, innovation, continuity and

expansion. Hood and Young (1993) develop a theoretical framework consisting of four primary areas where successful entrepreneurs must be developed. The areas are content, skills and behaviour, mentality, and personality. Harrison and Leitch (1994) say the need to utilize recent developments in the field of leadership research when studying entrepreneurship. The authors suggest that leadership and organizational transformation and continuous learning are themes that reflect the new paradigm associated with entrepreneurship education. According to Vishwananath, (2001), Accessing credit, particularly for starting an enterprise, is one of the major constraints faced by entrepreneurs. Lack of access to capital has been a primary obstacle for women entrepreneurs. Research suggests that the primary source of funding for entrepreneurs has been through family loans, personal savings, credit cards and home equity loans. Mambula, C. (2002) analysed major constraints faced by entrepreneurs. A sample of 32 small business entrepreneurs was taken. Analysis of data revealed that majority of entrepreneurs face the problem of finance and infrastructure while managing their businesses. The author recommended that small business entrepreneurs should collaborate with each other to sort out the various problems faced by them. There is a need to form alliance of Government, Research Institutions and Financial Institutions to create appropriate training for prospective small business. All these measures will go a long way to strengthen the growth of small scale industry. S. Varghese Antony & Dr. M. Edwin Gnanadhas (2011) in their study revealed that families were the main motivators for taking up entrepreneurship. So motivation of family members would certainly prove to be fruitful. Once they get convinced about significance of entrepreneurship then their attitude will change, their roles and expectations will change and they will provide moral support, necessary guidance and help as needed. According to Kamala Singh (2012) "An entrepreneur is a confident, innovative and creative who is capable of achieving economic independence individually or in collaboration generates employment opportunities for others through initiating establishing and running an enterprise by keeping pace with her personal, family and social life".

In term of the factors contributing to success of entrepreneurs in small business are varied. According to Yusuf (1995) the most critical factors contributing to business success consist of good management skills, access to financing, personal qualities, and satisfactory government support. Huck and McEwen (1991) studied in Jamaican business owners reported that business owners in Jamaica considered that the marketing factor is the most critical ingredient for the success of a business. Family's emotional or instrumental supports are one of the crucial success factors for women entrepreneurs. Choo and Wong (2006) studied work-family conflict in Singapore found that family members and others support can reduce the conflict of women entrepreneurs. Furthermore, owning business by female without interfering by family would have greater success in their business.

Managers and policymakers need to harness the potential of entrepreneurship. Entrepreneurship is considered necessary in a vibrant economy as it provides the impetus for economic growth (Anggadwita, Ramadani, Luturlean, & Ratten, 2016). The role of entrepreneurship in society has evolved over the years with a realization that entrepreneurship can have a profit, non-profit and hybrid form. Traditionally, entrepreneurship was considered a purely economic agent, but this changed with acknowledging that entrepreneurship's social forms are essential (Jones, Jones, Williams-Burnett, & Ratten, 2017). In times of crisis, entrepreneurs help improve product and service

quality and advance new technologies. Entrepreneurs are a source of dynamism and ensure that an economy remains competitive (Santos, Marques, & Ratten, 2019).

### **OBJECTIVES OF THE STUDY**

The primary objective is to study the challenges faced by the entrepreneurs from hospitality industry located at Puri district of Odisha during the COVID-19 pandemic.

### **STUDY AREA**

Puri District is a coastal District on the eastern part of Odisha, India. This District needs no introduction, being the abode of Lord Vishnu, most popularly known as Lord Jagannath. This District derives its name from the heritage city of Puri, one of the four pilgrimage centres of India. Covering an area of 3051 sq/kms, the District may be divided into two dissimilar natural divisions-the Littoral tract and the Level alluvial tract. It is also located at 19' 28 N Latitude 26' 35 N, 84' 29 E. Longitude 86' 25 E. Its altitude is at sea level. The population of the District is 16, 98, 730 (as per 2011 Census) and the density of population is 488 people per sq. km. The rural population is 14,33,800 and the urban, 2,64,930. SC population is 3, 25, 133 and ST is 4, 482. The District is quite literate in the sense that its literates number 1, 291,939 as against the illiterates numbering 4, 06, 791. Paddy, wheat, pulses and groundnut are some of the major crops grown in the District.

Average literacy rate of Puri in 2011 were 84.67 compared to 77.96 of 2001. If things are looked out at gender wise, male and female literacy were 90.85 and 78.28 respectively. For 2001 census, same figures stood at 88.08 and 67.57 in Puri District. Total literate in Puri District were 1,291,939 of which male and female were 704,857 and 587,082 respectively. In 2001, Puri District had 1,024,523 in its district. The number of rivers flowing through the District helps in sustaining the agriculture. Being in close proximity to the Bay of Bengal, this District has tropical climate. The summers are from March to June, monsoons from June to September and winters are from October to February. The minimum temperature of the District is approximately 16.45 degrees Celsius and the maximum 33.9 degrees Celsius.

Handicraft and cottage industries of this District is famous the world over, its original source being the temple craft of Lord Jagannath and the Sun Temple at Konark. The rich traditional culture and heritage of the District gives a boost to this industry. The important products of this industry are in applique, stone carving, patta chitra, wood carving, modern patch work, terracotta, bell metal, and sea shell items etc. The District Industries Centre, on its part has imparted training and upgraded the skill of the traditional artisan families and other economically weaker sections of the people, thus improving their per capita income. It has introduced many promotional schemes and also promotes handicraft training schools and coir training centers etc. There are also a number of small scale industries running in this District.

### **RESEARCH METHODOLOGY**

Data were collected through structured questionnaire from entrepreneurs in the selected study area. The sample frame consisted of 185 entrepreneurs and we received responses from 128, representing a 69.1% response rate. The survey instrument was a self-administered questionnaire consisting of

two sections. Section A consisted of questions relate to demographic information about the entrepreneurs and their businesses. Section B included questions in regards to challenges. The collected data was analysed using simple percentage analysis. Results are presented in the tabular form and they are interpreted.

**DATA ANALYSIS**

The data collected through questionnaire were analyzed using tabular presentation as a part of descriptive statistics. This section has tried to identify the demographic profile and major challenges faced by entrepreneurs. The data collected from the respondents were presented in the subsequent table (Table no.1 and 3) and the outcomes were given in this section. The table 1 shows frequency and percentage of demographic variables like age, gender and educational qualification.

**Table 1: Demographic profile**

Variables	Category	Frequency	Percentage
Age	25-34 years	42	33
	35-44 years	48	38
	45-54 years	30	23
	55 and above	8	6
Gender	Male	109	85
	Female	19	15
Educational Qualification	Illiterate	14	11
	High school	37	29
	Under graduation	56	44
	Post gradation	21	16

**Source: Primary data**

The above table shows that the sample of entrepreneurs used in this study included more males (85%) than females (20%) and more graduates (56%) than other categories. This poor percentage of women entrepreneurship is primary concern for government and various initiatives are being taken on timely basis to promote entrepreneurial sprits among women. Out of 128 entrepreneurs, maximum 44% are under graduates and followed by high school with 29%, post graduates 21% and illiterate 14%. It shows that more educated entrepreneurs are showing interest for doing business for their livelihood.

**Table 2: Entrepreneur’s Business Profile**

Variables	Category	Frequency	Percentage
Ownership	Proprietorship	78	61
	Partnership	50	39
Type of Business	Restaurants	25	20
	Hotels and Lodging	44	34
	Travel	59	46
Tenure of Business	Below 5 Years	38	30

	5-10 years	48	38
	Above 10 years	42	33
<b>Feelings about COVID-19</b>	Anxiety	47	37
	Scared	34	27
	Worried	19	15
	Optimism	28	22
<b>Motivation to continue business during Pandemic</b>	Creativity	24	19
	Optimistic about post COVID-19 growth	49	38
	Government schemes etc.	18	14
<b>Source of Finance during pandemic</b>	Loans	15	12
	Personal savings	59	46
	Seeking help from friends	40	31
	Others	14	11

Source: Primary data

It is observed from the above table that majority 61% of entrepreneurs are proprietors and rest 39% are doing business in partnership. Next, maximum 38% of entrepreneurs are dedicating 8 to 12 hours of time each day for their business. When it comes to motivation to start business, around 49% entrepreneurs considered self employment is to be most significant factor. Personal Savings is reported to be source of finance by 46% of entrepreneurs. In regard to tenure of business, 38% of entrepreneurs are doing business for 5-10 years, 33% are doing business for more than 10 years and 30% of entrepreneurs are doing business for less than 5 years. 47% of the entrepreneurs are anxious and have a high level of anxiety towards COVID-19 virus and its consequences. Further, optimistic about post COVID-19 growth is considered to be the primary motivational factor to continue business during pandemic.

**Table 3: Challenges at Business for Entrepreneurs during COVID-19 pandemic**

Challenges	Frequency	Percentage
Cash flow Deficit	18	19
Raw Material Shortage	19	15
Labour Shortage	24	14
Demand Reduction	42	33
Contract Breach Risk	5	4
Logistics Block	14	11

Source: Primary data

The factors like cash flow deficit, raw material shortage, labour shortage, demand reduction, contract breach risk and logistics block are considered to be most prominent challenges in hospitality industry for an entrepreneur during COVID-19 pandemic. It can be evident from the table that 33% of the entrepreneurs considered demand reduction to be the most serious challenge during COVID-19. Subsequently, 19% considered cash flow deficit, 15% considered raw material shortage, 14% opted

labour shortage, 11% thought logistics block, and only 4% finds contract breach risk to be the challenges during this pandemic situation.

## DISCUSSION

Given the unprecedented situation one can only ponder as to whether we shall see major shifts in the hospitality industry. Certainly, it seems things will not revert back to how they were before the crisis as social habits and customs have changed. The hospitality industry in Puri district has an unprecedented opportunity to be more entrepreneurial than it has been in the past.

Meanwhile, due to the slowdown, there is a need for a rethink about exploring the psychological changes of customers in terms of accepting the services post lockdown. This opens up the possibility for entrepreneurs to engage in a whole new way, especially given social distancing requirements. As a result of individuals being locked up in their homes and restricted to all sorts of entertainment and leisure activities a higher demand is to be expected. There has been an increased interest in natural or outdoor activities that maintain social distancing practices. Despite the gravity of the situation there will be palpable benefits for the entrepreneurs in hospitality industry.

## CONCLUSION

Entrepreneurs face various problems while starting an enterprise. And there are solutions for almost every problem but it does not mean that entrepreneurs will never face any problem by knowing the solutions for every problem. According to this study, it has been concluded that the main challenges faced by the entrepreneurs are cash flow deficit, raw material shortage, labour shortage, demand reduction, contract breach risk and logistics block. The study on entrepreneurs from Puri district in Odisha has unfolded many truths about entrepreneurial activity during COVID-19. The policies of the Govt. have benefited a large number of entrepreneurs to survive the adverse situation, but their survival in the business is in a question mark and ultimately depends upon the tourist's arrival to Puri. Proper government policy and proactive approach to managing the covid-19 will help entrepreneurs to survive in their business.

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