

Challenges faced by Small and Medium Enterprises in Lesotho

by

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Submitted in fulfilment of requirements for the degree

Master of Business Administration

Module Code: MBRP7900

in the

UFS Business School

Faculty of Economic and Management Sciences

at the University of the Free State

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June 2023

Bloemfontein

DECLARATION

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ABSTRACT

Small and Medium Enterprises (SMEs) are considered the main catalysts behind economic growth and overall national development as they are renowned for addressing socio-economic issues confronting a specific country. As a result, different governments in developed and developing countries leverage the SME sector to expand the employment grid and tackle poverty-related issues. As such, creating an enabling environment for the success of SMEs is one of the main policy agendas world-wide, and governments constantly seek to develop policies that address SMEs' challenges to ensure their sustainability. However, in light of these efforts, SMEs still encounter several challenges that limit their growth, subsequently failing to fulfil their mandate of addressing the socio-economic challenges.

Therefore, the primary objective of this study was to determine the challenges SMEs in Lesotho face. The study assumed a quantitative approach. A survey questionnaire was used as a primary data collection instrument, utilising a database of SMEs in Lesotho using emails compiled from their online presence. A sample of 400 SMEs was chosen using a simple random sampling technique from a population of 76 000 SMEs in Lesotho. The study employed descriptive statistics to determine the characteristics and distribution of the data. The data analysis employed the Chi-Square test and the Pearson Correlation test to reveal the associations and relationships between the challenges faced by SMEs and SMEs' performance, the relationship between the government of Lesotho (GoL) intervention and SMEs' access to finance, and the relationship between the challenge of access to finance, including several other challenges.

Based on the Chi-Square test, the study's findings revealed associations between the challenge of access to finance, workplace skills, employee retention, marketing challenges, technological challenges, and other challenges (e.g., Covid-19, crime rate, labour law), including SMEs' performance. Furthermore, the study established associations between GoL intervention and SMEs' access to finance. Lastly, the study determined associations between the challenge of access to finance and several challenges confronting SMEs in Lesotho. The Pearson-Correlation test found statistically significant negative relationships between the challenge of access to finance, workforce skills, technological challenges, and other challenges (e.g., Covid-

19, crime rate, labour law) and SMEs' performance. Also, a significant negative relationship was established between GoL intervention and SMEs' access to finance. Finally, the study discovered significant positive relationships between the challenge of access to finance and workforce skills, including technological and other challenges (Covid-19, Crime rate, labour law).

KEYWORDS: Small and Medium Enterprises (SMEs), SMEs Performance, Access to Finance, Workplace Skills, Employee Retention, Marketing, Technology, Other Challenges, Government of Lesotho (GoL)

TABLE OF CONTENTS

DECLARATION	II
ABSTRACT	III
TABLE OF CONTENTS.....	V
ACKNOWLEDGEMENTS	1
LIST OF TABLES	2
LIST OF FIGURES.....	1
LIST OF ACRONYMS AND ABBREVIATIONS	2
CHAPTER 1– INTRODUCTION AND BACKGROUND	3
1.1. INTRODUCTION	3
1.2. BACKGROUND.....	4
1.3. PROBLEM STATEMENT	6
1.4. PRIMARY RESEARCH OBJECTIVE	7
1.5. SECONDARY RESEARCH OBJECTIVES	7
1.6. THE SIGNIFICANCE AND CONTRIBUTION OF THE STUDY.....	7
1.7. SUMMARY OF THE CHAPTER.....	8
2.1. INTRODUCTION	9
2.2. THE THEORETICAL FRAMEWORK.....	9
2.2.1. CREDITS ADMEASURE THEORY	9
2.2.2. TECHNOLOGY ACCEPTANCE THEORY.....	10
2.2.3. THE HUMAN RELATIONS MANAGEMENT THEORY	11
2.3. THE LITERATURE REVIEW	12
2.4. THE DEFINITION OF SMES	12
2.5. THE PROFILE AND CHARACTERISTICS OF SMES IN LESOTHO.....	13
2.6. THE ROLE OF SMES IN THE ECONOMIC DEVELOPMENT AND GROWTH	14
2.7. CHALLENGES FACED BY SMES.....	15
2.7.1. LIMITED/NO ACCESS TO FINANCE AND CREDIT.....	15
2.7.2. UNSKILLED WORKFORCE.....	16
2.7.3. TECHNOLOGY.....	17
2.7.4. OTHER FACTORS: COVID-19, CRIME RATE, AND LABOUR LAWS	17

2.8.	GOVERNMENT INTERVENTION TO EMPOWER SMES	18
2.9.	EMPIRICAL LITERATURE ON THE CHALLENGES FACING SMES	21
2.10.	MEASURE OF SMES PERFORMANCE	25
2.11.	SUMMARY OF THE CHAPTER	26
	CHAPTER 3 - RESEARCH METHODOLOGY	27
3.1.	INTRODUCTION	27
3.2.	RESEARCH PARADIGM	27
3.2.1.	EPISTEMOLOGY	28
3.3.	RESEARCH DESIGN	28
3.4.	SAMPLING	29
3.4.1.	POPULATION AND SAMPLE	29
3.5.	THE DATA COLLECTION METHOD	30
3.5.1.	ADMINISTRATION OF THE QUESTIONNAIRE	31
3.6.	VARIABLES AND THEIR MEASUREMENT	31
3.7.	DATA VALIDITY AND DATA RELIABILITY	32
3.8.	DATA ANALYSIS	32
3.8.1.	INFERENCE STATISTICS	33
3.9.	ETHICAL CONSIDERATIONS	33
3.10.	DEMARCATON OF THE STUDY	34
3.11.	SUMMARY OF THE CHAPTER	34
4.	CHAPTER 4 – DATA ANALYSIS	35
4.1.	INTRODUCTION	35
4.2.	THE RELIABILITY STATISTICS USING THE CRONBACH’S ALPHA	35
4.3.	THE DESCRIPTIVE STATISTICS	36
4.3.1.	THE DESCRIPTIVE STATISTICS ON THE PROFILE OF SMES	36
4.3.2.	THE DESCRIPTIVE STATISTICS ON THE STUDY VARIABLES	40
4.4.	THE TEST OF ASSOCIATIONS BETWEEN THE STUDY VARIABLES USING THE CHI-SQUARE TEST	43
4.4.1.	THE ASSOCIATIONS BETWEEN THE CHALLENGES FACED BY SMES AND SMES PERFORMANCE	44

4.4.2.	THE ASSOCIATIONS BETWEEN THE GOL INTERVENTION ON THE CHALLENGE OF ACCESS TO FINANCE AND SMES PERFORMANCE	44
4.5.	THE ASSOCIATIONS BETWEEN THE CHALLENGE OF ACCESS TO FINANCE AND THE SEVERAL CHALLENGES FACED BY SMES	45
4.6.	THE TEST OF RELATIONSHIPS BETWEEN STUDY VARIABLES USING THE PEARSON CORRELATION TEST	46
4.7.	THE IMPACT OF CHALLENGES FACED BY SMES ON SMES PERFORMANCE	46
4.7.1.	THE RELATIONSHIP BETWEEN THE CHALLENGE OF FINANCIAL ACCESS AND SMES PERFORMANCE.....	46
4.7.2.	THE RELATIONSHIP BETWEEN THE CHALLENGE OF WORKFORCE SKILLS AND SMES PERFORMANCE	47
4.7.3.	THE RELATIONSHIP BETWEEN TECHNOLOGICAL CHALLENGE AND SMES PERFORMANCE	48
4.7.4.	THE RELATIONSHIP BETWEEN OTHER SMES CHALLENGES AND SMES PERFORMANCE	49
4.8.	THE ROLE OF GOL INTERVENTION ON THE CHALLENGE OF ACCESS TO FINANCE AND SMES PERFORMANCE.....	49
4.9.	THE IMPACT OF THE CHALLENGE OF LACK OF ACCESS TO FINANCE AND OTHER CHALLENGES FACED BY SMES.....	50
4.9.1.	THE CHALLENGE OF ACCESS TO FINANCE AND WORKPLACE SKILLS CHALLENGES.....	50
4.9.2.	THE CHALLENGE OF ACCESS TO FINANCE AND TECHNOLOGICAL CHALLENGES.....	51
4.10.	THE RELATIONSHIP BETWEEN THE CHALLENGE OF FINANCIAL ACCESS AND OTHER SME CHALLENGES.....	51
4.11.	SUMMARY OF THE CHAPTER.....	54
5.	CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS	55
5.1.	INTRODUCTION.....	55
5.2.	THE SUMMARY OF THE EMPIRICAL STUDY	55
5.3.	THE SUMMARY OF THE RESEARCH OBJECTIVES AND KEY FINDINGS.....	56
5.3.1.	THE SUMMARY OF THE OBJECTIVES OF THE STUDY	56
5.3.2.	THE SUMMARY OF KEY FINDINGS OF THE STUDY	56
5.4.	THE STUDY RECOMMENDATIONS	59
5.4.1.	RECOMMENDATIONS TO THE GOL AND POLICY MAKERS	60
5.4.2.	RECOMMENDATION TO HIRED/OWNER MANAGERS	60
5.5.	THE LIMITATIONS OF THE STUDY	61
5.6.	AREAS OF FURTHER RESEARCH	62
5.7.	SUMMARY OF THE CHAPTER.....	62

REFERENCE LIST	63
APPENDICES.....	76
APPENDIX A: DATA COLLECTION INSTRUMENT	76
APPENDIX B: SMEs REQUEST FOR PERMISSION LETTER	82
APPENDIX C: ETHICAL CLEARANCE LETTER	85
APPENDIX D: LETTER FROM THE LANGUAGE EDITOR	86

ACKNOWLEDGEMENTS

I would like to acknowledge and say to my supervisor, Mark J Perters, thank you for the guidance and support throughout the project. I would also like to convey my heartfelt gratitude to me employer for affording me time. Lastly, the special gratitude goes to the participants for making this project a success.

LIST OF TABLES

TABLE 1: DEFINITIONS OF SMMES AS PROVIDED BY NSBA IN SOUTH AFRICA	13
TABLE 2: SUMMARY OF GOVERNMENT INTERVENTIONS TO HELP SMEs	19
TABLE 3: SUMMARY OF STUDY VARIABLES.....	31
TABLE 4: THE RELIABILITY TEST USING THE CRONBACH'S ALPHA	36
TABLE 5: THE SUMMARY OF THE DESCRIPTIVE STATISTICS	43
TABLE 6: THE CHI-SQUARE TEST BETWEEN SMEs CHALLENGES AND SMEs PERFORMANCE	44
TABLE 7: THE CHI-SQUARE TEST BETWEEN GOL INTERVENTION ON THE CHALLENGE OF ACCESS TO FINANCE AND SMEs PERFORMANCE	45
TABLE 8: THE CHI-SQUARE TEST BETWEEN THE CHALLENGE OF FINANCE ACCESS AND OTHER CHALLENGES CONFRONTING SMEs	45
TABLE 9: THE PEARSON CORRELATION TEST BETWEEN THE STUDY VARIABLES	53

LIST OF FIGURES

FIGURE 1: GENDER DISTRIBUTION OF THE STUDY PARTICIPANTS	36
FIGURE 2: AGE DISTRIBUTION OF THE STUDY PARTICIPANTS	37
FIGURE 3: EDUCATION LEVEL OF THE STUDY PARTICIPANTS.....	38
FIGURE 4: EMPLOYMENT DISTRIBUTION OF THE STUDY PARTICIPANTS.....	38
FIGURE 5: DISTRIBUTION OF WORK EXPERIENCE OF THE STUDY PARTICIPANTS.....	39
FIGURE 6: DISTRIBUTION OF NUMBER OF EMPLOYEES EMPLOYED BY SMEs	39
FIGURE 7: DISTRIBUTION OF SMEs SECTOR IN LESOTHO	40

LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA	ANALYSIS OF VARIANCE
B-BBEE	BROAD-BASED BLACK ECONOMIC EMPOWERMENT
BEDCO	BASOTHO ENTERPRISE DEVELOPMENT CORPORATION
BER	BUREAU FOR ECONOMIC RESEARCH
CIDB	CONSTRUCTION INDUSTRY DEVELOPMENT BOARD
CIP	CONTRACTOR INCUBATION PROGRAMME
DPW	DEPARTMENT OF PUBLIC WORKS
DSBD	DEPARTMENT OF SMALL BUSINESS DEVELOPMENT
DTI	DEPARTMENT OF TRADE AND INDUSTRY
ECDP	EMERGING CONTRACTOR DEVELOPMENT PROGRAMME
FSRTG	FINANCIAL SERVICES REGULATORY TASK GROUP
GEM	GLOBAL ENTREPRENEURSHIP MONITOR
GDO	GROSS DOMESTIC PRODUCT
GoL	GOVERNMENT OF LESOTHO
GVCF	GOVERNMENT VENTURE CAPITAL FUNDS
IT	INFORMATION AND TECHNOLOGY
LNDC	LESOTHO NATIONAL DEVELOPMENT CORPORATION
MOFDP	MINISTRY OF FINANCE AND DEVELOPMENT PLANNING
NCDP	NATIONAL CONTRACTOR DEVELOPMENT PROGRAMME
NEF	NATIONAL EMPOWERMENT FUND
NSBA	NATIONAL SMALL BUSINESS AMENDMENT ACT OF SOUTH AFRICA
OECD	ORGANISATION FOR ECONOMIC CORPORATION AND DEVELOPMENT
PCGS	PARTIAL CREDIT SCHEMES
ROI	RETURN ON INVESTMENT
SEDA	SMALL ENTERPRISE DEVELOPMENT AGENCY
SEDF	SOROS ECONOMIC DEVELOPMENT FUND
SEFA	SMALL ENTERPRISE FINANCE AGENCY
SMES	SMALL AND MEDIUM ENTERPRISES
SMIDEC	SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION
TAM	TECHNOLOGY ACCEPTANCE MODEL
VC	VENTURE CAPITAL
WHO	WORLD HEALTH ORGANISATION

CHAPTER 1 – INTRODUCTION AND BACKGROUND

1.1. Introduction

Small and Medium Enterprises (SMEs) are driving forces of any economic system, specifically in developing economies, as they play an important role in the improvement of economic conditions such as employment, the reduction of poverty and economic growth (Gherghina, Botezatu and Hozzzu and Simionescu 2019:1). Thus, the survival and growth of SMEs have become the primary policy agenda across the world, with many countries striving towards supporting SMEs by creating a conducive environment through various government programmes and policies (Gherghina, Botezatu and Hozzzu and Simionescu 2019:1). According to the World Bank (2022:1), SMEs contribute to the majority of businesses globally, and they are considered powerful engines behind economic development. Furthermore, the World Bank (2022:1) found that SMEs account for 90% of businesses and more than 50% of employment globally. It is imperative to note that, in emerging economies, formal SMEs contribute 40% of the national Gross Domestic Product (GDP). However, the numbers differ significantly when considering the importance and contribution of informal SMEs in the national economies of emerging countries (World Bank 2022:1). Likewise, Hidayet, Canan, Onur and Hakan (2010:183) support the World Bank's findings that SMEs contribute over 60% towards national GDP and over 70% towards employment in low-income countries.

Moreover, in middle-income countries, SMEs are renowned for contributing over 95% to total national employment and 70% to GDP (Hidayet, Canan, Onur and Hakan 2010:183). Therefore, the importance of the SME sector is felt and recognised worldwide due to its significant contribution towards economic development, including gratifying several socio-economic goals, such as employment growth, increased output, fostering entrepreneurship and promoting the country's exports. However, SMEs operate in a turbulent environment, with increased uncertainty regarding political stability and the global economy, which pose challenges such as a rapid change in the technological landscape, financial distress and skills development (Abor and Quartey 2010:224). In a quest to strengthen the resistance and growth of SMEs globally, governments have engaged in several policy-making decisions that support

SMEs, not only mitigating the chances of failure of SMEs but also creating a favourable environment for new ventures (Rankhumise and Masilo 2018:167). This has led to the establishment of international institutions such as the Soros Economic Development Fund (SEDF) (SEDF 2022), the World Bank Group, the Small and Medium Industries Development Corporation (SMIDEC) in Malaysia (Gopoul and Manley 2015:307), Small Enterprise Development Agency (SEDA) in South Africa (SEDA 2013), Basotho Enterprise Development Corporation (BEDCO) and Lesotho National Development Corporation (LNDC) in Lesotho (LNDC 2022).

Despite government intervention to keep the SMEs afloat, SMEs still face challenges that prohibit their continued growth. Yoshino and Taghizadeh-Hesary (2016:5) highlighted several challenges that SMEs face: increased competition, rigidity to adapt to turbulent environments, rapid changes in technology, capacity constraints in terms of skills shortage, creativity and knowledge. Yoshino and Taghizadeh-Hesary (2016:5) further emphasised that some of the SMEs fail to operate at their full potential due to inadequate resources (technology, finance, skilled labour and market access), failure to achieve economies of scale and scope, increased costs of transacting, inability to maintain competition with established firms and lack of entrepreneurial enthusiasm.

Therefore, this study aimed to determine the challenges confronting SMEs in Lesotho. The following section discusses the background of the study in the context of Lesotho.

1.2. Background

The Organisation for Economic Corporation and Development (OECD) (2017:4) emphasised the difficulty of defining SMEs. However, OECD (2017:4) determined that SMEs must be defined within the limits of the legislation for a specific country as the main dimensions of small and medium are directly linked to the size of each country's economy. However, upon consideration of several economies, OECD (2017:4) deduced the meaning of SMEs to relate to any firm that employs up to a maximum of 249 employees, with the following sub-categories: micro enterprises employing one to nine employees, small enterprises employing ten to 49 employees, and medium enterprises employing 50 to 249 employees.

In Lesotho, the Government of Lesotho (GoL) (2016:4) defines SMEs in terms of the number of employees and the revenue turnover of a firm. According to GoL (2016:4), small enterprises in Lesotho are regarded as enterprises that employ a maximum of six to 20 employees, while medium enterprises employ 21 to 50 employees, and large enterprises employ more than 50 employees. According to the GoL (2016:4), 76 000 SMEs across the country are fulfilling the socio-economic objectives, including poverty alleviation and youth empowerment, adding that SMEs in Lesotho employ 118 000 Basotho, including owners. Amongst the employed Basotho, 37 000 constitute those under 30, strengthening the importance of SMEs in Lesotho towards youth empowerment.

The government of Lesotho have taken strides in the development and growth of SMEs in Lesotho, including access to finance through the implementation of Partial Credit Schemes (PCGs), administered by two agencies: LNDC and the Ministry of Small Businesses Development, Cooperatives and Marketing (World Bank 2018:15). In this regard, the government of Lesotho is constantly reviving policies and implementing financial inclusion policies through implementing the Inclusive Finance Strategy to create a low-cost business environment that addresses the needs of SMEs (Ministry of Finance and Development Planning [MoFDP] 2012:4).

However, in light of the government of Lesotho's intervention in the private sector, specifically focusing on SMEs, the World Bank (2018:15) made alarming discoveries. Firstly, when compiling the private sector register in Lesotho, the World Bank (2018:15) found that the SMEs constituted 97% of the firms in Lesotho, yet large firms are responsible for over 50% of employment, which constitute 3% of the total private sector firms in Lesotho. Secondly, the World Bank (2018:15) found that, of the 97% of SMEs, 82% are micro firms, 12.8% are small firms, and 2.2% are medium firms. The implication is that, regardless of GoL's intervention in strengthening the SME sector, the sector seems to be developing at an insignificant rate given the intended government policies. Thus, significant problems in the SME sector hinder micro and small firms from transitioning to medium firms because significant gaps exist between micro, small, and medium firms. Therefore, it is important to explore the challenges SMEs in Lesotho face. The following section presents the problem statement and the research objectives underpinning this study.

1.3. Problem Statement

For Gherghina, Botezatu, Hozzzu and Simionescu (2019:1), SMEs are expected to be an important vehicle to address the challenges of job creation, sustainable economic growth, equitable distribution of income and the overall stimulation of economic development. Given the extant literature and the role of SMEs in the economic development of different countries, governments must create policies that address the needs of the SMEs (World Bank 2022:1). However, governmental support to SMEs does not only come in the form of policy formulation and implementation (Rankhumise and Masilo 2018:167). Several governments have set up institutions that support SMEs through resources such as finances (Rankhumise and Masilo 2018:167).

Lesotho has also implemented policies that address the needs of SMEs in Lesotho. The support went beyond policy formulation and implementation, setting up institutions that provide support to SMEs such as BEDCO and LNDC (World Bank 2018:15). This was done to fortify the resilience of SMEs in Lesotho to thrust through economic downswings to avoid failure and consequently contribute to socio-economic objectives such as job creation, sustainable economic growth, equitable income distribution and overall stimulation of economic growth in Lesotho (MoFDP 2012:4).

However, despite the efforts of the government of Lesotho, the SME sector has been stagnant over time (World Bank 2018:15). Unlike countries such as Pakistan which realised economic development and growth after strengthening their SME sector (Manzoor, Wei and Siraj 2020:7), there exist insignificant growth in Lesotho, delaying the achievement of socio-economic variables such as employment creation and poverty reduction. The harrowing performance of SMEs in Lesotho was reflected in the findings of the World Bank (2018:15), which provided that the private sector in Lesotho constitutes 97% of SMEs, although large firms are responsible for more than 50% of employment in Lesotho; thus, accounting for 3% of the firms in the private sector. Furthermore, 82% of the 97% of SMEs are micro and small firms, while 2.2% account for medium firms. This poses a concern for the challenges SMEs in Lesotho encounter that consequently inhibit their growth. Numerous studies have highlighted the challenges SMEs in respective countries face. For instance, Sityata (2019:104) found that, in South Africa, SMEs encounter challenges of access to finance, technology, increased competition, and a lack of adequate governmental support.

Sityata (2019:104) further discovered that technical skills such as accounting and marketing delay SMEs' growth in South Africa.

In the context of Lesotho, studies that sought to determine the challenges of SMEs are skewed towards the challenge of access to finance, neglecting how other factors pose challenges for SMEs in Lesotho (Makhetha and Sebolelo, 2014:30; Amadausun and Mutezo, 2021:16). The study conducted by Sebolelo and Makhetha (2014) solely focused on determining the barriers to access to finance and did not establish how it impacts the growth of SMEs in Lesotho. Against this background, the researcher has attempted to identify the comprehensive challenges SMEs face in Lesotho to deduce strategies that can benefit SMEs, subsequently mitigating these challenges.

1.4. Primary research objective

This study's primary research objective was to determine the challenges SMEs in Lesotho face.

1.5. Secondary Research objectives

The secondary research objectives were:

- to determine the impact of the challenges faced by SMEs in Lesotho on their performance.
- to investigate the relationship between GoL intervention on the challenge of access to finance and SMEs' performance in Lesotho.
- to establish the influence of the challenge of access to finance on other challenges faced by SMEs in Lesotho.

1.6. The Significance and Contribution of the Study

SMEs contribute significantly to socioeconomic factors such as job creation, sustainable economic growth, equitable distribution of income and the overall stimulation of economic development (Bureau for Economic Research 2016:5; Gherghina, Botezatu and Hozzzu and Simionescu 2019:1). Therefore, many aspects influence the choice to explore the challenges that SMEs face in Lesotho. For the policymaking fraternity in Lesotho, this study will be beneficial, assisting them in

making sound decisions about the course of action relating to the potential allocation of resources for SMEs. This study will also guide the government of Lesotho to divert efforts towards policies that create a better business environment for SMEs to thrive in Lesotho. For the public at large, the findings of this study will provide insight into market-related challenges for those willing to venture into business.

Therefore, this study will contribute significantly to the literature related to the challenges faced by SMEs in Lesotho, specifically bridging the gap in the GoL intervention on the SMEs' challenge of access to finance and its ultimate impact on the overall performance of SMEs. However, this study presents the gap in the non-financial mediating roles of the GoL on the performance of SMEs through the GoL apex institutions such as LNDC and BEDCO.

1.7. Summary of the chapter

This chapter introduced the foundations of this study. The chapter also introduced the study, highlighting the concept of SMEs and their significant role in the country's overall economy. Furthermore, the chapter introduced the background of the study, discussing the concept of SMEs in the context of Lesotho. Further discussion on government intervention through policies to revive the SME sector in Lesotho was provided, presenting the problem statement aimed at identifying the research gap in the SME sector in Lesotho to ascertain the challenges SMEs in Lesotho face because these hamper their growth. The chapter also highlighted what the study sought to achieve by presenting the research objectives and their respective research questions. The significance of the study, the different institutions or bodies that will benefit from the findings, and concluding remarks were also provided.

CHAPTER 2 - LITERATURE REVIEW

2.1. Introduction

The purpose of this chapter is to assess the primary challenges faced by SMEs and the factors that preclude their growth and methods, the systems and techniques that can be implemented to overcome these setbacks based on previously published literature. In accordance with the objective of this study, this chapter also deliberates on the role of SMEs in the development and growth of the economy. The chapter is structured as follows: First, the chapter provides an overview of the theoretical framework and presents the three theories supporting the study. It further defines the concept of SMEs and discusses the profile of SMEs in Lesotho. The chapter also reviews the literature related to the role of SMEs in economic development, including the literature on the challenges that SMEs encounter, providing the government's role in reviving the SME sector. The chapter further presents the empirical research on the challenges faced by SMEs, presents the performance measures for SMEs and finally provides the concluding remarks to the chapter.

2.2. The Theoretical Framework

In order to address the stated research objectives and questions, three main theories support the study: The Credit Admeasure Theory, the Technological Acceptance Model and the Human Relations Theory of Management. The section below presents each theory and provides the rationale for why the theory is relevant to the study.

2.2.1. Credits Admeasure Theory

The theoretical foundation of the Credit Admeasure Theory is based on the inability of banks to extend credit facilities to business enterprises, especially SMEs. Usually, the institutional factors that determine the granting of credit to businesses are the capital price and the credit market rate. Therefore, it is of utmost importance to note that the supply of credit is the primary factor that determines the credit market rate (Huang 2011:15). Given this, the implication is that banks would want to maximise their returns from the lending rate it charges businesses and to mitigate the risk of extending loans to borrowers with a moral hazard. Therefore, when banks cannot establish adequate

information regarding granting loans to individuals or businesses, they resort to interest rates as the standard measure (Huang 2011:15).

Thus, in some cases, the bank reliance on interest rates often cloud their decision-making processes, ultimately omitting lower-risk borrowers, as banks tend to consider high interest rates, giving rise to information asymmetry between the bank and the SMEs (Huang 2011:15). The whole procedure tends to increase the ordinary risk level due to high interest rates, denying SMEs loans despite their willingness to take high interest rates (Huang 2011:15). For the purpose of this chapter, the Credit Admeasure Theory guided the study in terms of the literature consulted as well as the structuring of the data collection instrument (questionnaire) to capture information relating to the ease/difficulty of SMEs to obtain financing from financial institutions.

2.2.2. Technology Acceptance Model

Fred Davis introduced the Technology Acceptance Model (TAM) in the late 1980s. The TAM model specifically focuses on issues related to technology and its adoption. It often relates to the individual's behavioural intentions and desires to use a specific innovative (technology) product (Momani, Jamous and Jilles 2017:5; Taherdoost 2018:962-963). The TAM model suggests that the actual decision of whether to adopt new technological advancements solely depends on an individual's behavioural intention to use, which ultimately hinges on the individual's perceived usefulness of the technological (innovative) product (Taherdoost 2018:962-963). However, according to TAM, the attitude and perceived usefulness of the innovative product are determined by the ease of use of such a product. The TAM model thus suggests that user-friendliness and perceived usefulness underscores individuals' attitudes and intentions to use a specific technology (Momani, Jamous and Hilles 2017:5; Oirere 2015:14-15).

Numerous studies sought to determine user perception of technological adoption for SMEs. For example, Nugroho, Susilo and Fajar (2017: 335) found that customer pressure, user friendliness and perceived usefulness are the main determinants of technology adoption. Similarly, Naushad and Sulphey (2020:989) discovered that end users' requirements regarding perceived usefulness and ease of use should be established to successfully adopt the TAM model. Naushad and Sulphey (2020:989)

further suggested that other factors, such as the organisation's profitability and management's support, stimulate technology adoption for SMEs. Therefore, the TAM model guides this study in obtaining relevant information regarding technological diffusion into the operations of SMEs.

2.2.3. The Human Relations Management Theory

The psychologist and organisational theorist, Elton Mayo introduced the Human Relations Management theory. The focus of Elton Mayo in developing the human relations theory was on the behaviour of people in groups and the ultimate effect on the workplace environment (Omodan, Tsotetsi and Dube 2020:2). His study gained currency and is widely known today as the Hawthorne studies. During Mayo's time, the management style of Taylorism also gained prominence. Taylorism assumed the application of science in the workplace, which regarded people as machines who can work both in good and bad working environments (Omodan, Tsotetsi and Dube 2020:2). The Human Relations Management theory contradicted Taylorism emphasising that organisations should treat employees as individuals with their own individual needs rather than machines (Omodan, Tsotetsi and Dube 2020:2).

Furthermore, the Human Relations Management theory deduced that employees aspire to a strong sense of belongingness in the workplace, which translates into employees' desire to be part of a supportive working environment through inclusion and decision-making processes that facilitate both career and personal growth (Manoj 2016:3). Thus, the theory suggests that, if there exists a sense of belongingness amongst employees, there is the likelihood that leaders will support employees and consequently enhance employee productivity (Manoj 2016:3-4). This was further determined in the study conducted by Lunenburg and Ornstein (2012), who established that employee inclusion and security at the workplace are essential for improving employee morale and productivity. Therefore, the Human Relations Management theory guided this study to determine how managers of SMEs behave towards their employees and the ultimate impact on overall employee performance.

2.3. The Literature Review

The literature review section presents aspects connected to the current study of the challenges SMEs face that hinder their growth and development. Firstly, the section provides the definitions of SMEs. Secondly, the section elaborates on the profile of SMEs in Lesotho. Thirdly, The section taps into the literature regarding the role of SMEs on the overall economy of a country. The section further unfolds the literature related to the challenges faced by SMEs, the government intervention in reviving the SME sector, the empirical literature related to the challenges faced by SMEs, as well as the performance measures for SMEs.

2.4. The definition of SMEs

According to Gherghina, Botezatu, Hozzzu and Simionescu (2019:1), SMEs play a vital role in the economic growth of a country by significantly contributing to the Gross Domestic Product (GDP). They are a key driver for job creation. SMEs cover a broad range of medium-sized enterprises to informal micro-enterprises. These informal enterprises have minimal potential for growth and expansion. They are usually a one-person business and are unlikely to hire and retain employees (Gherghina, Botezatu, Hosszu and Simionescu 2020:5). They are businesses which generate an annual turnover, maintain the value of fixed assets and retain employees within a certain threshold, and these thresholds differ from one country to the next. Therefore, the definition of an SME does not have unanimous applicability (Alraja, Hussein and Ahmed 2021:446).

For Mahlangu (2017:241), SMEs refer to small businesses with annual revenue that does not exceed R5 million, with owners directly involved in the day-to-day operations of the business. SMEs can also be classified by the small number of directors, which in most cases ranges from one to five directors and do not have proper corporate governance as their owners manage them. Cameron and Hoque (2017:1242) define SMEs as micro businesses that employ less than five employees and have gross assets, excluding property, not exceeding R1 million. SMEs are relatively small and use assets that are in the personal capacity of the owner, such as fixed property and motor vehicles.

In South Africa, the definition of SME is articulated in Section 1 of the National Small Business Act of 1996 as amended by the National Small Business Amendment Acts of 2003 and 2004. The Act provides that SME *“is a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in Column 1 of Schedule 14”*. Table 1 summarises the definitions of SMMEs in terms of the number of employees, annual revenue and gross assets, as provided in the National Small Business Amendment Act of South Africa.

Table 1: Definitions of SMMEs as provided by NSBA in South Africa

The size of the Enterprise	Number of Employees	Annual Turnover (R)	Gross Assets
Micro	Less than 5	Less than R150 000	Less than R100 000
Very Small	Fewer than 10 to 20	Less than R200 000 to R500 000, depending on the industry	Less than R150 000 to R500 000, depending on the industry
Small	Fewer than 50	Less than R2 million to R25 million, depending on the industry	Less than R2 million to R4,5 million, depending on the industry
Medium	Fewer than 100 to 200, depending on the industry	Less than R4 million to R50 million, depending on the industry	Less than R2 million to R18 million, depending on the industry

Source: Shipulwa (2016:10)

2.5. The profile and characteristics of SMEs in Lesotho

There is no universal definition of SMEs as the definition depends on who defines the SMEs and the location of the person defining SMEs. In this regard, the FinScope

Survey (2016:2-4) used profile characteristics of SMEs in Lesotho. According to the FinScope Survey (2016:2-4), micro-enterprises in Lesotho are enterprises that employ one to six employees, while small enterprises are those that employ six to twenty employees, and medium enterprises are those that employ 21 to 50 employees. These SMEs operate in different sectors in Lesotho.

Given the profile of SMEs in Lesotho, FinScope identified the following characteristics: Firstly, the FinScope (2016:21) assessments revealed that the majority of SME business owners have low educational levels, and the majority of these businesses are family-owned. Secondly, the funding or capital sources are usually from personal savings. Only a few SME business owners have sourced funding from financial institutions such as banks and other small-scale micro-lenders. A minimal number of SMEs receive grants from foreign donors. Lastly, the SME sector in Lesotho is labour-intensive, bearing the opportunity to create employment.

2.6. The role of SMEs in economic development and growth

From the perspective of established firms, SMEs reflect where they come from and where their competitors will originate. From a citizen's perspective, SMEs reflect where their first jobs will come from. From the economy's perspective, SMEs reflect the hope, revival and development of the economy as they introduce new products in the markets (Gherghina et al. 2020:4). For Kowo, Adenuga and Sabitu (2019:222), the SME sector is important in the development and long term well-being of the economies as it contributes mainly towards job creation and poverty alleviation. Therefore, it is clear that the success of small and medium enterprises plays a significant role in the economy as it improves the livelihoods and better the standard of living for the citizens (Abisuga-Oyekunle, Patra and Munchie 2019:13). Lekhanya and Ngibe (2020:14) provided that, given the slow growth status of the South African economy and the ever-increasing rate of unemployment, both the entrepreneurs and the government need to identify a creative and strategic approach in response to revitalise the economy and create employment.

In Sub-Saharan Africa, most countries have adopted SMEs as a primary job creation and poverty alleviation strategy. In Ethiopia, the government proposed SMEs as a

driver towards inclusivity and sustainable development. The SMEs in Ethiopia account for 99% of employment, while larger firms account for 1% of employment respectively (Endris and Kassegn 2022:8). Tamene and Wondirad (2019:50) postulated that the small-scale tourism enterprise in Ethiopia had provided numerous employment opportunities for Ethiopians in the Hawassa City, providing decent monthly incomes for the Ethiopians to better their standards of living.

Albaz, Dondi, Rida and Schubert (2020:5) emphasised that improving SMEs' productivity is worthwhile because SMEs can aid in the country's economic growth. Firstly, integrating proven practices and technologies is faster and safer than testing new ones. SMEs have a significant adoption gap to close. In the same way emerging markets can grow faster than high-income markets by adopting tested technologies, SMEs can grow faster than large companies by adopting the proven technologies and practices of large enterprises. Secondly, start-ups, critical subsegments of SMEs, have become important sources of innovation because they are unhindered by legacy systems and outdated strategies as new market entrants often rethink established practices and cut through traditional industry boundaries (Albaz et al. 2020:5).

2.7. Challenges faced by SMEs

SMEs face countless challenges, hindering them from expanding and growing into corporate entities. For Nani (2018:11-19), an unfavourable financial climate, lack of adoption of logical and technological knowledge, inadequate financial resources, unavailability of qualified staff and the lack of adequate infrastructure are at the forefront of the challenges faced by the SME sector. According to Sityata (2019:104), the challenges that delay SMEs' growth and development revolve around lack of access to finance, increased competition, lack of governmental support, skills (accounting and marketing), and training and development programmes. The section below discusses the main challenges that delay SMEs' growth and development.

2.7.1. Limited/no access to finance and credit

Endris and Kassegn (2022:13) stated that SMEs' lack of access to finance is highly pertinent, especially for least-developed countries such as Lesotho. Financial institutions and micro-lenders are reluctant to provide financial resources or extend

credit to SMEs (Rehman, Çela, Morina and Gura 2019). Credit-lending institutions are also reluctant to advance credit to start-up businesses due to their increased credit risk. Nkwabi and Mboya (2019:6) found that SME owners are unable to secure credit due to inadequate collateral, lack of a viable business plan, sub-standard market research and lack of access to a vivacious market. Cameron and Hoque (2017:1241) acknowledged this, adding that mainstream lending institutions require detailed information in a business plan to make informed decisions on whether to lend money to the SME. Therefore, it is clear that a well-written business plan with projected cash flows is needed for SMEs to obtain financing, which hinders most SMEs as they do not keep a formal record of all business activities (Chowdhury and Alam 2017:65).

Abdelhafid and Mohammed (2019:22-23) stated that SMEs do not access a formal source of capital mainly because established financial institutions have been regulated to lend to small businesses on the perception of higher risk, information asymmetry and historic orientation towards large enterprises and the higher costs of intermediation for small firms caused by high lending rates and loan origination costs. This further hinders the access to capital for small businesses as they are assessed on the same basis as large businesses. Lekhanya and Ngibe (2020:6) confirmed that lack of financing puts manufacturing SMEs under much pressure as the lack of funds and bank credit adversely impacts the manufacturing firm's overall performance and innovation. Similar to the lack of access to finance, SMEs encounter problems with an unskilled workforce, as discussed below.

2.7.2. Unskilled workforce

Research on the challenges prohibiting the growth of SMEs highlighted a lack of adequate skills within SMEs (Meyer, Molefe, and De Jongh, 2018:18), although there is limited data on the specific skills SMEs require for sustainability. The most cited skills that impact SMEs' growth encompass management/leadership skills (Popescu, Iancu, Avram, Avram, and Popescu, 2020:12-13) and technical skills (Scheers, 2011:5056). On the one hand, regarding management skills, Moos and Sambo (2018:8) and Meyer et al. (2018:18) argued that management experience, competence and lack of networking act as a barrier to SMEs' growth. On the other hand, and based on technical skills, Lekhanya and Ngibe (2020:15) posited that a lack of accounting skills contributes to delayed SMEs' growth. Similarly, Buisson,

Gastaldi, Geffroy, Lonceint, and Krohmer (2021) found that a lack of human resource management skills negatively impacts the growth of SMEs, while Scheers (2011:5056) maintained that a lack of adequate marketing skills is directly attributable to delayed SMEs' growth.

2.7.3. Technology

Mabulele (2020:78) found that the challenges hindering SMEs' growth are the technological requirements and adoption thereof for SMEs. According to Mabulele (2020:78), the cost of financing the needed technology and its subsequent implementation delays SMEs' adoption of such technologies. Kumar, Syed, and Shaikh (2021:9) also discovered that the technological literacy of the end-users within the SMEs is the critical factor in deciding whether to adopt technology or not. However, Prause (2019) and Abdul (2018) stated that managers for SMEs should create a conducive environment for technological adoption through training and development programmes aimed at equipping employees with technological skills.

2.7.4. Other factors: Covid-19, crime rate, and labour laws

The Covid-19 pandemic was declared a global pandemic by the World Health Organisation (WHO) in early 2020 after the virus outbreak, which emanated from the Republic of China, spread across the world. The Covid-19 pandemic negatively affected economies, including Lesotho, by reducing the Gross Domestic Product (GDP) and exacerbated domestic poverty rates due to salary/wage cuts, retrenchments and closure of most business activities except for those classified as 'essential' (e.g., banks and hospitals). Other sectors of the economy, such as the transportation, mining, textiles and hospitality industry, were adversely affected due to the stringent lockdown regulations imposed within the country to curb the transmission of the virus. According to Sekoto (2021), Covid-19 resulted in a lack of remittances for countless families in Lesotho, mainly because small-scale farming was deserted due to a lack of agricultural inputs. The outbreak of the virus, among other factors, hindered the expansion of SMEs in Lesotho, particularly in 2020 and 2021, due to the declining economy, which necessitated businesses to lay off employees.

With the announcement of the state of disaster and the growing spread and risk of the Covid-19 pandemic, informal food traders and many other businesses felt a decline in their business activities. Despite food being considered an essential service, street traders, including those that sell food, were stopped from operating and lost their source of income (Wegerif 2020). Ogunlela and Tengeh (2020:684) added that besides the loss of life, the outbreak of the virus imposed hardships on the economy and small businesses in particular. They further argued that the policies aimed at containing the spread of the virus had exerted further pressure and uncertainty on the survival of small and immigrant-owned businesses (Ogunlela and Tengeh 2020:684).

Fairlie (2020) found that most major industries faced a significant decline in the number of active small business owners except for agriculture. Fairly (2020) further stated that the first estimate of the impacts of Covid-19 on small businesses from April 2020 showed that losses were spread across demographic groups and types of business as no group was immune to the negative impact of the social distancing policy mandate. Thus, most small businesses suffered a financial loss globally due to the Covid-19 pandemic. It has been extremely difficult for most of them to recover from this financial loss.

Another challenge SMEs face is the institutional environment, encompassing the country's regulations/laws and crime rate (Moyo 2019:215; Edmore 2017). The institutional environment in the economy involves political institutions making relevant laws that advocates stability, protection of private property and outside attack. According to Edmore (2017), the existence of regulatory laws does not contribute to SMEs' emancipation; rather, it suppresses SMEs as SMEs are subjected to similar regulations that govern larger firms. This is further supported by Moyo (2019:215), who added that a high crime rate in the economy negatively impacts SMEs' growth. The following section reviews the literature on the role of the government in reviving the SME sector.

2.8. Government intervention to empower SMEs

Many governments have launched scale-up programmes that help SMEs to unlock their potential and grow faster as these programmes provide comprehensive support,

facilitating SMEs' access to financing, networking, consulting and mentorship (Albaz, Dondi, Rida and Schubert, 2020:6). Albaz et al. (2020:6) further stated that governments should pay more attention to the start-up sector to boost innovation and stimulate economic impact through Venture Capital (VC), setting up a Government Venture Capital Funds (GVCF) which contributes to this objective while also providing adequate returns to the government.

According to Albaz et al. (2020:11-12), government intervention can abate the three main barriers to business formalisation: high costs of becoming formal, high cost of compliance and insufficient perceived benefits. Table 2 summarises government interventions that can re-configure the SME sector, subsequently permitting growth.

Table 2: Summary of Government Interventions to aid SMEs

Government touchpoints	Action Items
Business Registration	Facilitating the registration process and lowering associated costs could improve the formalisation level and the overall business environment. For Instance, Thailand has reduced the time it takes to start a business from 27.5 days to 4.5 days via simplifications such as removing unnecessary requirements and reducing fees.
Tax registration and structure	Simplifying tax structure, tax registration, and returns filing will aid in formalising SMEs. Estonia introduced a flat tax rate and platform for e-registration and filing returns. Nearly all tax amounts are calculated online by the application. The result was that 98% of all taxes are now filed electronically.

Examination and audit	With the growing digital footprint and availability of innovation data analytics, governments are using data to identify informal businesses.
Support to registered businesses	Some governments offer incentives or rewards to businesses that have formally registered
Awareness and education	Among the biggest challenges in the informal sector is ensuring that SMEs have correct and complete information regarding the process, benefits and penalties.

Source: Albaz et al. (2020)

In South Africa, the South African government have taken numerous strides to revive the SME sector, including initiatives and policies aimed at SMEs in general and sector-specific initiatives and policies. The general initiatives involve the establishment of the Department of Small Business Development (DSBD), Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA) and National Empowerment Fund (NEF). The South African government further implemented sector-specific initiatives targeting SMEs in the construction industry. These include the establishment of the Department of Public Works (DPW), Emerging Contractor Development Programme (ECDP), Contractor Incubation Programme (CIP), National Contractor Development Programme (NCDP), Vukuzakhe Contractor Development Programme, Construction Industry Development Board (CIDB) and Broad-Based Black Economic Empowerment (B-BBEE) (Nhlumayo 2017:28-37).

In Brazil, government support for SMEs takes numerous forms, of which national-level support takes precedence. At the national level, Brazil introduced the General Policy, the Innovation Policy and the Pilot Policies, including other innovation activities. The General Policy forms the basis for the Special Secretariat, which is one part of the Ministry of Industry and the Foreign Trade and Services tasked with regulating the SMEs' development on a national level (Smits, Sagoenie and Cuppen 2018:1). The

secretariat is divided into three facets: 1) The chamber of commerce; 2) Micro Entrepreneurs and Craftspeople; and 3) Support of SMEs. These divisions are mandated to provide temporary financing to meet SMEs working capital, provide education to SMEs through collaborations with higher education institutions and provide tax relief for SMEs (Smits, Sagoenie and Cuppen 2018:1). The Innovation Policy aims to encourage innovation for start-ups in Brazil. It provides research and development incentives, angel investing and tax exemptions, while the Pilot Policies and other innovation activities seek to reduce the turnaround time to acquire patent rights for SMEs, as well as capital to start the business (Smits, Sagoenie and Cuppen 2018:1). The following section reviews the empirical literature on the challenges that confront SMEs.

2.9. Empirical literature on the challenges facing SMEs

Worldwide, policymakers have diverted their efforts towards rescuing SMEs from the dilemma of financial distress. Numerous studies have attempted to establish whether SMEs have access to finance. Several views in this regard are discussed next. In a study conducted by Nizaeva and Coskun (2018:93), they found that SME characteristics such as firm age and size can be the main hindrance to obtaining a loan from financial institutions. Also, management characteristics such as previous experience and educational background can deter SMEs from accessing financial assistance from mainstream financial institutions (Zabri, Ahmad and Adoni 2021:17-18). It was also determined that financial characteristics such as track record, business structure, high transaction costs and interest rates, including drafting of a business plan, could hinder SMEs from obtaining credit from financial institutions (Bosri 2016:49; Rahman, Rahman and Ključnikov 2016:305).

Management skills are one of the barriers that limit the growth of SMEs. Khan (2022) studied the barriers that constrain the growth of emerging SMEs. The findings of the study revealed that management incompetences, personal qualities and inadequate skills contribute significantly to the failure of SMEs. Similarly, Israr and Bin (2021:168) sought to determine the importance of managerial skills on the performance of SMEs through the mediating role of strategic management in Punjab, Pakistan. The study utilised stratified proportionate probability sampling to select a sample of 265 SMEs.

The study further employed the Structural Equation Model using the PLS-SEM to test the study hypothesis. The findings revealed the significance of managerial skills on the performance of SMEs. In addition, Israr and Bin (2021:168) discovered that adequate management skills elevate strategic planning, which positively impacts the performance of SMEs.

The study by Obiajunwa (2013:65) emphasised the importance of technical skills or work-related experience in the field chosen by an entrepreneur. However, the findings from the study conducted by Nieuwenhuizen (2011:64) highlighted the importance of financial skills for SME managers to make sound financial decisions that serve the best interest of the SMEs, implement financial records systems, and interpret financial statements. Nieuwenhuizen (2011:38) and Mmako (2017:73) also emphasised the pivotal role of leadership for SMEs and asserted that the lack thereof might lead to poor staff management.

The technological development in any business, either micro, small, medium or large, plays a pivotal role in the success and competitiveness of such a business. Thus, businesses cannot avoid technological developments indefinitely (Das, Kundu and Bhattacharya 2020:66). The extant literature highlights many issues that confront SMEs, of which low chances of survival become the umbrella of them all (Acheampong and Hinson 2018:154). There are numerous factors associated with low chances of survival. According to Ioanid, Deselnicu and Militaru (2018:940), low adoption of innovative products in production and marketing are the major factors. Therefore, SMEs need to transition from their current business models to innovative ones to enhance their survival chances.

Based on talent retention, Huang (2010:44) sought to determine the human resource managerial challenges that confront small and medium companies in China, using Unique Clothing Company as the case study. The study used questionnaires for primary data collection. The empirical findings from the study revealed that SMEs in the clothing industry in China encounter human resource challenges such as talent retention, lack of training and development and low-qualified employees, which ultimately hinder the growth of SMEs in China. Similarly, in pursuit of determining human resource management challenges faced by SMEs, Melo and Machado

(2013:132) conducted a study that constituted a sample of 1000 SMEs in Portugal. The questionnaire was also used as a primary data collection instrument targeting enterprise managers. The outcome of the study pointed out that SMEs are vulnerable to employee attrition as they experience increased competition from established organisations; therefore, strategies directed towards employee retention are not always effective.

The challenges related to market access for SMEs are well documented in the literature, and numerous studies have attempted to determine these challenges. Francisco and Canare (2019:4) conducted a study to determine the challenges of SME market access in the Philippines. The study used two sets of data. The first set constituted a sample of 530 SMEs, selected randomly to meet the required criteria of asset size and number of employees. The second data set comprised 16 SMEs, mainly targeting employees at superior cadres. The study assumed a pragmatism approach because a survey and interviews were used to collect adequate data to enhance the reliability of the findings of the study. The stumbling blocks to SMEs' access to the market were found to be inadequate business operations, constraints related to human capital, marketing and branding constraints, distance to the markets and inadequate infrastructure.

Similarly, Malesev and Cherry (2021:77-78) conducted a sector-specific study to determine the effect of digital and social media marketing on SMEs in the construction industry. The conclusions from the study suggest that SMEs in high construction recognise the significance of digital and social media marketing in elevating the performance of SMEs. However, the study proclaims that, regardless of the importance of digital and social media marketing for SMEs, these services have low uptake. According to Malesev and Cherry (2021:77-78), the low uptake is necessitated by inadequate skills for external environmental analysis, investment deficiencies in technology, technological literacy, and sufficient training required to plan, implement, monitor and control the required technology to maintain its efficiency and up-to-date marketing mix.

In January 2020, the World Health Organization (WHO) declared the Covid-19 outbreak a global pandemic. As a public health emergency, all the countries worldwide

imposed health measures such as lock-down, social distancing and temporary closure of businesses to curb the spread of the pandemic (Zainal, Bani-Mustafa, Alameen, Toglow and Mazari 2022:18). Although SMEs represent the crucial market growth cluster, they were confronted with operational challenges regarding employees, finances, supply chain and cash flow, which threatened their sustainability. This resulted in numerous studies across the globe to discover the challenges confronting SMEs during the Covid-19 pandemic. In Kuwait, Zainal et al. (2022:18) conducted a cross-national study to determine the economic anxiety and the performance of SMEs during the pandemic. The study targeted SMEs by distributing online surveys through Google Survey services, emails, WhatsApp, and social media. The study employed descriptive statistics, correlation coefficients and Analysis of Variance (ANOVA) to analyse results using SPSS software.

The study's findings revealed that most SMEs faced a downward trajectory during the Covid-19 pandemic. Only 12% who operate in essential industries experienced significant growth during the pandemic. The study discovered that financial, environmental, production, product development, and legal challenges for SMEs were exacerbated during the Covid-19 pandemic. Similar findings were documented by Abbasov (2021:2765-2766), who conducted a study to determine the impact of the Covid-19 pandemic on SMEs in Azerbaijan. Abbasov (2021:2764) distributed questionnaires to SMEs through social media platforms (Facebook, WhatsApp) and emails. The study assumed a quantitative approach and deployed a descriptive analysis. The findings revealed that SMEs were severely affected by the outbreak of Covid-19.

Regarding the empirical literature on the effect of crime rate on the performance of SMEs, Sifuna (2018:36-37) sought to determine the impact of crime on the performance of businesses in Kenya, specifically considering SMEs. The study assumed a quantitative approach and used a sample of 217 people operating SMEs in Garissa, chosen on the basis of a stratified random sampling technique. A questionnaire was used as a primary data collection instrument and was administered by the research assistants. The findings revealed an inverse relationship between crime rate and the performance of SMEs. Similarly, Olawale and Garwe (2010:733) conducted a study to discover the obstacles to the growth of new SMEs in South

Africa. The study utilised a sample of 187 SMEs in the Eastern Cape, sourced from the Small Enterprise Development Agency (SEDA), The Enterprise Directory and The Bordei-Kei Chamber of Business. The study employed a principal component analysis. The study discovered that the crime rate in South Africa is one of the main inhibitors of SME growth in South Africa.

2.10. Measure of SMEs' Performance

As presented in the literature, the performance of SMEs is measured using different indicators (Rashid, Ismail, Rahman and Afthanorhan 2018:1403). These indicators are broadly defined under financial and non-financial matrice/indicators. On one level of discourse, the financial indicators portray the SMEs' profitability, and the popular financial indicators encompass the operating income, the Return on Assets (ROA), the Return on Equity (ROE), the sales growth/turnover, the Return on Investment (ROI), the Return on Capital Employed (ROCE) and the cash flow (Rashid et al. 2018:1404). On the other level of discourse, the non-financial performance indicators refer to variables which cannot be quantified or measured using financial systems. The common non-financial indicators comprise the total number of employees, timely delivery, employee absenteeism, customer complaints, customer satisfaction, number of outlets and quality (Rashid et al. 2018:1404).

A plethora of studies have attempted to establish the relevance of either financial or non-financial measures in measuring the performance of SMEs. In this regard, Ahmad and Jamil (2020:714-715) established that while both financial and non-financial performance indicators are used widely by SMEs in Malaysia, most of the SMEs in Malaysia have good non-financial indicators compared to financial indicators. Similarly, in the African context, Abdullahi, Ardo, Hassan and Ibrahim (2021:55) conducted a study to assess the financial and non-financial performance indicators of construction SMEs in Nigeria. The study determined that Nigeria's SME construction industry measures performance through financial and non-financial performance indicators. According to Abdullahi et al. (2021:55), the most common financial indicators among the SMEs in the construction sector in Nigeria are sales growth, profit growth, return on investment and asset growth, while the non-financial indicators

include product/service quality, product/service delivery, customer satisfaction, customer retention and employee's competency.

2.11. Summary of the Chapter

This chapter reviewed the literature on the challenges confronting SMEs, discussing the relevant theoretical framework supporting the study. The following theories were deemed appropriate to provide the necessary pillars that support the study: The Credit Admeasure Theory, The Technological Acceptance Model and The Human Relations Management Theory. The chapter revealed that the existence of SMEs in any economy is pivotal to economic development as they contribute largely towards GDP and have spill-over effects such as job creation and poverty alleviation. Therefore, government and non-government intervention are required to develop the SME sector, as globalisation's impact continuously unfolds several challenges that affect SMEs. Given the prominence of SMEs in the economy, it is imperative that the SME sector is not overlooked, and the support structures need to be extended to allow them to thrive. Therefore, this chapter presented a literature review of the challenges facing SMEs, including the challenge of access to finance, workplace skills, employee retention, marketing challenges, technological challenges, and other challenges (Covid-19, crime rate, labour law) that confront SMEs. The literature review further indicated how these challenges impact SMEs' performance. The chapter concluded with a review of the role of governments in reviving the SME sector to achieve socioeconomic objectives.

CHAPTER 3 - RESEARCH METHODOLOGY

3.1. Introduction

The chapter aims to outline the research methodology for this study. Firstly, the chapter discusses the research paradigm that guided the study, followed by the different types of research designs, concluding with the study's applicable research design. Furthermore, the chapter presents the sampling technique, discussing the population, sampling method and sample size. The chapter further presents the data collection method followed in the study and measures of reliability and validity to ensure the reliability and validity of the findings from the study. Also, the chapter explores the ethical considerations that guided the researcher during the data collection phase. Finally, the chapter elaborates on how the data collected will be analysed, providing concluding remarks.

3.2. Research paradigm

Researchers regard research paradigms as narrow lenses that portray the methodological approach considered for specific research. These methodological approaches include tailoring a suitable research method, the data collection method and the data analysis method to be employed to address the study's objectives. For Kivunja and Kuyuni (2017), research paradigms guide the researchers on the phenomena to be studied, how they should be studied and how to interpret the findings of what is being studied. Therefore, researchers must be able to comprehend and communicate the beliefs about the nature of reality being researched, what can be derived and understood from it, and how the information can be obtained (Sounders, Lewis and Thornhill 2007:101-102). These components constitute research paradigms. The research paradigm is, therefore, a fundamental belief and theoretical framework that includes assumptions about ontology, epistemology, procedures and methodology (Sounders et al. 2007:102). The following section discusses the most applicable research paradigm to this study.

3.2.1. Epistemology

The word epistemology originates from the Greek word “episteme, ” meaning knowledge. Therefore, in research, epistemology means the study of knowledge (Cooksey and McDonald 2011). Epistemology is mostly concerned with validity, reliability, scope and methods of acquiring knowledge: 1) What constitutes a knowledge claim; 2) How can knowledge be acquired and produced; and 3) How can the extent of knowledge transferability be assessed (Bryman and Bell 2011). Thus, epistemology is crucial in research as it frames the research to address the stated objectives (Sounders et al. 2007:102). For this study, the epistemology stance is that Small and Medium Enterprises in Lesotho face several challenges in carrying out their business, ultimately hindering their development and growth from addressing the socioeconomic needs in Lesotho. Therefore, the study is guided by a positivist epistemology, as it is believed that valid and reliable statistical tools can be used to determine the pressing challenges SMEs in Lesotho face.

3.3. Research design

The research design of the study explains the research method adopted in the study (Cooper and Schindler 2014:145). The research design permits the researcher to perfect the research methods that are most applicable to achieve the stated objectives of the study (Cooper and Schindler 2014:145). Generally, three types of research designs are used: quantitative, qualitative and mixed (Cooper and Schindler 2014:145). Quantitative research designs are applicable for studies that utilise large numeric data, while qualitative research designs are applicable for studies that use non-numeric data with smaller sample sizes, and mixed-research methods utilise both quantitative and qualitative research designs (Cooper and Schindler 2014:145).

Malhotra (2010) highlighted three preferred research designs: exploratory, descriptive and causal. Descriptive research designs are usually used for detailed explanations and descriptions of the characteristics of the population being studied, while exploratory research designs are used when there is no succinct research problem and causal research designs are adopted to determine the cause and effects between the variables (Zikmund, Ward, Lowe, Winzar & Babin, and 2007:21).

As a result, this study employed the quantitative research design as the study used a large sample of SMEs in Lesotho. Also, since the data gathered was analysed using statistical tools, the quantitative research design was considered appropriate to achieve the stated objectives.

3.4. Sampling

Sampling refers to a method of selecting specific elements or a subset from the entire population to make conclusions about the subset of the population and make general inferences about the entire population (Cooper and Schindler 2014:338). Two main sampling techniques exist, namely, probability and non-probability. Probability sampling allows the researcher to randomly choose members/elements of the population; thus, all the elements/members that constitute the entire population have an equal and known chance of being selected or included in the sample (Sounders et al. 2007:208). With non-probability sampling, the elements/members of the population have an unequal and unknown chance of being selected/included in the sample (Bhattacharjee 2012:69).

This study used simple random sampling, a subtype of probability sampling. Simple random sampling chooses participants randomly (Bryman and Bell 2011:178). Thus, for the purpose of this study, all the SMEs in Lesotho had an equal chance of being included in the study. However, the sample was chosen randomly from the entire population of SMEs.

3.4.1. Population and Sample

The research population refers to the well-defined collection of elements, subjects, members or objects of the study which bear similar and binding characteristics (Bryman and Bell 2011:170). It is often in the population's best interest that the research studies are conducted. However, due to the impracticality of considering each and every element in the population, researchers rely on sampling techniques to choose a sample from the entire population from which the researcher can conduct the study. Therefore, a research sample refers to any part of the entire population from which the study is conducted to generalise the findings to the entire population (Bryman and Bell 2011:170). Researchers often consider a sample over the study

population to the impracticality of considering every element in the study population. Thus, a representative sample is drawn from the population, of which the study's findings can be generalised to the entire study population (Sounders et al. 2007:208).

For the purpose of this study, the population refers to all the SMEs in Lesotho. According to GoL (2016:4), there are over 76 000 registered SMEs in Lesotho. The sample constituted 400 managers from different SMEs across the ten districts of Lesotho. The sample was considered a fair representation of the total population, aiding in making valid statistical conclusions. The sample was calculated using Raosoft (2022), subsequently collecting 400 responses from different managers in SMEs in Lesotho.

3.5. The Data Collection Method

The study collected primary data through survey questionnaires. Questionnaires are data collection instruments used in research to collect primary data from study participants (Cooper and Schindler 2014:338). Questionnaires can either be closed-ended or open-ended questionnaires. Closed-ended questionnaires provide a form of structure in the questionnaire, with participants requested to choose their preferred answers from the lists provided. However, open-ended questionnaires empower participants to voice their opinions and are regarded as unstructured. This study used closed-ended questionnaires because it is quantitative, constituting a larger sample. Therefore, a structured questionnaire was required for easier interpretation of the information gathered and to permit statistical tools to compute the relationships between different variables contained in the questionnaire.

Section A was designed to gather information relating to the profile or demographics of SMEs in Lesotho. Section B collected the data related to SMEs' access to finance. Section C captured information about SMEs' relevant workforce and management skills. Section D captured information aimed at addressing employee retention for SMEs. Section E captured data about SMEs' access to the market, including marketing and branding. Section F captured information related to digitisation and how its continued development affects SMEs. Section G addressed other issues confronting SMEs in Lesotho, such as the Covid-19 pandemic, crime and the

prevailing labour laws in Lesotho. Section H gathered information related to the GoL intervention in reviving the SME sector in Lesotho. Lastly, Section I captured information related to the performance measurement for SMEs. Section B to Section I used a Likert scale ranging from 1-5 (1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree or Disagree, 4 = Agree, and 5 = Strongly Disagree_.

3.5.1. Administration of the Questionnaire

As mentioned, this study used a survey questionnaire as the primary data collection instrument. The researcher collected the SMEs' contact details from their online presence to create a database. This database allowed the researcher to distribute the questionnaires via the SMEs' email addresses. The questionnaire targeted the owners and managers of SMEs because the researcher believed that owners and managers of SMEs are involved at the strategic level of the SMEs; thus, they have adequate strategic information to respond to the questions contained in the questionnaire.

3.6. Variables and their Measurement

The following variables and their respective measurements were established to determine the challenges confronting the SMEs in Lesotho: Biodata, Access to Finance, Management Skills, Employee Retention, Marketing, Digitisation and Other Factors. Table 3 presents a summary of variables and their measurement.

Table 3: Summary of Study Variables

Variables	Items	Measurement
a) Access to Finance	Collateral security, interest rates, business plan	Categorical
b) <u>Workforce Skills</u>	Management experience, creating networks	Categorical
i) Management Skills		
ii) Technical Skills	Proper recording of transactions, recruitment of skilled personnel, market research	

c) Employee Retention	Remuneration, inclusion in decision-making	Categorical
d) Marketing	Social media advertising, corporate social responsibility, branding	Categorical
e) Technology	Capital requirement, technological literacy, management support	Categorical
f) Other Factors	Covid-19, crime rate, labour law	Categorical
g) GoL Role	Collateral security, interest rates, business plan	Nominal
h) Performance Measurement	Growth, profitability	Nominal

3.7. Data Validity and Data Reliability

Data validity and reliability are the two concepts used in research to evaluate the quality of the research findings. The two concepts indicate how well and accurately the test or technique measures the phenomenon under study. Therefore, data validity emphasises how accurately a test measures the phenomenon under study, while data reliability measures how consistent is the test or technique in measuring the phenomenon under study (Sürücü and Maşlakçı 2020:2695-2720).

The Coefficient Alpha was used in this study to measure the data reliability. The Coefficient Alpha measures internal consistency by determining how closely the items in the group are (Shelby, 2011:142). For validity, both the construct and content validity was considered as the extant literature containing tested questions was consulted to develop the questionnaire. The literature helped the researcher identify the study's constructs and their underlying items, allowing the researcher to address the research objectives.

3.8. Data Analysis

This section presents how the data collected was summarised. It further presents the statistical data used to achieve the stated objectives in Chapter 1. The data was

prepared for analysis upon completion of the data collection phase. The data preparation phase involved organising the illogical responses, outliers, blank responses and inconsistencies in the questionnaires and deciding how to treat them further in the analysis process. This study excluded illogical responses, outliers, blank responses and inconsistencies from data analysis. Upon completion of the preparation phase, inferential statistics were used.

3.8.1. Inferential statistics

Inferential statistics permit the researcher to generalise the findings from the sample to the entire population (Bhattacharjee 2012:129). Inferential statistics predict pairwise relationships between variables (Bhattacharjee 2012:69), employing both the Chi-Square test and the Pearson Correlation coefficient. The Chi-Square test was used to determine the associations between the different items of the different constructs contained in the study (Sounders et al. 2007:444). The study also used correlation coefficients to determine the significance of the relationships between the different items of the different constructs contained in the study (Sounders et al. 2007:450). All the descriptive and inferential statistics were computed using the SPSS tool.

3.9. Ethical Considerations

Firstly, the researcher obtained permission from the employees of the SMEs to conduct the study. Secondly, the researcher obtained consent from the employees to participate in the study. This became possible because the researcher thoroughly explained the objectives of the study to the participants (SME employees). The explanation was coupled with the participant's rights, whereby thorough explanations were made to the participants, including the right to withdraw during the study.

Also, the study did not collect identifiable personal information, subsequently enhancing anonymity. Similarly, for confidentiality, the participants were assured that the filled questionnaires and consent forms would be kept safe in a locker, which only the researcher could access. Furthermore, electronic information, such as information related to the coding of the questionnaires, was kept on a password-protected laptop. However, it was explained to the participants that the information-related

questionnaires and consent forms would be destroyed/shredded after five years, while the electronic information would be permanently deleted after five years.

Also, there was the possibility of a loss of time for employees. However, this was mitigated by establishing the turn-around time of completing the questionnaire, which was five to ten minutes, and was communicated to the study participants on the questionnaire. Similarly, the questions in the questionnaire did not expose participants to any form of harm, either causing injury or harm to the reputation of the respective SMEs' employees or causing the SMEs' employees to feel uneasy in responding to the questions. Lastly, the researcher is neither an employee nor an owner of any SME; therefore, there was no risk of conflict of interest in the study.

3.10. Demarcation of the Study

This study aimed to identify the challenges SMEs in Lesotho face and how they can overcome them to ensure their success. This study was conducted in Lesotho, with the researcher compiling a database of SMEs containing their email addresses and distributing the survey questionnaires through the database.

3.11. Chapter Summary

The chapter discussed the research paradigm that guided the study. The study was guided by positivist epistemology and adopted a quantitative research design to collect and analyse the data to best address the research objectives. The study was conducted amongst the SMEs in Lesotho. The sample of 400 SMEs (participants) was chosen using probability sampling. The researcher compiled a database of SMEs by collecting their emails from their online presence. Thus, a survey questionnaire was sent to the SMEs through the compiled database. After the data collection, the data were analysed using descriptive statistics (mean, minimum and maximum statistics) using the SPSS statistical package. Also, the SPSS tool was used to compute the inferential statistics (Chi-Square test and the Pearson Correlation test) to determine associations and relationships amongst several study variables.

4. CHAPTER 4 – DATA ANALYSIS

4.1. Introduction

This study aimed to determine the challenges faced by SMEs in Lesotho and the impact thereof on SMEs' performance. A total of 400 questionnaires were distributed to the SMEs in Lesotho, and 400 responses were received from the survey and were completed satisfactorily. Thus, this chapter presents the findings and results of the empirical study. However, the chapter starts by presenting the reliability test of the survey questionnaire used to collect the data. Secondly, the chapter describes the descriptive statistics. The descriptive statistics section is two-fold: it reports the demographics of the study participants and the characteristics of the data collected from the study participants. The chapter also explores the association between the study variables using the Chi-Square test. Lastly, the chapter presents the relationship between the study variables using the Pearson Correlation test. The discussion on the reliability test follows in the next section.

4.2. The Reliability Statistics using Cronbach's Alpha

The reliability test of the survey questionnaire used for the primary data collection in this study was evaluated using Cronbach's Alpha Coefficient (see Table 4). The study comprised the following study constructs: challenges of financial access for SMEs (0.843), workforce skills challenges (0.849), employee retention challenges (0.942), marketing challenges (0.722), technology challenges (0.831), other challenges (0.836), the role of GoL intervention (0.931), and the SMEs performance measurement (0.939). Based on the findings of Taber (2017), Cronbach's Alpha criterion is benchmarked at 0.7, with an alpha coefficient below 0.7, signifying relatively weak internal consistency in the questions contained in the questionnaire and an alpha coefficient above 0.7, indicating strong internal consistency. Based on the overall Cronbach's Alpha of 0.743, as presented in Table 4, it is evident that there is strong internal consistency in the questions in the survey questionnaire used for primary data collection for this study. The findings and results of the internal consistency are presented in Table 4.

Table 4: The reliability test using Cronbach's Alpha

Variables	Number of Items	Alpha Coefficient
Financial Access	3	0.843
Workforce Skills	5	0.849
Employee Retention	2	0.942
Marketing	3	0.722
Technology	3	0.831
Other	3	0.836
Government of Lesotho	3	0.931
Performance Measurement	3	0.939
Reliability of the study	25	0.743

4.3. Descriptive Statistics

4.3.1. Descriptive Statistics on the Profile of SMEs

The first part of the descriptive statistics provides a profile of the study participants. A sample of 400 participants participated in this study. Of the 400 participants, 44.5% (178) were males, 34% (136) were females, and 21.5% (86) preferred not to disclose their gender. Figure 1 illustrates the gender distribution of the study participants.

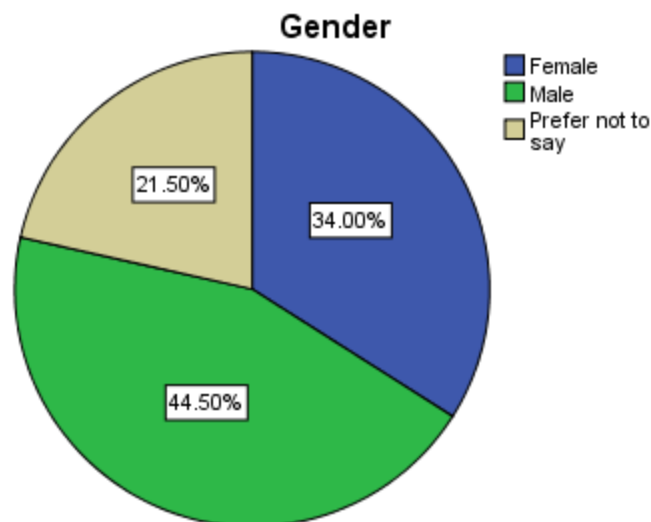


Figure 1: Gender distribution of the study participants

The age distribution of the participants was as follows: 15.75% (63 participants) were aged between 18 and 25, 43.75% (175 participants) were 26 to 35 years old, 24.5% (98 participants) were aged between 36 and 45 years, and 16% (64 participants) were 46 years or older. Figure 2 presents a summary of the age distribution of the study participants.

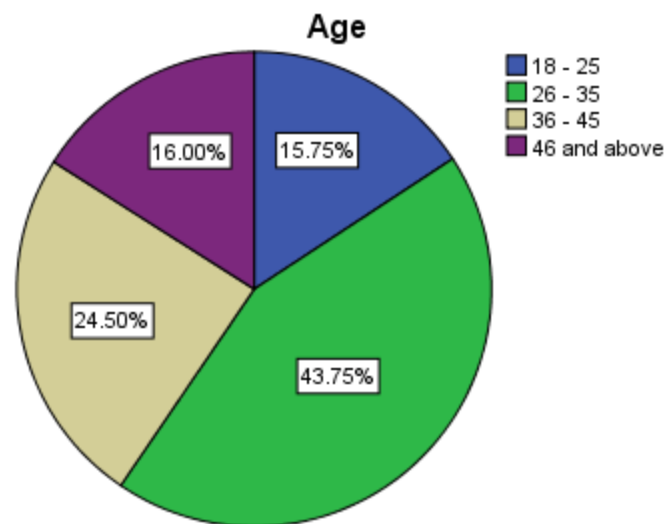


Figure 2: Age distribution of the study participants

The education level of participants was as follows: 11.0% (44 participants) indicated no formal education, 15.5% (62 participants) indicated a primary education, 23.0% (92 participants) indicated a secondary education, 17.75% (71 participants) indicated vocational, and 32.75% (131 participants) had a tertiary education (see Figure 3).

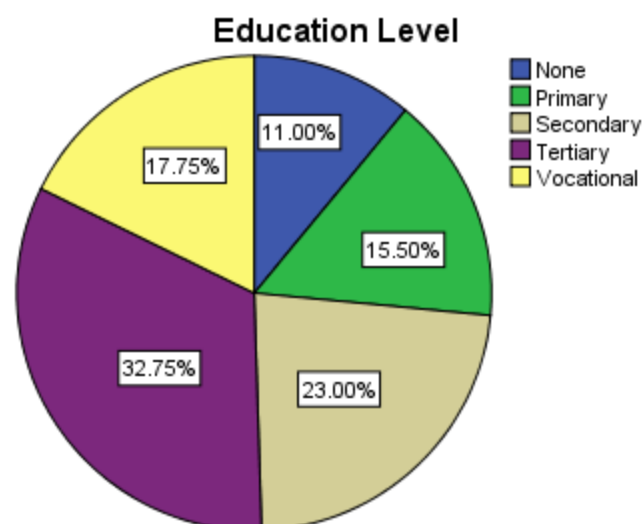


Figure 3: Education level of the study participants

Regarding the employment of the study participants, the majority (54.5%, 218 in total) claimed to be managing their own businesses, while 45.5% (182 participants) were employed managers (see Figure 4).

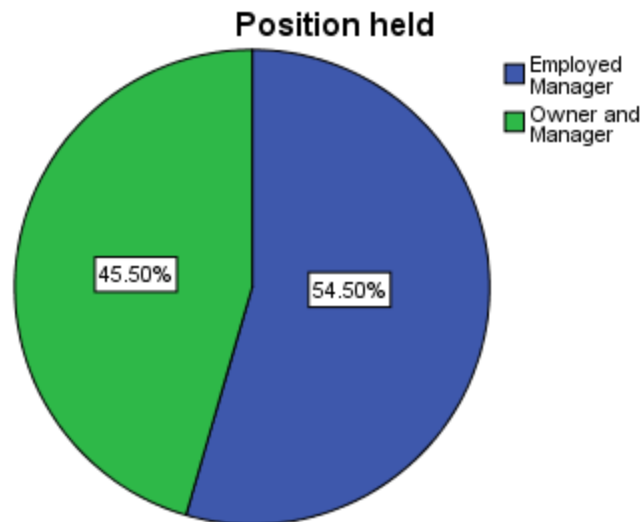


Figure 4: Employment distribution of the study participants

The distribution of work experience was as follows: 23.5% (94 participants) were employed for less than a year, while 16.25% (65 participants) had been employed for two to three years. Similarly, 24.25% (97 participants) had four to six years of experience, while 21.25% (85 participants) indicated seven to nine years of work experience. Only 14.75% (59 participants) had more than 10 years of experience. Figure 5 illustrates the participants' work experience.

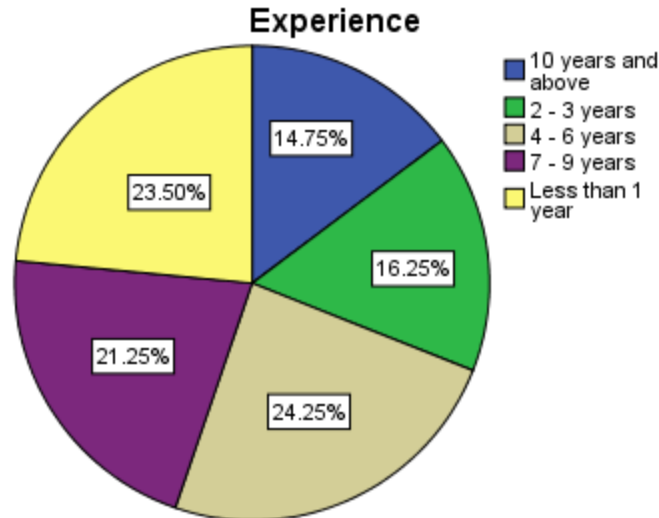


Figure 5: Distribution of work experience of the study participants

Regarding the number of employees, of the 400 SMEs, 1.5% (6 SMEs) had one employee, 22.0% (88 SMEs) employed two to four employees, 26.25% (105 SMEs) had five to seven employees, 33.5% (134 SMEs) claimed to have employed eight to ten employees, while 16.75% (67 SMEs) registered or employed more than 10 employees. The number of employees employed by SMEs is illustrated in Figure 6.

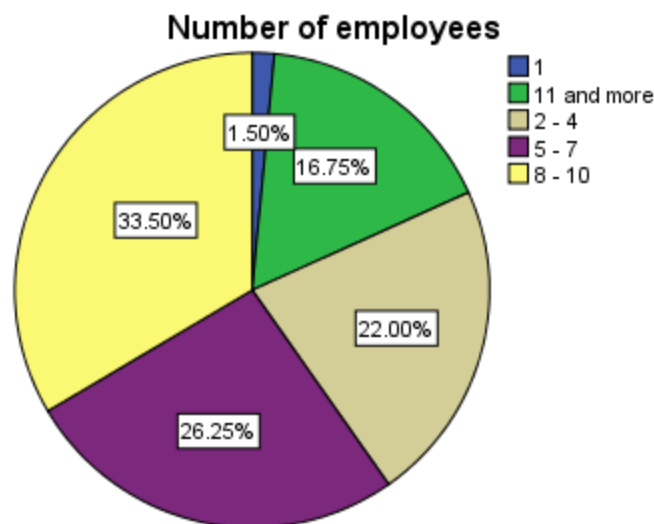


Figure 6: Distribution of the number of employees employed by SMEs

The SMEs that constituted the sample were distributed across the following sectors: 9.0% (36 SMEs) in manufacturing, 12.75% (51 SMEs) in mining and quarrying, 15.5% (62 SMEs) in wholesale and retail, 7.5% (30 SMEs) in farming, 11.75% (47 SMEs) in imports and exports, 8.5% (34 SMEs) in real estate, 6.25% (25 SMEs) in tourism, and

28.75% (115 SMEs) constituted those operating in other sectors. Figure 7 provides a summary of the SME sector in Lesotho.

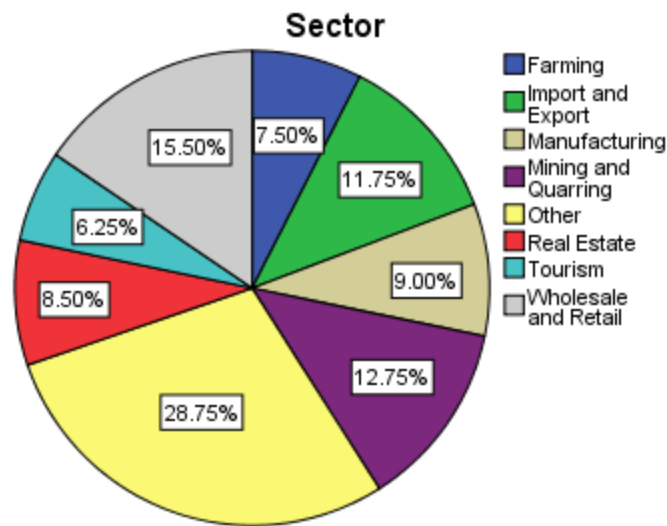


Figure 7: Distribution of the SME sector in Lesotho

4.3.2. Descriptive Statistics on the Study Variables

Table 5 illustrates that 400 responses from the study participants were collected and were satisfactorily completed, as indicated by the N statistic of 400 across all the constructs contained in the study. Regarding the descriptive statistics on the challenge of financial access, it is evident that the mean statistic is 4.2150, which indicates that, on average, the study participants converge and agree that the lack of collateral, security, high interest rates, and lack of a viable business plan prevents SMEs in Lesotho from accessing finance from mainstream financial institutions. However, the responses on whether lack of collateral, security, high interest rates, and lack of viable business plan limit financial access for SMEs in Lesotho varied by 0.8554 from its mean, as indicated by the standard deviation of 0.8554. The outliers in the responses, as presented by the minimum statistic (1) and maximum statistic (5), indicate that some of the study participants strongly disagreed, while others strongly agreed that lack of collateral, security, high interest rates, and lack of viable business plan prevents financial access for SMEs in Lesotho.

The challenge of workforce skills calculated the mean statistic at 4.1150, indicating that, on average, the study participants agree that the incompetencies in both managerial and technical skills hampers the growth of SMEs. Although the study participants agreed with the above, the variations from the mean were depicted at 0.8077 (see the standard deviation in Table 5). Further observations indicated that, at the minimum (1), study participants strongly disagree that the challenge of workforce skills prevents the growth of SMEs, while at the maximum (5), some of the study participants firmly agreed that the challenge of workforce skills indeed prevents SMEs' growth. On the construct of employee retention, study participants were indifferent about whether employee retention is a significant challenge for SMEs. On the one hand, the minimum statistics (1) indicate that the study participants strongly disagree that SMEs provide competitive remuneration to employees and do not consult employees in decision-making processes, which can be assumed to trigger employee intentions to leave the organisation (SMEs). On the other hand, the maximum statistic (5) suggests that some of the study participants strongly agreed on similar grounds. However, the responses varied by 1.4824 from the mean, as presented by the standard deviation.

Table 5 further presents the descriptive statistics on marketing challenges for SMEs. Based on the findings in Table 5, it can be observed that, on average, the study participants maintained that SMEs encounter marketing challenges, as indicated by the mean statistic of 3.4967. This indicates that study participants believe that SMEs do not advertise their products on social media, do not engage in corporate social responsibility, or brand their products to enhance their brand awareness. However, some study participants had differing views from the average perspective of the participants, which varied by 1.1593 from the average view of the study participants as presented by the standard deviation of 1.1593. The differing views are better described by the minimum and maximum statistics of 1 and 5, respectively, which suggest that some of the study participants strongly disagreed, while others strongly agreed that SMEs are confronted by marketing challenges, including advertising on social media, engaging in corporate social responsibility and branding products and services for improved brand awareness.

The descriptive statistics for the construct of technological challenges faced by SMEs in Lesotho (see Table 5) indicated the mean statistic at 4.1267, implying that participants agree that SMEs are confronted by technological challenges. These include the challenge of lack of financial resources to finance technological development, the inability of employees to use the technological devices required for successful operations and the lack of managerial support to equip employees with the required technological skills. The minimum and maximum statistics of 1 and 5, respectively, also indicate that some participants strongly disagree, while others strongly agree that SMEs are confronted by technological challenges. These minimum and maximum outliers vary by 0.9673 from the average perspective that SMEs encounter technological challenges.

Based on the construct of other challenges, the mean statistic was 4.1325, suggesting that SMEs experience other challenges, such as the spread of Covid-19 and institutional factors (e.g., high crime rate and labour laws). However, different perspectives were also found by the minimum and maximum statistics of 1 and 5, respectively, indicating that some participants strongly perceive other challenges such as Covid-19, crime rate and labour laws to actually not affect SMEs, while others strongly agree on similar grounds. These variations are expressed by the standard deviation of 0.9440 from the average perspective of the study participants.

Based on the GoL intervention on the challenge of financial access to SMEs, Table 5 shows the mean statistic of 2.0633, which suggest that, on average, the study participants converge and disagree that the GoL ease SMEs' collateral security requirements, high interest rates, and business plan requirements from mainstream financial institutions for financial access. However, some of the study participants strongly agree on similar grounds as indicated by the maximum statistic of 5, while others strongly agree that GoL intervention is insignificant towards easing the collateral, security requirements, high interest rates, and business plan requirements from mainstream financial institutions. These variations are best illustrated by the standard deviation of 1.1592, highlighting the variance of the responses from the average perspective of the responses.

Lastly, concerning the construct of SME performance, Table 5 presents the mean statistic of 1.1592, implying that the participants were dissatisfied with sales growth and the profitability of their SMEs. This viewpoint is further supported by the minimum outlier of 1, which suggests that some of the participants were strongly dissatisfied with the performance of their SMEs, while others were in contradiction, as represented by the maximum statistics of 5. However, the variances of the responses from the average perspective of dissatisfaction with the SMEs' performance are best described by the standard deviation of 1.1289. See Table 5 for the summary of these statistics.

Table 5: The summary of the descriptive statistics

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Financial Access	400	1	5	4.2150	0.8554	0.732
Workforce Skills	400	1	5	4.1150	0.8077	0.652
Employee Retention	400	1	5	3.0400	1.4824	2.198
Marketing	400	1	5	3.4967	1.1593	1.344
Technology	400	1	5	4.1267	0.9673	0.936
Other Challenges	400	1	5	4.1325	0.9440	0.891
The role of GoL	400	1	5	2.0633	1.1592	1.344
Performance	400	1	5	1.9358	1.1289	1.274

4.4. The test of associations between the study variables using the Chi-Square test

This section aims to present the associations between the study variables. Therefore, this section is divided into two parts. The first subsection discusses the associations between the challenges faced by SMEs and SMEs' performance and the relationship between the GoL intervention on the challenge of access to finance and SMEs' performance. The second section discusses the associations between the challenge of access to finance and several other challenges SMEs face. Due to space

constraints, the challenges faced by SMEs were coded as follows: Financial Access = FA, Workplace Skills = WS, Employee Retention = ER, Marketing Challenges = MC, Technological Challenges = TC, and Other Challenges = OC.

4.4.1. The associations between the challenges faced by SMEs and SMEs' performance

The p-value of 0.000 between all SMEs' challenges and SMEs' performance suggests the existence of associations between the challenge of financial access and SMEs' performance, the challenge of workplace skills and SMEs' performance, the challenge of employee retention and SMEs' performance, marketing challenges and SMEs' performance, technological challenges and SMEs' performance, and other challenges and SMEs' performance. Based on the p-value of 0.000, below the significance level of 0.05, the study concludes that there exist associations between all the challenges SMEs face and SMEs' performance. Table 6 presents the associations mentioned above. These findings are in line with the findings of Ogunlela and Tengeh (2020:684), Zabri et al. (2021:17-18), Khan (2022), Nieuwenhuizen (2011:64), Das et al. (2020:66), who also established associations between SMEs' challenges and performance.

Table 6: The Chi-Square test between SMEs' challenges and SMEs' performance

	FA	WS	ER	MC	TC	OC
SMEs' Performance	431.698	600.565	314.112	257.124	495.366	431.066
	0.000	0.000	0.000	0.000	0.000	0.000

4.4.2. The associations between the GoL intervention on the challenge of access to finance and SMEs' performance

Table 7 indicates a p-value of 0.000 between the GoL intervention on the challenge of access to finance and SMEs' performance. Since the p-value is below the significance level of 0.05, it can be inferred that there exist associations between the GoL

intervention on the challenge of access to finance and SMEs' performance. These findings were also noted by Albaz et al. (2020:11-12), who theorised the significance of government intervention in mediating the challenge of access to finance and SME performance. The summary of the association is provided in Table 8.

Table 7: The Chi-Square test between GoL intervention on the challenge of access to finance and SMEs' performance

	The Government of Lesotho (GoL) Intervention
SMEs' Performance	685.068 0.000

4.5. The associations between the challenge of access to finance and the several challenges faced by SMEs

Table 8 presents the p-values of 0.000 between the challenge of access to finance and all other challenges that confront SMEs. The p-value of 0.000 suggests that the challenge of access to finance is associated with the challenge of workplace skills, employee retention, marketing challenges, technological challenges and other challenges. In essence, failure to access finance from mainstream financial institutions is allied to the several challenges confronting SMEs. This viewpoint was also confirmed by Nkwabi and Mboya (2019) and Klein and Todesco (2021), who determined that the challenge of access to finance for SMEs is the primary source of numerous challenges that confront SMEs.

Table 8: The Chi-Square test between the challenge of finance access and other challenges confronting SMEs

	WS	ER	MC	TC	OC
Financial Access	1035.569	279.758	371.420	465.060	434.706

	0.000	0.000	0.000	0.000	0.000
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4.6. The test of relationships between study variables using the Pearson Correlation test

This section uses the Pearson Correlation test to discuss the several pairwise relationships between the study variables to address the research objectives. The discussion follows a chronological order based on the research objectives stated in Chapter 1. The discussion is solely based on the significant pairwise relationships at the significant levels of 5% and 10%, respectively and ignores the insignificant relationships. Therefore, firstly, the section discusses the impact of the challenges faced by SMEs on SMEs' performance. Secondly, the section discusses the relationship between the GoL intervention on the challenge of access to finance and SMEs' performance. Lastly, the section explores the influence of the challenge of access to finance and other challenges SMEs face.

4.7. The impact of challenges faced by SMEs on SMEs' performance

Table 9 shows the significant pairwise relationships between the challenge of access to finance and SMEs' performance, the challenge of workforce skills and SMEs' performance, technological challenges and SMEs' performance, and other challenges and SMEs' performance. The aforementioned pairwise relationships will be discussed next.

4.7.1. The relationship between the challenge of financial access and SMEs' performance

Based on the results in Table 9, a significant negative correlation of -0.341 can be observed at a 1% significance level between the challenge of access to finance and SMEs' performance. The negative correlation suggests that the persistent challenge of access to finance from mainstream financial institutions leads to lower levels of SMEs' performance. This implies that failure to ease the collateral, security requirements, high interest rates, and business plan requirements deters SMEs in Lesotho from accessing financial resources from banks. This leads to unsatisfactory performance, characterised by lower sales growth and constantly rising consumer

dissatisfaction Wang (2016), Her and Sengdala (2022), and Do, Phong, Thuong, Tien, and Dung (2019) also found that collateral, security requirement, high interest rates and business plan requirements act as significant barriers that prevent SMEs from accessing finance from banking institutions, thus limiting their performance.

Although it is empirically proven that lack of financial access for SMEs from mainstream banks leads to waning SME performance, the discovery has been the centre of policy debates across the world as banks are private or profit-oriented entities solely built on the premise of maximising shareholder's wealth (Ackar and Vuvor, 2015). Their operations are profit-oriented and seek to minimise risks, especially credit risk, through the implementation of due diligence steps such as imposing the collateral, security requirement or feasibility studies such as viable business plans to ensure that the finances they provide as a credit to businesses are channelled to business ventures that are likely to generate returns, resulting in profitability to the banks (Ackar and Vuvor, 2015).

4.7.2. The relationship between the challenge of workforce skills and SMEs' performance

Table 9 further presents the significant negative correlation coefficient of -0.410 at a 1% significance level between the challenge of workforce skills and SMEs' performance. In essence, the correlation coefficient of -0.410 suggests that high levels of incompetencies within SMEs strongly affect lower levels of SMEs' performance. This further translates to the fact that SMEs that are staffed with inexperienced employees and cannot create beneficial business networks to harness skills and experiences from established and experienced managers/entrepreneurs are associated with lower levels of SME performance. The negative coefficient of -0.410 further suggests that lack of technical skills such as proper record keeping and inability to recruit skilled employees negatively impacts SMEs' sales growth, profitability, and customer satisfaction.

These findings echo those of Zabri et al. (2021:17-18), Khan (2022), Israr and Bin (2021:168), Obiajunwa (2013:65), and Mmako (2017:3), which highlight the importance of both management and technical skills towards steering SMEs for improved performance. However, the literature suggests that SMEs often opt for

inexperienced employees both at management and technical levels due to their embedded characteristic of limited financial resources to sustain high levels of expertise (Nkwabi and Mboya, 2019; Kalane, 2015). The literature further points out that, in a case where SMEs can compensate for high levels of expertise, they often find it difficult to maintain competitive salaries from their larger counterparts, thus failing to retain a skilled workforce (Kalane, 2015; Nkwabi and Mboya, 2019).

4.7.3. The relationship between technological challenges and SMEs' performance

Based on the results presented in Table 9, a significant negative correlation of -0.398 at a 1% significance level can be observed between the technological challenges and SMEs' performance. From the negative correlation of -0.398 , it can be inferred that increased technological challenges lead to lower levels of employee performance. This viewpoint further explains that the high cost of acquiring new technological equipment that provides a competitive edge for SMEs, the inability of employees to use such technology and manager's lack of support towards employee development in a quest to ensure they acquire adequate skills to use technology is directly linked to lower levels of sales growth, profitability and high levels of customer dissatisfaction. These findings further reiterate the findings and results of loaned et al. (2018:940), Das et al. (2020:66), Prause (2019), and Abdul (2018), who acknowledged that technology and its challenges are inevitable for SMEs. Thus, the inability of SMEs to align themselves to technological developments through the acquisition of up-to-date equipment and the inability to train their employees for technological developments leads to lower chances of SMEs' survival and sustainability.

Based on the wealth of literature regarding the challenges that confront SMEs and their ultimate impact on SMEs' performance, the SMEs' technological challenges can be traced back to a lack of adequate financial resources to strengthen the efficiency and effectiveness of internal processes through the acquisition of appropriate technological equipment that provides a competitive edge in the market (Nkwabi and Mboya, 2019). Also, it is further noted that even if SMEs can afford the cost related to the acquisition of the required machinery/equipment, SMEs are also confronted with the employee training costs to equip employees with the relevant skills to

operationalise the machines. In general, this escalates the total cost of acquiring the required technology for the efficiency of SMEs (Nkwabi and Mboya, 2019).

4.7.4. The relationship between other SME challenges and SMEs' performance

Evidence of a significant negative correlation exists between other challenges SMEs face and their performance, as indicated by the correlation coefficient of -0.443. The implication is that the high crime rate, the outbreak of contagious diseases such as Covid-19, and the prevailing labour laws are significantly associated with the low levels of SME performance. These findings reiterate the findings of Zainal et al. (2022:18), Abbasov (2021:2765-2766), and Sifuna (2018:36-37), who asserted that institutional factors such as high levels of crime, labour laws, and contagious diseases such as Covid-19 are directly linked to the downward trajectory of the SMEs in terms of low levels of sales, poor profitability, and low levels of customer satisfaction.

Based on these findings, a plethora of studies exhibit that the labour laws are uniform across all the industries in each specific country and can, therefore, only be endured by large-scale organisations as they are the only ones capable of coping with the labour law demands such as minimum wage (Chava, Oettl, and Singh, 2023; Nkwabi and Mboya, 2019). It is also argued that institutional factors such as high levels of crime rate within a specific country negatively affect firms such as SMEs which solely rely on cash flows, finding it difficult to finance any valuable assets that may be lost to theft (Nkwabi and Mboya, 2019; Chava et al., 2023). According to the literature, the problem of institutional challenges also reverts to the challenge of lack of financial resources to act as a buffer for any financial shocks. This was also considered a case during the outbreak of Covid-19, where SMEs found it challenging to finance business operations due to the disruptions caused by the pandemic.

4.8. The role of GoL intervention on the challenge of access to finance and SMEs' performance

On the relationship between the GoL intervention on the challenge of access to finance and SMEs' performance, a significant negative correlation of -0.395 at a 1% significance level can be observed in Table 9. The negative relationship suggests that GoL's failure to intervene or mediate the challenge of access to finance by waiving the

collateral, security requirement to some reasonable extent, failure to provide a buffer for increasing interest rates, and failure to deliver programmes aimed at equipping SME managers with skills required to draft viable business plans leads to lower sale growth, profitability, and dissatisfied customers. However, these results contradict those discovered by Albaz et al. (2020:11-12), who found a positive relationship between the government's intervention in the challenge of access to finance and SMEs' performance.

4.9. The impact of the challenge of lack of access to finance and other challenges faced by SMEs

This section discusses the relationships between the challenge of financial access and other challenges SMEs face. Based on the results presented in Table 9, the most significant relationships at both the 1% and 5% significance level are observed between the challenge of access to finance and the challenge of workplace skills, the challenge of financial access and technological challenges, the challenge of access to finance and other SMEs challenges. The discussion on these pairwise relationships follows next.

4.9.1. The challenge of access to finance and workplace skills challenges

Table 9 shows a significant positive correlation of 0.697 at a 1% significance level between the challenge of financial access for SMEs and the challenge of workplace skills that confront SMEs. This positive correlation signifies that SMEs that find it difficult to access finance from banks due to a lack of collateral, security, high interest rates, and business plans are usually associated with a lack of employee expertise at both management and technical levels. This further escalates to the fact that a lack of financial access for SMEs limits their financial resource ability to finance employee training and development programmes, finance expenditure related to business seminars for managers to create valuable networks that are beneficial to the business, and finance the recruitment and selection programmes to source onboard skilled employees. The positive correlation suggests that a lack of managerial and technical expertise, such as drafting business plans and accurately forecasting financial statements, prevents SMEs from accessing finance from banks. Similarly, Zabri et al.

(2021:17-18) found that a lack of management experience prevents SMEs from accessing finance from banks.

4.9.2. The challenge of access to finance and technological challenges

Other research on the challenges faced by SMEs relates to the relationship between the challenge of financial access and technological challenges faced by SMEs. Based on the findings presented in Table 9, a significant positive relationship of 0.350 at 1% significance is observed. This positive relationship suggests that SMEs' lack of financial access is the foundation for technological challenges confronting SMEs. In essence, SMEs that are denied access to finance due to a lack of collateral, security, high interest rates, and lack of viable business plans typically fail to acquire the latest technologies for efficient operations, fail to engage their employees in training and development programmes to align their skills with the new technological requirements, which negatively impacts SMEs' performance. These findings align with those found by Amadasu and Mutezo (2022), who also theorised that the barriers to financial access for SMEs, such as collateral, security, high interest rates, and lack of viable business plans, prohibit SMEs from accessing finance from mainstream financial institutions, and as a result, fail to keep up with the technological developments which provide a competitive edge in the market.

4.10. The relationship between the challenge of financial access and other SME challenges

Table 9 shows a significant positive correlation of 0.359 between the challenge of access to finance and other challenges encountered by SMEs at the significance level of 1%. The positive correlation coefficient suggests the existence of a positive relationship between SMEs which have been denied access on the grounds of lack of collateral, security, high interest rates, and lack of viable business plans and other SMEs challenges such as institutional challenges, including high levels of crime and labour laws, and factors such as the outbreak of the Covid-19 pandemic. From this relationship, it can be deduced that failure to access finance from mainstream financial institutions by SMEs exposes SMEs to financial shocks such as theft and unfavourable labour laws, which SMEs cannot fulfil based on their current liquidity without a buffer of access to finance (Nkwabi and Mboya, 2019). Also, it can be determined that failure

to access finances leaves SMEs exposed or vulnerable to financial shocks due to the disruption caused by the outbreak of diseases such as Covid-19. These findings correlate with those obtained by Klein and Todesco (2021), who found that SMEs respond to financial shocks by laying off employees and temporarily or permanently closing their businesses due to a lack of finances or access to finance.

Table 9: The Pearson Correlation test between the study variables

Correlations								
	Financial Access	Workforce Skills	Employee Retention	Marketing Challenges	Technology Challenges	Other Challenges	GoL Intervention	SMEs Performance
Financial Access	1	.697**	-.002	-.036	.350**	.359**	-.395**	-.341**
Workforce Skills	.697**	1	-.030	-.019	.408**	.424**	-.490**	-.410**
Employee Retention	-.002	-.030	1	.592**	-.027	-.120*	-.006	-.028
Marketing Challenges	-.036	-.019	.592**	1	.021	-.016	.042	-.020
Technology Challenges	.350**	.408**	-.027	.021	1	.604**	-.348**	-.398**
Other Challenges	.359**	.424**	-.120*	-.016	.604**	1	-.386**	-.443**
GoL Intervention	-.395**	-.490**	-.006	.042	-.348**	-.386**	1	.564**
SMEs Performance	-.341**	-.410**	-.028	-.020	-.398**	-.443**	.564**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

4.11. Summary of the chapter

The onus of this chapter was to provide an analysis of the challenges confronting SMEs in Lesotho. The chapter first presented the results on the internal consistency of the questions in the questionnaire as provided by the overall Alpha Coefficient of 0.743, denoting high internal consistency between the questions in the questionnaire. The chapter further presented the analysis of the demographical variables and the constructs of the study using descriptive statistics. The chapter also sought to analyse the results based on the following themes: The impact of the challenges faced by SMEs on SMEs' performance; the impact of the GoL intervention on the challenge of access to finance and SMEs' performance; and the impact of the challenge of access to finance on several other challenges faced by SMEs. These analyses were performed using the Chi-Square and Pearson Correlation tests.

Based on the Chi-Square test, it was determined that the challenge of access to finance, workplace skills, employee retention, marketing challenges, technological challenges, and other challenges are associated with SMEs' performance. It was further established that the GoL intervention on the challenge of access to finance is associated with SMEs' financial access. The findings also indicated associations between the challenge of access to finance and several other challenges faced by SMEs, including the challenge of access to finance, workplace skills, employee retention, marketing challenges, technological challenges, and other challenges. However, based on the Pearson Correlation test, statistically significant negative relationships were established between the challenge of access to finance, workplace skills, technological challenges, and other challenges (Covid-19, crime rate, labour laws) and SMEs' performance. Similarly, a significant negative relationship is also established between the GoL intervention on the challenge of access to finance for SMEs in Lesotho. Lastly, significant positive relationships were established between the challenge of access to finance and the challenge of workplace skills, technological challenges and other challenges that confront SMEs.

5. CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The underlying purpose of this study was to determine the challenges confronting SMEs in Lesotho. This primary objective was further anchored on several secondary objectives: To determine the impact of the challenges faced by SMEs on the performance of SMEs in Lesotho; to investigate the relationship between GoL intervention on the challenge of access to finance; and to establish the influence of the challenge of access to finance on other challenges faced by SMEs in Lesotho. As a result, this chapter seeks to provide conclusions and recommendations based on the discussions of the findings and results presented in Chapter 4. In an attempt to present the overall conclusions and recommendations, the chapter is organised to include the following key sections: a synopsis of the empirical study, a summary of the preceding chapters, a summary of the findings and results, the study recommendations, the discussion on the limitations of the study and a discussion around the potential subject for future research purposes.

5.2. Summary of the Empirical Study

The overall study was guided by a positivist epistemology, one branch of the research paradigm that advocates using quantifiable data to arrive at numerically driven results. Based on the premise of positivist epistemology, this study adopted a quantitative approach. Therefore, a survey questionnaire was utilised to allow the researcher to collect quantifiable data from a sample of 400 SMEs operating in Lesotho and chosen using simple random sampling. For questionnaire validity, extant literature informed both the constructs and their relative items to ensure the validity of the questionnaire, while the reliability of the questionnaire was tested using the Alpha Coefficient. The sample of 400 participants was considered a fair representation of the population of 76 000 registered SMEs in Lesotho. The survey questionnaire was sent through SMEs' emails compiled from their online presence. Descriptive statistics were employed to describe the underlying characteristics of the data, while inferential statistics were used to examine the pairwise associations and relationships between the challenges faced by SMEs and SMEs' performance, GoL intervention on the challenge of access

to finance, and the challenge of access to finance and other challenges faced by SMEs in Lesotho.

5.3. Summary of the Research Objectives and Key Findings

This section presents a brief discussion of the objectives of the study. Thus, the section recalls both the primary and the secondary objectives, as stated in Chapter 1, which further guided the discussion on the findings of the study.

5.3.1. Summary of the Objectives of the Study

This study sought to determine the challenges that SMEs in Lesotho face. In doing so, the study considered the challenge of access to finance, workforce skills (management skills), technical skills, employee retention, marketing challenges, technological challenges, and other challenges (Covid-19, crime rate, and labour law). In order to gauge the impact of these challenges on SMEs, the study explored SMEs' performance on their growth and profitability. Therefore, the study's first objective was to determine the impact of challenges faced by SMEs on SMEs' performance. Also, the study sought to gauge the GoL intervention on the challenge of SMEs' access to finance. As a result, the study's second objective was to establish the relationship between GoL intervention and SMEs' access to finance. The main driver behind the second objective was to establish whether the GoL creates an enabling environment for SMEs in Lesotho to thrive. Lastly, based on the viewpoint that a lack of access to finance gives rise to other challenges, the final objective of the study was to determine how the challenge of access to finance influences other challenges that SMEs in Lesotho face.

5.3.2. Summary of the Key Findings of the Study

Based on the findings and results presented in Chapter 4, key observations can be made from the analysis and interpretations of the data. It can be ascertained that all the challenges mentioned above have significant yet varying degrees of impact on SMEs' performance in Lesotho. The following discussion unfolds the summary of the findings per the study's objectives.

Objective 1: *To determine the impact of challenges faced by SMEs on SMEs' performance*

Chapter 4 indicated that all the SME challenges, including the challenge of financial access, workplace skills, employee retention, marketing, technology, and other challenges, are significantly associated with SMEs' performance. However, significant relationships could only be established between the challenge of financial access, workplace skills, technological challenge, other challenges and SMEs' performance, while the challenge of employee retention and marketing challenges were associated with SMEs' performance but had an insignificant impact on the performance of SMEs.

Firstly, the data analysis revealed the existence of a significant negative relationship between the challenges of SMEs' financial access and their performance. The negative relationship suggests that collateral, security, high interest rates, and the requirement of a viable business plan for SMEs' financial access contribute to increased barriers to SMEs' financial access, leading to negative SME performance as measured by SMEs' sales growth and profitability. In essence, the alarming growth rate in the SME sector in Lesotho can be aligned with a lack of access to finance for SMEs to fund their operations in a quest to ensure sustainability through increased profitability.

Similarly, the study found a significant negative relationship between the challenge of workforce skills (management skills) and SMEs' performance. Therefore, it can be inferred that SMEs encounter the challenge of staffing that they cannot acquire top expertise to manage their businesses. This cut across horizontal and vertical structural hierarchies to include the challenge of employing managers with relevant skills to oversee the successful operations of SMEs and unearth potential for SMEs' growth. Also, SMEs fail to equip themselves with adequate and vital skill sets such as accounting that contribute significantly towards SMEs' growth. As a result, based on the negative correlation proclaimed above, it can safely be concluded that lack of managerial skills contributes significantly towards the poor performance of SMEs in Lesotho.

Also, the technological challenge significantly and negatively correlated with the SMEs' performance in Lesotho. Therefore, the unsatisfactory performance of SMEs in Lesotho directly reflects the lack of technological resources to serve as a competitive basis for SMEs. This implies that poor SME performance is a result of the high cost of acquiring new technological equipment that provides a competitive edge for SMEs, the inability of employees to use such technology and manager's lack of support towards employee development in a quest to ensure they acquire adequate skills to use technology. These render inefficiencies in SMEs' production, which ultimately deny SMEs to enjoy benefits such as economies of scale, subsequently lowering sales growth and profitability due to high sales prices and resulting in dissatisfied customers. Lastly, a significant negative relationship exists between other challenges (Covid-19, crime rate, labour laws) and SMEs' performance. This relationship suggests that the outbreak of Covid-19, the high crime rate in Lesotho, and labour laws that fail to accommodate SMEs and their dynamics significantly and negatively affect the sales growth and profitability of SMEs in Lesotho.

Objective 2: *To investigate the relationship between GoL intervention on the challenge of access to finance and SMEs' performance in Lesotho*

The most intriguing aspect of the findings was the relationship between the GoL intervention on the challenge of SMEs' access to finance in Lesotho. Based on the findings and discussions in Chapter 4, a significant negative relationship was established between the GoL intervention and the challenge of access to finance by SMEs. These findings imply that the more efforts GoL exert towards creating an enabling environment for SMEs' access to finance, the more SMEs experience lower sales growth and profitability levels. This relationship raises concerns about the effectiveness of GoL policies and mandates to improve the SME sector, whether the channels employed to ease financial access for SMEs actually solve the problem or create additional barriers which prevent SMEs from accessing finance.

Objective 3: *To establish the influence of the challenge of access to finance on other challenges faced by SMEs in Lesotho*

The last objective of the study sought to establish the influence of the challenge of SMEs' access to finance on other challenges faced by SMEs in Lesotho. The study found significant positive relationships between the challenge of SMEs' access to finance and the challenge of workplace skills, technological challenges, and other challenges. Based on these findings, the study hypothesises that the higher barriers to access to finance prohibit SMEs in Lesotho from accessing finance to fund the acquisition of talented employees and managers competent enough to bring sustainability and growth to the operations of SMEs.

Also, the positive influence suggests that failure for SMEs in Lesotho to access funding deters SMEs from acquiring innovative technologies that can serve as SMEs' competitive edge in the market to ensure the long-term sustainability of such an establishment or SMEs. Lastly, the positive relationships suggest that the failure of SMEs in Lesotho to access finance hinders SMEs from absorbing social and economic shocks such as the outbreak of the Covid-19 pandemic. It further averts SMEs from taking preventative measures to protect themselves from increased criminal activities in Lesotho, such as theft. Finally, the positive relationship suggests that SMEs' lack of access to finance heightens their challenge to constantly adhere to the labour laws, such as minimal wage as they are smaller in scale and thus cannot afford the imposed labour laws.

5.4. The Study Recommendations

This study is one of the pioneers that attempted to determine the challenges faced by SMEs in Lesotho, unfolding ground-breaking results that revealed significant relationships between the challenges faced by SMEs and SMEs' performance in Lesotho, the relationship between GoL intervention and SMEs' access to finance and the relationship between the challenge of access to finance and other challenges faced by SMEs in Lesotho. The next section presents the empirically authenticated recommendations that can aid in strategic decisions towards creating an enabling environment for the survival of SMEs in Lesotho based on the findings obtained from the study. The following recommendations are made:

5.4.1. Recommendations to the GoL and policymakers

Considering the size of the SME sector in Lesotho, it is in the best interest of the GoL to improve this sector, as SMEs are considered the main drivers behind the economic development in Lesotho, creating increased employment and tax remittance to the GoL. Given the above, it is recommended that:

- The GoL needs to implement policies that will directly address the challenges SMEs in Lesotho face, thus, positively impacting the SME sector. This study can be used as a reference point for the challenges that affect SMEs. It can further be augmented by thorough and detailed surveys directed to SMEs that aim to understand their challenges. The information can be used to draft policies that will directly and positively impact the SME sector in Lesotho.
- The GoL should implement policies that address the challenge of access to finance for SMEs in Lesotho. This includes strengthening programmes aimed at funding SMEs. It should also consider subsidising financial institutions that extend credit to SMEs in case of credit losses or subsidising the high interest rates levied on credit extension for SMEs. The GoL also needs to implement strong measures to ensure the effectiveness of these programmes, as well as policies aimed at curtailing corruption throughout the implementation of these programmes.
- The GoL needs to address the issues contributing to SMEs' failure. This includes addressing issues related to crime. There should be a roll-out of security agencies that operates 24 hours to ensure the safety of SMEs. It should further consider easing labour laws per business categories. It is unfair for SMEs to be subjected to similar laws as those that govern large establishments. This can be in setting a minimum wage for a specific business category. However, it is also necessary for the government to implement strict policies to ensure that SMEs do not intentionally engage in fraudulent activities aimed at tying their SMEs within the lower bound categories.

5.4.2. Recommendation to hired/owner managers

- Managers of SMEs, be they hired or owner-managers, need to acknowledge the issue of personal development and view costs associated with personal development or empowerment as development costs necessary for SMEs'

successful operations. This can be done by prioritising short courses related to issues such as thought leadership or business plans to sharpen their skills to navigate the dynamics in the SME market.

- SME managers should form strategic alliances that aim to eliminate challenges, especially in terms of access to finance. This can be achieved by SMEs forming strategic alliances to engage in fundraising activities such as crowd-funding to grow from small to medium scale or even a larger scale to enjoy economies of scale and strong supply chains.
- Managers should be forward-looking. This involves being innovative so that their businesses stand out to allow customers to identify with their business. This does not necessarily imply the acquisition of high-cost innovative equipment; instead, utilise the readily available innovative platforms to counter both technological and marketing challenges.

5.5. The Limitations of the Study

Although the study presents insightful findings and results pertaining to the challenges SMEs face, the study is subject to some limitations, especially emanating from the methodology adopted. The methodological limitations include:

- In order to arrive at the results, the study employed descriptive statistics, using the measures of associations between the study variables, including the Chi-Square and Pearson Correlation tests. However, these analysis tools are not robust enough. It is recommended that robust methodologies such as regression analysis and structural equation modelling be adopted to determine the underlying challenges SMEs face.
- Also, the sample utilised in the study only confines the finding and results within the parameters of Lesotho. Thus, inferences cannot be safely made from these findings outside the context of Lesotho.
- Finally, the study employed a survey questionnaire with data collected from SMEs with online presence, where emails were collected, creating a database. This creates issues with the inclusion-exclusion criteria. Therefore, the results are skewed towards the category of SMEs with an online presence.

5.6. Areas of Further Research

Section 4.8 illustrated intriguing findings and results. For instance, the observation that the GoL intervention produces negative effects on the SMEs' challenge of access to finance. This observation is quite contrary to the expectation, emphasising the underlying issues on any programmes implemented by the GoL towards easing the challenge of financial access for SMEs in Lesotho. Future researchers should establish the effectiveness of the programmes implemented by the GoL through its apex institutions, such as LNDC and BEDCO to determine if their operations align with their mandate of easing the challenge of access to finance for SMEs in Lesotho, and if not, what are the underlying issues that prevent the achievement of this mandate.

Lastly, the study found negative yet insignificant relationships between marketing challenges and the challenge of employee retention with SMEs' performance in Lesotho. Although this is a significant observation to establish that these challenges do not significantly affect the operations of SMEs in Lesotho, it remains vital to understand the SMEs coping mechanisms that enable them to thrive amidst these challenges, given the fact that these challenges are empirically tested in other studies and theorised to have a significant negative impact on SMEs' performance.

5.7. Summary of the Chapter

This chapter presented conclusions and recommendations from the research findings obtained in Chapter 4. The findings of the study found a significant negative relationship between the challenge of access to finance, the challenge of workforce skills, the technological challenge, other challenges (Covid-19, crime rate, labour laws) and SMEs performance. The research findings further unfolded a significant negative relationship between the GoL intervention and the challenge of SMEs' access to finance. Lastly, the study observed that the challenge of access to finance for SMEs has a significant positive relationship with the challenge of workplace skills, the technological challenge, and other challenges (Covid-19, crime rate, labour laws). Based on these findings, the study made recommendations, identified the limitations of the study and made recommendations for future research.

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APPENDICES

Appendix A: Data Collection Instrument

RESEARCH TITLE: Challenges faced by Small and Medium Enterprises in lesotho

Dear Respondent,

I am Thabo Seturumane, an employee at the First National Bank (FNB) Lesotho and a participant in the course, Master of Business Administration at the University of Free State Business School. As part of my studies, I am undertaking this a research project to understand the challenges faced by Small and Medium Enterprises in Lesotho. Therefore, the aim of the study is to determine how various challenges faced by SMEs impacts SMEs performance, and the findings of the study will contribute significantly to the body of literature pertaining to the challenges faced by SMEs, especially in the context of Lesotho. As a result, I humbly request your participation in this study.

This research is mainly for academic purposes and information gathered is confidential. You may voluntarily participate in this study and your personal details will remain unknown throughout the entire study. If at any instance, as a participant you feel uncomfortable, you have a right to withdraw your participation. No payment is rewarded for participation. Please note that the information you disclose will be used in the study report. Your participation will be highly appreciated. The questionnaire will take approximately 5-10 minutes of your time. Should you have any questions, kindly contact the researcher using contact details stated below:

Researcher: Thabo Seturuane

Contact: Cell: +266 5022 4102

Email: tseturumane14@gmail.com

Supervisor: Mark Peters

Contact: Cell:

Email: mark@markjpeters.co.za

SECTION A – PROFILE OF SMEs

Instructions: For each of the questions below, please indicate your preferred answer with a cross (x).

1. What is your gender?
 a. Female
 b. Male
 c. Prefer not to say

2. What is your age?
 a. 18 and 25
 b. 26 and 35
 c. 36 and 45
 d. 46 and above

3. Which is your educational level?
 a. None
 b. Primary level
 c. High School level
 d. Tertiary level

4. What is your employment level/position?
 a. Employed Manager
 b. Owner and Manager

5. What is your experience within the organization?
 a. Less than 1 year
 b. 2 – 3 years
 c. 4 – 6 years
 d. 7 – 9 years
 e. 10 years and above

6. How many people are employed in this business?
 a. 1
 b. 2 – 4 years
 c. 5 – 7 years
 d. 8 – 10 years
 e. 10 years and above

7. In which sector does your business operate?
 a. Manufacturing
 b. Mining and Quarrying

- c. Wholesale and Retail
- d. Imports and Exports
- e. Real Estate
- f. Tourism
- g. Other

SECTION B – CHALLENGE OF FINANCIAL ACCESS FOR SMEs

Which of the following factors limit the ability of SMEs to obtain credit from the banks?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Lack of collateral security					
2. High interest rates					
3. Lack of viable business plan					

SECTION C – CHALLENGE OF WORKFORCE SKILLS FOR SMEs

Which of the following statements across managerial and technical levels limit the growth for SMEs?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Management Skills					
4. Lack of management experience					
5. Inability of management to create beneficial business networks.					
Technical Skills					
Lack of proper recording of business transactions.					
6. Inability to recruit skilled employees.					
7. Lack of market research capabilities to inform customer acquisition and retention.					

SECTION D – CHALLENGE OF EMPLOYEE RETENTION FOR SMEs

Which of the following statements relating to employee retention limit the growth of SMEs?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
8. SMEs Provide competitive remuneration for employees.					
9. Managers of SMEs consult employees in decision making.					

SECTION E – THE MARKETING CHALLENGES FOR SMEs

Which of the following statements relating to Marketing limit the growth of SMEs?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
10. SMEs do not advertise their products through social media to penetrate new markets.					
11. SMEs do not engage in corporate social responsibility to enhance brand awareness.					
12. SMEs do not brand their products to penetrate new markets.					

SECTION F – THE TECHNOLOGICAL CHALLENGES FOR SMEs

Which of the following statements related to technology limit the growth for SMEs?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
13. Lack of capital to finance technological development.					
14. Inability of employees to use technological devices in the business.					
15. Lack of management support to equip employees with technological skills.					

SECTION G – OTHER CHALLENGES (COVID-19, CRIME RATE AND LABOUR LAWS)

Which of the following statements related to Covid-19 limit the growth for SMEs?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
16. The outbreak of covid-19 negatively impacted our sales growth.					
17. The outbreak of covid-19 negatively impacted our profitability.					

Which of the following institutional environmental factors limit the growth for SMEs?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
18. The prevailing crime rate.					
19. The prevailing labour laws.					

SECTION H – THE GoL INTERVENTION ON SMEs ACCESS TO FINANCE

Which of the following statement best describes the GoL intervention in SMEs challenges?

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
20. The GoL help ease the collateral requirement to access finance.					
21. The GoL help ease the high interest rates to access finance.					
22. The GoL help ease the requirement of Business plan to access finance.					

SECTION I – THE PERFORMANCE MEASUREMENT FOR SMEs

Which of the following statements best describes the performance of your business?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
23. You satisfied with the sales growth of your business for the past 3 years.					
24. You are satisfied with the profitability of your business for the past 3 years.					
25. You are satisfied with the overall customer satisfaction in your business.					

Thank you for your participation in this study

HAS THE STUDY RECEIVED ETHICAL APPROVAL?

This study has received approval from the Research Ethics Committee of UFS. A copy of the approval letter can be obtained from the researcher.

Approval number: UFS-HSD2022/1573/3

WHY ARE YOUR INSTITUTION/ORGANISATION/COMPANY INVITED TO TAKE PART IN THIS RESEARCH PROJECT?

The main focus of the study is on SMEs operating in Lesotho. Therefore, your SME is invited to partake in this study as it forms part of the SMEs network in Lesotho. As a result, given the fact that your SME operates in Lesotho, the researcher is of the opinion that it is subjected to specific challenges that will help the researcher to analyze those challenges and make specific conclusions on the challenges faced by SMEs, especially in the context of Lesotho.

WHAT IS THE NATURE OF PARTICIPATION IN THIS STUDY?

The study participants are the SMEs Managers (Hired), or Owner Managers. Therefore, the study participants are requested to fill the online survey. The structure of the questions contained in the survey is closed-ended questions, which allow study participants to choose an answer from available options. The expected duration of filling the questionnaire is about 5 to 10 minutes, necessitated by the fact that it is a close-ended questionnaire, and participants can only choose answers from available options and not provide their own opinions.

WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?

This is an academic study, and the participation in this study is voluntary. Hence, there are no benefits for either the SMEs or the SMEs Managers (Hired) or Owner Managers for engaging in this study.

WHAT IS THE POTENTIAL RISKS TAKING PART IN THIS STUDY?

The researcher understands the responsibilities embedded within the Manager or Owner Manager positions within the SMEs which requires a lot of time to ensure successful operations for the day. Therefore, participating in this study bears a risk of loss of work time for the managers. However, the risk was mitigated by indicating the likely time it will take managers to complete the survey, which is 5-10 minutes.

WILL THE INFORMATION BE KEPT CONFIDENTIAL?

The study did not engage in data collection of participant's information that can provide future direct or indirect linkage to the participants, such as participants' names, health number, and or social insurance number. The data collection instrument (survey questionnaire) used in this study was structured in a manner that excludes participants' personal information. Hence participants' anonymity and confidentiality were enhanced.

HOW WILL THE INFORMATION BE STORED AND ULTIMATELY DESTROYED?

Any hard copies related to participant's answers will be stored by the researcher for a period of five years in a locked filing cabinet at the researcher's place for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. The information on hard copies will be destroyed by shredding and the information on the password protected computer will permanently be deleted from the computer.

WILL THERE BE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?

The study is conducted on the ethical principle of voluntary participation. No payments or any form of inducements will be provided to the study participant for engaging in this study. The participant bears no costs for participating in this study other than the time forgone to participate in this study.

HOW WILL THE INSTITUTION / ORGANISATION / COMPANY BE INFORMED OF THE FINDINGS / RESULTS OF THE STUDY?

If you would like to be informed of the final research findings, please contact Thabo ~~Seturumane~~ on +266 50224102 or email tseturumane@gmail.com. The findings are accessible from 2023. Should you require any further information or want to contact the researcher about any aspect of this study, please contact +266 50224102 or email: tseturumane@gmail.com. Should you have concerns about the way in which the research has been conducted, you may contact the supervisor (Mark. J. Peters) at email mark@markjpetersco.za.

Yours sincerely

Thabo ~~Seturumane~~

Appendix C: Ethical Clearance Letter



GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

12-Jun-2023

Dear Mr Thabo Seturumane

Application Approved

Research Project Title:

CHALLENGES FACED BY SMALL MEDIUM ENTERPRISES IN LESOTHO

Ethical Clearance number:

UFS-HSD2022/1573/3

We are pleased to inform you that your application for ethical clearance has been approved. Your ethical clearance is valid for twelve (12) months from the date of issue. We request that any changes that may take place during the course of your study/research project be submitted to the ethics office to ensure ethical transparency. Furthermore, you are requested to submit the final report of your study/research project to the ethics office. Should you require more time to complete this research, please apply for an extension. Thank you for submitting your proposal for ethical clearance; we wish you the best of luck and success with your research.

Yours sincerely

Dr Adri Du Plessis

Chairperson: General/Human Research Ethics Committee

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Appendix D: Letter from the Language Editor