



# **ASSESSING THE IMPACT OF FUNDING SOURCES AND FINANCIAL LITERACY ON SMME GROWTH IN STADIUM AREA CONSTITUENCY MASERU, LESOTHO**

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## DECLARATION

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This is to declare that this dissertation was conducted as an original study by the undersigned, in fulfillment of the requirements for the Degree Master of Philosophy in Management Sciences in the Faculty of Management Sciences at the Central University of Technology – Free State. All collected and used information is duly acknowledged.

Signature \_\_\_\_\_ Date \_\_\_\_\_

## ACKNOWLEDGEMENT

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I wish to express my sincere gratitude to all who contributed to making this study a success.

Firstly, I would like to thank **GOD Almighty** who gave me the strength and good health to complete this work through His mercy in midst of countless challenges that I uncounted.

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## DEDICATION

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This dissertation is dedicated with love to my lovely husband **Fako Dichaba**, who has been a source of strength, support, patience and motivation for me throughout this entire process. I consider myself extremely fortunate to have you as a partner in this life. You have been always there for me. I love you so much!

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## ABSTRACT

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Small, Medium, and Micro Enterprises (SMMEs) are critical for both economic and social development in developing countries. The SMME sector contributes significantly to the Gross Domestic Product (GDP) through lowering unemployment, alleviating poverty, and encouraging entrepreneurship. The purpose of the study is to assess the impact of funding sources and financial literacy on SMMEs growth in Stadium Area Constituency Maseru Lesotho. Quantitative approach was used in this study and data collection was through close-ended questionnaires. Data is analysed and presented in the form of Structural Equation Modeling (SEM). The study addressed the questions such as how sources of funding and financial literacy impact SMMEs growth. The study revealed that, the correlation coefficient between internal financing and entrepreneurial skills is very weak ( $r = 0.15$ ), though it is positively correlated with the significant value of ( $P < ,001$ ), and external financing has a significant positive correlation with entrepreneurial skills ( $r = 0.91$ ), with the significant value of ( $P < ,001$ ). It is therefore concluded that, if more resources can be put in external financing, that is, if SMMEs owners can get external funding either from commercial banks, or from any financial institutions to acquire entrepreneurial skills, this may lead to SMME growth and its sustainability which can impact positively to the country's economy. It is recommended that, policymakers and decision makers should help entrepreneurs, by designing curriculum for entrepreneurial skills short courses, to equip SMMEs owners with skills and knowledge, on how to run their businesses effectively and efficiently, as the way for sustainability, viability and growth of their businesses.

**KEY WORDS:** Small Medium and Micro Enterprises (SMMEs) Source of Funding, Financial Literacy, Commercial Banks and SMMEs Growth.

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## LIST OF ACRONYMS AND ABBREVIATIONS

ACT	Agency Cost Theory
BEDCO	Basotho Enterprises Development Corporation
CFI	Comparative Fit Index
ECVI	Expected Cross Validation Index
ES	Entrepreneurial Skills
GDP	Gross Domestic Product
IFI	Bollen's Incremental Fit Index
ILO	International Labour Organisation
LNDC	Lesotho National Development Corporation
LPB	Lesotho Post Bank
MAC	Material Adverse Change
MM	Modigliani-Miller
NFI	Normed Fit Index
NNFI	Non-Normed Fit Index
PNFI	Parsimony Normed Fit Index
POT	Pecking Order Theory
RFI	Bollen's Relative Fit Index
RNI	Relative Noncentrality Index
ROA	Return on Assets
RMSEA	Root Mean Square Error of Approximation
SDGs	Sustainable Development Goals
SEM	Structural Equation Modeling
SMMEs	Small Medium and Micro Enterprises
SRMR	Standardized Root Mean Square Residual
SSA	Sub-Saharan Africa
TLI	Tucker-Lewis Index
TOT	Trade-Off Theory
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

## CHAPTER 1: STUDY OVERVIEW OR ORIENTATION

### 1.1.INTRODUCTION

Small, Medium and Micro Enterprises (SMMEs) play a vital role for both economic growth and social development in developing countries. The SMMEs sector also contributes highly to the Gross Domestic Product (GDP), by reducing the level of unemployment, poverty reduction and promotion of entrepreneurship activities. Like in many other countries, Lesotho's economy relies on SMMEs. The public sector absorbs nearly half the Gross Domestic Product (GDP) and SMMEs comprise 85% of the private sector (UNDP, 2017a).

Sources of funding or funding sources are defined as means, ways or acts of providing financial resources to a program, project or business (Shrotriya, 2019). Once the business is established or starts operating, it meets up its own expenses. Financing is needed to start a business or ramp it up for profitability. There are several sources of funding to consider when looking for starting or growing a business. These include credit, venture capital, donations, grants, savings, subsidies and taxes. Sources of finance can be classified or categorised in two classes, being internal financing and external financing, either in long term or short term periods (Shrotriya, 2019).

According to Avlijas et al (2014), entrepreneur financial literacy is “the knowledge and understanding of financial terminology, statements, concepts and knowing how to use the information to make financial impacts”. It equips entrepreneurs with financial skills that help them to make informed decisions and take responsibility for every critical situation such as ability to make complex financial decisions every day, calculating complex interest rate, managing money and financial planning to maximise a business's chance of survival and growth (Avlijas et al, 2014).

In 2015 Lesotho adopted the implementation of Sustainable Development Goals (SDGs) and vowed to end poverty in all its forms everywhere. Moreover, the country declared to reduce inequality within and amongst its people, that is in accordance with the SDG10 (UNDP, 2015). The study seeks to add value by helping Lesotho to attain these goals, through enlightening the decision makers or policy makers on what can be

done to help SMMEs owners or entrepreneurs access financial assistance in commercial banks. It also seeks to add value by bringing to the fore policies that will help entrepreneurs with short courses to equip them with knowledge on how to run their businesses for sustainability and growth as a way of alleviating poverty.

Based on the above discussion, it is clear that there is a need to assess the impact of funding sources and financial literacy on SMME growth in Stadium Area Constituency Maseru, Lesotho. In study, SMME growth will be measured in terms of profitability and increase in workforce. The background of the problem is discussed below.

## **1.2.PROBLEM BACKGROUND**

A large share of enterprises and private sector of African economies is accounted for by SMMEs (World Bank Group, 2018). SMMEs have been the backbone for the most developed and developing countries' economies in 21<sup>st</sup> century. It seems countries which refuse to take this into consideration by enhancing entrepreneurial initiatives would be left behind (Tunde *et al*, 2017). Hence, most governments have launched policies, programmes and projects geared towards promoting small businesses in most developing countries (Kerr and Nanda, 2009).

According to Oke and Aluko (2015a), economic growth is dependent on the performance of the private sector. Oke and Aluko (2015a) further stipulate that SMMEs are recognized worldwide as a driving force for economic growth and they contribute a lot to employment and poverty alleviation. Kelley *et al* (2016) also add that individuals in Africa display the highest levels of entrepreneurial intention and small businesses are viewed by governments in many developing countries as a remedy to problems of unemployment and poverty. Therefore, the success of SMMEs needs conducive environment supported by legislations, policies and favourable institutional framework (White, 2018).

Central Intelligence Agency (2018) shows that in 2016, Lesotho improved access to credit information with the aim of helping and supporting entrepreneurs and alleviating poverty by increasing the coverage of its credit bureau, but the entrepreneurs still lack enough access to banking services and commercial loans. The high cost of credit and

rigid laws hinder entrepreneurial activities and private sector growth (Central Intelligence Agency, 2018). ILO (2014a) posits that access to credit is a major challenge for Lesotho's businesses, though the government of Lesotho called for the financial intermediation sector to be diverse and highly responsive to customer demands and needs. Access to credit and good loan management and repayment methods, are to be the corner stone for development and growth of SMMEs and private sector (ILO, 2014b).

Furthermore, lack of access to financial services between urban and rural locations, creates problems to some extent, so much so that informal financial services such as unregistered moneylenders have emerged (UNCTAD, 2014). This situation could be addressed by the adoption of finance legislation, to support the creation of finance institutions which would diversify the financial services sector in Lesotho (UNCTAD, 2014).

FinMark Trust (2015) shows that, most SMMEs fail due to lack of access to finance and this is a global phenomenon which is more severe in developing countries. The failure rate of SMMEs is high in Sub-Saharan Africa (SSA) (Boubakary, 2015). Limited access to finance, knowledge and skills shortages, the high cost of doing business, absence of special government programs to support entrepreneurs, regulatory problems and lack of integration of local small businesses in supply chains are still major challenges facing SMMEs (Kanchana *et al*, 2013).

### **1.3.PROBLEM STATEMENT**

SMMEs face numerous challenges to their emergence, growth and sustainability, resulting in a high rate of failure. In Lesotho one of the challenges faced by SMMEs is lack of access to external financing (Edes *et al*, 2021).

According to UNCTAD (2014), lack of financial literacy on entrepreneurs seems to be one of the major challenges for SMMEs growth and stagnation, considering that entrepreneurship is one of the key factors to promote economic growth and combating youth employment. Moreover, majority of SMMEs' owners lack knowledge on the

products they offer due to lack of financial literacy or financial training (Ackah and Vuvor, 2011). Ackah and Vuvor (2011) also posit that SMMEs owners fail to maintain and prepare the financial information required by creditors. Such information is often incomplete or inaccurate and tends to be unacceptable to financial institutions or investors.

Fanta and Mutsonziwa (2016) show that the government of Lesotho has strategised and formulated a number of policies, while programmes have also been designed in recent years which are aimed at assisting SMMEs to have access to credit from local and commercial banks, thus making them effective in stimulating growth and creating employment. Some institutions have been established with the aim of dealing directly in financing SMMEs. These include Basotho Enterprises Corporation (BEDCO) and Lesotho Post Bank (LPB), to mention a few (Fanta and Mutsonziwa, 2016).

Furthermore, there are some SMMEs owners who do not know where to go to seek for financial assistance and even if they do, the rigid laws and interests charged are very high for SMMEs owners to afford (UNCTAD, 2013). On the basis of these, the researcher is motivated to undertake this study to assess the impact of funding sources and financial literacy on SMMEs growth in Stadium Area constituency- Maseru Lesotho, this area of study has been found appropriate by the researcher because is one of the areas where SMMEs are found in large numbers and most of them seem to be stagnant.

#### **1.4.PRELIMINARY LITERATURE REVIEW**

This section focuses on the review of other studies related to financing SMMEs. It also reveals more sources of data for the study, and the researcher will identify gaps left by other researchers as well as contextualizing the findings.

##### **1.4.1. Previous Research**

Description of SMMEs, SMMEs support, lack of access to finance, internal and external sources of financing, SMMEs growth, entrepreneur financial literacy, theoretical framework and conceptual framework will be discussed in this section.

#### **1.4.1.1. Description of Small Medium and Micro Enterprises (SMMEs)**

In Malawi small enterprises are those that employ between five and twenty workers and medium enterprises are those employing between twenty-one and hundred employees, micro enterprises employ between one to four (Zidana, 2015). In Mozambique small enterprises are those that employ between six and twenty-five workers and medium enterprises are those employing between twenty-six and hundred employees (International Finance Corporation, 2010). In Zambia small enterprises are those that employ between eleven and fifty workers and medium enterprises are those employing between fifty-one and hundred employees (Ministry of Commerce Trade and Industry, 2008). In Zimbabwe, small enterprises employ between six and forty employees, medium enterprises employ between forty and seventy-five, while micro enterprises employ between one and five (Magaisa, 2017). In South Africa businesses with between one and four employees are referred to as micro enterprises, between five and nine employees are referred to as small and between ten and forty-nine are referred to as medium (Bhorat et al, 2018). Lesotho micro enterprises are those that employ one and two staff members, small enterprises considered as those employing three to nine staff members and medium enterprises employ ten to forty-nine staff members (FinMark Trust, 2015). For this study SMMEs are regarded as those employing between one and fifty employees.

#### **1.4.1.2. SMMEs Support in Lesotho**

Lesotho Government (2017), on its National Strategic Development Plan shows that the number of SMMEs operating in Lesotho is estimated at one hundred thousand with employment of over three hundred thousand people. Some of the constraints to growth in this sector include entrepreneur's ignorance and lack of information on governing laws of SMMEs, lack of relevant laws for the sector, legal statuses of businesses and technical capabilities to identify and take advantage of market opportunities (UNCTAD, 2013).

In 2011, Lesotho Ministry of Trade developed the SMMEs policy with the assistance of the United Nations Development Programme (UNDP) (UNDP, 2017b). The Ministry of

Small Business Development, Cooperatives and Marketing (MSCM) was established in 2015 with the purpose of supporting the development and growth of SMMEs in Lesotho. Policies were also established to provide information to SMMEs about relevant regulations and market opportunities (FinMark Trust, 2015). The government and Lesotho National Development Corporation (LNDC) have also established partial Credit Guarantee Schemes meant to ease access to finance for SMMEs in Lesotho (Makoa, 2014).

Likhang (2015) argues that the government of Lesotho is committed to work on different strategies to reduce the financial constrain on small businesses in Lesotho and ensure their growth. He further shows that the established SMMEs policy will help in reducing taxes for SMMEs in their different categories and puts in place taxation regimes that do not result in the downfall of businesses but encourages their growth.

#### **1.4.1.3. Lack of access to finance**

“Access to finance is a key factor that governs the capability of SMMEs to expand, grow and to employ the latest technologies” (Omer, 2016). According to Afolabi (2013), finance is of high importance to the growth of SMMEs. He further noted that one foremost way of promoting SMMEs is by having easy access to finance. Fanta et al (2017) argue that small businesses owners start up their businesses with the money from their own savings and this can lead to underfunded start-ups that remain stagnant or even fail due to lack of access to finance.

Lack of access to finance for SMMEs is regarded as a serious and primary obstacle to start-up and growth. UNCTAD, (2013) revealed that as much as there is SMMEs credit market, with the variety of funding programmes and financing schemes by both public and private sector funding agencies, the rejection rate for SMMEs which apply for financial assistance has been very high, even for the registered SMMEs in formal markets.

#### **1.4.1.4. Internal sources of financing SMMEs**

Ayyagary *et al*, (2010) state that internal finance or informal finance as it is sometimes interchangeably called, refers to “all funds raised within the business, including retained profits and household savings”. Internal financing consists of finance support from bootstrapping like family members, friends, rotating savings and personal savings as asserted by Reynolds (2011). Other studies show that internal financing plays a vital role in facilitating the growth of SMMEs better than external sources of finance and may play an equal role as angel investors in the financing creation of fast growing start-ups in developing countries (Ayyagary *et al*, 2010).

Financing of SMMEs at their commencement or developmental stage is very critical. Managers or owners rely on their personal savings and self-financing to grow their businesses. (Owusu *et al*, 2017). It has been argued that collateral based lending and high interest rates force SMMEs to depend on internal sources of finance such as personal savings. Consequently, this forces SMMEs to retain earnings or to borrow for short-term small amounts resulting in limited possibilities for SMMEs to achieve their growth objectives (Omer, 2016).

#### **1.4.1.5. External sources of financing SMMEs**

External source of financing or formal financing consists of all sources of funds obtained from outside the business (Ayyagary *et al*, 2010). Ayyagary *et al*, (2010) further shows that external financing could be in the form of crowd funding, business angels, government agency loans or commercial bank loans, where entrepreneurs can source money or funds for the growth of their businesses. SMMEs owners or managers opt for debt to pursue the growth of their businesses rather than equity because debt brings a lower level of interruption and reduces the risk of losing controlling power over their businesses than equity (Daskalakis, 2013).

External sources of finance to SMMEs from financial institutions like commercial banks have strong relationship with the SMMEs growth. SMMEs with growth objectives tend to secure external equity sources of finance such as business angels and crowd funding

for faster growth (Owusu *et al*, 2017). For SMMEs to grow or to survive, they must secure access to external financing (Harding and Cowling, 2006).

#### **1.4.1.6. SMMEs Growth**

This section presents factors that influence SMMEs growth. SMMEs growth can be measured in different ways, such as in terms of employment or workforce, turnover, profitability, assets and market share. Profitability and workforce are identified as the most appropriate measures for this study, therefore, growth will be measured by these two factors.

##### **1.4.1.6.1. Profitability**

Profitability is measured by Return On Assets (ROA), which is defined as “the ratio of earnings before interest and taxes to total assets” (Omer, 2016). ROA indicator expresses the company’s ability to generate profits as a consequence of the productive use of resources and of efficient management (Burja, 2011). When the enterprise is on its stage of success or growth, it begins to earn profits. It has enough capital to either invest in further business opportunities or continue with the same pace of growth (Priya *et al*, 2013). Farah and Suprtika (2016), posit that there is an influence between growth and profitability. That is, the growth of the enterprise is positively influenced by the profitability. Fuertes-Callen and Cuellar-Fernandez (2019) note that growth which does not go along with profit is not sustainable, hence profitability would be used as a dimension of growth in this study.

##### **1.4.1.6.2. Workforce**

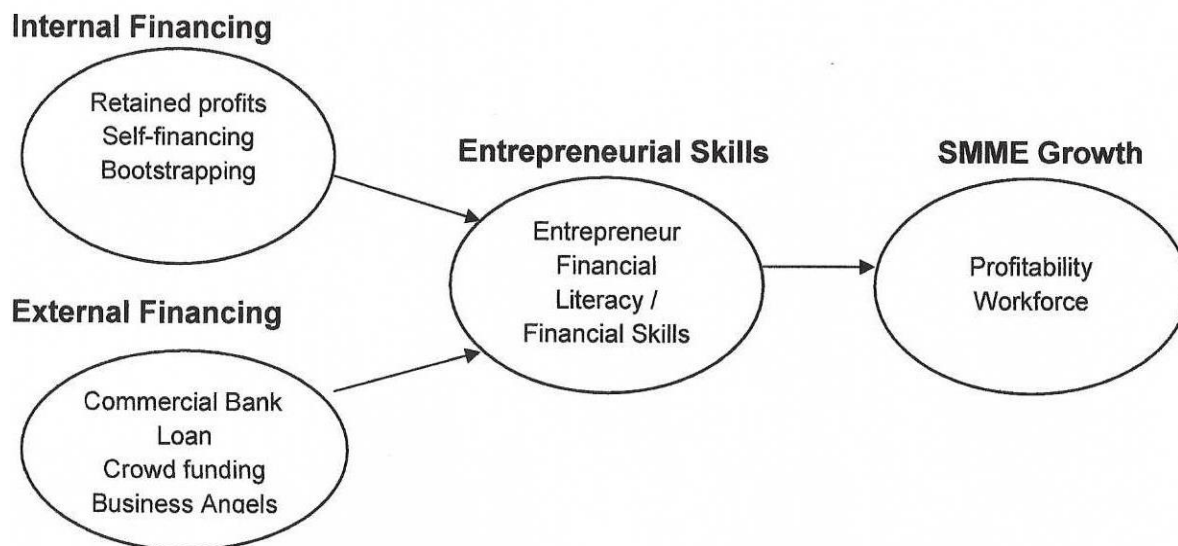
The growth of SMMEs can be determined by the effectiveness and capabilities of the business’s resources such as labour force or workforce (Sarwoko, 2016). The relatively rapid increase in the number of workers in a certain period determines the growth of business (ILO, 2014c). Priya *et al* (2013) articulate that, there is a significant relation between SMMEs growth and growth in employees. The increase in size of employees in the enterprise determines the growth process.

The literature shows that SMMEs often experience difficulties in accessing banking credit due to assumed risks, absence of collateral to support their credit, their remote

areas of operation and small size of loan required. These make them unable to undertake profitable and viable investments. The study seeks to assess the impact of funding sources and financial literacy on SMMEs growth.

#### 1.4.1.7. Conceptual Framework

Camp (2001) explains conceptual framework as a structure where the researcher lays out the natural progression of the phenomenon to be studied. It is the researcher's explanation of how the research problem would be explored. Moreover, in a statistical perspective, the conceptual framework defines the relationship between the main concepts of the study (Grant and Osanloo 2014). According to Rauch and Rijskik (2013), both internal and external sources of finance are identified as the most influential factors of SMME's growth. As financing need depends largely on the availability from both internal and external sources and other characteristics of the enterprise, it becomes vital to design a conceptual framework that can provide guidelines for the identification and analysis of the financing preferences of SMMEs to regulate growth. Figure 1 portrays the conceptual framework for determining SMME growth focusing on financing sources.



**Figure 1.** Conceptual framework determining SMME's growth

**Source:** Adapted from Owusu, *et al*, (2017)

## **1.5.HYPOTHESES, OBJECTIVES AND AIM**

### **1.5.1. Main and Subsidiary Hypotheses**

Hypotheses will be dealt with in this section.

#### **1.5.1.1. Main and Subsidiary Hypotheses**

**H1** Internal source of finance is positively correlated to SMME growth

H1.1 Retained profit is positively correlated to SMME growth

H1.2 Self-financing is positively correlated to SMME growth

H1.3 Bootstrapping financing is positively correlated to SMME growth

**H2** External sources of finance have significant positive effect on SMME growth

H2.1 Commercial bank loans have significant positive effect on SMME growth

H2.2 Crowd funding financing has significant positive effect on SMME growth

H2.3 Business angel has significant positive effect on SMME growth

**H3** Entrepreneur financial literacy has a significant effect on SMME growth.

### **1.5.2. Main and Subsidiary Objectives**

1. To examine how external financing influences SMMEs growth.
2. To assess how internal financing impacts on SMMEs profitability.
3. To establish how financial literacy influences SMMEs growth.

### **1.5.3. Aim**

The aim of the study is to assess the impact of funding sources and financial literacy on Small Medium and Micro Enterprises (SMMEs) growth in Stadium Area Constituency-Maseru.

## **1.6.EXPECTED OUTCOMES**

The study is going to examine challenges faced by SMMEs owners when seeking financial assistance through commercial loan. The findings of the study expected to enlighten the decision makers on what can be done to help SMMEs owners access finance assistance in commercial banks, as Lesotho has adopted the implementation of Sustainable Development Goals (SDGs), this will help to eradicate or alleviate poverty

in Lesotho, as is stated in SDG1, that the country has vowed that by 2030 extreme poverty will be eradicated for all people everywhere and reduce at least by half the proportion of men, women and children of all ages living in poverty (UNDP, 2015).

Government officials at different levels and from relevant ministries may use the research results to promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation and encourage the formalisation and growth of SMMEs, including through access to financial services as it is stated in SDG 8.3. The research results can also assist in strengthening the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all, as stipulated in SDG 8.10. (UNDP, 2015).

Policy makers and implementers will be able to strategise and formulate policies that will provide support and help SMMEs in their different categories. From reducing taxes and putting in place taxation regimes that do not result in the downfall of businesses, but rather will encourage their growth, this is in accordance with the SDG10, where the country has stated that it will ensure equal opportunity to reduce inequalities of outcome, including eliminating discriminatory laws, policies and practices and promoting appropriate legislation and policies by 2030 (UNDP, 2015).

The study is also expected to contribute to research and literature and be of benefit to other researchers to fill the gaps that may be identified.

## **1.7.SUMMARY**

The emergence, growth, and sustainability of Lesotho's small and medium-sized companies (SMMEs) encounter several problems. The majority of SMMEs fail because of lack of access to capital, which is a global phenomenon that is worsened in poor nations. Lesotho ratified the Sustainable Development Goals (SDGs) and pledged to eradicate poverty in all of its manifestations worldwide. Lesotho's businesses have significant difficulties in obtaining loans and SMMEs are widely acknowledged as a key driver of economic growth. Access to credit, as well as effective loan management and

repayment techniques, must be the cornerstones of SMME sector development and growth.

Preliminary literature review presented the description of SMMEs, how profitability affects the growth of SMMEs, theoretical framework which discussed the Pecking Order Theory (POT). Conceptual framework is also presented, on how the research problem will be explored. Hypothesis, objectives and aims of the study are also explained in this chapter, as well as the expected outcomes of the study.

## CHAPTER 2: LITERATURE REVIEW

### 2.1. INTRODUCTION

SMMEs have become a focus of attention and importance for many countries and dominate the economy in many countries. Their contribution to the national economy is well recognized. This industry has been identified as playing a critical role in addressing economic growth in various economies by creating jobs, alleviating poverty, and improving the wellbeing of the less fortunate and ordinary citizens. On the other hand, SMMEs seem to establish a link to bridge gaps between high and low income groups. SMMEs also contribute to economic growth and job creation, which helps to alleviate poverty (Baleseng, 2015).

The literature review provides a theoretical body of knowledge related to the variables of the present study. The chapter starts with a brief review or description of SMMEs, sources of funding, entrepreneurial skills and SMMEs growth. The chapter also discusses factors influencing the growth of SMMEs, as well as the roles and importance of SMMEs.

### 2.2. CLARIFICATION OF CONCEPTS

According to Clapham (2012) the process of unfolding, examining, and understanding concepts is referred to as concept analysis. This critical evaluation can help in the maturation of concepts, raising the level of agreement on their meaning. If a concept is well stated and internal qualities are defined, it is termed mature. The purpose of definitions of concepts in a field of study is “to ensure communication and understanding between relevant parties within a particular knowledge sphere” (Clapham, 2012). The section below presents key concepts found in the literature and relevant to the current study thereby enhancing understanding.

#### 2.2.1. Small, Medium and Micro Enterprises (SMMEs)

There is no worldwide agreement on what defines SMMEs. The context in which the small business is placed influences the classification of SMMEs into formal, informal,

and survivalist. SMMEs have been categorised according to the industries or surroundings in which they function (Bvuma and Marnewick, 2020). Furthermore, Bvuma and Marnewick (2020) show that a SMME can be defined as any small business, irrespective of its legal or tax status, and it can be any organization, including any individual engaged in small business activities in any industry.

According to Mubaya and Ndebele-Murisa (2015) SMMEs range from street vendors to businesses with fewer employees, and their purpose is to account for the contribution of economic activity centers that are otherwise overlooked by formal and regulatory definitions of SMMEs. The term SMME has a broad spectrum of definitions and measurements, which differ from country to country. The number of employees, total net assets, sales, and investment level are commonly used criteria, with employment being the most prevalent definitional basis. Despite this disparity, several sources describe an SMME as a company with a workforce of 0-250 employees (Mubaya and Ndebele-Murisa, 2015).

### **2.2.2. Sources of Funding**

A source of funding refers to all monies that are raised for business start-ups and can be classified as internal source of financing or informal financing and external source of financing or formal financing as they are sometimes interchangeably called (Owusu *et al.*, 2017). It is crucial for everyone who wants to establish a business to be aware of the various sources of funding options available. It is also vital to understand the relative strengths and drawbacks of various sources so that the best source can be chosen (Ayyagari *et al.*, 2010).

### **2.2.3. Entrepreneurs**

According to Bishnoi (2021) an entrepreneur is a French word that means one who embarks on a project. An entrepreneur is a person who starts his or her own company or organization. If one wants to be an entrepreneur, they must arrange and run the business with a great deal of initiative and risk in order to profit from it. For an example,

if one lives in a village and has opened a shop there to help the villagers while also making a profit, he or she is called an entrepreneur (Bishnoi, 2021).

#### **2.2.4. Entrepreneurship**

Entrepreneurship is defined as “the formation of new economic entities focused on the production of innovative goods and services” (Smith and Chimucheka, 2014). The concept of entrepreneurship is defined as “the ability to establish and sustain a firm” (Smith and Chimucheka, 2014). More recently, entrepreneurship has been considered as “a method of thinking and acting that is applicable to all aspects of society and the economy, necessitating a new approach to training” (Neo, 2013).

#### **2.2.5. SMMEs Growth**

SMMEs growth can be measured in different ways, such as in terms of employment or workforce, turnover, profitability, assets and market share. Most SMMEs go through several stages of growth, sometimes known as life cycles. Though the terminologies used by different authors may differ, the events that any SMMEs must go through are largely the same. Each business must begin, then expand while confronting many problems and crises, and then bloom and fade. These are some of the numerous aspects that influence the success of a business (Gupta, Guha and Krishnaswami, 2013).

### **2.3. ENTREPRENEUR AND ENTREPRENEURSHIP**

According to Smith and Chimucheka (2014), an entrepreneur is a person who recognizes a market opportunity, gathers resources, establishes, and grows a business to meet the market's needs. When a firm succeeds, an entrepreneur usually bears the risks of the enterprise and reaps his or her reward, which is profit. An entrepreneur is also viewed as an economic agent capable of recognizing market opportunities and assembling the necessary production variables in order to capitalize on those opportunities (Smith and Chimucheka, 2014). They are heroes of free enterprise because they grow firms via invention and inventiveness. An entrepreneur is a person who, in the face of danger and uncertainty, establishes a new firm with the goal of

generating growth and profit by finding great chances and gathering the resources needed to capitalize on them. As a result, it can be said that entrepreneurs do not just come up with ideas; they also act on them (Smith and Chimucheka, 2014).

Neo (2013) shows that, whether entrepreneurs are born or made is still a source of debate. While it is widely known that some people are born with the ability to be entrepreneurs, some researchers believe that entrepreneurship is a skill that can be learned (Neo, 2013). It's a discipline that can be learned, just like any other discipline. Its development can be fostered by education and training. In the past, entrepreneurship was closely associated with the establishment of a business, and it was maintained that the abilities required to attain this goal could be learned through training (Neo, 2013).

Bishnoi (2021) stipulates that, entrepreneurs must have the confidence to take a risk with their vision. They should be confident in what they are going to do and how they are going to do it. Entrepreneurs should also be aware that success and failure do not always arrive in equal measure. Skill in resource management is another quality that an entrepreneur should possess. An entrepreneur should be able to manage time, money, resources and the people that work for the company (Bishnoi, 2021). Bishnoi (2021) further shows that, a successful business is built on the efficient use of time and people. Entrepreneurs must communicate effectively in such a way that business goal is easily understood by both customers and employees. Communication is not limited to a single language; it is a method of presenting information so that others can interpret it appropriately (Bishnoi, 2021).

According to Smith and Chimucheka (2014), entrepreneurship is the act of starting, growing, and extending a business or organization, as well as forming an entrepreneurial team and assembling other resources in order to capitalize on a market opportunity for long-term growth. It is a mode of thinking, reasoning, and action that prioritizes opportunities, takes a comprehensive approach, and balances leadership.

In a complicated and unstable environment, entrepreneurship is the process of conceptualizing, organizing, launching, and nurturing a business opportunity into a potentially high-growth venture through innovation. Entrepreneurship is the product of a systematic and disciplined process of applying creativity and innovation to market possibilities and demands (Smith and Chimucheka, 2014).

### **2.3.1. Theories of Entrepreneurship**

Only two theories of entrepreneurship are discussed in this section, cultural theory and disadvantaged theory.

#### **2.3.1.1. Cultural Theory**

According to Smith-Hunter and Boyd (2004), the cultural theory of entrepreneurship, which has its roots in Max Webber's famous essays on the protestant ethic and capitalism, is one of the oldest theories of group variations in business operation. Its central claim is simple and straightforward. Group differences in business performance are the product of cultural norms and values that are essential for successful entrepreneurship, such as a tendency for risk taking, hard effort, and delayed reward (Smith-Hunter and Boyd, 2004). The theory also claims that the desire for economic independence and the desire to reach high levels of success are important motives for pursuing self-employment in SMMEs (Smith-Hunter and Boyd, 2004).

#### **2.3.1.2. Disadvantage Theory**

Disadvantage theory is based on Webber's theory that persons who are excluded from the mainstream economy due to discrimination will usually resort to business ownership as an alternative to the labor market, thus preferring self-employment over unemployment. This idea has been used to explain why immigrants and minorities in a number of nations frequently embrace entrepreneurship as a means of economic survival and have high rates of small business ownership (Smith-Hunter and Boyd, 2004).

## **2.4. ENTREPRENEURIAL SKILLS NEEDED IN SMMEs**

According to Neo (2013), the learning methods required in today's world are those that facilitate in the development of one's mindset, behavior, skills, and capabilities and can be implemented to add value in a variety of contexts and environments, including the public sector, charities, universities, and social enterprises, as well as corporations and new venture start-ups. Entrepreneurship education and training aimed at building entrepreneurial capacities and attitudes that stimulate creativity, innovation, and self-employment, all of which benefit economies (Neo, 2013).

Entrepreneurship must be encouraged through education, and public policy. Entrepreneurship education can help to develop this entrepreneurial culture, and new methods and policies can help to improve the efficacy of entrepreneurship education projects. Entrepreneurship education is now acknowledged as one of the core skills that should be imparted through lifelong learning (Marques and Albuquerque, 2012).

There are many skills involved for entrepreneurs to be equipped with. These include financial skills, business management, teamwork and leadership, customer service skills, inner discipline and ability to take risk for the effective and smooth running of SMMEs.

### **2.4.1. Management Skills**

Management abilities are seen as critical for SMMEs success. For managerial profession, self-confidence, decision making, planning, motivating and marketing are essential. For an entrepreneur, the ability to manage time is also crucial. It is argued that most managers have poor managerial qualities. These abilities are crucial for managers' success (Daniela and Tatiana, 2016). Possessing managerial skill assists entrepreneurs in developing financial skills that enable them to make informed decisions and assume responsibility for every crucial situation, such as the ability to plan and market for the future of their business (Avlijaš *et al*, 2014).

Baleseng (2015) asserts that some researchers believe that poor management is the primary cause of SMMEs' failure. Business management skill is critical to small businesses' sustainability and ability to compete in the global market economy. Because

the majority of SMMEs are family-owned, no qualifications to run the company are required. Baleseng (2015) further indicates that, on a daily basis, family members pass on their knowledge on how to run a business. As a result, they conduct their firms based on past experiences and personal instinct. However, because finding competent labour locally is difficult, some SMMEs owners engage foreigners to manage their businesses, which do not result in the transfer of skills and knowledge. In addition, there is no stringent responsibility. Scarcity of finances and lack of human resource skills can lead to poor decision making, restricted growth and sustainability (Baleseng, 2015).

#### **2.4.2. Characteristics of Entrepreneurs**

The characteristics of entrepreneurs include devotion, leadership, opportunity obsession, risk tolerance, creativity, self-reliance, adaptability, and motivation to excel. As a result, it should come as no surprise that entrepreneurial education and training can help to develop and improve these traits (Smith and Chimucheka, 2014). Smith and Chimucheka (2014), further indicate that entrepreneurs have certain features that set them apart from the general public, but this does not imply that they share the same traits; they are individuals with a desire to succeed, who work hard to maintain quality, who value excellence, who value money, who accept responsibility, who value rewards, who are optimistic, who are good organizers, and who are enthusiastic about business. Other characteristics of entrepreneurs include critical thinking, need for independence, need for achievement, and willingness to take risks (Smith and Chimucheka, 2014).

### **2.5. FACTORS INFLUENCING SMMEs GROWTH**

The research on SMMEs has explored a variety of factors to define growth; sales turnover and employment growth have been the most often utilized and they have a close relationship. These factors are discussed below.

#### **2.5.1. Sales Growth**

According to Iskandar (2021), the year-over-year increase in sales is known as sales growth. Sales growth is defined as an increase in the number of sales from year to year or over time. Sales growth is a measure of a company's demand and competitiveness

(Iskandar, 2021). Increased sales will be reflected if sales develop rapidly. Dividend payments are likely to rise as a result of the increased income. Iskandar (2021) further shows that, SMMEs that have higher profits and larger amount of saved earnings. When opposed to enterprises with unstable sales levels, SMMEs with more consistent sales levels may be able to get more loans and withstand greater fixed expenditures (Iskandar, 2021).

For decades, researchers have been interested in business growth and profitability, as well as the relationship between the two. Growth has traditionally been used as a measure of company performance since it is thought to be a forerunner of long-term competitive advantages and profitability. Growth that is not supported by profitability does not appear to be long-term sustainable (Fuertes-Callén and Cuellar-Fernández, 2019).

Margaretha and Supartika (2016), note that profitability ratio is used to assess a company's success. It's a crucial part of financial reporting for a business. The ability of SMMEs to make earnings for a specific period at a specified rate of sales, assets, and capital stock is measured by its profitability (Margaretha and Supartika, 2016). Understanding the factors that influence profitability is one of the most important factors that SMMEs' managers must consider when building a profitable plan for their business. SMMEs profitability is one of the most important prerequisites for long-term survival and success (Margaretha and Supartika, 2016). The profitability determinant of the SMMEs has a major impact on its achievement and other financial goals. The rate of growth has a substantial impact on profitability. Profitability also improves as a result of a company's growth (Margaretha and Supartika, 2016).

Fuertes-Callén and Cuellar-Fernández (2019) explain that steady sales ensure stable earnings, allowing the company to satisfy its fixed obligations of interest payments and debt repayment without problems. Fuertes-Callén and Cuellar-Fernández (2019) further show that, as a result, the business can take on more debt. Similarly, the rate of sales growth influences the capital structure selection. The usage of debt in a firm's financing is usually proportional to the rate of growth of sales. On the other hand, if the firm's

revenues are significantly variable and dropping, it should be very cautious about using loan financing (Margaretha and Supartika, 2016).

#### **2.5.1.1. Manager's Characteristics**

The owner of SMME has a lot of power over the business's plans and operations since he or she is involved in the decision-making process (Soini and Veseli, 2011). Soini and Veseli (2011), further show that, the SMMEs owner's decisions are usually made in a centralized manner. Personality and behavior of entrepreneurs are believed to be fundamental elements for or against growth-oriented success. Because power decisions are centered at the level of the owner-manager in SMMEs, his or her personality, abilities, duties, attitude, and behavior have a significant impact on the business (Soini and Veseli, 2011).

As noted by Barbosa (2017), the competence of SMMEs manager is the defining factor of a company's success or failure. Incompetence in management, particularly strategic management such as human resources, can lead to business failure and shortfalls. Human resource management is significant since it encompasses not only employee difficulties, but also the management of external stakeholders such as customers, suppliers and investors, among others, who are critical to the SMMEs success (Barbosa, 2017).

One of the most important variables determining the growth of SMMEs is the qualities of the owner-manager or entrepreneur. The SMME owner's age, level of education, gender, family history, human and social capital, and behavioral or personal qualities are all factors that influence the business's start-up, survival, growth, and success (Olusegun *et al*, 2018).

#### **2.5.1.2. SMMEs Characteristics**

According to Ganyaupfu (2013), factors such as the number of years SMME has been in operation, the size, its location, and its ability to update and maintain its development are just a few of the attributes that define a company's growth and development. Other

aspects that determine the future of the business in a competitive environment include the firm's human resource management, marketing strategy, and capital source (Ganyaupfu, 2013). Ganyaupfu (2013) further stipulates that number of shareholders and the amount of capital invested in the firm have the potential to help the business's survival, growth, and development. It is also generally known that a lack of funds can be one of the main obstacles to SMMEs success (Ganyaupfu, 2013).

Olusegun *et al* (2018) affirm that, firm's organisational structure is also mentioned as a crucial determinant of growth and development. This is shown in the business's effective organisational management, which is noteworthy given that poor management is a key cause of business failure. A business's geographic location is also a significant issue to consider. The business's operating environment is critical to its growth since it influences the market value (Olusegun *et al*, 2018).

Marketing research for the SMMEs products or services, advertising of the items or services, and situating the SMMEs close to the intended market or customers are all constituting variables of the factor to notice. Also to have a decent chance of surviving and thriving, SMMEs must first identify their target markets and the services and goods they require (Olusegun *et al*, 2018).

### **2.5.2. Skilled Employees**

According to ILO (2014c), human resources include skilled people who have leadership/management, professional, or technician/associate professional positions. Advanced education, possession of knowledge and abilities to do complex tasks, ability to adapt quickly to technological changes, and innovative application of knowledge and skills obtained via training in their work are all characteristics of highly skilled labour. Skilled workers are individuals who are directly involved in the creation, development, dissemination, and application of knowledge (ILO, 2014c).

Tamkin *et al* (2004) affirm that, skilled employees are aware of their responsibilities and are totally committed to their work. Skilled people are a requirement in today's workforce. Any company that values productivity, efficiency, quality workmanship,

loyalty, and a pleasant working environment should invest in their personnel by giving possibilities for additional training, education, and advancement (Tamkin *et al*, 2004). Business owners will be investing in the development of their companies while also maintaining a healthy working relationship with their employees. Skilled people are specialists at what they do, resulting in increased productivity for the company, hence business growth. Better human capital should, improve SMMEs performance if it can be accessed and employed effectively in the business (Tamkin *et al*, 2004).

## **2.6. ENTREPRENEURIAL SKILLS**

This section discusses only entrepreneur financial literacy or financial skills as one of the entrepreneurial skills which is of interest to the researcher.

### **2.6.1. Entrepreneur Financial Literacy/skills**

Avlijaš *et al*, (2014) stipulate that, entrepreneur financial literacy is the knowledge and understanding of financial terminology, statements and concepts and knowing how to use the information to make financial impacts. Avlijaš *et al*, (2014) further shows that, financial literacy helps to equip entrepreneurs with financial skills that in turn enable them to make informed decisions and take responsibility for every critical situation such as ability to make complex financial decisions every day, calculating complex interest rate, managing money and financial planning to maximise business's chance of survival and growth (Avlijaš *et al*, 2014).

Financial literacy indicates the ability to perform several tasks related to finances including but not limited to earning, protecting, and spending the finances. It further shows that well developed financial skills are required for effective finance management (Safari, 2015). Safari (2015), further shows that financial literacy helps SMME owners or managers to understand the use of finance related information in daily life, for an example, when applying for a loan and payment of instalments. According to Ndege (2015), there is a relationship between managers' skills, knowledge and ability and SMMEs growth. It is evident that poor entrepreneurial skills put SMMEs at disadvantage. Lack of skilled SMMEs owners or managers can be improved through training and advice programs (Omer, 2016).

According to Ndege (2015), some SMME owners or managers do not have the skills to manage their cash flow and to perform auditing exercises, yet auditing and accounting skills are essential for viability in SMMEs. Failure to acquire relevant skills or lack of financial literacy can lead to over-spending and waste of scarce resources such as time and money (Ndege, 2015). Ndege (2015) further notes that, ability to acquire needed skills such as financial literacy enable SMMEs owners or managers to develop cash flow. That is, the amount likely to flow into and out of the business over a period of time. These skills are essential for steering SMMEs into profitability and viability. Acquiring entrepreneurial literacy skills can equip owners or managers with good leadership skills which enables them to make the right choices that enable SMMEs to thrive under difficult circumstances (Ndege, 2015).

## **2.7. THE RELATIONSHIP BETWEEN FUNDING AND SMME GROWTH**

According to Rungani and Potgieter (2018), developing countries usually favor SMME development, because of the vital role that SMMEs play in various economies. Rungani and Potgieter (2018) explain that SMMEs normally employ local resources, and many SMMEs are unable to meet their business objectives on their own, if internal and external stakeholders, such as various financial institutions, as well as close associates, such as friends and relatives, cannot provide SMMEs with support and resources, or directing resources to the SMME sector in a rising and developing economy. (Rungani and Potgieter, 2018).

Gherghina *et al* (2020) indicate that, the credit provided to SMMES is insufficient to fulfill demand, and the access is limited due to the characteristics of the SMMEs when seeking for the loan, or lack of awareness that the credit is available. Rungani and Potgieter (2018) show that more than 85% of SMMEs face substantial survival issues, and in order to meet these obstacles, a dynamic SMME sector growth plan that prioritizes entrepreneurship and small business development for economic growth in developing economies is required. Gherghina *et al.*, (2020) explain that, non-competitive real exchange rates, limited access to capital, complicated business procedures in setting up, operating, and growing SMMEs and insufficient infrastructure

are all major constraints for SMMEs. The removal of these obstacles is a difficult effort that necessitates comprehensive SMME support, that is a functional macro and micro-level environment conducive to SMME development (Gherghina *et al.*, 2020).

According to Osano and Languitone (2015), reasons have been identified in order to explain why SMMEs are unable to obtain bank finance. The finance sector competitiveness is more important and its absence can substantially boost the price of mutual funds and have a direct impact on the growth of SMMEs and emerging businesses around the world (Osano and Languitone, 2015). Osano and Languitone (2015) also state that differences in commercial banks, or the practices and regulations of the supply side of finance, have a significant impact on SMMEs' access to funding. Most commercial banks are claimed to differ in terms of the interaction between those financial institutions and entrepreneurs (Osano and Languitone, 2015).

Shihadeh, Gamage and Hannon (2019) explain that, the deficiencies in financial systems have been cited as a barrier to accessing financial funding in underdeveloped countries. Problems have been identified for SMMEs to access financial resources, citing a lack of collateral, management and financial system flaws, and unstable profitability as reasons for this issue (Shihadeh, Gamage and Hannon, 2019).

As noted in Osano and Languitone (2015), the severity of knowledge gaps between bankers and entrepreneurs is said to be the biggest hindrance to SMMEs financing in Sub-Saharan Africa. However, Osano and Languitone (2015) further show that, by building financial institutions that are more tailored to local circumstances, the gap between banks and SMMEs can be closed. Opportunities for risk transfer and mitigating risk by banks should be considered by creating sustainable guarantee funds to help SMMEs gain greater access to finance (Osano and Languitone, 2015).

Osano and Languitone (2015) also stipulate that, the lack of collateral requirements, high risks, uncertainty, small credit transactions, particularly among rural SMMEs, and the distance between commercial banks and rural SMMEs also identified as the main causes of credit variation among the various and existing sources of credit, with a focus

on developing countries. Supporting SMMEs' long-term viability by improving their access to finance is critical to long-term economic viability (Shihadeh, Gamage and Hannon, 2019).

Beck (2013) posits that, there are substantial indicators that financial inclusion can assist in the creation of jobs, with evidence suggesting this occurs in part through the expansion of SMME lending. Financial development and job creation in emerging countries have a favorable and important association on an international market (Beck, 2013). Beck (2013), further shows that there is evidence that financial growth reduces the impact of funding obstacles on SMME growth, with a positive impact on SMMEs, and that financial development has a positive impact on the growth of SMME. The lack of suitable collateral for SMMEs, the lack of special financial services targeted at SMMEs, and rules and regulations that make it difficult for SMMEs, such as giving a legal concept of SMME and licensing SMME, are all obstacles (Shihadeh *et al*, 2019).

According to Atawodi and Ojeka (2012), SMMEs in emerging nations are battling to stay afloat in highly competitive domestic and international contexts. The provision of the necessary entrepreneurship ecosystem for the development of SMMEs in developing nations is very critical (Atawodi and Ojeka, 2012).

## **2.8. THE RELATIONSHIP BETWEEN FINANCIAL LITERACY AND SMME GROWTH**

Shihadeh *et al* (2019) suggest that, SMMEs lack financial skills, technology, and personnel with qualification and skills, all of which have an impact on their ability to innovate, develop and grow. On the one hand, the above mentioned variables operate as stumbling blocks to SMMEs' growth (Shihadeh *et al*, 2019). SMME owners' financial literacy and cultural values are unused resources that could improve SMME performance or growth by providing a sustainable competitive advantage (Agyei, 2018).

Agyei (2018) posits that, SMMEs owners are all entrepreneurs, but not all entrepreneurs are financially literate. Agyei (2018) further asserts that financial literacy is thought to increase the quality of financial decisions. As a result, performance and the

majority of empirical studies on financial literacy focus on determining financial literacy levels and factors that influence them, with only a few addressing the effects of financial literacy or illiteracy (Agyei, 2018). Agyei (2018) also indicates that financial illiteracy is endemic, because of the negative effects connected with poor financial decisions, and the world's low level of financial literacy is a matter of concern. Even though developing countries in Sub-Saharan Africa have given it limited attention, several economies are implementing national measures to combat the detrimental impacts of financial illiteracy (Agyei, 2018).

According to Eniola and Entebang (2015), financial knowledge assist the SMMEs owners in financial management, resource allocation, record keeping, use of idle cash, financial discipline and control, and locating capital for viable growth ideas. Agyei (2018) shows that, as a result of the financial instability, SMME owners' financial literacy levels of economic structure affects SMMEs' decisions, and activities related to SMME growth. This demonstrates the importance of financial literacy in making informed decisions while seeking services. SMMEs owners' financing decisions are influenced by their financial literacy (Eniola and Entebang, 2015).

In comparison to their more financially literate peers, SMME managers with low financial literacy make poor decisions by participating less in the formal financial sector and borrowing at higher interest rates (Eniola and Entebang, 2017). Eniola and Entebang (2017) further show that the failure rate of SMMEs is extremely high, and financial literacy is critical to the success, survival and well-being of all types of SMMEs. Financial literacy among SMME managers is a beneficial trait that leads to economic and social freedom by improving production, investment, income, savings, and consumption, therefore it is required to analyze financial decisions made by small business owners (Agyei, 2018).

Eniola and Entebang (2015) explain financial literacy as the capacity to successfully manage SMMEs financial resources throughout their life cycle and engage with financial products and services in the bright light of the modern business realities. Eniola and Entebang (2017) further elucidate financial literacy as a field that necessitates

knowledge, skill, attitude, and experience to SMMEs owners in order to achieve objectives such as business survival, profit maximization, sales maximization and obtaining a specific market share. Purwidiанти and Tubastuvi (2019) see financial literacy as the ability to differentiate and make sound financial management decisions to SMMEs. It has the potential to be one of the most important strategic tools for better organizing financial resource allocations for SMMEs and achieving significant financial strength of SMME (Eniola and Entebang, 2015).

Purwidiанти and Tubastuvi (2019) articulate that, financial literacy clarifies a variety of savings and borrowing decisions. SMMEs managers that are financially literate make greater use of innovative financial products. Improved financial decision-making is a result of increased financial literacy. Financial literacy training is identified as one of the main factors driving behavioural change in SMMEs (Purwidiанти and Tubastuvi, 2019).

## **2.9. SOURCES OF FUNDING**

Due to lack of funding, many enterprises fail or never get off the ground. Friends and family often finance first-time entrepreneurs, at least in the early stages. Others may borrow using their personal credit cards, however, high interest rates make this option unappealing or costly for a startup enterprise (Duening *et al*, 2010).

Sources of funding for SMMEs include commercial bank loans, merchant banks, microfinance banks, and development banks, financial institution loans, the issuance of securities, mutual funds, and cash advances which are all options for raising capital. Such sources provide funding for a set period of time, subject to certain terms and conditions, and must be repaid when that time period ends (Ayuba and Zubairu, 2015).

According to Baker and Martin(2011) the need for finances comes at the point when an entrepreneur decides to establish a business for different purposes, such as purchase of plant and machinery, furnishings, and other fixed assets, and money can be required immediately. Similarly, finances are required for day-to-day operations, such as purchasing raw materials and paying personnel salaries, to name a few. Additionally, if the business grows, it will require additional capital (Baker and Martin, 2011).

Policymakers, academics, and other stakeholders across the world have been debating how to finance small and medium-sized businesses. The issue is driven by the critical role that SMMEs continue to play in the private sector across the world, which includes job creation (Sibanda *et al*, 2018).

Owusu *et al* (2017) explain that loans from family members, moneylenders, rotating savings, and credit associations, as well as funds from non-profit organizations, make up sources of funding. Other source of financing options include personal savings, personal and family loans from friends, employers, and colleagues, as well as credit card loans (Owusu *et al*, 2017). Due to commercial banks' inability to supply SMMEs with the needed credit, entrepreneurs have had to rely on personal savings and assets for working capital, making it impossible to function at full capacity and boost output and sales (Ayuba and Zubairu, 2015).

Duening *et al* (2010) stipulate that as a means of raising funds, crowd fundraising has become more popular to recruit investors. SMMEs owners utilizing this strategy normally use a crowd-funding tool like Kick-starter, and for a significant enough investment, the entrepreneur may provide tokens of appreciation in exchange for finances, or an ownership stake (Duening *et al*, 2010).

Some owners receive funding from business angels. Gabriel and Yang (2017), define business angels as people who invest in businesses, in exchange for a share of the business's ownership. Many business angels are successful business owners who invest not only to profit but also to help other businesses flourish. Venture capital businesses participate in startups as well, but at a later stage and in bigger amounts than angel investors (Osano and Languitone, 2015). Venture capital firms, like business angels, take a stake in the company, but they have a larger expectation of getting a return on their investment than business angels do (Duening *et al*, 2010). Without finance assistance, small and medium businesses will be unable to compete in international markets, expand their businesses, or form commercial partnerships with large corporations (Osano and Languitone, 2015).

### **2.9.1. Commercial Bank Loans**

Chimucheka and Rungani (2011) posit that commercial banking is the parent of all sorts of banking currently available in the financial system. The most important task of commercial banks is to accept public deposits, extend loans and advances out of the money through deposits of businessmen and entrepreneurs against acceptable securities and safety, such as government securities, easily sellable stocks and shares, and marketable goods. Overdrafts, discounting bills, money-at-call and short notice, loans and advances, and various forms of direct loans to traders and producers are all ways that banks provide advances to customers or depositors (Chimucheka and Rungani, 2011).

Although it is commonly indicated that SMMEs look into other financing options, bank financing is still a common and essential option for SMMEs (Chimucheka and Rungani, 2011). Banks must understand that their attitudes and behaviours toward SMMEs have an impact on SMMEs and the country as a whole. Banks should not just reject SMMEs financing applications without providing an explanation (Chimucheka and Rungani, 2011). Baleseng (2015) shows that SMMEs have long had trouble getting formal credit or equity, despite their importance to countries' economies. Because of their weak assets and low capitalization, commercial banks and investors have been hesitant to lend to SMMEs, describing them as high-risk borrowers (Baleseng, 2015).

According to Ovat (2016), commercial bank credit is one of the most important sources of funding for SMMEs to survive and execute their expected functions. Hence Ovat (2016) posits that, they are required to offer economic power to small and medium-sized businesses through their financial intermediation role. However, in most developing nations in Sub-Sahara Africa, small and medium-sized businesses face lack of funds limiting their potential to expand (Ovat, 2016). SMMEs are widely recognized as the backbone of industrial development in countries around the world, and financial institutions, particularly commercial banks, are expected to provide financial support for their expansion (Ovat, 2016). Ovat (2016) also concurs that these banks' intermediation role is intended to give financial assistance to SMMEs.

However, prior studies (Oke and Aluko, 2015b) have identified a lack of funding as a challenge to SMMEs' performance. SMMEs require appropriate capital in the form of short and long-term loans in order to perform their function effectively and efficiently. The survival of SMMEs depends on adequate financing which should be provided by commercial banks (Oke and Aluko, 2015b).

#### **2.9.1.1. Short-term loans**

The fraction of a company's total debt that may be repaid within a year is known as short-term loan. This includes bank overdrafts, bank loans with a one-year repayment period, and other current liabilities (Sojeva, 2015). A short-term loan is typically used to fund current activities like operations (Baker and Martin, 2011). Sojeva (2015) further stipulates that with short-term loans, one can receive liquidity quickly. The advantage of a short-term loan is that, it can assist SMMEs in meeting smaller economic necessities, while also allowing an enterprise to take advantage of chances, such as cash needed to meet unexpected bills, bridge cash flow gaps, purchase goods, or pursue business prospects (Chaffers, 2021). Short-term financing, on the other hand, has higher interest rates and, in general, does not meet long-term capital investment requirements (Sojeva, 2015).

#### **2.9.1.2. Long-term loans**

According to Baker and Martin (2011), the total amount owed by the corporation that is repayable in more than one year is referred to as long-term debt. This comprises long-term bank loans as well as other long-term liabilities such as owners' loans, hire purchase, and leasing commitments that are refundable over a year. Long-term loan is typically used to finance assets like buildings and equipment (Baker and Martin, 2011).

The advantage for SMMEs to focus on long-term debt maturity is that they are unlikely to be connected with investment possibilities or any other factors that might influence investment decisions during a financial crisis (Vermoesen, Deloof and Laveren, 2013). According to Sojeva, (2015), long-term loans commonly use periodic method of repayment. Expensive equipment can be leased for a long period of time and then be

purchased by the SMMEs. Long-term capital requirements can be met through long-term loans. Long-term financing gives security, but the overall amount of interest paid over time is higher (Sojeva, 2015).

### **2.9.1.3. Loan Commitment and Repayments**

According to Greenbaum and Thakor, (2007), a loan commitment is a contract that allows the borrower the option to borrow at (partially) preset terms in the future. Because the borrower has the option, the bank cannot refuse to lend, even if that would result in a loss (Greenbaum and Thakor, 2007). The bank's obligation to lend is only terminated if it realizes that the borrower's financial situation has deteriorated severely between the time it sold the loan commitment and the time it must decide whether or not to continue the loan. In this instance, the bank can apply the loan commitment contract's Material Adverse Change (MAC) provision and refuse to honor (Greenbaum and Thakor, 2007).

Krastev (2018), explain that the process of repaying a loan amount from a lender is known as repayment. The return of funds is usually accomplished by periodic payments that combine both principal and interest. The original amount borrowed in a loan is referred to as the principal amount. Borrowers must pay interest in order to use the funds released to them through the loan. Loans can normally be paid off in full at any time, though some contracts may contain an early repayment penalty (Krastev, 2018).

According to Muhammad, Sulaiman and Ibrahim (2019), the period and amount of a loan can influence good or poor repayment process. They further show that, another key aspect that influences loan repayment is a SMMEs performance. SMMEs that do well are more likely to return loans on time than SMMEs that do not. Also, if the payback period is too limited, the chances of a positive rate of return at that time are slim (Muhammad, Sulaiman and Ibrahim (2019). On the other hand borrowers may redirect surplus money to non-productive activities, like pleasure and entertainment if the repayment period is too long (Muhammad, Sulaiman and Ibrahim, 2019).

### **2.9.2. Microfinance**

Letete (2013) defines microfinance as microcredit offered to SMMEs owners in order to encourage them to start businesses. It is the practice of lending modest amounts of money to the poor in order to help them build their businesses and raise their income above the poverty line as is asserted by Beck (2015). Beck (2015) further shows that, microfinance is the provision of financial services to those denied of regular banking and financial services due to their poor income standing. Microfinance has evolved into a wider concept that includes assisting disadvantaged people with savings, consumer loans, insurance, and other fundamental financial services (Letete, 2013). It entails providing low-income consumers with financial services such as credit and savings, insurance, and payment services. Microfinance also provides financial intermediation, group building, self-confidence development, and business training, all of which contribute to social intermediation (Letete, 2013).

According to Omer (2016), the introduction of credit procedures that prove that microfinance clients are economically stable has marked the micro finance movement. SMMEs owners are able to take out loans and repay them more dependably than consumers in the commercial banking industry. Omer (2016) further shows that they are also capable of paying the high interest rates that banks must charge to offset the costs of providing such smaller loans. The promise of permanent access to future credit has traditionally been at the heart of effective microfinance, motivating clients to repay in order to maintain their access to the service (Morduch and Morduch, 2005).

According to Beck (2015), the use of collateral replacements to reduce risk is another important success factor. SMMEs lack collateral, and it is this lack of collateral that keeps them out of formal finance sources (Beck, 2015). To combat this, several microfinance pioneers devised group-based joint responsibility structures, in which members of a group guaranteed each other's loans (Morduch and Morduch, 2005). Other programs, rather than group schemes, rely on local expertise through loan agents and non-traditional kinds of collateral, such as livestock (Omer, 2016).

## **2.10. FINANCING THEORIES**

Financial decisions, like any other type of decision, require making a choice between two or more options. There is no need to make a decision if there is only one option. One option available to the decision maker is to continue with the circumstances that existed until the time of the choice. Finance theories describe how a firm's finance plan is decided (McIney, 2009). Only capital structure theory and its two components are discussed below.

### **2.10.1. Capital Structure Theory**

Capital structure is the combination of financial sources used to fund a company's operations (Vernimmen *et al.*, 2017). The correlation between the long-term forms of funding, such as equity capital, preference share capital, and debt capital, is referred to as capital structure. The capital structure of a company is a long-term financing, which is generally made up of long-term debt and equity. Deciding on an appropriate capital structure is a critical decision for financial management because it is strongly linked to the firm's worth (Aljamaan, 2018).

A business's capital structure includes both its own capital and borrowed capital. The following questions occur when it comes to a company's demand for capital: What is the capital structure that maximizes a company's value? What mechanism should be used to fund working capital requirements, and what proportion of the loan/capital should be registered? (Sojeva, 2015).

According to Abosede (2012), the assessment of the basis and how the financing mix affects the entire review of the firm and its cost of capital is at the heart of capital structure theory. The Trade-off Theory, the Pecking Order Theory, and the Agency Cost Theory are examples of ideas that describe how capital structure is produced in businesses. Within these theories, each has its own set of assumptions and effects for a company's capital structure and benefits (Abosede, 2012).

### **2.10.1.1. Trade-off Theory**

The Trade-off Theory (TOT) proposes that SMMEs decide how to deploy their resources by weighing the tax benefits of debt against the costs of bankruptcy, aiming for the best debt-to-equity ratio (Adair and Adaskou, 2015). Abosede (2012), states that the basic and Modigliani-Miller (MM) schools of thought are part of the Trade-off Theory of capital structure, commonly known as the classic theory of capital structure. In order to optimize tax savings, the fundamental Trade-off Theory of capital structure predicts that enterprises in the same industry should have similar or identical financial positions. Adair and Adaskou (2015) explain that the tax benefit, among other things, reduces the overall cost of capital by making the effective cost of debt lower than the reasonable charges. The goal of the Trade-off Theory is to find an optimal degree of leverage where the cost of capital is the lowest and the share price is the highest (Abosede, 2012).

### **2.10.1.2. Agency Cost Theory (ACT)**

Agency Cost is the expense of abandoning the goal of profit in order to suit the owner's objectives (Ghozali, Handriani and Hersugondo, 2018). The theory posits that Agency cost is a loss that happens as a result of agency conflict between the primary as a trustee and the agent as a middleman representing the owner in a company's investments in financial language. The owner will always have a disagreement with the manager in this situation (Ghozali *et al*, 2018). Ghozali *et al*, (2018), further show that, SMMEs managers who wish to attain a profit target, may minimize expense items. In the event of a conflict of interests, the manager must prioritize the interests of the owners and be willing to sacrifice the profit target if necessary, but they must still adhere to economic rules based on the principle of efficiency, where transaction costs are not excessive and do not obstruct the entity manager's pursuit of the profit target (Ghozali *et al*, 2018).

According to the theory, choosing the best/optimal capital structure can help agencies avoid conflicts and save money (Aljamaan, 2018). As a result, a high leverage/debt ratio, according to the theory, helps a business in lowering agency costs and reducing agency disagreements. This total debt also pushes managers to behave in the best

interests of the company. As a result, the company's profitability grows (Aljamaan, 2018).

## **2.11.THEORETICAL FRAMEWORK**

The theoretical framework adopted in this study engaged one of the theories of capital structure of SMMEs, which is Pecking Order Theory. This theory has been found by the researcher as the most appropriate theory to this study.

Economists have explained the role of finance in the market with the help of different finance theories. The concept of finance theory involves studying the various ways by which businesses raise money as well as how money is allocated to projects considering the risk factors associated with them (World Finance, 2017).

Mahembe (2011) believes that many entrepreneurs or SMMEs that do not have access to funds would have the capability to use those funds productively if the funds were available. However, due to financial structural characteristics, the financial systems do not provide finance to such entities. It has been recorded by other literatures that financial constraint is one of the main reasons why SMMEs fail. Sufficient financing of SMMEs is very vital to their survival and in this regard financing strength is the main determinant of SMMEs growth in developing countries (Oke and Aluko, 2015b).

### **2.11.1. Pecking Order Theory (POT) of Capital Structure**

According to Culata (2012), this theory affirms that most firms met their financial need in an order of hierarchy, firstly using of internally generated funds, secondly by borrowing in form of debt and thirdly by generating funds through equity and this practice is predominant in small enterprises. The theory prefers a sequential choice over funding sources. In this theory, firms normally avoid external financing if internal financing is available (Adair and Adaskou, 2015). The Pecking Order Theory is the most preferred and observed financing type to raise capital. It is regarded as superior for explaining capital structure changes (Matemilola and Bany, 2011).

Pecking Order Theory gives less weight to tax considerations, and predicts that company makes financing choices according to cash available and degree of external

financing constraints (Adebiyi, 2012). However Pecking Order Theory has some limitations, it fails to incorporate the effect of taxes and agency cost. It also ignores the problems that can arise when managers accumulate so much financial slack, that they become immune to market discipline. The higher the asymmetric information, the higher the risk in the company (Butt, 2013).

This theory suggests that if companies need financing, the retained earnings or internal financing must be their first preference, then they go towards debt and equity financing as their last options. It sets the hierarchical level of the companies for their financial decisions (Newman, 2012). The theory preserves that businesses stick to a hierarchy of financing sources, and prefers internal financing for business growth.

## **2.12. SUMMARY**

Sources of funding have been investigated in this chapter. Capital is needed by SMMEs to fund operations, investments, working capital, and product development, as well as to cover other costs and losses. According to the literature, SMMEs play a critical role for the economy of countries. Internal sources of finance, such as retained earnings and venture capitalists, are seen to be the best form of financing for SMME capital structures although on the other hand, they are found to be a scarce financing option for SMMEs. When faced with the choice of acquiring external financing, the literature also revealed different sources of finance such as commercial banks that SMMEs can use, though banks are hesitant to lend money to SMMEs. Microfinance, on the other hand, has been identified as one of the reliable sources of funding for SMMEs.

Capital structure with its various theoretical theories on financing SMMEs was also discussed; Trade-off Theory and Agency Cost Theory. These ideas explain how businesses manage their finances, taking into account their various qualities and issues. The chapter then moved on to entrepreneurship and its theories where it is concluded that, entrepreneurs are risk takers, and there are some skills that they should possess for the smooth running of a business, also the factors that influence SMMEs growth are discussed.

The literature revealed that most of the studies viewed in this section are concerned about the growth of the SMMEs in general, their contribution to the countries' economy and the importance of skilled work force. The study established the gap on how financial sources and financial literacy impact the growth of SMMEs, therefore the researcher is motivated to undertake the study to assess the impact of funding sources and financial literacy on SMMEs growth in stadium area constituency Maseru, Lesotho.

## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1. INTRODUCTION

Chapter 3 deals with the research methodology used by the researcher. Leedy (1997) sees method as a very simple way of accomplishing an end result of the study. This chapter focuses on research paradigm, approach and design, sample and sampling technique, population, validity and reliability, data collection process, data analysis and ethical considerations.

### 3.2. RESEARCH PHILOSOPHY / PARADIGM

Research Philosophy is belief about the ways in which data of a phenomenon should be collected and analysed. It deals with the source, nature and development of knowledge. Every research is strengthened by a research philosophy. According Antwi and Hamza, (2015), the research process has three major dimensions which are ontology, epistemology and methodology, in this section only ontology and epistemology philosophical issues will be adopted.

Ontology is the philosophical field revolving around the nature of reality. Reality is something that can be proved or something that is known. It specifies the form and nature of reality and what can be known about it (Wand & Webber, 1993). According to Antwi and Hamza, (2015), ontology has two contrasting positions which are objectivism and constructionism, objectivism holds that there is an independent reality while constructionism assumes that reality is the product of social processes.

According to Antwi and Hamza, (2015), epistemology refers to the nature of the relationship between a researcher, whom is regarded as the knower and what is known, it denotes the nature of human knowledge and understanding that can possibly be acquired through different types of inquiry and alternative methods of investigation. They further stated that there are two broad epistemological positions, positivism and interpretivism. Epistemology poses the questions such as, how do we know what we know? What is the relationship between the knower and what is known? What counts as knowledge?

The study adopts positivism as its epistemological perspective because it is believed that knowledge should be objective and free from bias, and that truths are facts that can be proven. Positivism applies quantitative methods to collect data. Positivism serves as the guidance for the researcher to a particular methodology, and also helps the researcher solve research questions, choose respondents, data collection tools and collection procedure as well as analysing data (Majeed, 2020).

### **3.3. RESEARCH APPROACH AND DESIGN**

Research approach is defined as steps from broad assumptions to detailed methods of data collection, analysis and interpretation (Anderson and Taylor, 2009). The researcher used quantitative methodology as the approach in this study because it allows for greater objectivity and accuracy of results. Owing to that, with the employment of a quantitative approach, it becomes easy to generalise data. Quantitative research approach is defined by Anderson and Taylor (2009) as “the process of analysing and interpreting data using numerical analysis”. The quantitative approach is used to count and measure the frequency of events in order to estimate an ideal or true condition.

Research design is the criterion that is employed when evaluating a research. According to Babbie and Mouton (1998), research design addresses the planning of scientific enquiry, which is designing a strategy for finding out something. Bryman (2004) shows it as the way in which the researcher carries out the study. A survey was used as the research design. Questionnaire was used as a tool to gather data. Questionnaires are a quick, effective and very useful way for determining a subject's preference, also less expensive and less time consuming. They are often used in reaching thousands of possible participants, which ensures a more accurate sample in which to draw conclusions. Questionnaires also allow people to be honest with their responses, and make it possible to get accurate data.

### 3.4. RESEARCH POPULATION

Brink (1996) defines population as the entire group of persons or objects that is of interest to the researcher or that meets the criteria the researcher is interested in studying. The study covered SMMEs owners in Stadium Area around Maseru city. The total of people living in Stadium Area constituency is estimated at 9952, with approximately 1512 SMMEs (Lesotho Bureau of Statistics, 2016).

### 3.5. SAMPLE AND SAMPLING TECHNIQUE

According to Brink (1996), sample is a part or fraction of a whole or a subset of a larger set selected by the researcher to participate in a research study. Sampling is the process of selecting sample from a population in order to obtain information regarding a phenomenon in a way that represents a population of interest (Brink, 1996). The researcher collected data from the sample size of 199 businesses which fall under SMMEs using cluster sampling. With cluster sampling it is easier, faster, cheaper and convenient to collect information. Also, in cluster sampling each member of the population has a fixed probability of being selected. From each cluster, simple random sampling was used to determine the sample size.

**Equation 1**

$$SS = \frac{Z^2 * p * (1-p)}{C^2}$$

Z = Z value (e.g. 1.512 for 95% confidence level)

P = percentage picking a choice, expressed as decimal (0.5 used for sample size needed)

C = confidence interval, expressed as decimal (e.g. .05 = ±5)

Ss = sample size

**Equation 2**

$$SS = \frac{1.512^2 * 0.5 * (1-0.5)}{0.05^2}$$

**Ss = 229**

Correction for finite population:

### Equation 3

$$Newss = \frac{ss}{1 + \frac{ss-1}{Pop}}$$

Pop = population

### Equation 4

$$Newss = \frac{229}{1 + \frac{229-1}{1512}}$$

Pop = 1512

$$Ss = 198.9$$

**= 199 final sample size required**

## 3.6. DATA COLLECTION PROCESS

Data was collected by the researcher personally administering questionnaires to SMMEs owners. The study targeted SMMEs such as Spaza Shops, Internet cafes/Print Shops and Salons/Barbershops. The questionnaire was divided into five sections, Section A was Demographic Data, Section B was Internal Financing, Section C was External Financing, Section D was Entrepreneur Financial Literacy and Section E was SMME Growth. It was written in English but translated to Sesotho during the field work to make everybody feel comfortable to use the language of their preference. The questionnaires were collected immediately after being filled.

## 3.7. VALIDITY AND RELIABILITY

Research instruments are defined by Bless (2006) as tools or devices used to collect data in a research study. Since the researcher used quantitative approach, questionnaires were used to collect data. The researcher used structured questions. Likert Scale questionnaires were used in order to allow the respondents to express how much they agree or disagree with the given statements. The respondents were categorised according to their ages and gender.

Validity is an indication of whether the instrument measures what it claims to measure (Hughes, 2017). The researcher organised the pilot group for the testing of the

usefulness of the instrument. The organised group was from Mabote village in the district of Berea. At least 50 SMMEs owners were presented with questionnaires. The collected data and comments raised during the tool pilot helped the researcher to assess the accuracy and clarity of the questions, which questions are biased and make the respondents uncomfortable, as well as the time taken. Corrections and some adjustments were made where there were deficiencies. After testing the validity and reliability of the instrument, then the process of data collection was undertaken.

Reliability is the consistency of the tool when it produces similar results under consistent condition, or when carried out repeatedly under the same condition with the same variables, and the results remain the same. Cronbach's Coefficient Alpha was used to test the reliability of instrument (questionnaire). Cronbach's Coefficient Alpha determines the consistency of items in an instrument to gauge its reliability. Variables from test instrument are said to be reliable only when they provide stable and reliable responses over a repeated administration of the test (Reynaldo and Santos, 1999).

### **3.8. DATA ANALYSIS**

Data collected was organised, analysed and displayed in a way that provided answers to the research hypothesis. According to Brink (1996) data analysis entails categorising, ordering, manipulating and summarising the data and describing it in meaningful terms. Analysis of data is in the form of tables and percentages of responses. Each table is followed by interpretation to enable the reader to follow and understand the results, also data is analysed and presented in the form of Structural Equation Modeling (SEM). SEM is a multivariate numerical analysis method used to analyse structural relationship between measured and latent variables (Hox and Bechger, 1999). The importance of SEM is that the conclusion drawn is more accurate or more realistic and closer to the real life since it considers more than one factor of independent variables that influence the variability of dependent variables (Tarka, 2017).

### **3.9. ETHICAL CONSIDERATIONS**

According to McDaniel and Gates (2008), ethics are moral principles or values generally governing the conduct of an individual or group. Ethical behaviour, however, is not a one-way relationship. The study maintains research integrity by avoiding misinterpretation, omission of pertinent research data and treating respondents fairly (Leedy and Ormrod, 2010). The researcher produced documents which were introducing her to the respondents in order to build trust. The researcher also took into consideration to respect the confidentiality and anonymity of the respondents, also ensured that the participants are voluntarily participating, and considered that participants are not subjected to harm in anyway.

### **3.10. LIMITATIONS OF THE STUDY**

Due to the study being quantitative in nature, it was prone to some limitations. The tool or instrument was designed in such a way that the questions were in Likert Scale and did not allow in depth information. Some respondents were reluctant to take the questionnaire, they seem to be lazy to read and answer the questions, and some claim not to have time to fill the questionnaire. In addition, time proved to be a limiting factor in relation to family and workplace commitments of the researcher.

### **3.11. SUMMARY**

This chapter tabulated research paradigm, approach and design, sample and sampling technique, population, validity and reliability, and how data was collected, analysed and presented. Ethical considerations which are the ethics or moral principle that the researcher followed during the data collection process and limitations of the study discussed were also taken into consideration.

## CHAPTER 4: FINAL DATA ANALYSIS

### 4.1. INTRODUCTION

Chapter four presents data, analysis and discussion of the findings on assessing the impact of funding sources and financial literacy on SMMEs growth in stadium area constituency Maseru, Lesotho. Data presentation is divided into four sections. Section A is Demographic Data, Section B is Descriptive Statistics, Section C is Confirmatory Factor Analysis, and Section D is Structural Equation Modeling. Data is presented according to research objectives and hypotheses of the study with the help of tables, graphs and charts.

### 4.2. PRELIMINARY DATA ANALYSIS

In this section data has been analysed in order to get an overview of the dataset structure, and to check for the underlying assumptions behind all other further analysis to be undertaken. It further ensures that the final results are non-spurious, following some of the parametric statistical tools used.

### DEMOGRAPHIC DATA ANALYSIS

**Table 4.2.1 Marital Status by Gender of Respondents**

Marital Status	Gender of Respondents		Total
	Female	Male	
Divorced	25	0	25
Married	55	38	93
Single	1	63	64
Widowed	17	0	17
Grand Total	98	101	199

**Table 4.2.2 Educational Background by Gender of Respondents**

Educational Background	Gender of Respondents		Total
	Female	Male	
Primary School	0	18	18
High School	10	62	72
Tertiary Level	88	21	109
Grand Total	98	101	199

From tables 4.2.1 and 4.2.2, the number of males and females who are SMMEs owners or managers show a slight difference of the balanced scale, although the number for male respondents is higher than of female respondents. Though the number of married female respondents is higher than of married male respondents, compared to other marital status, the number of married respondents seems to be higher, and this shows that married couples support each other either financially or emotionally, and maybe these help them to continue to pursue business. In table 4.2.2 the number of respondents by educational background shows that most respondents are from tertiary level. Although the number of female respondents is higher than that of male respondents, this may mean that unemployment in the country is very high and people opt to start their own businesses in order to put food on their tables for survival.

**Table 4.2.3 Type of Business by Gender of Respondents**

Type of Business	Gender of Respondents		Total
	Female	Male	
New Enterprise	29	95	124
Creation by existing Enterprise	41	6	47
Takeover Enterprise	28	0	28
Grand Total	98	101	199

**Table 4.2.4 Existence of Business by Gender of Respondents**

Existence of Business	Gender of Respondents		Total
	Female	Male	
Less than 12 months	0	55	55
1 to 3 years	11	36	47
4 to 6 years	36	7	43
7 to 10 years	23	3	26
Over 10 years	28	0	28
Grand Total	98	101	199

Tables 4.2.3 and 4.2.4, show that most new enterprises are owned by male respondents. This could mean that as it is explained in the previous tables, the mainstream employment has rejected most of male respondents, hence they are involved in being entrepreneurs in order to alleviate themselves out of poverty, as it is seen from table 4.2.4 that most of these businesses are less than 12 months in terms of existence. The majority of female respondents own the SMMEs which are created or established. This could mean that most female respondents own more than one SMME. This shows that female respondents are able to take responsibilities, or they play important roles in growing of SMMEs, or that female respondents are able to use their profits effectively and efficiently, hence owning more than one enterprise.

**Table 4.2.5 Nature of Business by Gender of Respondents**

Nature of Business	Gender of Respondents		Total
	Female	Male	
Salon / Barbershop	1	59	60
Printing/Internet Café	15	35	50
Spaza Shop	82	7	89
Grand Total	98	101	199

**Table 4.2.6 Number of Employees by Gender of Respondents**

Number of Employees	Gender of Respondents		Total
	Female	Male	
1-10	65	100	165
11-20	23	1	24
21-30	4	0	4
31-40	3	0	3
41-50	3	0	3
Grand Total	98	101	199

It is identified in tables 4.2.5 and 4.2.6 that salons or barbershops are mostly owned by male respondents, and the majority of spaza shops are owned by female respondents. Most male respondents employed not more than 10 employees. Although female respondents lead a high number on running spaza shops, but still they employed not more than 10 employees as well, this could mean that if they get funding maybe they can increase the number of employees. The number of employees between categories 21-30, 31-40 and 41-50 is very low, may be this could mean than most SMMEs are stagnant due to lack of funds.

**Table 4.2.7 Age by Gender of Respondents**

Age	Gender of Respondents		Total
	Female	Male	
35-40	15	78	93
41-45	29	21	50
46-50	25	2	27
51-55	20	0	20
>56	9	0	9
Grand Total	98	101	199

**Table 4.2.8 Age by Marital Status of Respondents**

Age	Marital Status of Respondents				Total
	Divorced	Married	Single	Widowed	
35-40	0	32	61	0	93
41-45	5	42	3	0	50
46-50	12	13	0	2	27
51-55	6	6	0	8	20
>56	2	0	0	7	9
Grand Total	25	93	64	17	199

As shown in tables 4.2.7 and 4.2.8, the majority of respondents are young SMMEs owners who according to age categories, aged between 35 and 40, and the majority of these young SMMEs owners are single in terms of marital status, with male respondents scoring high number. Maybe this emphasizes what has been discussed in previous tables, that high rate of unemployed leads to young people being engaged in entrepreneurship in order to make a living. The majority of married respondent also seem to be engaged in business.

**Table 4.2.9 Educational Background by Age of Respondents**

Educational Background	Age of Respondents					Total
	35-40	41-45	46-50	51-55	>56	
Primary School	14	4	0	0	0	18
High School	54	10	7	1	0	72
Tertiary Level	25	36	20	19	9	109
Grand Total	93	50	27	20	9	199

**Table 4.2.10 Type of SMME by Age of Respondents**

Type of SMME	Age of Respondents					Total
	35-40	41-45	46-50	51-55	>56	
New Enterprise	91	30	3	0	0	124
Creation by existing Enterprise	2	17	21	6	1	47
Takeover Enterprise	0	3	3	14	8	28
Grand Total	93	50	27	20	9	199

With the information contained in tables 4.2.9 and 4.2.10, majority of respondents established new enterprises and mostly are young and middle-aged people who aged between 35 and 45, and in terms of educational background most of them attained tertiary education. This shows that they have knowledge and understanding of what they are doing in terms of financials and decision making. Again, according to age limit of respondents, the majority of young people seem to be involved in business and this could mean that there is hope for success of SMMEs' growth.

**Table 4.2.11 Existence of Business by Age of Respondents**

Existence of Business	Age of Respondents					Total
	35-40	41-45	46-50	51-55	>56	
Less than 12 months	54	1	0	0	0	55
1 to 3 years	31	16	0	0	0	47
4 to 6 years	5	26	12	0	0	43
7 to 10 years	3	5	13	4	1	26
Over 10 years	0	2	2	16	8	28
Grand Total	93	50	27	20	9	199

**Table 4.2.12 Nature of Business by Age of Respondents**

Nature of Business	Age of Respondents					Total
	35-40	41-45	46-50	51-55	>56	
Salon / Barbershop	53	7	0	0	0	60
Printing/Internet Café	33	12	5	0	0	50
Spaza Shop	7	31	22	20	9	89
Grand Total	93	50	27	20	9	199

Tables 4.2.11 and 4.2.12 illustrate that the majority of SMMEs owners aged between 35 and 45, also the majority of SMMEs have less than 12 months in terms of existence. Spaza shops seem to be the most common type of business favoured by most respondents, followed by salons or barbershops. This highlights the fact that due to lack of access to finance, maybe both spaza shops and salons or barbershops are the most affordable types of businesses that can be easily funded through internal sources of financing, such as personal savings or funds from family members.

**Table 4.2.13 Number of Employees by Age of Respondents**

Number of Employees	Age of Respondents					Total
	35-40	41-45	46-50	51-55	>56	
1-10	93	44	17	10	1	165
11-20	0	6	6	7	5	24
21-30	0	0	3	1	0	4
31-40	0	0	0	1	2	3
41-50	0	0	1	1	1	3
Grand Total	93	50	27	20	9	199

**Table 4.2.14 Educational Background by Marital Status of Respondents**

Educational Background	Marital Status of Respondents				Total
	Divorced	Married	Single	Widowed	
Primary School	0	3	15	0	18
High School	4	30	36	2	72
Tertiary Level	21	60	13	15	109
Grand Total	25	93	64	17	199

The majority of SMMEs in table 4.2.13 employed not more than 10 employees where the majority of owners are between 35 and 45 years of age. According to table 4.2.14, most of SMMEs owners have attained tertiary level in terms of educational background, with the majority of respondents being married. The findings show that respondents started their own business in order to make a living and be financially independent. Again because of their educational background, the respondents are able to lead a balanced financial lifestyle since they understand the basics of running a business.

**Table 4.2.15 Type of Business by Marital Status of Respondents**

Type of Business	Marital Status of Respondents				Total
	Divorced	Married	Single	Widowed	
New Enterprise	0	60	64	0	124
Creation by existing Enterprise	16	29	0	2	47
Takeover Enterprise	9	4	0	15	28
Grand Total	25	93	64	17	199

**Table 4.2.16 Nature of Business by Marital Status of Respondents**

Nature of Business	Marital Status of Respondents				Total
	Divorced	Married	Single	Widowed	
Salon / Barbershop	0	9	51	0	60
Printing/Internet Café	0	37	13	0	50
Spaza Shop	25	47	0	17	89
Grand Total	25	93	64	17	199

**Table 4.2.17 Number of Employees by Marital Status of Respondents**

Number of Employees	Marital Status of Respondents				Total
	Divorced	Married	Single	Widowed	
1-10	17	78	64	6	165
11-20	4	14	0	6	24
21-30	3	1	0	0	4
31-40	1	0	0	2	3
41-50	0	0	0	3	3
Grand Total	25	93	64	17	199

Tables 4.2.15, 4.2.16 and 4.2.17, point out that, new enterprises dominate the majority of other SMMEs in terms of types of businesses and most of them are being managed by single and married respondents. Spaza shops and salons are the kind of businesses which are liked most. In previous tables it is shown that this could be because of its affordability and easy to run type of businesses, or these kind of businesses do not demand much in terms of capital. Most of SMMEs employed not more than 10 employees which seem to be the case in previous tables also.

## DESCRIPTIVE STATISTICS ANALYSIS

**Table 4.2.18 Descriptive Statistics**

<b>Descriptive Statistics</b>						
	Valid	Missing	Mode	Std. Deviation	Minimum	Maximum
Retained profits impact business growth positively	199	0	2.000	0.866	1.000	5.000
Manager's character plays a vital role in the growth of business	199	0	1.000	0.904	1.000	5.000
Self-financing helps boosting the fast growing for business start-up	199	0	2.000	1.040	1.000	5.000
Bootstrapping bring financial stability hence business growth	199	0	2.000	1.138	1.000	5.000
Seeking financial help outside can make you lose control over your business	199	0	4.000	1.134	1.000	5.000
Loans granted to SMMEs are easily accessible	199	0	4.000	1.234	1.000	5.000
Red-tape and rigid laws prolongs loan applications	199	0	2.000	1.033	1.000	5.000
Banks make follow up to ensure that loans are used effectively	199	0	3.000	1.091	1.000	5.000
Any SMME can have access to the loan	199	0	4.000	1.141	1.000	5.000
I experienced excellent service when applying for the loan	199	0	4.000	1.183	1.000	5.000
I got clarity of application process Form	199	0	2.000	0.984	1.000	5.000
Commercial Bank grants loan only to its customers	199	0	2.000	1.017	1.000	5.000
Knowledge and understanding of financial terms positively affect the business growth	199	0	1.000	0.794	1.000	5.000
Manager equipped with financial skills is able to make informed decision for the business	199	0	1.000	0.786	1.000	4.000

Managing business money effectively helps in business sustainability	199	0	2.000	0.803	1.000	5.000
Lack of financial literacy can lead to business stagnation	199	0	2.000	1.007	1.000	5.000
Being financial literate enables entrepreneurs lead a balanced financial lifestyle	199	0	2.000	1.040	1.000	5.000
Effective resource management increase profitability	199	0	1.000	0.618	1.000	5.000
Return on Assets generate profitability	199	0	2.000	0.732	1.000	4.000
Increased number of employee determines business growth	199	0	2.000	0.915	1.000	5.000
Unskilled labour force or work force affects business growth negatively	199	0	2.000	1.066	1.000	5.000

The above table 4.2.18 summarises the descriptive statistics of the scale items. Likert-Scale was used in a questionnaire. Only less than 0.87 standard deviations considered, because they are relatively smaller compared to the rest, hence it shows the closer similarities of responses.

The majority of respondents agree that the retained profits impact business growth positively and the standard deviation in this question is ( $SD=0.866$ ). This is an indication that the respondents understand the importance of putting aside the business profits for the beneficial use of the business, and that these funds could be used for various operations that could contribute to the SMME's growth or to reinvest in business (SMME), like for buying new equipment or paying off debts, hence this could impact positively to the growth of SMME. It may be concluded that these business owners regard retained profits as a good sign of SMMEs' long-term financial stability.

Knowledge and understanding of financial terms positively affects business growth, most respondents seem to strongly agree with this question or statement, with the standard deviation of ( $SD=0.794$ ). This indicator clearly connotes the

significance of having the basics in running an SMME, and the understanding of how things are done in the business world is very crucial for SMME owners. This means they understand that attaining entrepreneurial skills as SMME owners enable the performance of several tasks related to finances including protecting and usage of finance in daily life, thus SMME growth.

Most respondents strongly agree that SMME managers or owners equipped with financial skills is able to make informed decisions for the business, here the standard deviation is ( $SD=0.786$ ). As it has been described in previous statements, this emphasises that when the manager is knowledgeable in terms of financial skills, he/she is having the capability of making informed decisions and taking responsibility for every critical situation, like ability to make complex financial decisions and financial planning to increase SMME's chance of survival and growth.

The majority of respondents support the statement that says managing business money effectively helps in business sustainability, and they strongly agree with this statement, the standard deviation is ( $SD=0.803$ ). This confirms what was indicated earlier, that the majority of respondents completed tertiary level in terms of educational background, and that with the basic they have, even though they did not go through entrepreneurship courses, they understand that a business's heartbeat is cash, and the more SMME creates more cash from its operations to cover its expenses while having sufficient left over, the more it will expand and sustain, and its profitability shows its true health.

A large number of respondents strongly agrees that effective resource management increase profitability, the standard deviation is ( $SD=0.618$ ) and this indicates closer similarities of responses. This could mean that the respondents understand that when resources are managed correctly, this helps to save money and increase efficiency, and that resource management could help in reducing business costs. Moreover, a SMME could prosper and stay ahead of its rivals with proper planning and resource management.

The majority of respondents agree that return on assets generates profitability. The standard deviation is ( $SD=0.732$ ). This demonstrates the clear picture that at least the majority of respondents have the better understating on how to effectively run a SMME. ROA is ratio that shows how much profit SMME may make from its assets.

**Table 4.2.19 Reliability Statistics**

Reliability Statistics				
Estimate	McDonald's $\omega$	Cronbach's $\alpha$	mean	sd
Point estimate	0.979	0.978	48.653	17.367
95% CI lower bound	0.975	0.974	46.240	15.812
95% CI upper bound	0.984	0.982	51.066	19.264

The mean and standard deviation value of both McDonald's  $\omega$  and Cronbach's are ( $M = 48.653, SD = 17.367$ ) which were above the minimum expected. This means the data is very reliable, which is way above the threshold value of 0.7.

**Table 4.2.20 Individual Item Reliability Statistics**

Individual Item Reliability Statistics				
Item	If item dropped		mean	sd
	McDonald's $\omega$	Cronbach's $\alpha$		
Retained profits impact business growth positively	0.978	0.977	1.945	0.866
Manager's character plays a vital role in the growth of business	0.978	0.977	1.764	0.904
Self-financing helps boosting the fast growing for business start-up	0.978	0.977	2.201	1.040
Bootstrapping bring financial stability hence business growth	0.978	0.977	2.663	1.138
Seeking financial help outside can make you lose control over	0.978	0.977	3.146	1.134

your business				
Loans granted to SMMEs are easily accessible	0.980	0.979	3.523	1.234
Red-tape and rigid laws prolongs loan applications	0.978	0.977	2.251	1.033
Banks make follow up to ensure that loans are used effectively	0.978	0.977	2.950	1.091
Any SMME can have access to the loan	0.978	0.977	3.513	1.141
I experienced excellent service when applying for the loan	0.979	0.978	2.985	1.183
I got clarity of application process Form	0.979	0.978	2.472	0.984
Commercial Bank grants loan only to its customers	0.978	0.977	2.618	1.017
Knowledge and understanding of financial terms positively affect the business growth	0.978	0.977	1.623	0.794
Manager equipped with financial skills is able to make informed decision for the business	0.978	0.977	1.719	0.786
Managing business money effectively helps in business sustainability	0.979	0.978	1.724	0.803
Lack of financial literacy can lead to business stagnation	0.978	0.977	2.025	1.007
Being financial literate enables entrepreneurs lead a balanced financial lifestyle	0.978	0.977	2.065	1.040
Effective resource management increase profitability	0.979	0.978	1.513	0.618
Return on Assets generate profitability	0.978	0.977	1.814	0.732
Increased number of employee determines business growth	0.978	0.977	2.126	0.915
Unskilled labour force or work force affects business growth negatively	0.978	0.977	2.015	1.066

Table 4.2.20 is Individual Item Reliability Statistics, and here none of the items can be removed or deleted to result into a better value of both McDonaldor Cronbach, therefore they are all reliable, and they all contribute to the same construct.

## CONFIRMATORY FACTOR ANALYSIS

**Table 4.2.21 Chi-square test**

Chi-square test			
Model	$\chi^2$	df	p
Baseline model	5568.139	210	
Factor model	1148.761	189	0.0954

Table 4.2.21 shows that the Chi-square test is not significant ( $\chi^2 = 5568.139, df = 210, P < 0.0954$ ). This was expected that the Chi-square test becomes insignificance; it is influenced by sample size.

**Table 4.2.22 Factor Loadings**

Factor loadings					95% Confidence Interval			
Factor	Indicator	Symbol	Estimate	Std. Error	z-value	p	Lower	Upper
Internal financing	Retained profits impact business growth positively	$\lambda_{11}$	0.725	0.049	14.650	< .001	0.628	0.822
	Manager's character plays a vital role in the growth of business	$\lambda_{12}$	0.784	0.051	15.474	< .001	0.684	0.883
	Self-financing helps boosting the fast growing for business start-up	$\lambda_{13}$	0.921	0.057	16.052	< .001	0.809	1.034
	Bootstrapping bring financial stability hence business growth	$\lambda_{14}$	0.990	0.064	15.571	.0800	0.866	1.115
	Seeking financial help outside can make you lose control over your business	$\lambda_{15}$	0.939	0.065	14.388	.0900	0.811	1.067
External financing	Loans granted to SMMEs are easily accessible	$\lambda_{16}$	0.862	0.076	11.304	< .001	0.713	1.012

	Red-tape and rigid laws prolongs loan applications	λ17	0.907	0.057	15.793	< .001	0.794	1.019
	Banks make follow up to ensure that loans are used effectively	λ18	0.891	0.063	14.094	< .001	0.767	1.014
	Any SMME can have access to the loan	λ19	0.950	0.065	14.521	< .001	0.822	1.078
	I experienced excellent service when applying for the loan	λ110	0.894	0.071	12.594	.2011	0.755	1.033
	I got clarity of application process Form	λ111	0.746	0.059	12.647	.0560	0.630	0.862
	Commercial Bank grants loan only to its customers	λ112	0.869	0.057	15.116	.0702	0.756	0.982
Entrepreneurial skills	Knowledge and understanding of financial terms positively affect the business growth	λ113	0.666	0.045	14.685	< .001	0.577	0.754
	Manager equipped with financial skills is able to make informed decision for the business	λ114	0.702	0.043	16.264	< .001	0.617	0.786
	Managing business money effectively helps in business sustainability	λ115	0.657	0.047	14.110	< .001	0.565	0.748
	Lack of financial literacy can lead to business stagnation	λ116	0.898	0.055	16.200	< .001	0.789	1.006
	Being financial literate enables entrepreneurs lead a balanced financial lifestyle	λ117	0.895	0.059	15.300	.0601	0.780	1.010
SMME growth	Effective resource management increase profitability	λ118	0.473	0.037	12.822	< .001	0.401	0.546
	Return on Assets generate profitability	λ119	0.612	0.042	14.610	< .001	0.530	0.694
	Increased number of employees determines business growth	λ120	0.796	0.051	15.557	< .001	0.696	0.896

	Unskilled labour force or work force affects business growth negatively	$\lambda$ 121	0.936	0.059	15.810	< .001	0.820	1.052
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Table 4.2.22 indicates that all the questions that belonged to Internal Financing Factor with the significant value of ( $P < .001$ ), except two questions which are non-significance because according to the study they do not contribute towards Internal Financing Factor, with the value of ( $P < .0800$  and  $P < .0900$ ) respectively. These manifest variables were left out in the further analysis.

In External Financing Factor all four questions seem to be convergent with the significant value of ( $P < .001$ ), apart from three questions which according to the P value seem to be non-significant. Even though they are reliable, they are not significant, with the value of ( $P < .2011$ ,  $P < .0560$  and  $P < .0702$ ) respectively.

For Entrepreneurial Skills Factor, all the questions/manifest variables belonged to this factor, with the significant value of ( $P < .001$ ), this shows they go together except 1 question which seems to be non-significant with the value of ( $P < .0800$  and  $P < .0601$ ).

SMME Growth Factor, every manifest variable is significant, this means that all the manifest variables converge, they come to single point of SMME growth and everything is significant with the significant value of ( $P < .001$ ).

**Table 4.2.23: Fit indices**

<b>Fit indices</b>	
<b>Index</b>	<b>Value</b>
Comparative Fit Index (CFI)	0.934
Tucker-Lewis Index (TLI)	0.964
Bentler-Bonett Non-normed Fit Index (NNFI)	0.864
Bentler-Bonett Normed Fit Index (NFI)	0.920
Parsimony Normed Fit Index (PNFI)	0.734
Bollen's Relative Fit Index (RFI)	0.836
Bollen's Incremental Fit Index (IFI)	0.884
Relative Noncentrality Index (RNI)	0.884

**Table 4.2.24: Other fit measures**

<b>Other fit measures</b>	
<b>Metric</b>	<b>Value</b>
Root mean square error of approximation (RMSEA)	0.014
RMSEA 90% CI lower bound	0.003
RMSEA 90% CI upper bound	0.056
RMSEA p-value	0.000
Standardized root mean square residual (SRMR)	0.049
Hoelter's critical N ( $\alpha = .05$ )	48.426
Hoelter's critical N ( $\alpha = .01$ )	52.499
Goodness of fit index (GFI)	0.921
McDonald fit index (MFI)	0.299
Expected cross validation index (ECVI)	3.369

Table 4.2.23 and 4.2.24 show Fit Indices, the CFI has the value of 0.934, and TLI has the value of 0.964, RMSEA with the value of 0.014 and SRMR which has the value of 0.049. This shows that the structural equation model confirms that these

variables which belong here and those that do not belong here fit very well. This means all the questions which are non-significant are going to be left out, so as to increase the reality of our structural equation model, as they are proven not belong in the same classification as others.

**Table 4.2.25: Factor Covariances**

Factor Covariances							95% Confidence Interval	
			Estimate	Std. Error	z-value	p	Lower	Upper
Internal Financing	↔	External Financing	0.974	0.009	107.800	< .001	0.956	0.992
Internal Financing	↔	Entrepreneurial Skills	0.901	0.017	51.886	< .001	0.867	0.935
External Financing	↔	Entrepreneurial Skills	0.899	0.017	51.400	< .001	0.865	0.933
Entrepreneurial Skills	↔	SMME Growth	0.989	0.017	51.400	< .001	0.845	0.923

Table 4.2.25 shows the relationship between the factors and how they relate, also how they influence each other. All factors seem to influence each other very significantly as they all have the significant value of ( $P < .001$ ). All the correlation coefficients are positively strong,  $r > 0.8$  range.

## STRUCTURAL EQUATION MODELING

**Table 4.2.26 Chi Square Test Statistic**

Chi Square Test Statistic (unscaled)					
	df	AIC	BIC	$\chi^2$	p
Model	41.000	3201.919	3285.348	72.462	0.200

Table 4.2.26 shows that the Chi-square test is not significant ( $\chi^2 = 72.462, df = 210, P < 0.0954$ )

**Table 4.2.27 Parameter Estimates**

Parameter Estimates												
			label	est	se	z	p	CI (lower)	CI (upper)	std (lv)	std (all)	std (nox)
Int_F	=~	IN1		1.000	0.000			1.000	1.000	0.669	0.920	0.920
Int_F	=~	IN2		2.182	0.139	15.714	< .001	1.910	2.454	1.461	0.973	0.973
Int_F	=~	IN3		1.819	0.152	11.956	< .001	1.521	2.117	1.218	0.872	0.872
Ext_F	=~	EX1		1.000	0.000			1.000	1.000	2.201	0.845	0.845
Ext_F	=~	EX2		1.354	0.175	7.755	< .001	1.012	1.696	2.980	0.760	0.760
Ext_F	=~	EX3		1.044	0.150	6.961	< .001	0.750	1.338	2.298	0.705	0.705
Ext_F	=~	EX4		1.300	0.138	9.412	< .001	1.029	1.570	2.860	0.860	0.860
Ent_S	=~	INT1		1.000	0.000			1.000	1.000	2.084	0.803	0.803
Ent_S	=~	INT2		1.258	0.164	7.651	< .001	0.936	1.581	2.623	0.783	0.783
Ent_S	=~	INT3		1.282	0.158	8.137	< .001	0.974	1.591	2.673	0.819	0.819
Ent_S	=~	INT4		1.310	0.154	8.529	< .001	1.009	1.611	2.730	0.847	0.847
Int_F	~	Ext_F		0.136	0.036	3.738	< .001	0.065	0.208	0.448	0.448	0.448
Ent_S	~	Int_F		0.453	0.220	2.064	0.039	0.023	0.884	0.146	0.146	0.146
Ent_S	~	Ext_F		0.864	0.113	7.671	< .001	0.644	1.085	0.913	0.913	0.913
IN1	~~	IN1		0.082	0.020	4.180	< .001	0.043	0.120	0.082	0.154	0.154
IN2	~~	IN2		0.118	0.070	1.689	0.091	-0.019	0.256	0.118	0.053	0.053
IN3	~~	IN3		0.467	0.090	5.174	< .001	0.290	0.644	0.467	0.240	0.240
EX1	~~	EX1		1.942	0.395	4.910	< .001	1.167	2.717	1.942	0.286	0.286
EX2	~~	EX2		6.490	1.185	5.479	< .001	4.168	8.811	6.490	0.422	0.422
EX3	~~	EX3		5.340	0.943	5.662	< .001	3.491	7.188	5.340	0.503	0.503
EX4	~~	EX4		2.887	0.610	4.731	< .001	1.691	4.083	2.887	0.261	0.261
INT1	~~	INT1		2.390	0.447	5.351	< .001	1.515	3.266	2.390	0.355	0.355
INT2	~~	INT2		4.343	0.796	5.456	< .001	2.783	5.903	4.343	0.387	0.387
INT3	~~	INT3		3.510	0.668	5.252	< .001	2.200	4.819	3.510	0.329	0.329
INT4	~~	INT4		2.940	0.586	5.019	< .001	1.792	4.088	2.940	0.283	0.283
Int_F	~~	Int_F		0.358	0.071	5.020	< .001	0.218	0.498	0.799	0.799	0.799
Ext_F	~~	Ext_F		4.845	1.088	4.453	< .001	2.713	6.977	1.000	1.000	1.000
Ent_S	~~	Ent_S		0.115	0.200	0.575	0.565	-0.277	0.507	0.026	0.026	0.026
IN1	~1			5.054	0.084	60.127	< .001	4.890	5.219	5.054	6.943	6.943

IN2	~1		4.792	0.173	27.657	< .001	4.453	5.132	4.792	3.194	3.194
IN3	~1		3.558	0.161	22.066	< .001	3.242	3.874	3.558	2.548	2.548
EX1	~1		5.465	0.301	18.166	< .001	4.875	6.054	5.465	2.098	2.098
EX2	~1		4.256	0.453	9.402	< .001	3.369	5.144	4.256	1.086	1.086
EX3	~1		6.563	0.376	17.441	< .001	5.826	7.301	6.563	2.014	2.014
EX4	~1		4.453	0.384	11.590	< .001	3.700	5.206	4.453	1.338	1.338
INT1	~1		5.136	0.300	17.140	< .001	4.549	5.724	5.136	1.979	1.979
INT2	~1		2.978	0.387	7.698	< .001	2.220	3.736	2.978	0.889	0.889
INT3	~1		6.196	0.377	16.439	< .001	5.458	6.935	6.196	1.898	1.898
INT4	~1		4.043	0.372	10.862	< .001	3.314	4.773	4.043	1.254	1.254
Int_F	~1		0.000	0.000			0.000	0.000	0.000	0.000	0.000
Ext_F	~1		0.000	0.000			0.000	0.000	0.000	0.000	0.000
Ent_S	~1		0.000	0.000			0.000	0.000	0.000	0.000	0.000

Table 4.2.27 shows the Parameter Estimates

**Table 4.2.28 Model Fit Parameters**

<b>Model Fit Parameters</b>	
	<b>Model</b>
Comparative Fit Index (CFI)	0.953
Tucker-Lewis Index (TLI)	0.938
Bentler-Bonett Non-normed Fit Index (NNFI)	0.938
Bentler-Bonett Normed Fit Index (NFI)	0.901
Parsimony Normed Fit Index (PNFI)	0.672
Bollen's Relative Fit Index (RFI)	0.867
Bollen's Incremental Fit Index (IFI)	0.954
Relative Noncentrality Index (RNI)	0.953

Table 4.2.28 Model Fit Parameters, the CFI value is 0.934, and TLI value is 0.938, RFI is 0.867 which are within the acceptable threshold in validating the SEM model.

**Table 4.2.29 Root Mean Square Error of Approximation**

<b>Root Mean Square Error of Approximation</b>	
	<b>Model</b>
RMSEA	0.101
Upper 90% CI	0.139
Lower 90% CI	0.061
p-value RMSEA $\leq$ 0.05	0.021

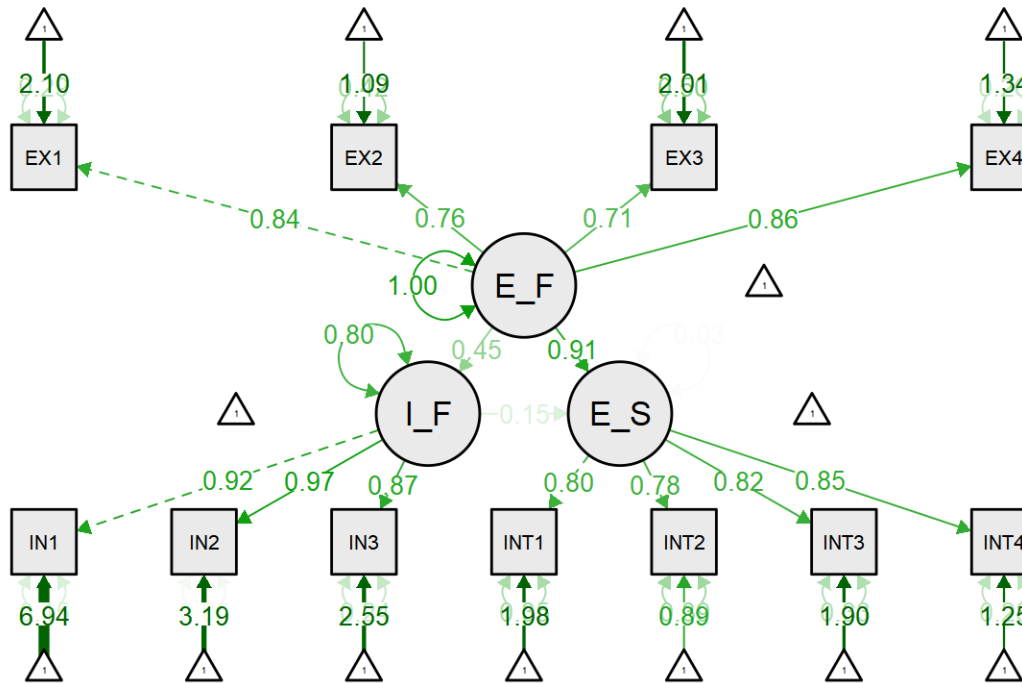
**Table 4.2.30 Standardized Root Mean Square Residual**

<b>Standardized Root Mean Square Residual</b>	
	<b>Model</b>
RMR	0.396
RMR (No Mean)	0.428
SRMR	0.051

**Table 4.2.31 Other Fit Indices**

<b>Other Fit Indices</b>	
	<b>Model</b>
Hoelter Critical N (CN) $\alpha=0.05$	59.937
Hoelter Critical N (CN) $\alpha=0.01$	68.225
Goodness of Fit Index (GFI)	0.991
Parsimony Goodness of Fit Index (GFI)	0.984
McDonald Fit Index (MFI)	0.811

Table 4.2.29, 4.2.30 and 4.2.31, like from previous tables, these tables show that the structural equation model confirms that the variables fit well in the model, with RMSEA value of 0.021, SRMR which has the value of 0.051 and 0.991 GFI.



**Figure 4.2.1 Structural Equation Model**

Figure 4.2.1 shows the Structural Equation Model which presents correlation co-efficiency between factors. When looking at the correlation co-efficiency between External Financing Factor and Entrepreneurial Skills, it is observed that it is positively strong ( $r = 0.91$ ). Since the correlation between Entrepreneurial Skills (ES) and SMME Growth is very strong, as it is almost close to 1. Therefore this shows that this indeed drives SMMEs Growth factor high.

Correlation co-efficiency between the factors or variables is very high. External Funding Factor pushes the Entrepreneurial Skills high, with the correlation coefficient of 0.91. This means it is so strong that it has much influence over Entrepreneurial Skills, which can lead to SMME Growth. It is also discovered that the majority of respondents have attained tertiary level. This suggests that if the SMMEs owners can get funding from external sources, and be equipped with entrepreneurial skills, it will be easier for them to gain these entrepreneurial skills which will finally lead to SMMEs growth in terms of profitability and sustainability. This is because they seem to be ready in terms of their educational level. They will be equipped with the skills needed for them to run SMMEs, which could even extend to the issue of reducing unemployment in a country.

The Structural Equation Model shows how factors are significantly driving each other. Much as SMME owners can get themselves internal funds, those could be limited because of the socio-economic background issues in a country. Needless to say, as much as most respondents are educated and the majority of them are young people and single in terms of marital status, it could still be a problem for them to get financial support internally due to high rate of unemployment. But according to the Structural Equation Model, it seems that the correlation coefficient between External Financing Factor and Entrepreneurial Skills Factor is significantly high ( $r = 0.91$ ) and if the SMMEs owners can get funding from outside, from the commercial banks or any financial institutions to acquire entrepreneurial skill, this can drive SMMEs growth to a certain level. Maybe to an extend of employing more workforce as it has been established that most of the SMMEs employed not more than 10 employees.

#### **4.3. SUMMARY**

In summary both males and females are engaged in SMMEs and there is no gender that seems to dominate the other, as there is a slight difference between the number of male and female respondents. The study revealed that most of the

respondents are married. In terms of educational background, the majority of the respondents attained tertiary level, and this could mean that due to high rate of unemployment in the country, they opted for being engaged in entrepreneurship for financial stability, and most of the respondents are young people, in terms of age. The study also highlighted that spaza shop is the most favoured nature of business, with the majority of owners being women. Again the findings indicate that most SMMEs employed not more than 10 employees and maybe this could be because of lack of access to finance.

## CHAPTER 5: CONCLUSION AND RECOMMENDATIONS OF THE STUDY

### 5.1. INTRODUCTION

The findings and results of the study were discussed in the previous chapter in an effort to address the objectives of the study. The main objective of the study was to assess the impact of funding sources and financial skills or entrepreneurial skills on SMMEs growth in Stadium Area Constituency Maseru, Lesotho. In this chapter the conclusion is drawn based on the findings. Recommendations and suggestions for further research also will be communicated to.

### 5.2. CONCLUSION

According to the findings of this study, External Financing has a significantly positive correlation with Entrepreneurial Skills ( $r = 0.91$ ), with the significant value of ( $P < .001$ ). The correlation between Internal Financing and Entrepreneurial Skills, though positively correlated is very weak. The correlation between internal financing and entrepreneurial skills is 0.15, with the significant value of ( $P < .001$ ). Entrepreneurial Skill has a strong positive correlation with SMME Growth as previously shown in table 4.2.25 ( $r = 0.989$ ). The correlation coefficient between Entrepreneurial Skills and SMME Growth is very strong, as it is almost close to 1, which indicates that Entrepreneurial Skills drive SMMEs Growth factor very high.

As such, the results are confirming that if more resources can be put in external financing, that is, if SMMEs owners can get external funding either from commercial banks, or from any financial institutions to acquire entrepreneurial skills, this may definitely lead to SMME growth. Owing to this, SMMEs sustainability can impact positively to the country's economy, which in turn will curb poverty. Most of the respondents seem to be educated, though it is not entrepreneurially, if they can be equipped with necessary skills they will be able to handle and run their businesses effectively and efficiently which will lead to them being financially independent and be

able to live above the poverty line. This will not only benefit SMMEs owners, but also the government, because when people are able to employ themselves and others that is relief to the government.

### **5.3. RECOMMENDATIONS**

Based on the results and discussions of the findings presented above, the researcher suggests the following recommendations:

#### **5.3.1. Policy Recommendations**

The government of Lesotho adopted the implementation of SDGs in order to alleviate poverty in the country, therefore the researcher suggests or recommends that the government should help SMMEs owners access external funding easily. For an example, the government institutions should focus more on removing rigid laws that hinder the SMMEs' access to financial help in commercial banks and financial institutions. High interest rates charged by financial institutions also must be reduced and be affordable for SMMEs.

The policymakers and decision makers should help entrepreneurs, by designing curriculum for entrepreneurial skills short courses, to equip SMMEs owners with skills and knowledge on how to run their businesses effectively and efficiently, as the way for sustainability and growth of their businesses. This in turn will reduce the issue of high level of unemployment in the country, and maybe this could help in employing more people in their businesses. The government should also develop supporting strategies and programmes that will help this sector for sustainability and viability of SMMEs.

The issue of collateral and background financial information that needed for the SMMEs owners to present before they can get assistance from financial institutions should be removed. The government can serve as the guarantor on this issue, so that it will be easy for SMMEs owners to access funds, but this should be taken under the strict security measures, in order for the government to be on the safe side to avoid defaulters and abuse.

### **5.3.2. Recommendations for Practice**

The government of Lesotho should encourage SMMEs owners to register their businesses with the Ministry of Trade and Industry, as most of SMMEs seem to be informal. Maybe this could help to build a clean database that will help to communicate any information related to SMMEs in the country. For an example, in the event when the government get sponsors, and need to know how many SMMEs are there in the country, so that they can be funded, it will be easy for the government to know when visiting the database, and that will make the government's work uncomplicated.

The commercial banks and financial institutions are encouraged to make follow-up after the loan has been granted to SMMEs, as to make sure that the loan granted is used accordingly, so that there will be no misuse of funds. This could help SMMEs owners to make profits with the funds granted and expand their businesses, and this will help the owners or managers to pay back or repay the money easily.

### **5.3.3. Recommendations For Further Research**

The study used quantitative methodology, therefore the researcher exposed that if qualitative methodology can be used, where there can be for an example, one-on-one interview, so that the in-depth data or information can be collected, perhaps that could enhance these particular results. Therefore the researcher recommends other researchers to take on this study perhaps using qualitative or mixed method methodology, and the researcher believes that this will expand this current study.

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## APPENDIX A : ENGLISH QUESTIONNAIRE

### QUESTIONNAIRE

I am a part-time student at Central University of Technology (CUT) Free State carrying out a study on assessing the impact of funding sources and financial literacy on SMME growth in Stadium Area Constituency Maseru, Lesotho

All information provided will be for academic purposes only.

Please do not write your name on the questionnaire.

Answer by putting a tick

#### Section A: Demographic data

##### Gender

Male

Female

##### Age:

35 – 40

41 – 45

46 – 50

51 – 55

56 – 60

##### Marital status

Single

Married

Divorced

Widowed

**Educational Background**

Primary school

High school

Tertiary level

**Type of SMME**

New Enterprise

Creation by an existing Enterprise

Take-over Enterprise

**Existence of the Business**

Less than 12 months

1 year to 3 years

4 years to 6 years

7 years to 10 years

Over 10 years

**Nature of Business**

Saloon / Barbershop

Printing Shop / Internet Café

Spaza Shop

**Number of Employees**

- 1 – 10
- 11 – 20
- 21 – 30
- 31 – 40
- 41 – 50

**Section B: Internal Financing**

- |  | Strongly<br>agree        | Agree                    | Neutral                  | Disagree                 | Strongly<br>Disagree     |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Retained profits impact business growth positively                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Manager/owner's character plays a vital role in the growth of the business  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Self-financing helps boosting the fast growing for business start-up        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Bootstrapping brings financial stability hence business growth              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Seeking financial help outside can make you lose control over your business | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Section C: External Financing**

- |   | Strongly<br>agree        | Agree                    | Neutral                  | Disagree                 | Strongly<br>Disagree     |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Loans granted to SMMEs are easily accessible                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Redtape and rigid laws prolongs loan applications              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Banks make follow up to ensure that loans are used effectively | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Any SMMEs can have access to the loan                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

5. I experienced excellent service when applying for the loan
6. I got clarity of application process Form
7. Commercial Bank grants loan only to its customers

#### Section D: Entrepreneur Financial Literacy

- |  | Strongly agree           | Agree                    | Neutral                  | Disagree                 | Strongly Disagree        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Knowledge and understanding of financial terms positively affect the business growth            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Manager/owner equipped with financial skills is able to make informed decision for the business | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Managing business money effectively helps in business sustainability                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Lack of financial literacy can lead to business stagnation                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Being financial literate enables entrepreneurs lead a balanced financial lifestyle              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

#### Section E: SMME Growth

- |  | Strongly Agree           | Agree                    | Neutral                  | Disagree                 | Strongly Disagree        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Effective resource management increase the profitability                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Return on assets generates profitability                                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Increased number of employees determines business growth                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Unskilled labour force or work force affects business growth negatively | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

## APPENDIX B: SESOTHO QUESTIONNAIRE

### LIPOTSO

Ke moithuti unifesithing ea Central University of Technology (CUT) Bolomfanteng Freistata ke ntse ke etsa boithuto kapa liphuputso ka hore na likalimo tsa lichelete le ho ba le leseli la thuto ka tsa khoebo li thusa joang kholong ea khoebo Stadium Area Maseru, Lesotho

Liphuputso li tlo sebelisoa feela bakeng sa sekolo

Ka kopo se ke oa ngola lebitso la hao pampitšhaneng ena

Araba ka ho taka tjena ka lebokoseng

#### Section A:

##### Boleng

Monna

Mosali

##### Lilemo:

35 – 40

41 – 45

46 – 50

51 – 55

56 – 60

##### Lenyalo

Ha kea nyala/oa

Ke nyetse/tsoe

Ke hlalile

Mohlolohali

**Thuteho**

Primary school

High school

Tertiary level

**Mofuta oa khoebo**

Encha

E qhotsuoe ke e nngoe

Ke e jele lefa

**Ke nako e kae khoebo ee e le teng?**

Ka tlase ho khoeli tse 12

Selemo ho ea ho tse 3

lilemo tse 4 ho ea ho tse 6

lilemo tse 7 ho ea ho tse 10

Ka holimo ho lilemo tse 10

**Mofuta oa khoebo**

Saloon / Barbershop

Printing Shop / Internet Café

Spaza Shop

**Palo ea basebetsi**

- 1 – 10
- 11 – 20
- 21 – 30
- 31 – 40
- 41 – 50

**Section B: Ho iphela chelete eo qalang khoebo**

- |  | Ke lumela<br>Ka matla    | ho joalo                 | ha kena<br>bonnete       | Ha ho joalo              | ke hanana<br>le taba ena |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Na o bona li profit hona na li holisa khoebo ea hao?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Na sebopheo sa monga khoebo se bapala karolo kholong ea khoebo  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Na ho iphela chelete ea hao ho qala khoebo ho ka potlakisa kholo ea khoebo?                             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Tsehetso ea lichelete hotsoa ho metsoalle le ba lelapa ho tlisa botsitso le kholo ea khoebo licheleteng | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Na ho kopa lithuso tsa lichelete ho tsoa kante ho ka etsa u ikutloe u sena taolo khoebong ea hau?       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Section C: Chelete e alingoang**

- |  | Ke lumela<br>Ka matla    | Ho joalo                 | Ha kena<br>bonnete       | Ha ho joalo              | Ke hanana<br>le taba ena |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Ho kalima chelete bankeng ho bobebe   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Methati e mengata le melaoana e thata ha o kalima Chelete bankeng e liehisa phumantso ea chelete                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Libanka li etsa tšalo morao ea hore chelete eo e kalimang bakeng sa ho holisa khoebo e e fela e sebetsa lebakeng le joalo | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Ke khoebo enngoe le enngoe e ka fumanang mokitlane bankeng  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

5. Ke fumane tšebeletso e tsoileng matsoho nakong e ke neng ke kopa mokitlane bankeng
6. Ke ile ka fumana tlhalosetso ea hore kopo ea kalimo ea chelete e tsamaea joang ha ke ile bankeng ho etsa kopo
7. Banka e kalima chelete fela ho likhoebo tse nang le Account le bona

**Section D: Thuto kapa thuteho ho tsa khoebo**

- |  | Ke lumela<br>Ka matla    | Ho joalo                 | Ha kena<br>bonnete       | Ha ho joalo              | Ke hanana<br>le taba ena |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Ho ba le tsebo le kutloisiso ka taba tsa khoebo ho kaetsa hore khoebo ea hau e hole <input type="checkbox"/>                                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Ha o rupelletsoe ka mahlale a khoebo o ka khona ho etsa liqeto tse nepahetseng sebakeng sa ho holisa khoebo ea hau <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Ho sebelisa lichelete tsa khoebo ka mokhoa o nepahetseng ho ka tsitsisa khoebo le ho potlakisa kholo ea khoebo <input type="checkbox"/>     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Ho hloka litsebo ka taba tsa khoebo ho ka etsa khoebo e sa holeng <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Ha o rutehile ka tsa khoebo ho ka etsa hore o tsitse maemong a tsa lichelete <input type="checkbox"/>                                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Section E: Kholo ea khoebo**

- |  | Ke lumela<br>Ka matla    | Ho joalo                 | Ha kena<br>bonnete       | Ha ho joalo              | Ke hanana<br>le taba ena |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Tšebeliso e nepahetseng ea thepa ea khoebo e ka nyolla li profits tsa khoebo <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Sekhahla se holimo sa lithekiso se thusa ho etsa phahello ka pele <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Keketseho ea palo ea basebetsi e bontsa kholo ea khoebo <input type="checkbox"/>                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Khiro ea basebetsi ba senang litsebo khoebong e ka hulisa khoebo ka boima <input type="checkbox"/>    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

## APPENDIX C: ETHICS APPROVAL LETTER



**FACULTY RESEARCH AND INNOVATION COMMITTEE**  
**FACULTY OF MANAGEMENT SCIENCES**  
**RESEARCH ETHICS APPROVAL LETTER**

**Date: 30 August 2021**

This is to confirm that:

Applicant's Name	MADINTLETSE ANNA DICHABA
Supervisors' Name[s] for Student Project (where applicable)	Dr Bernard Moeketsi Hlalele (Main) Dr Lentswe Mosweunyane (Co)
Level of Qualification for Student Project (where applicable)	Master of Philosophy in Management Sciences (MPhil)
Title of research project	ASSESSING THE IMPACT OF FUNDING SOURCES AND FINANCIAL LITERACY ON SMME GROWTH IN STADIUM AREA CONSTITUENCY MASERU, LESOTHO

Ethical clearance has been provided by the Faculty Research and Innovation Committee in view of the CUT Research Ethics and Integrity Framework, 2016 with reference number **FMSEC08/11**

The following special conditions were set:

None

Specific conditions

The following specific conditions apply:

1. \_\_\_\_\_ NA
2. \_\_\_\_\_ NA
3. \_\_\_\_\_ NA

We wish you success with your research project.



Professor P Rambe  
Acting Deputy FRIC Chairperson)

## APPENDIX D: EDITOR'S LETTER



This report serves to state that the manuscript submitted by **Madintletse Anna Dichaba** which is entitled: ***ASSESSING THE IMPACT OF FUNDING SOURCES AND FINANCIAL LITERACY ON SMME GROWTH IN STADIUM AREA CONSTITUENCY MASERU, LESOTHO*** has been proofread and edited for proper English language, grammar, punctuation, spelling and overall style. The editor endeavoured to make sure that the author's intended meaning was not altered during the review. All amendments were tracked with Microsoft Word "track changes" feature. Therefore the author had the option to accept or reject each change individually

Editor: Dr. Rethabile Leanya (PhD)



Date: 16 May 2022