Review of Futures Markets
ISSN 1933-7116 (Print)
fra.st/rfm

Volume 34 · Issue 2 · 2026
Pages 1751–1758

Challenges Faced by Small Businesses: Implications for Growth and Survival

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Received: 18/09/2026 | **Accepted:** 21/10/2026 | **Published:** 31/10/2026

Abstract

Small businesses are crucial to local economies but are increasingly exposed to increased challenges from organized retail, e-commerce, and rising operational expenses. Drawing on a structured questionnaire that was surveyed among 53small businesses, the study obtained views of 16 challenges that were identified and interpreted using descriptive statistics and patterns of skewness.

Results indicate that fiscal pressures high taxation, expensive rentals, and limited access to credit are the most urgent among the respondents. Online competition and perceived inability to differentiate in the market are also major threats. Internal threats such as government regulations, supplier relationships, and insufficient market research are rated lower.

The findings emphasize the necessity of policy intervention aimed at easing operational pressure and facilitating long-term resilience. Through both the external pressures and internal shortfalls from which these companies suffer, the research presents significant insights for policymakers, development organizations, and industry players interested in supporting local retail environments to endure in an increasingly dynamic commercial landscape**.**

Keywords: Challenges, Small Businesses, Competitive, Marketing, Financial.

Introduction:

Walk along any street in India, pause for a minute in the morning crush or the languid beat of a dusty street , and the rhythm of the country starts to reveal itself. Not in shopping malls or skyscrapers, but down on the street corners and side lanes.

There, under a plastic canopy propped up by bamboo poles, a woman deep-fries pakoras in sizzling oil. She began with nothing more than ₹3,000—the cost of a stove, some utensils, and ingredients. No training, no permits. Only instinct, her grandmother's secret recipes, and the determination to provide for her family.

A few steps away, a barber is setting up his equipment. His establishment isn't much—a cracked mirror stuck on a tree, a plastic chair, and a rag to clean his customers after a shave. He opens early and closes late, making ₹30 per trim.

Down the adjacent alley, a teenager is bent over a mobile phone with its back cover removed. He holds a screwdriver in one hand while another phone plays a YouTube video. He learned all this by himself. With ₹8,000 of his father's savings, he purchased a toolkit and a few spare parts. Now he earns ₹500–₹1000 a

How to cite: Hulkund et al. (2026). Challenges Faced by Small Businesses: Implications for Growth and Survival. Review of Futures Markets, 34(2), 1751–1758.
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day—more than anyone in his house.

Millions of Indians operate small businesses with hardly any capital at all the vast majority with less than ₹4 lakh of investment, and many much less. These businesses do not appear in economic surveys with shiny graphs. They are not included in startup ecosystems or in MSME policy briefs. But they are the actual entrepreneurs of India street-level smart, hardy, and intensely embedded in local communities.

Timeliness of the study:

Small business in India currently facing challenges due to rapid digital tranformation and e-commerce platforms. While policy makers continue to stress enterpreneurship, , the difficulties by small business remain underexplored. Therefore , examining the current challnges faced by small buisnessess is both relevent and timely, particularly in the post-pandemic business.

Novelty of the study:

This study contribute to the existing literature by providing examination of competitive challenge, marketing challenges, financial challenges faced by small business.The study incorporate current issues such as Online competition affecting the business operation, Business is unable to distinguish from competitor , Financial contraits effect marketing, there by offering complete understanding of current small business.

Significance to field:

Small business play important role in employment generation, local connectivity. The finding valueble insightd for policymakers, financial institutes. By identifying challenges such as high business rental costs is a financial burden for business, excessive taxation on the business, online competition affecting the business operation, the tuy contribute ti grwoing orm of knaowlege on small business sustainability.

Literature review:

Title / Paper	Author(s)	Research Focus	Research Gap	Suggestions for Future Research
Challenges faced by small-scale retail businesses in India	R. K. Sharma & N. Gupta (2021)	In this paper, the underlying operational, financial and market issues experienced by small retailers are investigated.	The study lacks knowledge of the ways in which these firms are adopting digital tools.	Future studies might shed a light on the direction in which e-commerce and other digital tools helps small retailers to advance.
Financial constraints in small family businesses in India	S. K. Verma & A. Jain (2019)	The authors speak about the difficulties that small family businesses face when seeking finance and credit.	Informal finance is poorly documented and its impact is unknown..	Studies can look into the role of availability of informal credit and its effects on survival of the business.
Marketing challenges for small-scale service providers in urban India	M. Singh & P. Kaur (2020)	The issues of customer retention, competition, and branding amongst small service providers are studied in this research .	There is little mention of the use of social media marketing by these businesses.	Future research could investigate how social media could be used to advertise small service firms.
Customer relationship management challenges in small retail businesses	V. Rao & S. Desai (2018)	This study addresses the hindrances for small retail stores in embracing customer relationship management (CRM) solutions.	The paper observes a lack of CRM solutions for small-sized ventures.	Creating low-cost CRM solutions for small retailers may be investigated.
Challenges of urban small-scale businesses in India	S. Gupta & R. Malhotra (2019)	The authors discuss regulatory barriers and competition in the market that small enterprises encounter in cities.	The research is concentrated primarily on large cities, excluding small urban areas.	Research may consider studying difficulties of businesses in tier 2 and tier 3 cities.
Small-scale businesses and cash flow management: An empirical study	J. Mehta & K. Singh (2021)	This study examines cash flow issues and working capital management for small businesses.	There is little research into the utilization of financial planning aids.	The effect of financial literacy programs on cash management is a possible area of research.
Role of social media in marketing small businesses in India	N. Sharma & P. Jain (2020)	The research discusses how small enterprises employ social media to promote themselves and the issues thereof.	Quantitative information on the effectiveness of social media is lacking.	The effects of social media campaigns on business development could be evaluated by future studies.
Informal sector and small business challenges in rural India	R. Choudhary & M. Singh (2018)	This paper considers the issues encountered by small informal enterprises in rural areas.	There is limited research on the availability of formal support mechanisms.	Studying government support mechanisms for informal small enterprises would be informative.
Supply chain challenges in small retail businesses in India	K. Kumar & R. Verma (2019)	The authors examine procurement, inventory, and distribution problems in small retail establishments.	There is little emphasis on technology-facilitated supply chain optimization.	Investigating the role of digital technology in improving supply chain efficiency is suggested.
Technology adoption barriers in small-scale businesses	D. Singh & A. Kaur (2021)	The research examines challenges faced by small firms in implementing IT solutions.	Cost considerations are not adequately researched.	It can research cheap technological alternatives available for small firms.
Women entrepreneurs in small-scale businesses: Challenges and opportunities	M. Jain & S. Verma (2019)	This article brings to light the female-specific issues that women who own small businesses encounter.	Rural women entrepreneurs are not well represented in the studies.	More research on rural women entrepreneurs and their requirements is required.
Effect of COVID-19 on survival of small retail businesses	P. Reddy & S. Narayan (2021)	The authors evaluate the impact of the pandemic on small retail businesses and how they coped with it.	Empirical data on recovery after the pandemic is lacking.	Research on long-term recovery plans and building up resilience would be helpful.
Small-scale business growth challenges in semi-urban India	S. Tripathi & V. Singh (2020)	The article discusses barriers to growth of semi-urban small firms.	Research is mainly done in urban centers, excluding semi-urban areas.	Increased research is needed on semi-urban and rural business-specific challenges.
Financial literacy and credit access in small-scale businesses	A. Joshi & K. Shah (2022)	Financial literacy rates are associated with access to credit for small firms by the study..	There is a lack of focus on rural financial literacy.	Customized financial literacy programs for rural small businesses could be developed.

Title / Paper	Author(s)	Research Focus	Research Gap	Suggestions for Future Research
Entrepreneurial motivation and challenges in small-scale businesses	R. Agarwal & P. Singh (2018)	This paper explores the motivations behind entrepreneurship and challenges faced by small business owners.	Rural financial literacy has no emphasis.	Financial literacy programs suited to rural small firms could be designed.
Legal and regulatory challenges for small-scale businesses in India	M. Sharma & N. Kapoor (2020)	The challenges small businesses encounter in complying with the law and regulations are addressed in this paper.	A broad accessibility of legal counsel is one such large void.	suggested is the creation of online legal advisory services for small businesses.
Role of local community support in small business sustainability	K. Raj & A. Thomas (2019)	The study looks into the role of local network and community support in small business survival..	quantitative data exist.	Further quantitative studies on the impact of social capital on business development are needed.

This table emphasizes the existing knowledge terrain and identifies areas of gaps like the call for longitudinal data, regional and context studies, more insights into technology adoption effects, and multi-dimensional approaches tackling multiple challenges.

These are challenges of the small business.Accounting to literature review these are challenges faced by small businesses.

Competitive Challenge
Online competition affecting the business operation
Small business facing intense competition.
Supplier have high baraging power
Government regulations regarding pose chanllenges
Business is unable to distinguish from competitor
Difficulty in expanding the customer bases
Marketing Challenges
There is issue in marketing product
Absence of market research/forecasting impacts the business
There is a limited knowledge about market competition
Financial contraits effect marketing
Week marketing and distribution networks
Financial Challenges
High business rental costs is a financial burden for business
Excessive taxation on the business
Struggle to get loans or access to finances for the business.
Transportation costs were high in terms of profit.
High costs of procurement impacting the business

Competitive Challenges

1. Online competition for the business: The proliferation of e-commerce sites has dramatically impacted small local retail businesses. Traffic to physical locations has also decreased thanks to the availability and low prices of a wide variety of products in virtual stores that offer home delivery. This ends up being a disadvantage for small business who especially if they don’t have the technical infrastructure or logistics backup to offer the same comforts, are more challenged to compete.

2. Competition from other small business r: Besides the big online companies there is a lot of competition between local small business r’s. They are frequently in the same region and use the same target market as competitors and so compete very aggressively on price, product selection and personal relationships. So, it is difficult for any one retailer to differentiate itself or develop a loyal clientele.

3.Supplier Power: Most small businesses become dependent on one or two suppliers and then they're forced to accept obnoxious credit terms, pricing or delayed delivery. This reliance places the suppliers in a position of power within the negotiations and limits the retailers ability to negotiate and obtain profits. Breaks in this supply chain impact inventory levels and result in either lost sales or overstocking.

4. Government rules affecting the business:The licensing, registration for GST, labor laws, and regular inspections can become burdensome for small businesses. Most retail operations lack the administrative know how and capacity to be up to date with such rules and even minor infractions can produce fines.

5. Not having a unique selling point:If competitors sell the same products, consumers may not find a unique value buying from a particular store. It's the retailers that fail at creating identity because they have no branding, customer engagement or proprietary product. As a result they risked losing customers to competitors with a slight edge.

6. Hard to grow customer base: New customers must have visibility, trust and marketing efforts to give small places a shot. Limited budgets and expertise have them operating by word of mouth or foot traffic. This in turn produces little or no new growth in their client base.

Marketing Challenges

7. Marketing the products:Small business owners lack formal training or experience in marketing. They might not know how to market and sell their product. Even when they have decent products, they cannot product awareness or interest, leading to slow sales.

8.Lack of market research/forecasting impacting business: Without requisite data regarding customer choice, demand patterns, or seasonality, retailers make ignorant stocking decisions. This causes problems like overstock on uncottoned goods, or running out of stock on a hot item. The absence of tools and knowledge for forecasting directly affects sales planning and stock control.

9. Unawareness of market competition: Independent retailers for the most part operate in silos and don't know what their competition is up to. They could be out of touch with changing pricing strategies, new products entering the market or evolving customer expectations. This lack of awareness does not allow them to respond and be competitive.

10. A lack of monetary resources for advertising: Funds to do advertising in traditional media or in digital platforms is something that small business may lack. They cannot afford advertising, banners, online ads. As a result, their visibility is confined to the immediate neighbourhood, constrains their potential for growth.

11. Mismanaged marketing and distribution channels: A lot of small business don't have access to wider distribution or partnerships that can amplify their reach.

Financial Challenges

12. High business rental costs are a financial burden:Retailers located in prime commercial areas often pay high rents, which consume a large share of their monthly revenue. With rising real estate prices, even small retail spaces have become expensive. This fixed cost creates constant financial pressure, especially during slow sales periods.

13. High taxation impacting the business:While tax compliance is important, complex tax structures and high rates under systems like GST can hurt small businesses. Retailers may struggle to understand or manage taxes efficiently, and unexpected liabilities can affect their cash flow. For many, the cost of compliance itself is a burden.

14.Difficulty in raising finance or getting loans for business purposes: The main problem lies in formal access to credit. Many small businesses cannot provide the required documentation, credit history, and collateral that the banks and other financial institutions ask for. They either end up running on limited capital or get loans from informal credit providers who charge them on high interest rates thus handing them a spiraling debt cycle.

15. High transportation costs affecting profit:Transporting goods from suppliers or wholesale markets incurs significant fuel and logistic costs, especially for retailers located in semi-urban or rural areas. These costs add to the overall procurement price, reducing the profit margin. In cases where supply is irregular, emergency transport adds further costs.

16. High procurement costs affecting the business:Small business often buy products in small quantities, meaning they don't get the bulk discounts or

lower prices that larger retailers enjoy. Additionally, they may have to pay upfront rather than on credit, which strains cash reserves. These high input costs mean that their retail prices are less competitive, further limiting sales.

Research Design:

The Purpose of the Study

small businesses in India the ones we pass by every day are struggling, and we don't talk about it enough. These are the tailors in rented shops, the women making snacks at home, the kirana store owners, the electricians and phone repairers the real economic backbone of local India.

But despite their importance, most of them are caught in a tough spot — dealing with outdated infrastructure, no real access to bank credit, and mountains of red tape. This research sets out to understand those struggles in a grounded, human way and to explore how we can do better, as a society and as policymakers, to support them.

Statement of the Problem

India has long celebrated its entrepreneurial spirit, but most of that celebration is focused on startups, unicorns, and tech giants. Beneath that shiny layer exists a much larger, quieter group: small businesses the street-side, community-serving enterprises that make our daily lives possible.

Yet these businesses are often pushed to the margins. Despite employing millions and contributing significantly to India's GDP, they operate with little support. They face constant financial hurdles, struggle to comply with regulations that aren't designed for them.

There's a wealth of policy talk around MSMEs, but the micro end of that spectrum — the businesses running on less than ₹4 lakh investment — often gets ignored. What's missing is an in-depth look at what these businesses are really going through — from the inside. That's the problem this research wants to highlight and understand.

Scope of the Study

This study will take a closer look at small businesses across India that are:

- Independently run
- Mostly unregistered, informal, or family-run
- Spanning sectors like local retail, repair services, home manufacturing, street vending, tailoring, etc.

Objectives:

1. To identify the key day-to-day challenges faced by small business owners in India.
2. To recommend realistic, community-focused solutions that could ease these challenges.

Research Design and Data Collection

This study uses a quantitative surveys.

Quantitative:A structured survey .The survey will include Likert scale questions, multiple choice, and ranking systems to assess how they perceive and prioritize different challenges.

Analysis:

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Online competition impacting the business	53	1	5	3.26	1.619	-.193	.327
There is competition from other small business	53	1	5	3.04	1.400	-.201	.327
Pressure from suppliers	53	1	5	2.42	1.525	.540	.327
Government regulations effecting the business.	53	1	5	2.68	1.566	.341	.327
Inability to differentiate from competitors	53	1	5	3.40	1.335	-.071	.327
Difficulty in expanding the customer base	53	1	5	3.13	1.387	-.111	.327
Struggle to market the products	53	1	5	3.08	1.492	-.134	.327
Lack of market research	53	1	5	2.49	1.436	.445	.327
Poor knowledge of market competition	53	1	5	2.81	1.582	.263	.327
Limited monetary resources for advertising	53	1	5	2.79	1.561	.233	.327
Inadequate marketing and distribution networks	53	1	5	3.11	1.589	-.193	.327
High business rental costs is a financial burden for business	53	1	5	3.45	1.435	-.490	.327
High taxation impacting the business	53	1	5	3.81	1.331	-.759	.327
Struggle to acess of finance	53	1	5	3.26	1.443	-.205	.327
High costs of transportation affecting the profit	53	1	5	3.11	1.463	-.165	.327

High procurement costs effecting the business	53	1	5	3.08	1.504	-.063	.327

Descriptive Analysis of Challenges Confronted by Small Independent Retailers in (N = 53)

Small independent stores are the backbone of local economies but tend to exist under challenging and volatile market situations. This research has tried to identify the particular issues that face them with the help of a sample of 53 retailers from Every issue was rated on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree), with a wide range of financial, operational, and competitive issues.

Key Challenges Identified

The analysis revealed five main challenges that stood out based on average ratings, highlighting the pressure points in the retail .

Challenge Mean Standard Deviation Interpretation

Challenge	Mean	Standard Deviation	Interpretation
High taxation impacting the business	3.81	1.33	Perceived as the most critical issue, taxation adds a heavy financial burden.
High business rental costs	3.45	1.44	Rent is costly, particularly in prime or city centre locations.
Inability to differentiate from competitors	3.40	1.34	Lack of distinctiveness makes it more difficult to attract and retain customers.
Online competition impacting the business	3.26	1.62	E-commerce competitors are seen as an emerging competitive force.
Struggle to access finance	3.26	1.44	Restricted access to credit stifles business growth and resilience.

All five challenges lean toward external financial stress and a competitive market situation. Taxation and rent are major cost drivers, and the expansion of digital trade increases the competitive landscape.

Challenges Perceived as Less Severe
On the other end of the spectrum, some concerns were rated lower, suggesting they were not considered immediate threats by most respondents:

Challenge	Mean	Interpretation
Pressure from suppliers	2.42	Supplier problems were not regarded as significant disruptors to day-to-day business activities.
Lack of market research	2.49	Strategic research is underexploited but not considered an urgent gap by most retailers.
Government regulations	2.68	Even though regulation impacts operations, it was rated as a moderate challenge.

These findings suggest internal operations issues are not at the forefront of thinking at present, possibly due to the presence of more urgent survival-type concerns.

Skewness Patterns:

Negative Skewness occurred in subjects like high rentals and taxes, suggesting many respondents concurred or strongly concurred with their applicability.

Positive Skewness was achieved for answers on research and supplier pressure, implying disagreement or neutral responses were more common.

This trend indicates agreement on economic stressors, but with less concern expressed on strategic or long-term operational matters.

Findings:

The descriptive analysis reveals a unique trend: small retailers are working in an environment of economic and competitive stress. Tax burden, rents, failure to differentiate, and concerns over competition from the internet appear to closely constrain profitability and growth.Interestingly, while macro-level concerns (financial and competitive) are listed as first, micro-level concerns such as market research or negotiating with the suppliers are felt to be secondary. This could be signaling either better handling of in-house processes or scant attention to long-term strategic planning by small retailers.The figures also reflect a reactive approach focus on survival than investing time in proactive improvements.

Potential Impact on Future Research:

The finding is foundation for futher studies examining digital transformationand policy interventions.Future research may built on longituanal studies, and sector specific investigations.the idefied challenges can be incorporated into conceptual model

Conclusion

Small independent shops find it hard to balance. Increased overheads rising competition from internet sellers, and limited access to formal funding sources test their survival. These restrictions don't allow much room to develop or innovate. The reality that such shops don't care much about issues like analyzing the market or handling suppliers indicates they're concerned with surviving rather than expanding. Many shop owners may not have the funds or the expertise to address these long-term challenges. These observations are important to individuals making policy and groups providing assistance. Measures such as reducing taxes, offering affordable space to rent, making small loans readily available, and educating digital skills can enhance this sector. It's important to get beyond merely struggling to get through each day and accumulating strength and capacity to compete with small shops. In developing assistance that meets what these business owners require in villages and cities, the government and industry giants can enable a retail environment of everybody and for the long term.

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