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An Evaluation of the Roles and Challenges of Micro, Small and Medium Enterprises (MSME's) during COVID-19. A case study of Apia Town Area, Falelatai and Samatau, Aleipata and Safata Districts, and Upolu Local Government Areas.

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Abstract

Micro, Small, and Medium Scale Enterprises (MSMEs) are the driving force for any economy to develop. Numerous economies rely on this sector to increase their development as they operate to increase GDP, job creation, poverty alleviation, income redistribution and generally industrial revolution. This study aimed at identifying the roles played by these MSME's to national development, the complications, and disruptions they encounter to offer solutions to social and economic growth and development. The 50 MSME's randomly selected from the four (4) Districts of Upolu. The 25 MSME's from Apia town area, ten (10) MSME's from Aleipata, eight (8) MSME's from Samatau and Falelatai and seven MSME's from Safata District. The data was analyzed using a simple mean (average). The findings revealed that Micro, Small and Medium scale industries (MSME's) play a dynamic role as a foundation for state sustainability through job establishment, poverty alleviation, income redistribution, and creation of local industries. The findings also revealed that MSME's face serious challenges that affect their growth and development. These challenges include short term loans, high interest rates, stringent collateral security, insecurity and infrastructural decay, lack of patronage and managerial problems and COVID-19.

Key words: Small and Medium Enterprises, Economy, Income Distribution, Sustainability

Introduction

This paper assesses and investigates the micro, small and medium scale enterprises in the periphery area of Apia town. It looks at 50 small businesses in Apia town and assess their operations and management in terms of financing and revenue making during the Covid-19 crisis. The paper examined the challenges and financial hardships faced by these micro, small and medium scale businesses and adversarial impacts on social and economic experienced by business operators and owners. And how these small and medium enterprises sustain and generate revenue during the Covid-19 pandemic crisis. The paper aims to highlight the business impediments for policy makers and chamber of business and commerce on the current situations and challenges and to provide financing incentive and scheme for MSMEs. The information obtained for this paper are from the questionnaire survey disseminated to the 50 MSMEs within Apia area - Falelatai and Samatau, Aleipata and Safata Districts, Upolu Local Government Areas. The questionnaires were collected tabulated and analysed using the simple arithmetic mean (Average).

The authors as the Samoans with the knowledge and experience of Samoa MSMEs provides substantial insights to help fill the gaps in information on the small-scale businesses operation in Apia area. The study experienced several problems. The greatest challenge is a lot of travel and persuasion

needed to be done to convince the business operators and owners to participate in the questionnaire survey. The relevancy of data, validity and analysing statistics are also of great concern. However, every effort has been made to validate the information contain in the paper. The MSMEs chosen to be part of this study because they are the driving force for any economy development with no exception to Samoa.

MSMEs status and progress in Samoa

MSMEs are important to any economy help generate employment, increase exports, and enhance economic development (Naz & Singh 2010). The MSMEs are classified into two categories: manufacturing enterprise and service enterprise with own respective category. Micro an investment should be less than one (1) employee, and turnover should not be more than five (5) employees, while small an investment should be less than ten (10) employees, and turnover should not be more than 50 employees and medium an investment should be less than 50 employees, and turnover should not be more than 250 employees (Ministry of Commerce, Industry And Labour 2020; Samoa and IMF 2021). The MSMEs in Samoa promote and generate employment opportunities, encouraging entrepreneurial activities, improving the living standards of poor people and increasing the contribution to the GDP of the country (Central Bank of Samoa 2021).

Samoa MSMEs development policy strategy 2020

The Government of Samoa, through the Ministry of Commerce, Industry and Labour (Ministry of Commerce, Industry and Labour), is committed to promoting and encouraging the development of MSME Sector in Samoa (Ministry of Commerce, Industry and Labour 2020). The MSME Development Policy and Strategy 2020 contains six thematic goals to support economic growth: (1) Development of supportive institutional and regulatory frameworks; (2) Provision of appropriate business advice and support; (3) Availability of finance, financial services, and investment; (4) Supply of enabling infrastructure; (5) Availability of an appropriately skilled labour force; and (6) Advancement of a culture of entrepreneurship and innovation (Ministry Of Commerce, Industry And Labour 2020). MSME contribute significantly to national development and employment. According to Ministry of Commerce, Industry and Labour Chief Executive Officer despite of MSMEs significant contribution it faces several constraints hampering their development and growth, which needed government interventions (Ministry of Commerce, Industry and Labour 2020; Economic and Social Commission for Asia and the Pacific 2020). “These include business environment constraints relating to legislative and regulatory frameworks, access to finance, labour supply, business development support, as well as internal constraints relating to business management skills and the capacity to meet financing requirements,” said the Chief Executive Officer. The MSMEs Strategic Policy goals and strategies are relevant despite it struggles to grow and sustain the business operations and management during the Covid-19 pandemic crisis (MINISTRY OF COMMERCE, INDUSTRY AND LABOUR 2020). A resilient MSME sector will be a vital contributor towards Samoa’s recovery from the aftermath of the COVID-19 crisis. To make them more resilient, competitive, and sustainable. Reliable data, coordination mechanisms and emerging perception would enhance future MSME policy reforms (Economic and Social Commission for Asia and the Pacific 2020). The Chief Executive Officer said the policy will be reviewed the next three to five years while an ongoing monitoring and evaluation of policy goals and strategies are continuing.

MSMEs in Samoa

The government of Samoa under the empowerment program established the economic and empowerment development strategy reforms to help MSMEs develop adding value to the economy (Naz & Singh 2010; Economic and Social Commission for Asia and the Pacific 2020). Today the government has made effort to improve on human capital development through schemes that are aimed at empowering youths to learn and enhance their skills to become self-reliant. There are different kinds of MSMEs found in remote areas and local level government areas (Singh & Naz, 2010). While some of them remain a family business or sole proprietorship business, some operate as small industries such as purify water, bakery, taxi stands, laundry service, PMV bus service, vehicle repairs and others (Naz & Gurmeet Singh, 2010).

Some others are related to agriculture such poultry farming, fish farming and food cultivation, while others are focused on technical knowhow such as mechanical shops, IT centres and privately owned schools. These MSMEs have their own ways to help reduced the level of poverty and unemployment in the rural and urban areas (Singh & Naz, 2010). However, the level of economic activities in the local government is declining as there are series of challenges these businesses encountered. Different disturbances, some banks and big businesses have relocated to other areas of the state making MSMEs activities difficult and the impacts of Covid-19. However, there are series of measures that have recently been put in place to control this threat (Naz & Singh, 2010).

MSMEs challenges

The UN's Director Trade and Investment for Asia-Pacific, Mia Mikic, said "Micro enterprises in Samoa do get proper access and they are covered very well but for the small medium-sized enterprises and commercial finance or their access to the commercial finance only half of the applicants get that access," (United Nations Report 2020; Kean, D and UN 2020). The study identified a need to help Samoan businesses use the financial services available to them and the reasons for lack of access was that applicants fail to submit solid business proposals. Another reason was applicants did not have adequate collateral to offer the banks to assure the lenders about the businesses' ability to collect the financing assistance (United Nations 2020; Samoa and IMF 2021).

The UN's Economic and Social Commission for Asia Pacific and the Central Bank of Samoa launched the micro, small and medium-sized enterprises' access to finance in Samoa report (United Nations, 2020; Kean, D & UN, 2020). Samoa government welcomed the support from ESCAP and the UN's Capital Development Fund (UNCDF). This support and studies assist in carrying out the mission of the Central Bank of Samoa in fostering a sound and vibrant financial system for Samoa's economic development (United Nations, 2020; Samoa and IMF, 2021).

The MSMEs make up a significant contribution to economic growth and job creation across the region. However, they often encounter difficulties in accessing finance financial institutions women-owned due to economic and socio-cultural factors (United Nations, 2020; Kean, D & UN, 2020). The United Nations Economic and Social Commission for Asia and the Pacific (2020) report identifies financing gap, where considerable unmet demand for commercial finance from MSMEs in Samoa, including for women entrepreneurs (United Nations, 2020). Additional support to address constraints encountered by MSMEs to leverage their digital tools to improve and grow their businesses (Samoa and IMF, 2021).

MSMEs lending Institutions

The Global SME Finance Facility was established by the International Finance Cooperation to help the MSMEs in meeting their financial requirements in developing countries (United Nations Economic and Social Commission for Asia and the Pacific 2020). This facility assists the MSMEs by enabling funding, alleviating risk, and offering advisory services. In Samoa, various financial institutions and commercial banks are eligible to provide credit loans to MSMEs (United Nations Economic and Social Commission for Asia and the Pacific 2020; UNCTAD 2020). New, as well as existing SMEs, are eligible to borrow.

The major supplier of microfinance in Samoa is South Pacific Business Development (SPBD) of Samoa is a for-profit business and a branch of SPBD Microfinance network in the Pacific that has been operating for more than 18 years (UNCTAD 2020; Central Bank of Samoa 2021). SPBD provides micro loans ranging from a minimum of S\$ 1,250 to a maximum of S\$ 8,000 to its clients, who are all women (United Nations Economic and Social Commission for Asia and the Pacific, 2020). The Development Bank of Samoa (DBS) has been involved in microfinance since 2006 to support the economic empowerment of women in cooperation with the Ministry of Women, Social and Community Development (Central Bank of Samoa, 2021). The initiative increased access to finance for women in both Upolu and Savaii to start projects. However, the initiative was unsuccessful, as the default rate was almost 50 per cent. DBS identified the main reason for this failure on the fact that the nominations of beneficiaries was driven by the MWCS and the DBS processes of assessing eligibility was relaxed (United Nations Economic and Social Commission For Asia And The Pacific, 2020). The Samoa Business Hub (SBH) (previously known as the Small Business Enterprise Centre, SBEC) recently launched a micro loan and insurance scheme to directly provide loans of up to S\$ 10,000 (United Nations Economic and Social Commission for Asia and the Pacific 2020). The aim is to fill a gap in the market not sufficiently addressed by other lenders. Under this initiative, microloans of up to S\$ 10,000 can be provided directly to microenterprises that have good repayment track records (United Nations Economic and Social Commission for Asia and The Pacific, 2020; Central Bank of Samoa, 2021).

Women in Business Development Inc. (WIBDI) has adopted a different approach and does not emphasise credit provision. Their successful model works from the market by selecting sustainable market niche opportunities and assisting mainly women and their families in rural areas to participate in the supply chain. In Samoa, WIB works with 1,300 families in more than 189 villages (United Nations Economic and Social Commission for Asia and The Pacific 2020). The market niche opportunities pursued by WIB include organic 'direct micro expelled' (DME) coconut oil, for which Samoa is the sole supplier to the Body Shop UK; organically certified feta oil (*calophyllum inophyllum*); coffee, cocoa and organic dried bananas, which are exported to the New Zealand market (United Nations Economic and Social Commission for Asia and The Pacific, 2020). Some small loans, usually only around a few hundred Tala, have been provided to families at a 10 per cent interest rate. However, the focus is for participating women and/or families to save part of their income until they have ST 1,000 (USD 380) in the bank, after which they are referred to a local bank to apply for a small loan if needed (United Nations Economic and Social Commission for Asia and The Pacific 2020; Central Bank of Samoa, 2021).

UNCDF collaboration with ESCAP and the Central Bank of Samoa to further help MSMEs access capital and to address the devastating impacts of the COVID-19 pandemic." In 2020 the World Bank approved funding of \$US3.4 million to further support Samoa's efforts to prevent the spread of the virus to the country (United Nations, 2020; Central Bank of Samoa, 2021). The funds are in addition to the \$US5.1m already delivered to Samoa for its coronavirus response in March. The additional \$3.4m

is being delivered through a dedicated emergency health project, and from the Contingency Emergency Response Component of the Samoa - Pacific Resilience Project (United Nations, 2020).

Research methodology

The study used the Likert scale questionnaire survey to get information on the role of micro, small and medium enterprises based on economic development of Samoa with a case study of Apia Town Area, Falelatai and Samatau, Aleipata and Safata Districts, Upolu local government areas. The total population of 50 SME's were used as the sample size for the research work. They were randomly selected from shops and business (including small manufactures) in the Apia town area. The questionnaire containing 20 questions adapted from the 4-point Likert scale on strongly agree (SA), agree (A), strongly disagree (SD) and disagree (D). The questionnaires collected from the respondents and analysed using the simple arithmetic mean (Average).

Findings

Table 1: Data Presentation and Analysis

	Questions	SA	%	A	%	D	%	SD	%	Total	Total%
1	MSME's are the main businesses in your community	25	50	15	30	2	4	8	16	50	100
2	MSME's are vital for growth and development of your community	23	46	15	30	5	10	7	14	50	100
3	The government assist your business to grow	5	10	6	12	19	38	20	40	50	100
4	MSME's helps to reduce the level of poverty	35	70	10	20	2	4	3	6	50	100
5	MSME's help to reduce the level of unemployment	29	58	15	30	2	4	4	8	50	100
6	As a business man your level of income has increased	7	14	8	16	10	20	25	50	50	100
7	I manufacture my own products	10	20	5	10	15	30	20	40	50	100
8	Commercial and micro finance banks provide loans to SME's at low interest rate	7	14	10	20	13	26	20	40	50	100
9	Loans provided by co-operative societies are short term with high interest rates	29	58	15	30	2	4	4	8	50	100
10	MSME's must provide collateral securities before loans are provided	25	50	15	30	5	10	5	10	50	100
11	Security challenges negatively affect the growth of MSME's	35	70	8	16	4	8	3	6	50	100
12	Shortage of electricity, bad roads and water supply negatively affect the growth of MSME's	30	60	15	30	2	4	3	6	50	100
13	Lack of patronage negatively affects the growth of MSME's	22	44	10	20	7	14	3	6	50	100
14	Cost of raw material affects production and sales and affects growth of MSME's	25	50	15	30	5	10	10	20	50	100

15	Poor managerial skill negatively affect the growth of MSME's	24	48	17	34	5	10	9	19	50	100
16	Provision of long loans at low interest rate boost growth of MSME's	36	72	8	16	2	4	4	8	50	100
17	Provision of adequate security creates a fertile environment for MSME's to strive	30	60	14	28	4	8	2	4	50	100
18	Provision of constant electricity supply, good roads and water supply boost growth of MSME's	25	50	13	26	7	14	5	10	50	100
19	Managerial training and skill acquisition can help MSME's to properly manage and grow business	35	70	8	16	4	8	3	6	50	100
20	Government intervention through subsidy and provision of grants can help MSME's growth	28	60	15	30	2	4	5	10	50	100

Table 1 are responses as to the opinion of the respondents on the problems SMEs face in their growth

Discussion

The 80 percent of the respondents agreed that MSMEs are the main businesses exist and operate within their community. While 20 percent disagreed that MSMEs are not the main businesses around their communal areas. The respondents who disagreed are having their small businesses near and around the large-scale businesses in the Apia two area. The 76 percent respondents believed that MSMEs are significant for the growth and development of their community, whereas 24 percent disagreed. The disagreeing respondents' businesses are near the large-scale businesses, so customers regularly get the services from these big businesses. While 76 percent respondents having their businesses in community where no large businesses are near, so they provide the services and growth to the community.

The five MSMEs respondents strongly agreed that the government assist their business to grow. The other six also agreed with the notion. While 19 respondents disagreed and another 20 strongly disagreed with government providing assistance to small scale businesses. The individuals who believed government supported their businesses to grow see through the social services lens provided by the government like road, electricity, water, and monetary policy. While the 39-disagreeing wanted to see practical things government to give to them like offering subsidies, loans, equipment and other tangible services and stuffs.

The 90 percent of the respondents agreed that MSMEs help reduce the level of poverty within the family households. While four present disagreed and another six percent strongly disagreed that MSMEs do not alleviate their struggle and hardship in living. The majority of respondents saw the small-scale businesses assisted them and other family households in their daily needs. The revenue from businesses provided some incomes for them to meet their needs and wants. The 44 respondents said MSMEs help to reduce the level of unemployment while two disagreed and another six strongly disagreed. Small businesses provided employments for community residents within in their area of

living. The 30 percent of the respondents believed the level of their income has increased whereas 70 percent of the respondents did not see any improvement in their income. The Covid-19 travel restrictions and fallouts have affected MSMEs badly due to delay and inconsistency in shipping travel and schedule. The goods and services prices increased in big and small businesses hindering customers to purchase and place orders.

The 30 percent of the respondents said they manufactured their own products while the 70 percent did not produce their own products. Most goods and services provided by the MSMEs are manufactured overseas and few are the locally produced like the artefacts, traditional food stuffs, local juice, local cocoa, and others. The 24 percent respondents said the commercial and micro finance banks provide loans to SMEs at low interest rate. While 76 percent disagreed with the notion. The government introduced the monetary policy during the Covid-19 period for commercial banks and micro finance institutions to lower their interest rate. Despite of such incentive majority of respondents see the interest rate still high with short term period for repayment. This has negative implication on their business growth.

The 40 respondents said MSME's must provide collateral securities before loans are provided while ten (10) disagreed. Some individuals with small businesses do not have credit facility to offer as collateral security so disagreed with this question. However, others knew one of the loan requirements is the collateral security a businessperson must offer to the bank to get the loan. The 70 percent of respondents strongly agreed, and 16 percent agreed that security challenges negatively affect the growth of MSMEs. While eight percent disagreed, and six percent strongly disagreed. The majority believed that different challenges posed to business will cause hiccups to smooth flow of business operations. For examples, things like Covid-19, weather pattern, policy change, loan requirement, cyber-security and others caused problems to the business.

The 90 percent of respondents said shortage of electricity, bad roads and water supply negatively affect the growth of MSMEs. While ten (10) percent of the respondents did not think so. The majority understood that the social services enhance the growth of businesses to flow smoothly in terms of management and operation of the business activities. Whereas ten (10) percent thought otherwise or did not understand the question. The 64 percent respondents believed lack of patronage negatively affects the growth of MSMEs while 36 said it does not affect the growth of MSMEs. The majority believed a business mentor and guide would help boost spirit of running and managing the business. The 80 percent of respondents agreed that cost of raw material affects production and sales and affects growth of MSMEs while 20 percent disagreed. The large number of respondents seeing buying stuffs from big business houses here are expensive or even purchasing them from overseas. While the minority think not only the cost but other factors like the public relations, location of the business or lack of advertisement affect the growth of MSMEs too.

The 41 respondents said poor managerial skill negatively affect the growth of MSMEs, while nine other respondents disagreed. The respondents disagreeing do not management as an issue likely they are good managers maintaining their business well. Whereas, the others see booking keep, cash flow chart and other documentations are somehow difficult for them manage and maintain. Training and workshop on managerial and management skills would assist the MSME business owners and managers to improve their growth of the business.

Conclusion

The MSMEs within the four districts of Upolu in the Apia town area from Aleipata, Samatau, Falelatai and Safata district provide employment opportunities to local residents and generate income for the business owners and families. Also, they develop the national economy, reduce poverty and stimulate economic development in rural and far-flung areas around Upolu.

Despite of such positive contribution MSMEs bringing into the livelihood of Upolu people they face many challenges during this pandemic crisis of Covid-19. The research study showed that 50 MSMEs surveyed received less assistance from government in terms of subsidy or grant for their business to grow. The cost of raw material is another factor negatively affecting the production and sales of the MSMEs. The lack of managerial skills and knowledge coupling with inadequate training and skill acquisition do not help the MSMEs in the Upolu area to effectively prosper in development growth and expansion. Besides, the loans provided by co-operative societies are short term with high interest rates and the MSME's must provide collateral securities before getting the loans. This does not provide favourable guarantee and conducive circumstance for the small businesses to secure loans easily.

Despite of such hardships, the 50 MSMEs in the Apia town area are working hard to stay afloat during this pandemic period and looking to the aftermath of the crisis to rise and expand their growth and development.

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