

ASSESSING THE CHALLENGES IN THE GROWTH OF MICRO, SMALL AND MEDIUM ENTERPRISES IN THIMPHU DZONGKHAG

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PURPOSE

THE present study focuses on identifying the challenges in the growth of Micro, Small, and Medium enterprises (MSMEs) in Thimphu dzongkhag, Bhutan. For studying the challenges to MSMEs, five major variables have been identified i.e., legal and regulation, human resource capabilities, access to external finance, managerial capabilities, and technological challenges.

Design/Methodology/Approach: *The study has used a quantitative and descriptive methodology and data have been collected by using a structured questionnaire from 350 respondents scattered all over in Thimphu. Descriptive statistics like mean and standard deviation have been used to describe the challenges.*

Findings: *Among the five factors, accessing finance was considered as the major factor that hinders the growth of MSME in Bhutan followed by marketing challenges.*

Research Limitations: *The number of business enterprises in Bhutan is less. The respondents were very reluctant to give their opinion.*

Practical Implications: *The major challenges are access to external finance, marketing challenges, managerial challenges, human resource capabilities, legal and regulatory, and technological challenges which need to be taken care by policy maker for the growth and survival of MSMEs in Bhutan.*

Originality/Value: *The Government and business entrepreneurs would be able to adopt the required steps in order to minimize the challenges faced by MSMEs in the future for the young entrepreneurs of Bhutan.*

Key Words: *MSMEs; Legal and regulation; Human Resource capabilities; External Finance; Managerial Capabilities; Technological Challenges.*

Introduction

According to the Asian Development Bank [ADB] (2012), the Bhutanese economy is mostly dominated by Small and Medium Enterprises (SMEs) which include micro-enterprises and family-owned firms. Around 98% of the total private sector enterprises of Bhutan includes Micro, Small, and Medium enterprises (MSMEs) (Ministry of Economic Affairs, 2012). MSMEs are considered as the backbone of the nation in accelerating economic growth (Yitzhaki, 2006). They help in employment generation,

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provision of goods and services, fostering entrepreneurship development, contributing towards the gross domestic product of a nation and help in improving the living standard of the people. MSMEs are being considered as the powerful tools and main engine of the business in the developed countries in boosting the economic growth of the country (Moktan, 2007).

However, MSMEs face lots of obstacles and challenges in operating and sustaining their business in the market. Some of these factors are lack of external financial support, lack of innovation and technological expertise, lack of human and managerial resources, lack of market information, national policy, and regulatory environment. These challenges deter the growth of MSMEs, and thus, economic growth of the country.

According to Berger, & Udell (2006), compared to large firms MSMEs face more challenges in gaining access to external finance and human resources. Further, Wangmo (2016) also noted the challenges like deficiency of external monetary supports and lack of innovation. Similarly, to the above-mentioned challenges, the growth of MSMEs is also hindered by the shortage of new technology and poor branding culture in the country which leads to the shortfall of revenue in the business (Nima, 2018).

Following prior studies Wangmo (2016), most of the MSMEs in Bhutan and in other countries face many challenges in terms of lack of finance, lack of human resources, and technological innovation. Therefore, this research aims to assess the challenges in the growth of MSMEs and it also aims to find out the factors, which has the major hindrance in the growth of MSMEs in Thimphu Dzongkhag.

The main objectives of this study are as follows:

- To assess the challenges to the growth of MSMEs in Thimphu.
- To explore the challenges which hinder the growth of MSMEs.

Literature Review

According to Ackah, & Vuvor (2011), no comprehensive definition has been given for MSMEs as it depends on who is explaining it. The definitions of MSMEs differ from country to country. The MSMEs can be influenced by the geographical location and advancement of the economy of that country, whereas, smaller firms of developed economies like America and Australia can be defined as a larger firm in developing economies (Berger, & Udell, 2006). In some countries, MSMEs categorization is also based on legal composition like sole proprietor, partnership, and corporations. Unlike in other countries, in Bhutan MSMEs are defined based on the size of the startup cost (initial investment) and the size of the work force (Ministry of Economic Affairs, 2012).

Growth of MSMEs

With regard to the determinants of MSMEs' growth, Širec, & Moènik (2010) highlighted the factors based on size of workforce, assets, and revenue growth of the business. Revenue growth is considered one of the significant and popular determinants of MSMEs' growth because increase in revenue makes the business possible to generate income to make investments in supplementary production factors such as equipment and human resource. The growth of MSMEs is also determined by the size of work force employed because the government policy measure growth of MSMEs in terms of employment (Shepherd, & Wiklund, 2009). Širec, & Moènik (2010) have also stated that increased in the assets determined the growth of the MSMEs. Moreover, it states that increased in the assets helps the business firms to obtain collateral security while going for external financing.

Legal and Regulatory

“A regulation can be defined as an instrument by which governments, their subsidiary bodies and supernatural bodies (such as European Union or World Trade Organization) set requirements on

citizens and businesses that have legal force”, p.9 (OECD, 2010). Castro (2011) stated that regulation styles vary considerably from nations to nations and from one industry to another. “Regulations can also be derived from parliaments, ministries or even voters themselves through various kinds of referendums. Given their variety and regulations can be described using many different labels i.e., constitutions, statutes, legislation, standards, rules, and so forth”, p.90 (OECD, 2010).

It was further mentioned that the government formulates policies and regulations for enabling business environment but the result of their implementation was not as per their expectation due to shortage of manpower and the lack of coordination between the implementing agencies. “Despite many reforms in the past over the legal and regulation on MSMEs development, MSMEs still suffer from overlapping complexity, constraints, low implementation, ineffective mechanism for commercial disputes resolution, burdensome administrative procedure and above all poor rule of law”, p.133 (Edmore, 2017). It was found that removal of government rules and regulations make business environment more better, enabling entrepreneurs to grab the market opportunities quickly, and promote healthy competition that improves the competency and productivity (Mutua, 2015). Similar to that the research done by other researchers, this research study attempted to assess the legal and regulatory challenges in growth of MSMEs in Thimphu.

Access to External Financing

Shortage of external financing support is considered as a major challenge for the growth of MSMEs, resulting in high failure rate among those MSMEs (Bouazza, Ardjouman, & Abada, 2015). Financial institutions and intermediaries act more vigilantly while granting loans to MSMEs, and usually charge comparatively high interest rate, high collateral security, and loan guarantees (Shah, Nazir, Zaman, & Shabir, 2013). Procedures and policies related to granting loans also discourage business firms from getting loans from banks (Krasniqi, 2007). Universal finance theory states that all business entities have equal approach to the financial institutions, but compared to larger firms, MSMEs, face more difficulties in getting credit facilities from external sources of finance (Carreira, & Silva, 2010). A survey of Chinese MSMEs found that owner’s own funds were the key source of finance for more than three quarters of MSMEs population (Okura, 2008). International organizations also recognized the specific financing requirements of MSMEs, specific during their early growth stage (Wangmo, 2016).

In case of developing and developed countries, firms having small size of operations have less access to financial support from external sources, which results in restraining the smaller firms from their operations as well as growth compared to larger firms (Krasniqi, 2007). Based on developed and developing countries, each and every country come across a diverse set of limitations and these limitations also get vary by firms’ characteristics, especially in terms of size of operations. However, across all countries, access to financing is among the most obstacles while other obstacles appear to matter much less (Rocha, Farazi, Khouri, & Pearce, 2011). Similar to that of the research carries out by the other researchers based on the financial challenges, these studies try to assess the financial challenges in growth of MSMEs in Thimphu.

Human Resource Capabilities

Human resource capabilities have been considered as one of the crucial factors by private sector and also this sector is gaining the attention from the policymakers responsible for overall countries’ development, such as government and other respective institutions (Schlogl, 2004). According to Hewitt, & Wield (1992), business organizations having skilled, productive, and well-educated employees are probably more efficient, which indicates that human resource capabilities have a positive impact on the growth of the smaller firms. Although, Bhutanese workers’ productivity has increased significantly between the period from year 2009 to 2015, still, Bhutanese firms are facing scarcity of specialized and experienced workers (Dorji, 2018). The study shows that incentives

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significantly influence employee retention in MSMEs. Therefore, the use of monetary and non-monetary incentives must be considered when planning incentive programs; such incentives include bonus payment, job security, and career training, and it must be included in incentive package when employers are designing incentive package (Gyambrah, Amponsah, & Wilson, 2017).

Managerial Challenges

Growth is essential for all categories of enterprises. One of the major factors impacting the development of MSMEs is 'managerial capacities'. Managerial capacities are related to the collection of facts, skills, techniques, and competencies resulting in making the small business more effective and efficient (Olawale, & Garwe, 2010).

Singh, Garg, & Deshmukh (2018) stated that managerial skills are important for MSMEs to enhance the managerial capacities which in turn helps in the growth factor. Ates, Garengo, Cocca, & Bititci (2013) emphasized that management skill is one of the crucial factors for development of MSMEs and lacking this factor can lead to barrier for the growth and continuity of the enterprise. Bhide (1996) study revealed that attraction and retention of the most competent and efficient team at top management level is one of the major challenges faced by MSMEs.

Marketing Challenges

The success and failure of MSMEs depend upon the responsibilities and personality traits of the entrepreneurs (Murphy, Liao, & Welsch, 2006). Moreover, the author also mentioned that an inadequate marketing skill of owners also creates marketing problems in micro and small business growth. Marketing helps to determine whether the business will succeed in the long term. Marketing skills play a vital role in the field of MSMEs. It is an important factor that contributes to the success or failure of the MSMEs. However, researchers have extensive evidence to prove that marketing is one of the effective and significant roles in the success and growth of the MSMEs. Many of the MSMEs face the biggest challenges of marketing in this global world today in terms of business growth.

Marketing is one of the most important tasks for MSMEs and marketing skills consists of marketing activities, sales, increasing marketing shares to new product and developing a healthy relationship among customers. MSMEs face challenges regarding marketing skills in terms of lack of business to business marketing skills and poor advertising tools (Gilmore, Carson, & Grant, 2001).

Technological Challenges

Farsi, & Toghraee (2015) concluded that the most important challenges of small and medium businesses in exploitation of technology in Iran are human and managerial resources, research and development, innovation national policy, regulatory environment, and lack of market information. The author used the exploratory factor analysis to demonstrate these six challenges. Luo, & Zhang (2013) identified the opportunities and challenges of manufacturing MSMEs in China to execute modernization through analyzing the literature and case studies of manufacturing MSMEs. It was found that external collaboration with other countries can help to improve the innovation of the MSMEs. It was concluded that "the four challenges faced by the MSMEs in China are the lack of trust in collaboration, disability for transforming external knowledge to internal knowledge, low support from government, and barriers to overcome intellectual property disputes", p.2. (Luo, & Zhang, 2013).

Research Methodology of the Study

Research Design

This study is based on the quantitative and descriptive approaches which help to assess the challenges in MSMEs under Thimphu Dzongkhag. It also looked at which factors have the most hindrance in

the growth of MSMEs. This quantitative study provides clear valid and reliable data regarding challenges faced by MSMEs under Thimphu region.

Study Site

The study was conducted in Thimphu District. The sole purpose of conducting this study was to assess the challenges faced by different MSMEs in terms of Growth as the total number of MSMEs is more in that region according to Ministry of Economic Affairs (2012). Moreover, the region is covered with different types of business enterprises.

Sampling Design

The population required for this study was based on the MSMEs located under Thimphu Dzongkhag. The main reason for selecting this region was because it has the highest number of MSMEs in the country.

For the research, the total population was 6957 according to Ministry of Economic Affairs (2012). For the following sample size, it is derived by using the formula given below:

$$n = \frac{N}{1 + Ne^2}, \text{ where}$$

n = number of sample

N = total number of MSMEs under Thimphu Dzongkhag

e = standard error of not more than 0.05 confidence level

Table No. 1: Sample Size Determination

Participants (MSMEs)	Confidence level	Total population	Formula $n = \frac{N}{1 + Ne^2}$	Sample Size
Thimphu	0.05	n = 6957	$n = \frac{6957}{1 + 6957 * 0.05^2}$	n=378

Source: Primary Data

Measurement

The variables of the study i.e., “legal and regulatory, access to external financing, human resource capabilities, managerial capacities, marketing skill challenges, and technology challenges” have been measured on the basis of five point Likert Scale ranging from strongly agree (5) to strongly disagree (1).

Data Collection

To find out the objectives of the study, primary and secondary data have been used. Primary data have been collected through a structured questionnaire based on review of literature. Secondary data have collected through various reports.

For this research study, convenience sampling technique has been used to collect the data. From the total population of 6957, the sample size of 378 has been selected as per the applied formula.

Analysis and Interpretation

Demographic Analysis

Out of total distributed 378 questionnaires 350 questionnaires were found useful for the study. Table no. 2 depicts the demographic characteristics of the respondents. The overall response rate

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was 93%, out of which, 51.7% respondents were male and 48.3% were female. The majority of the respondents (74.6%) were from retail business category, followed by service class i.e. 19.1% respondents. Most of the respondents (82%) were from the age group of 26 years to 45 years old and 57.4% respondents were having qualification of high school.

Table No. 2: Respondents Profile

		Frequency	Percentage
Gender	Female	169	48.3
	Male	181	51.7
Business sector	Retail	261	74.6
	Manufacturing	13	3.7
	Service	67	19.1
	Other	9	2.6
Age of respondent	18-25 years	26	7.4
	26-35 years	153	43.7
	36-45 years	134	38.3
	46-55 years	26	7.4
Qualification	Above 55	11	3.1
	High school	201	57.7
	Vocational	29	8.3
	Bachelor	61	17.4
	Diploma	16	4.6
	others	61	17.4

Source: Primary Data

Descriptive Analysis

Six dimensions were constructed to identify the challenges in the growth of MSMEs in Bhutan and have been described on the bases of mean and standard deviation.

Legal and Regulatory Challenges

Table No. 3 provides the result of challenges faced by MSMEs in relation to legal and regulatory dimensions. Five variables were used for the measurement of legal and regulatory challenges i.e., legal obligations, strict environment, lack of coordination, human resources policies, and policies for an effective mechanism for commercial disputes. The overall mean score for this dimension is 3.27 which is slightly over 3 as shown in table no. 9, which indicates that the legal aspects and regulations hinder the growth of the business. The variables with the higher percentage of agreement and mean include “Huge numbers of legal obligations of the government hinder the growth of my business” (62.2%, $x = 3.56$) and “Strict environment policies affect the growth of my business” (50.6%, $x = 3.4$). The similarity to the above findings, Bhutanese SMEs are facing the highest challenges in regulatory procedure specifically related to licensing and insufficient government’s support (Moktan, 2007). In Zimbabwe, poor co-ordination of government policies and inconsistencies in policy has led to stagnation and extinction of SMEs (Edmore, 2017). Further, it was found that removal of government controls improve the business environment, enabling the entrepreneur to respond quickly to grab the market opportunities and boost competition that increases the efficiency and productivity (Mutua, 2015).

Table No. 3: Legal and Regulatory Challenges

Sl. No.	Variables	SD	D	N	A	SA	Mean	Std. D
1.	A huge number of legal obligations of the government hinder the growth of my business.	4.3%	6.6%	26.9%	53.3%	8.9%	3.56	0.903
2.	Strict environment policies affect the growth of my business.	4.3%	9.7%	35.4%	42.9%	7.7%	3.40	0.921
3.	Lack of coordination among implementing agencies (ministries) hinders the growth of my business.	3.2%	13.2%	52.9%	25.9%	4.9%	3.16	0.830
4.	Strict human resource policies of government hinder the growth of my business.	2.3%	18.3%	48.3%	47.4%	3.7%	3.12	0.827
5.	Lack of policies for effective mechanisms for commercial disputes resolution hinders the growth of my business.	2.9%	16.9%	51.1%	24.9%	4.3%	3.11	0.832

Source: Primary Data

SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree, Std. D = Standard Deviation

Access to External Financing Challenges

Table no. 4 represents the challenges related to access to external finance, which has been observed as the top most challenging dimension for MSMEs in the Thimphu district ($x = 3.66$) as shown in table no. 9. This dimension has been measured by five variables; interest rate of the banks, collateral bank guarantee policy, policies to encourage banks to lend, loan procedures and availability of long-term credit. All the variables have a mean score above 3.5, which indicates that MSMEs in Bhutan are having more constraint in access to external financing. The variable “high borrowing interest rates of the banks hinder the growth of my business” (>75%, $x = 3.89$) and “collateral bank guarantee policy by financial institutions of Bhutan hinder the growth of my business” (65%, $x = 3.74$) were the highest constraints faced in access to external finance which has been hindering the growth and sustainability of MSMEs. This finding has been supported by the findings of Shah, et al. (2013). The procedure to obtain the loan and requirements for the collateral securities discourage the firms seeking the bank loan (Krasniqi, 2007).

Human Resource Capabilities Challenges

Hewaitt, & Wield (1992) stated that firms having educated and specialized work force are probably more competent and positively affects the growth of smaller firms. Table no. 5 shows challenges related to human resource capabilities of MSMEs, where it has been measured by four variables i.e., skilled labor, lack of training to the employees, unable to retain good employees and low commitment and motivation of the employees. Out of all the four variables, the variable “shortage of skilled labor hinder the growth my business” (>62%, $x = 3.64$) was considered most important constraint for MSMEs, and followed by “Lack of opportunities to provide training to my employees hinders the growth of business” (>60% $x = 3.58$). The overall mean score of this dimension is 3.48, slightly more than 3. This shows human resources hinder the growth of the MSMEs in Thimphu Dzongkhag. Bhutanese businesswomen who are running manufacturing business have identified

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Table No. 4: Access to External Financing Challenges

Sl. No.	Variables	SD	D	N	A	SA	Mean	Std. D
1.	High borrowing interest rates of the banks hinder the growth of my business.	1.4%	6.3%	16.9%	52.3%	23.1%	3.89	0.878
2.	Collateral bank guarantee policy by financial institutions of Bhutan hinder the growth of my business.	0.6%	6.6%	27.8%	48.7%	16.3%	3.74	0.830
3.	Lack of special policies to encourage commercial banks to lend to MSMEs hinder the growth of my business.	0.9%	5.5%	44.8%	37.1%	11.8%	3.53	0.805
4.	Complex and time consuming loan application procedures hinder the growth of my business.	0.9%	5.7%	38.9%	42.3%	12.3%	3.59	0.809
5.	Lack of availability of long term credit hinders the growth of my business.	4.9%	6.6%	37.4%	33.1%	18%	3.53	1.017

Source: Primary Data

SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree, Std. D = Standard Deviation

a shortage of skilled labor as their main challenges (Dorji, Jamtsho, Norbu, & Dorji, 2018). However, there was significant number of respondents (>41%) who disagreed for the variable “unable to retain good employee hinders the growth of my business”. A possible reason can be attractive and good incentive packages (Gyambrah, Amponsah, & Wilson, 2017).

Table No. 5: Human Resource Capabilities Challenges

Sl. No.	Variables	SD	D	N	A	SA	Mean	Std. D
1.	Shortage of Skilled labors hinder the growth my business.	3.7%	4.6%	29.3%	48.6%	13.8%	3.64	0.908
2.	Lack of opportunities to provide training to my employees hinders the growth business.	2.9%	7.1%	29.1%	51.1%	9.7%	3.58	0.869
3.	Unable to retain good employee hinders the growth of my business	33.4%	8.9%	40.9%	37.1%	9.7%	3.41	0.906
4.	Low commitment and motivation of the employees hinders the growth of my business.	2.6%	11.4%	45.4%	34.6%	6%	3.30	0.846

Source: Primary Data

SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree, Std. D = Standard Deviation

Managerial Challenges

Table no. 6 depicts the variables related to managerial challenges i.e., managerial talent, sufficient managerial services, and managerial competence. Managerial challenges are one of the top three constraints for MSMEs in Thimphu ($x=3.51$), as shown in table no. 9. “Lack of managerial talent with a good depth of experience in the management hinders the growth of my business” was rated highest (>59%, $x=3.58$) among three variables as a constraint for MSMEs. Other variables were equally considered as hindrances for business growth and survival. As management skills are important for MSMEs to enhance the managerial capacities which in turn helps in the growth factor (Singh, et al., 2018).

Table No. 6: Managerial Challenges

Sl. No.	Variables	SD	D	N	A	SA	Mean	Std. D
1.	Lack of managerial talent with a good depth of experience in the management hinders the growth of my business.	2.6%	6.0%	31.8%	49.9%	9.7%	3.58	0.846
2.	Lack of sufficient managerial services to implement its entrepreneurial ideas hinders the growth of my business.	1.1%	8.0%	40.9%	41.1%	8.9%	3.49	0.811
3.	Lack of management competence and techniques hinder the growth of my business.	1.4%	8.9%	41.0%	39.0%	9.7%	3.47	0.842

Source: Primary Data

SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree, Std. D = Standard Deviation

Marketing Challenges

Table no. 7 depicts the variables related to marketing challenges which has been observed as the second most important constraint factor for MSMEs’ growth and survival in Bhutan with overall mean score of 3.59 as shown in table no. 9. Marketing helps to determine whether the business will succeed in the long term and contributes to the success or failure of the MSMEs (Murphy, et al.,

Table No. 7: Marketing Challenges

Sl. No.	Variables	SD	D	N	A	SA	Mean	Std. D
1.	Poor advertisement of a firm affects the growth of my business.	4.0%	13.5%	22.9%	42.4%	17.2%	3.55	1.051
2.	Lack of marketing strategies hinders the growth of my business.	3.2%	12.9%	28.9%	43.8%	11.2%	3.47	0.960
3.	Unable to locate proper markets hinders the growth of my business.	2.3%	8.6%	26.3%	36.3%	26.6%	3.76	1.012

Source: Primary Data

SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree, Std. D = Standard Deviation

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2006). MSMEs face challenges regarding marketing skills in terms of lack of business to business marketing skills and poor advertising tools (Gilmore, et al., 2001). Therefore, this dimension is measured based on three variables; poor advertisement, marketing strategies, and locate proper market. Majority of the MSMEs in Thimphu (>63%) with mean score of 3.76 considers “unable to locate proper markets” is the most hindering factor for business growth, and followed by poor advertisement (> 59%, x =3. 55) and lack of marketing strategies ((55%, x =3.47).

Technological Challenges

Table no. 8 represents the variables related to technological challenges. The main constraints and challenges for innovation and technology of MSMEs are related to financing problems, bureaucratic obstacles, and high market risk (Luo, & Zhang, 2013) Considering those factors, technology dimension was measured by three variables; lack of financial resources for acquiring advanced technology, lack of market information, and government policies on transfer of technology. Out of six dimensions to assess the challenges in the Growth of MSMEs in Bhutan, this dimension was scored lowest (x =3.23) as shown in table no. 9. Variable “Lack of financial resources for acquiring advanced technology hinders the growth of my business” was considered most constraint factors (>46%, x =3.31) in MSMEs growth and the variable “Government policies on transfer of the technology from others countries affect the growth of my business” was least considered (>37%, x =3.18) factor for constraint in business growth.

Table No. 8: Technological Challenges

Sl. No.	Variables	SD	D	N	A	SA	Mean	Std. D
1.	Lack of financial resources for acquiring advanced technology hinders the growth of my business.	4.9%	16.9%	31.4%	36.6%	10.3%	3.31	1.024
2.	Lack of market information on advanced technology hinders the growth of my business.	4.9%	17.1%	40.0%	29.4%	8.6%	3.20	0.983
3.	Government policies on the transfer of technology from other countries affect the growth of my business.	6.6%	15.4%	40.6%	28.0%	9.4%	3.18	1.022

Source: Primary Data

SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree, Std. D = Standard Deviation

Table 9: Overall Mean Score of the Variables

Sl. No.	Variables	Mean
1.	Assessing the external Financing	3.66
2.	Marketing Challenges	3.59
3.	Managerial Challenges	3.51
4.	Human Resources Capabilities	3.48
5.	Legal and regulatory	3.27
6.	Technology Challenges	3.23

Source: Primary Data

Discussion, Conclusion, and Recommendations

In this descriptive study, assessing the challenges to the growth of MSMEs has been measured using the six dimensions and these dimensions include legal and regulatory, access to external financing, human resource capabilities, managerial challenges, marketing challenges, and technological challenges. From the analysis, it is clear that all the dimensions have constraints to MSMEs in Thimphu. The only difference is the degree of influences on MSMEs' economic and financial activity. Out of all the four dimensions, financial support from external sources has more hindrance to the growth of MSMEs in Thimphu. This result affirms previous literature on establishing the factors contributing in the success and growth of SMEs in Algeria (Bouazza, et al., 2015). The most challenging variable in these dimensions is in the case of borrowing interest rates and collateral bank guarantee policy. Banks charge high interest rate and demand high collateral at the time of giving loans to MSMEs (Shah, et al., 2013). This finding leads the study to recommend that financial institutions need to decrease the interest rate for MSMEs which at present is above 10% interest rate in all the banks for commercial loan. If banks consider the commercial loan interest rate similar to consumer loan (around 8% interest rate), it would ease the access to external finance for MSMEs in Bhutan. Also, collateral and guarantee policy are strict. Business owners have to show collateral such as land, building, shares or any equivalent worth of property to bank so to get the business loan from bank. Also, there are no diversified loan products for small businesses (Dorji, et al., 2018). Introducing diverse loan products for MSMEs would mitigate the problem of access to finances overall.

Vice versa to the above findings, technological challenges have less hindrance compared to six dimensions. The government policies on transfer of technology were least hindrance factors for MSMEs in Bhutan, this is due to favorable technology policy in Bhutan. Any business that imports technology for benefit of environment, culture, and society is supported by government in terms of fiscal incentives (Ministry of Information and Communications, 2004). Though technology policy is favorable in Bhutan, lack of financial resources for acquiring advanced technology has been a challenging factor. The recommendations mention for above problem (the access to external finance) also, subsequently solves the financial challenges for acquiring advanced technology.

Similarly, other dimensions; legal and regulatory, human resource capabilities, managerial challenges, and marketing equally need to be considered for MSMEs growth and survivable. The findings for marketing dimension, explains that identifying the potential customers is challenging tasks. Failure to capture the potential market is due to poor advertisement of a business and lack of marketing strategies. In case of managerial dimension, management competence and skills are important for MSMEs to enhance the managerial capacities, which in turn, helps in business growth. This finding affirms the paper on strategy development by SMEs for competitiveness (Singh, et al., 2018). Human resources have been considered as one of the important factors for MSMEs' development and growth. Development of workforce skills and knowledge is must for any organization. The firms who have skilled and well-educated workforces contributes high efficient and growth to the business, then firms who do not have. Retaining good employees should be given priority. This can be done by providing training and development programs to their employees. The appropriate training and development programs will not only solve the problem of human resources, it will also solve the problem of marketing, management and technology challenges.

Besides that, with the help of these findings, the Government and business entrepreneurs would be able to make the right actions in order to overcome the challenges faced by MSMEs in the future for the young entrepreneurs of Bhutan.

Scope for Further Research

Further research can be carried out measuring the impact of the identified challenges i.e., legal and regulation, human resource capabilities, assess to external finance, managerial capabilities, and technological challenges on the growth rate of MSMEs.

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