UNIVERSITY OF KWAZULU-NATAL

Effectiveness of institutional mechanisms on small businesses in Mokhotlong and Qacha's Nek, Lesotho

By

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DECLARATION

I, Mokete Bernard Molebatsi, declare that

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ABSTRACT

The Lesotho Government, like other governments, enacted the Medium, Small and Micro Enterprises (MSMEs) Policy to address the issue of MSME development. It is perceived worldwide that small and medium enterprises (SMEs) constitute a large sphere of economic activity that accounts for the major share of employment and is a powerful force for poverty reduction. However, SMEs are exposed to today's risky business environment, which compels economies to intervene by effectively implementing MSMEs policies.

The main objective of this study was to evaluate the effectiveness of the implementation of the institutional mechanism to assist MSMEs in the Mokhotlong and Qacha's Nek districts in Lesotho. While economies have adopted mechanisms to develop Small, Medium and Micro Enterprises (SMMEs), several studies have shown that most businesses still face challenges despite the efforts of their governments. Therefore, since the Lesotho Government had implemented the MSME Policy in 2016 to develop the sector, it is essential to assess the effectiveness of the implementation of the Policy in Lesotho.

Primary data was collected through the use of questionnaires that were distributed to MSME owners in both districts. The questionnaires were hand-delivered to a sample size of 331, however, only 202 responses were received by the researcher. The list of MSMEs registered with the Ministry of Trade and Industry (MTI) in both districts was used by the researcher to select the respondents using probability sampling also known as the random sampling method. For the respondents who did not indicate their physical addresses on the list a nonprobability sampling method, namely, convenience sampling, was used. The Statistical Package for Social Sciences (SPSS) Windows Version 26 was used to analyse the collected data.

The Government of Lesotho has put in place several initiatives to boost MSMEs by establishing the Ministry of Small Business, Cooperatives and Marketing and the MSME Policy among others. While some MSMEs benefited from the Policy, others faced some challenges. Due to perceived barriers such as access to finance, access to training and poor infrastructure, among others, some MSMEs decided to operate informally. The evaluation of the effectiveness of the implementation of the MSME Policy is vital as it might guide policymakers in amending the

Policy by devising adequate strategies to create and enhance a conducive environment in which MSME owners can operate.

Findings suggest that institutional mechanisms to assist MSMEs in Mokhotlong and Qacha's Nek are ineffective in the development of MSMEs. The majority of respondents agreed that they are aware of the supporting institutions that are meant to assist MSMEs, and have received such assistance. However, a gap exists in the quality of services provided. Thus, the objective of the Policy will not be met if the various mechanisms put in place to assist MSMEs are not of the quality needed.

In terms of the findings, the following recommendations can be made:
- The institutional mechanism needs to be improved to achieve the set goals.
- The supporting institutions should offer training based on the results of the assessment of the relevant needs of MSMEs.
- The quality of service offered by the supporting institutions should be improved.
- The market be opened to businesses that want to invest in financial institutions.
- The use of new research findings be utilised by managers and policymakers to enable them to easily redesign policies based on scientific information.

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ACRONYMS

BEDCO	- Basotho Enterprise Development Corporation
BDS	-Business Development Services
CDC	-Centers for Disease Control and Prevention
CPATPP	- Compressive Progressive Agreement for Trans-Pacific Partnership
EC	- European Commission
ECA	- Economic Commission for Africa
EPPs	- Export Promotion Programmes
FDI	- Foreign Direct Investment
GoL	- Government of Lesotho
HIV & AIDS	- Human Immunodeficiency Virus and Acquired Immunodeficiency Syndrome
ICTs	- Information and Communication Technologies
ILO	- International Labour Organisation
KAAA	- Kenya Agribusiness and Agroindustry Alliance
KCIC	- Kenya Climate Innovation Center
KSh	- Kenyan Shilling
LCCI	- Lesotho Chamber of Commerce and Industry
LGAs	- Local Government Authorities
LNDC	- Lesotho National Development Corporation
LTDC	- Lesotho Tourism Development Corporation
MAN	- Manufacturing Association of Nigeria
MFAT	- Ministry of Foreign Affairs and Trade
MGYSR	- Ministry of Gender Youth Sport and Recreation
MoCST	- Ministry of Communication Science and Technology
MoF	- Ministry of Finance
MoTI	- Ministry of Trade and Industry
MoU	- Memorandum of Understanding
MSCM	- Ministry of Small business, Cooperatives and Marketing
MSE	- Micro and Small Enterprises

MSMEs	- Micro, Small and Medium Enterprises
MTEC	- Ministry of Tourism Environment and Culture
MTI	- Ministry of Trade Industry
MTICM	- Ministry of Trade and Industry, Cooperatives and Marketing
NSDP	- National Strategic Development Plan
OECD	- Organisation for Economic Co-operation and Development
SACU	- Southern African Customs Union
SADC	- Southern African Development Community
SARUA	- South African Regional Universities Association
SDGs	- Sustainable Development Goals
SMEs	- Small and Medium Enterprises
SMMEs	- Small, Medium and Micro Enterprises
SMMEs Network	- Small, Micro and Medium Enterprises Network
TDI	- Technological Development and Innovation
UNCTAD	- United Nations Conference on Trade and Development
UNDP	- United Nation Development Programme
VAT	- Value Added Tax

CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 Introduction

In late 1940s, the notion of small and medium enterprise (SME) was introduced, together with entrepreneurship development (Keskin, Senturk, Sungur & Kris, 2010) with the introduction of targeted policies (such as grants, subsidised credits and special tax treatment) and the establishment of small business or SME support agencies by governments (for example, publicly funded SME agencies were set up in 1948 in Japan, 1953 in the United States of America (USA), 1954 in India, 1966 in Tanzania and 1976 in Turkey) (OECD, 2004; Keskin et al., 2010).

In 2016 the Lesotho Government enacted the Micro, Small and Medium Enterprises (MSMEs) Policy. First and foremost, the Policy seeks to address the critical issue of institutional and coordination mechanisms for MSME development in the country. It is noticed that current intercessions have been divided, with MSME programmes not being planned and executed in an orderly way and lacking, among various difficulties, a focus on results, effect and maintainability (MSME Policy, 2016). An approach has been defined in the Policy to deal with the teething constraints in MSME development in Lesotho. Among the constraints that have been identified in the Policy as repressing the improvement of MSMEs are access to finance, access to markets, technological development and innovation, entrepreneurship training and skills development, infrastructure development and the arrangement of business working space (MSME Policy, 2016). The degree of these above-mentioned constraints in Lesotho implies that the development challenges faced by the 10 government districts differ considerably between districts and, in this regard, statistics indicate that the Mokhotlong and Qacha's Nek districts face disproportionately large development challenges. For instance, in 2016, Qacha's Nek was in tenth place with the lowest rate (2%) of business distribution and Mokhotlong was in eighth place at 4% (Finscope, 2016). Maseru has the most noteworthy number of MSME proprietors in Lesotho representing 49% of the all-out entrepreneur populace (Finscope, 2016).

Enterprise development may be perceived as the strengthening of the integration of small firms with potential for growth and expansion into the economic mainstream, that is, the value chain system of modern industries (Morales-Nieto, 2008; Pooe, 2012). According to Li, Jinfeng & Xuezhu (2012) and Pooe (2012), higher economic development levels are naturally owned by

the areas with more established SMEs. Mokhotlong and Qacha's Nek districts are situated in the rural areas (highlands) of Lesotho where the MSMEs are typically not contributing significantly enough to the economy as would be desired. Tambunan (2006) notes that SMEs in developing countries are important socially and economically for various reasons, including:

- Wide dispersion across rural areas and important for rural economies;
- Their capacity to employ as many people in their local economies; and
- Their ability to provide an opportunity for entrepreneurial and business skill development.

In this context, studies that can identify means of increasing the rates of business distribution of MSMEs in Mokhotlong and Qacha's Nek can contribute to overcoming the challenges of programmes not being designed and implemented systematically. Execution is a specified set of activities designed to put into practice an activity or programme of known dimensions (Fixsen, Naoom, Blasé, Friedman & Wallance, 2005). The strategies for execution are resolved with the goal that the action or programme that is going to be carried out is depicted in a manner that autonomous eyewitnesses can identify its quality and quantity (Fixsen et al., 2005). The goals of the programme must be met (Durlak & DuPre, 2008). However, it can fail due to factors (or sources of failure) that might affect it negatively such as a lack of resources, inexperienced personnel and inefficient training (Dalton, Elias & Wandersman, 2001). Also, the programme's success (or failure) is contingent on the extent to which it is executed with reference to the main plan or to need quality modification (Durlak & DuPre, 2008; Wandersman, Goodman, & Butterfoss, 2005). Therefore, this study evaluated the implementation of the institutional mechanism to assist MSMEs in the Mokhotlong and Qacha's Nek districts in Lesotho.

1.2 Background of the study

SMEs in developing countries constitute a large sphere of economic activity and account for the major share of employment. While they are a powerful force for poverty reduction, they are, however, fragile due to their exposure to today's risky business environment (Mwinyimvua, 2003). Mwinyimvua (2003) maintained that apart from being vulnerable to the pressures of globalisation, SMEs face a poor domestic policy and regulatory environment. There are other constraints such as a lack of capital, information and knowledge, and poor infrastructure, which hamper their development. Furthermore, Grodach (2011) concluded that

there are six key barriers to sustainable enterprise and economic development in rural areas, namely, a conventional economic development mindset, incentive-based practice, a lack of resources, ad hoc planning, inter-regional competition, and a lack of coordinated regional planning.

Lesotho MSMEs are at the moment owned by 70% of informal vendors and retail traders together with micro-enterprise sub-sector which constitute over 90% of all businesses (MSME Policy, 2016). With a low degree of sophistication relative to other MSMEs in Southern Africa, less than 10% of Lesotho's MSMEs are engaged in manufacturing or high value-added activities. Few MSMEs are currently engaged in the mining and tourism sectors (MSME Policy, 2016).

The nature of small businesses is that they are more labour-intensive than large businesses hence they can create more new jobs. Successful business operations lead to the development of an individual business owner and the nation as a whole (Molemohi, 2007). However, putting into practice what is aimed to boost MSMEs is crucial to help them meet their targets as well as the needs of the nation. The impact of the Policy on MSMEs informs the problem statement of this study.

1.3 Problem statement

The importance of MSMEs has been acknowledged locally and internationally for their flexibility, job and wealth creation, and economic growth. However, there is a need for government to measure the impact of policies that are aimed at boosting MSMEs. Government should act where necessary to increase the number of MSMEs, reduce unemployment, and increase the level of compliance. As a consequence, most governments have been concerned with encouraging entrepreneurship both directly and indirectly (BAM, 2013). This means that governments should try as much as they can to formalise entrepreneurship (direct) and stop de-regulating entrepreneurship (indirect) to ensure fair competition and compliance by the MSMEs. Small business policies are critical of direct entrepreneurship (Williams, 2014). The Lesotho Government has initiated numerous programmes such as entrepreneurial training, financial assistance, making available business premises through Business Development Services (BDS), and establishing the MSME Policy all of which are aimed at supporting those engaged in business start-ups. According to Khoase & Govender (2013), laws and regulations

that are practised in Lesotho are not reviewed and are thus major hindrances to privately owned businesses. To overcome these obstacles, a regulatory impact assessment (RIA) has been introduced with the aim of efficiently gauging the effect of new guidelines, classifying other strategy possibilities, and boosting the reviewing of policy. Organisation for Economic Co-operation and Development (OECD) countries have implemented RIA to incorporate different approaches. It serves as a general guide to analysing the positive and negative effects of current and future regulations including other non-regulatory changes. It is an unbiased approach to policymaking as it is based on evidence (OECD, 2019). The Basotho Enterprise Development Corporation (BEDCO), which was established in 1980, offers mentoring and coaching services as well as small loans to MSMEs. Furthermore, the Lesotho Government introduced support resources and services to unemployed youth through the Ministry of Gender, Youth Sports, and Recreation (MGYSR). These include capital, coaching, and networking connections, which have successfully created an entrepreneurial spirit among youth (Khoase & Govender, 2013). Despite these initiatives of the Lesotho Government, there are still actions that need to be taken to ensure that the institutional mechanisms are effective. Small, Medium and Micro Enterprises are faced with numerous challenges, due to obsolete regulations in Lesotho. These encounters enforce problems on MSMEs, where the entrepreneurs even opt for operating informally. These challenges include limited access to finance, inadequate business properties, and cumbersome costs of compliance amongst others. The regulations are not answering these challenges and as a result the number of unregistered businesses increases. Proper actions should be taken by the Government to overcome these challenges. In addition, there is no evidence of the RIA's effectiveness in Lesotho (Khoase & Govender, 2013).

This study evaluated the effectiveness (if any) of the implementation of the institutional mechanism to assist MSMEs within the formal sector in the Mokhotlong and Qacha's Nek districts in Lesotho. The aim was to determine if the MSME Policy is being effectively implemented in each of the districts.

1.4 Research objectives

The main objective of this study was to evaluate the effectiveness of the implementation of the institutional mechanism to assist MSMEs in Mokhotlong and Qacha's Nek in Lesotho. The sub-objectives were:

- To investigate whether access to finance has been made easy for MSMEs by BDS providers.
- To ascertain if MSME owners are offered relevant entrepreneurship training by BDS providers.
- To investigate if technological development has been made available for MSMEs.
- To examine if infrastructure development is conducive for MSMEs.
- To establish how access to markets has been made easy for MSMEs.

1.5 Research hypotheses

H_{1o}: Access to finance has been made easy for MSMEs by BDS.

$H1_a$: Access to finance has not been made easy for MSMEs by BDS

H_{2o}: MSMEs owners are offered relevant entrepreneurship training by BDS.

H_{2a}: MSMEs owners are not offered relevant entrepreneurship training by BDS.

H_{3o}: Technological development has been made available for MSMEs.

H_{3a}: Technological development has not been made available for MSMEs.

H_{4o}: Infrastructure development is conducive for MSMEs.

H_{4a}: Infrastructure development is not conducive for MSMEs.

H_{5o}: Access to markets has been made easy for MSMEs.

H_{5a}: Access to markets has not been made easy for MSMEs.

1.6 Significance of the study

This study aims to draw the attention of researchers who are interested in measuring the impact of a SMMEs policy in different countries. It will assist policymakers to assess whether the Policy is providing "value for money" to the taxpayers whose funds are being used for the assistance given to MSMEs. It will also look at the needs and challenges of MSMEs that the Policy seeks to address, especially those related to BDS who will know how best the challenges can be solved, by whom and at what time and place. Finally, it will assist in measuring the number of MSMEs in Lesotho, particularly in Mokhotlong and Qacha's Nek.

Various studies have been carried out in Lesotho investigating the interventions done to measure the effectiveness of the MSME Policy. Most of these studies focused on the Lowlands (urban areas) of the country as opposed to the rural areas. This study intends to fill that gap by focusing on the Highlands (rural areas) particularly Mokhotlong and Qacha's Nek. This will

help the Ministry of Small Business Development, Co-operatives and Marketing (MSCM), including all stakeholders, to know if their collaboration in addressing the critical issue of institutional mechanisms for MSME development in the country has a positive impact on the day-to-day functions of MSMEs. They will be in a position to assess whether the measures taken to action the MSME Policy are effectively benefiting MSMEs. The study may help to alleviate or avoid the problems associated with the application of policies that rely on findings from urban areas but which are inappropriate for rural areas.

The Lesotho Government will be able to evaluate whether the objectives of the Policy are answering the needs of MSMEs generally or, more specifically, the needs of a particular group of MSMEs located in rural areas. The Government will thus be better positioned to formulate policies that can more easily offer support to MSMEs. If the above-mentioned are in place, it is believed that the MSME sector will absorb many potential businesspeople. That is, if more people enter the business environment and the challenges faced by MSMEs are overcome, the unemployment rate will be reduced, and sustainable businesses and economic growth will be realised.

1.7 Research methodology

This study was conducted through the use of an exploratory and descriptive survey in which respondents completed a questionnaire. The reason why a questionnaire-based survey was used instead of telephonic and face-to-face interviews is that the population that was focused on was large. Thus, for data collection, a self-managed questionnaire was utilised as the research instrument. Questionnaires were hand-distributed to the respondents and collected immediately from those who were able to answer the questions on the spot and collected later from those who were unable to do so and needed more time (De Leeuw, 2008).

The study population means the group of MSMEs operating formally in Mokhotlong and Qacha's Nek. The target population is the group about which the researcher would like to make statements or can be defined based on the conditions and concerns that arise from the theory being tested or concerns generated from the policy being examined (Bickman & Rog, 1998). The target population was broken down to a sample size of 331. In survey samples, context is critical because it informs one on how the sample was selected and from what population it was selected (Burkirk, 2016). To determine the time taken by the respondents to complete the

survey, a pilot study was conducted before the actual study took place. The pilot study, importantly, also assisted in determining whether the questions were clear and that the instructions were followed. One of the benefits of performing a pilot study is that it can offer warnings on where the main research project could fail, where research protocols may not be followed, and whether proposed methods or instruments are inappropriate or too complicated (Van Teijlingen & Hundley, 2002).

The probability sampling method was utilised to choose the respondents from the list obtained from the Ministry of Trade and Industry. For those respondents without physical addresses, the researcher used a nonprobability sampling method, namely, convenience sampling in reaching the respondents. Availability sampling well known as convenient sampling, depends on data collection from sample members who are effortlessly accessible to partake in the study (Saunders, Lewis & Thornhill, 2012). The data collected were analysed using Microsoft Excel and the results presented and discussed.

According to Noble & Heale (2019) and Manion & Morrison (2000), triangulation is a method used to increase the credibility and validity of research findings. Two methods of data collection were employed which are primary and secondary data. This limited the bias which can result when getting information from one source only. According to Noble & Heale (2019), basic biases arising from the use of a sole method or an unaccompanied observer in a research study can be avoided through the combination of observers, methods or theories. This is referred to as triangulation. The essential information obtained from the participating MSMEs was used to address and explore issues, research objectives and theories.

1.8 Synopsis of chapters

Chapter 1 consists of the introduction and background to the study. The problem statement and the research objectives and hypotheses are provided. These are followed by the significance of the study and an overview of the methodology used.

Chapter 2 reviews the literature on entrepreneurs and entrepreneurship as well as small business and their contribution to the economy. The MSME Policy in Lesotho is also considered.

Chapter 3 discusses the theoretical framework and the rationale for SME policy.

Chapter 4 examines the research design and the methodology employed by the study.

Chapter 5 highlights and discusses the findings of the study.

Chapter 6, the final chapter, provides the conclusions and recommendations of the study. Recommendations for further research are also made.

1.9 Summary

This chapter introduced and provided the background to the study. It discussed the research problem, listed the research objectives and hypotheses and pointed to the significance of the study. An overview of the research methodology used was also provided.

In Chapter 2, the literature review, entrepreneurs and entrepreneurship, small business and its contribution to the economy, the MSME Policy in Lesotho, and SME policy, in general, are discussed.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The previous chapter dealt with the background and the need for the study. This chapter discusses the literature on the mechanisms put in place to assist the development of MSMEs in both developed and developing economies. The institutional and coordination mechanisms for the development of MSMEs in Lesotho are reviewed and the main barriers to MSMEs such as access to finance, entrepreneurial training, technological development and innovation, infrastructure development and access to markets are discussed. The classification of MSMEs, the economic contribution of small businesses and the contribution of MSMEs to Lesotho's gross domestic product (GDP) are examined. The MSME Policy for Lesotho, including its objectives and strategies aimed at boosting the MSME sector, are then discussed. Finally, SME policy, in general, is defined.

2.2 Mechanisms put in place to assist MSME's development in developed economies

Organisations use mechanisms to reduce or eliminate the impact of barriers. These strategies further facilitate access to benefits and services. In the United Kingdom (UK), access to finance as one of the services sought by SMEs, is perceived to be affected by different policies and practices by commercial banks. The difference is mostly reflected in the relationships between the entrepreneurs and the banks themselves (BBA, 2002; Watanabe, 2005; Osano & Languitone, 2016). To develop SMEs, it is evident that most OECD countries, such as, New Zealand, Icelans, Japan and Germany have more than 50 per cent of programmes that support SMEs.

Germany has the second-largest exports in the world (Management Study Guide, 2020) and is second only to China. The success of Germany's export stems from the SMEs, rather than handful of companies in that country. The country's growth is stimulated by its SMEs, not really the multinational brand-name it shares (Management Study Guide, 2020). According to Herr & Nettekoven (2018), expenditures for research at German SMEs, as well as their innovation frequency, are among the highest in the European Union (EU). For instance, in Germany, 90.5% of the enterprises with 10 to 49 employees and 87.9% of the enterprises with 50 to 249 employees, introduced a product innovation that was new to their firms in 2014, the

highest proportion in the EU (Herr & Nettekoven, 2018). Apart from being innovative, education also plays a major role in Germany. The strategy of training and maintaining skilled and highly specialized labourers for all kinds, including for SMEs, has contributed tremendously on Germany's economy (Herr & Nettekoven, 2018). A factor that makes Germany successful is the tax relief provided to SMEs. This has assisted SMEs to become billion-dollar enterprises through the accumulation of capital amount. Tax increase has been imposed on large corporations and individuals only (Management Study Guide, 2020). German Government put its focus on both urban and rural areas in an aim of equitably creating employment opportunities throughout the country, which led to a balanced spread of income and growth (Management Study Guide, 2020).

In New Zealand, a Small Business Strategy is in place, written by SMEs (OECD Forum Network, 2020). The Government is also driving greater digital functionality through e-Invoicing, Business Connect and Better for Business which facilitate business engagement with Government through digital means. Smith (2020) ascertained that digitisation was the critical ingredient needed to unlock SME productivity and that Covid-19 presented a unique opportunity to help drive SME digitisation. Some other support measures that New Zealand has initiated to ease the direct pressure on businesses include, the relief of insolvency, consultancy or advisory services, wage and other subsidies, relief of payment timing and tax changes, cash flow loans and small business finance guarantees (OECD Forum Network, 2020).

Another initiative of the New Zealand Government is its membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). According to the New Zealand Ministry of Foreign Affairs and Trade (MFAT) (2020), the CPTPP spans 11 economies in the Asia-Pacific region and SMEs, as a result, benefit from tariff elimination or reductions in multiple overseas markets under a single trade agreement. The other benefits mentioned by the MFAT (2020) include CPTPP economies being obliged to establish good regulatory quality management systems of the type already maintained by New Zealand, encouraging of the free provision of tender documentation, conducting procurement through electronic means, and consideration of the design of the procurement including the possible subcontracting by SMEs. The CPTPP's customs administration and trade facilitation rules also reduce the financial and administrative burden for SMEs waiting for products to be delivered.

This includes the speedy clearance of goods with a commitment to release normal trade within 48 hours and express shipments within six hours.

Despite the interventions taken by governments to assist MSMEs, challenges still exist. It was evident by OECD (1999), that the development of SMEs' high-growth is mainly hindered by government regulations, access to foreign markets, capital markets, difficulties in recruiting qualified staff and skilled workers, and indirect labour costs. Demian and Dumbrava (2009) ascertained that these obstacles hamper the growth of the companies resulting in their premature evolutionary slowdown.

2.3 Mechanisms put in place to assist MSME's development in developing economies

Because current market and economic conditions are characterised by dynamic technological change, increased competition, uncertainty and risk in the operation, the key to success in their development is the dominance of SMEs (Risteska, 2012). Deelder (2011) asserted that SMEs include a wide range of businesses that differ in their dynamism, technical advancement and risk attitude. Today SMEs are the key drivers for economic development (Risteska, 2012) and this is the reason why economic policies are directed towards the development of SMEs. However, the support available for SMEs still has limitations as SMEs still face certain market failures (International Labour Organisation (ILO), 2016). This has raised a concern to governments. They, therefore, have established parastatal and public SME promotion agencies responsible for coordinating and implementing the necessary SME support.

In Africa, SMEs have created 80% of employment, established a new middle class and stimulated the demand for new goods and services. The region is set to have a decline in economic growth with less than a 3% average growth forecast for 2017 (Kenya Agribusiness and Agroindustry Alliance (KAAA), 2020). The KAAA (2020) indicated that pockets of countries in Africa, mainly non-resource intensive countries such as Côte d'Ivoire, Ethiopia, Kenya and Senegal, are envisaged to continue to grow at more than 6%.

According to the Kenya Climate Innovation Center (KCIC) (2020) in the wake of COVID-19 earlier in the year, the Government reduced the rate of turnover tax from 3% to 1% for all MSMEs. This tax reduction can lead to the growth of SMEs for they will gain more profits

that, in return, could be used to expand businesses without the owners having to source further equity. In the financial year (FY) 2020/21 budget, the Government set aside KSh 3 billion for a Credit Guarantee Scheme to ease access to finance for SMEs who constitute 80% of the private sector (Wakiaga, 2020). This was in addition to a KSh 712 million allocation for the manufacturing sector. Other improvements strengthened minority investor protections and made it easier to resolve insolvencies (World Bank, 2018).

The Kenyan Government is currently amending the Public Finance Management Act, 2012 to allow for credit guarantees to SMEs (KCIC, 2020). If enacted into law, SMEs will be able to access loans to expand their operations under an arrangement where the Government promises to pay part of the loans advanced in case of default. Hence, the level of risk will be reduced and lead to the attraction to lend by the financial institutions. According to the KAAA (2020), Vision 2030 acknowledges the need to support the informal sector to raise productivity and distribution, jobs, owners' incomes and public revenues. Vision 2030 is the development blueprint to transform Kenya into a newly industrialising middle-income country and aims to increase annual GDP growth rates to an average of 10%.

The Government is currently involved in some infrastructure developments which have the potential to ease some of the constraints to doing business, such as the lack of electricity and accessible roads (KAAA, 2020). According to the World Bank, Kenya is driving one of the most successful electrification programmes in Africa connecting, on average, more than 1.2 million customers per year and with a target to achieve universal access to electricity by 2022. The flagship Last Mile Connectivity Program is addressing the affordability barrier for connections in rural areas (World Bank, 2019).

The Ethiopian Government also plays a major role in assisting MSMEs. The Government has extensively through several diverse programmes supported MSMEs. Programmes such as subsidised credit schemes, financial support, creating marketing links, providing free showing areas, free production and operation areas, and promotion have been implemented (Abawa & Raghurama, 2017; Geremewe, 2018). According to ADA asbl (2017), the Ethiopian Government has historically supported the growth of MSMEs, especially growth-oriented businesses, through various policy interventions. For example, to create an enabling environment for the sector, a national Micro and Small Enterprises Development and Promotion Strategy was formulated in 1997, this was revised in 2011 (ADA asbl, 2017). A

second example is the MSEs [micro and small enterprises] Development Strategy, Provision Framework and Methods of Implementation (2011-2015). This was done to allow the government to grant MSEs credit, as it was perceived it will lessen the financial constraints. Consequently, to alter the Agricultural Development Leads Industrialization Strategy to "industry" and to improve the implementation gap of the first MSE Development Strategy (Geremewe, 2018).

According to Xinhua (2019), the governments of Ethiopia and China signed a memorandum of understanding (MoU) that aimed to improve the manufacturing capability of small and medium-scale enterprises in Ethiopia. Taiwo, Ayodeji & Yusuf (2012) indicate that MSEs are known for employment creation, providing ways for self-employment, participating in rural and urban development, their better utilisation of local raw materials, mobilisation of local savings, associations with bigger industries, establishment of regional balance by distributing investments more consistently, delivery of opportunities for training managers and semi-skilled workers, and development of entrepreneurship. Molemohi (2007) asserted that in Sub-Saharan economies, manufacturing productivity is a major determining factor of the ability of domestic firms used to survive and grow, as intensifying external competition is experienced.

The Director-General of the Small and Medium Enterprises Authority under the Ministry of Trade and Industry (MoTI), indicated that the MoU "will serve both countries to work together in developing small and medium-scale enterprises." For example, Chinese and Ethiopian small and medium-scale manufacturers will be able to link up in provision and raw material exchange (Xinhua, 2019). The Director-General also indicated that the MoU would assist in creating market linkages between Ethiopia and China, as the Chinese SMEs desired to work with their Ethiopian counterparts. By signing the MoU, the Ethiopian Government has made it easy for MSMEs to link with Chinese markets and, as a consequence, the country will benefit from foreign currency.

2.4 Mechanism for the development of MSMEs in Lesotho

The Lesotho MSME Policy (FinScope, 2016) acknowledges that there is growing recognition of the importance of MSMEs to overall economic development and employment creation. In Lesotho, the advance of MSMEs is considered important for the accomplishment of broader progress objectives such as hardship reduction, creation of good occupation, enhancing the

position of women and expanding local possession of investments in the economy (MSME Policy, 2016). Though, the European Commission (EC) (2000) has shown that SMEs are the most sensitive of all to changes in the business environment. For example, they are the first to suffer if weighed down with excessive bureaucracy, but they are also the first to flourish from initiatives to cut red tape and reward success (European Economic and Social Committee, 2017). The Lesotho MSME Policy is the first of its kind to identify procedures towards which the efforts of all Lesotho institutions should be directed to achieve a constructive and complementary business environment for MSMEs to be successful.

The MSME Policy spells out the roles and responsibilities of all key state actors as well as that of non-state actors, in particular the pivotal coordinating role of the MSCM in relation to that of other players. The roles of the Ministry of Finance, the BEDCO, the Lesotho National Development Corporation (LNDC) and other selected stakeholders are also explained. This is done to overcome how existing MSME support programmes are designed and implemented and that cause considerable confusion and unnecessary competition resulting in a duplication of effort and a waste of scarce resources. The roles and responsibilities of existing key stakeholders will be clarified to enhance synergy in the MSME interventions and achieve better programme impacts (MSME Policy, 2016).

To realise the contribution of SMEs to the economy of any country, it is the role of government to enable SME advancement. Government can create a supportive environment and facilitate contact to suitable instruments and support systems to allow SMEs to improve their ability (Darroll, Irvine & McDonald, 2008). Darroll et al. (2008) maintained that it is imperative to recognise that SMEs' development can take several methods along a range of business operation and that energies to backing and raise the SME sector need to be definitely deep-rooted within the economic growth strategy, having precedence matters in both the short and long term. The priority issues are outlined and discussed below.

2.4.1 Access to finance in developed and developing countries

Studies show that access to finance is one of the biggest challenges faced by SMEs, which was brought about by the financial crisis over a decade ago (2008-2009). Globally SMEs were affected by the accessibility of external financing more than large firms. As this brought in requests for collateral, higher interest rates, and shortened maturities (Rupeika-Apoga, 2014). Consequently, access to finance currently symbolises one of the greatest considerable problems

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for SME owners. Berger, Goulding & Rice (2014) assert that during the financial crisis of 2008-2009, small businesses saw their bank borrowing contract precipitously. Numerous reports cite small business owners' difficulty in obtaining access to credit, particularly from large banks, over the crisis period. Duke (2010) notably pointed out that the contraction in lending was less severe at smaller banks, which tended to cater to small businesses. For example, banks with less than $10 billion in total assets reduced their business loans (including commercial and industrial real estate loans) by a 12.8% annual rate in the fourth quarter of 2009, while with larger banks business loans dropped at a rate of more than 20%. Although the pattern of reduced lending differed across banks, in aggregate, banks of all sizes reduced their business loan portfolios. This development is especially problematic for small businesses, given that they typically lack access to public capital markets.

Despite the difficulties that small businesses face in obtaining financial assistance from outsiders especially banks, studies suggest that banks should opt for hard information rather than relying only on soft information to assist small businesses. Liberti & Petersen (2018) defined soft information as information that is difficult to completely summarise in a numeric score, requires knowledge of its context to fully understand, and becomes less useful when separated from the environment in which it was collected. However, hard-information technologies have developed in the past 50 years and are more adept at transmitting and potentially processing information that is easily reduced to numbers. Berger & Udell (2006) suggested that large banks may be able to serve opaque small firms well using hard-information technologies, such as credit scoring and lending against fixed asset collateral (real estate, motor vehicles or equipment) with values that are relatively easy to assess.

Although banks are seen as the main source of external financing there are other sources or alternatives that can be used to finance businesses. Rupeika-Apoga (2014) stated that the availability of finance strongly depends on development level – the bigger and more familiar you are the broader choices you have. Importantly, for new companies, alternative resources such as business angels, venture capital funds, different government support programmes and seed funding are more available than bank loans.

Despite these current obstacles, SMEs remain a key driver to trigger competitiveness, growth, innovation and employment, particularly during economic crises when large corporations downsize their work force (Moreira, 2016). In a purpose of creating a conducive business

environment, economies ought to establish suitable policy responses such as investments in education to enhance labour skills, business support, and simpler process to financial access. Effective policy frameworks can enhance the potential of SMEs and assist them in facing their binding development limitations; stimulate their entrepreneurship abilities and competitiveness (OECD, 2012).

2.4.2 Entrepreneurship training

World-wide experiences on MSME promotion demonstrate that the provision of quality business development services, including entrepreneurship training, are central to the success of small businesses. While there is a role for the public sector, there is increasing evidence that the best approach is through the private sector with the government providing a conducive environment for the provision of market-based services (MSME Policy, 2016). There is a huge need for capacity building to grow MSMEs in Lesotho and to help them to acquire business skills. According to FinScope (2016), 49% of MSMEs from Lesotho taught themselves how to keep business records, 9% acquired skills from training programmes while 2% did so from a university or college.

It is important to determine whether entrepreneurship training could be used for the benefit of entrepreneurs and the country as a whole. Moreover, how such training can be made effective in developing countries, as they are faced with high rates of unemployment and businesses die at an early stage. According to Trading Economics (2019), Lesotho has an unemployment rate of 27.25% which is the fourth highest in Africa, the first being Congo (46.10%) followed by Namibia (33.4%) and South Africa (27.60%). Many communities in Lesotho have been rendered vulnerable by several factors. With 87.4% of the population in Lesotho reportedly living in rural areas (Bureau of Statistics, 2009) and with these areas mostly characterised by poor infrastructure and high levels of poverty (Ministry of Health and Social Welfare 2010; Omole 2003), the breadth and depth of disadvantage in Lesotho call for attention (Nyabanyaba, 2013).

Entrepreneurship has been recognised as an important aspect of the new economic order. It contributes to job creation, wealth creation and hence, poverty reduction for both government and individuals (Olele & Uche, 2012). Professor Nkuhlu, in his address at the launch of the South African Regional Universities Association (SARUA), presented on 20 February 2005 in Cape Town, argued that "institutions of higher learning have a duty and responsibility to instill,

into the education system and Africa's youth, a culture of generating new knowledge and skills that are appropriate to solving Africa's development challenges" (Mapesela, Leboea & Setenane, 2005). Starting a business requires certain skills and competencies. This means entrepreneurship is a career that needs individuals to be equipped with knowledge of how to start, manage and grow their businesses. Governments are, therefore, advised to make entrepreneurship attractive by improving entrepreneurship education when creating policies that respond to education investment (Malebana, 2016).

There are other sources that SMEs can receive training or seek assistance from such as professional accountants, business consultants and government. Doing so would help them get out of difficulties and be in a position to compete and contribute to the economy. In this perspective, a change in professional accountants' services to their small business customers is essential (Kamyabi & Devi, 2012). For example, professional accountants can assist SMEs operating in a competitive environment to integrate operational considerations within long-term plans (Ismail & King, 2005) to enhance their sustainability. Kamyabi & Devi (2012) acknowledged that to conduct the important activities which the SMEs lack the necessary resources or knowledge of, services can be obtained from external service providers.

The programmes that are aimed at training SMEs should be able to yield results by helping SMEs to be sustainable. Entrepreneurial talents concentrate on the recognized capability to generate, discover and develop openings (Mukata, Ladzani & Visser, 2018). The GEM Report of 2001 showed that the higher the level of education of an individual, the greater the tendency to pursue entrepreneurial activities and the greater the probability of starting a new venture that progresses past the start-up stage (Botha, 2006). In Botswana, Moremong-Nganunu, Cunningham & Hindle (2008) found in their evaluation of the entrepreneurship programme, Start and Improve Your Business (SIYB), which was supported by the International Labour Organisation (ILO), that businesses who participated in the programme scored higher on the ability to reconcile the family and the business and on the ability to adapt to business needs than those who did not attend the programme. The effectiveness of the programme also increased when training was linked to other business development services such as microfinance, mentoring and coaching services, and technical skills training (Mukata et al., 2018).

A policy area relevant to Lesotho is that aimed at improving innovation access. This is indicated by the establishment of an innovation facility made up of members from the academic institutions, private sector, and key financial institutions. The academic institutions include the National University of Lesotho, Lerotholi Polytechnic and Limkokwing University of Creative Technology. According to Australia's Creative Industries Strategy (2011), creative talent can have a positive impact not only on creative industries but also on the capacity of all sectors to adapt to future challenges. The Strategy recognises the importance of investing in education, skills and training in the creative industries to support the supply of skilled labour presently and in the future; the demand for production and consumption of creative content and services; generating markets for creative businesses; and the development of creative and digital skills leading to a more innovative workforce over time (Belete, 2016).

2.4.3 Technological development and innovation

Studies have shown that countries' levels of development are no longer measured by per capita income but rather by technological developments. SMEs are diverse in nature and sources of growth and use different kinds of technologies. This can be traced back to studies of the differences in development and growth among countries that were inspired by this emerging perspective (Garcia-Ochoa Mayor, Blazquez de la Hera & De Diego Ruiz, 2012). Gracia-Ochoa Mayor et al. (2012) showed that the wide spread of technological development has led to the decision by academics and governments to pay more attention to this matter and to try and measure the technological capabilities of nations. Gracia-Ochoa Mayor et al. (2012) accept that technology is one of the principal drivers of sustained economic growth.

African countries are not exempted from the use of technology and the need to be innovative to be considered developing and this has been recognised by some. At the national level, a growing number of countries are reviewing and revising their policies and strategies for creating conducive environments for investment in science, technology and innovation, and in some cases, new policies and strategies are being designed (Garcia-Ochoa Mayor et al., 2012, p. 441). Southern African Development Community has regionally approved Protocol of Science, Technology and Innovation in 2008, and there was also a creation in 2007 in the Department of Education, Culture, Science and Technology, within the Economic Community of West African States Commission. The aim of this Department is to stimulate science, technology and innovation for economic development, social liberation, poverty reduction, and regional integration of the people of West Africa. Lastly, in the East African region as well,

the promotion of science, technology and innovation was included in the East African Community Treaty (Garcia-Ochoa Mayor et al., 2012).

SMEs in Africa need to be technologically advanced and innovative to meet the needs of customers and remain competitive. The innovation process is one and the same thing with the invention of new ideas and knowledge that will infer into unique products and services to produce value-added results with improved efficiencies (Naidoo, Hewitt & Bussin, 2019). According to Naidoo et al. (2019), organisations can profit from innovation by gaining a competitive edge over less innovative competitors through the generation of novel products and services and improved business processes. Gikenye and Ocholla (2014) and Williams (2014) note that technologies and innovation can also be exploited by small enterprises to create a list of contacts and to make use of available information to start and sustain new business ventures. Technology and innovation use have the potential to expand a country's economy by making economic enterprises more accessible to local and global markets, improving access to market information, providing information for better and competitive prices, as well as lowering transaction costs (Gikenye & Ocholla, 2014).

MSMEs owners have partial knowledge, skills and capacity to adapt to changing market demands and to bring about the required technological development. Recent studies demonstrate that although there is an emphasis on the generic and common constraints facing MSMEs such as access to credit and markets, the real underlying factor behind these challenges is to a large extent explained by the low-level competitiveness of MSMEs in general, which is a result of low technological capability (MSME Policy, 2016). Firms' competitiveness relies on the degree of their innovation which, is consequently determined by the intensity of the technological expertise they have attained (Yokakul & Zawdie, 2011). However, the technological capacity building and innovation accomplishment of small firms has naturally been ineffective in the developing countries, especially regarding their capability to adapt to improvements in knowledge and technology systems (Yokakul & Zawdie, 2011).

2.4.4 Infrastructure development

Several developing countries grieve from their poor basic infrastructure like transportation, telecommunication and electricity (Olawale & Garwe, 2010). The quality of infrastructure can affect the growth prospects of new SMEs especially in developing countries such as South Africa. The findings of the survey contacted by Rogerson (2006) in the Free State Province

showed that the community of emergent SMME entrepreneurs operated their diverse businesses from a range of different types of premises or sites and less than one-third of SMMEs were accommodated in any kind of formal business premises and at least two-thirds of businesses operated from informal premises, most importantly from the home or backyard. The largest group of informal manufacturing, service and construction SMMEs function as home-based premises. Businesses operating from the pavement are mainly food retailing establishments or shoe repairs. Many brickworks operate from informal sites. The group of cultivators mostly farm on allocated land while others operate from their backyard.

In Lesotho, the constraints SMEs are facing are similar to those that their South African counterparts are facing. According to the study by SBP (2008), 23% of respondents said that high operational costs were a major challenge facing their businesses. These include high rental and labour costs, as well as limited access to tools, equipment and transport owing to the high costs of these inputs. Moreover, sourcing supplies often involves a trip by the business owner him or herself – which substantially increases input costs. Many business owners undertaking the journey rely on public transport or lift-sharing and trips often require several days. The study also found that just over a third of businesses had inadequate or no access to electricity and 30% had inadequate or no access to water.

The Lesotho MSME Policy declares that essential utilities such as water, electricity and access roads will be established in designated clusters, through public and private sector partnership. Markets, trading and manufacturing points for MSMEs, in particular the informal sector, will be made more attractive. Incentives such as reduced costs of land acquired for clustered enterprises, including the provision of water, electricity and marketing facilities will be provided (MSME Policy, 2016).

The Policy set the approaches to achieve the infrastructure strategies needed to develop MSMEs in Lesotho:

1. Priority will be given to the development of MSME-oriented electronic commerce. In order for MSMEs to respond to the demands of the 21st century, they will be encouraged to adopt improved information and communication technologies (ICTs) such as electronic and wireless commerce to enhance their competitiveness.

2. Establishment of working partnerships (shifting from regulatory and controlling role to strategic partnership building) between local government authorities (LGAs).

3. LGAs shall be obliged to contract MSMEs to provide essential services (for example, in waste management and cleaning services).

While general industrial development in the past required simply improving the basic education system and encouraging in-firm training, the emerging competitive setting calls for greater emphasis on high-level specialised training to meet industry's needs. One central area in this regard is ICTs (Ozigbo & Ezeaku, 2009). The ICTs are viewed as near magic solutions to problems, Ozigbo & Ezeaku (2009), and are extremely powerful tools that have proven useful in many African countries. Traditional media and new ICTs have played a major role in diffusing information to rural communities. Ozigbo & Ezeaku (2009) pointed to the usefulness of ICTs stating that "the centers also provided training and those trained have now become small-scale entrepreneurs in their respective areas." The Internet holds the greatest promise humanity has known for long-distance learning and universal access to quality education and that it offers the best chance for developing countries to take their rightful place in the global economy. Investment in technology and keeping up with information technology (IT) are increasingly important to all firms (Olawale & Garwe, 2010).

African countries should look forward prospectively and participate actively in building technological capabilities such as the establishment of adequate information infrastructure and human capacity building to suit their needs (ECA, 2005). There is a need for African countries to draw up IT policy that defines what the SMEs seek to obtain from the IT revolution and how they intend to achieve their objectives (Ozigbo & Ezeaku, 2009).

2.4.5 Access to market

Notwithstanding the initiatives that have been implemented to help unleash SMEs' potential as the major contributors of job creation, poverty reduction, wealth creation and economic growth in Africa, there are still some challenges they face (Chinje, 2015). According to Chinje (2015), one of the most significant constraints these SMEs encounter is the limited or lack of access to markets. Access to markets includes, among others, the export and import of goods and services, infrastructure development, and networks. Studies have shown that government policies that promote infrastructural development and provide direct assistance to exporters through export promotion programmes (EPPs) would contribute to export firms' effectiveness through reductions in their export risks, thereby enhancing their preparedness to enter new markets (Kuada, 2007). Following the international business literature, the benefits of export

sector development include the accumulation of foreign exchange reserves, improvement in the productivity of national industries, the creation of new jobs and an overall enhancement of societal prosperity (Kuada, 2007).

Tax levied on imports and exports, in as much as it is important for revenue collection, can impede SMEs, especially when it is high. The stunted growth of the economy has often been blamed on many factors, the top of which is the challenge of uncoordinated tax administration that has crippled the production capacity of SMEs (Karugu, 2013). Karugu (2013) concurs, stating that the yoke of taxes on SMEs ranked second among the factors stunting the growth of the economy in the USA. Taxes are heavy yokes that frustrate existing investors and scare away prospective ones. According to Karugu (2013), the Jamaican business environment was being suffocated by too many taxes from the national, federal and local governments. Estimates from the Manufacturers Association of Nigeria (MAN) show that annually, about 1,000 SMEs in Nigeria that set out to do business in the country end up shutting down due to the unfriendly business environment (Karugu, 2013). Factors (or barriers) include import duties, export and excise duties, sales and VAT, withholdings and income taxes, mobile advertising, billboard and education levies, and social responsibility charges.

Investment Climate Assessments (ICAs) indicate a long list of entry barriers and the Doing Business indicators confirm that barriers tend to be high in Africa and that progress in reducing them has lagged behind other developing regions (Eifert, Gelb & Ramachandran, 2006). Reducing administrative barriers in Africa is enormously difficult, mainly because the state apparatus has long been used to dispense patronage (Eifert et al., 2006). Survey results confirm the segmentation of African businesses. Small native firms often strive to continue, whereas little amounts of larger, regularly foreign and ethnic minority-owned businesses have output levels nearer to those of the normal firm in high-performing economies such as China and India. Large, foreign, and minority-owned firms in Africa tend to have higher productivity than indigenous firms and to export more than their smaller indigenous counterparts (Eifert et al., 2006). The Commission For Africa (CFA) shows that to help African SMEs overcome these barriers, policy intervention is required and prioritising such intervention at all levels, is the first step in this direction (Issac, 2007).

Networking is very important to both new and established SMEs and can positively impact their performance and access to finance (Olawale & Garwe, 2010). Olawale & Garwe (2010)

found that the formation of networks helps entrepreneurs to successfully tap resources in external environments. According to the study based on some SADC countries by Robbins, Lebani and Rogan (2009), growing the absolute level of FDI, expanding exports and increasing employment were the chief concerns. However, there were indications that the Lesotho Government was cautiously considering its options for supporting linkage activities but the signals from policymakers have, as yet, not translated into any significant action. A study by SBP (2008, p. 30) on the state of enterprise in Lesotho showed that the vast majority of businesses surveyed provided goods or services to the domestic market only and generally only within the local area. Only 3% of businesses provided services or goods to big businesses or the export market. The picture was slightly different among commercial farms, where 20% served the South African market in addition to local businesses.

By embracing the MSME Policy in 2016, the Lesotho Government guarantees to make "access to market easy for business sectors" as this is the challenge facing MSMEs both locally and foreign. Among other things, the Policy specifies that large numbers of small businesses in the country do not have sufficient information and intelligence on market opportunities and market trends. This is particularly true of people who have limited mobility and networks due to disability or other socio-cultural norms. They exhibit low marketing capabilities and are unable to penetrate high demand markets (MSME Policy, 2016). The Policy also asserts that, the MSME sector is not pitched for the export market, and it is mainly centred on the lower end of the domestic market. This is due to how it is structured and organised. Nearly all MSMEs lack export market experience and do not know export processes and obligations for entry into the export market (MSME Policy, 2016).

The following intervention strategies are put forward to ensure that markets and internalisation are accessible: Organising MSMEs into networks and clusters; market intelligence; marketing linkages; marketing capacity building; and elaboration on the development of MSME clusters (MSME Policy, 2016). Inventive clusters have been recognised as an essential means of operation, assisting MSEs to get higher amounts of progress out of common inspiration, making use of others' expertise and the formation of unified services and markets (UNIDO, 2007).

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2.5 MSME classification

Small businesses form a very diverse sector which is difficult to define. There is no single, uniformly accepted definition of a small firm (Storey, 1994). This implies that these enterprises have certain characteristics and management issues in common that distinguish them from other organisations. In practice, it is hard to define these characteristics, and even harder to draw a precise line that separates small from large firms (Stokes, Wilson & Wilson, 2010). Bhalla (1992) noted that the meaning of SMEs varies from country to country, but it is usually based on criteria such as the number of employees, size of initial investment, and turnover rate. A clear definition may be useful in a particular national context, but it may not be practical to attempt a universal definition. The acronyms SMMEs, SMEs and MSMEs are used in this study according to the contexts in which the data have been sourced.

Sources in different parts of the world define small business in ways that suit them. According to Scarborough and Cornwall (2016), the United States Small Business Administration has more than 800 definitions of a small business based on industry. A common delineation of small business is that it employs fewer than 100 people. Stokes and Wilson (2006) stated that some definitions focus on numerical parameters (quantitative definitions) to differentiate between smaller and larger business types. The European Commission (EC) (2006), according to Stokes et al. (2010), initiated an important set of definitions of MSMEs that distinguish between them based on headcount, turnover, and balance sheet value. The authors (Stokes et al., 2010) further show that these quantitative thresholds are important because they are used throughout the EU for policy purposes. The SMEs are defined in the EU Recommendation 2003/361. The main factors determining whether an enterprise is a SME are shown in Table 1.

Table 1: Classification of SMEs in Europe

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: EC (2006).

According to Stokes et al. (2010), there were some difficulties with the classification of small businesses based only on numerical parameters (quantitative definitions) and non-quantitative definitions were proposed. The UK Government in their influential Report that was published in 1971, set the Committee of Inquiry on Small Firms, under the chairmanship of J.E. Bolton which is known as the Bolton Report. The Report suggested that a small firm has three key qualities:

- It is operated by its owner(s) in a personalised manner.
- It has a reasonably little share of the market in economic terms.
- It is neutral in the perception that it does not form portion of a larger business and its proprietorship is fairly free from separate management in its main rulings.

The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of the number of employees (in which case, 200 or less qualified the firm to be a small firm), those in sectors such as retail, services and wholesale were defined in terms of monetary turnover (in which case the range was 50,000-200,000 British Pounds to be classified as a small firm). Firms in the road transport industry are classified as small if they have five or fewer vehicles (Abor & Quartey, 2010). There have been criticisms of the Bolton definitions according to Stokes and Wilson (2006), including:

- Low market share is not always a characteristic as small firms can operate in highly specialised niches, or limited geographic markets, where they have a relatively high share.
- Independence is difficult to measure. For instance, Bolton's definition excluded franchises that are organised by a larger enterprise but included subcontractors who were very dependent on one customer.

According to Abor and Quartey (2010), the most widely used framework in South Africa is the definition of the National Small Business Act 102 of 1996, which defines five categories of businesses. The definition uses the number of employees (the most common mode of definition) per enterprise size category combined with the annual turnover categories, and the gross assets excluding fixed property. Table 2 below summarises the South African definitions based on the National Small Business Act 102 of 1996.

Table 2: Definition of SMEs in South Africa

Sector	Total full-time employee (less than)	Total annual turnover (less than)	Total gross asset value (less than)
Manufacturing	Medium 200 Small 50	R40m R10m	R15m R3.75m
Retail	Medium 120 Small 50	R30m R15m	R5m R2.5m
Wholesale	Medium 120 Small 50	R50m R25m	R8m R4m
Business services	Medium 120 Small 50	R20m R10m	R4m R2m

Source: Abor & Quartey (2010)

The MSME Policy for Lesotho as depicted in Table 3 defines and classifies MSMEs on a combination of total employees, including the owner, annual turnover, and whether the business is formal or informal (legal structure): Micro-enterprise has fewer than six employees, small enterprise employs six to 20 staff members, and medium enterprise has 21 to 50 employees (MSME Policy, 2016). The MSME Policy (MSME Policy, 2016) indicates that legal structure includes registration under the Companies Act or with the Commissioner of Cooperatives, in the case of cooperatives. Compliance with the Lesotho Revenue Authority will also be used to determine the legal status of any enterprise in the event of non-registration under the other two business arrangements. However, this will not necessarily be used to judge the legal status of any entity that is legally registered. Therefore, it can be concluded that the Lesotho definition comprises the quantitative and non-quantitative definitions of small firms.

Table 3: Classification of MSMEs in Lesotho

No. of people employed (including owner)	Annual turnover	Legal Structure
Micro-Enterprise		
Less than 5	Less than M200,000	Informal
Small Enterprise		
6 – 20	Less than M1, 000,000	Formal
Medium Enterprise		
21 – 50	Less than M5,000,000	Formal

Source: MSME Policy (Policy, 2016)

2.6 Contribution of small businesses

According to the OECD, SMEs are key players in the economy and the wider eco-system of firms. Across countries at all levels of development, SMEs have an important role to play in achieving the Sustainable Development Goals (SDGs), by promoting inclusive and sustainable economic growth, providing employment and decent work for all, promoting sustainable industrialisation and fostering innovation, and reducing income inequalities (OECD, 2017). They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included (World Bank, 2020).

Among the roles SMEs play is development in rural areas. Many businesses have shifted to rural areas due to available resources in terms of land, cheap labour and raw materials. This has enabled the development of the location in which these businesses operate. Through this, SMEs provide a path for generating income in terms of their contribution to economic activities such as agriculture, services and trading along with facilitating employment opportunities thus reducing rural-urban migration (UKEssays, 2018a).

2.6.1 MSMEs contribution to GDP in Lesotho

As a result of uneven structural economic transformation across the country, the divide between rural areas (where 76% of the population resided as of the last household survey) and urban areas in Lesotho remains wide. Overall, people living in rural areas have lower incomes, higher rates of poverty, and fewer years of education than those in urban areas, and the rural

population remains too dependent on subsistence agriculture and remittances (World Bank, 2010).

The World Bank Report (2018) shows that Lesotho ranks 104th globally in its Doing Business 2018 Report, with a distance to the frontier score of 60.42 (on a 0 - 100 scale). It ranks eighth in the Ease of Doing Business in Sub-Saharan Africa (World Bank Report, 2018). The Report indicates that several positive developments have been recorded in recent years, including the opening of the One-Stop Business Facilitation Center and the establishment of the Credit Bureau, which covers 7.5% of the adult population. Furthermore, the process of obtaining construction permits was streamlined, with the introduction of electronic systems in August 2017. All these reforms were supported by the Second World Bank Private Sector Competitiveness and Economic Diversification Project.

The statistical contributions of the MSME sector as per the World Bank Report (2018) as indicated by Table 4 below, are as follows: Micro and small firms account for 97% of all firms in the country, yet over half of employment is in large firms; fruits and vegetables in Lesotho are grown primarily by smallholders for subsistence consumption; skills and productivity are low; about 300 fruit and vegetable farmers produce mostly for the market but fewer than 10 have regular contracts with supermarkets; firms with fewer than 20 employees make up 97% of all firms in the country (and micro firms with fewer than five employees make up 82% of the firms); most firms (89%) are in services and 71% are in retail and wholesale; and manufacturing firms comprise 11% of the total firms. In terms of geographic distribution, almost half of the firms are located in the Maseru and Leribe districts. These locations are also home to industrial sites, which provide employment in manufacturing to thousands of workers. The share of employment in these two districts is 79%, compared with 46% of firms. Furthermore, there is little economic activity in rural areas which was the focus of this study (World Bank Report, 2018).

Table 4: Profile of the firms

Firm characteristics		Firms (%)
Size	Fewer than 20 employees	97.14
	20-99 employees	2.17
	100 or more employees	0.69
Age	Less than 6 years old	47.5
	6-10 years old	24.86
	10 or more years old	27.64
Sector	Manufacturing	11.11
	Services	88.89
Location	Maseru	23.84
	Leribe	22.00
	Berea	12.23
	Mafeteng	12.86
	Other	29.07

Adapted from: World Bank Report (2018)

2.7 SME policy

There are various ways of defining policy. According to the Centers for Disease Control and Prevention (CDC) (2019), a policy is a law, regulation, procedure, administrative action, incentive, or voluntary practice of governments and other institutions. Khalid (2001) defined policies as written statements of ideas, goals and plans of actions. Khalid (2001), defined a policy as "a set of principles which guide a regular course of action" and lists the following components:

- An image of the desired state of affairs, as a goal or set of goals which are to be achieved or pursued;
- The specific means by which the realisation of goals is to be brought about;
- The assessment of responsibilities for implementing the means; and
- A set of rules or guidelines regulating the implementation of the means.

Cairney (2015) defines policy as a collection of different instruments and that policy instruments are the tools used by governments to pursue the desired outcome. Examples

include economic tools (taxes, spending, incentives) and regulations (voluntary, legal). Cairney (2015) summed up the policy cycle as a series of stages through which a policy travels to translate public demands, party manifestos and policymaker aims into policy solutions and outcomes. Figure 1 shows these stages while Khalid (2001) divides policies into general and operational. The general relates to formulation, while operational covers implementation. Khalid (2001) noted that formulation and implementation are separate activities in theoretical and practical terms and that implementation is more complicated than formulation. The notion that formulation and implementation are separate activities is in support of Cairney (2015) as Figure 1 depicts. A number of Cairney's studies will be presented although the discussion will be restricted to the stages that involve SME policy implementation, as outlined below:

- *Agenda setting.* Identifying problems that require government attention, deciding which issues deserve the most attention and defining the nature of the problem.

- *Policy formulation.* Setting objectives, identifying the cost and estimating the effect of solutions, choosing from a list of solutions and selecting policy instruments.

- *Legitimation.* Ensuring that the chosen policy instruments have support. It can involve one or a combination of legislative approval, executive approval, seeking consent through consultation with interest groups, and referenda.

- *Implementation.* Establishing or employing an organisation to take responsibility for implementation, ensuring that the organisation has the resources (such as staffing, money and legal authority) to do so, and making sure that policy decisions are carried out as planned.

- *Evaluation.* Assessing the extent to which the policy was successful, or the policy decision was the correct one; if it was implemented correctly and, if so, had the desired effect.

- *Policy maintenance, succession or termination.* Considering if the policy should be continued, modified or discontinued.

Figure 1: The Policy Cycle

Source: Cairney (2015)

According to Liedl (2011) "there is still no widespread agreement among those who do implementation research about what actually constitutes a case of implementation. There is still some confusion over when implementation begins, when it ends, and how many types of implementation there are." Khalid (2001) argued that there are many complicated factors involved in the implementation process including politics and resources. According to Khalid (2001), governments have broad political and economic objectives which affect the nature of individual policies (such as the MSME Policy).

Storey and Greene (2010) noted that in essence, small businesses and public policymakers have very different objectives, styles and timescales, and so bringing the two together is inevitably problematic. Khalid (2001) showed that policy implementation is not an automatic process – it demands strong impetus and coordinated efforts. Mole and Bramley (2006) and Storey and Greene (2010) maintained that one key to a "successful" policy is to be sure regarding the objectives of the programme (its involvement reasoning) along with the procedures for accomplishing these goals.

Khalid (2001) showed that many authors have produced guidelines and models for the development of systems and policies that can be used for policy implementation in various fields, including SMEs. This notion is affirmed by Storey and Greene (2010) who used the Mole and Bramley Model that suggests that policy makers have five main choices in designing and implementing enterprise policies. These choices are in the form of five questions: "firstly, who delivers… public, private or quasi (for example, not-for-profit)? Secondly, what 'type' … generic, standard, tailored, regulated, face-to-face, and e-based? Thirdly, how is it rationed … time, sector, price, market segmentation? Fourthly, how is it integrated … into other economic and social programmes? Fifthly, how is it funded … by charges, by donations, directly from public funds?" Therefore, the indication is that policy makers have difficult choices to make in designing and implementing particular support policies.

2.7.1 Positioning in the SME policy discourse

In the SME policy discourse, the survival and growth of the existing enterprises is the goal of the entrepreneurship promotion policy (Niska & Vesala, 2013). The main goal of the MSME Policy is to create an environment in which MSMEs thrive and become market competitive, generate decent jobs on a sustainable basis and stimulate growth and development of the economy (MSME Policy, 2016). Niska and Vesala (2013) further mentioned that when the policy implementers used the SME policy discourse, they argued that entrepreneurs need policy measures because entrepreneurs themselves do not recognise the weaknesses or the potential opportunities in their businesses. The policy implementers' duty is to recognise whether entrepreneurs need promotion services, and then to provide the necessary services.

Researchers such as Brooks (1998) noted that policy implementation is complicated and according to Niska and Vesala (2013), policy implementers believe that entrepreneurs act passively and are reluctant to seek public funding and promotion services. Niska and Vesala (2013) point out that policy implementers have two explanations for the entrepreneurs' passivity. The first explanation is the entrepreneurs' alleged fear of bureaucracy and control which, according to the policy implementers, might jeopardise their independence. What makes this first explanation so interesting according to Niska and Vesala (2013), is that it is in accordance with the explanation of Curran and Blackburn (2000) for the low take-up of promotion measures. The second explanation given by the policy implementers is the entrepreneurs' pride. The policy implementers should avoid making entrepreneurs feel inferior to them because their promotion services might otherwise be rejected (Niska & Vesala, 2013).

This explanation was a result of a submission made by policy implementers that entrepreneurs were afraid of being humiliated by the competent policy actors. Therefore, when entrepreneurs are pushed into accepting funding or other services, face-saving actions are needed (Niska & Vesala, 2013).

2.7.2 Positioning in the entrepreneurs' discourses

Studies have shown that entrepreneurs believe in entrepreneurial traits and this makes it hard for them to accept that external sources can contribute to their success. According to Niska and Vesala (2013), the individualist discourse emphasises entrepreneurs' own actions, their independence, autonomy and their internal locus of control. Niska and Vesala (2013) further noted that the entrepreneurs frequently drew from the individualist discourse and emphasised that their success is based on hard work, on the special skills they have, and on the risk-taking ability they possess. Niska and Vesala (2013) affirmed that when using the individualist discourse, entrepreneurs adopt a position of an autonomous agent who is solely responsible for the success of their enterprises. Other actors, including the policy implementers, are irrelevant. Therefore, it can be argued that Brook's (1998) belief that implementation is complicated, is real.

Some researchers are of the opinion that entrepreneurs need other actors for their success. Individualism is, however, not the only discourse entrepreneurs use to make sense of entrepreneurship. Entrepreneurs also use the relational entrepreneurship discourse, which emphasises relationships, interdependencies and interaction (Niska & Vesala, 2013). The relational discourse highlights the fact that entrepreneurs do not work in a vacuum but their businesses are affected by several other actors besides the entrepreneur him/herself (Niska & Vesala, 2013). Even though the individualist discussion is famous in cultural descriptions and media statements, the relational debate must not be ignored (Niska & Vesala, 2013). It can be argued that Niska and Vesala are emphasising an important notion when indicating that the relational discourse should not be disregarded. Storey and Greene (2010, p. 383) show that some individuals may be ignorant of the benefits of starting a business and existing business owners may also not realise the benefits of obtaining expert advice from outside specialists. Therefore, policies to address these limitations are, in principle, justified.

2.7.3 Need to formalise the informal sector by the policy

Lesotho, like any other country, is still faced with the challenge of formalising informal businesses. There are a significant number of businesses operating informally. According to Mpaki (2017), the Principal Secretary in the Ministry of Labour and Employment announced that, the informal sector is a neglected part of the economic system of many ILO members. Mpaki (2017) further said that one of the ILO facilitators remarked that formalising the informal sector should be included in Lesotho's developmental goals and objectives, such as in the next National Strategic Development Plan. Economic planning strategies should include the informal sector because a developing country such as Lesotho with high unemployment rates, low levels of formal and higher education, the migration of individuals from rural areas to cities, corporate restructuring, and government policies and regulations that include all sectors of the economy and their structures, are vital in the determination of total economic output of the state (Mothibi, 2016). According to the Inuit Learning and Development Program (ILDP) (2014), it would create a good arrangement for the different data-gathering bodies in the public and private sectors to come to an agreement about the use of classifications involving the SMME sector, mainly for statistical reasons. Table 5 below shows these categories.

Table 5: Traditional characterisation of the informal and formal sector

Hypothesised defining characteristics of informal and formal sector	
Informal sector	**Formal sector**
1. Easy of entry 2. Indigenous resources 3. Family ownership 4. Small-scale operation 5. Labour intensive and adapted technology 6. Skills acquired outside the formal sector system 7. Unregulated and competitive markets	1. Restricted entry 2. Reliance on national and foreign capital 3. Corporate ownership 4. Large operation 5. Capital intensive and imported technology 6. Formally acquired skills 7. Protected markets

Source: Williams (2014)

In developing countries, labour markets play a central role in determining economic and social progress since employment status is one of the key determinants of exiting poverty. Ultimately, having a decent, well-paid and secure job is the most sustainable path to increasing incomes and consumption levels (Cazes, 2013). Generally, the majority of people in developing countries, and to some extent, those in transition countries as well, resort to the informal sector as the only means of survival; illegal participants in the informal sector are normally found in the developed countries (Ligthelm, 2005). Governments and other stakeholders have gradually recognised these labour disputes, which were considerably speeded up by the global financial crisis of 2007-09. But, concurrently, complicated arguments encompass several of these matters, such that taking steps forward in implementing more successful policies and programmes involves a great appreciation of the relationships between development processes and labour market consequences (Verick, 2013). Local economic development concerns communities who are continually upgrading their business environments to improve their competitiveness, retain jobs and improve incomes (World Bank, 2003). Local economic development initiatives can support small-and-medium-sized businesses; attract investment from elsewhere within the country and internationally; and support the growth of particular clusters of businesses and investment in soft infrastructure (human resources, institutional support and regulatory systems) and hard, or physical, infrastructure (World Bank, 2003). This study focused on the formal sector.

2.7.4 Policy implementation and evaluation

According to Khan (2016), policy implementation encompasses those actions by public and private individuals that are directed at the achievement of objectives outlined in prior policy decisions. Therefore, policy implementers have to be clear about the implementation process. The policy implementers should improve their understanding of the implementation process and implementation outcomes by using the results of research to redesign policies so that they can do their work better. Thus, policymakers and managers should be able to use the knowledge generated from new findings in policy implementation research to facilitate such implementation (UKEssays, 2018b).

Evaluation is the activity through which we develop an understanding of the merit, worth and utility of a policy (Siddiqui, 2018). The evaluation of a policy, refers to evaluation principles and approaches to assess the content, implementation or impact of a policy (CDC, 2019). The aim is to determine the relevance and fulfilment of objectives, developmental efficiency,

effectiveness, impact and sustainability (OECD, 1991). Any action in a plan should be designed so that the people performing the action and the manager who is supervising employees can understand whether or not the action is accomplishing what it was designed to (OpenStax, 2012). Therefore, even in policy evaluation, there should be a clear designed action plan on how the policy objectives will be implemented and evaluated.

Policy implementation and evaluation may focus on several different areas, including:

- Components of the logic model, such as inputs, activities and outputs
- Stakeholder attitudes, knowledge and awareness
- Facilitators of and barriers to implementation (CDC, 2019).

There are a number of standards used in policy evaluation. According to Lumen Learning (2020), policies may be informally evaluated according to uncritical analysis, such as anecdotes and stories. Policies may also be substantively evaluated through careful, honest feedback from those affected by the policies. More formal research can provide empirical evidence regarding the effectiveness of policies. Finally, scientific research provides both comparative and statistical evaluations of whether policies produce clear causal results. The evaluation of the policy can be done two or three years after the policy has been implemented. It is not advisable to wait for a period of five years as it is essential to gauge along the way whether the implemented policy is attaining the expected results. Due to the changing business environment, the policy might not be conducive under certain circumstances and this is why it is very important to monitor and evaluate the existing policy over time.

Hashim (2016) showed that in the case of a more general entrepreneurial development policy some basic indicators of success include the number of new entrepreneurs being developed, the value-added generated by the new entrepreneurs as a percentage of GDP, the number of jobs generated, and the amount of capital invested. Many economists have come to believe that market-friendly government policies are another important cause of economic growth (Smith, 2010). Thus, entrepreneurial development policies will achieve what they are meant to with the assistance of the feedback received from the evaluation. Nevertheless, one crucial aspect of victory is the enterprises' sustainability and expansion – how many have developed profitably from their start-up relaxation zone? This may need to be monitored over a lengthier time (Hashim, 2016).

2.8 Summary

This chapter discussed the mechanisms that are put in place by developed and developing economies to assist MSMEs. Most countries have programmes that aim at boosting MSMEs because they are aware that even though they play a major role in economic development, they still need to be assisted. The strategies that are put in place aim to answer the challenges commonly faced by MSMEs, such as access to finance, infrastructure development, access to markets and technological development. The degree of assistance provided differs according to how developed the country is. In developing countries, there is much to do to improve the level of assistance, given that some countries have only seen MSMEs contributing marginally to economic growth.

The classification of MSMEs was reviewed according to how each country defined them. Thus, to fully understand the definition of a small business adopted by a particular country, information was needed to look at numerical parameters (quantitative definitions) and non-quantitative definitions. The discussion revealed that in practice it is hard to separate small businesses from their larger counterparts. MSMEs play a major role in a country's development and their contribution to Lesotho's GDP, in particular, was looked at and discussed as was Lesotho's MSME Policy.

Chapter 3, which follows, discusses the theoretical framework and rationale for SME policy.

CHAPTER 3: THEORETICAL FRAMEWORK AND RATIONALE FOR INTERVENTIONS

3.1 Introduction

The previous chapter outlined the mechanisms that are put in place to assist MSMEs by developed and developing economies. These strategies are used to tackle the topmost obstacles faced by MSMEs. In general, the barriers that constrain the performance of MSMEs are common in nature but what may differ is their impact depending on the development of each country and the implementation of strategies put in place to deal with them. The institutional and coordination mechanisms for the development of MSMEs in Lesotho were also dealt with in the previous chapter. The roles and responsibilities of existing key stakeholders were clarified to enhance synergy in the MSME interventions and better programme impacts. The classification of MSMEs and the contribution of small businesses were also discussed, particularly their contribution to Lesotho's GDP. The final sections of the chapter focused on the Lesotho MSME Policy and the policy process.

This chapter will examine the theoretical framework and the rationale for SME policy. It is more generic in terms of SME policy in that it does not focus on a particular country but countries, generally, are used for clarification. While it is clear that the study was based in Lesotho which has a developing economy, it is important to also consider developed economies as they may share the same business environment with developing countries.

3.2 Theoretical framework

The lack of a universally agreed definition of entrepreneurship has led to difficulties in developing policy that relates to it. Normally, SMEs policies are set in line with policies that generally refer to entrepreneurship, that is, sometimes based on numbers of self-employed (MSME Policy, 2016). However, this cannot really cover the entirety of entrepreneurship (Ahmad & Hoffman, 2007). These limitations, and the increasing necessity of entrepreneurship in the policy field have enlarged the need for a better basis for universally equivalent indicators of entrepreneurship and, definitely, for an internationally acknowledged measure of entrepreneurship that enables and forms the foundation of these procedures. According to Ahmad & Hoffman (2007),

> "given its experience in international data development, many countries and groups turned to the OECD for assistance and guidance in developing such a framework by

capitalizing on its international networks of statisticians, analysts, and policymakers, and these initiatives and requests led the OECD to create an Entrepreneurship Indicators Programme (EIP) that has been at the vanguard of investigations and developments that seek to improve our current understanding and measurement of entrepreneurship."

Thus, the OECD came up with such a framework which is depicted in Figure 2 below and which comprises three parts. Firstly, it assumes there is a range of "Determinants of Entrepreneurship" that public policy can influence. Secondly, it then assumes that these determinants influence entrepreneurial performance which then, thirdly, determines the impacts of entrepreneurship policy (Storey & Greene, 2010). In relation to understanding the progress of the framework, it is possibly simpler to reflect on the development from a top-down system, that is, by bearing in mind the final goals of policymakers vis-à-vis entrepreneurship policy and illustrating on the shared information gained from several empirical studies that have examined the effects of entrepreneurship in recent years (Ahmad & Hoffman 2007).

3.2.1 Determinants of entrepreneurship

There is no consensus about the determinants of entrepreneurship because many factors are affecting it. For instance, factors may depend on how developed the country is. Thus, determinants in developing countries differ from those in developed countries (Cala, Arauzo-Carod & Manjon-Antolin, 2015). On the one hand, entrepreneurship is guided by four different aspects, namely, education, technological development, culture, and economic development (Relivingmbadays, 2012). On the other hand, the OECD (2007) classified indicators into six categories of determinants, namely, the regulatory framework, research and development (R&D) and technology, entrepreneurship capabilities, culture, access to finance, and market conditions. Following the proposal of the OECD-Eurostat Entrepreneurship Indicators Programme (EIP), this study placed more focus on the six categories. Even though there are limitations in doing so, there is an advantage because the study had already employed the OECD framework.

3.2.2 Entrepreneurial performance

It has been widely recognised that successful entrepreneurship fosters the production of wealth for a nation, creates jobs, increases the standard of living of the society, and contributes to political and social stability, innovation, and economic development (Postigo & Tamborini, 2007; Mansour & Eid, 2013). Thus, the growth of entrepreneurship in countries like Lesotho

can be crucial in decreasing the level of unemployment as it generates jobs. During high unemployment rate, the opportunity cost of starting a new business is minimal for the jobless, hence, the increase of start-up activity (Mansour & Eid, 2013).

A firm's growth can be one of the indicators that show entrepreneurial performance. Shepherd and Wiklund (2009) and Kiyabo & Isaga (2020) identified five common growth measures for firms that have been used in past studies, namely, growth in sales, employees, profit, assets and equity. There is no doubt that even in emerging markets like Lesotho, the positive performance of enterprises can lead to growth. Dzogbenuku (2019), indicate that prosperity and employment formation provide better living standards for people and the advancement of quick economic expansion through tax and commercial actions. Of late, other measures of performance such as customers' satisfaction, employee satisfaction, image, and credit rating are also becoming increasingly relevant (Sethi & Saxena, 2014).

Evidently, entrepreneurs start off business ventures to create economic wealth (Fiore & Lussier, 2008). According to Fritsch (2008), there are several further mechanisms through which entrepreneurship can positively affect economic growth. Entrepreneurs can: (i) Force efficiency upon existing businesses through contesting existing market positions, (ii) accelerate the pace of creative destruction, whereby new firms drive industrial change by replacing existing businesses, (iii) stimulate the rate of innovation in industries resulting in the opening of new markets, and (iv) provide a greater variety of new products, services, and processes than would be available from existing firms (Fritsch, 2008). Therefore, entrepreneurship activities should be supported because these activities are crucial. It is easy to recognise the need for policies that can encourage and support entrepreneurship as a way to promote economic growth and development (Mamede & Davidsson, 2004). For instance, countries like Uganda, Vietnam and China, to mention but a few, have policies in place that support entrepreneurship (Henderson, 2019).

3.2.3 Impacts

The question of whether countries that have shifted towards a greater role for entrepreneurship enjoy stronger growth is an important one for policymakers (Thurik & Carree, 2017). According to Afolabi (2015), entrepreneurship has been unusually rising over the past thirty years in economies that accomplished considerable poverty reduction. The impact of entrepreneurship can be positively seen if there is a linkage among entrepreneurship and

economic growth. A rising number of entrepreneurs contributes to an expansion of the economy (Afolabi, 2015) hence, the concrete manifestation of their abilities and, more specifically, their trend in innovation. Entrepreneurs stimulate employment growth by generating new jobs when they enter the market (Kritikos, 2014) and there is a direct employment effect from new businesses that arise from the new jobs being created. According to the Small Business Administration (SBA, 2012), small firms accounted for 64% of the net new jobs created between 1993 and 2011 (or 11.8 million of the 18.5 million net new jobs). Since the recession from mid-2009 to 2011, small firms, led by the larger ones in the category 20-499 employees, accounted for 67% of the net new jobs (SBA, 2012).

Figure 2: The OECD framework

Source: Ahmad and Hoffman (2007)

The elements of the framework relating to the determinants are presented in more detail in Figure 3. The figure shows (and as earlier noted) that the OECD identified six key determinants over which it believes policymakers have an influence, namely, the regulatory framework, R&D and technology, entrepreneurship capabilities, culture, access to finance, and market conditions. The figure also indicates that the six determinants can be further divided into a variety of policy areas. For example, if the government decided that the economy requires an "enterprise culture", it may possibly try to find to change mindsets to risk and how entrepreneurs are regarded in society (Storey & Greene, 2010, p. 376). Storey and Greene (2010) showed that a government may decide that its R&D and technology determinants needed improving. It (government) could then seek to develop policies/programmes that aimed

at strengthening the university/industry interface, technology co-operation between businesses, or how technology is diffused.

Further work is needed in collecting determinant indicators. The steps forward need to be based on policy priorities and these priorities will vary from country to country. However, some areas do seem to be part of the debate in all countries. The OECD's Micro-policies for Growth and Productivity Project, for example, identified three critical policy areas for fostering entrepreneurship – entrepreneurial education, access to venture capital, and bankruptcy regimes (Ahmad & Hoffman, 2007). These three policy areas are also mentioned in most national entrepreneurship reports.

Figure 3: Entrepreneurship determinants: policy areas

Source: Ahmad and Hoffman (2007).

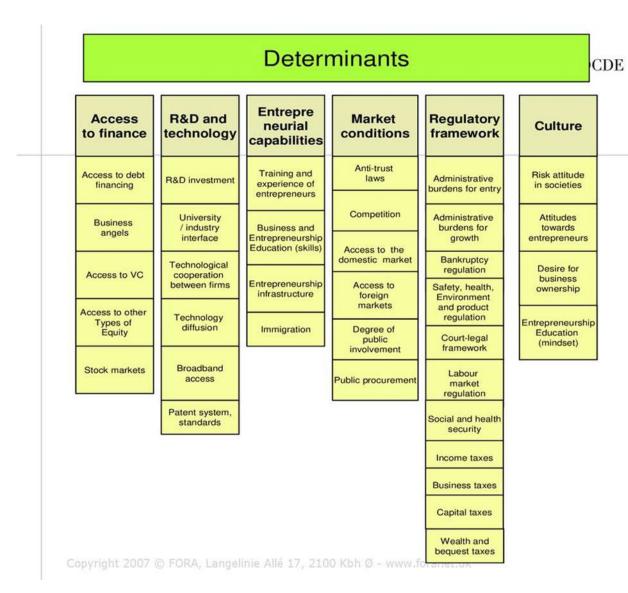A value of the framework depicted in Figure 2 highlights that these determinants can be linked to the three measures of entrepreneurial performance, namely, firm, employment and wealth (Storey and Greene, 2010). Storey and Greene (2010) further highlight that the logic of this framework (as shown in Figure 4 below) is that it can be seen to operate "in reverse". The example given is that if it is decided that the problem facing an economy is low business birth rates or a shortage of "gazelles", then policies to address these issues can be implemented. Therefore, the onus is on the policymakers and their advisors to bear in mind the taxpayers' interests and to maximise, in a cost-effective manner, the targets.

In Figure 4 below the indicators described above are allocated to each of the three themes: Firms, employment, and wealth. It should be noted that the typology is merely to simplify the illustration since many of the indicators could also have been allocated to one of the three other themes (Ahmad & Hoffman, 2007).

Entrepreneurial Performance		
Firms	**Employment**	**Wealth**
Employer firm birth rate	High Growth Firm Rate by Employment	High Growth Firm Rate by Turnover
Employer firm death rate	Gazelle Rate by Employment	Gazelle Rate by Turnover
Business churn	Ownership rate start-ups	Value-added by young firms
Net business population growth	Ownership rate business population	Productivity contribution, young firms
Survival rate, 3 and 5 years	Employment: 3 and 5 year old firms	Innovation Performance, young or small firms
Proportion 3 and 5 year survival	Average firm size after 3 and 5 years	Export Performance, Small firms

Figure 4: Framework indicators
Source: Ahmad and Hoffman (2007)

3.2.4 Access to finance

According to the World Bank (2008) and Kebede and Abera (2014), finance is necessary to help Micro and Small Enterprises (MSEs) set up and expand their operations, develop new products, and invest in new staff or production facilities. Investing in a business is important for productivity. Therefore, economies require sophisticated financial markets that can make capital available for private-sector investment from sources such as loans from a sound banking sector, properly regulated securities exchanges, venture capital, and other financial

products (World Economic Forum, 2010). Credit terms, which are the circumstances under which credit is approved, influence the financial decisions of SME borrowers considerably (Kebede & Abera, 2014). The requirements include interest rates, credit limits, and loan periods. Credit terms regulate the monthly and overall credit amount, the greatest period permitted for settlement, deduction for cash or early payment, and the sum or rate of late payment penalties (Kebede & Abera, 2014).

The strength of the legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending (World Bank, 2020). The World Bank Group (2018) suggested that one way to reduce financing obstacles for SMEs is to strengthen the infrastructure that supports financial transactions, including laws, regulations and institutions to create, register and enforce collateral, insolvency regime and credit reporting tools. As a starting point for strengthening the environment for credit, countries need a strong legal and regulatory framework for lending (USAID, 2012). The USAID (2012) further reported that in addition to enacting laws to support the credit environment, countries need strong financial institutions that can manage the risk of lending. Among these institutions is a collateral registry that allows lenders to search existing registrations and confirm that a borrower has not already pledged a piece of collateral as a security for another loan.

3.2.5 R&D and technology

Productivity growth can be improved by skilled labour. Studies advocate that investment in R&D is linked to high rates of profit, and investments in software have also given meaningfully to business routine and economic development, accounting for a considerable one-third of the contribution of ICT capital to GDP growth since 1995 in Denmark, France, the Netherlands, Sweden and the USA (OECD, 2007). The African Union (AU) has set a target of 1% of GDP invested in R&D but data available to the UNESCO Institute for Statistics (UIS) show that only three sub-Saharan African countries are close to this target: South Africa, Kenya and Senegal (approximately 0.8% in all three countries) (UNESCO, 2018). Therefore, there is a need for other African countries, like Lesotho, to improve and meet the target set by the AU so that entrepreneurship will increase.

3.2.6 Entrepreneurial capabilities

Entrepreneurship training is a structured programme that aims to equip participants with the necessary skills and mindset for identifying and launching new business ventures (Cope, 2005; Katz, 2007; Moon-Hon, Uy, Kang & Chan, 2018). Moon-Hon et al. (2018) and Uy, Chan, Sam, Ho & Chernyshenko (2015) showed that entrepreneurial competencies are not only relevant to those who aspire to pursue their business ventures in the future; they are also increasingly being recognised as critical occupational skills in navigating the world of work in the 21st century. Ilie & Bonderea (2016) and Grecu & Denes (2017) ascertained that mankind has to face new challenges in the 21st century such as globalisation, the rapid pace of innovation, the fast spread of technology and its high-speed adoption in our lives. These factors and many others are changing not only how businesses and economies are functioning but also the job market landscape (Grecu & Denes, 2017).

3.2.7 Market conditions

Countries across the globe are reforming their economies and undertaking privatisation and deregulation. As they do so, the forces of competition come increasingly onto the centre stage of the economy (UNCTD, 2008). Filipovic (2005) stated that one of the main reasons why countries pursue privatisation is to reduce the size of the existing government, based on the idea that many governments have become too large and overextended, consisting of unnecessary layers of bureaucracy. Privatisation directly shifts the focus from political goals to economic goals, which leads to the development of the market economy (Filipovic, 2005).

According to Ayenagbo, Rongcheng, Wengjing, Nguhi, Kimatu & Patrick (2012), African countries, like other developing countries, have to participate in international exchanges although this integration requires the active participation of policymakers and considerate negotiations in international institutions. Some countries are doing better in improving their markets in the global economy. Ethiopia, for example, has succeeded to bring together huge amounts of manufacturers and generated 10,000 jobs in the worldwide clothing industry, delivering to big brands such as H&M, and is anticipated to establish 50,000 more (*The Guardian*, 2020). Therefore, the market conditions have been made easier for businesses to operate.

Developing countries and economies in transition tend to be more vulnerable to anti-competitive practices. This scenario may be attributed to high entry barriers, less diversified and smaller markets, rather asymmetric firms and, in general, conditions that allow dominant firms to abuse their position (UNCTD, 2008). According to Rouse (2019), an anti-competitive exercise is an act performed by one or more enterprises to challenge or make it impossible for other firms to join or prosper in their market. Rouse (2019) showed that the market distortion resulting from anti-competitive practices can result in higher prices, poorer service and a stifling of innovation, among other effects. The International Trade Centre (2012) suggested that countries need to carry out reforms to generate greater competition within domestic service industries as well as implement competition (antitrust) laws. Often these rules stretch beyond national frontiers, with their effective implementation requiring countries to cooperate, at least regionally.

3.2.8 Regulatory framework

Particular regulations and how they are interpreted will affect businesses in different ways owing to differences in firm size, age and sector, as well as to competitive conditions, degrees of regulatory enforcement and the responses of others in the firm's external and internal environments (Kitching, Hart & Wilson, 2015; Mallet, Wapshott & Vorley, 2018). Businesses are challenged by regulations (which may be too many) or too many taxes from the government side. Russon (2015) mentioned that there is a growing recognition among legislators that overregulation stifles the economy, suppresses job growth and inhibits innovation. According to SMEVenture (2019), government tactics must influence the present and subsequent future of SMEs. The methods that affect the SME program go under numerous classes, for example, trade, social, development, and work strategies. Besides, SMEVenture (2019) indicated that in this manner, the government needs to search for a coordinated methodology in the policymaking procedure to stay away from any contention between the current and new strategies, and in the meantime guarantees that they give chances for growth.

To start a business there are legal requirements that need to be followed and the results of these requirements have cost implications, for instance, paying for licenses. The World Bank Doing Business (2020) shows that increased regulatory costs faced by the private sector serve as another foundation for charges making it more difficult to do business and that increasing the cost to do business can be counterproductive. The World Bank Doing Business (2020) comparison of developed and developing economies found that an entrepreneur in a low-

income economy typically spends about 50.0% of income per capita to launch a company, compared to just 4.2% for an entrepreneur in a high-income economy. In such cases there is a need for developing economies, like Lesotho, to ensure that the cost of doing business is reduced.

According to Doing Business (2014), minimum capital requirements significantly slow entrepreneurship. Furthermore, such requirements also fail to serve their intended purpose of protecting consumers and creditors from hastily established and potentially insolvent firms. Chen and Pham (2019) showed that an angry public and an uneasy investment climate usually prove to be the catalysts for legislative reform in capital requirements, especially when irresponsible financial behaviour by large institutions is seen as the culprit behind a financial crisis, market crash, or recession. In recent years many governments have stopped requiring new businesses to deposit minimum capital in banks or with notaries before they can begin operations (Doing Business, 2014).

3.2.9 Culture

According to Thurik and Dejardin (2012), there is no generally accepted interpretation of culture as a determinant of entrepreneurship, and neither is there a generally accepted definition of entrepreneurship. Therefore, the various definitions and approaches that exist are beyond the range of this study. Entrepreneurship, in terms of the cultural and creative industry, means generating creative ideas and pursuing them within the business path for profitability (Wilson & Stokes, 2012; Toghraee & Monjezi, 2017). Toghraee and Monjezi (2017) further indicated that this entrepreneurship does not only focus on profitability. Rather, the main aim is innovation and the probability of new object creation.

Societies vary in their ability to create and sustain entrepreneurial activity (Kreiser, Marino, Dickson, & Weaver, 2010). While various explanations have been offered to account for these societal differences, an ever-growing body of literature posits that cultural attributes are one of the primary determinants of a nation's level of economic (Kreiser et al., 2010) and entrepreneurial development (House, Javidan, Hanges & Dorfman, 2002; McGrath, Macmillan, Yang & Tsai, 1992). The findings of the Global Entrepreneurship Development Institute (GEDI) (2014) exposed that more people were trying to start or run new businesses in countries with more individualistic cultural practices and that while individualistic countries may have more entrepreneurs, entrepreneurs in collectivist countries expect to create more

jobs. Therefore, it is not about having more entrepreneurs that matters but rather about societal risk sharing. The GEDI (2014) further revealed that collectivist nations have a tendency of having additional termed "societal risk-sharing" and improved safety nets. They likewise tend to come up with more subsidies accessible to share the risk in R&D, for instance. In individualistic economies, on the other hand, less risk-distribution might signify less risk-carrying and less growth desire (GEDI, 2014).

The final element of Figures 2 to 4 is that the determinants of entrepreneurship and entrepreneurial performance are linked to the impact of entrepreneurship. The OECD (2008) indicates that there are three broad areas where policymakers may see SMEs and entrepreneurs making a valuable contribution to society, that is, by job creation, economic growth and poverty reduction. These are shown in Figure 5 below. The example given to elaborate on the open choice to policymakers is that when unemployment is high, policymakers might place greater emphasis upon indicators that reflect job creation; when the economy is in a steady state there might be a greater focus on raising productivity, innovation or the growth rates of businesses.

Figure 5: Entrepreneurial impact

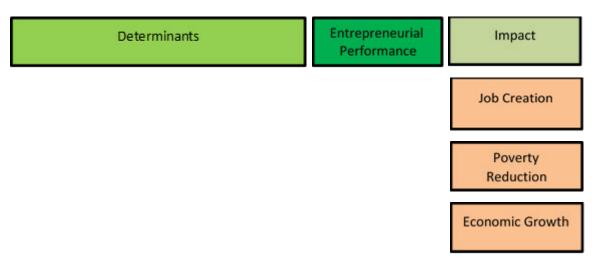Source: Ahmad and Hoffman (2007)

The fundamental value of the OECD framework is that it emphasises to policymakers the range of choices open to them and that it provides some help to countries seeking to identify their level of entrepreneurship (Storey and Greene, 2010, p. 377). The Lesotho Government in 2016 developed the small business policy intending to improve entrepreneurship in the country.

Table 6 below illustrates that the six key determinants discussed above were included in the Policy as primary goals or objectives.

Table 6: Determinants as per Lesotho's MSME Policy

Determinants	Lesotho MSMEs Policy 2016
Regulatory framework	√
R&D and technology	√
Access to finance	√
Market conditions	√
Entrepreneurial capabilities	√
Entrepreneurship culture	√

3.3 Why should taxpayers provide support for entrepreneurs and SMEs?

Small and Medium Enterprises and entrepreneurship policymakers pursuing to boost levels of newly formed firms and successive wealth formation are confronted by alternatives. The central choice is to either stick to a low regulation route or to pursue a high "support" route. The former route concentrates on two areas of the policy: Firstly, it enables the opening of a business to happen as rapidly and inexpensively as possible. Secondly, it minimises the quantity and harshness of regulations upon that company while it is operating (Van Stel, Storey & Thurik, 2007). Van Stel et al. (2007) state that the alternative policy is for government to provide support to new and small firms, funded by the taxpayer. The support can be in the form of information, advice, training or finance to new firms or existing small firms. Countries have various policies that are targeted at SMEs. For instance, the USA is seen as an example of low regulation, and EU economies have usually approved "support policies" (Van Stel et al., 2007). The Lesotho MSME Policy can be seen as a mix of support and low regulation according to its goal and objectives.

Storey and Greene (2010) indicated that because these policies are commonplace, it does not detract from the need to examine the rationale for such policies, and it is important to ask why countries have these policies. The authors show that to answer this question requires some

historical context. In providing such a context, they cite Audretsch and Thurik (2004) who argued that before the 1980s "enterprise" policy in almost every country in the world meant satisfying the interests of large businesses. Two reasons were given for this: Firstly, the mass production of standardised goods. Consumer needs were most likely to be met by large businesses with the economies of scale to meet these needs (for example, the 1950s and 1960s were the first time that consumers had the opportunity to own fridges and washing machines). Secondly, there was close cooperation between large businesses, unions and government (Galbraith, 1957). This gave workers the opportunity for lifetime employment. The authors further indicated that it was uncommon for some workers, up until the end of the 1970s, to routinely believe that their whole working life would be with one large business and that they would be part of the "union".

In contrast to the two reasons, Storey and Greene (2010) noted that small businesses were seen as backwards and old fashioned in respect of their contribution to employment and the total enterprise seemed to be falling in the 1960s and 1970s in many developed economies. Small businesses paid their workers less, offered less favourable conditions of employment and were seen as "inimical to progress and professionalism" (Storey & Greene, 2010). They were frequently run by individuals at the "margins of society" (Stanworth & Curran, 1976). Storey and Greene (2010), in support of Stanworth and Curran, added that in other words, entrepreneurs were largely seen as "spivs" or people who did not readily conform to the norms of society. Storey and Greene (2010), showed that small businesses were seen as inefficient, that is, many operated at below the minimum efficiency scale in an economy that relied heavily on small businesses. In terms of innovations, Storey and Greene (2010) noted that small businesses were marginally involved in innovation and argued that the consensus was that large businesses were the main source of innovation and the better explanation for innovatory activity.

The competition that arose between the USA and Europe before the 1980s brought two policy challenges (Storey & Greene, 2010). In the USA, the issue was to ensure that it remained the richest and most productive nation and for all other countries, particularly Europe, the policy challenge was equally straightforward. According to Storey and Greene (2010), the first challenge for Europe's industrial policy was selecting 50 to 100 businesses which, if they were adequately big, would have become the best expected world leaders of contemporary technology in their field. Thus, European countries like the UK sought to "pick winners" from

amongst their large businesses (Storey and Greene, 2010). Storey and Greene (2010), suggested that this involved picking "bridge-head" industries such as aircraft production, automotive, nuclear power, and merging reforming businesses in these industries to ensure that they could effectively compete with corporations in the USA. Matters, however, changed radically in the 1980s and since then governments have viewed entrepreneurs and SMEs as playing an important economic and social role and so were worthy of financial support from the taxpayer.

Governments have a range of policies to enable SMEs to come into existence and to grow. The simple justification for such policies is that SMEs are major sources of job creation, innovation and competitiveness in a modern economy and that it is the task of governments to promote these characteristics to enhance the welfare of their citizens (Van Stel et al., 2007). Storey and Greene (2010) affirmed this, pointing to four reasons (arguments) provided by governments for supporting SMEs and entrepreneurs: They contribute disproportionately to job creation, are central to economic development, provide sustainability benefits, and represent a core political constituency. These arguments are examined in detail below.

3.3.1 SMEs and entrepreneurs contribute disproportionately to job creation

The emphasis on large businesses became a "busted flush" by the 1970s, due to a number of economic adjustments at the time (Storey & Greene, 2010). The 1970s saw a doubling of the price of oil, high international interest rates, high rates of inflation, and unemployment in developed economies – developments not seen since before the Second World War. Large businesses in both the USA and Europe began to suffer from competition, particularly from Japan but also from businesses in other Asian countries (Storey & Greene, 2010). Long ago in 1980s, there were thoughtful worries regarding the capacity of the USA to endure competition in the global economy, to generate jobs, and to maintain its economic development (Audretsch, 2001). Audretsch, 2001) complained that the USA was "losing the economic race" because "Today it's very hard to find an industrial corporation in America that isn't in really serious trouble basically because of trade problems…. The systematic erosion of our competitiveness comes from having lower rates of growth of manufacturing productivity year after year, as compared with the rest of the world."

Research had to be conducted not only in the USA but in the UK as well. According to Storey and Greene (2010), Ronald Reagan became the USA president and Margaret Thatcher became the British prime minister, and it was this receptive audience that grasped research by Birch

(1979) on the dynamic importance of small businesses to employment creation. The findings indicated that new and small businesses were key backers of job establishment in the USA. Furthermore, the leading study, "Made in America", led by the heads of the MIT Commission on Industrial Productivity (Audretsch, 2001), even concluded that for the USA to restore its international competitiveness it had to adapt the types of economic policies targeting the leading corporations in Japan and Germany. The rationale behind this was that for the USA to gain competitiveness it had to align itself with other economic policies so that it could compete with corporations in countries like Japan and Germany. This means that SMEs will only contribute to job creation if policies are enacted in a way that will enable this to happen. Audretsch (2001) showed that as scholars began the arduous task of documenting the crucial role played by SMEs in the USA as a driving engine of growth, job creation, and competitiveness in global markets, policymakers responded with a bipartisan emphasis on policies to promote SMEs. Small businesses' contribution to job creation, however, did not end with Reagan and Thatcher's terms of office. As Audretsch (2001) pointed out, in his 1993 State of the Union Address to the country, President Bill Clinton stated: "Because small business has created such a high percentage of all the new jobs in our nation over the last 10 or 15 years, our plan includes the boldest targeted incentives for small business in history. We propose a permanent investment tax credit to the small firms in this country." Thus, the climate for starting and expanding businesses must be enhanced with tax incentives and deregulation, rather than imposing higher taxes and more governmental mandates (Audretsch, 2001).

Small businesses are not job creators in developed countries only but also do so in developing countries which are characterised by having high rates of unemployment. In Africa, firms with more than 100 workers employ approximately 50% of the labour force and medium-scale enterprises (20 - 99 workers) constitute the second leading employment category with approximately 27% of the labour force while small firms employ the remaining 23% (Page & Söderbom, 2012). Page and Söderbom (2012) noted, however, that consistent with the evidence for developing countries in general, small firms in Africa appear to create a disproportionate share of new jobs and in the median African country, approximately 47% of new jobs were created in firms with 5 - 19 workers.

According to Mutyenyoka (2014), the persistence of poverty, inequality and high unemployment rates has invariably haunted developing countries such as South Africa. Long-term structural and cyclical unemployment are common despairing conditions endured by the

South African labour force, even more so in the post-apartheid era. Around 24,7% of the country's working-age population (16 - 64 years) is unemployed (Mutyenyoka, 2014). According to Mutyenyoka (2014), SMMEs play the foremost responsibility in the resolution of the persisting inadequate occupational increase in South Africa. In 2008, the Department of Trade and Industry and the StasSA Quarterly Labour Force Survey (Williams, 2014) confirmed that the SMME wealth accounts for more than 35% of GDP and nearly 72% of all jobs in the nation (Mutyenyoka, 2014).

Lesotho, however, as some sources indicate, is contrarily different. At present, Lesotho is characterised by low levels of private sector activity and investment and the public sector absorbs nearly half the GDP. To reduce the economy's dependence on the public sector, the government aims to encourage rapid and sustained private sector development and increase the productive base (Darroll et al., 2008).

3.3.2 SMEs and entrepreneurs are central to economic development

Small business advocates champion the positive contributions that small businesses have on productivity and employment. The mechanisms by which small businesses were presumed to contribute to macroeconomic expansion and health have been described for over half a century (Robbins, Pantuosco, Parker & Fuller, 2000). According to Robbins et al., 2000), small businesses essentially contribute to the American economy in two ways. Firstly, they change the market structure, as they are the basis of the renewal process that encompasses and identifies market economies. Secondly, small businesses open a way for millions to enter the economic and social mainstream of American society. These include immigrants, women and minorities, just to mention a few of the people who have access to the American dream. Robbins et al. (2000) are supported by Storey and Greene (2010) when they argued that the following structural changes to economies had occurred since the 1980s:

- Technological advances. For instance, the introduction of computers and robots meant a reduction in the minimum efficiency scale of enterprises. This allowed small businesses to compete with larger businesses.
- Increased globalisation and competition led to greater volatility amongst large businesses. Storey and Greene (2010) argued that this led to the fragmentation of large businesses, with the latter seeking to pass their risks on to (new) smaller businesses.

- Changes in workforce composition meant that, for example, women became more likely to work. This increased the need for greater flexibility amongst employers thereby making small businesses more attractive to employees. Also, women and young workers are likely to be paid less, again allowing small businesses to compete more effectively. Robbins et al. (2000) found that small businesses, on average, pay 20% lower wages than big businesses. He added that the small business reaction to inflation is to work harder and to absorb the resource cost hikes of goods and services whereas big business reaction is to pass their costs on to the consumer in the form of higher prices.

- Consumers increasingly demanded tailored and personalised products rather than those that were mass-produced. This disadvantaged large businesses which obtained their cost advantage from the increased scale of their production.

- There was a greater focus on innovations due to a shortening of product life cycles and competitive pressures. Storey and Greene (2010) has shown that a fundamental mechanism for economic growth was the presence of knowledge "spillover" and Storey and Greene (2010) argued that entrepreneurship was an important transmission mechanism in diffusing innovations. Storey and Greene (2010) affirmed by noting that, in other words, entrepreneurs are critical to innovation because they have behavioural characteristics – creativity, originality, independence, autonomy, and openness that are potentially more suited to modern economic conditions. Storey and Greene (2010) indicated that, in contrast, large businesses are seen as bureaucratic, rule-bound, hierarchical and conformist. According to Robbins et al. (2000), the development of small-scale, flexible production technologies has enabled small firms to flourish in the manufacturing industry. The flexibility and creativity fostered in small manufacturing firms have enhanced their productivity. Further evidence of small business productivity has been provided by numerous studies supporting the notion that small businesses are generally more innovative than large businesses in terms of innovations per dollar of R&D, and innovations per employee (Robbins et al., 2000).

- A final positive attribute of small businesses involves their enrichment of worker talents and capabilities. According to a recent study by the SBA, small businesses are the leaders in offering training and advancement opportunities to workers. Small businesses require a more general and diverse set of skills from their workers, unlike the specialised training predominant among large corporations (Robbins et al., 2000).

3.3.3 SMEs and entrepreneurs provide sustainability benefits

Sources have provided some of the advantages that small businesses and entrepreneurs may provide in the form of being sustainable although they are small**.** The small businesses are frequently faced with inadequate resources and time (Fotiadis, Vassiliadis & Relkleitis, 2013). For those reasons, the endurance of a business can be a mixture of numerous issues such as human resources, technologies, organisation, culture and marketing (Fotiadis et al., 2013). Storey and Greene (2010) noted that SMEs and entrepreneurs support local communities because of the personalised way the owners run their business. Compared to large businesses, Fotiadis et al. (2013) stated that the most significant problem is that small firms generally are not as advantaged as large firms, since their limited financial resources and liabilities do not allow them to innovate as easily as larger firms.

According to the United Nations Conference on Trade and Development (UNCTAD) 2017, the resolution adopted by General Assembly in 2012 recognises the role of entrepreneurship as a catalyst for development and expanding opportunities for all, including socially disadvantaged groups, women and youth as well as its role in addressing sustainable development challenges notably, unemployment and poverty.

Environmental sustainability has emerged as an area of concern and many benefits can be realised from the introduction of more environmentally friendly practices such as reduced energy consumption, the avoidance of penalties enacted by environmental authorities, and accompanying improvements in customer trust and public image (Fotiadis et al., 2013). SMEs can act as agents of social change by integrating social and environmental concerns into their business operations (Storey & Greene, 2010). Hence, they may reflect the local indigenous culture of an area, for example, farmers' markets (Storey & Greene, 2010) but also the importance of other cultures by providing them with fair-trade goods. There are, however, some differing views like McCool & Moisey (2005) that this ideal condition (that is, sustainability) cannot be attained easily because there is no consensus on how the concept can be implemented and because the different stakeholders who make up any society have varying agendas regarding development. McCool & Moisey (2005) showed that players who prioritise concrete economic growth objectives often focused on short-term goals compared to those who may give preference to less tangible social justice and environmental protection goals. Other benefits may include the attraction and maintenance of loyal staff and long-term

profits (Fotiadis 2013). In an era of mature markets and intensive competitive pressure, more and more companies do realise that their most precious asset is the existing customer base (Ahmed, 2005). The concept that value can be formed by collaboration has driven marketing manager to search for "win-win" positions as a means to increase profitability via collective value creation (Ahmed, 2005).

Fotiadis et al. (2013) demonstrated that sustainability is mainly realised with decreases in costs achieved by the reduction of resource consumption and decreases in expenses and expected future expenses. In the context of tourism, for instance, profit-oriented developers are usually concerned about reaping a fast reward from their investment and will not be too worried about the environmental or societal ramifications of their actions (McCool & Moisey, 2005). McCool & Moisey (2005) noted that unless forced by statutes and other regulatory instruments, these players rarely, if ever, wish to admit responsibility for the externalities generated by their projects. Many hotels have started to participate in certification schemes such as ISO 14000, Eco-management, and the Audit Scheme. As Fotiadis et al. (2013) argued, certification schemes can help with the following:

1. The firm's compliance with applicable environmental laws;
2. The minimisation of negative impacts on the environment;
3. The prevention of pollution and general environmental protection; and
4. The continuous and gradual improvement in environmental performance.

3.3.4 SMEs and entrepreneurs represent a core political constituency

The changes in global economic and political systems, and the reinforcement of the neo-liberal hegemony from the 1980s, have been associated with new perspectives on the roles of the state and the private sector (Jeppesen, 2005). Jeppesen (2005) elaborated by noting that previously the state was regarded as being responsible for social, economic and political development by both regulating the private sector and being a major player through state-owned enterprises (SOEs). With mounting criticism of the inefficient and unproductive performance of SOEs, the state began to be viewed as hampering economic development by constraining market forces. The neoliberal version of the state is that it should act as a facilitator by ensuring an enabling environment that allows market forces and the private sector to flourish, thus leading to increased competition, economic development, and growth. Storey and Greene (2010) in support of Jeppesen (2005) pointed out that a final set of factors explaining the scale and focus

of enterprise policy is that entrepreneurs and SMEs constitute a large group of voters in democratic countries and at least 95% of all businesses in any economy are SMEs.

There are also large numbers of self-employed in many countries as noted by Storey and Greene (2010). In Mexico, the OECD (2007) citing Storey and Greene (2010), estimated that in 2005 self-employment stood at 35.6% of the total civilian population. In Greece, it was even higher at 36.4% whilst in Italy, it was 27% (Storey & Greene, 2010). In South Africa, almost 90% of the survivalist firms and 60% of the micro firms are non-white owned, while the majority of very small firms – close to 80% – are owned by whites (Jeppesen, 2005). The notion here is not that the composition of white and black is still relevant but because it shows how big these enterprises in their society are.

Recent studies estimate that small businesses comprise at least 85% of Lesotho's private sector. The 2008 Lesotho Review estimated that there were approximately 100,000 SMEs in the country with most of them being informal. The majority were sole proprietorships employing between one and three staff members. The sector is estimated to employ nearly 200,000 people in total in both the formal and informal sectors (Darroll et al., 2008). According to the World Bank (2018), micro and small enterprises account for 97% of all businesses in the nation, yet over half of those employed are employed in large firms. According to Storey and Greene (2010), from a political perspective, the sheer number of people employed in SMEs and the large numbers of owner-managers/self-employed individuals mean that they represent a very sizeable constituency for a democratically elected politician.

3.4 Justifications for interventions

In the above sections, it was made clear that entrepreneurs and SMEs play very important economic, social and political roles in every modern economy, developed or developing (Storey and Greene, 2010). Khoase (2011) stated that an entrepreneur has an important role to play in the development of a country. According to Khoase (2011, 2015), entrepreneurs contribute to economic gains as they are the keys to GDP and employment growth. The author further showed that they look for opportunities and are willing to take risks to achieve their goals. Khoase (2011) pointed out that the role of the entrepreneur depends on the availability of resources such as labour, capital and technology. Small and Medium Enterprises, unlike

large enterprises, are confronted with competitive disadvantages in the fields of finance, manufacture, human resources, legal and strategic (Aleksandr, Jaroslav, Ludmila & Pavla, 2016) all resulting from the nature of SMEs (Aleksandr et al., 2016).

The following section will comprise a review of two approaches that Storey and Greene (2010) say support or promote decision-making about economic, social and political activity. The first approach is market failure and the second the authors refer to as the political economy approach. These two approaches are sometimes called interventions. According to Smorfitt (2008), in both developed and developing countries, there is a concern about government intervention in the development of SMMEs. Smorfitt (2008) indicated that each country has a privilege of choosing the type of intervention it wants to adopt. It is evident that most countries apply various interventions in enhancing their economy. Each approach (or intervention) is elaborated on below.

3.4.1 Market failure

Storey and Greene (2010) argued that although SMEs and entrepreneurs provide jobs, contribute to economic growth and offer sustainability benefits, these advantages, in themselves, do not justify using taxpayers' money for their support. They go on to say this is because many, or perhaps even most, of these benefits would accrue even if no taxpayer funds were provided. Storey and Greene (2010) went on to mention that certain key assumptions are well-established, and that goods and services are allocated optimally through the price or market mechanism. These key assumptions are competition in goods markets, fully informed customers and suppliers, an absence of externalities, and willingness to pay reflecting demand. According to Storey and Greene (2010), where these assumptions are not met there is said to be a market failure. Storey & Greene (2010) argued that government intervention is justified only where the private and social costs and benefits diverge, or where the existing distribution of income significantly distorts the extent to which willingness to pay reflects an individual's or group's demand for goods and services. Khoase (2011) pointed out that market failure occurs when a market does not provide or allocate goods and services efficiently and this situation compels the government to intervene. According to Khoase (2011) government failure occurs when it fails to correct problems brought about by the market failure.

According to Khoase (2011) regulations often fail either because the regulated avoid complying with the regulations or because governments are better at announcing these

regulations than at enforcing them. Khoase (2011) noted that governments such as Lesotho had established several ongoing schemes to strengthen SMMEs but entrepreneurs in such economies still lacked business management skills. Khoase (2015) affirmed this arguing that one of the reasons could be that BDS providers are insufficiently equipped to meet the demands of the sectors. According to the World Bank (2018), interviews revealed that the lack of specialised skills and skills mismatches are important constraints for Basotho businesses. As result, according to Smorfitt (2008, p. 15), market or government failure occurs.

According to Aleksandr et al. (2016), the Government of the Czech Republic evaluates the support of SMEs through regular annual reports. The Report on the State of Small and Medium Enterprises in the Czech Republic for 2013 states that from the beginning of implementation until the end of 2013, through subsidy programmes, the total amount of 36,236.4 mils. CZK was provided and used exclusively for SMEs. A total number of 8,739 firms gained this amount of funding for the period 2007 - 2013. In 2013, through the TIP Programme, the Ministry of Industry and Trade supported 235 projects of SMEs to a total amount of 870 mils. CZK. Aleksandr et al. (2016) pointed to the Global Entrepreneurship Monitor (GEM) which reported that the image of entrepreneurs is still very poor – less than half of the population does not perceive that successful entrepreneurs have a high status. However, if the image of entrepreneurs is still poor, this is an indication that there is a market failure.

Storey and Greene (2010) believe that intervention by government is justified on three grounds: First, as argued by Storey and Greene (2010), there may be grounds for intervention if there is evidence of barriers to entry and exit and the presence of oligopoly or monopoly businesses – these may contravene the assumption of "competition in the goods market". Storey and Greene (2010) showed that this may unfairly disadvantage the small business because the competition between businesses is not on a "level playing field". The government may, therefore, seek to "level the playing field" to ensure that there is adequate competition. According to Khoase (2011), governments also intervene to protect businesses from each other such as in cases of unfair competition. The example given by Storey and Greene (2010) was of the EU fining Microsoft because it felt that it abused its "dominant" position by not allowing other businesses access to its operating system.

A second justification for intervention is the presence of information imperfections, contravening the assumption of "fully informed customers and suppliers". Government

interventions protect the consumer from unfair business practices (Khoase, 2011). Some individuals may be ignorant of the benefits of starting a business or existing business owners may also not realise the benefits of obtaining expert advice from outside specialists (Storey & Greene, 2010). Policies to address these imperfections are, therefore, in principle justified under the market approach. This is why South Africa has enacted a consumer protection policy under the Consumer Protection Act (CPA) 68 of 2008 which has, amongst other objectives, the promotion of consumer confidence and empowerment and the development of a culture of consumer responsibility through individual and group education, vigilance, advocacy and activism; the improvement of consumer awareness and information; the encouragement of responsible and informed consumer choice and behaviour; and the establishment of a legal framework for a consumer market that is fair, accessible, efficient, sustainable and responsible (Campbell & Logan, 2011).

The third justification for intervention is the presence of externalities and in terms of enterprise policy, it is argued that there are advantages in supporting small businesses if they either generate or benefit from spillovers (Storey & Greene, 2010). According to Storey and Greene (2010), there are three versions of these spillovers that are suggested:

1. Demonstration of learning externalities: For example, in a deprived area of the economy, the existence of a successful entrepreneur from that community has the wider (un-priced) benefit of acting as a positive role model to others in the community.

2. Knowledge externalities: Intangible benefits accrue from businesses working together formally or informally. Examples of this include the Emilia Romagan region of Italy (Storey & Greene, 2010) and the knowledge externalities so crucial to small business innovation and links with universities.

3. Network externalities: The argument by Storey and Greene (2010) is that long-term economic growth in Silicon Valley was dependent upon embedded social networks based upon "strong" ties of collaboration, informal communication, and learning between businesses.

3.4.2 Political approach

The political approach emphasises that there are other reasons why policymakers intervene and these are, for example, through public choice, bureaucracy, power relations, equity, and distribution issues (Storey & Greene, 2010). Storey and Greene (2010) argued that, in practice, the market failure framework pays too much attention to the first three assumptions, namely (and as discussed above), rivalry in the goods market, completely informed clients and sellers,

and an absence of externalities. This means that there is insufficient attention given to other issues such as equity and distribution. Storey and Greene (2010), in their affirmation, stated that there are wide differences in how wealth is distributed between groups in society or between regions of the economy. This can be linked to the study of the World Bank (2018) which pointed out that in Lesotho most business activities are skewed towards the two districts of Maseru and Leribe where most of the firms are built. Storey and Greene (2010) argued that the issue of fairness is similarly correlated to spillover influences (externalities). However, he suggested that if someone is long-term unemployed, then they might be more likely to perpetrate anti-social or criminal behaviour. This has spillover effects on the rest of society, so justifying policies in terms of which that individual would be employed. The issue of equity is one of the main reasons why in most economies there is a "transfer" of payments from the rich to the poor (Storey & Greene, 2010). Some authors, such as Coelho, Ratnoo & Dellepiane (2015), argued that there is some evidence to suggest that the creation of electoral support in favour of redistribution towards the poor is more difficult under majoritarian rule.

3.5 Summary

This chapter highlighted the theoretical framework for the study. It gave the historic background as to why taxpayers should provide support to entrepreneurs and SMEs. It is evident that most countries have an SME policy and there is a commonality with regard to how the SMEs are to be supported. SME policymakers seeking to increase rates of new firm formation and subsequent wealth creation are faced with choices. Policymakers may set the objectives that follow a low regulation route or a high support route depending on what they want to achieve. Alternatively, government policy can provide support to new and existing small firms funded by taxpayers in the form of information, advice, training and finance. Reasons were given for using public funds to support entrepreneurs and SMEs, namely, their job creation ability, their contribution to economic development, the sustainability benefits they have, and their representing a core political constituency. It was found that these reasons did not justify the use of taxpayers' money and that such use could only be justified in the event of market failure. The chapter ended with a brief discussion of the political approach which points to other reasons why policymakers intervene concerning entrepreneurs and SMEs and these included, for example, equity and distribution issues.

The next chapter, Chapter 4, will discuss the methodology applied in the study

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

In the preceding chapter, the theoretical framework supporting the study was discussed. It also addressed the question of why taxpayers should provide support for entrepreneurs and SMEs. This chapter concentrates on how the research was conducted and thus attention is given to the research design, the methodology and the limitations of the study. The main objective of the study was to investigate the effectiveness of the implementation of the institutional mechanism to assist MSMEs in Lesotho with a focus on the Mokhotlong and Qacha's Nek districts.

4.2 Research

Research is a process of using scientific methods to expand knowledge in a particular field of study (Welman, Kruger & Mitchell, 2005). In some ways, research can be seen as a process of expanding the boundaries of our ignorance and is about answering unanswered questions or creating that which does not currently exist (Melvelle & Goddard, 1996). As Melvelle and Goddard (1996) note, research is not just about information gathering. The discovery and the creation of knowledge lie at the heart of research or, as Melvelle and Goddard (1996) stated, research is "a systematic quest for undiscovered knowledge".

4.2.1 Scientific knowledge and non-scientific knowledge

According to Welman et al. (2005), knowledge can either be scientific or non-scientific. There are five sources of non-scientific knowledge: Authority, opinions of peers, traditions, debating, and accidental observation. These are briefly elaborated on below as per the authors.

Authority: Non-scientific understanding is repeatedly purely recognised based on the authority of certain or additional source. Welman et al. (2005), however, stated that according to the scientific approach, people should check how findings are acquired and not simply accept them because they originate from a so-called expert. Therefore, the evidence on which a claim is based must be examined.

Opinions of peers: Non-scientific knowledge can also be acquired by questioning the views of colleagues. Rather than of calling on the opinions of specialists, people may turn to their friends to obtain knowledge.

Traditions: These are another source of non-scientific knowledge that is accepted from one age group to the following.

Debating: Individuals often try to acquire wisdom in a seemingly logical manner. This method appeals to the intellect rather than to experience and also constitutes a source of non-scientific knowledge. Welman et al. (2005), however, suggested that people are inclined to judge illogical arguments that correspond with their own attitudes and convictions as logical, while they judge those that are logical but do not correspond with their own attitudes and convictions as illogical. Welman et al. (2005) affirmed that it is, therefore, not unusual for advocates and adversaries of a specific issue to reach diametrically opposed conclusions employing their methods of reasoning. They often reason logically but from false premises, so that the ultimate conclusions are flawed.

Accidental observation: According to Welman et al. (2005), if we notice something in one situation but do not investigate the phenomenon in a systematic and planned manner, we may come to incorrect conclusions about what really happed. The authors noted that the same bias that was apparent in the previous source of non-scientific knowledge (debating) also applies in accidental observation: People are inclined to observe that which fits in with their preconceptions of prejudices and to ignore that which differs. They call this selective observation.

Scientific knowledge, according to Welman et al. (2005), has three core features, that is, systematic observation, control and replication. Firstly, people should obtain scientific knowledge by means of systematic observation, not selective observation. When people make use of selective observation, they only pay attention to information that supports their presumptions and ignore that which does not do so. The authors suggested that using the systematic method of observation, people will be able to make valid conclusions. Secondly, people should obtain scientific knowledge in a controlled manner. By control, Welman et al. (2005) meant that alternative explanations for the obtained results should be eliminated systematically. Thirdly, how scientific knowledge is obtained must be replicable, that is, it should be viable to replicate the research outcomes. For instance, similar results have to be acquired by additional investigators, including other research participants in more situations and this ought to be separate from the initial research but should still be consistent with the similar theory (Welman et al., 2005). The focus of this study was on scientific knowledge.

4.3 Research paradigm/philosophy

The research paradigm or philosophy is an important part of research methodology to collect data effectively and appropriately (Williams, 2011). According to Williams (2011), the research paradigm is a perspective that is based on a set of shared assumptions, values, concepts and practices. In other words, a paradigm can be defined as a function of how the researcher thinks about the development of knowledge. Williams (2011) shows that the research paradigm is a combination of two ideas that are related to the nature of the world and the function of the researcher. It helps the researcher to conduct his or her study effectively. Welman et al. (2005) noted that the general approach to research is known as the research paradigm and stated that the term paradigm refers to the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge. Therefore, the research paradigm can be referred to as the way in which research should be conducted.

The research paradigm includes the research methods and research philosophies. This combination in research helps the researcher to develop an understanding of and knowledge about the topic of research (Williams, 2011). Williams (2011) further indicated that within the research paradigm various factors affect the researcher in implementing a method in an effective way such as time and budget constraints. The use of an appropriate research paradigm and philosophy helps the researcher to eliminate these factors from the research. According to Sekaran and Bougie (2016), the utmost valuable perceptions for modern business research are positivism, constructionism, critical realism, and pragmatism. Each is dealt with below.

Positivism: In a positivist opinion of the world, science and scientific research are viewed as the ways to find the truth. Positivists suppose that there is an actual honesty "out there" to comprehend the globe good enough so that we can foresee and regulate it. For a positivist, the earth works by the laws of cause and effect that we can determine if we apply a scientific method to do research (Sekaran & Bougie, 2016).

With the help of positivist philosophy, a researcher can collect all the facts and figures that are associated with a research issue through general sources (Williams, 2011). According to Saunders (2000) and Williams (2011), in this research philosophy, the role of the researcher is

very important for the study. They pointed out that in a positivist philosophy the researcher plays the role of an objective analyst, evaluates the collected data and produces an appropriate result to achieve the research aims and objectives. Welman et al. (2005) suggested that a positivist approach to research tends to rely on questionnaires to collect data. However, "anti-positivists" approach research more qualitatively, and tend to rely on case studies or interviews to collect data. This study was based on the positivist approach.

Constructionism: A completely different research approach and how research should be done is constructionism. Constructionism criticises the positivist belief that there is an objective truth. Constructionists hold the opposite view, namely, that the world (as we know it) is fundamentally mental or mentally constructed (Sekaran & Bougie, 2016). According to De Vos, Strydom, Fouche, & Delport (2012), partakers in research projects are repeatedly regarded as passive role actors in the researcher's complete strategy to collect data mainly for his or her personal purpose. De Vos et al. (2012), however, state that as far as constructivism is concerned, the participants are active and involved in all the phases of the process and, indeed, become partners in the total endeavour. De Vos et al. (2012) showed that participants seek understanding of the world in which they live and work. According to De Vos et al. (2012), this approach is thus interested in an open and democratic relationship between the participant and researcher. De Vos et al. (2012) noted that there can be problems attached to this approach such as a high drop-out figure, or one or two participants trying to dominate the process; furthermore, it can be very time consuming.
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Critical realism: Realism thinking is centered on the interdependency of individual principles and views. This research philosophy concentrates on the beliefs that happen in the environment. It believes in the presence of an exterior and objective truth that shapes people's social explanations and conduct (Johnson & Christensen, 2010). According to the critical realist viewpoint, measures of phenomena such as emotions, feelings and attitudes are often subjective and the collection of data is, generally speaking, imperfect and flawed (Sekaran & Bougie, 2016). It further thinks that humans are not the objects for research in the approach of the natural sciences. This research viewpoint also describes how a person responds to a real-world circumstance (Johnson & Christensen, 2010). Critical theory admits to bias being present in every action of a human being and hopes that findings will support that bias (De Vos et al., 2012). Sekaran & Bougie (2016) argued that we, as researchers, therefore, need to use

triangulation across multiple flawed and erroneous methods and observations, to get a better idea of what is happening around us.

Pragmatism: Pragmatists do not take on a specific stance on what constitutes excellent study. They believe that research on both objective, observable phenomena and subjective meanings can generate beneficial information depending on the research questions of the study (Sekaran & Bougie, 2016). The authors continue to indicate that the focus of pragmatism is on practical, applied research where different viewpoints on research and the subject under study helps solve a (business) problem. A pragmatic research paradigm is based on the understanding that reality is not stable, but constantly renegotiated, debated and interpreted in terms of its usefulness for a given situation (Nyamunda & Van der Westhuizen, 2018). According to Nyamunda and Van der Westhuizen (2018), unlike other research paradigms, pragmatism avoids taking a particular view about truth and reality and focuses mostly on trying to solve the problem at hand.

4.4 Approaches to theory development

Scientific research pursues a step-by-step, logical, organised and rigorous method (the scientific method) to find a solution to a problem (Sekaran & Bougie, 2016). Two methods are identified by Sekaran and Bougie (2016), namely, deductive and inductive methods. Deduction is the process of arriving at conclusions by interpreting the meaning of the results of the data analysis, while induction is a process where one observes certain phenomena and, on this basis, arrives at conclusions (Sekaran, 2003, p. 32). The deductive approach owes more to positivism while the inductive approach owes more to phenomenology (Saunders, 2000). This study used the deduction method. According to Sekaran and Bougie (2016), the deductive method involves seven steps, and these are listed and discussed below.

Identify a broad problem area: In Lesotho, it is noted that existing interventions have been fragmented, with MSME programmes not being designed and implemented systemically, lacking focus on outcomes, impact and sustainability, amongst other challenges (MSME Policy, 2016).

Define the problem statement: A problem statement is a concise description of the problem or issues a project seeks to address. The problem statement identifies the current state, the

desired future state and any gaps between the two (Indeed, 2021). The MSMEs in Lesotho, especially those in Mokhotlong and Qacha's Nek, are currently faced with various challenges including a lack of financial support and infrastructure, and a lack of access to markets. The study intended to determine whether the challenges faced by MSMEs in these two districts were being resolved through the implementation of the MSME Policy.

Develop objectives and hypotheses: In this study objectives and hypotheses were developed as follows:

Main objective:

To evaluate the effectiveness of the implementation of the institutional mechanism to assist MSMEs in Mokhotlong and Qacha's Nek in Lesotho.

Sub-objectives:

- To investigate whether access to finance has been made easy for MSMEs by BDS providers.
- To ascertain if MSMEs owners are offered relevant entrepreneurship training by BDS providers.
- To investigate if technological development has been made available for MSMEs.
- To examine if infrastructure development is conducive for MSMEs.
- To establish how access to markets has been made easy for MSMEs.

Hypotheses:

H_{1o}: Access to finance has been made easy for MSMEs by BDS.

$H1_a$: Access to finance has not been made easy for MSMEs by BDS

H_{2o}: MSMEs owners are offered relevant entrepreneurship training by BDS.

H_{2a}: MSMEs owners are not offered relevant entrepreneurship training by BDS.

H_{3o}: Technological development has been made available for MSMEs.

H_{3a}: Technological development has not been made available for MSMEs.

H_{4o}: Infrastructure development is conducive for MSMEs.

H_{4a}: Infrastructure development is not conducive for MSMEs.

H_{5o}: Access to markets has been made easy for MSMEs.

H_{5a}: Access to markets has not been made easy for MSMEs.

Determine measures: Measurement of the variables is an essential element of research and a vital piece of research design (Sekaran & Bougie, 2016). This study adopted the Likert scale as its instrument for measurement to test the reliability and validity of the hypotheses.

Data collection: After the determination of how to measure variables, data concerning each variable in the hypothesis need to be obtained (Sekaran & Bougie, 2016). A questionnaire was utilised to attain the data in this study.

Data analysis: In this step, the data gathered are statistically analysed to see if the hypotheses that were generated have been supported (Sekaran & Bougie, 2016). This study analysed the data through the use of statistical analysis to hypothesise the variables. For example, it determined whether the MSME owners were offered relevant training.

Interpretation of data: The last step recommended by Sekaran and Bougie (2016) is to decide whether the hypotheses are supported or not by interpreting the meaning of the results of the data analysis. For example, if it was found that accessing the market by MSMEs was not easy, it would be recommended that market accessibility for MSMEs in Lesotho should be made easier.

4.5 Research design/strategy

A strategy is a plan for achieving a certain goal (Sekaran & Bougie, 2016). Leedy (1997) described the research design as a strategy for a study, offering the complete framework for gathering data. The research design refers to a set of logical arrangements from which researchers can select one suitable for their specific research goals. This study used the Research Onion Framework by Saunders, Lewis and Thornhill (2009). The Research Onion depicts several layers starting with the research philosophy, research approach, research strategy, research choice, time horizon and research technique and procedure (Saunders et al. 2009). Figure 6 shows the onion with all the layers that need to be stripped off to get to its core.
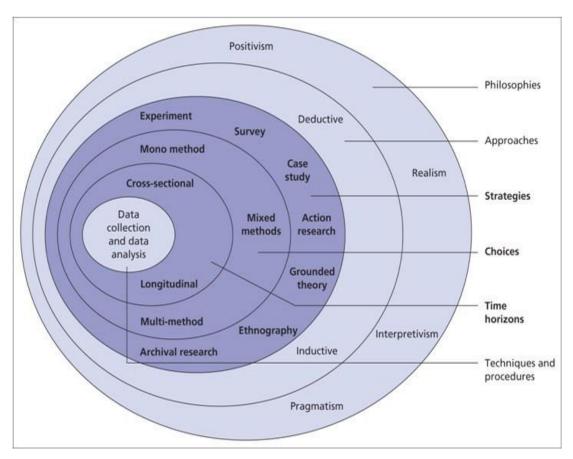
Figure 6: Representation of the research design – the Research Onion Framework

Source: Saunders et al. (2009)

In broad terms, this means that the researcher, depending on the problem, will choose between an experimental, quasi-experimental or survey (non-experimental) design (Fouche, Strydom & Delport, 2011). A research question is "the specific question the research is designed to investigate" (Collis & Hussey, 2013). This study used the survey design which is elaborated on below.

A survey is a system for collecting information from or about people to describe, compare or explain their knowledge, attitudes and behaviour (Sekaran & Bougie, 2016). The survey strategy is very popular in business research because it allows the researcher to collect quantitative and qualitative data on many types of research questions (Sekaran & Bougie, 2016). This study was aimed at collecting the views of the beneficiaries of the MSME Policy – hence the impact of the Policy was determined by their knowledge, attitudes and behaviour. The questions in survey instruments are typically arranged in self-administered questionnaires

that a respondent completes on his or her own, either on paper or via a computer (Sekaran & Bougie, 2016).

Research can either be descriptive or exploratory. This study could be categorised as both exploratory and descriptive. In essence, exploratory investigations are started to well understand the kind of a dilemma as very few studies have been done in that problem area (Sekaran, 2003). This study targeted two districts that are based in the rural areas of Lesotho. Exploratory research answers the "what" question, according to De Vos et al. (2012), while descriptive research describes a situation or circumstances and aims at answering questions such as "how many", "who" and "what is happening" (Chapman, McNeill & McNeill, 2005). Descriptive research was applied as the research design in this study as it was concerned with deciding on the frequency with which an object appears or the connection between two variables (Sekaran, 2003).

There are three types of research designs, namely, quantitative, qualitative and mixed methods (Edmonds & Kennedy, 2013). Often the distinction between qualitative research and quantitative research is framed in terms of using words (qualitative) rather than numbers (quantitative) or using closed-ended questions (quantitative hypotheses) rather than open-ended questions (qualitative interview questions) (Creswell, 2017). The qualitative approach emphasises processes and meanings that are not measured in terms of quantity, amount, intensity or frequency. The qualitative approach provides a deeper understanding of the phenomenon within context (Guba & Lincoln, 1994). Quantitative research, according to Mafuwane (2014), is a research approach meant to test theories, clarifying facts, showing interactions amongst variables, and forecasting outcomes.

The qualitative and quantitative approach can be used together in real life, sometimes consciously, sometimes unconsciously. However, the different paradigms can be usefully combined only if the researcher has a clear understanding of what each can accomplish (De Vos et al., 2012, p. 92). This study was quantitative in nature, as this approach allows the collection of data from a larger sample size and owes more to positivism.

4.6 Time horizons in research

A study can be undertaken in which data are gathered just once, perhaps over a period of days, weeks or months, to answer a research question (Sekaran & Bougie, 2016). The choice could be a snapshot in a specific period, known as cross-sectional, or a series of snap shots over a longer period, known as longitudinal (Saunders et al., 2012). This study was a cross-sectional one, covering a particular phenomenon (or phenomena) at a particular time and where the phenomena can be linked to variables related to the study. According to Al Kindy, Shah & Jusoh (2016), the cross-sectional survey is one of the most commonly used survey research designs. Additionally, the data collection at one point in time will be sufficient (Sekaran & Bougie, 2016). Researchers recognise that most research projects undertaken for academic courses are necessarily time-constrained, and thus most researchers study a particular phenomenon at a particular time (Al Kindy et al., 2016). Furthermore, Al Kindy et al. (2016) pointed out that cross-sectional studies usually utilise the survey strategy. In conclusion, this research was a cross-sectional study that investigated the effectiveness of the institutional mechanism to assist MSMEs in Lesotho.

In some cases, however, the researcher might want to study people or phenomena at more than one point in time to answer the research question (Sekaran & Bougie, 2016). The authors noted that, for example, the researcher might need to research on employees' behaviour prior to and subsequent to a shift in the top management, so as to know what effects the change has brought. As the data are collected at two separate times, the study is not cross-sectional or of the "one-shot" kind, but is conducted longitudinally across a period. Such studies, as when data on the dependent variable are gathered at two or more points in time to answer the research question, are called longitudinal studies (Sekaran & Bougie, 2016). Given the above, the longitudinal study was not adopted in this research.

4.7 Study site

The research setting can be seen as the physical, social and cultural site in which the researcher conducts the study (Given, 2008). The study focused on two districts, namely, Qacha's Nek and Mokhotlong. While the focus was based on the low economic activities that were taking place in these two districts (World Bank, 2018) all the districts in Lesotho are affected by one policy, that is, the MSME Policy of 2016. The two districts which were the focus of the study are also based in the rural areas where the climate is said to be favourable for crops such as

fruit. This could be considered an advantage because of the similar climate to South Africa's Western Cape Province – a leading exporter of fruit globally. The main objective of the study was to evaluate the effectiveness of the implementation of the institutional mechanism to assist MSMEs in the Mokhotlong and Qacha's Nek districts in Lesotho.

Figure 7: Map of Lesotho

Source: google.com

4.7.1 Mokhotlong District

Mokhotlong (in the Sesotho language "the place of the bald ibis") is a district of Lesotho. It includes the highest terrain in the form of the Maloti Mountains and the source of the Senqu River, Lesotho's primary source of water. Mokhotlong is the capital or camp-town, and the only town in the district. Mokhotlong borders on the KwaZulu-Natal Province of South Africa, with its northern point bordering the Free State Province. As of 2006, the District had a population of 97,713 which was 5.21 per cent of the total population of the country (VisitLesotho.travel, 2015). Located in the Maloti Mountains, Lets'eng la Terae, a diamond mine, has an average altitude of 3,200m above sea level, making it the greatest diamond mine around the globe. Lets'eng emits diamonds that are presumed to sell for the highest per-carat price of any kimberlite mine. It has constantly produced large, gem-quality diamonds (VisitLesotho.travel, 2015).

According to VisitLesotho.travel (2015),

> "the spectacular mountain road that crosses the Sani Pass serves as an entry point into Lesotho from South Africa. It also serves as an adventure spot for those who are not faint-hearted and would love to enjoy 4X4 trekking. Sani Pass also has the highest pub in Africa. Here one can enjoy the beautiful scenery of the Mountain Kingdom, overlooking KwaZulu-Natal, while enjoying a few drinks and a delicious meal. The majestic Thabana Ntlenyana is about 3 482m above sea level and is regarded as the highest peak in Southern Africa. There are daily pony treks and hikes to the summit, and it is about 15km from Sani Top. Mokhotlong has two hotels, the Senqu Hotel and the Mokhotlong Hotel. There is also Sani Pass chalets, which has the highest pub in Africa."

4.7.2 Qacha's Nek District

Qacha's Nek is, since 1888, the capital of the Qacha's Nek District in Lesotho, only two kilometers from the South African border at 1,980 meters (6,500 ft) above sea level. It has a population of approximately 15,900 (2016). It is home to the Machabeng Government Hospital, one of the two hospitals in the District (the other being the Lesotho Evangelical Church's Tebellong Hospital, which is about 40 kilometers (25 miles) away, across the Orange River (which is known as Senqu in Lesotho). There are several spots where San paintings can still be found (VisitLesotho.travel, 2015). The town is approximately 50 km southwest of the Sehlaba-thebe National Park. A track from Qacha's Nek to Sehlaba-thebe was opened early in 1973, as it had previously been necessary to travel through South Africa. Roads beyond this point and within the park require four-wheel-drive vehicles. A new post office building and library were opened in 2006, as well as the new Qacha's Nek to Mphaki road (VisitLesotho.travel, 2015).

The town is home to Lesotho's first and only snake park, which is conveniently situated at the foot of the historic Letloepe hill/rock formation. This is where the cave of Qacha, the son of the Baphuthi chief Moorosi after whom the town was named, is situated. The area might be the sole location in Africa where California Redwood trees develop. The inhabitants of Qacha's Nek are known as "Melele" (Wanderers), and the colours of the district are maroon and white. Xhosa and Sephuthi are additional languages spoken in Qacha's Nek, on top of Sesotho and English (VisitLesotho.travel, 2015).

4.8 Target population

The target population is the group about which the researcher would like to make statements. It can also be defined based on the conditions and concerns that arise from the theory being tested or concerns generated from the policy being examined (Bickman & Rog, 1998). According to the list from the Ministry of Trade and Industry, there were approximately 1,400 and 1,000 MSMEs in the Mokhotlong and Qacha's Nek districts respectively giving a total of 2, 400. Houser (1998) stated that "the target population is defined as all individual or objects the researcher is interested in and to which study results applied, however, a researcher is generally not able to access all of the target population, particularly if it a large population, so for practical reasons an accessible number must be identified." The focus of the study was on the owners or managers of MSMEs operating formally in the two districts. This population was chosen because the bottom-up approach was applied (Liedl, 2011) and, to avoid bias, the aim was to get the views of the recipients and not the implementers of the policy.

4.9 Sample size

The sample size was determined using Morgan and Krejcie's online sample size table (Bukhari, 2021). The calculations were done at a confidence level of 95% and a confidence interval of five. Based on the population of 2,400 (approximately) a sample size of 331 MSME owners was generated using the online sample size table noted above. The total number of MSME owners for each district was thus 165. Of the 331 questionnaires distributed, 202 were completed and returned giving a response rate of 61%.

4.10 Sampling strategies

Sampling is the process of selecting units (for example, people or organisations) from a population of interest so that by studying the sample we may fairly generalise our results back to the population from which they were chosen (Trochim, 2006). According to Sekaran (2012, p. 73), "Sampling is a small representation of a whole. The most basic considerations in sampling are size and representativeness. The size must be adequate to allow estimates about the characteristics of phenomena with reasonable precision.". A study of a sample rather than the entire population is likely to produce reliable results and reduce errors, costs and exhaustion. Thus, to reach conclusions concerning the population and to save costs and time, sampling was done in the study.

The two major methods used in sampling research are probability and non-probability. In non-probability sampling, the elements do not have a known or predetermined chance of being selected as subjects (Sekaran, 2012, pp. 269-270). A probability sampling method is any method of sampling that utilises some form of random selection. To have a random selection method, one must set up some process or procedure that assures that the different units in one's population have equal probabilities of being chosen (Trochim, 2006).

There are two sampling techniques used in nonprobability sampling namely: Convenience and purposive sampling. Although nonprobability sampling has several limitations due to the subjectivity involved in choosing the sample and thus is not good in terms of being representative of the population, it is suitable particularly when randomisation is difficult as when the population is extremely huge. It can also be helpful when the researcher has constrained resources, time and workforce. Furthermore, it can be useful when the research does not intend to produce results that will be employed to create generalisations relating to the whole population (Etikan, Sulaiman, & Alkassim, 2016). This study adopted probability sampling whereby a random selection method was applied to the list of registered MSMEs in the two districts obtained from the Ministry of Trade (as noted above).

4.11 Data collection

In dealing with any real-life problem, it is often found that the data at hand are inadequate; hence, it becomes necessary to collect appropriate data. There are several ways of collecting appropriate data which differ considerably in terms of money, time costs and other resources at the disposal of the researcher (Kumar, 2008). There are two types of data that can be collected and used, namely, primary and secondary data. Kumar (2008) showed that primary data can be collected either through experiments or through surveys. If the researcher conducts experiments, he or she observes some quantitative measurements or the data with the help of which he or she examines the truth contained in the hypothesis. In the case of the survey, data can be collected by one or more of the following: By observation, through personal interviews, through telephonic interviews, by the mailing of questionnaires, and through schedules. Social work research has become increasingly reliant on large secondary data sets. These data sets, generally collected by governments, research institutions, and in some cases agencies, provide researchers with readily available resources to examine characteristics of particular hypotheses (Vartanian, 2010).

This study used both primary and secondary data. Secondary data were gathered through the use of existing literature. Primary data were collected through the use of questionnaires that were distributed to MSMEs owners/managers in both districts by the researcher. An advantage of doing so is that should respondents have doubts about a question, the researcher can clarify them on the spot. Furthermore, business owners tend to be busy and might be less inclined to complete and send back the questionnaire to the researcher but when personally administered, the collection is done by the researcher.

4.12 Structure of research instrument

This study used the questionnaire as a research instrument to gather information from respondents. According to Khoase (2011), the questionnaire is an accurate method of collecting data from a large sample in an inexpensive way. Questionnaires allow a researcher to obtain a large sample of people in different geographical regions (Khoase, 2011). Thus, this data collection method is convenient as it is cheap and allows data to be collected from a large number of individuals within a short period (Sekaran & Bougie, 2016).

Both open-ended and closed-ended questions were used. Closed-ended questions are used in quantitative studies. Mbatha, Ditsele, Van Huyssten & Rwodzi (2018), noted that closed-ended questions are enormously common in survey research since they offer superior uniformity of reactions and are more effortlessly administered. Open-ended questions give narrative responses which may be analysed qualitatively or may be converted into a form suitable for quantitative analysis using a technique known as content analysis (Hair, Arthor, Philip & Mike, 2007; Khoase, 2011). Most questionnaires have open-ended questions toward the end and the reason for this is to allow the respondents to give detailed opinions on topics that might not have been fully covered by closed-ended questions (Sekaran & Bougie, 2010). The sequence of questions in the questionnaire should be such that respondents are led from questions of a general nature to those that are more specific, and from questions that are relatively easy to answer to those that are progressively more difficult (Sekaran & Bougie, 2016).

Questionnaires can be administered personally, mailed to the respondents or electronically distributed (Sekaran 2012, 236). The questionnaire used in the study was administered by the

researcher himself. This helped the researcher to cover many respondents within a short period and, in doing so, helped to save money

In line with these submissions, a questionnaire was used to gather quantitative data. It comprised three sections as follows:

Section A - Demographic information

Personal information, which collected data on the following four variables: respondents' age, race, gender and level of education. This section thus focused on the assessment of the group that was able to be developed by BDS.

Section B – Business information

This section determined the district in which the respondent's business is operating. It also assessed the role of the participants in the businesses. It determined whether the participants were the owners or the managers of the business. It further investigated the kind of business the respondents are operating.

Section C - Business processes

The final section determined the perceptions of the participants about the assistance BDS offers and whether they were seeking assistance. This is in line with the policy to boost MSMEs in Lesotho. The perceptions of the MSMEs were considered beneficial for they would help direct the services to where they were needed.

4.13 Pre-testing/pilot testing

According to De Vos et al. (2012), it is rare to have perfect reliability and they, therefore, suggested that pre-tests, pilot studies and replications be used. These involve developing a draft, drafts or preliminary versions of a measure and testing them before applying the final version in a hypothesis-testing situation (De Vos et al. 2012, p. 177).

In terms of the pre-test, 10 questionnaires were distributed to MSMEs owners/managers – six in the Mokhotlong District and four in the Qacha's Nek District. This was done to come up with correct questions before the printing of the final 331 questionnaires. The aim was to examine the consistency of the study process and whether the study made sense and had true

values (Babbie, Halley, Wagner & Zaino, 2013). The questions were set based on the available literature and the objectives of the study. According to Khoase (2011, p. 72), a pilot study simplifies the recognition of questions that indicate trouble or shame, and further shows if the orders were obvious and straightforward to adhere to. It is easy to assess how long it requires the respondents to finish the survey and allows the researcher to understand why certain questions were unanswered. Based on the feedback from the selected participants, there was no need to modify the questions as they were straightforward.

4.14 Reliability and validity

Questions that often arise during questionnaire design are the following: Will the set questions provide the required information? Will the answers given by respondents on a specific day, correlate with answers provided by the same respondents at a later date? These answers are linked to the aspects of reliability and validity, as well as representivity and are often questioned by people. Validity and reliability tests were undertaken for the study. Apart from the pre-test outlined above which assisted with determining the validity of the instrument, Cronbach's alpha was used as a reliability test since, according to Khoase (2011), the reliability of a questionnaire can be ascertained using Cronbach's alpha. Thus, researchers can make use of the mechanisms already believed to be "good," rather than strenuously creating their own instruments (Sekaran & Bougie, 2016, p. 223).

4.15 Data analysis

4.15.1 Quantitative data analysis

According to Saunders et al. (2009, p. 414) data need to be quantified to help the researcher answer the research question(s) and to meet the objectives. In essence, this study contained data that were quantified to address the research objectives. Once the questionnaires had been collected the data contained therein were prepared for data entry. According to De Vos et al. (2012), data preparation comprises examining and editing gathered data and ultimately coding them. As noted above, the questionnaire used in the study comprised, in the main, closed-ended questions. The responses obtained from these questions were coded and then analysed using the Likert scale. The results of quantitative data analysis were presented through frequency tables and statistical analyses. For checking the results Kolmogorov Smirnov was used to determine parametric or non-parametric tests. The Chi-square and Mann Whitney U tests were

used to complement the Kolmogorov Smirnorv. It is suggested that the Kolmogorov-Smirnov technique facilitates statistical testing when some assumptions of Chi-square are not satisfied (Mitchell, 1971).

4.15.2 Qualitative data analysis

There were a few qualitative questions (open-ended) in the study. The objective of this type of question is to promote understanding and increase insight into the phenomenon under study (Khoase, 2011). Content analysis was used to analyse the data collected via the open-ended questions. According to Khoase (2011), content analysis can be defined as, "quantitative analysis of qualitative data counts the frequencies and sequences of particular words, phrases or concepts in order to identify keywords or themes". To gain a sense of the responses to the questions, the responses were systematically scrutinised, read and re-read (Khoase, 2011; Erlingsson & Brysiewicz, 2017). The data analysis procedure, therefore, was as follows:

- First, read the responses to get the sense;
- Second, note each response to the question;
- Third, the patterns from each questionnaire are then compared and combined to create keywords; and
- Fourth, the data are then tabulated to determine the frequency of each keyword.

In conclusion, Figure 8 below shows the "peeled" Research Onion that has been followed to get to the core of the research. Various stages have been described and discussed starting with the research philosophy and ending with the data collection and the data analysis procedures. In so doing, each layer of the Research Onion, as defined by Saunders et al. (2009), has been expanded.
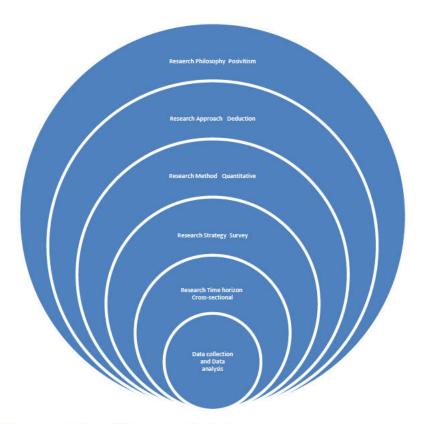
Figure 8: Representation of the research design – summary

Source: Adapted from Saunders, et al. (2009)

4.16 Ethical considerations

In pursuing the study, the researcher abided by the rules and regulations of the University of KwaZulu-Natal and this included applying for ethical clearance to conduct the study. To ensure confidentiality, the respondents were informed verbally and in writing that no names were to be used, that the information provided would be used for the purposes of the research only and would be kept for five years by the supervisor in a secured place. Respondents were asked for their consent before answering the questionnaire. They were informed that they had the full right to participate or not and to withdraw their participation at any stage.

4.17 Limitations and challenges

From the beginning, the researcher intended to conduct a study involving three districts that are located in the rural areas or highlands of Lesotho but due to time and financial constraints, the investigation was limited to two districts. However, it is believed that the information gathered is still sufficient to evaluate the effectiveness of the implementation of the MSME Policy in the highlands of Lesotho.

A challenge was that due to non-functioning computers in the MSME offices at the district level, information on the SMEs is kept manually in an exercise book and various files. Files were found to be missing which made accessing the information a difficult task. A second challenge was that most respondents, when approached, were found to be busy and requested that the researcher leave the questionnaires and return at a later date to collect them. This process consumed a lot of time on the researcher's side. In addition, the ethical clearance for the study took a long time (approximately five months) to be approved and this also contributed to a delay in collecting data.

4.18 Summary

This chapter started with how the research was conducted. This was followed by the research design, the methodology and the limitations of the study. Of the 331 questionnaires that were distributed, 200 were distributed in Mokhotlong and 131 in Qacha's Nek. Of these, 202 were completed and returned giving a response rate of 61%. The Ministry of Trade and Industry provided the list of MSMEs from each district that helped the researcher identify the respondents and to collect data. The data collected, through validation and testing of hypotheses and questions by analyses and interpretation, turned out to be reliable information that could be used by decision-makers.

In the next chapter, the findings of the study are presented and discussed.

CHAPTER 5: RESEARCH FINDINGS AND DISCUSSION

5.1 Introduction

The previous chapter examined how the research was conducted. The attention was on the research design, methodology and limitations. The objective of this chapter is to present the analysis of the research findings and to discuss the findings. The findings reported stem from the questions contained in the questionnaire which, in turn, were linked to the research objectives.

Firstly, descriptive statistics were used. Frequency tables were processed using the SPSS (version 26) to gain an overview of the perceptions of respondents concerning the evaluation of the effectiveness of the implementation of the institutional mechanism to assist MSMEs in the districts of Mokhotlong and Qacha's Nek in Lesotho. The descriptive statistics also includes the mean, mode, median and standard deviation. These statistics will serve to confirm the results of the frequency tables. The respondents' scores were analysed in this manner.

There was a need to test if the data comes from a normal distribution or not and this was done using the Kolmogorov Smirnov test. Once this has been established one can then proceed to the type of statistical tests that can be used. For example, parametric tests such as the independent sample t-tests can be used to check for differences between the mean scores of males and females concerning the topic studied (since this group has only two categories). An alternative was to use the Mann Whitney U test to check for significant differences between males and females concerning the topic of the study if the data on these variables were found via the Kolmogorov Smirnov test to be non-normal in nature. Likewise, use was made of the Kruskal Wallis test to check for differences in the age and the race groups concerning the topic of the study, that is, an evaluation of the effectiveness of the implementation of the institutional mechanism to assist MSMEs in the districts of Mokhotlong and Qacha's Nek in Lesotho.

The research questions and hypotheses were tested using the Chi-square Goodness of Fit test, the One-sample T-test, the Kruskal Wallis test and the Mann Whitney U test. This was to reveal the most salient aspects of the research and to seamlessly tie into the findings of the descriptive statistics as well.

For the research methodology to have any integrity, there is a need for the data quality to have the characteristics of validity and reliability. The Cronbach's Alpha was calculated for the questions that have the same scales. A value of 0.7 or higher is deemed to indicate good internal consistency and reliability amongst the questions.

5.2 Demographic information

The tables below display the demographic information of the 202 respondents who comprised the actual sample for the study.

Table 7: Age

		Frequency	Percent	Valid percent	Cumulative percent
Valid	18-20 years	15	7.4	7.4	7.4
	21-30 years	74	36.6	36.6	44.1
	31-40 years	53	26.2	26.2	70.3
	41-50 years	33	16.3	16.3	86.6
	> 50 years	27	13.4	13.4	100.0
	Total	202	100.0	100.0	

Most of the respondents were between the age group of 21-30 years (36.6%) followed by respondents in the age group of 31-40 years (26.2%). The remaining 31.2% comprised respondents who were between 41-50 years (16.3%), over 50 years (13.4%) and 18- 20 years (7.4%). As is evident in Table 7, it was respondents who can be categorised as "youth" who are in business in large numbers. This shows an improvement in terms of decreasing the number of unemployed youth as this group is classed as "vulnerable" by the MSME Policy. The 16.3% of respondents in the 41-50 years age range is not unusual, because at this age it is presumed that people have accumulated enough capital to start a business, gained experience from the previous work environment to run the business, and are investing towards their pensions.

Table 8: Race

		Frequency	Percent	Valid percent	Cumulative percent
Valid	African	192	95.0	95.0	95.0
	Indian	6	3.0	3.0	98.0
	Chinese	3	1.5	1.5	99.5
	Other	1	.5	.5	100.0
	Total	202	100.0	100.0	

The African race group dominated in the surveyed sample comprising 95% of respondents. As indicated in Table 9 below there were more male (56.9%) than female (43.1%) headed MSMEs in the sample. Concerning educational level (Table 10), most of the respondents (65.7%) had a high school education followed by those with a diploma (17.8%) and 5.6% with a degree. According to Khoase (2015), level of education contributes to the advancement of the business, as the management team constantly needs to acquire necessary skills for them to have a competitive edge over their rivals.

Table 9: Gender

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Male	115	56.9	56.9	56.9
	Female	87	43.1	43.1	100.0
	Total	202	100.0	100.0	

One can deduce from Table 9 that women were facing more challenges than men when trying to be part of the business environment and might be found in large numbers in informal businesses for instance. In order to overcome some of the challenges, special attention is paid to meeting the needs and priorities of women entrepreneurs, youth, persons living with HIV and AIDS (MSME Policy, 2016).

Table 10: Level of education

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Primary school	20	9.9	10.1	10.1
	High school	130	64.4	65.7	75.8
	Diploma	36	17.8	18.2	93.9
	Undergraduate	11	5.4	5.6	99.5
	Other	1	.5	.5	100.0
	Total	198	98.0	100.0	
Missing	System	4	2.0		
Total		202	100.0		

As already noted, most respondents had a high school education, diploma or degree. A small minority (9.9%) only had a primary school education.

5.3 Business information

The tables below display the findings relating to the businesses of the respondents.

Table 11: District

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Mokhotlong	125	61.9	61.9	61.9
	Qacha's Nek	77	38.1	38.1	100.0
	Total	202	100.0	100.0	

The majority of respondents (61.9%) were from Mokhotlong while 38.1% were from Qacha's Nek. This finding reflects that there were more registered MSMEs in Mokhotlong.

Table 12: Respondent's role

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Owner	158	78.2	78.2	78.2
	Manager	44	21.8	21.8	100.0
	Total	202	100.0	100.0	

More respondents were owners of the businesses (78.2%) than managers (21.8%). The indication here is that owners tend towards being hands-on rather than choosing someone to run the business on their behalf.

Table 13: Kind of business

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Retail	98	48.5	48.5	48.5
	Agriculture	32	15.8	15.8	64.4
	Manufacturing	10	5.0	5.0	69.3
	Service	52	25.7	25.7	95.0
	Other	10	5.0	5.0	100.0
	Total	202	100.0	100.0	

The modal business type was retail (48.5%) followed by service (25.7%). The World Bank Report (2018) showed that most of the firms in Lesotho are in service and retailing, with manufacturing consisting of only 11% of firms and fewer business activities in rural areas than in urban areas. Xinhua (2019) pointed to the importance of MSMEs in manufacturing in terms of, among other advantages, their greater use of local raw materials, their creation of jobs, and their taking part in rural and urban development. Thus, the strategies that are formulated to boost MSMEs should focus on increasing their manufacturing capabilities. Developing economies are known to have under or unutilised natural resources and poor rural areas.

5.4 Business processes
The tables below reflect the findings of the questions asked concerning the business processes.

In question 8 respondents were asked the extent to which they agreed or disagreed with three statements. The following three tables reflect the findings.

Table 14: Extent to which respondents are aware of available supporting institutions meant to develop MSMEs

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	2	1.0	1.0	1.0
	Disagree	9	4.5	4.5	5.4
	Not sure	14	6.9	6.9	12.4
	Agree	170	84.2	84.2	96.5
	Strongly agree	7	3.5	3.5	100.0
	Total	202	100.0	100.0	

Table 14 shows that most of the respondents (84.2%) agreed that they were aware of the availability of supporting institutions, 4.5% disagreed, while 6.9% were not sure. A few respondents (3.5%) strongly agreed and 1.0% strongly disagreed.

Table 15: Extent to which respondents received assistance from the business supporting institutions

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	12	5.9	5.9	5.9
	Disagree	37	18.3	18.3	24.3
	Not sure	15	7.4	7.4	31.7
	Agree	135	66.8	66.8	98.5
	Strongly agree	3	1.5	1.5	100.0
	Total	202	100.0	100.0	

BEDCO, under the supervision of MSCM, is entrusted to provide MSMEs with entrepreneurship training and training development. One of the foci of this institution is textiles and garments and linkages have been established with large scale manufacturers to promote entrepreneurship and mentorship programmes as well as sub-contracting arrangements. A large

proportion of respondents (66.8%) agreed with having received assistance followed by 18.3% who disagreed.

Table 16: Extent to which respondents were satisfied with the service provided by the supporting institutions

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	21	10.4	10.4	10.4
	Disagree	83	41.1	41.3	51.7
	Not sure	77	38.1	38.3	90.0
	Agree	18	8.9	9.0	99.0
	Strongly agree	2	1.0	1.0	100.0
	Total	201	99.5	100.0	
Missing	System	1	.5		
Total		202	100.0		

As revealed in Table 16, the highest percentage of respondents (41.3%) were not satisfied with the service provided by the supporting institutions. Slightly less (38.3%) were not sure while 10.4% strongly disagreed with the statement. Thus, even though most of the respondents received assistance many were not happy with the assistance. If entrepreneurs felt dissatisfied with the assistance from supporting institutions, the provision of that assistance is a waste and the target of the MSME Policy will not be met. For example, there is no point in granting entrepreneurs premises but fail to maintain them to suit their business needs. The SBP (2008) confirmed that assistance provided that leads to entrepreneurs' dissatisfaction includes high rental and labour costs as well as limited access to tools, equipment and transportation.

Question 9 determined how often respondents received assistance from the supporting institutions to run their businesses. Table 17 reflects the findings.

Table 17: Frequency of assistance received from the supporting institutions

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Not at all	44	21.8	21.8	21.8
	Rarely	63	31.2	31.2	53.0
	Sometimes	93	46.0	46.0	99.0
	Very often	2	1.0	1.0	100.0
	Total	202	100.0	100.0	

The highest percentage of respondents (46%) indicated that they sometimes received assistance from the supporting institutions, 31.2% rarely and 21.8% none at all. A very small minority of respondents (1.0%) indicated that they received assistance very often. If MSMEs assistance is a priority of the MSME Policy all respondents should have indicated that they often receive assistance when the need arises. This is clearly not the case. The study by Van Stel et al. (2007) found that SME policies provide justifications for supporting SMEs, that is, SMEs are main suppliers of jobs, innovation and competitiveness in a contemporary economy and that it is the duty of governments to encourage these qualities to boost the wellbeing of their people.

Respondents who had not received any assistance from the supporting institutions were asked to please explain why. The verbatim responses are reflected in Table 18 below.

Table 18: Reasons for not receiving any assistance

		Frequency	Percent	Valid percent
Valid	0	1	.5	.5
	Because I have not being called for a training	1	.5	.5
	Because of discrimination	1	.5	.5
	Because they don't tell us what they offer	1	.5	.5
	Every time when I ask for assistance, I get a reply that I did not qualify for it	1	.5	.5
	I am not aware of them	2	1.0	1.0
	I am not sure about their services	1	.5	.5
	I applied for assistance but did not get it	1	.5	.5

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I did not know about the services	1	.5	.5
I did not know about the services they are offering	1	.5	.5
I did not know how they can assist me	1	.5	.5
I do not know about them	1	.5	.5
I don't know about the assistance they may offer me because they never say anything about assistance. Some of them I have seen their offices but I never bother to ask what they can do to assist me.	1	.5	.5
I don't know about them	1	.5	.5
I have completed my high school last year so I have just started this business.	1	.5	.5
I need financial assistance to grow my business and there is no institution available to help	2	1.0	1.0
I think is because my business is new	1	.5	.5
Institutions don't care about small business	1	.5	.5
Is because no one has told me with the assistance that I need, I only got the licence to operate the business	1	.5	.5
Meetings and trainings are given to town or urban businesses, not rural business	1	.5	.5
n/a	155	85.7	85.7
No financial institutions are available for small business to help them to grow when need to	1	.5	.5
No financial institution to assist to grow the business	1	.5	.5
Not all businesses are assisted	1	.5	.5
Not nominated to attend the supporting institutions' trainings	1	.5	.5
Not sure why	1	.5	.5

	Politics	1	.5	.5
	Politics and corruption	1	.5	.5
	Since I became manager here no one talked about the assistance not unless the main branch is the one that consults but here is the other branch none of the assistance we received	1	.5	.5
	Supporting institutions don't do their work	1	.5	.5
	The agricultural sector is neglected by the supporting institutions yet is of the paramount importance	1	.5	.5
	The criteria that are used to support business owners is not clear to every business	1	.5	.5
	The foreign businesses are given special attention by the local institutions so they are more competitive than local ones	1	.5	.5
	The institutions don't tell us in rural areas about the services they offer we only know their existence by seeing their offices	1	.5	.5
	The need is to grow the business but there is no financial assistance from any financial institution	1	.5	.5
	The owner of the business is mostly the one who is attending workshops so I am operationally running the business	1	.5	.5
	The politics and corruption are the reasons why some of us don't get assistance even when we are in need of them	1	.5	.5
	There is no invitation that I have received from the supporting institutions to offer any assistance	1	.5	.5

	They are there but unfortunately, I feel they don't have MSMEs best interests at heart, they don't care.	1	.5	.5
	They care for their own interests, not for small businesses	1	.5	.5
	They do not go out to serve businesses	1	.5	.5
	They do not tell our right about the assistance	1	.5	.5
	They don't care, everything is politically pursued, no proper procedures given for any good gateway approach	1	.5	.5
	They don't serve rural businesses	1	.5	.5
	They used to promises	1	.5	.5
	They don't deliver services to small businesses	1	.5	.5
	Total	202	100.0	100.0

When the above responses are categorised, the main reasons why the MSMEs have not received any assistance from the supporting institutions are:

- There is a lack of communication from the assisting institutions (55%)
- There is too much politics and corruption (27%)
- There is a lack of interest shown towards MSMEs from the assisting institutions (18%).

In question 11 respondents were asked to indicate from a list of options the type of assistance they received and the supporting institution that assisted. The findings below list each of the institutions and the type of assistance respondents indicated that they received.

MTICM

Table 19: Type of assistance received from MTICM

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Start capital	0	0	0	0
	Additional funding	1	.5	1.4	1.4
	Training opportunities	4	2.0	5.7	7.1
	Technological development & innovations	0	0	0	0
	Assistance with access to premises	2	1.0	2.9	10.0
	Access to market	33	16.3	47.1	57.1
	Other	30	14.9	42.9	100.0
	Total	70	34.7	100.0	
Missing	System	132	65.3		
Total		202	100.0		

As shown in Table 19, 70 (34.7%) respondents indicated that they received assistance from the MTICM. The main type of assistance received was "Access to market" mentioned by 47.1% of those respondents. The category "Other" followed with 42.9% and consisted of respondents receiving assistance in obtaining licenses. "Training opportunities", "Assistance with access to premises" and "Additional funding" were the least forms of assistance received from the MTICM at 5.7%, 2.9% and 1.4% respectively.

BEDCO

Table 20: Type of assistance received from BEDCO

		Frequency	Per cent	Valid per cent	Cumulative per cent
Valid	Start capital	0	0	0	0
	Additional funding	0	0	0	0
	Training opportunities	26	12.9	46.4	46.4
	Technological development & innovations	1	.5	1.8	48.2
	Assistance with access to premises	27	13.4	48.2	96.4
	Access to market	2	1.0	3.6	100.0
	Total	56	27.7	100.0	
Missing	System	146	72.3		
Total		202	100.0		

Table 20 shows that BEDCO had assisted 56 (27.7%) of the respondents. The most received type of assistance was "Training opportunities" (46.4%) and "Assistance with access to premises" (13.4%). Very few respondents received assistance relating to "Technological development & innovations" (1.8%) and "Access to market" (3.6%).

SMMEs Network

Table 21: Type of assistance received from the SMMEs Network

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Start capital	0	0	0	0
	Additional funding	1	.5	1.4	1.4
	Training opportunities	53	26.2	75.7	77.1
	Technological development & innovations	4	2.0	5.7	82.9
	Assistance with access to premises	1	.5	1.4	84.3
	Access to market	11	5.4	15.7	100.0
	Total	70	34.7	100.0	
Missing	System	132	65.3		
Total		202	100.0		

The SMMEs Network assisted 70 (34.7%) respondents. "Training opportunities" was by far the most provided assistance with 75.7% of the 70 respondents indicating so. This was followed by "Access to market" (15.7%) and "Technological development & innovations" (5.7%). Little assistance concerning "Additional funding" and "Access to premises" (both 1.4%) was received.

LNDC

The LNDC did not provide any assistance to respondents.

Post Bank

Table 22: Type of assistance received from Post Bank

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Additional funding	59	29.2	100.0	100.0
Missing	System	143	70.8		
Total		202	100.0		

The main aim of Post Bank is the provision of "Additional funding" and this was received by 59 (29.2%) respondents as shown in Table 22 above.

Table 23: Type of assistance received from "Other" supporting institutions

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Start capital	2	1.0	3.4	3.4
	Additional funding	18	8.9	30.5	33.9
	Training opportunities	14	6.9	23.7	57.6
	Assistance with access to premises	5	2.5	8.5	66.1
	Access to market	2	1.0	3.4	69.5
	Other	18	8.9	30.5	100.0
	Total	59	29.2	100.0	
Missing	System	143	70.8		
Total		202	100.0		

Fifty-nine (29.2%) respondents indicted receiving assistance from institutions other than those listed. These included the Lesotho Standard Bank and the First National Bank Lesotho, to mention a few, who provided "Additional funding" to 30.5% of the respondents. The next most received assistance was "Training opportunities" provided by the Lesotho Revenue Authority and the Lesotho Chamber of Commerce and Industry to 23.7% of the respondents.

A question was asked concerning the kind of training that respondents received. Findings are presented in Table 24 below.

Table 24: Kind of training

	Frequency	Percent
Business plan and feasibility study	68	17.3
Marketing	78	19.8
Bookkeeping	126	32.1
Mentoring	47	12.0
Other	74	18.8
Total	393*	100.0

* Multiple responses received

"Bookkeeping" (32.1%) was the most mentioned type of training received. It was followed by "Marketing" (19.8%), "Business plan and feasibility study" (17.3%) and Mentoring (12%). "Other" types of training were mentioned by 18.8%.

In question 13 respondents were presented with a list of statements and asked the extent to which they agreed or disagreed with them. Each of the statements and the findings relating to each is presented below.

"The supporting institutions have helped me with accessing finances"

Table 25: Access to finance

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	44	21.8	22.1	22.1
	Disagree	82	40.6	41.2	63.3
	Not sure	6	3.0	3.0	66.3
	Agree	62	30.7	31.2	97.5
	Strongly agree	5	2.5	2.5	100.0
	Total	199	98.5	100.0	
Missing	System	3	1.5		
Total		202	100.0		

The most frequent response was "Disagree" (41.2%) and thereafter "Agree" (31.2%) and "Strongly disagree" (22.1%). It is thus evident that a majority of respondents (63.3%) did not get help with accessing finance from the supporting institutions. The implication here is that most respondents did not have access to financial institutions to get additional funding to help them to grow.

"The training I received was relevant to current needs of my business"

Table 26: Relevancy of training

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	19	9.4	9.5	9.5
	Disagree	35	17.3	17.5	27.0
	Not sure	81	40.1	40.5	67.5
	Agree	62	30.7	31.0	98.5
	Strongly agree	3	1.5	1.5	100.0
	Total	200	99.0	100.0	
Missing	System	2	1.0		
Total		202	100.0		

Table 26 shows that the highest percentage of respondents (40.5%) were "Not sure" whether the training they received was relevant to their current needs. The implication here is that training was imposed on some of the trainees (respondents) without any assessments done. This might have led to the waste of funds that were allocated to train entrepreneurs and a waste of their time in having to attend training that was irrelevant to their needs.

"The availability of technological development and innovation has assisted me to grow my business"

Table 27: Technological development and innovation availability

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	23	11.4	11.5	11.5
	Disagree	37	18.3	18.5	30.0
	Not sure	111	55.0	55.5	85.5
	Agree	29	14.4	14.4	100
	Total	200	99.0	100.0	
Missing	System	2	1.0		
Total		202	100.0		

Table 27 shows that just over half the sample (55.5%) were "Not sure" whether the availability of technological development and innovation had assisted them to grow their business. While 11.5% of the sample strongly disagreed and 18.5% disagreed with the statement only a small minority (14.4%) indicated their agreement.

"The supporting institutions have assisted me in accessing the business premises"

Table 28: Access to premises support

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	25	12.4	13.0	13.0
	Disagree	114	56.4	59.1	72.0
	Not sure	5	2.5	2.6	74.6
	Agree	47	23.3	24.4	99.0
	Strongly agree	2	1.0	1.0	100.0
	Total	193	95.5	100.0	
Missing	System	9	4.5		
Total		202	100.0		

A majority of respondents (72.1%) either disagreed or strongly disagreed with the statement that supporting institutions have assisted them with accessing business premises. Only just over a quarter (25.4%) of respondents either agreed or strongly agreed with the statement. Infrastructure is one of the key support areas to be provided to businesses for them to be successful. It also needs to be in good condition and suitable for usage. Failure to access this service hinders the growth of businesses and hence the economic contribution of MSMEs will not be realised.

"The supporting institutions have assisted me in accessing the market"

Table 29: Accessing the market

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	33	16.3	17.0	17.0
	Disagree	54	26.7	27.8	44.8
	Not sure	69	34.2	35.6	80.4
	Agree	37	18.3	19.1	99.5
	Strongly agree	1	.5	.5	100.0
	Total	194	96.0	100.0	
Missing	System	8	4.0		
Total		202	100.0		

The modal response was "Not sure" (35.6%) followed by "Disagree" (27.8%) and "Strongly disagree" (17%). The supporting institutions may have done their part to source the market for entrepreneurs but failed to ensure that entrepreneurs were aware of the market available to them. This leads to the services provided being ineffective or regarded as redundant by the entrepreneurs.

In question 14, the penultimate question, respondents were provided with a list of interventions and asked to indicate the extent to which they have impacted on their businesses. The intervention is listed and the results pertaining to the intervention are then provided.

"Access to finance"

Table 30: Impact of access to finance

		Frequency	Percent	Valid percent	Cumulative percent
Valid	No impact	99	49.0	52.1	52.1
	Very little impact	43	21.3	22.6	74.7
	Moderate impact	38	18.8	20.0	94.7
	High impact	9	4.5	4.7	99.5
	Exceptional impact	1	.5	.5	100.0
	Total	190	94.1	100.0	
Missing	System	12	5.9		
Total		202	100.0		

Table 30 shows that the highest percentage of respondents (52.1%) were of the opinion that "Access to finance" had no impact on their business. This was followed by 22.6% of respondents stating that it had very little impact. These percentages illustrate that there is a gap that needs to be filled in terms of assisting small businesses. They need to grow, compete and pay taxes and this would be difficult to accomplish if their "financial muscles" are very weak. The OECD (2012) has shown that the efficiency of policy frameworks can help SMEs face constraints such as growth, competitiveness and entrepreneurship.

"Access to training"

Table 31: Impact of access to training

		Frequency	Percent	Valid percent	Cumulative percent
Valid	No impact	80	39.6	41.5	41.5
	Very little impact	57	28.2	29.5	71.0
	Moderate impact	48	23.8	24.9	95.9
	High impact	8	4.0	4.1	100.0
	Total	193	95.5	100.0	
Missing	System	9	4.5		
Total		202	100.0		

Table 31 indicates that 41.5% of respondents felt that "Access to training" had no impact on their business. The next highest percentage was 29.5% of respondents stating "Very little impact". This is contradictory to what the literature mentions concerning the provision of quality business development services in that entrepreneurship training is considered central to the success of small businesses. Of the respondents, 24.9% indicated that there was a "Moderate impact" and the smallest percentage of respondents (4.1%) felt that the impact had been high. This means that the training acquired by these latter respondents had better results, that is, the skills obtained could be applied.

Table 32: Impact of access to technological development & innovations

		Frequency	Percent	Valid percent	Cumulative percent
Valid	No impact	115	56.9	59.6	59.6
	Very little impact	54	26.7	28.0	87.6
	Moderate impact	17	8.4	8.8	96.4
	High impact	7	3.5	3.6	100.0
	Total	193	95.5	100.0	
Missing	System	9	4.5		
Total		202	100.0		

More than half (59.6%) of respondents felt that "Access to technological development & innovations" had no impact on their business. This was followed by 28% who said that it had very little impact. The literature has shown that per capita income is no longer a measure of development as countries are now measured by their level of technological development. The implication here is that respondents are not seeing any value in technological development and innovations in their businesses. Only 8.8% of respondents felt that access to such development and innovations had a moderate impact while even less, 3.6%, felt that the impact was high. There is thus room for improvement because a conducive business environment can be attained through investment in technology.

"Access to roads"

Table 33: Impact of access to roads

		Frequency	Percent	Valid percent	Cumulative percent
Valid	No impact	51	25.2	26.6	26.6
	Very little impact	31	15.3	16.1	42.7
	Moderate impact	70	34.7	36.5	79.2
	High impact	40	19.8	20.8	100.0
	Total	192	95.0	100.0	
Missing	System	10	5.0		
Total		202	100.0		

Table 33 shows that the most frequent response was that "Access to roads" had a "Moderate impact" (36.5%) followed by "No impact" (26.6%) and "High impact" (20.8%). Infrastructure development is the key to the growth of small businesses and many start-ups are encouraged by the availability of transportation, which will, in turn, make it easy for MSMEs to source supplies. In most rural areas of Lesotho, one has to take a trip to where one can buys goods and services.

"Access to electricity"

Table 34: Impact of access to electricity

		Frequency	Percent	Valid percent	Cumulative percent
Valid	No impact	52	25.7	26.9	26.9
	Very little impact	35	17.3	18.1	45.1
	Moderate impact	65	32.2	33.7	78.8
	High impact	41	20.3	21.2	100.0
	Total	193	95.5	100.0	
Missing	System	9	4.5		
Total		202	100.0		

Table 34 shows that 33.7% of respondents believed that "Access to electricity" has a moderate impact while 26.9% felt that it had no impact. Only 21.2% of respondents believed that the accessibility of electricity had a high impact on their business. The provision of electricity is one of the priorities of the MSME Policy in Lesotho which would allow for the development of MSME-oriented electronic commerce as a number one priority. Thus, one would expect that more than half the respondents would consider its impact to be high (which was not the case).

"Access to market"

Table 35: Impact of access to market

		Frequency	Percent	Valid percent	Cumulative percent
Valid	No impact	93	46.0	48.2	48.2
	Very little impact	58	28.7	30.1	78.2
	Moderate impact	29	14.4	15.0	93.3
	High impact	13	6.4	6.7	100.0
	Total	193	95.5	100.0	
Missing	System	9	4.5		
Total		202	100.0		

As shown in Table 35, just under half (48.2%) of the respondents indicated that "Access to market" had no impact on their business. Literature has established that a large majority of businesses in Lesotho provide goods and services to the domestic market. They fail to access foreign markets which would be good for their growth and sustainability and, to do so, they need access to market information and intelligence. Of the respondents, 30.1% indicated that access to market had "Very little impact" followed by 15.0% who indicated it having a "Moderate impact". Market accessibility is crucial in the 21st century because of globalisation.

The final question asked respondents to mention any perceived barriers to access any of the assistance offered by the supporting institutions. The barriers mentioned by respondents are listed in Table 36 below.

Table 36: Perceived barriers to access assistance

		Frequency	Percent
Valid	Access to market is made difficult by poor communication or network that caused by high rates of communication and no free Wi-Fi available to subsidise the communication for those who have devices that have an Internet connection	1	.5
	Accessing the place to work and finance	1	.5
	All the interventions are politically done	1	.5
	All the competing businesses around here are owned by foreigners so they sell products less than local businesses	1	.5
	All the competing businesses around here are owned by foreigners so they sell their products less than locally owned businesses so the market is taken by them. Local businesses do not afford to rent big premises but foreign businesses are able.	1	.5
	Assistance is given to some not all small business but all need to be supported	1	.5
	Assistance is very low that hinders the growth of small business. The taxes are very high. Lack of interest in small business by the government	1	.5
	Business communities don't have access to supporting institutions, there is no transparency information delivered every information is kept in offices. Sometimes we know only the names of these institutions but none of their services and procedures to accessing their services	1	.5
	Collateral	1	.5
	Collateral requirement makes it difficult to get a loan	1	.5
	Communication rates are very high. Lack of electricity is affecting the business operations	1	.5
	Communication rates are very high. Lack of electricity is affecting the business operations	1	.5
	Connectivity of Internet to market the business is very hard because of lack of electricity in the rural areas	1	.5

Connectivity to Internet to market the business is very hard because of lack of electricity in the rural areas	1	.5
Corruption	1	.5
Corruption	2	1.0
Corruption and discrimination by procurement	1	.5
Corruption and discrimination done by the supporting institutions	1	.5
Corruption and nepotism	1	.5
Corruption and red-tape in the processing of licenses	2	1.0
Corruption by the supporting institutions	2	1.0
Corruption is a big barrier	1	.5
Corruption is a perceived barrier because in order for one to get a permit or license has to pay for the service provider a certain amount	1	.5
Corruption is a major barrier to access the assistance	1	.5
Crime is a perceived barrier including the rent which is too high	1	.5
Crime is too high that affects the business. Rent also is a barrier for is too high	1	.5
Cross border law and regulations	1	.5
Difficult to access the markets as a small business, the large businesses are taking control of the market	1	.5
Difficult to get funding to start and grow the business. Lack of implementation of what has been promised to help small businesses like the subsidy during the coronavirus pandemic	1	.5
Difficult to import and export goods and services	2	1.0
Difficult to import goods because of the laws and regulations	1	.5
Discrimination and lack of transparency	1	.5
Discrimination by procurement officers	1	.5
Discrimination to small business	1	.5
Dissemination of information to SMEs so that they can know which institute is available to help them is a perceived barrier because the local government does not link with small business to help SMEs	1	.5
Electricity connection is only available in urban areas not in rural areas. Cross border agreements are affecting the businesses	1	.5
Empty promises	1	.5

Expensive rent. Too much level of crime. Lack money to start and grow the business	1	.5
Facilities such as communications services are hard to access	1	.5
Failing to put the interests of small businesses in place	1	.5
Failure to put into action what they are mandated to do	1	.5
Few facilities that offer funding to small businesses. It is very hard to get a place to do business unless you have your own place.	1	.5
Finance is a barrier to start and keep the business running. The government promised to assist small businesses during the lockdown due to coronavirus but nothing has been done	1	.5
Finance. Laws not put in place to support small businesses. Taxes being high	1	.5
First, we are not even given meetings and conferences to make us aware of services provided. Second, it takes forever to get help if asked, one ends up looking for other options	1	.5
Focus about services provided is given to urban businesses leaving out the rural businesses behind	1	.5
Focus is on the urban businesses not rural businesses in terms of assistance	1	.5
Funding is not always easily available. Empty promises like the subsidy during the lockdown	1	.5
Funding opportunities are scarce. There is no market during the lockdown and government closes our services but failed to assist us	1	.5
Government subsidies are not offered to everyone, they are offered to businesses that voted for the government. The supervision from the government employees is very poor. The informal market is easily competing with the formal market, and they are more than formal businesses.	1	.5
Government subsidies are not reliable. The supervision from the government employees is very low	1	.5
Gross border agreements affect import and export of goods and services	1	.5
High taxes. Procurement being corrupt. Lack of service delivery	1	.5

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High corruption	1	.5
High level of corruption	1	.5
High level of corruption and lack of accountability	1	.5
High rates of taxes	1	.5
Housebreaking levels are too high and rent is very expensive	1	.5
I did my business where there is no access to roads and electricity. The town is very far from where I do business so it is difficult to obtain stock because I travel a long distance with bad conditions of the road. It is also difficult to renew my license every year because of distance.	1	.5
I don't know about the supporting institutions so maybe they don't do enough to be known by the business entities	1	.5
I don't know them, I thought I am the one who is responsible to run my business the way I want after I got the license to run it	1	.5
Information about services is not given to small businesses to know about services.	1	.5
Information dissemination is centralised not to rural businesses but to urban businesses	1	.5
Information is given to particular businesses only	1	.5
Information is not passed to the relevant businesses about the services they qualify for.	1	.5
Infrastructure availability is an obstacle to businesses in rural areas	2	1.0
Is that everything is private, is not popularised from the national to the grassroots level. Also, there is a low dissemination of information from the concerned institutions to the activists of MSMEs. Further, there is only promises so this as result tends to break down the economy of our country.	1	.5
It is hard to be supported in rural areas. The facilities in rural areas are of poor quality and conditions.	1	.5
It is not easy to import products such as chemicals but are not available in Lesotho. The government promised to enable networking and marketing but is not like that	1	.5

	It is very difficult to have additional funding unless one has business to do with government. The processes to follow in order to obtain tax clearance are many and need people who are familiar with the use of technology.	1	.5
	Just to mention but few, there are no institutions dedicated to assisting small businesses with funding also government employees themselves have no skills to guide small business owners to properly run their businesses profitably even to direct them to the right institutions for assistance.	1	.5
	Lack of accountability by the supporting institutions. Lack of transparency. Discrimination between rural and urban businesses, urban businesses receive more training than rural	1	.5
	Lack of business network of business associations makes it easy to access support. Lack of understanding between the business owners and the supporting institutions.	1	.5
	Lack of electricity and advance communication to improve the businesses	2	1.0
	Lack of financial support	1	.5
	Lack of funds	1	.5
	Lack of implementation by the supporting institutions. Lack of transparency. No interests to support small businesses	1	.5
	lack of information dissemination	1	.5
	Lack of information dissemination by the supporting institutions to small business about services	1	.5
	Lack of information dissemination to the small businesses	1	.5
	Lack of market as the large businesses compete with small businesses in the market	1	.5
	Lack of market. Lack of support. Lack of funds to grow the business	1	.5
	Lack of money to buy equipment and to get a better place to rent	1	.5
	Lack of money to grow the business. A lack of access to roads facilities. Regulated prices that apply to urban and rural businesses. Corruption to service offered to businesses such as deciding with government procurement	1	.5

Lack of money to grow the business. A lack of access to roads facilities.	1	.5
Lack of premises to hire	1	.5
Lack of putting law and regulations into practice	1	.5
Lack of guarantee for my loan	1	.5
Lack of reliability by the government regarding the subsidy. Law supervision by the institutions to assist the	1	.5
Lack of skills in the supporting institutions. Generalised trainings	1	.5
Lack of surety to secure a loan is a challenge to small business.	1	.5
lack of training and funding	1	.5
Lack of transparency	1	.5
Large businesses are in the same market as small business then affect the way small business could flourish. Corruption and lack of transparency.	1	.5
Law and regulations that regulate this sector are barriers. It is not easy to obtain land even when one wants to expand the business	1	.5
Laws and regulation that regulate the import and export of goods and services do affect small businesses	1	.5
Laws that impair small businesses to import goods from South Africa	1	.5
Lease agreement is a big barrier to obtain	1	.5
Load shedding	1	.5
Load shedding, to obtain license we have to go to Maseru, for instance, money lender service is not available at district level	1	.5
Load shedding	1	.5
Market is favouring large businesses over small businesses	1	.5
More attention is given to urban than rural businesses	1	.5
Most of the information is done through radios and televisions which is not proper media for rural businesses. Loans from the banks are not easily accessible because banks are not training the businesses but expecting them to meet certain standards which are stipulated by the agreement between government and banks	1	.5
Most of the trainings are done in Maseru which is the capital city and to attend sometimes they say you should pay for transport they will refund you but you may find that you don't have the money to attend	1	.5

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N/a		8	4.0
Networking between businesses is very difficult because of poor communication and is not available in rural areas.		1	.5
No further trainings were available the training was affected once and the machines we are using are old since we got the support from the supporting institution		1	.5
No meetings held to inform small business about services offered by the supporting institutions.		1	.5
No one is making sure that service providers are doing their work		1	.5
No too much attention given to small business but large business are		1	.5
No trainings offered by the supporting institutions to sewing businesses unless one learns from parents or friends		1	.5
Not all small businesses are given the trainings so there is discrimination between small businesses when it comes to selection of who should attend by the institutions		1	.5
Not easy to import goods by small businesses		1	.5
Not easy to obtain any funding from the supporting institutions unless from friends or family		1	.5
Nothing to put as surety for a loan		1	.5
Opportunities are not given to all businesses.		1	.5
Political instability leads to poor business opportunity because they stop production of wool and mohair by monopolising such business through Chinese agent.		1	.5
Poor infrastructure. High rate of crime		1	.5
Premise's facilities are too high yet they are not in good conditions. Crime is too high also.		1	.5
Putting something as surety before getting a loan		1	.5
Rent is too high and housebreaking (crime) is also too high where we are renting		1	.5
Rent is too high that is paid to BEDCO yet customers are few. Lack of finance to boost the business		1	.5
Rent is too high. Crime that happens during the night is also too high.		1	.5
Rent is very expensive. Crime is too high		1	.5

	Rental room affected our business because of too much rent	1	.5
	Rented rooms are very expensive and the owner of buildings needs too much rent whereas there is no business	1	.5
	Road's accessibility is poor and lack of electricity	1	.5
	Rural businesses are not aware and not make aware of the opportunities that they may get in order to grow their businesses by responsible people or industries	1	.5
	Rural small businesses are not supported by the supporting institutions	1	.5
	Sectors are not given the same treatment by the supporting institutions	1	.5
	Service providers lack interest in businesses based in rural areas but expect them to pay tax	1	.5
	Service providers sit in their offices while they are supposed to be out there to serve the businesses	1	.5
	Services are centralised so the rural businesses are not receiving any assistance	1	.5
	Small businesses are not treated the same way as large businesses	1	.5
	Small businesses are paying a lot of taxes and rent	1	.5
	Small businesses are affected by the market because they are competing with large businesses	1	.5
	Small businesses are lacking support and guidance from the supporting institutions	1	.5
	Small businesses do not receive the services that are said they need from the supporting institutions.	1	.5
	SMMEs are not protected against large businesses in terms of the market. For example, large businesses sell in small quantities like the way small businesses do.	1	.5
	Supporting in terms of money is a problem	1	.5
	Supporting institutions do not assist small businesses to import goods and services even to export them but large businesses are able to do so.	1	.5
	Supporting institutions do not go to high school students to tell them about they should do when they need assistance for their businesses. The other barrier is that we don't have enough renting premises.	1	.5

	Supporting institutions do not make it easy for small businesses to import goods and services priority is given to large businesses	1	.5
	Supporting institutions don't give small business information to know about services they offer	1	.5
	Surety (for example, lease), load shedding	1	.5
	Tax and rent rates are too high for small businesses	1	.5
	Taxes are too high	1	.5
	There is no market meant for small businesses and it affects them as large businesses are in competition with them.	1	.5
	The finance institutions require so much that we cannot afford to get credit or loans from them	1	.5
	The assistance is not given to all business	1	.5
	The banks requirements such collateral	1	.5
	The equipment for agriculture from the government is not reliable. For example, tractors are always not working or sometimes not having fuel or drivers so we end up with poor methods of ploughing which lead to poor harvesting.	1	.5
	The failure is from the service providers who are entrusted to serve the small businesses	1	.5
	The government is competing with us in services we provide to the private sector and there are little marketing opportunities offered to agricultural businesses. The subsidy offered by the government is not reliable that leads to high prices.	1	.5
	The government is good at saying it will assist people who are in agriculture but there is a lack of that assistance we are doing things on our own to meet the needs of the market	1	.5
	The Internet is not reliable, it affects our services. The rate of Internet is too high that reduces our profits. Big businesses competing with small business in the same market	1	.5
	The lack of surety to secure loans. Too high rates such as rent	1	.5

	The law and regulations are not giving the small businesses the same regard as the large business although small businesses are more or many than large businesses. During the lockdown, the small businesses were closed but large businesses opened. When it comes to taxes, they all pay. The rent is too high.	1	.5
	The law and regulations are not giving the small businesses the same regard as the large businesses.	1	.5
	The law and regulations don't treat small businesses the same way as the large businesses	1	.5
	The Lesotho Revenue Authority is charging us high taxes	1	.5
	The means of exporting and importing goods are not easy for small business. The rural businesses are affected by poor infrastructure	1	.5
	The perceived barrier to access any assistance is crime. Another barrier is rent	1	.5
	The premise I am renting is not conducive but rent is too high. Taxes are too high because most of my products are imported from RSA. Laws and regulations are very strict, one needs to apply for a permit to imports goods and permits do expire.	1	.5
	The premises are very small and highly regulated by the landlords (for example, BEDCO) that affects the flexibility of the business	1	.5
	The premises in Qacha's Nek are very small but the rent is very expensive. There is a lack of premises to rent as there are too many businesses which are looking for a place to hire.	1	.5
	The requirement of a lease before getting the license is making it difficult to get a license.	1	.5
	The rural businesses are affected by poor infrastructure. The means of exporting and importing goods are not easy for small businesses	1	.5
	The services found in supporting institutions are not made to be known by the small businesses so that they may seek them.	1	.5
	The small businesses are not told about the assistance they qualify for	1	.5
	The supporting institutions are found only in urban areas and assistance is given to businesses that are based in urban areas	1	.5

	The supporting institutions don't disseminate information to small business so is hard to know about the services they offer. Business people are busy so they don't go around asking about the institutions even though they need assistance.	1	.5
	The supporting institutions don't tell small businesses about the services they are offering to them.	1	.5
	The supporting institutions impose the trainings, they don't investigate individual's needs and wants. The personnel in the supporting institutions (some) are not competent with the work they are doing	1	.5
	The treatment of rural and urban businesses is not equal but they all regulated by one law/act.	1	.5
	There are few institutions to finance small businesses. Lack of facilities such as renting facilities for small businesses.	1	.5
	There are no infrastructures for learners to use for driving for instance grounds where we can test drive them before they access public roads.	1	.5
	There are few renting facilities for small businesses to hire	1	.5
	There is no clear regulation if is there, there is a lack of implementation to regulate the way large and small businesses should access the market.	1	.5
	There is no institution dedicated to the assistance of small business, if it is there, what is the name.	1	.5
	They offer trainings and workshops to certain businesses especially which are based in towns	1	.5
	Too high taxes. Too high rent. So many regulations to follow	1	.5
	Too much rent affects the profitability of the business. Crime levels are too high.	1	.5
	Training is not offered in rural areas or businesses which operate in rural areas are not usually invited to opportunities that are offered to urban businesses. There is a lack of electricity in rural areas that limit the services that businesses wish to give to customers such as cell-phones charging and repairing, Internet and money transfer services	1	.5
	Trainings are according to the needs of the individuals	1	.5
	Trainings are given to certain individuals	1	.5

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	Workshops for training are not offered to every business there are businesses that are given priority over others. The tax that small businesses are paying is too high. The premises we are using are not suitable for the equipment that the kind of business we in.	1	.5
	Total	202	100.0

When the above responses are categorised, the main perceived barriers to access any of the assistance offered by the supporting institutions are as follows:

- Access to markets (27% of respondents)
- Wi-Fi, Internet and security equipment (15%)
- Crime and corruption at higher levels (22%)
- Communication between MSMEs and the relevant stakeholders (16%)
- Rent and foreign-owned businesses selling products at cheaper prices (15%)
- Other (5%).

5.5 Discussion

The sample comprised the following age distribution: 21-30 years (36.6%), 31-40 years (26.2%) and 41-50 years (16.3%). Hence the responses that were solicited came from a representative age distribution. The African race group constituted 95% of the sample and there were more males (56.9%) than females (43.1%) represented in the sample. The majority of the respondents had a High school education (65.7%) followed by those with a Diploma (18.2%), Primary school (10.1%) and Undergraduate degree (5.6%).

The research shows that the district from which the majority of respondents came was Mokhotlong (61.9%) and the remainder (38.1%) coming from Qacha's Nek. Over three-quarters of the sample (78.2%) were business owners and the remainder (21.8%) were managers. The breakdown of the different kinds of businesses was Retail (48.5%), Service (25.7%), Agriculture (15.8%) and Manufacturing (5%).

Findings reveal that for the business process an overwhelming 87.7% of the sample either "Agreed" (84.2%) or "Strongly agreed" (3.5%) that they were aware of the available supporting institutions meant to develop MSMEs, while 66.8% of the respondents "Agreed" and 1.5% "Strongly agreed" that they had received assistance from the business supporting institutions.

It was also found that 18.3% of the respondents "Disagreed" with having received assistance from the business supporting institutions. The findings reveal that just over half the sample (51.5%) "Disagreed" (41.3%) and "Strongly disagreed" (10.4%) with the statement "I am satisfied with the service provided to me by the supporting institutions". This is a noteworthy finding in that more can be done in terms of the provision of service by the supporting institutions. Thus, the relevant authorities need to play more of a key role and, as a mechanism to motivate better service, an incentive could be offered by the government to supporting institutions in their endeavour to assist MSMEs.

The findings reveal that when it comes to received assistance from the supporting institutions to businesses, 46% of the respondents indicated that they "Sometimes" receive assistance 31.2% that they "Rarely" receive assistance and 21.8% that they received assistance "Not at all". These findings are of concern since the underlying issue of a lack of support is highlighted once again and is a key finding of this research. More has to be done in terms of the assistance provided to ensure the survival of MSMEs. It should become mandatory in the business arena for established businesses to show proof of assistance and service as a supporting institution. In this study, the assistance that was given was given primarily in the form of training (22%) whilst the rest of the businesses have not made good on their promise to provide training. The issue of training must become a necessity for any business. As a recommendation, business specialists from various companies could be brought in to develop courses that can then be offered to the respondents and others through social media, the Internet, roadshows and free workshops, webinars and seminars.

The breakdown from the supporting institutions and the kind of assistance given was distributed as follows:

The MTICM had offered "Access to market" (16.3%) and "Other" assistance (14.9%); the BEDCO had provided "Training opportunities" (12.9%) and "Assistance with access to premises" (13.4%); the SMMEs Network had provided "Training opportunities" (26.2%) and "Access to market" (5.4%); the LNDC had offered no assistance; Post Bank had offered "Additional funding" (29.2%); and other institutions had offered "Training opportunities" (6.9%) and "Additional funding" (8.9%). The type of training received was "Bookkeeping" (32.1%), "Marketing" (19.8%), "Other" (18.8%), "Business plan and feasibility study" (17.3%), and finally, "Mentoring" (12%).

The findings show that 63.3% of respondents either disagreed (41.2%) or strongly disagreed (22.1%) that the supporting institutions had helped them with "Accessing finances". It is thus evident that accessing finance is an issue and a noteworthy finding in terms of helping MSMEs grow successfully. It was found that a majority of respondents (67.5%) either strongly disagreed (9.5%), disagreed (17.5%) or were "Not sure" (40.5%) that the training they had received was relevant to the current needs of their business. Thus, as a recommendation, more specialised training should be provided to respondents to better equip them for success. It is the responsibility of training authorities to survey the training needs of MSMEs and design curricula and courses accordingly. Just over half the sample (55.5%) were unsure as to whether the availability of technological development and innovation had assisted them to grow their business whilst 11.5% of the sample strongly disagreed and 18.5% disagreed with the contention. This is a further area which needs improvement. In terms of the supporting institutions assisting respondents in "accessing the business premises", the findings were largely negative with 72.1% of the sample disagreeing (59.1% disagreeing and 13% strongly disagreeing) that assistance had been given. Only 24.4% of the sample agreed that assistance had been given in accessing business premises. In a similar vein, only 18.3% of the respondents agreed that supporting institutions had assisted them in accessing the market, while 35.6% were unsure and 44.8% either disagreed or strongly disagreed that such assistance had been given. Assistance with accessing premises and the markets are areas for improvement and more, in particular, must be done in opening up the market to MSMEs. As a recommendation, a special concession should be given to MSMEs to access the market through various means such as advice and demonstrations from a business coach.

The findings show that "Access to finance" had no impact (52.1%) or very little impact (22.6%) on respondents' businesses, whilst "Access to training" had no impact (41.5%) and very little impact (29.5%). "Access to technological development & innovations" had no impact (59.6%) and very little impact (28%) constituting a significant majority (87.6%) of the sample. "Access to roads" was perceived as having a moderate impact (36.5%) and no impact (26.6%). Finally, "Access to electricity" was found to have a moderate impact (33.7%) and no impact (26.9%) while "Access to the market" was seen as having no impact (48.2%) and very little impact (30.1%) – the latter comprising a substantial 78.3% of the sample. All of the aforementioned interventions are areas needing attention and growth for MSMEs to succeed as it is evident that they (the interventions) are not having the desired or intended impact.

When asked (in an open-ended question) of other perceived barriers to access any of the assistance offered by the supporting institutions, the salient findings can be summarised as follows: Access to markets, Wi-Fi, Internet and security equipment. The issue of crime and corruption at higher levels also emerged as a salient finding as did the communication between MSMEs and the relevant stakeholders. The issue of rent and foreign-owned businesses selling products at cheaper prices were other perceived barriers as well.

5.6 Descriptive statistics

The descriptive statistics for each question are shown in Table 37 below. The results of the frequency tables are confirmed by these statistics. The mean, median, mode, standard deviation and variance are included in descriptive statistics.

Table 37: Summary of descriptive statistics for all questions

	Mean	Median	Mode	Std. deviation	Variance
Age	2.9158	3.0000	2.00	1.16664	1.361
Race	1.0792	1.0000	1.00	.40355	.163
Gender	1.4307	1.0000	1.00	.49640	.246
Level of education	2.2071	2.0000	2.00	.71429	.510
Role	1.2178	1.0000	1.00	.41379	.171
Kind of business	2.2277	2.0000	1.00	1.40278	1.968
q8.1	3.8465	4.0000	4.00	.59116	.349
q8.2	3.3960	4.0000	4.00	.99830	.997
q8.3	2.4876	2.0000	2.00	.83731	.701
q9	2.2723	2.0000	3.00	.83465	.697
q11MTICM	6.1714	6.0000	6.00	1.08976	1.188
q11BEDCO	4.0893	5.0000	5.00	1.04927	1.101
q11SMMEs Network	3.5429	3.0000	3.00	1.12528	1.266
Q11Post Bank	2.0000	2.0000	2.00	.00000	.000
Q11Other	4.1186	3.0000	2.00[a]	2.18998	4.796
q12.1	1.0147	1.0000	1.00	.12127	.015

q12.2	2.0256	2.0000	2.00	.15908	.025
q12.3	2.9683	3.0000	3.00	.21676	.047
q12.4	3.9787	4.0000	4.00	.14586	.021
q12.5	1.3378	1.0000	1.00	1.10139	1.213
q13.1	2.5075	2.0000	2.00	1.21385	1.473
q13.2	2.9750	3.0000	3.00	.96386	.929
q13.3	2.7800	3.0000	3.00	1.16118	1.348
q13.4	2.4145	2.0000	2.00	1.02784	1.056
q13.5	2.5825	3.0000	3.00	1.00047	1.001
q14.1	1.7895	1.0000	1.00	.95834	.918
q14.2	1.9171	2.0000	1.00	.90908	.826
q14.3	1.5648	1.0000	1.00	.80182	.643
q14.4	2.5156	3.0000	3.00	1.09724	1.204
q14.5	2.4922	3.0000	3.00	1.10453	1.220
q14.6	1.8031	2.0000	1.00	.93128	.867

The mean, mode, median, sample variance and sample standard deviation are measured. The mean or the arithmetic mean is the sum of all the values divided by the sample size; the mode is the most frequent response given by the respondents; the median is the middlemost value when the data (per variable/question) are organised in ascending or descending order; the sample variance is the extent or quantity by which each observation varies one from another; and the sample standard deviation is the square root of the sample variance. From the table above, the majority of the questions have modes of "2", "4" and "3" and these can be interpreted in agreement with the responses from the scales of the relevant question. The standard deviations are steadily approximately "1" and this signifies good consistency between the observations due to the low variability. The mean and median values are consistent with the modal values. The descriptive statistics help to verify the mean and median.

5.6.1 Reliability

Coakes"and Steed (2010) stated that there are several different reliability coefficients. One of the most commonly used is Cronbach's alpha, which is based on the average correlation of items within a test if the items are standardised. If the items are not standardised, it is based on the average covariance among the items. The Cronbach's alpha can range from 0 to 1. The

Cronbach's alpha was also calculated as part of the reliability test to assess how consistent the results were and whether similar results would be obtained to generalise if the sample size was increased. A value of 0.7 or higher is a very good value that can lead one to say that the same results would be obtained if the survey was carried out with a larger sample of respondents. The Cronbach's alpha was calculated for all the questions which have the same scales in each section.

Table 38: Cronbach's alpha

Question	Cronbach's alpha
Question 8 (8.1-8.3)	0.701
Question 13 (13.1-13.5)	0.724
Question 14 (14.1-14.6)	0.871

The alpha values, as reflected in the table above, seem fine indicating a good internal consistency.

5.7 Answering the research hypotheses and research objectives

Before any hypothesis testing is done, the questions/variables are tested to determine whether they follow a normal distribution or not. Normality implies that if the variables/questions are normally distributed then parametric tests, for example, the Independent Sample T-test, the Analysis of Variance (ANOVA) and certain parametric hypothesis tests will be permissible to use on the data. However, if the normality assumption is violated then nonparametric tests such as the Mann Whitney U Test, the Wilcoxon Sign Rank Test and the Friedman Test, to name a few, are allowed on the data to test certain hypotheses and infer results (Field and Miles, 2010). Hence, to test for normality on the data use is made of the Kolmogorov Smirnov Test as described below.

5.7.1 Kolmogorov Smirnov Test

H_0: The tested variables come from a normal distribution

H_1: The tested variables do not come from a normal distribution

Table 39: Kolmogorov Smirnov Test

	Test statistic	Asymp. Sig. (2-tailed)
Age	.224	.000
Race	.528	.000
Gender	.377	.000
Level of education	.372	.000
Role	.483	.000
Kind of business	.294	.000
q8.1	.479	.000
q8.2	.411	.000
q8.3	.237	.000
q9	.279	.000
q11MTICM	.338	.000
q11BEDCO	.325	.000
q11SMMEs Network	.457	.000
q11Other	.272	.000
q12.1	.534	.000
q12.2	.538	.000
q12.3	.534	.000
q12.4	.537	.000
q12.5	.526	.000
q13.1	.295	.000
q13.2	.240	.000
q13.3	.280	.000
q13.4	.377	.000
q13.5	.213	.000
q14.1	.316	.000
q14.2	.258	.000
q14.3	.355	.000
q14.4	.243	.000

Table 39: Kolmogorov Smirnov Test

q14.5	.226	.000
q14.6	.288	.000

At the 5% significance level, H₀ for the questions whose p-values are less than 0.05 are rejected and the conclusion is that the tested variables do not come from a normal distribution. The implication for this is that as far as the scores are concerned, the use of non-parametric statistics is required. Tests such as the Mann-Whitney U Test, the Chi-square and the Kruskal Wallis Test would be used if necessary. In this case, since the p-values are all less than 0.05, the H₀ is rejected and it is concluded that non-parametric tests will be used on these questions for further analysis.

5.7.2 Hypothesis testing

Chi-Square Goodness of Fit Test

There are two Chi-square tests, that is, Chi-square Test of Independence and the Chi-square Goodness of Fit Test. The former is often used to check for an association between the rows and columns of a contingency table (Coakes & Steed, 2010). The hypotheses below were tested using the Chi-square Goodness of Fit Test. The motive that this test was used in each of the hypotheses, is that if the responses are tending towards certain categories, for example, towards the "Exceptional impact" and "High impact" categories rather than the "Very little impact" and "No impact" categories concerning the tested variables such as "Access to finance", then the evaluation of the effectiveness of the implementation of the institutional mechanism to assist MSMEs in Mokhotlong and Qacha's Nek can be ascertained based on the distribution of the responses within the question categories.

H_{1o}: Access to finance has been made easy for MSMEs by BDS

$H1_a$: Access to finance has not been made easy for MSMEs by BDS

Table 40: Chi-square Test statistics results (a)

Test statistics	
	q14.1
Chi-Square	2595.155
Df	4
Asymp. Sig.	.000

At the 5% significance level since the p-values are less than 0.05, H_0 is rejected and it is concluded that "Access to finance" has not been made easy for MSMEs by BDS.

H_{2o}: MSMEs owners are offered relevant entrepreneurship training by BDS

H_{2a}: MSMEs owners are not offered relevant entrepreneurship training by BDS

Table 41: Chi-Square Test statistics results (b)

Test statistics	
	q14.2
Chi-Square	1852.608
Df	3
Asymp. Sig.	.000

At the 5% significance level since the p-values are less than 0.05, H_0 is rejected and it is concluded that MSMEs owners are not offered relevant entrepreneurship training by BDS.

H_{3o}: Technological development has been made available for MSMEs

H_{3a}: Technological development has not been made available for MSMEs

Table 42: Chi-Square Test statistics results (c)

Test statistics	
	q14.3
Chi-Square	3189.423
Df	3
Asymp. Sig.	.000

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At the 5% significance level since the p-values are less than 0.05, H_0 is rejected and it is concluded that technological development has not been made available for MSMEs.

H_{4o}: Infrastructure development is conducive for MSMEs

H_{4a}: Infrastructure development is not conducive for MSMEs

Table 43: Chi-square Test statistics results (d)

	Test statistics	
	q14.4	q14.5
Chi-Square	628.739[b]	693.833[a]
Df	3	3
Asymp. Sig.	.000	.000

At the 5% significance level since the p-values are less than 0.05, H_0 is rejected and it is concluded that infrastructure development is not conducive for MSMEs.

H_{5o}: Access to markets has been made easy for MSMEs

H_{5a}: Access to markets has not been made easy for MSMEs

Table 44: Chi-square Test statistics results (e)

	Test statistics
	q14.6
Chi-Square	2332.650
Df	3
Asymp. Sig.	.000

At the 5% significance level since the p-values are less than 0.05, the H_0 is rejected and it is concluded that access to markets has not been made easy for MSMEs.

One-sample T-test

The One-sample T-test is a test of the sample mean against a hypothesised value. The reason why this can also be used as a test in each of the hypotheses below is that if the responses are tending towards certain categories, for example, towards the "Exceptional impact" and "High

impact" categories rather than the "Very little impact and "No impact" categories concerning the tested variables such as "Access to finance", then the sample mean will be either above 4 (if the majority responses are towards the "Exceptional impact" and "High impact") or below 2 (if the majority responses are tending towards the "Very little impact" and "No impact" categories), then the evaluation of the effectiveness of the implementation of the institutional mechanism to assist MSMEs in Mokhotlong and Qacha's Nek can be ascertained based on the distribution of the responses within the question categories. Furthermore, as the sample mean is being used, we know that the sample mean according to the Central Limit Theorem is normally distributed and hence inferences about this mean (in the context of the hypotheses) can be tested through a parametric test such as the One-sample T-test.

H_{1o}: Access to finance has been made easy for MSMEs by BDS

$H1_a$: Access to finance has not been made easy for MSMEs by BDS

H_{2o}: MSMEs owners are offered relevant entrepreneurship training by BDS

H_{2a}: MSMEs owners are not offered relevant entrepreneurship training by BDS

H_{3o}: Technological development has been made available for MSMEs

H_{3a}: Technological development has not been made available for MSMEs

H_{4o}: Infrastructure development is conducive for MSMEs

H_{4a}: Infrastructure development is not conducive for MSMEs

H_{5o}: Access to markets has been made easy for MSMEs

H_{5a}: Access to markets has not been made easy for MSMEs.

The results are summarised as follows:

Table 45: One-sample Test statistics

One-sample Test				
Test Value ≥ 4				
	T	Df	Sig. (2-tailed)	Mean Difference
q14.1	-31.795	189	.000	-2.21053
q14.2	-31.831	192	.000	-2.08290
q14.3	-42.193	192	.000	-2.43523
q14.4	-18.745	191	.000	-1.48437
q14.5	-18.964	192	.000	-1.50777
q14.6	-32.772	192	.000	-2.19689

At the 5% significance level, all of the aforementioned H_0 were rejected since the p-values were less than 0.05 and it can be concluded that access to finance has not been made easy for MSMEs by BDS; MSME owners are not offered relevant entrepreneurship training by BDS; technological development has not been made available for MSMEs; infrastructure development is not conducive for MSMEs; and access to markets has not been made easy for MSMEs.

Further hypotheses:

Kruskal Wallis Test

The non-parametric Kruskal Wallis Test was used to test the following hypotheses:

H_0: There is no difference in the age group concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

H_1: There is a difference in the age group concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

Table 46: Kruskal-Wallis Test results (a)

Test statistics						
	q14.1	q14.2	q14.3	q14.4	q14.5	q14.6
Kruskal-Wallis H	14.145	9.431	4.257	8.244	4.836	8.564
Df	4	4	4	4	4	4
Asymp. Sig.	.007	.050	.372	.083	.305	.073

At the 5% significance level and since the p-values are less than 0.05, it can be concluded that the age groups differ concerning access to finance, offered relevant entrepreneurship training by BDS, and technological development being made available for MSMEs. However, there are no differences in the age groups concerning infrastructure development being conducive for MSMEs, and access to markets being made easy for MSMEs.

H_0: There is no difference in the race groups concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

H_1: There is a difference in the race groups concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

Table 47: Kruskal-Wallis Test results (b)

Test statistics						
	q14.1	q14.2	q14.3	q14.4	q14.5	q14.6
Kruskal-Wallis H	.841	2.137	1.881	4.131	2.820	2.420
Df	3	3	3	3	3	3
Asymp. Sig.	.840	.544	.597	.248	.420	.490

At the 5% significance level and since the p-values are all greater than 0.05 it can be concluded that there is no difference in the race groups concerning access to finance, being offered relevant entrepreneurship training by BDS, technological development being made available

for MSMEs, infrastructure development being conducive for MSMEs, and access to markets being made easy for MSMEs.

Mann Whitney U Test

Since gender only has two categories use can be made of the Mann Whitney U Test to test the following hypotheses:

H_0: There is no difference between males and females concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

H_1: There is a difference between males and females concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

Table 48: Mann Whitney U Test results (a)

Test statistics[a]						
	q14.1	q14.2	q14.3	q14.4	q14.5	q14.6
Mann-Whitney U	4339.500	4282.000	4313.000	3938.500	4402.500	4508.000
Wilcoxon W	7499.500	10498.000	7716.000	10154.500	10618.500	10724.000
Z	-.132	-.744	-.709	-1.527	-.402	-.121
Asymp. Sig. (2-tailed)	.895	.457	.478	.127	.688	.904

a. Grouping variable: Gender

At the 5% significance level and since the p-values are all greater than 0.05 it can be concluded that there is no difference between males and females concerning access to finance, offered relevant entrepreneurship training by BDS, technological development been made available for MSMEs, infrastructure development being conducive for MSMEs, and access to markets being made easy for MSMEs.

H_0: There is no difference in the education group concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for

MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

H_1: There is a difference in the education group concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

Table 49: Kruskal-Wallis Test results (c)

Test Statistics						
	q14.1	q14.2	q14.3	q14.4	q14.5	q14.6
Kruskal-Wallis H	5.828	16.355	12.963	9.228	7.523	5.343
Df	4	4	4	4	4	4
Asymp. Sig.	.212	.003	.011	.056	.111	.254

a. Kruskal Wallis Test

b. Grouping Variable: Level_Education

At the 5% significance level and since the p-values are less than 0.05 it can be concluded that the education groups differ concerning being offered relevant entrepreneurship training by BDS and technological development being made available for MSMEs. However, there are no differences in the education groups concerning access to finance, infrastructure development being conducive for MSMEs and access to markets being made easy for MSMEs.

Mann-Whitney U Test

Since "role in business" only has two categories, use can be made of the Mann-Whitney U Test to test the following hypotheses:

H_0: There is no difference between owners and managers concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

H_1: There is a difference between owners and managers concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

Table 50: Mann-Whitney U Test results (b)

Test statistics						
	q14.1	q14.2	q14.3	q14.4	q14.5	q14.6
Mann-Whitney U	2644.500	2734.000	2726.500	3128.000	3161.000	2770.500
Wilcoxon W	13969.500	14210.000	14202.500	14453.000	4064.000	14398.500
Z	-1.256	-1.449	-1.586	-.072	-.032	-1.176
Asymp. Sig. (2-tailed)	.209	.147	.113	.943	.974	.240

a. Grouping variable: Role

At the 5% significance level and since the p-values are all greater than 0.05 it can be concluded that there is no difference between owners and managers concerning access to finance, being offered relevant entrepreneurship training by BDS, technological development being made available for MSMEs, infrastructure development being conducive for MSMEs, and access to markets being made easy for MSMEs.

H_0: There is no difference in the kind of business group concerning access to finance, offered relevant entrepreneurship training by BDS, technological development has been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

H_1: There is a difference in the kind of business group concerning access to finance, offered relevant entrepreneurship training by BDS, technological development been made available for MSMEs, infrastructure development is conducive for MSMEs, and access to markets has been made easy for MSMEs.

Table 51: Kruskal-Wallis Test results (d)

Test statistics						
	q14.1	q14.2	q14.3	q14.4	q14.5	q14.6
Kruskal-Wallis H	5.369	4.672	1.067	5.485	5.153	7.423
Df	4	4	4	4	4	4
Asymp. Sig.	.251	.323	.899	.241	.272	.115

a. Kruskal Wallis Test

b. Grouping variable: Kind of business

At the 5% significance level and since the p-values are all greater than 0.05, it can be concluded that there is no difference in the kind of business group concerning access to finance, being offered relevant entrepreneurship training by BDS, technological development being made available for MSMEs, infrastructure development being conducive for MSMEs, and access to markets being made easy for MSMEs.

5.8 Summary

The study evaluated the implementation of the institutional mechanism to assist MSMEs in Mokhotlong and Qacha's Nek. The findings showed that the institutional mechanism needs to be improved and through the proper improvements, the desired outcomes can be achieved. Consequently, this will contribute to the overall growth of the Lesotho economy.

The majority of the respondents were aware of the available supporting institutions meant to develop MSMEs and it was found that just over two-thirds of the sample had received assistance from the business supporting institutions. The problem, however, lies in the quality of the services being provided by the supporting institutions which left much to be desired. It is recommended that relevant stakeholders sit down and re-examine the Policy to make the necessary adjustments to improve it. One of these adjustments should be to motivate supporting institutions with an incentive to provide high-quality assistance to MSMEs.

The study highlighted the need for training at various levels for MSMEs. A recommendation could be for a business specialist to be brought in and develop courses that can then be offered to the MSME owners and managers (and possibly others) through social media, the Internet, roadshows and free workshops, webinars and seminars. Certain institutions such as the

MTICM, the BEDCO and the SMMEs Network have contributed with training and assistance to some extent but the type of assistance that has been offered by these institutions is limited and not sufficiently varied. The type of training that respondents are looking for should be specialised and tailored to some degree. Consequently, there is a need to design more specific courses and reform the content within the existing courses used in the training.

The findings show that that the supporting institutions have not effectively helped MSMEs with accessing finance. Access to finance is thus an issue and a noteworthy finding in terms of helping MSMEs be successful. It was found that the need for training is highlighted throughout the research and more specialised training needs to be provided to MSME owner and managers to better equip them for success. It is the responsibility of training authorities to survey the training needs of MSMEs and design curricula and courses accordingly.

Another area of improvement is access to technological development and innovation. This can be achieved through the development of mobile technology (for example, cellular phones) that can assist MSMEs in their training and need for information. The need to access business premises and the market were also salient findings. It is recommended that the Lesotho Government consider the development of a seed fund or a finance pool to assist MSMEs as these funds will be necessary for assisting them to access business premises and the market. The administration of these funds needs to be done within the ambit of a well-developed policy. One of the positive findings of the study is that the infrastructure has, on the whole, had a moderate impact on MSMEs.

Some of the other perceived barriers to access assistance offered by the supporting institutions included access to Wi-Fi, the Internet and security equipment. Politics, crime and corruption at the higher levels of business and government were salient findings as were communication between MSMEs and the relevant stakeholders. The issue of rent and foreign-owned businesses selling products at cheaper prices was another perceived barrier. These barriers will have to be addressed at all levels in the two surveyed locations and task teams could be established for further investigation into these issues.

Chapter 6 follows and comprises the conclusion to the study and the recommendations emerging from the findings.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The previous chapter analysed and presented and discussed the research findings. This current chapter focuses on the conclusions and recommendations stemming from the study which evaluated the effectiveness of the implementation of the institutional mechanism to assist MSMEs in the Mokhotlong and Qacha's Nek districts of Lesotho. The recommendations will focus on all the stakeholders mandated to assist MSMEs but mainly the Lesotho Government as the custodian of the MSME Policy. The research limitations and recommendations for further research are also outlined.

The MSME sector is faced with several challenges. The barriers they face are common all over the globe and Lesotho's MSMEs are thus no exemption. Like any other ministry, the Ministry of Small Business, Co-operatives and Marketing is allocated funds every fiscal year to assist small businesses, but challenges still exist. The analysis of the challenges facing the MSME sector disclosed in the MSME Policy are the lack of access to markets/lack of demand, lack of access to finance, inadequate infrastructure, low level of technological capabilities, and the lack of skills and technology transfer. Hence the Policy set out institutional mechanisms that would overcome these challenges. The biggest challenge is how effective BDS are in putting these initiatives in action so that the growth and sustainability of MSMEs can be realised. Also, how unified are BDS while providing services to MSMEs to ensure that their needs are answered.

This study was an attempt to contribute to our understanding of these challenges and to act as a guide for what further studies need to concentrate on. It further sought to draw the attention of policymakers so that they could assess whether the Policy is contributing any value to MSMEs and, if not, what needs to be done.

6.2 Conclusions

The background of this study revealed that while SMEs are a powerful force for poverty reduction they are, however, fragile due to their exposure to the current risky business environment and, apart from being vulnerable to pressures of globalisation, SMEs face a poor domestic policy and regulatory environment. Hence the researcher was led to develop research questions the answers to which might assist in overcoming the major constraints that are caused

by the ineffective implementation of MSME policy. The investigation focused on questions such as:

- Has access to finance been made easy for MSMEs by BDS?
- Are MSMEs owners offered relevant entrepreneurship training by BDS?
- Has technological development been made available for MSMEs?
- Is infrastructure development conducive for MSMEs?
- How has access to markets been made easy for MSMEs?

The reviewed literature confirmed that entrepreneurs need policy measures because they, themselves, do not recognise the weaknesses or potential opportunities in their businesses. Some of the businesses might not attend the training offered by the supporting institutions only because they do not see the benefit of doing so. Therefore, policies to address these imperfections are, in principle, justified.

The Lesotho Government has been taking measures to support MSMEs. This is seen, for example, in the MSME Policy of 2016, which seeks to address the critical issue of institutional and coordination mechanisms for MSME development in the country. However, despite this initiative, MSMEs are still faced with the challenges of programmes not being relevant to their needs and which lack the intended results. This negatively affects the economy's growth as MSMEs are not playing the key role that they should, that is, contributing to the economy of the country.

The research found that the majority of MSMEs that took part in the study were aware of the available business supporting institutions meant to assist them and had received assistance from these institutions. However, there is a problem when it comes to the quality of services offered. Unless stakeholders sit down and examine the policy and then take proper interventions to improve the services, this could be considered a waste of resources.

The study also found that training for MSMEs is important insofar as economic growth, poverty reduction, tax compliance, and development of small business are concerned. The "one size fits all" approach should be avoided when training is offered. The institutions that are meant to assist with training have done so and some alterations need to be implemented to suit individual needs. The literature revealed that it is important to determine whether entrepreneurship training could be used for the benefit of entrepreneurs as well as the country as a

whole**.** Monitoring and evaluation could be the solution to some of the training challenges. Many MSMEs are managed by men; women, who are classified under the vulnerable category by the MSME Policy, are few in number. Hence there is a need for efficient implementation of policies and to put more focus on potential women entrepreneurs through training so as to increase their participation in the MSME sector.

It was found that access to finance is essential for the betterment of SMEs and there is thus a need to make it easier for them to obtain funds from financial institutions. According to Rupeika-Apoga (2014), the availability of funds strongly depends on the development level of the MSME, the bigger and more familiar the MSME is, the broader choices it has. Micro, Small and Medium Enterprises, especially in rural areas such as Qacha's Nek and Mokhotlong, might not have broader choices given the environment in which they are based. For example, financial institutions are centrally based and are not found in most of the rural areas. This means that the development level for rural-based MSMEs is too small.

The lack of information for sustained economic growth and competitiveness could be a barrier caused by poor technological development and innovation. The advancement of technological development and innovation helps SMEs to meet the needs of customers and remain competitive. New ideas are generated and implemented through the use of technology and new products are created and developed through innovation. A firm's growth can be one of the indicators for entrepreneurial performance. Hence, the provision of premises and access to the market for entrepreneurs are crucial for their performance. The availability of institutions such as the BEDCO is important in businesses based in areas such as Qacha's Nek and Mokhotlong. The BEDCO has provided some of the study respondents with premises but some lack knowledge about the services the BEDCO offers. Lack of information on how to access the market hinders the progression of MSMEs. It is important to review how this lack of information can be addressed to assist MSMEs in accessing the market. The inability to access markets leads to failure to expand to international markets and to less information being available on what is happening in the market environment. The level of FDI will be low if there are few exporters and importers in countries such as Lesotho.

Inadequate financial, training, technological development and innovation support lead to the poor performance of MSMEs. If Government support is geared towards advancing the economy, the emphasis must be placed on adequate support for MSMEs. If the support has

little or no impact the output will not be favourable. The MSMEs will not be in a position to expand their businesses if they have not realised the benefit of financial support. They will never use advanced technologies if they are not equipped to know the importance of technology in business. According to Fritsch (2008), one of the further mechanisms through which entrepreneurship can positively affect economic growth is by stimulating the rate of innovation in industries resulting in the opening of new markets. Infrastructure is not exempt from adequate support for it to contribute to the success of businesses.

The use of Wi-Fi and the Internet are crucial in the 21st century. Managers/owners of the businesses do not need to travel to towns to access these services if they are freely available in their areas. Collateral requirements hinder the business and lead to the increase of informal businesses. Crime and corruption also hinder the progression of MSMEs, especially where businesses are having to deal with the Government. All MSMEs dealing with the Government should be given the same treatment and opportunities. High crime levels negatively impact the ease of doing business and inhibit investment.

High operational costs also impact negatively on MSMEs. Rent was among the perceived barriers that affected MSMEs. Businesses in rural areas face many challenges and if the rent is too high, they may end up having to close. Locally owned businesses are also affected by foreign-owned businesses in terms of the selling price of goods. Foreign-owned businesses can buy in bulk and sell at a cheaper price. It is concluded that MSMEs in Lesotho and particularly those in the areas studied have many challenges that need to be addressed. The supporting institutions have to look at these challenges and evaluate what is and what is not working and make the necessary adjustments. The MSMEs also have a duty to search for new ways in which they can overcome their barriers.

It is concluded from the literature reviewed that improving the policy implementers' understanding of the implementation process and outcomes through the use of research-based findings could make their work more effective. In fact, both managers and policymakers' decision-making should be based on new findings from research. In doing so the effective implementation of policy will be facilitated.

6.3 Recommendations

The institutional mechanism needs to be improved to achieve the set goals. The challenges that arise during the process of implementing the strategies also need to be addressed. The improvements that are properly made will make it easy for MSMEs to grow and their contribution towards the overall growth in the economy of Lesotho will be assured.

Training is an area of significant concern. The supporting institutions should offer training based on the results of an assessment of the relevant needs of MSMEs. This will also help entrepreneurs to recognise their weaknesses and strengths and the potential opportunities in their businesses. The training courses need to be conducted regularly to enable the entrepreneurs' knowledge to be consolidated on a permanent basis.

The quality of services offered by the supporting institutions needs to be improved. It is recommended that proper measures be taken by the supporting institutions mandated to offer services to MSMEs to reflect on the current policy and to suggest what adjustments are necessary for the policy to be improved. The coordination of all concerned supporting institutions (training) meant to assist MSMEs will maximise the implementation of the limited available training resources. Trainers also need to be motivated so that the training they offer is of good quality. It is recommended that motivators or incentives be sourced to increase the trainers' level of satisfaction towards their work.

Training should be done to suit the needs of individuals. A feasibility study to determine the training needs (as suggested above) should be done before the training commences. The supporting institutions would tailor their programmes accordingly. For instance, rural programmes should answer the needs of rural businesses. It would be helpful to train rural entrepreneurs on how to engage local communities to improve poor infrastructure to make the business environment conducive to all. Given their vulnerability (for various reasons), women entrepreneurs should be trained separately from the men and their specific needs be responded to.

Finally (concerning training), what could also be considered is for business specialists to be brought in to develop courses which then can be offered to MSMEs and others through social media, the Internet, roadshows and free workshops, webinars, and seminars.

It is recommended that facilities, such as premises, be made affordable for small businesses. In doing so a holistic approach be applied, that is, the condition of the facilities is improved to match the rental costs. Services such as water, electricity, communication and security, where necessary, be provided. Furthermore, facilities need to be regularly maintained to meet the needs of the tenants. It is recommended that the MSME owners be mentored and coached to form relationships with large businesses so that they can be in a position to buy in bulk from them. The Government, through authorities meant to regulate competition, should ensure that the market is fair to every entrepreneur. There is again a need for MSMEs to attend training directed at equipping them with skills to better compete with their competitors.

There are few financial institutions in Lesotho, especially in rural areas. This results in access to finance being limited for MSMEs based in these areas. The problem, however, does not only lie in the limited number of financial institutions, it also lies in the issue of accessibility and the laws and regulations. It is recommended that the market be opened to businesses that want to invest in financial institutions so that no company monopolises the sector. Thus money-lending businesses should be allowed to obtain licenses easily and facilities that can cater for them while operating in rural areas be made available such as, for example, security, premises, and communication facilities. Collateral should be made flexible in such a way that assessment is made to check the level of the business and not every business be required to provide something as collateral. Some businesses are at the start-up stage and the Government should provide collateral for them.

For every business to grow and be successful, they need to have financial assistance. Access to finance is recommended at every level of the business. Financial services should be made aware of the importance of the MSME sector as this will allow them to lessen the requirements that small businesses need to meet to be granted financial assistance. It needs to be borne in mind that women and youth, among other vulnerable groups, find it difficult to own assets. The Government should establish financial institutions meant to assist the MSME sector only, for example, a "Bank of Construction" and a "Bank of Agriculture". The MSMEs may not have the capability to access some technologies or equipment if access to finance is not made easier.

It is recommended that education on the importance of technology development and innovation be prioritised by the Government and higher learning institutions be engaged. The public and

the private sectors need to be "linked" in terms of the use of technologies. Thus, Government tenders, for example, should be made digitally available to be accessed by any business anywhere. A technological development and innovation expo should be arranged by the supporting institutions to encourage MSMEs to be innovative and to use technologies that will impact positively on their businesses.

It is recommended that use of new research findings be utilised by managers and policymakers to enable them to redesign policies that are based on scientific information. Research institutions and the MSCM should collaborate so that transfer of information is possible. The collaboration should also encourage inputs from both the MSCM and research institutions so that the implementation process is carried out smoothly. Should this be done, the implementers would not find it hard to implement the policies. The Government should, at the outset, consider facilitating easier access to the Internet for policymakers and managers. The possibility of free access also needs to be considered as paid access (as is currently the case) may be a barrier.

6.4 Recommendations for further research

A limitation of this study is that it was limited to Mokhotlong and Qacha's Nek districts only and the results may not be easily generalisable. It is recommended that the study be extended to more areas in Lesotho. A longitudinal study in which the growth of MSMEs can be measured over time through effective training and various other business strategies could be considered. A further study could interrogate the excessive legal documentation that seems to be a barrier to MSMEs when seeking to access assistance from supporting institutions. Finally, a study could try to establish what the Government is doing to motivate the institutions to meet the set goals of the MSME Policy.

6.5 Concluding remarks

This study evaluated the implementation of the institutional mechanism to assist MSMEs in the Mokhotlong and Qacha's Nek districts in Lesotho. The findings of the study show that the institutional mechanism needs to be improved and, through the proper improvements, it can achieve the desired outcomes such as seeing businesses grow, being sustainable, creating jobs and accessing markets. Consequently, it is perceived that this will contribute to the overall growth of the Lesotho economy.

The awareness of the available supporting institutions meant to develop MSMEs are known by the majority of the sample and just over two-thirds of the sample had received assistance from the business supporting institutions. The problem lies in the quality of the service being provided by the supporting institutions in that it is not what it should be.

The research highlighted the need for training at various levels for MSMEs. While it is acknowledged that certain institutions have contributed to some extent with training and assistance, much still needs to be done and the recommendations in this regard suggested above (and in other sections of the dissertation) need to be considered.

The findings show that that the supporting institutions have not effectively helped MSMEs with accessing finance. Access to finance is an important issue and is needed for MSMEs to be successful. It is evident that interventions are needed on the part of the Lesotho Government and the recommendations offered above also need to be deliberated.

Also needing to be considered are the issues concerning technological development and innovation and facilitating MSMEs access to these. Mobile technology could play an important role in this regard as would interventions related to making the Internet more accessible to MSMEs and policymakers.

While a positive finding of the study is that infrastructure, on the whole, has had a moderate impact on MSMEs, their easier access to business premises and the market needs attention. A finance pool and its administration to provide for this would need to be done within the ambit of a well-developed policy.

Finally, various other perceived barriers were highlighted in the findings. These included politics, crime and corruption at the higher levels of business and Government as well as issues of communication between MSMEs and stakeholders, rent and foreign-owned businesses selling products at cheaper prices. These and other barriers will need to be addressed at all levels in the two surveyed locations and perhaps task teams can be set up for a further investigation into these issues.

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APPENDICES

Appendix 1: Questionnaire

Questionnaire for MSMEs

This study is meant to evaluate the effectiveness of implementation of MSMEs policy on small businesses in Lesotho, and is aimed at recommending proper actions that should be taken to increase the level of MSMEs sustainability.

You are kindly requested to complete this questionnaire.

Section A: Demographic Information

Kindly tick (√) in the box of your choice.

1. Age

18-20	
21-30	
31-40	
41- 50	
50+	

2. Race

African	
Indian	
Chinese	
White	

   Other: Please Specify:

   _____

3. Gender

Male	
Female	

4. Level of education

Primary	
High School	
Diploma	
Under Graduate	

Other: Please specify:

_____

Section B: Business Information

5. District of your business:_____

6. What is your role in the business?

Owner	
Manager	

7. What kind of business are you in?

Retail Trade	
Agriculture	
Manufacturing	
Service	

Others: Please specify:

_____

Section C: Business Process

8. To what extent do you agree or disagree with the following statements?

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
I am aware of the available supporting institutions meant to develop MSMEs					
I have received assistance from the business supporting institutions					
I am satisfied with the service provided to me by the supporting institutions					

9. How often have you received assistance from the supporting institutions to run your business?

Not at all	Rarely	Sometimes	Often	Very often

10. If you have not received any assistance from the supporting institutions, please explain why?

_____
_____
_____
_____

11. Indicate the type of assistance you received and supporting institution that you provided you with such assistance.

	Start capital	Additional funding	Training opportunities	Technological development & innovations	Assistance with access to premises	Access to market	Any other (please specify)
MTICM							
BEDCO							
SMMEs Network							
LNDC							
Post Bank							
Other: specify							

12. What kind of training?

Business plan and feasibility study	
Marketing	
Bookkeeping	
Mentoring	

Other: please specify:

_____

13. To what extent do agree or disagree with the following statements.

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
The supporting institutions have helped me with accessing finances					
The training I received was relevant to current needs of my business					
The availability of technological development and innovation has assisted me to grow my business					
The supporting institutions have assisted me in accessing the business premises					
The supporting institutions have assisted me in accessing the market					

14. Can you please assess how you feel the following interventions have positively or negatively impacted on your business?

Intervention	No impact	Very little impact (+, -)	Moderate Impact (+, -)	High impact (+, -)	Exceptional Impact (+, -)
Access to finance					
Access to training					
Access to technological development & innovations					
Access to roads					
Access to Electricity					
Access to market					

15. Mention any perceived barriers to access any of the assistances offered by the supporting institutions.

_____
_____
_____
_____

Thank you for your co-operation!!

Appendix 2: Translated questionnaire

Lipotso tsa MSMEs

Boithuto bona Bo reretsoe ho hlahloba bokhoni ba ho kenya ts'ebetsong leano la MSMEs likhoebong tse nyenyane Lesotho, 'me bo boetse bo reretsoe ho khothaletsa mekhoa e nepahetseng e ka etsoang ho nyolla boemo ba MSMEs hore ebe bo tsitsitseng.

U lebeletsoe hore u qete boithuto bona.

Karoloana ea pele: Litaba tsa lipalo-palo

Ts'oaea tsoepo (   ) ka lebokoseng la khetho ea hau

1. Lilemo

Lilemo tse lipakeng tsa 18 le 20

Lilemo tse lipakeng tsa 21 le 30

Lilemo tse lipakeng tsa 31 le 40

Lilemo tse lipakeng tsa 41 le 50

Lilemo tse 50 ho ea holimo

2. Moloko/ Morabe

Ma-Africa

Ma- India

Ma- chaena

Makhooa

Meloko e meng: Hlalosa

3.Botona kapa botšehali

Motho e motona

Motho e motšehali

4.Boemo ba thuto

Sekolo sa mathomo

Sekolo se phahameng

Thuto e bohareng (Diploma)

Thuto e phahameng (Degree)

Boemo bo bong ba thuto : Hlalosa

Karoloana ea bobeli: Litaba tsa khoebo

5. Setereke seo khoebo ea hau e leng ho sona: --

6. Boemo ba hau ke bofe kahar'a khoebo ee?

Mong'a khoebo

Mookameli

7. Khoebo ea hau ke ea mofuta ofe?

Ho rekisa thepa

Temo

Moetsi oa thepa

Phano ea litšebeletso

Tse ling: Hlalosa

Karoloana ea boraro: Tsoelopele ea khoebo/ bohato ba ho ntlafatsa khoebo

8. Ua hanana kapa ho lumellana le litaba tse latelang ?

	Ha ke lumele ho hang	Ha ke lumele	Ha ke tsebe hantle	Kea lumela	Ke Lumellana le eona haholo
Ke etse hloko litsi tse tšehetsang ntlafalo ea MSMEs					
Ke fumane thuso ho tsoa litsing tse tšehetsang likhoebo					
Ke khotsofetse ke tsela eo litsi li ntšebeletsang ka eona					

9. U fumane thuso hakae ea ho tsamaisa khoebo ho tsoa litsing tseo?

10: Haeba ha u so fumane thuso ho tsoa litsing tseo, hlalosa na hobaneng?

11: Bolela thuso eo u e fumaneng le setsi se u thusitseng

	Chelete e qalang khoebo	Lithuso ho tsoa ho bafani	Menyetla ea koetliso	Ntlafatso ea marang-rang le liphethoho kahar'a khoebo	Thuso ea ho fumana sebaka sa ho sebeletsa	Ho fumana monyetla oa ho bapatsa khoebo	Tse ling (totobatsa/ hlalosa)
MTICM							
BEDCO							
SMMEs Network							
LNDC							
POST BANK							
Tse ling: (hlalosa)							

12. Ke mofuta ofe oa koetliso?

Moralo oa khoebo le boitlhahlobo	
Ho bapatsa khoebo	
Ho hlahloba libuka tsa khoebo	
Ho fumana botataisi ka tsa khoebo	

Tse ling: Hlalosa

13. Ua hanana kapa ho lumellana le litaba tse latelang ?

	Ha ke lumele ho hang	Ha ke lumele	Ha ke tsebe hantle	Ha ke tsebe Hantle	Ke Lumellana le eona haholo
Litsi tsa tšehetso li nthusitse ho fumana lichelete					
Koetliso eo ke e fumaneng e ne e nyallana le seo khoebo ea ka e se hlokang					
Litšebeletso tsa marang-rang tse ntlafetseng le liphethoho kahar'a khoebo li nthusitse ho					

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holisa khoebo ea ka					
Litsi tsa tšehetso li nthusitse ho fumana setša sa khoebo					
Litsi tsa tšehetso li nthusitse ho fumana 'maraka					

14. Hlahloba hore na litaba tse latelang li amme khoebo ea hau hantle kapa hampe?

Ho kena lipakeng	Ha ho khahlamelo	Khahlamelo e fokolang(+,-)	Khahlamelo e bohareng(+,-)	Khahlamelo e holimo (+,-)	Khahlamelo e ikhethang (+,-)
Monyetla oa ho fumana chelete					
Monyetla oa ho fumana koetliso					
Monyetla oa ho fumana marang-rang a ntlafetseng le liphethoho kahar'a khoebo					
Monyetla oa ho sebelisa mebila					
Monyetla oa ho sebelisa motlakase					
Monyetla oa ho bapatsa khoebo ea hau					

15. Bolela liqholotso tseo u kopaneng le tsona ha u batla lithuso ho litsi tsa tšehetso

_____

_____

_____

Ke leboha tšebelisano 'moho e mofuthu:

Khotso Pula Nala

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Appendix 3: Informed consent

UKZN HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE (HSSREC)

APPLICATION FOR ETHICS APPROVAL
For research with human participants

Information Sheet and Consent to Participate in Research

Date:

Greetings,

My name is Mokete Bernard Molebatsi from University of KwaZulu-Natal, School of Management, IT and Governance. My Supervisor is Dr. Refiloe Gladys Khoase who can be contacted at 033 260 5736 or emailed at Khoaser@ukzn.ac.za and Co-Supervisor is Dr. Evelyn Derera who can be contacted at 033 260 5781 or emailed at Dererae@ukzn.ac.za. (Provide information about the researcher (name, department/institution and various contact numbers and email addresses)

You are being invited to consider participating in a study that involves research "An Evaluation of Effectiveness of the Implementation of the Institutional Mechanism to assist MSMEs in Lesotho: A case of Mokhotlong and Qacha's Nek".

The aim and purpose of this research is to evaluate the effectiveness of the implementation of institutional mechanism to assist MSMEs in Mokhotlong and Qacha's Nek in Lesotho. The study is expected to include 331 participants in total, 166 in Mokhotlong and 165 in Qacha's Nek district. The duration of your participation if you choose to participate and remain in the study is expected to be thirty minutes.

Through your participation I hope to understand the effectiveness of the MSMEs policy that was put in place to enhance small business development. The results of this survey are intended to contribute to the knowledge of the effectiveness of the implementation of institution mechanisms meant to assist MSMEs in Lesotho, this is perceived will reveal the reasons behind the early closure of MSMEs, whether it is due to ineffective implementation of the MSMEs policy.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number: HSSREC/00001166/2020).

In the event of any problems or concerns/questions you may contact the researcher at +266 63067791/ +27 730499211 and moketemolebatsi960@gmail.com or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION
Research Office, Westville Campus
Govan Mbeki Building
Private Bag X 54001
Durban 4000   KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557- Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

Your participation in the study is voluntary and by participating, you are granting the researcher permission to use your responses. You may refuse to participate or withdraw from the study at any time with no negative consequence. There will be no monetary gain from participating in the study. Your anonymity will be maintained by the researcher and the School of Management, I.T. & Governance and your responses will not be used for any purposes outside of this study.

All data, both electronic and hard copy, will be securely stored during the study and archived for 5 years. After this time, all data will be destroyed.

If you have any questions or concerns about participating in the study, please contact me or my research supervisor at the numbers listed above.

Sincerely

Mokete B. Molebatsi
(Researcher name and signature)

CONSENT TO PARTICIPATE

I (Name) have been informed about the study entitled (provide details) by (provide name of researcher/fieldworker).

I understand the purpose and procedures of the study (add these again if appropriate).

I have been given an opportunity to ask questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

I have been informed about any available compensation or medical treatment if injury occurs to me as a result of study-related procedures.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at (provide details).

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION
Research Office, Westville Campus
Govan Mbeki Building
Private   Bag   X   54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557 - Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

Additional consent, where applicable

I hereby provide consent to:

Audio-record my interview / focus group discussion   YES / NO
Video-record my interview / focus group discussion   YES / NO
Use of my photographs for research purposes   YES / NO

_____   _____
Signature of Participant   Date

Appendix 4: Ethical clearance

UNIVERSITY OF
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

09 April 2020

Mr Mokete Bernard Molebatsi (208520141)
School of Management, Info & Governance
Pietermaritzburg Campus

Dear Mr Molebatsi,

Protocol reference number: HSSREC/00001166/2020
Project title: An evaluation of effectiveness of the implementation of the Institutional Mechanism to assist MSMEs in Lesotho: A case of Mokhotlong and Qacha's Nek
Degree: Masters

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 13 March 2020 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid until 09 April 2021.
To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

HSSREC is registered with the South African National Research Ethics Council (REC-040414-040).

Yours sincerely,

Professor Dipane J Hlalele (Chair)

/ms

Humanities & Social Sciences Research Ethics Committee
UKZN Research Ethics Office Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban 4000
Tel: +27 31 260 8350 / 4557 / 3587
Website: http://research.ukzn.ac.za/Research-Ethics/

Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

INSPIRING GREATNESS

Appendix 5: EC Amendment Letter

UNIVERSITY OF KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

12 October 2021

Mokete Bernard Molebatsi (208520141)
School Of Man Info Tech & Gov
Pietermaritzburg Campus

Dear MB Molebatsi,

Protocol reference number: HSSREC/00001166/2020
Project title: An Evaluation of Effectiveness of the Implementation of the Institutional Mechanism to Assist MSMEs in Lesotho: A Case of Mokhotlong and Qacha s Nek
Amended title: Effectiveness of institutional mechanisms on small businesses in Mokhotlong and Qacha's Nek, Lesotho

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 06 October 2021 has now been approved as follows:

- Change in title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

Best wishes for the successful completion of your research protocol.

Yours faithfully

Professor Dipane Hlalele (Chair)

/dd

INSPIRING GREATNESS

Appendix 6: Proof of editing

Athol Leach (Proofreading and Editing)

31 Park Rd
Fisherhaven
Hermanus 7200
Email: atholleach@gmail.com Cell: 0846667799   17 May 2021

To Whom It May Concern

This letter serves to confirm that I have edited the following Master of Commerce (Entrepreneurship) dissertation by MOKETE BERNARD MOLEBATSI (Student no. 208520141):

"AN EVALUATION OF EFFECTIVENESS OF THE IMPLEMENTATION OF THE INSTITUTIONAL MECHANISM TO ASSIST MSMEs IN LESOTHO: A CASE OF MOKHOTLONG AND QACHA'S NEK"

The dissertation was edited in terms of grammar, spelling, punctuation and overall style. In doing so use was made of MS Word's "Track changes" facility thus providing the student with the opportunity to reject or accept the changes made on a chapter-by-chapter basis.

Please note that while I have checked the in-text references for consistency in terms of format, I have not done so with the references in the list of references. Neither have I checked the veracity of the sources themselves or that the bibliographic information is complete.

Both the tracked and final documents are on file.

Sincerely

Athol Leach

(MIS, Natal)