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Business Characterisation and Impediments of Locally Owned Small-Scale Enterprises' Growth

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Abstract

Small-scale enterprises face persistent growth barriers in many developing economies, limiting their sustainability and contribution to economic development. Grounded in entrepreneurial ecosystem theory, this study characterises locally owned businesses and ascertains the impediments to small-scale enterprises' growth in Lesotho. This study used primary data from the target population of locally owned small-scale entrepreneurs operating in various sectors across Maseru town and Roma, from where 54 participants were drawn through a sequence of stratified and simple random sampling techniques. Data were analysed using descriptive statistics from the Statistical Package for Social Sciences (SPSS). The study found that more women than men are involved in the small-scale business sector, especially on the rural side of the country. However, surprisingly, they are dominated by people with tertiary qualifications. Co-ownership of business was found unfashionable, especially in the rural location of this study. Furthermore, the study revealed that a high attrition rate and non-sustainability characterise the small-scale business ecosystem in Lesotho. Notably, financial constraints emerged as the most significant impediment to enterprise sustainability, followed by bureaucratic and market-related challenges, alongside infrastructural limitations and gaps in business literacy. The findings of this study have implications for knowledge creation, dissemination, and implementation. While further studies may focus on mitigating these challenges by proffering rigorous and scientifically sound solutions, policymakers will also benefit from the findings for future policy targets and directions.

Keywords: *Small businesses, Locally owned, Impediments, Entrepreneurship*

Introduction

In Lesotho, several barriers prevent small enterprises from growing and being viable. The Government of Lesotho's (GoL) report on small-scale enterprises indicates that the assessment of small-scale entrepreneurs to access adequate financial credits and necessary information does not have the desired effect (GoL, 2011). This lack of effect happens even though small-scale entrepreneurs are vital to the economy's growth, job creation, and poverty reduction (Adenutsi, 2023). Entrepreneurs' competitiveness and growth potential in the country are hindered by their inability to invest in essential technology, equipment, and people resources due to a lack of funding (Khoase, 2011). Small, locally held businesses greatly aided the growth of the economy, the generation of jobs, and community development. However, one of the biggest problems for Lesotho's small business owners is accessing financing (Khoase, 2011). For some, strict lending standards, high interest rates, and lack of capital make it difficult for small-scale businesses to obtain the money they need for their growth, operation, and innovation. For example, local banks have strict lending procedures that ought to be met by the business owners before they can be given money. Locally owned small-scale businesses face major obstacles due to limited infrastructure.

Inadequate Internet networks and unstable economic and political environments hinder the productivity and efficiency of local enterprises (Hove, Ngwerume, & Muchemwa, 2013). Unreliable infrastructure makes it challenging for business owners to reach clients outside their immediate area and grow their clientele. Moreover, a lack of entrepreneurial expertise and understanding hinders the growth of locally owned small-scale enterprises in Lesotho. The inability of entrepreneurs to obtain high-quality business education and training programmes impedes their capacity to acquire critical competencies in areas such as marketing, financial management, and strategic planning. Furthermore, the insufficient networks and support systems for small-scale business owners worsen their problems (Ramonyatsi, 2020). Their inability to seek advice, work with colleagues, and learn from seasoned business owners is hampered by their lack of access to networking events, mentorship programmes, and business consulting services. This is evident in that Lesotho business owners often prioritise individual success and rarely participate in entrepreneurial workshops designed to mentor or equip other small-scale owners with essential management skills. The lack of a supportive environment, which hinders the growth and viability of local businesses, generally inhibits innovation and keeps best practices from being shared.

Historically, entrepreneurial development in Lesotho has been constrained by limited business acumen, weak economic solidarity, and inadequate institutional support (Maliehe, 2017). Pre-independence economic practices and colonial governance did little to cultivate entrepreneurial skills, while post-independence political and economic structures further marginalised local traders in favour of minority foreign interests (Ramphoma, 2021). As a result, many locally owned small-scale enterprises struggle to survive and expand, with high levels of stagnation and attrition persisting in the contemporary business environment (Ministry of Small Business Development, Cooperatives and Marketing, 2018). This is evident in urban centres such as Maseru, where successful enterprises are predominantly foreign-owned. These dynamics raise critical questions about the enduring barriers to local entrepreneurial growth in

Lesotho, despite existing government interventions. Against this backdrop, this study seeks to characterise locally owned small-scale enterprises and examine the factors impeding their growth within Lesotho's entrepreneurial ecosystem.

Empirical studies across Lesotho and Sub-Saharan Africa consistently identify financial exclusion, regulatory complexity, weak infrastructure, and skills deficits as major constraints to small-scale enterprise growth (Khoase, 2011; 2015; Hove et al., 2013; Ramonyatsi, 2020). While these studies provide valuable insights into the nature of constraints facing SMEs, they often adopt aggregate perspectives, with limited attention to how impediments vary across entrepreneur and business characteristics.

While prior studies have established that small and medium-sized firms in Lesotho face growth barriers, most notably regarding access to finance and regulatory compliance (Khoase, 2011; 2015), much of this literature treats local businesses as a homogeneous category. Limited attention has been paid to the systematic characterisation of locally owned small-scale enterprises and to how impediments to growth vary across key business and owner attributes. This study contributes to the literature by providing a detailed characterization of locally owned small-scale enterprises in Lesotho and offering a comparative analysis of growth impediments across gender, business ownership type, educational background, and years of operation. The following research questions on impediments to locally owned small businesses are addressed.

RQ1: What are typical characterisations of locally owned small-scale enterprises in the country

RQ2: What are the impediments to locally owned small-scale enterprises' growth

An understanding of issues involving the impediments to locally owned small-scale business growth in Lesotho will be of benefit to the current local business owners and aspiring owners as well, including the government, in the policy formulation. Guided by entrepreneurial ecosystem theory, the study views small-scale enterprise performance as shaped by the interaction of institutional, financial, infrastructural, and socio-cultural factors within a specific local context.

Theoretical Framework of the Study

The Entrepreneurial Ecosystem Theory foregrounds this study. The theory is a suitable framework that explains the complex network of factors and interactions that influence entrepreneurship within a particular region or context (Cavallo et al., 2019). The theory views entrepreneurship as a dynamic process influenced by various stakeholders, resources, and environmental factors. The theory emphasises the importance of a supportive ecosystem that fosters entrepreneurship and enables the growth and success of entrepreneurial ventures (Mason & Brown, 2014). Policymakers, development organisations, and other stakeholders can find and implement mitigating mechanisms to solve the challenges faced by locally owned small-scale businesses in Lesotho by modelling their intervention based on the Entrepreneurship Ecosystem Theory. Lesotho's developmental trajectory is closely linked to the creation of an enabling environment that nurtures small-scale enterprises, ensuring they remain sustainable drivers of socio-economic change. This ecosystem includes government support, finance availability, education and training, infrastructure development, collaboration, networking, and a welcoming culture and regulatory framework.

The Theory of Entrepreneurship Ecosystem offers a useful framework for comprehending the dynamics of Lesotho's entrepreneurial environment and pinpointing strategies to lessen the barriers to expanding locally owned small businesses. Through an analysis of stakeholder interactions, resource flows, regulatory frameworks, and adaptation tactics, specific interventions can be devised to promote an environment that is more favourable for the growth of entrepreneurship in the entire country. The theory is valuable in understanding how businesses and entrepreneurs can create and sustain competitive advantages in their respective environments. Furthermore, the entrepreneurship ecosystem theory also focuses on the external environment in which entrepreneurship occurs. It emphasises the interconnectedness of various actors and factors that positively or negatively influence entrepreneurial activities, including government policies, funding access, and mentorship networks (Cavallo et al., 2019). Drawing on entrepreneurial ecosystem theory, this study advances the following analytical expectations:

(i) Financial and institutional constraints will emerge as dominant impediments across both rural and urban contexts;
(ii) Impediments to business growth will vary by gender, ownership structure, educational background, and years of operation, reflecting differential access to ecosystem resources;
(iii) Sole-owned and younger enterprises will experience more severe growth constraints than co-owned and longer-established businesses.

Methods

This study was conducted in Lesotho's capital city, Maseru, and Roma, both in the Maseru district, where large numbers of locally owned businesses are found. The study followed mainly a quantitative approach, a procedure for collecting and analysing data involving quantitative data in which a researcher relies on numerical data (Charles & Mertler, 2002; Jemisenia et al., 2019). It provides estimates for many indicators of small-scale entrepreneurship for Maseru and Roma. The target population comprised locally owned small-scale entrepreneurs operating across various sectors in Maseru town and Roma, encompassing agriculture, manufacturing, and retail services. For the purpose of this study, small-scale enterprises refer to locally owned businesses employing fewer than 10 workers, operating with limited capital investment, and primarily serving local markets, regardless of formal registration status.

A stratified sampling technique was employed to reach the participants' areas. Within each stratum, a specified number of survey enumeration areas were selected systematically with a probability proportional to the sample size. This sample of entrepreneurs was selected based on business size, years in operation, and geographical location. A sample of 54 participants (stalls) (40 from Maseru and 14 from Roma) was selected through a sequence of quota, stratified, and simple random techniques. The sample size of 54 respondents reflects the exploratory and context-specific nature of the study, which focuses on characterising locally owned small-scale enterprises operating in Maseru and Roma rather than making nationally representative generalisations. A stratified sample technique was used from each quota, whereby each sub-population was divided into strata. Sampling was conducted in three stages. First, Maseru and Roma were purposively selected due to their high concentration of locally owned small-scale enterprises. Second, business locations within each site were stratified by sector and location. Third, individual business stalls within each stratum were selected using simple random sampling.

This process resulted in a final sample of 54 enterprises (40 from Maseru and 14 from Roma).

Data were collected through the survey, where a structured questionnaire was developed to collect primary data from locally owned small-scale entrepreneurs in Maseru and Roma. The questionnaires were designed to capture information about the impediments faced by entrepreneurs in their locality. The questionnaire was pre-tested with a small number of entrepreneurs to ensure clarity and relevance. Participation was voluntary, and the response rate among approached business owners was high, as most questionnaires were completed on-site. Completed questionnaires were checked for completeness and consistency before data entry. Given the quantitative nature of the data, the Statistical Package for the Social Sciences (SPSS) version 28 was used to analyse the collected data, where relevant statistical tools and techniques were employed. Given the exploratory objectives of the study and the size of the sample, descriptive statistics were employed to identify variations across the data, ensuring that all ethical considerations were integrated into the research process. Ethical considerations were observed throughout the study. Participants were informed about the purpose of the research, assured of confidentiality and anonymity, and participation was entirely voluntary. Verbal informed consent was obtained from all respondents prior to data collection.

Result

Small-Scale Business Characterisation and Impediment Profile

This study depicted that Lesotho's small business are characterised by location, gender, educational background, business ownership, and age (duration). Location-wise, both Maseru and Roma have become places where most entrepreneurs seek to place their goods and services to start their businesses because Maseru is a populated capital city characterised by many diverse businesses, and Roma is also a populated area with the Roma locals and the National University of Lesotho (NUL) staff and students. As a result, many diverse businesses emerge to take advantage of this large group of potential buyers in these locations. The large number of Roma communities can be a potential market for a business area, for example. This contributes to the rapid expansion of service-orientated enterprises established in the vicinity of the National University of Lesotho's main campus. However, the strategic locations for both Maseru town and Roma are considered to be market-targeted because they are market-oriented. The findings reveal that other internal and external factors hinder the growth of locally owned small-scale enterprises. In addition to location, gender considerations in businesses are crucial for sustainable economic development. Table 1 presents the gender distribution of respondents across Maseru and Roma, indicating a higher proportion of female business owners compared to males. It was found that Maseru town had 59% male participants, while women were 41%.

TABLE 1. *Sex Distribution of Respondents in Percentage*

	Location	
Sex Category	**Maseru**	**Roma**
Male	59	35.71
Female	41	64.29
Total	**100**	**100**

Note: Percentages are based on the total number of respondents within each category.

On the other hand, in Roma, 64% of the businesses involved in the study were female business-controlled, while 36% were male-owned. This shows a locational discrepancy in the small business ownership in the study, where Roma, a rural town, and Maseru, the capital city, have a greater number of women and men, respectively, in business. This can be attributed to the belief that Lesotho women are better educated, value business longevity, are emotionally intelligent, and wish to close the income gap between them and males and rise to leadership positions.

Both Roma and Maseru towns are characterised by high levels of graduate business owners. This shows that businesses offers a viable means of livelihood, whilst fostering in students a greater resilience to failure, a drive for innovation, and the ambition to pursue more significant objectives. Table 3 illustrates that primary educational and vocational level business ownership was nonexistent in Roma. While 50% of the respondents have secondary school qualifications, the other 50% have tertiary-level qualifications. This shows that educated people now run businesses in rural towns, and some go into business with different perceptions since the unemployment rate is also high in Lesotho. Contrarily, in Maseru town, 10% of the respondents have primary education, 25% have secondary school qualifications, 25% have vocational/technical qualifications, and 40% have tertiary-level qualifications. The variation between both places occurred because Roma is academic-oriented while Maseru town is not because of its diverse population.

TABLE 2. *Educational Attainment of Respondents in Percentages*

	Location	
Category	**Maseru**	**Roma**
Primary	10	0
Secondary	25	50
Vocational/Technical	25	0
University	40	50
Total	**100**	**100**

Note: Percentages are based on the total number of respondents within each category.

Conversely, business ownership is very important because it is an important driving force behind Lesotho's economic growth. Some businesses are co-owned, and they grow faster than sole-owned businesses. Table 3 shows that most businesses (71.4%) in Roma are sole owned, while 28.6% are co-owned. This shows that many entrepreneurs in Lesotho rely exclusively on their own efforts for the survival of their businesses, prioritising self-reliance over collaborative partnerships or cooperation. This revelation may be one of the sour spots for business growth in Lesotho.

TABLE 3. *Business Ownership Type in Percentages*

	Location	
Category	Maseru	Roma
Sole Owned	17.5	71.4
Co-Owned	82.5	28.6
Total	**100**	**100**

Note: Percentages are based on the total number of respondents within each category.

However, in Maseru, 17.5% are sole-owned businesses, while 82.5% of the businesses are co-owned. The finding that more businesses are co-owned in Maseru town than in Roma may be due to various reasons, including competition, need for expansion, pooling of resources, time management, and skills apprenticeship. The central notion of many co-owned businesses has been highlighted by some respondents, pointing to the fact that pooling together financial resources is pivotal for the survival of their businesses. The different owners in co-owned businesses contribute financial resources in proportions and ways agreed upon by the associate owners. As a result, such businesses have more resources than sole-owned businesses. This study discovered that many people join businesses in pursuit of cooperation to beat obstacles.

The trading duration of a business is recognised as a very essential element in the profiling of small-scale businesses. The trading duration, defined as the number of years an enterprise has been in operation, serves as a key determinant of business growth and the volume of resources and effort invested in the business. The trading duration period in this study is categorised as less than a year, 1-5 years, and 5 years and above. The hypothetical conventional wisdom suggests the likelihood that the longer the operational duration of a business, the more it grows, and vice versa (Dhliwayo, 2021). Table 4 shows that in Roma, 28.6% of businesses have operated for less than a year, 50% have operated between 1 and 5 years, and 21.4% have operated for a duration of more than 5 years.

TABLE 4. *Duration of Business in Percentages*

	Location	
Category	Maseru	Roma
> 1 Year	47.5	28.6
1 – 5 yrs	50	50
5yrs and above	2.5	21.4
Total	**100**	**100**

Note: Percentages are based on the total number of respondents within each category.

The reality in the Roma rural town negates the conventional wisdom assumption, as fewer than a quarter of the businesses have operated for over five years. The situation is even direr in the city (Maseru), where 47.5% of the respondents had operated their businesses for less than a year, 50% had operated between 1 and 5 years, and only 2.5% had operated their businesses over 5 years. The findings indicate a high level of attrition and a low level of business survival for over 5 years, especially in the city business ecosystem.

Impediments of Local-Owned Small-Scale Enterprises' Growth by Rural-Urban Location Divide

This study investigated the impediments of locally owned small-scale enterprises' growth in Lesotho. In this regard, business owners empirically identified several obstacles that hamper the growth of their enterprises.

The major challenges identified in this study are classified into different categories: financial, market, bureaucratic, and literacy. Nationally (a combination of observations from the two study sites), Table 5 illustrates that the most significant impediments to the growth of locally owned small-scale enterprises are financial challenges, which constitute 52% of the total. It is followed by bureaucratic constraints with 15%, characterised by the lengthy approval processes small businesses may need to obtain licences and permits, as they are slow, crippling, and time-consuming. Market constraints amount to 12% because small businesses face intense price competition from larger, more established companies. Literacy constraints, followed by a total of 11%, were caused by the realisation that small business owners lack technical skills in areas such as technology and design and may lack knowledge about business principles. Lastly, there is infrastructure development, which amounts to 10%, based on the realisation that small businesses operate in areas with poor infrastructure.

TABLE 5. *Impediments of Local Owned Small-Scale Enterprises (General) in Percentage*

Impediments	General (both locations)
Financial Challenges	52
Market Challenge	12
Infrastructure	11
Literacy (business)	10
Bureaucratic Challenges	15
Total	**100**

Note: Percentages are based on the total number of respondents within each category.

Considering the locational disaggregation, Table 6 shows that financial constraints in Roma are the most prevalent at 35%, similar to what is obtained in the city, where financial constraint is still most prevalent in Maseru city. Even though these financial constraint elements seem to be higher in the city, the study has proven that financial constraints are the most important constraint to small businesses in both the urban and rural towns of Lesotho.

Regarding bureaucratic constraints, Lesotho's business regulations, licensing procedures, tax requirements, labour laws, and compliance with small-scale business laws hinder the success of small-scale businesses. The market challenge is another obstacle that impedes small-scale, locally owned businesses in Lesotho. This research found that in Maseru town, there is a higher rate of market challenge for 37.5% of respondents' businesses, while in Roma, market challenge still exists, as 14.29% of respondents acknowledge the presence of this obstacle. The market challenge in its characterisation is an obstacle that is more prevalent in the urban ecosystem, as findings from this study suggest. The core issue is that small businesses lack a sufficient market share to maintain viability when faced with intense competition from larger enterprises and multinational conglomerates. For this reason, some businesses do not last long due to failure to meet the day-to-day running expenses. Moreover, some owners blame the competitors who sell similar products next to their workstations, which have hindered the progress of their businesses.

TABLE 6. *Impediments of Local-Owned Small-Scale Enterprises by Location, in Percentage*

Category	**Location**	
Impediments	Maseru	Roma
Financial Challenges	47.5	35
Market Challenge	37.5	14
Infrastructure	6.25	12
Literacy (business)	2.5	20
Bureaucratic Challenges	6.25	19
Total	**100**	**100**

Note: Percentages are based on the total number of respondents within each category.

From the study, literacy constraint emerged as a major issue and a more important challenge in the rural town of Roma than in Maseru city. Literacy constraints entail a lack of entrepreneurial expertise and understanding, which hampers the development of locally owned small-scale enterprises' growth in Lesotho. Slightly different from general literacy measures, this involves business and trading literacy and know-how. The inability of entrepreneurs to obtain high-quality business education and training programmes impedes their capacity to acquire critical competencies in areas such as marketing, financial management, and strategic planning. In this regard, operational success is heavily dependent on business education; without it, owners reported various challenges that prevented them from running their businesses with the necessary efficiency and competence. Product knowledge is the key to business survival, and it is only through business literacy that small-scale entrepreneurs can understand the nature and challenges of businesses.

Infrastructural constraints have also been identified to have hampered the growth of Lesotho's businesses. This can be evidenced by the indication of 6.25% in Maseru town and 12.5% in Roma from this study.

Especially in the rural towns, represented by Roma, in this study, poor infrastructure, including unreliable electricity supply, inadequate road networks, and limited access to technology, hinder the productivity and efficiency of small-scale enterprises in Lesotho.

Comparative Analysis of Business Impediments between Genders

The research found that impediments to locally owned small-scale enterprises' growth in Lesotho were differentiated. Table 7 shows that in Maseru town, female business owners encountered more significant financial challenges than their male counterparts, whereas in Roma, both genders experienced this obstacle to an equal degree Similarly, in Maseru, 17.5% of the female participants had infrastructure challenges compared to 5% of the males who had infrastructure challenges. In contrast, both male and female business owners in Roma had equal infrastructure challenges. Moreover, while 22.5% of female business owners had literacy challenges, a proportion (7.5%) of males struggled with the same challenge in Maseru. While no respondents reported any literacy challenges in Roma, the study found that female small-scale business owners experience more impediments that affect their businesses' growth and sustainability in both study areas than their male counterparts.

TABLE 7. *Business impediments by gender*

	Maseru town Business Gender			**Roma Business Gender**		
Impediments	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Financial challenges	10 (25)	3 (7.5)	13 (32.5)	2 (14.3)	2 (14.3)	4 (28.6)
Infrastructure	7 (17.5)	2 (5)	9 (22.5)	2 (14.3)	2 (14.3)	4 (28.6)
Market challenges	4 (10)	3 (7.5)	7 (17.5)	3 (28.6)	0 (0)	3 (28.6)
Literacy	4 (22.5)	3 (7.5)	7 (17.5)	0 (0)	0 (0)	0 (0)
Bureaucratic	3 (7.5)	1(2.5)	4 (10)	2 (14.3)	1 (7.14)	3 (28.6)
Total	**28 (70)**	**11 (27.5)**	**40 (100)**	**9 (64.3)**	**5 (35.7)**	**14 (100)**

Note: Percentages are based on the total number of respondents within each category.

Comparative Analysis of Business Impediments by Business Ownership

The research found that the nature of the business differentiates impediments to locally owned small-scale enterprises' growth in Lesotho. Table 8 shows that more business owners in Maseru town who had sole ownership of their businesses had financial challenges, compared with the co-owned businesses. This is because partners share responsibilities and decision-making. Similarly, in Roma, more sole-owned businesses experienced financial challenges than co-owned businesses. Maseru town's sole-owned and co-owned businesses accounted for equal infrastructure challenges. Overall, in both study areas, sole-ownership models were found to be more susceptible to business impediments, resulting in lower rates of sustainability and growth when measured against co-owned business formations.

TABLE 8. *Sex Distribution of Respondents in Percentage*

	Maseru town Business ownership			Roma Business ownership		
liments	Co-owned	Sole- owned	Total	Co-owned	Sole-owned	Total
Financial challenges	2 (5)	10 (25)	13 (30)	2 (14.3)	3 (21.4)	5(35.7)
Infrastructure	2 (5)	2 (5)	4 (10)	0 (0)	0 (0)	0 (0)
Market challenges	2 (5)	9 (22.5)	12 (27.5)	1 (7.1)	2 (14.3)	4 (28.6)
Literacy	1 (2.5)	2 (5)	3 (7.5)	1 (7.1)	3 (21.4)	4 (28.6)
Bureaucratic	2 (5)	8 (20)	10 (25)	0 (0)	2 (14.3)	2 (14.3)
	9 (22.5)	**31 (77.5)**	**40(100)**	**4 (28.6)**	**10 (71.4)**	**14 (100)**

Note: Percentages are based on the total number of respondents within each category.

Comparative Analysis of Business Impediments by Educational Level

Table 9 shows that business owners with primary and vocational education in Maseru town were more affected by financial challenges, while those with university education reported no financial challenges. In Roma, while there were no business owners with primary education, those with secondary and university education accounted for 14.3% of financial challenges each. Overall, in Maseru, business owners with vocational education, followed by primary certificate holders, experienced more business impediments than any other group, while in Roma, educational qualification did not make any difference.

TABLE 9. *Business Impediments by Educational Level*

	Maseru town Business Educational level					Roma Business Educational level		
Impediments	**Primary**	**Secondary**	**University**	**Vocational**	**Total**	**Secondar y**	**Universit y**	**Total**
Financial challenges	5(12.5)	3(7.5)	0(0)	5(12.5)	13(32.5)	2(14.3)	2(14.3)	4(28.6)
Infrastructure	1(2.5)	2(5)	3(7.5)	3(7.5)	9(27.5)	1(7.1)	3(21.4)	4(28.6)
Market Challenges	3(7.5)	3(7.5)	2(5)	2(5)	10(40)	3(21.4)	1(7.1)	4(28.6)
Literacy	0(0)	0(0)	0(0)	2(5)	2(5)	0(0)	0(0)	0(0)
Bureaucratic	1(2.5)	2(5)	3(7.55)	2(5)	6(15)	1(7.1)	1(7.1)	2(14.2)
	10(25)	**10(25)**	**8(20)**	**14(35)**	**40(100)**	**7(50)**	**7(50)**	**14(100)**

Note: Percentages are based on the total number of respondents within each category.

Comparative Analysis of Business Impediments by Years of Business Operation Duration

The research found that impediments to locally owned small-scale enterprises' growth in Lesotho are compared and differentiated by longevity (years) to which a business operated. Table 10 illustrates that in Maseru, businesses operating for less than one year reported the fewest impediments, with those in existence for between 1 and 5 years identifying the next lowest level of obstacles. In contrast, businesses over 5 years old reported the highest impediments to their businesses.

TABLE 10. *Business Impediments by Years of Business Duration*

Maseru					**Roma**			
	Duration of business (Years)					**Duration of Business (Years)**		
Impediments	**Less than a year**	**1 – 5yrs**	**5 yrs and above**	**Total**	**Less than a year**	**1 to 5 yrs**	**5 yrs and above**	**Total**
Financial challenges	0(0)	7(17.5)	3(7.5)	10(25)	2(14.3)	2(14.3)	0(0)	4(28.6)
Infrastructure	0(0)	3(7.5)	4(10)	7(17.5)	0(0)	3(21.4)	1(7.1)	4(28.6)
Market challenges	1(2.5)	7(17.5)	6(15)	14(35)	1(7.1)	1(7.1)	2(14.3)	4(28.6)
Literacy	0(0)	2(5)	3(7.5)	5(12.5)	0(0)	0(0)	0(0)	0(0)
Bureaucratic	0(0)	2(5)	1(2.5)	4(10)	0(0)	1(7.1)	1(7.1)	2(14.3)
	1(2.5)	**21(52.5)**	**17(42.5)**	**40(100)**	**3(21.4)**	**7(50)**	**4(28.6)**	**14(100)**

Note: Percentages are based on the total number of respondents within each category.

The reverse was observed in Roma, where enterprises with more than five years of operation reported the lowest levels of business impediments compared to all other categories. The study showed that the longer the number of years in operation, the more the report of impediments to growth in Maseru, while the opposite is the case in Roma.

Discussion

The major questions of this study are twofold. While the first focuses on the characterisation of small-scale businesses in Lesotho, the second focuses on explicating the impediments to locally owned small-scale enterprises' growth in Lesotho. Phoofolo (2018) asserts that the small-scale enterprise sector creates jobs and fosters broad-based development and income distribution, which promotes resource accumulation and poverty alleviation. Regarding characterisation, the study found that small-scale enterprises play a crucial role in Lesotho's economic landscape. Currently, the country's small-scale business sector is diverse, ranging from agricultural activities to services that include, among others, carpentry; food stalls; salons; crafts and arts; fruits and vegetables shops; and tailoring. Most of these locally owned small-scale enterprise businesses are often family-owned and operated, with some partnerships outside the family setting sometimes.

The study also found that more women than men were small-scale business owners. There was discrepancy in the small business ownership pattern. It shows a locational a discrepancy in small business ownership, where Roma, a rural town, and Maseru, the capital city, have a greater number of women and men, respectively, in the business sector. This can be attributed to the perception that Basotho women are more highly educated, prioritise business longevity, possess high emotional intelligence, and are driven by a desire to close the gender pay gap and ascend to leadership positions (Mokopanela, 2024). Both Roma and Maseru towns are characterised by high levels of graduate business owners. This shows that businesses are a viable opportunity to make a living for everyone, including graduates, and it also provides students with the propensity to recover quickly from failure, an eagerness for innovation, and an ambition to strive for better goals. However, specifically, while there were no primary school certificate and vocational school certificate holders running businesses in Roma, Maseru presents a more diverse small-scale business owner population, with nearly half of the business owners having tertiary educational qualifications. The variation between both places occurred because Roma is an academic-oriented, location while Maseru town is not because of its diverse population.

The study also found that more businesses are co-owned in Maseru town than in Roma for various reasons, including competition, the need for expansion, pooling of resources, time management, and skills apprenticeship. The central notion of many co-owned businesses highlighted that pooling together financial resources is pivotal for the survival of businesses. The finding from the two contrasting urban and rural locations suggests a characterisation of business ownership that is not peculiar to Lesotho, as more businesses in the city/urban areas globally operate based on the principle of cooperation and co-ownership compared to rural-based businesses. One important characterisation of small-scale businesses that emerged in this study is the lack of resilience and sustainability for several years. The study found a high level of attrition and a low level of business survival for over 5 years, especially in the city business ecosystem. While many entrepreneurs enter small-scale businesses in Roma and Maseru cities, a high percentage do not survive beyond five years in operation. This situation has led to the continued dominance of the small-scale enterprise landscape by immigrant entrepreneurs, who show more resilience than local business owners in the case of South Africa due to some determinants (Mavimbela et al., 2024).

Based on conventional wisdom and the reality of running a business, small businesses need finance to operate and expand further (Ramonyatsi, 2020). From this premise, a previous study by Alrabeei and Kasi (2014) articulated the main difficulties facing the micro, small, and medium-sized enterprises' growth in Bahrain, including competition, lack of funding, shortage of skilled labour, limited access to finance, and regulatory constraints. In the present study, the greatest impediments to the locally owned small-scale enterprises' growth in Lesotho are specifically financial challenges as well, followed by bureaucratic constraints characterised by the lengthy approval processes the small businesses may need to obtain finances, licences and permits, as these are slow, crippling, and time-consuming. There may be no surprise, as financial constraints are the greatest obstacle to all business owners and in every location in this study. The United Nations has noted the severe negative impact of limited financial access in both developing and developed nations, particularly as small and medium-sized enterprises (SMEs) in these economies consistently struggle to secure formal credit or equity (United Nations, 2005). A previous study found access to finance a critical challenge for small-scale enterprises in Lesotho. According to Khoase (2015), SMEs often struggle to secure loans and other forms of financing, which in turn hinders their growth and expansion. Khoase (2011), in an earlier study, confirmed access to financing as one of the biggest problems facing Lesotho's small business owners. For some, strict lending standards, high interest rates, and a lack of capital make it difficult for small-scale businesses to obtain the money they need for their growth, operation, and innovation.

While the present study did not directly measure rent, utility costs, or tax burdens, the higher prevalence of financial constraints reported in Maseru may reflect urban cost structures commonly documented in the literature on city-based small enterprises. The discrepancy in the magnitude of reported financial constraints is amenable to the reality that Maseru town has high business rent and utilities and high taxes, reducing business profitability and sustainability. The study's findings further indicate that inadequate financial resources hamper small-scale firms, leaving them unable to adequately cover start-up expenses or increase the capital investment needed for their long-term corporate expansion. This observation aligns with Kanono's (2000) assertion that, in many instances, an entrepreneur may want to produce a large quantity of products but may be hindered by a lack of funds. As small-scale business operators do not have enough funds to expand their businesses, some assistance sometimes comes from the government and other stakeholders—businesses—to run their businesses to the next level.

Another important finding was that bureaucratic constraints emerged as the second major obstacle against small-scale business growth in Lesotho. This bureaucratic constraint is interconnected and permeates all aspects of business, including access to funding, operation permits, etc. For example, government financial assistance and bank loans are available but hardly accessible due to the strict lending procedures, which make it very difficult for small businesses. Comparatively, more rural businesses face bureaucratic constraints than city businesses. This bureaucratic nature of the system hampers business growth, as there is a lack of clear-cut, stipulated laws to provide comprehensive support for these types of businesses. While some of the laws in the country are outdated, others need to be amended. The study found that Lesotho's infrastructure is not conducive to accommodating many small-scale businesses' nature. While it is surprising that the infrastructure impediment was not recognised as one of the key major impediments to business growth and survival in Lesotho, it is well understood in business literature that a lack of reliable infrastructure restricts businesses' ability to reach customers beyond their immediate vicinity, thereby hindering their potential for expansion and market growth (Mokopanela, 2024).

Furthermore, studies show that the productivity and efficiency of local SMEs are hampered by inadequate infrastructure, including transportation networks and an unstable economic and political environment. While the

Maseru City Council is blamed for not taking good care of Lesotho's small-scale businesses into consideration, as revealed in this study's secondary source, the necessity of having access to the internet and social media platforms, which enhances stakeholder interactions, product awareness, and brand recognition, has been clarified by Garg and Phaahla (2018). Mukherjee (2018) agrees that competitive standards are increasingly changing due to customers' growing needs and preferences, technical advances, and business globalisation. Moreover, many businesses do not get adequate and desired goods and services due to their remote locations. However, this revelation is acceptable given the nature of businesses categorised as small-scale businesses in Lesotho. The practice has shown that small-scale businesses operate under very difficult situations and sometimes require no formal infrastructure.

Market constraints are also important impediments; however, they did not emerge as prominently as financial and bureaucratic obstacles in this study. The study identifies market challenges as a significant barrier that occurs with greater frequency in urban areas, defining a key characteristic of that business landscape. Locally owned small-scale businesses in Lesotho often face difficulties accessing broader markets beyond their local communities, perhaps due to limitations imposed by the business permit. Limited market access restricts businesses' growth potential and makes it challenging to scale up operations. In this direction, Eltahir (2018) argues that markets tend to be more efficient for larger firms than for smaller and newer firms, which compels the smaller firms to be dependent on external sources of finance. This, therefore, forces the smaller firms to raise adequate risk capital, especially for innovative, high-technology small firms and businesses that operate in disadvantageous areas. This study established that market challenges were worse in Maseru than in the rural town of Roma because competition from bigger businesses is high, which makes it difficult for small businesses to establish themselves and grow.

There is stiff competition among the entrepreneurs in Maseru town, which is worsened by the authorities who do not control such competition. This arises as many people sell the same products in the exact location. At the same time, foreigners are also allowed to engage as general dealers, even though, by law, these small businesses are reserved for Lesotho citizens. These expatriates trade without knowledge of the rules and regulations to be observed, the standards of hygiene, the sound quality of the products, and the satisfaction of the consumers (Mokopanela, 2024). The study also found that the penetration of foreign business owners into the market is very easy since they have a high purchasing power and exploit the market. Besides the availability of high purchasing power, previous studies in the neighbouring country, South Africa, have provided some cogent contexts behind business survival and sustainability of foreign-owned small-scale enterprises (Mavimbela et al. (2024).

On the other hand, literacy was not much of a problem. Literacy constraints entail a lack of entrepreneurial expertise and understanding, which hinders the growth and development of locally owned small-scale enterprises in Lesotho. Slightly different from general literacy measures, this involves business and trading literacy and know-how. Fundamentally, the inability of entrepreneurs to obtain high-quality business education and training programmes impedes their capacity to acquire critical competencies in areas such as marketing, financial management, and strategic planning. This is a problem related to a lack of government support and access to information. The study shows no standing programmes or special platforms for the government to communicate directly with small-scale enterprise owners. Obokoh (2008) observed a dearth of understanding and awareness among small-scale enterprise owners regarding the programmes geared towards reducing administrative and production costs in the early phases of business operations.

The possibility is that the entrepreneurs do not get information to act or realise business opportunities timeously. This is unlike when there is a well-coordinated industrial bulletin every individual can visit to check available opportunities. In addressing this huge obstacle of business illiteracy, Khoase (2015) suggested that the government collaborate with private sector partners to provide training programmes and capacity-building initiatives to equip small-scale enterprises with the necessary skills and knowledge to operate and grow their businesses successfully. Skills development in marketing, financial management, and technology utilisation are essential for sustainable growth. Zacharakis and Mayer (2000) specified that an entrepreneur with education and work experience could attract investors, especially venture capitalists. Similarly, Anderson and Miller (2003) concur that a solid foundation for achieving entrepreneurial success lies in education and experience. This also resonates with previous studies by Obioha and Garg (2018) and Obioha (2022), who went further to accentuate the central place of good governance and other considerations external to the business, respectively, in driving customer loyalty, which translates to business sustainability and growth.

Further investigation of this study delved into understanding how small business characteristics affect or determine the extent of impediment experienced. This hinges on the assumption that the factors limiting business sustainability and growth exert a consistent influence, regardless of the specific demographic or the nature of the business formation. Interestingly, from a gender perspective, the study found that comparatively, female small-scale business owners experience the highest rate of impediments that affect the growth and sustainability of businesses in both study areas. This may be because female business owners face discrimination in accessing credit and financing. As a result of the fact that women face significant barriers to accessing financing, this further hinders their ability to start or grow businesses. As observed in this study, females were also affected more regarding infrastructure access than their male colleagues in Maseru. This finding is in consonance with previous studies. For instance, Maharanaa et al. (2024) confirmed that women entrepreneurs face significant infrastructure challenges, particularly in accessing technology and infrastructure development in India.

Overall, the result from this study shows that sole business owners experienced more impediments to their businesses, compared with co-owned businesses, both in Maseru and Roma, which affect the growth and sustainability of businesses. This result validates an earlier position of Loane (2005), where sole trader/small businesses experience higher rates of cash flow problems and difficulties in accessing credit compared to co-owned businesses due to some issues such as the use of internet facilities. Generally, in the business ecosystem, business co-ownership entails pulling experience, knowledge, expertise, resources, and risks together, which will, in the long run, benefit the business's sustainability. Considering the influence of educational qualifications of business owners and operators, the study found that educational qualifications made little difference in the city business ecosystem. In Maseru, the reported obstacles were more pronounced for those with primary or vocational schooling, yet educational qualifications failed to stand out as a significant differentiating factor across the entire city-wide business landscape. This suggests that while lower educational attainment may increase vulnerability, structural constraints such as finance and regulation affect most businesses irrespective of education level. Quite differently, an association between business duration and reported growth impediments was observed in Maseru. This was established through comparative analysis of descriptive data across duration categories, which showed that enterprises operating for more than five years reported a higher concentration of impediments compared to newer businesses (see Table 10). In contrast, the opposite is the case in Roma, where a positive association was found between the number of years of business operation and experience of impediments. This finding resonates with Berger and Udell's (2006) position that longer-established small businesses may struggle to obtain formal financing, which can limit their growth and expansion due to other reasons they have been exposed to.

The findings largely support entrepreneurial ecosystem theory by demonstrating that enterprise growth is shaped by interconnected financial, institutional, and infrastructural factors rather than individual attributes alone. However, the theory does not fully account for the depth of structural inequalities observed, particularly the persistent vulnerability of sole-owned and female-led enterprises. This suggests that while the ecosystem framework is useful for mapping constraints, it may understate power asymmetries and historical legacies influencing access to resources in the Lesotho context.

Conclusion

This study sought to establish the small-scale businesses characterisation in Lesotho and the impediments to their growth in this economy. Overall, there are more women than men in this business sector, especially on the rural side of the country. Surprisingly, this sector is dominated by people possessing tertiary qualifications and degrees, a trend reinforced by the country's high level of graduate unemployment, as validated by previous research. While business cooperation has been identified as one of the major precursors to business sustainability, co-ownership of business was found unfashionable in some parts, which explains the root cause of small-scale business unsustainability in the economy. Due to business-related challenges, the small-scale business ecosystem in Lesotho is characterised by a high attrition rate and non-sustainability, where more owners quit the business than enter it.

Although with some exceptions, the findings from the present study tend to validate and support what widely exists in the literature, where financial challenges, including access and processes, are identified as the major impediments to small-scale businesses' enterprise sustainability, followed by bureaucratic constraints. This is mainly characterised by the lengthy approval processes when small businesses may need to obtain finances, licence, and permits, as these are slow, crippling, and time-consuming. The relatively small sample size and focus on two locations limit the generalisability of the findings beyond similar urban–rural contexts in Lesotho. However, the study provides valuable exploratory insights into patterns of business characterisation and impediments within these local ecosystems.

Implications of the Study

The findings of this study and the discussions therefrom possess meaningful implications for knowledge creation, dissemination, and implementation. From the policy perspective, the study has, through a rigorous analysis, identified the dominant characterisation and impediments of small-scale business growth in Lesotho. This would guide the policy formulation of the government agency responsible for achieving business sustainability in the country, following what has been suggested and done in other countries, as indicated in the work of Musabayana et al. (2022) in their study about how government policies influence the performance of SMMEs in Zimbabwe. Similarly, further studies in this area should focus more on the impediments identified in this study. This will involve delving into more depth and breadth of these major constraints to improve entrepreneurship's effectiveness by understanding the factors that affect the success and survival of businesses. On the practical front, this study has provided evidence-based information and findings that are handy and usable for practice. Both current entrepreneurs and prospective small-scale business owners will find this study beneficial, as it provides a clear framework for navigating the factors that influence the growth and sustainability of small businesses.

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