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DEPARTMENT OF DEVELOPMENT STUDIES

**THE SOCIAL AND ECONOMIC IMPACT OF COVID-19 ON SMALL AND
MEDIUM ENTERPRISES IN LESOTHO: THE CASE OF RETAIL AND TRADING
ENTERPRISES IN TEYA-TEYANENG TOWN**

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ARTS IN DEVELOPMENT STUDIES**

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NUL

AUGUST 2022

DECLARATION

I hereby declare that this thesis is my original work and has not been presented for examination in any other university for the award of an academic certificate, except where otherwise indicated and due acknowledgement is given.

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ABSTRACT

The COVID-19 outbreak came as an unprecedented health crisis cross the globe but had later taken a different form as an economic crisis. In an attempt to curb the spread of the virus, after it was declared to be a pandemic by WHO in March 2020, governments implemented policy measures which included among others: lockdowns, social distancing and quarantines, cancellation of international flights, movement restrictions, prohibition of people gatherings and closure of some key institutions. The policies presented positive results in containing the situation; however, they came with adverse effects on all businesses, particularly the SMEs.

Lesotho's SMEs account for the majority of the private sector and are inevitable national economic growth, sustainable development, and job creation. SMEs are commendable for their ability to create employment to the low skilled labour force, particularly the youth who are unable to find employment in the formal sector. They are easy to start with less complicated organisational structures, as a result they are considered vital instruments for poverty alleviation, reaching out the most vulnerable society in the rural landscapes. However, the SMEs sector has been disproportionately affected by the disruptions in supply chains, the closure of borders, the continued lockdowns and the declines in aggregate demand all attributed to the outbreak of COVID-19.

The impact of COVID-19 experienced on the performance of SMEs showed declines in demand and delays in supply of the SMEs' products and inputs respectively, accompanied by reductions in working hours. The total turnover also experienced an uncontrollable drop down, owing to declines in sales and cash flows. The effects of COVID-19 on employment of SMEs displayed escalated job losses and reduction in salaries which were all responsible for deterioration in the living standards of SMEs workers who relied entirely on income obtained from these enterprises. The dire effects of COVID-19 call for effective government intervention to boost the SMEs to a speedy recovery.

LIST OF ACRONYMS

ADB	African Development Bank
AGOA	African Growth Opportunity Act
AUC	African Union Commission
AUDA-NEPAD	African Union Development Agency-New Partnership for African Development
BEDCO	Basotho Enterprises Development Corporation
EC	European Commission
FANRPAN	Food Agriculture and Natural Resources Policy Analysis Network
FSDS	Financial Sector Development Strategy
FANRPAN	Food Agriculture Natural Resources Policy Analysis Network
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
ICT	Information and Communication Technology
ILO	International Labour Organisation
IMF	International Monetary Fund
LDCs	Least Developing Countries
LEAP	Lesotho Enterprises Assistance Program
LFI	Lesotho Financial Inclusion
LNDC	Lesotho National Development Corporation
MDA	Mineworkers Development Agency
MSMEs	Micro Small and Medium Enterprises

MTICM	Ministry of Trade Industry
NACOSECC	National COVID-19 Secretariat
NSDP	National Strategic Development Plan
OECD	Organisation for Economic Co-operation and Development
PCGS	Partial Credit Guarantee Scheme
PRS	Poverty Reduction Strategy
SADC	Southern African Development Community
SAPs	Structural Adjustment Programmes
SBP	Small Business Prospects
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SMMEs	Small Micro and Medium Enterprises
TY	Teya-teyaneng
WEDGE	Women's Entrepreneurship Development and Gender Equality
WHO	World Health Organisation

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CHAPTER ONE

BACKGROUND TO THE STUDY

1.1 Introduction

Almost all economic growth strategies consist of policies to invigorate the Small and Medium Enterprises (SMEs). The urgency is birthed by the Small and Medium Enterprises' predominance in global economies as commendable drivers of socio-economic development (Kongolo, 2010; Lu et al., 2020). While they have attracted the attention of policy makers in the 21st century, the history of Small and Medium Enterprises (SMEs) in development can be traced back to the proto-industrialization era. This period was referred to as the pre-industrial phase where the rural labour force transited from their agrarian customs into participation in non-agricultural activities (Ogilvie and Murkas, 1996). According to Ogilvie and Murkas (1996), the concept of proto-industrialisation, which was precipitated by among others; seasonal nature of the agrarian sector, increase in population growth and economic downturn of the sixteenth to the nineteenth centuries was coined by Mendels.

Adding further to the history of Small and Medium Enterprises; Bygrave and Zacharakis (2008) postulate that the Great depression of the 1930s resulted in closure of many large companies resulting in massive job losses. Therefore the victims therein resorted to establishing small businesses to make a living. In the sequence of events, World War II was staged and was associated with the development of proto-industries into modern small scale business and later from small scale to large scale businesses (Bygrave and Zacharakis, 2008). Post World War II witnessed most European economies' recovery along with technological advancements adopted to increase production in both agriculture and industries. This also transpired to be an expansion and development of proto-industries into full-fledged large industries (Casson, 2010).

Despite the existing trends in the history of SMEs, the importance of SMEs was not well recognized and acknowledged by development economists before the 1960s (Mukras, 2003). The contribution of Small and Medium Enterprises (SMEs) to development obtained recognition from policy makers in the late 1960s (LanGoh, 2000). This was after the United Kingdom government set-up the Belton Committee whose role was to look at the infrastructure and other facilities available for development of SMEs. This move also encompassed study on some bottlenecks facing small businesses and was a result of their

disadvantaged position in relation to their large-scale counterparts since the 1960s (Casson, 2010).

The ascendancy of SMEs in developing countries is associated with the oil crisis of the 1970s. As attributed to by Mukras (2003) the oil shocks of 1973/74 and 1978/79 caused economic challenges in most developing countries. These included among others, external debts caused by increasing oil prices. Consequently the 1970s economic crisis also led to massive retrenchments, and establishing own small enterprises for a living remained the last resort (Casson, 2010)

A similar trend to that of the 1970s was also experienced in the 1980s, leading to the introduction of Structural Adjustment Programmes (SAPs) in Africa. Many countries adopted the World Bank and International Monetary Fund (IMF) macro-economic reforms which advocated for privatisation and downsizing in the public institutions resulting in displacement of people from work (Lall, 1995; Konadu-Agyemang, 2000). This increased unemployment rate in many African countries which again propelled the establishment of SMEs (Rantšo, 2014).

While there are different factors that have resulted in the emergence or establishment of SMEs since the past centuries, the business industry has been affected by the scourge of worldwide pandemics since the beginning of 1900. For instance, flu outbreaks (Spanish, Asian Hong Kong, swine),Ebola, Avian influenza, Salmonella infantis outbreak, and Zika outbreaks have impacted negatively on socio-economic development of entrepreneurs, workers and performance of SMEs in recent years (Ozbay *et al.*, 2021).

Fast forward to 2019, there emerged COVID-19 first appearing in Wuhan, China, which was later declared a pandemic on March 11 by WHO (Shafi *et al.*,2020). The quick spread of COVID-19 across the globe has been likened to being as fast as striking lightning just months after the outbreak, gaining much attention and interest as it escaped its rudiments of being a health crisis into being a global economic crisis. Some containment measures have been effectively deployed to curb the spread. According to Di Maio *et al.* (2020) and Lu *et al.* (2020), these measures included lockdowns, movement restrictions, quarantine and social distancing policies and cancellation of international flights. Not only have the measures been effective in containing the spread of the virus, but they also have a clear impact on global business enterprises.

In light of the afore mentioned, the main argument of this study is catered around the perception of Small and Medium Enterprises as being the main victims of the outbreak of COVID-19 and the global economic crisis in its consequence. This is because Small and Medium Enterprises (SMEs), relative to large enterprises, are not well resourced financially and managerially, making their level of preparedness for external disruptions very low (Bartik *et al.*, 2020; Prasad *et al.*, 2015)

1.2 Problem Statement

Lesotho is faced with several social and economic challenges, which further intensified with the advent of COVID-19 in early 2020. Amongst them, high unemployment rate stands out as one of the long term challenges. According to the Bureau of statistics (2021), Lesotho's national unemployment rate is estimated at 38.3 percent. Youth unemployment alone is around 29.1 percent. The conventional causes of high unemployment are mainly associated with the country's weak agricultural development, industrial base and declining labour remittances from South African mines due to Basotho mine workers losing jobs since the 1980s (Akokpari; 2005).

The current developments show that COVID-19 has impacted negatively on employment and operation of businesses in Lesotho. For instance, restriction of both local and international movements due to frequent lockdown measures and closure of borders had adverse impacts on businesses such as closure of operations that resulted in shedding of jobs. Stringent working hours also affected performance of businesses in most parts of the country.

Challenges associated with the emergence of Coronavirus can also be linked with increasing food insecurity. According to the current statistics, about 24.1 percent of the population live below the poverty line (Poverty Survey Report 2002/2003 to 2017/2018). Furthermore, food insecurity is projected to be increasing due to COVID-19. The country's food insecurity levels as projected by the Lesotho Vulnerability Assessment Committee (LVAC) in March/April 2020 showed that from April to September 2020, the number of food insecure households was expected to rise to 180,000 households due to COVID-19, which constitutes about 900,000 (43 percent of the population) people. It is therefore imperative to examine the socio-economic impacts of COVID-19 particularly on Small and Medium Enterprises.

1.3 Aim of the study

This study aims at filling the existing gap of knowledge in research of socio-economic impact of COVID-19 on Small and Medium Enterprises in Lesotho.

1.3.1 Objectives

- To analyze the impact of lockdowns and border closures on import of stock for operation of retail and trading businesses during COVID-19.
- To investigate the impact of COVID-19 on employment in retail and trading SMEs.
- To assess profitability and performance of retail and trading SMEs during the COVID-19 era.

1.3.2 Research Questions

- What is the impact of lockdowns and border closures on the import of stock for the operations of retail business during COVID-19?
- What is the impact of COVID-19 on retail and trading SMEs' employment?
- How has COVID-19 impacted SMEs' profitability and production performance in retail and trading SMEs?

1.3.3 Hypotheses

- Lockdown and border closure due to COVID-19 caused a decline in the amount of imported stock for SMEs.
- Lockdown and border closures caused some major disruptions in the supply and demand of SMEs.
- COVID-19 demanded job layoffs on the employment of SMEs.
- Most SMEs experienced losses in turn over and income revenue after the COVID-19 outbreak.

1.4 Justification of the study

The novel coronavirus (COVID-19) abruptly erupted, taking the form of both a health and global economic crisis as acknowledged the mitigation policies that were aimed at curbing its spread. The study seeks to equip students and policy makers with systematic knowledge on the impact of COVID-19 on SMEs performance and profitability along with substantial assessment of how SMEs were affected by the virus. It is undoubtedly an authentic truth that the economies of developing countries are dependent on the general good performance of SMEs, therefore it is imperative to obtain insightful knowledge from the affected group so as to inform the policy making institutions.

1.5 The scope of the study

The study's coverage includes retail and trading Small and Medium Enterprises in Teyateyaneng town, whose years of establishment go before the eruption of COVID-19 in 2019.

1.6 Theoretical Framework

This study adopts Import Substitution theory and Keynesian Business Cycle theories as a framework. The narrative below shows how the two theories guide the study.

1.6.1 Import Substitution theory

The theory entails a set of ideas, gearing into economic strategies aimed at grappling with the inequalities in poverty levels of both developed and developing countries (Bruton, 1998). The main argument of this theory is that, the developing countries have to industrialise locally to substitute imports with the domestically produced products, as a way to enhance income revenues influxes locally, thereby economically developing the local economies (Mendes, *et al.*, 2014). According to Mendes *et al.* (2014) and Elvin (2008), the theory advocates enhancement in local production to minimize the impacts of fluctuations in international trade on national economies. There are a set of strategies to be adopted in the adoption of import substitution as an economic policy. These are attraction of Foreign Direct Investment (FDI), advancement in local technologies and diversified industrialization (Mendes *et al.*, 2014, Vorotnikov *et al.*, 2018)

Import substitution was mostly adopted by the developed countries as early as the 1930s in an attempt to protect and develop their economies out of the Great Depression (Dornbuseh, 1992). The strategy was later disseminated to developing countries in the 1950s and 1960s, highly commended as a development strategy aimed at building the competitiveness of local markets (Bruton, 1998; Kwon, 2009). Import substitution lost momentum as an international economic development policy after the 1970s, with the emergence of trade liberalisation (Alavi, 1996; Kwon, 2009). Nonetheless, import substitution policy is presently gaining attention as a regional economic development policy because of increasing interest in sustainability and regional economic stabilization (Alavi, 1996; Kwon, 2009).

1.6.2 Keynesian Business Cycle Theory

The theory explains global economic crisis using marginal efficiency of capital and effective demand and has proven to be effective in explaining the economic crisis (Keynes, 1933). The theory has a proficient trend in the 1930s Economic Depression, the 1970s inflations and the 2007-2008 global financial crisis (Jahan *et al.*, 2014) as a useful development framework. On following the Keynes Business Cycle theory, Jahan *et al.* (2014) posit that an economy's

output of goods and services consists of consumption, investment, government purchases and net exports and any changes in the components, affect the whole economy.

With the economic downturn brought by COVID-19, the Keynesian business cycle theory is of significance because it proposes that low effective demand in the economy due to economic downturn, results in high unemployment and low production (brought by stock accumulation in the economy) (Gamage *et al.*, 2020). Unemployment in this regard leads to a decline in firms' sales, and may later transpire to be a fall in investments. This results in further declines in aggregate demand and even more unemployment (Holte, 1988, Goodwin *et al.*, 2006; Dagume and Gyekye, 2016). The theory also advocates the intervention of the government to improve and stabilize aggregate demand, especially through fiscal and monetary policy instruments in curbing insufficient overall demand which could lead to prolonged periods of unemployment (Gamage *et al.*, 2020). In short, Keynesians agree that recession and their accompanying human misery are the result of massive market failure that needs correction through judicious state intervention (Nattrass and Varma, 2014).

1.7 Definition of Key Concepts

1.7.1 Small and Medium Enterprises

Small business encompasses sole proprietorship or entrepreneurship, family businesses and partnerships, and may be incorporated or unincorporated. The term also includes such professionals as Accountants, Lawyers, Doctors, Engineers, and Architects, who are self employed (Iorun, 2014). Most SMEs definitions refer to enterprises that are formal in nature and have been registered, while micro enterprises have more flexible definitions with regard to registration, however most scholars are agreeable that the criteria followed in categorizing and defining SMEs is based on the number of employees, turn-over of the business, total assets and capital and investment (Abor, 2017, Butler, 2006; UNESCAP, 2012)

In the context of Lesotho, the Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) (2002) shares the same definition with Bolton Committee's Report (1971) that a small business as a firm that is independently owned and owner-managed and has a small market share. It classifies businesses as micro, small or medium based on staff numbers: Micro-enterprise having fewer than 3 staff members, Small enterprise 3 to 9 staff members and Medium enterprise 10 to 49 staff members.

1.7.2 COVID-19

According to Makateng (2020) COVID-19 is an infectious disease caused by SARS-CoV-2 virus which originated in China in 2019 and had spread across the globe by Spring 2020, adversely affecting high, middle and low income countries. COVID 19 was declared a pandemic by the WHO (World Health Organisation) on March 11, 2020 (Banerjee *et al.*, 2020). Ozbay *et al.* (2021) argues that it was called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) at first; due to its genetic similarity to SARS (the outbreak of which was seen in 2003), but was later on February 11, 2020 named COVID-19 because of the year it erupted

1.7.3 Pandemic Diseases

Ozbay *et al.* (2021) defines pandemic diseases as sicknesses in different forms, which may affect different organs of the body and are highly identifiable with extreme costs on individuals and communities; bearing unprecedented outcomes. According to Morens *et al.* (2009), there is no single accepted definition of the term pandemic, nevertheless; there are several components that define a pandemic. As perceived by Morens *et al.* (2009), they are widely and spatially distributed or are global, a disease movement or spread via transmission that can be traced from location to location, high attack rates and explosiveness, that is, multiple cases appear within a short time, minimal population immunity and lastly, they are novelty, being new and or associated with novel variants of existing organisms and may be regarded as infectious, contagious and severe (Morens *et al.*, 2009).

1.7.4 Lockdown

There are several connotations to the term, but this paper adopts the view of Haider *et al.* (2020) who define lockdown as a set of mandatory measures aimed at containing the spread of COVID-19 that are applied indiscriminately to a general population and involve some restrictions on the established pattern of social and economic life. Haider *et al.* further notes that a lockdown may take three different forms: it may be geographic containment, home confinement and prohibition of gatherings as well as closure of establishments and premises.

1.7.5 Exports

These are the goods and services produced domestically in a country but are sold to the businesses or customers of the foreign country (Seyoum, 2009), and they are recommended for revenue accumulation and job creation. Feenstra (2002) holds the same definition but includes merchandise grown, produced, or manufactured (including imported merchandise which has been enhanced in value), and which is later sold to other foreign countries.

1.7.6 Imports

As explained by Seyoum (2009), imports are goods and services businesses or customers purchase from another country. Some countries divide imports into consumption imports or special imports and general imports. Feenstra (2002) defines consumption imports as the total of merchandise that has been physically cleared through Customs and are ready to be consumed or entering after withdrawal for consumption from bonded warehouses under Customs custody or from Foreign Trade Zones. General Imports measure the total physical arrivals of merchandise from foreign countries; such merchandise may either enter consumption channels immediately or is entered into bonded warehouses or Foreign Trade Zones under Customs custody (Feenstra, 2002).

1.7.7 Job losses

Job losses as explained by OECD (1990) connote a situation whereby the formerly existing jobs are extinct due to fundamental structural economic changes as distinct from fleeting fluctuations in demand. The structural changes include technological innovation, changes in the pattern of international trade, shifts in the location of activities and changes in the structure of employment and organization within enterprises and global crisis (OECD, 1990).

1.7.8 Demand

Frakt and Piper (2014) define demand as the desire and ability of consumers to buy a certain good at different prices. Several factors are attributive to changes in demand, and these are changes in consumer preferences, changes in consumer levels of income, changes in the prices of other goods, changes in consumer expectations and changes in the number of consumers in the market (Frakt and Piper, 2014).

1.7.9 Supply

This is the overall amount of a certain product or service that can be produced at a given period and price level (Frakt and Piper, 2014). On the contrary, changes in the supply of a good can be caused by the following: changes in the cost of production, changes in the opportunity costs, changes in supplier expectations and changes in the number of suppliers in the market (Frakt and Piper, 2014).

1.8 Research methodology

This section discusses the procedure by which the research was conducted with a justification for the chosen approach. It addresses the research methods, techniques and designs adopted for capturing data required to achieve the research aim. The mixed method approach was adopted and followed to guide the study on investigating the socio-economic impacts of

COVID-19 on SMEs. Along with the research approach are the research paradigms, strategies and techniques useful as instruments deployed to acquire the findings of this study. These factors are thoroughly discussed in this section with the justification for their utilization in the research, followed by the sample details, reliability and validity, data analysis technique, ethical considerations and the limitations of the study.

1.8.1 Research Paradigm

According to Creswell (2014) research paradigm means general philosophical orientation about the world and the nature of research that the researcher seeks to study. These are based on discipline orientation, researcher's mentor/advisory inclinations and past research experiments and they lead the researcher into embracing a certain approach to the study (Creswell, 2014). According to Saunders *et al.* (2009) research paradigms or philosophies are also insightful in the choice of theoretical framework for the study.

This paper used Pragmatic paradigm as the preferred usage paradigm. Pragmatism arises from the worldview that what matters in research is the research problem, and the researcher is eligible to adopt pluralistic designs and strategies to get to the aim of the study (Creswell, 2014). With pragmatism, Creswell (2014) confers that instead of focusing on methods; researchers emphasize the research problem and use all approaches available to understand the problem. Pragmatism orientation therefore guided the choice of a mixed method approach that combines qualitative and quantitative approaches to attain quality and valid findings to address the research problem.

1.8.2 Research Approach/ strategy

The study employed mixed method approach which maximizes the advantages of both qualitative and quantitative data and neutralizes the weaknesses of both approaches, thereby maintaining accuracy in achieving the aim of the study (Creswell, 2014). The research questions for the study are such that they inquire 'how', and 'what' is the socio-economic impact of COVID-19 on SMEs, an enquiry of study seeking a descriptive and explanatory research. As also confirmed by Saunders *et al.* (2009) the case study strategy is of particular interest if the researcher wishes to gain a rich understanding of the context of the research and the processes being enacted. Saunders *et al.* (2009) also argues that case study strategy also has considerable ability to generate answers to the question 'why?' as well as the 'what?' and 'how?'. Robson (2002) defines case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context

using multiple sources of evidence. The study is therefore descripto-explanatory in nature seeking a rich description and explanation of events through the case study strategy.

1.8.3 Research Design

As defined by Creswell (2014) research designs are types of inquiry within qualitative, quantitative, and mixed methods approaches that provide specific direction for procedures in a research approach. This is in simpler terms the how part of the research approach chosen for the study. There are designs under both qualitative and quantitative approaches and there are those particularly under the mixed method approach (Creswell, 2014, Johnson and Christensen, 2014). These are among others the convergent parallel mixed method design, the explanatory consequential design and the exploratory consequential mixed method design. For this study therefore, the convergent parallel mixed method design is used to gather appropriate findings aimed at answering the research questions for the study. According to Creswell (2014), convergent parallel mixed method is a form of mixed methods design in which the researcher converges or merges quantitative and qualitative data in order to provide a comprehensive analysis of the research problem. In this design, the investigator typically collected both forms of data at roughly the same time and then integrates the information in the interpretation of the overall results.

1.8.4 Target Population

Cavana *et al.* (2001) define research population or target population as the entire group of people, events or things of interest to the researcher that s/he wishes to investigate. For this research, a case study strategy was adopted and data was collected from the retail and trading businesses in Berea district, particularly from Teya-teyaneng town and the surrounding villages of Ha Mokhothu, Ha Ramonaheng, Ha Motjoka, Ha Molemane and Ha Mohlaetoa. Small and Medium Enterprises (SMEs) targeted for research included retail and trading SMEs operating in the Services, Commerce and Trade sector.

1.8.5 Units of analysis

For this research, the units of analysis have been the SMEs' owners or managers as proxies where owners have given such consent in their absence and SMEs employees. The units were particularly chosen for the purposes of validity, to compare and contrast the findings from both groups to ascertain the correlations of the impacts of COVID-19 on the affected units of the study. A sample of 50 SMEs owners and 30 employees was the unit of analysis for this study. For example, data is derived from a strata composed of supermarkets, clothing shops, furniture shops, pharmaceuticals, liquor, vendors (food and vegetables), animal farm and

seeds shops, services SMEs (salons and barbers, shoe repairs, ICT and computer shops, micro finances).

1.8.6 Sampling techniques

The suitable sampling technique for this study has been stratified sampling which is a form of probability sampling as shown by Sekaran and Bougie (2010) who argue that stratified sampling is used when the researcher's targeted population is large, enabling the researcher to breakdown the sample into a strata; using fixed criteria which increases the accuracy of the sample information. A random sample (simple or systematic) is then drawn from each of the strata. The retail enterprises were grouped based on their differences and diversity in specialisation of the goods and services and a sample obtained from all the strata. The researcher realised that the use of simple random sampling might exclude other SMEs which are part of the population, therefore stratified random sampling was found to be the best technique. This was also because through the use of stratified random sampling, there is a probability of having adequate cases from each group to make significant subgroup inferences. The stratified random sampling method often improves the representativeness of the sample by reducing sample error (as key subgroups and overall population are represented), and it helps to generalise the findings obtained (Saunders *et al.*, 2009).

1.8.7 Research Techniques

These are tools used to systematically collect information about the research and they include interviews, questionnaires and observational techniques (Rakotsoane and Rakotsoane, 2007; Gupta and Gupta, 2022). Primary data was collected from the respondents through interviewer-administered, semi-structured and closed-ended questionnaires. Because the study employed a mixed method approach, the questionnaires were in the form that was directed towards obtaining both qualitative and quantitative data through multiple choice questions that guided the participants with multiple answers to the question, with an additional 'other' aimed at exploring all possible answers to the problem. Probing questions were also included in the questionnaire to gather rich explanations of inferences to the study. Collected data was then analysed to determine if the objectives of the research were met.

1.8.8 Data Analysis

The study was based on both primary and secondary data. The secondary data was collected from journals, books, and online databases which guided the formulation of research questionnaires that were used in gathering the primary data. Secondary data also equipped the study with valuable literature addressing the problem statement. Primary data in the study

was collected through the mixed method approach from SMEs's owners and employees with the use of questionnaires.

Collected data was analysed through the use of statistical analysis and the quantitative and qualitative results were converged. This action entailed the process of familiarising with the research findings, capturing data and categorising similarities. The adopted convergent parallel mixed method design enabled that both qualitative and quantitative findings be converged, thoroughly giving quantities of the extent of the impact of COVID-19 on SMEs and a detailed description and explanation of how and why the findings are as they are. The simplified data is presented through the frequency distribution tables, bar charts, pie charts and graphs and later summarised to give a qualitative briefing of the findings.

1.8.9 Study Area

Data was collected in Teya-teyaneng town Berea, Lesotho. To get a broader perspective of how SMEs have been affected by COVID-19, the surrounding villages' SMEs were included in the study. Data was collected from both the registered (formal) and not registered (informal) for a broader description of the impact of the pandemic on SMEs.

1.8.10 Reliability

Reliability refers to the extent to which the researcher's data collection techniques and analysis procedures can yield consistent findings (Saunders *et al.*, 2009). Robson (2002) raises issues of concern in observing the reliability of the study being: subject or participant error, subject or participant biases, observer error and observer biases. To ensure reliability of the study, a variety of SMEs were grouped into strata to ensure accuracy of the sample. This ensured the inclusiveness of all retail SMEs operating in Teya-teyaneng, therefore the results are expected to be consistent even if the study may be conducted elsewhere with the same techniques and approaches. On minimising the participant's errors and biases, questionnaires were distributed at neutral working hours by the researcher and a repeated process of familiarising with findings and verifying the respondent's responses was maintained immediately after the data collection process. Another major technique that aided the study with reliability was making the questions clear, simple and understandable to the respondents.

1.8.11 Validity

Validity is concerned with whether the findings are really about what they appear to be and whether the relationship between variables is a causal relationship (Saunders *et al.*, 2009). As posits Johnson and Christensen (2014), validity entails the appropriateness and accuracy of

the inferences, interpretations or actions made on the basis of test score and the best rule to maximize validity is to collect multiple sources of evidence. On the principle of validity, the researcher collected data from a sample of 80 units, maximizing the accuracy and representativeness of SMEs in Teya-teyaneng. Collecting data from multiple sources verified the findings of the study to be valid. On all accounts of data collection also, the researcher administered the questionnaires to ensure that the findings were valid in all cases.

Validity in the study was also achieved because the questionnaires were aligned with the research's literature review which channelled the findings to be appropriately answering to the research objectives. The use of mixed method approach also helped with the research validity neutralizing the weaknesses of qualitative approach like saturation and that of quantitative approach of lacking the explanation and description of inferences in research.

1.8.12 Ethical Considerations

Researcher ethics cover issues of privacy of possible or actual participants, voluntary nature of participation, confidentiality of data providers and the reactions of participants (Saunders *et al.*, 2009). To comply with ethical considerations, the researcher did not go to the field until authorized by the supervisor and the faculty of Humanities in the University of Lesotho. The researcher was issued with the informed consent letter which had clearly stipulated the purpose of the study, voluntary participation as well as the participant's right of consent and confidentiality. Participants voluntarily responded to the questionnaires with understanding of the purpose of the study with assurance of their confidentiality.

1.8.13 Limitation of the study

Data in this research was collected from a sample of 50 SMEs owners and 30 from employees. On the sample of owners, the challenge has been that most owners are not involved in the running of the business therefore managers resumed their roles. Some of the information was not obtainable from managers; therefore the researcher had to arrange phone calls with the owners at home in order to obtain valid data. Some SMEs are not owned by Lesotho nationals, even though they are registered and operational in the country, as a result; on such SMEs, language has been a barrier as owners did not understand both English and Sesotho language but their own mother-tongue language which the researcher did not know.

The research was also based on SMEs in trade and commerce, however most SMEs are not in production of a singular product, most are specializing on multiple products. Another limitation to the study was in regard to the time data was collected. Data was collected during

working hours; as a result the meetings with participants were postponed several times until it was convenient for participants. As shown in the data analysis also, some employees who were retrenched due to COVID-19 and some SMEs which permanently closed were not easily reachable as they were no longer in the market. The next chapter presents the literature review of the study.

CHAPTER TWO

THE IMPACT OF COVID-19 ON SMEs IN DEVELOPING COUNTRIES: THE REVIEW OF LITERATURE

2.1 Introduction

Small and Medium Enterprises (SMEs) are considered to be engines for economic growth and development of both developing and developed countries (Cant *et al.*, 2014; Khandker, 2014). They are hailed for their ability to create employment opportunities, generate income and to alleviate poverty (Manzoor *et al.*, 2019). Tambunan (2019) acknowledges that SMEs are important socially and economically. Notably, they cut across a wide spectrum, reaching to the rural areas of the developing countries, facilitating rural economic development in areas mostly in need; playing a decisive role in solving some economic problems such as low level of economic activity, lack of competition and lack of investment (Dzansi, 2004; Tambunan, 2019; Eggers, 2020).

There are differences in the terminology of the Small and Medium Enterprises (SMEs). Some researchers refer to them as the Micro, Small and Medium Enterprises (MSMEs), others call them Small, Micro and Medium Enterprises (SMMEs) while referring to the same enterprises (Robu, 2013; Berisha and Pula, 2015). For clarity purposes in this study all the terms are interchangeably used. This chapter is structured as follows: firstly SMEs are defined, followed by their broad contributions in terms of their ability to contribute to the Gross Domestic Product (GDPs), create employment, alleviate poverty, and promote entrepreneurship and innovation, and also their vital role in inequality reductions. These are followed by the constraints facing the SMEs and lastly a section that gives a detailed narration of the socio-economic impact of COVID-19 on SMEs

SMEs are also applauded for their ability to absorb a significant large number of workers, their distinct contribution to entrepreneurship enhancement and business skill development especially for the low-skilled labour in the rural areas (Tambunan, 2019). They are considered to be imperative contributors to the growth of most economies all over the world, constituting about 90 percent of businesses in African and other developing countries. They contribute between 60-80 percent of employment in developing countries (Abor, 2017)

Also worth noting is the ability of SMEs to promote equitable development (Manzoor *et al.*, 2019). Tambunan (2019) corroborates with Okewu (2015) that SMEs play a vital role as a precise platform for business opportunities for women; proving to be instruments used for all-

encompassing economic empowerment, deliberately targeting the vulnerable segments of the society (women, the poor, unemployed, disabled and others) with the aim of giving them an economic voice.

Despite their valuable contribution, current literature portrays that SMEs are the most vulnerable to external crises, as a result they are the most harshly hit by the COVID-19 pandemic (Razumovskaia *et al.*, 2020). Zutshi *et al.* (2021) present that COVID-19 has adversely affected the SMEs profitability and sustainability, showing that there is a need for a resilience mechanism. Razumovskaia *et al.* (2020) argue that the effects were brought by the drastic changes in consumer habits due to the execution of the COVID-19 mitigation measures of social distancing, fear of being infected by the virus, decreased purchasing power owing to a decrease in the level of personal income as a result of reduction in wages or dismissal.

The eruption of COVID-19 and its declaration by WHO to be the pandemic necessitated scientific research on the matter. Razumovskaia *et al.* (2020) argue that most research has particularly been on the effects of COVID-19 on the aggregate national macroeconomic activity. Such research the scholars contest has neglected the direct impact of the pandemic on SMEs as key economic drivers. Most literature also focuses on building the resilience of the SMEs amidst the COVID-19 repercussions (Zutshi *et al.*, 2021). This study aims to fill the gap in the literature, particularly on the socio-economic impact of COVID-19 on SMEs.

2.2 Definition of Small and Medium Enterprises (SMEs)

There is no universally accepted definition for the Small and Medium Enterprises (SMEs) (Robu, 2013; Abor, 2017), however; there are two main distinct definitions of SMEs in literature, and these are quantitative and qualitative (Ramadani, 2011). Firstly, quantitative definition encompasses some numeric indicators such as profits, total capital, number of employees (usually owned by one and more individuals) and turnover (Todorov and Smallbone, 2014; Ali *et al.*, 2014; Abor, 2017). For example, Butler (2017) argues that the European Commission (EC) defined SMEs largely in terms of the number of employees as follows: firms with 0 to 9 employees - micro enterprises; 10 to 99 employees - small enterprises; 100 to 499 employees - medium enterprises. Etuk *et al.* (2014) holds the same sentiment but includes asset value and profit in the quantitative definition.

Secondly, qualitative definition pays much attention to the marketplace and capital ownership (Ramadani, 2011). For instance, The Bolton Committee (1971) formulated an economic definition describing an SME as an independent firm, which has a relatively small share of its market place and is managed by the owners themselves. It can be noted from the above discussion that SMEs can be defined based on different criteria which includes turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry across different geographic locations. In this scenario, the World Bank gives a detailed definition.

Table 2.1 Qualitative definition of SMEs

Indicator	Number of employees	Total Assets	Annual sales	Loan size at origin
Micro Enterprise	1 to 10	Less than 100 000	\$100 000	10 000
Small Enterprise	10 to 49	100 000 to 300 000	100 000 to 300 000	Less than 100 000
Medium Enterprise	50 to 300	3000 000 to 15000 000	3000 000 to 15000 000	Less than 1000 000 or 2000 000

Source: World Bank (2019)

2.3 Characteristics of SMEs

Todorov and Smallbone (2014) confer that SMEs' distinct characteristics make them a viable economic strategy for developed and developing countries equally. Firstly, SMEs are commended for their flexibility in terms of organisation and less rigid organisational structures which make them suitable for proper functionality in a more complex and turbulent socio-economic environment (Todorov and Smallbone, 2014).

Secondly, Schumacher (1973) presents another feature of the SMEs which is also perceived as the reason for SMEs establishment in developing countries. This view is that SMEs do not depend on the use of complex organisational structure and high technology; instead they depend on intermediate and appropriate technology. Thirdly, Bigras (2004) asserts that SMEs production lines or workstations are smaller and their business activity level is lower than that of big enterprises.

2.4 A brief historical background of SMEs in development

There are two main contrasting views about the origin of SMEs in development throughout the world. One view suggested by among others; Kaya (2015) and Oricchio *et al.* (2017),

argue that the origin of the concept of Small and Medium Enterprises (SMEs) dates back in ancient publications of Alfred Marshall (1890) –Principles of Economics. In addition, Oricchio *et al.* (2017) analysis is that, profits in industrial society cannot only be achieved through large capitalist enterprise only, but also through other economic systems that include small sized businesses. On the other hand, the OECD (2004) suggests that SMEs were introduced into the development scenery as early as the late 1940s, with the aim of improving trade and industrialisation in developed nations.

Despite the parallel views about the emergence of SMEs, it is noted from the literature that the importance of SMEs to development was highly emphasized in the 1960s. This is because the decade was dominated by the classical contribution of studies that had not only envisioned Small and Medium Enterprises as the finished entity, but also as a mandatory phase in a natural and irrevocable process of growth (Mukras, 2003). The contribution and importance of SMEs increased in the 1970s after the oil economic crisis which witnessed managerial and organisational distresses of many large companies. This challenge gave momentum to the establishment of SMEs as an appropriate alternative business model (Philip, 2005).

2.5 Contribution of SMEs to Socio-Economic development

The contribution of SMEs to development cannot be underestimated. Their role in the development of poor countries is recognised in different ways. Firstly, SMEs contribute positively to the Gross Domestic Product of countries. They are marvelled for their remarkable contribution to the country's economy, mainly through their 16 times patent ability to create new production bases, in away adding on to the national economic output (Ntsika, 2001; Breitzman and Hicks, 2008; Okewu, 2015; Sitharam and Hoque; 2016). Small and medium businesses account for almost 90% of businesses in both leading and developing economies providing multiple units of production of goods and services, which works as an impressive contribution to Gross Domestic Product (GDP) (Muriithi, 2017). Abor (2017) argues that SMEs' contribution to gross domestic product is also in the area of corporate taxes, export duties and import taxes flowing from their activities as they encourage innovative entrepreneurship. Etuk *et al.* (2014) confers that in Morocco, 93 percent of firms are SMEs, accounting for 38 percent of all production, 33 percent of investment and 30 percent of exports. Islam *et al.* (2011) posit that in Bangladesh SMEs are predominant in the industrial sector, comprising of over 90 percent of all industrial units with a more precise estimation of 28.7% of the Bangladesh GDP (Begum and Abdin, 2015).

Literature demonstrates that the manufacturing SMEs are the greatest contributors to the GDP (Islam et al. (2011). However, Eniola *et al.* (2014) argue that in Nigeria the agricultural sector (farming, fishing, forestry and livestock rearing) are the greatest contributors to the country's GDP, contributing 35-40 percent of the GDP. Fjose *et al.* (2010) also shows that SMEs contribute more than 50 percent of the GDP in Africa, however; those working in the informal sector in Africa contribute about 20 percent of the GDP compared to the 60 percent contributed by those found in other developing countries. It is also indicated by Al-Yahya and Airey (2013) that SMEs in developed countries contribute more than 50% to GDP.

Secondly, the contribution of SMEs to employment/job creation is acknowledged in many developing countries (Muriithi, 2017). This is due to the fact that SMEs are known for their employment potential, creating massive jobs for many people at a very low cost (Manzoor *et al.*, 2019). Their labour intensity is higher than that of the large enterprises (Okewu, 2015). Markovic (2014) hails SMEs for their social functionality of absorbing the surplus labour incurred in the process of transition and transformation of the state and socially owned enterprises. According to Ntsika (2011) SMEs in South Africa and the surrounding countries are not only important in employment creation, rather they are known for their strengths in absorbing the retrenched people coming from the private and public sectors. Okewu (2015) argues that a large percentage of the African population survives on informal labour, with unemployment affecting mostly the vulnerable groups like the low- skilled youths who are finding it difficult to find stable formal employment. For these reasons, SMEs serve a purpose of being engines for job creation.

Fjose *et al.* (2010) postulated that African SMEs absorb 85 percent of the labour force where micro enterprises contribute 30 percent to employment creation, small enterprise's share is 20 percent and the medium enterprises contribute 10 percent to private sector employment rates. Islam *et al.*(2011) argues that in Bangladesh, SMEs add up to 80-85 percent of industrial employment and 23 percent of total civilian employment; with the largest concentration in terms of employment being the textile and apparel sector, followed by the food and beverages sector and the metals and metal products. Begum and Abdin (2015) confer that the SME cluster development strategy in Bangladesh has been praised for a massive employment capacity of about 30% of the Bangladesh labour force.

Khandker (2014) also certifies that SMEs accounted for a large share in some Asian countries compared to their African counterparts. For instance, SMEs contribute 80 percent of

employment in Pakistan, while in Nigeria they contribute a slide percentage (70 percent) to employment (Eniola, 2014). As a way of employment creation SMEs are commended for using lower capital per employment, avoiding additional costs for development of industrial infrastructure, minimizing the investment risks and maximizing the use of locally available raw materials (Manzur *et al.*, 2008)

Thirdly, SMEs are important for reducing poverty in poor countries. At this juncture, Townsend (2013) asserts that many million people in developing countries are living in poverty, therefore; SMEs are the mainstay of poverty reduction in most parts of the world like Africa. According to Nursini (2020), in Indonesia on average, the percentage of poor people had decreased by 0.5 percent and its number reduced by 720 million annually in the period of 2001-2018 attributed to SMEs development. Though seemingly insignificant, the contribution of SMEs to poverty alleviation is observed by Nursini (2020). This is achievable as presented by Ali and Khan (2014) directly through SMEs output in the market and indirectly through intensive poor labour absorbent capacity of SMEs, capable of providing reasonable income to the poor aimed at eroding them from their poverty state into improved livelihoods.

The relevance of SMEs functioning as a strategy for poverty alleviation is well acknowledged by most researchers in the developing countries like Ghana, Indonesia, Cameroon, South Africa respectively (Agyapong, 2010; Kusi *et al.* 2015; Tambunan, 2019; Tengeh *et al.*, 2020). Amid many outstanding attempts, the World Bank and the international agencies have offered direct assistance to small and medium- sized enterprises (SMEs) in developing countries. This was in order to enhance their capacity and capability to function as a comprehensive strategy for development and poverty alleviation (Obisuga-Oyekunle, 2019)

Tambunan (2019) posits that, it is evident throughout the world, especially in the low-income or poor countries, that MSMEs are on the lead in addressing the impediments of poverty, particularly in rural areas. Muziriri and Chivandi (2020) emphasize the importance of entrepreneurial education in Small and Medium Enterprises, arguing that it facilitates SMEs owners and managers with skills that are imperative in improving their performance as the key tools in poverty reduction. As put by Manzoor *et al.* (2019) SMEs produce substantial development strategies that are helpful in reducing poverty in developing countries.

Kauffmann (2008) contends that SMEs aid in poverty reduction by their very nature which targets the local market, maximizing on the supply of affordable goods and services at

reasonable terms and prices, besides their obvious feature of income generation and employment creation. As portrayed by Muriithi (2017), SMEs are not only engines driving the world economies, but they are stepping stones to industrialization both for the developed and developing economies. The process of industrialization is imperative for poverty alleviation especially in the least developed states. Ali *et al.* (2014) agree that SMEs intensify productivity growth in the economy, thereby playing a significant role in public welfare and poverty reduction; and work as determinants of structural change facilitating the process of industrialisation.

Literature also points to the significant role played by the SMEs in poverty reduction in Sub-Saharan Africa, a region defined as the most poor, grappling with high cases of high unemployment and poverty (Mukras, 2003; Abisuga-Oyekunle *et al.*, 2019). In the Middle East and North Africa, a region characterised by high population growth, high rates of unemployment and poverty, and the declining capacity of the public sector as a viable employer of last resort daunting social-economic challenges, burgeoning youth population, poor governance and management in government institutions, and uneven rates of economic development as presented by Al-Yahya and Airey (2013); SMES are highly recognized for their amicable contribution in income generation and poverty alleviation (Al-Yahya and Airey, 2013). Ayelana and Fiseha (2014) also present that despite the ample constraints to the full potential of SMEs, their substantial contribution to poverty reduction in South Africa is never to be overlooked.

Moreover, SMEs also work as a link between the big firms and the market to facilitate economic growth. In this regard small industries are referred to by Subhan *et al.* (2013) and Muriithi (2017) as catalysts between simple and large industries in Africa. They facilitate development through provision of inputs and services for industries while at the same time providing direct goods and services to consumers (Subhan *et al.*, 2013; Muriithi, 2017). Furthermore, Small industries also help to absorb valuable resources at all levels of the economy and add to the formation of flexible economic systems in which small and large firms are interlinked. Such linkages are very crucial for the attraction of foreign investment (Subhan *et al.*, 2013)

Manzoor *et al.*, (2019) also observe that there is a correlation between SMEs and economic growth in South Asia. In validating this argument, Manzoor *et al.*(2019) portray that the SMEs amplify economic growth and work on intensifying production of the raw materials

that are needful for the large-scale industries to further the invention of the country. This anticipates upsurges in production which also facilitate a competitive environment for the country (Okpara and Kabongo, 2009). According to Manzoor *et al.*, (2019) it can be generalised that SMEs play a vital role in revitalizing and supporting the nation's economy. An example as Begum and Abdin (2015) confer is the significance of Bangladesh, showing that the country is currently one of the best performing economies in the Least Developing Countries (LDCs) due to the massive contribution of the SMEs.

Furthermore, SMEs are Innovative and technological advancement agents. Innovation as explained by Linton *et al.* (2017), involves a process in the normal operation of the enterprise of adapting new technologies either to produce a new product or service, or to improve and increase production with the purpose of boosting the business sales and profitability. The action requires mutual correlation of both the business and the technology, as this renders positive results for the business. In fact, Hervas-Oliver *et al.* (2014) argue that innovation is not just about developing new technologies, but also about adopting and re-organizing business routines, and internal organization or external relations.

Abisuga-Oyekunle *et al.* (2019) posit that SMEs are creative and innovative in nature; presenting new technologies at very low costs, demonstrating that there are many more springing forth to respond to the immediate needs of the people. In this way, SMES are able to beat the market competition by refining their products, processes and services, with so much ease (Daniele, 2015). Again due to their flexible organisational structure, SMEs are able to adjust to the external pressure and may adjust all their operations in response to the local market (Markovic *et at.*, 2014). Most researchers consider SMEs as key for economic development and innovation because their existence is accompanied by a diversity of goods and services they offer (Butler, 2006, Markovic *et al.*, 2014). SMEs are also extolled for their pivotal role in improving domestic market efficiency and maximum utilisation of the scarce resources (Beck *et al.*, 2004)

SMEs are also hailed for Entrepreneurship and human development. Subhan *et al.* (2013) and Yahya and Mutarubuka (2015) share the perception that SMEs promote entrepreneurial spirit, especially with entrepreneurship gaining much importance in the era of globalisation as a means to improve the country's economic activity through the provision of goods and services. Kroon (2000) also attest but holds a better explanation that SMEs contribute to

promotion of entrepreneurship through creation and sustenance of new business opportunities.

Entrepreneurship is also viewed as the process reflecting the mind-set which creates, develops, and boosts economic activities (OECD, 2004), and in this context associated with SMEs for their ability to harbour innovation, creativity, risk-taking ability and good management skills. To most of their advocates, SMEs are known for their ability to increase competition and entrepreneurship which consequently have an effect on economic efficiency, innovation and productivity growth (Markovic *et al.*, 2014). They are extolled not only for their distinctive character of being more innovative and productive than large firms, but also for their vital role in enhancement of economic growth and development (World Bank, 2004).

Entrepreneurship is considered fundamental to the country's political stability and economic transformation. According to (Markovic *et al.*, 2014) the strengthened entrepreneurial skills in the nation, along with a competitive and effective private sector are the determinants of a politically and economically stable state. Markovic *et al.* (2014) continues to argue that many governments have facilitated training and skills acquisition to SMEs owners and employees in an attempt to improve the fundamental role played by these enterprises, thereby facilitating human development. As many labourers acquire training, their living standards are bound to improve for the better (Belwal *et al.*, 2015). It is for this course that Okewu (2015) views SMEs as a nursery for entrepreneurship, often driven by innovation and creativity.

The SMEs are also considered to be vital role players in addressing sustainable development (Rogerson, 2004; Fatoki, 2018). Manzur *et al.* (2008) present that this is achieved by their usage of local resources for production which do not rely on advanced technological developments like the big industries.

Lastly, SMEs are decisive tools for tackling wealth and income inequality. Development in most cases is channelled to the urban areas than it is to the rural areas, normally excluding the rural poor (Beer and Swanepoel, 2000). Ali *et al.* (2014) share the same sentiment but argue that SMEs close this gap. Ali *et al.* (2014) posit that SMEs are an unskilled labour intensive sector, helpful in equal distribution of income and ensuring greater involvement of the poor and better utilisation of cheap labour. Suresh Lal *et al.* (2020) presented that SMEs are on the forefront in eliminating wealth and income inequalities, because they target to transform the rural areas by tapping into the still largely unexploited and abundant natural and human

resource base of the rural areas, also reducing the country's dependence on imports; thereby helping with the provision and accessibility of goods and services to all classes.

Similarly, Gibbs (1999) reveals that the small enterprise sector contributes to the sound development of the national economy, eliminates wealth and income inequalities by dispersing equal opportunities to the poor people in the rural areas and allowing for the full utilization of all the local resources. Gibb (1999) continues to prove that the establishments of the SMEs in the rural areas assist such places with improvements in technological transitions.

Kunene (2009) agrees with Gibbs (1999) by arguing further that SMEs contribute to major goals of economic and social policies such as balance of payment, stability, equal justice, price stability and growth. Manzur *et al*, (2008) also adds to the argument that SMEs play a vital role in the abolishment of income inequalities, through reaching to the most vulnerable groups of the society.

The eminence of the SMEs to the development of the economy is never over-emphasised. It can be summed up that they help with income generation and improve the living standards of many people, thereby contributing significantly to the general GDPs of many nations. However, Khandler (2014) argues that for any business to operate, the following factors are basic: dependable and effective sources of finance, both in the form of debt capital and equity capital, sufficient amounts of electricity, smooth transportation systems and favourable regulatory environment to grow at higher rates. Lack of these factors, work as a barrier to SMEs' effectiveness.

2.6 Constraints and challenges faced by SMEs

Despite their valuable contribution to the economies of both developed and developing countries, research reveals that SMEs are operating under a strain of constraints and hiccups, that hinder their full potential (Okpara, 2009; Manzoor *et al*, 2019; Abisuga-Oyekunle *et al*, 2019). There are generally common problems facing SMEs, especially in the developing countries, but there are also some exceptional traits across different nations and also the severity of the impediments differ across different geographic locations (Oyelana and Fiseha, 2014; Khandler, 2014).

2.6.1 Lack of and or Inadequate Financial Resources

Oyelana and Fiseha (2014); Khandler (2014), Cant, et al. (2014), Abor (2017) and Muriithi (2017) agree that most SMEs in developing countries are wrestling with the problem of lack of finances. Khandler (2014) argues that the prerequisites for proper functionality of any

business are among other things the financial resources which seem to be lacking in most SMEs. In an attempt to solve the financial constraint, the closest option would be to seek financial loans from the financial institutions. A route proven by most scholars to be patently problematic because the majority of SMEs in the developing countries do not have the collateral required by the financial institutions to secure reasonable financial funding (Abor and Quartey, 2010; Dalberg, 2010; Cant *et al.*, 2014; Khandler, 2014)

Evidence on studies undertaken in South Africa validates the above arguments, demonstrating that 75 percent of loan applications were rejected and only 2 percent were able to obtain a significant loan (Dalberg, 2010). Consequential studies also in South Africa have later proven that the situation has not significantly improved (Cant, *et al.*, 2014), unveiling that 21 percent of the SMEs received financial support, while 78.5 percent had no financial support. On the figures, Cant *et al.* (2014) portrayed that 56.9 percent of those who had financial support received it from the banks in the form of loans; the remaining portion received financial support from family and friends; and from the social grants. Abor (2017) further articulate that the financial pressures inhibit the growth and development of the SMEs, showing that the financial institutions deny them access.

According to Fatoki and Oyedemi (2010) South African SMEs also do not even have access to trade credit, an arrangement that could boost their purchasing power despite the limited financial resources. This has been confirmed by the findings of a study, revealing that 21.4 percent of credit applications for trade creditors were successful, while the 79.6 percent were unsuccessful and were denied (Fatoki and Oyedemi, 2010). Al-Yahya and Airey (2013) contend that although the weightiness of SMEs in the Middle East and North Africa is highly recognizable, the enterprises are hindered by some financial barriers from effectively addressing the unemployment and poverty prevailing in the region. Manzoor *et al.* (2021) has added on the current literature on the lack of financial access for SMES in Pakistan, showing that the most critical stage that most SMEs suffer with the financial inadequacies is the initial stage, the most crucial for the survival of the SMEs. Lack of access to financial opportunities is not the only constraint; rather Mansoor *et al.* (2021) have also shed some light that high interest rates on financial loans are also a prevailing obstacle in Pakistan.

Nursini (2020) recommended the government of Indonesia to initiate social empowerment programs that would improve and solve the challenges and constraints faced by the SMES in Indonesia, in order that they can fully directly or indirectly influence poverty reduction. This

initiative, Nursini (2020) proposed while narrating the financial barriers the Indonesian SMEs are facing, which demanded a powerful strategy. The above literature calls for a stronger policy strategy that would curb the adverse repercussions.

2.6.2 Lack of Managerial Skills

Abor (2017) postulates that financial constraints are not the only difficulty SMEs are facing in developing countries; rather lack of managerial competency is another constraint. The author argues that by their very nature of being small in size, SMEs are unable to attract well skilled management labourers due to the competition from big enterprises. Existing literature further confirms that educational and expertise skills are required in the SMEs operations, for them to survive, grow and develop (Smit and Watkins, 2012). Firreina (2007); Abor and Quartey (2010); Oyelana and Fiseha (2014) have a consensus that most SMEs in the developing countries are lacking on managerial skills equipment, a concept needed for decision making and structural marketing of the enterprise.

Martins (2021) have revealed that managerial incompetency is to be blamed for high failure rates in the SMEs sector and also that it is the distinguishing feature between SMEs' survival and low growth rate. The good performance of SMEs is also associated with distinct managerial qualities and skills found in a manager and this has been found to have a direct impact also on the SMEs credibility to access finances (Fatoki and Odeyemi, 2010). Khandker (2014) however portrays a different scenario altogether for the SMEs in India, Pakistan and Bangladesh, showing that a challenge that has captured much attention after that of inadequacies in finance is lack of electricity.

2.6.3 Lack of infrastructure and government support

Proper infrastructure has also been proven to be a required environment for the operation of SMEs. These include electricity, transportation facilities and other essential establishments. There is found to be a correlation between economic conditions and the successful performance of the SMEs (Smit and Watkins, 2012), however; most developing countries are lacking in the key infrastructural establishments that are needed to enhance the performance of the SMEs. Al-Yahya and Airey (2013) contend that although the significance of SMEs in the Middle East and North Africa is highly recognizable, the enterprises are hindered by some barriers, particularly the costly business environment, restrictive regulations, and lack of appropriate infrastructure and business support.

The identified challenge of lack of electricity and inadequate power supply affects the capacity of the SMEs (Fjose, *et al.* 2010) and was rated in the World Bank Research at 25 percent for the African countries. Among the studies highlighting the problems and prospects of SME sector in Bangladesh, Khandker (2014) reported that the complex documentation processes, lengthy releasing and clearing goods from ports, corruption in the customs department, lack of automated customs procedures act as major problems obstructing the growth of any business in Bangladesh, let alone SMEs.

Abor and Quartey (2010) had placed stronger emphasis on the government's complexities and complications, portrayed as the regulatory constraint. The pervasive regulations, Abor (2017) comprehends; demand resourceful SMEs in following all the lengthy processes of registration and tax regulations, and this renders African SMEs vulnerable as they are already overwhelmed by the financial strain. With a cloud of existing barriers to SMEs, the outbreak of COVID-19 has drastically exposed the vulnerability of the SMEs sector.

2.7 COVID-19 and the SMEs

The economic disruptions birthed by the outbreak of the COVID 19 have severely affected the national and global economies (Banerjee *et al.* 2020); particularly the challenges most faced by the enterprises are decreases in demand, supply chain disruptions, cancelation of export orders, raw material shortage and limited movement and transport restrictions (Shafi *et al.* 2020). There is a heightened debate about whether SMEs have been vulnerable to the spread of COVID-19 or whether they have been resilient. Their basic characteristic of being of small size, usually employing the owner and few employees; is considered as their strong point in terms of being more flexible to respond to both the threats and opportunities (Eggers, 2020).

However, Pal *et al.* (2014) holds a different view, arguing that by their very nature SMEs can be severely affected by major disruptions that demand a high degree of resilience, for instance, during an acute economic crisis. Zutshi *et al.* (2021) clearly argue that COVID-19 has harshly hit on the SMEs profitability and sustainability in an unprecedented way affecting the performance, the employment and the general productivity of SMEs. Bartik *et al.* (2020) and Lu *et al.* (2021) highlighted that COVID-19 has affected all business sectors but the Small and medium sized enterprises have borne the most devastating effects of the COVID-19. This as narrated (Bartik *et al.* 2020) is because of their limited resource base especially financially and managerially. Hall *et al.* (2020) argue that the cause of the intensified spread

of the pandemic, have been influenced significantly by among others the growing mobility of the population, urbanisation, and industrialization of food production processes and the expansion of global transport networks.

2.7.1 Impact of COVID-19 on SMEs and international trade

Gruszczynski (2020) corroborates that COVID-19 has affected world trade, affecting both the supply and demand sides. According to Gruszczynski (2020), demand has been lowered by prevailing unwillingness to spend money due to rising unemployment; together with the heightened uncertainty brought by the pandemic. Another reason is the intervention policies that were aimed at controlling the spread of COVID-19 which caused drastic disruptions causing some delays and restrictions in the supply sides and prohibiting people's movements and triggering declines in demand (Al-Fadly, 2020).

The pandemic has not only brought about all evil for all sectors. While on this phrase; Angula and Nekulilo (2021) demonstrated that SMEs in the delivery services sector experienced high demand for their services as peoples' movements were reduced and they will then rather have their goods and services delivered on their front doors for them. The other benefit experienced in SADC trade margins as highlighted by Angula and Nekulilo (2021) is the rise in supplies for health sector businesses as their goods were in demand. This happened as customers were in their panic mode stocking up piles of health remedies believed to help prevent or reduce the infectiousness of the novel coronavirus (Angula and Nekulilo, 2021).

Angula and Nekulilo (2021) argued that the local SMEs in SADC had benefited from the lockdown policies of the early months of 2020. An explicit explanation is that the SADC region is mostly dependent on imports which are brought about by the multinationals and big enterprises which are a bad competition to the SMEs. As a result, the latter enjoyed their sales without those who have a competitive advantage over them, owing to the lockdown and movement restrictions. However, in considering all sides to the impact, the main argument remains that SMEs have suffered mostly due to COVID_19. Angula and Nekulilo (2021) confer that in the SADC region, the SMEs and the informal vendors are the groups which suffered the most adverse effects of COVID-19 in terms of trade as they lack adequate financial resources that would have sustained them amidst the COVID-19 mitigation policies.

Rogerson and Rogerson (2021) and Angula and Nekulilo (2021) share the same sentiment that for the SADC region and all around the world, that COVID-19 has affected many lives and SMEs, but most importantly, the tourism sector and other SMEs in non-essential business

which have been immensely overwhelmed with the intervention policies that put an halt international travels, restricted movements across nations and necessitated border closures. Belitski *et al.* (2021) gives a detailed description of the impact of COVID-19 on SME, showing that the pandemic caused some SMEs to lay-off employees, has decreased sales, reduced operation hours, and have caused restrictions on the general supply and demand of SMEs. The following section touches on the impact of COVID-19 on SMEs.

2.7.2 Impact of COVID-19 on Unemployment

Matema and Prinsloo (2021) articulates that the introduction of the COVID-19 lockdowns and movement restrictions have led most SMEs to lay-off employees, and others permanently shut down due to the financial hurdles. It is highlighted that the key SMEs that bore employment loss consequent to the COVID-19 pandemic are in trade, tourism, transport, hospitality and wholesale and retail trade sectors (Danquah *et al.* , 2020; Rosenberg *et al.*, 2021). Morsy *et al.*(2021) estimates the employment reductions in Africa to be at 43.2 percent in the informal sector, 51.1 percent in the formal non-tradable sector, and 32.3 percent in the formal tradable sector. Literature also portrays that roughly SADC countries have total employment losses below or approaching 25 percent of all jobs, while the other half have losses exceeding 25 percent (Strauss *et al.*, 2021)

Angula and Nekulilo (2021) argue that lockdown and movement restrictions on account of the COVID-19 have caused an unbearable effect on the SMEs in the SADC region, heightening the unemployment rates in the SMEs sector which is mostly referred to as the backbone of the economies. Also notably, employment losses are widespread and disproportionate, displaying higher rates for women workers (Strauss *et al.* 2021; Danquah *et al.* 2020). Danquah *et al.* (2020) confirms that COVID-19 aggravated gender inequalities in SMEs employment. The reason as argued by Danquah *et al.* (2020) is the schools and day-care closures that came along with combating the spread of the pandemic among school children, which demanded that women leave the market to take care of the children. This is accompanied by the feminism norm that women are also responsible for looking out for the sick as a result this demanded that most women to quit their jobs..

Chakraborty and Kar (2020) agree with Bartik *et al.* (2020) and many other scholars that one major impact of the COVID-19 pandemic have been the cost of joblessness to many SMEs workers. A study in conducted in Nigeria; Ojong-Ejoh *et al.*(2021) confirms that 71.3% of the sample of 474 SMEs responded strongly, confirming that they laid-off employees due to

COVID-19 measures. However; in India, Syaputra *et al* (2020) confers a different cause to the rising unemployment rates due to the pandemic, arguing that the social distancing that necessitated that workers worked in shifts or from home led to most companies opting for retrenchments and laying off of most workers, as an escape to the financial hurdles of reduced economic activity.

Al-Fadly (2020) also raises another effect of the pandemic on SMEs employment to be reduced staff morale due to a strain and mental frustration about the health crisis and the reductions in working hours and salaries of employees. Nyanga and Zimira (2020) propound that the COVID-19 lockdown policies demanded that the SMEs in Zimbabwe lay off some temporary and less skilled employees, due to the inadequacies in finances brought about by complete closure of the non-essential SMEs along with decelerated demand owing to restricted movement.

2.7.3 Impact of COVID-19 on the performance of the SMEs

Redjeki and Affandi (2021) highlighted that the governments introduced the precautionary COVID-19 policies that have had a negative impact on SMEs' operations. This has been caused by the fact that SMEs rely mostly on the face-to-face economic activity between customers and the SMEs (Danquah *et al.* 2020). They are also dependent on the circulation of money from merchandise sales, so much that decreased demand disturbs the company's cash flow (Winarshi *et al.*, 2020).

Lockdown and movement restrictions curtailed the demand of the SMEs' products and services, leading to reduced turnover and productivity. For example, recording on the case of Indonesia, Redjekil and Affandi (2021) demonstrated that 56% of MSMEs claimed to have decreased in sales turnover due to the Covid-19 pandemic, 22% experienced difficulties in obtaining financing/credit, 15% experienced problems in the distribution of goods, and the remaining 4% reported difficulties in obtaining raw materials. Sahoo and Ashwani (2020) argued that COVID-19 has not only severely affected global trade, but it has also stricken the domestic production networks, placing them at a position of scarcity of the raw materials and essential production components; further causing them to bear higher cost of production.

Another instance would be derived from a survey of businesses in Uganda which suggested that lockdown measures have reduced business activity by more than half, and finds that micro- and small enterprises experienced a larger decline in activity compared to medium and large enterprises (Lakuma and Sunday. 2020). In this regard, Harel (2021) argues that small

enterprises in the industrial sectors that served as subcontractors and had long-term contracts with big customers were less affected by the lockdowns and are said to be likely to cope better during the distresses brought by COVID-19.

Nyanga and Zimira (2020) confer (giving reference to Zimbabwe) that most SMEs are not selling essential goods, therefore have lowered their productivity as only few were able to operate during the lockdown and the total economic growth was consequently reduced as SMES are the backbone of most economies. Even with those that specialise in essential products and were operational during COVID-19, Kiram *et al.* (2020) argued that such companies also experienced decreased incomes. For instance also, Aderemi *et al.* (2020) posit that most SMEs specialising in the essentials-food and consumables, pharmaceuticals, oil and gas in Sango-Ota industrial area of Ogun state, Nigeria have experienced moderate reductions in production and sales. This is because lockdown policies gave exceptions on such SMEs

Lu *et al.* (2021) on a study on the impact of COVID-19 on SMEs in Sichuan China, asserts that the greatest challenge on the performance of SMEs had been their delay to resume work after the total lockdown. According to Lu *et al.* (2021) the main reasons behind this issue were the reduced market demand, shortage of pandemic prevention products and the absence of employees whom most were strictly confined by government movement restrictions.

Moreover, another impact on SMEs performance is that most SMEs were forced to work under pressure to attain their own agility, having to respond to the immediate pandemic crisis and to sustain in the long run (Gerald *et al.*, 2020). SMEs had to respond with and survive on the limited resources. Alraja *et al.* (2022) argue that one initiative that could boost back the appropriate maximum performance of SMEs would be their adoption of technological and innovative strategies. This is because technological innovations help to optimally and effectively utilize scarce resources to create a competitive advantage and control operations remotely. However, Alraja *et al.* (2022) shows that most SMEs in the developing countries have not attained this technological advancements and have been poorly affected by the pandemic.

2.7.4 COVID-19 Relief Policies Adopted in some of the developing countries

As the pandemic has affected all groups of the society, most governments facilitated the relief programmes to ease both individuals and businesses' lives amidst the COVID-19 era. For instance, the Namibian government distributed N\$ 750 to the unemployed segment during the

national lockdowns (Angula and Nekulilo, 2021). The authors attest that though the N\$750 distribution was significant, it was a once off activity and therefore was not effective in sustaining livelihoods. Price (2020) demonstrated that the Zimbabwean government introduced ZW\$500 million COVID funding targeting SMEs.

Several countries have adopted fiscal and economic stimulus packages to assist SMEs in the COVID-19 era. For instance, Rwanda government launched a support fund to affected SMEs in the form of subsidized loans from commercial banks and credit guarantees (Akrofi and Antwi, 2020). From IMF (2020) policy responses to COVID-19, it is derived also that Tanzania has accelerated payments of verified arrears giving priority to affected SMEs amounting to about USD 376 million.

Price (2020) again briefed on the impact of COVID-19 in Malawi together with the Relief responses, conveying that the country initiated An Emergency Cash Transfer Programme of about \$50 million (0.6% of GDP), providing financial support to the SMEs in the major urban areas. To further support small and medium enterprises (SMEs), Price (2020) articulated that commercial banks and micro-finance institutions had to be on a case-by-case basis, restructuring SME loans and providing a three-month moratorium on their debt service. Also, fees on mobile money transactions were temporarily waived to encourage cashless transactions.

The African Union Commission (AUC) also established an MSME platform to monitor, benchmark, and allow firms to share their experiences and challenges, as well as to provide support to businesses to overcome the challenges posed by the COVID-19 pandemic (AUDA-NEPAD,2020). Redjeki and Affandi (2021) presented that the Indonesian government had prioritized intensive development and adoption by the SMEs of the digital marketing strategies, after research has proved the significance of the technology and innovation in the performance of the SMEs (Winarshi *et al.*, 2020). However, Winarshi *et al.*(2020) has shown that most SMEs in Indonesia do not have the skills to use technology, therefore the government further reached out to the most affected sector, the SMEs by initiating a stimulus for survival through delayed debts repayments to the banks.

Additionally, Saputra *et al.* (2020) show another strategy that the Indonesian government had adopted as a relief intervention for the SMEs during and post the COVID-19 era, the lean six sigma strategy. This model as explained by Saputra *et al.*(2020) targets business performance

improvement while eliminating all waste and inefficiencies in the operations of businesses. Syed *et al.* (2020) posit that the Islamic nation had adopted a very useful financial methodology to help the SMEs and COVID-19 affected individuals-the provision of a benevolent loan which is tax-free combined with the obligatory charity donation called the Zakat and Qardh-al-hasan.

2.8 Conclusion

The importance of SMEs as outlined in the paper that they are drivers of national economies, providing significant contribution to the GDP and job creation as well as working as very useful tools for poverty alleviation. The usefulness of the SMEs is however hampered by a strain of obstacles that demand proper policy making. The prevailing challenges were further escalated by the eruption of the COVID-19 which found SMEs vulnerable, leaving them adversely affected in the supply and demand sides of production.

CHAPTER THREE

THE ROLE OF SMEs IN DEVELOPMENT OF LESOTHO: CHALLENGES FROM COVID-19 IMPACT

3.1 Introduction

Lesotho promotes sustainable economic growth, private sector-led job creation and development-oriented policies that support entrepreneurship (ILO, 2014). The country pursues these policies in its prerequisite endeavours to achieve among others the 2030 Sustainable Development Goals (SDGs) and the National Strategic Development Plan (NSDP II) which is a blueprint guiding national economic development (NSDP II, 2018/19-2022/23). It is in this regard that the Micro, Small and Medium Enterprise sector is recognised as a significant contributor to job creation, development and economic growth (Fin Scope, 2016). Lesotho is surrounded by and dependent on South Africa's economy, as a result, though the cases of COVID-19 were not quickly counted in the country, they eventually were identifiable following the neighbour. Lesotho implemented the COVID-19 measures which were aimed at curtailing the spread of the virus. However, mitigation policies became economic as they halted business operations in the country, affecting all businesses but most severely affecting the SMEs (World Bank, 2020). This chapter covers Lesotho SMEs, their contribution to economic development, the support intervention and the impact of COVID-19 on SMEs.

3.2 Lesotho's economic background

According to Maliehe (2015), the history of entrepreneurship in Lesotho can be traced back to as early as the post World War II, where most developing countries adopted the United States and the international Organisations' ideology. The ideology according to Maliehe (2015) emphasised that the newly independent states ought to improve and be aided in advancing their technical expertise, as their development strategy to tackle the social and economic challenges of high poverty rates, lack of economic growth and low living standards.

Lesotho is one of the less developed countries surrounded by its relatively wealthy neighbour; South Africa. Since independence, the country has been grappling with several socio-economic and political challenges, among which poverty and unemployment are key both in the rural and urban areas (Akokpari, 2005, Wikle, 2015, Hapazari, 2019; Kali, 2020). According to Hapazari (2019) and Mots'oene (2014), a group mostly stricken by unemployment is the youth at the age of 33 years old, those who were supposed to be actively

involved in the production process. Wikle (2015) and Hapazari (2019) also conceive that Lesotho struggles to address food security, a challenge which is exacerbated by among others adverse climatic conditions (extremely cold winters and very hot summers), rugged terrain, limited production, over-reliance on South Africa and recurring political instability. The lack of income due to high unemployment rate in the country intensifies food insecurity problems (Mots'oene, 2014).

3.3 Definition and characteristics of SMEs

The White Paper on the development and promotion of small business (2002) defines small and medium enterprise as an independently owned firm that is owner-managed and has a small share in the national market. The definition also includes the number of employees and Lesotho's Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) (2002) identifies three levels of enterprise: micro-enterprise, small enterprises and medium enterprises. The terms SMEs, MSMEs and SMEs are interchangeably used to refer to these enterprises.

Table 3.1 Definition of SMEs by number of employees

Size	Number of employees
Micro enterprises	Less than 3
Small enterprises	3 to 9
Medium enterprises	9-49

Source: MTICM (2002)

3.4 Contribution of SMEs to Lesotho's development

SMEs are hailed for their vital contribution as drivers of most economies, both in developing and developed countries. Rantšo (2014) alludes that the emergence of the SMEs has been in response to the poverty, employment and food insecurity that most developing countries are faced with. It is also acknowledged that most developing countries' governments adopted policies and strategies after their independence, which were aimed at sustainable development of non-farm enterprises as far as ensuring food security, employment creation, poverty reduction, the manufacture of goods and the provision of services are concerned (Rantšo, 2016).

It has come to the realization of the government of Lesotho that SMEs have the potential to address most of the challenges the country is facing, however these SMEs have to be supported to yield their potential (ILO, 2014). They are commented on for providing

employment and working as useful tools for poverty alleviation (Kanono, 2000). Most researchers agree on the importance of SMEs for the economy of Lesotho, showing their significance in job creation, the country's GDP and poverty reduction capacity (Mokoatleng, 2015; Rantšo, 2016; Masupha *et al.*, 2017; Hlabeli, 2020; Onubi, 2020).

SMEs contribution to Lesotho's GDP is never to be overlooked. SMEs form 85% of the local businesses, producing to meet the demand in the local market (MTICM, 2008). The largest business sector in Lesotho is the retail sector, followed by the services (SBP, 2008). The industry and agro-processing sector, the tourism, professional and financial sector also form part of all the businesses in the economy (Talitha *et al.*, 2018). Though the country's GDP is growing at a very low rate, the contribution of SMEs in GDP is significant, the textile SMEs add to 14 % of the GDP, 11% is from the retail and trading SMEs while a significant portion forms the remittances (Lesotho Financial Inclusion (LFI), 2021). Mokoatleng (2015) posits that the SMEs sector in Lesotho is essential for economic growth and development of the country, achieved through enhancing economic productivity, innovation and promotion of a competitive market.

SMEs are also regarded as useful instruments for intensive job creation (Okyere, 2019). As of 2008, evidence shows that there were 100 000 SMEs in Lesotho that provided employment to 300 000 Basotho (Maxine *et al.*, 2011). According to the Government of Lesotho (2016), there are about 76,067 micro, small and medium enterprises (MSMEs) in Lesotho, of which 18% (13,680) are registered and active SMEs while the rest are micro and survivalist businesses. The decline in the number of SMEs may be associated with the high mortality rate of the SMEs emanating from poor government's support (Nthejane, 1997). The decline also bears record as evidence that while other small businesses are recording commendable success, others are battling to attain their survivalist position and others are completely collapsing (Lesotho Economic Review, 2008).

Unemployment rate is at 23%, however evidence shows that the MSMEs sector absorbs 12% of the unemployed Basotho (LFI, 2021). Rantšo (2016) applauded SMEs for their impressive ability to absorb many Basotho men who were retrenched from South Africa's mines. However, Rantšo (2016) on the contrary acknowledged the valuable benefaction of the SMEs in Lesotho, but contends that the employment capacity of the SMEs does not have a significant impact on rural development. This was supported by their inability to reduce the

poverty covering the rural areas of Lesotho due to the hanging cloud of constraints that hinder the full realisation of the potential of SMEs (Kali, 2020a)

Maxine *et al.* (2011) and Maliehe (2015) acknowledge women participation in the SMEs sector. The authors substantiate that SMEs create employment for most women in Lesotho, however the country still has a long way to go to empower women and to address some of the gender cultural barriers in entrepreneurship. Rantšo (2016) shares the same perception about women in entrepreneurship, however utters that even though most SMEs are owned by women, the most survival rates are experienced by the male owned enterprises, also showing that the male-owned enterprises experience the highest profits.

SMEs sector sustainability is also esteemed to be the best strategy for poverty alleviation in the country. Hlabeli (2020) argued that SMEs are fundamental in providing individual entrepreneurs with substantial income needed for the livelihood of their families. Masupha *et al.* (2017) also established that SMEs aid in conveying an economic health, full of opportunities helpful in developing and improving the municipal areas of Lesotho. SMEs are able to achieve this enormous economic contribution, firstly because their start-up capital is little, and they are able to produce with very limited costs and capital, therefore they are mostly established by the poor people as an attempt to eradicate poverty. Secondly, SMEs are able to operate even in areas with low infrastructural development, having the potential to distribute wealth and income to most vulnerable geographic locations. Thirdly, most SMEs are owned by women and youths, an aspect that makes them an effective mechanism to address the most unbearable social problems of unemployment and poverty (Lesotho Review, 2009)

3.5 Lesotho Institutional support for SMEs

3.5.1 BEDCO

The government of Lesotho prioritises private sector development, having realized its importance on national economic development (NSDP, 2012). As a result, the government of Lesotho has established some institutions to develop and facilitate a healthy business environment and support for the SMEs. The section covers those key institutions and their respective roles and responsibilities. Basotho Enterprises Development Corporation (BEDCO) is a government of Lesotho parastatal established in 1975 as a subsidiary company of the Lesotho National Development Corporation (LNDC) (BEDCO, 2022). According to Qhobela (2010), one important role played by BEDCO is the provision of trading spaces for

the SMEs, at a subsidized cost. The Corporation is also responsible for entrepreneurship development in the country, equipping local entrepreneurs with required skills and support (Lesotho Review, 2009)

BEDCO also provides entrepreneurs training which mainly focus on how to turn a viable business idea into a proper business plan, facilitating financial literacy (budgeting, bookkeeping, and record keeping) and providing skills and understanding on loan applications and the requirements there in (Lesotho FSDS, 2013). BEDCO is able to fulfil its mandate through an Entrepreneur Development Program Department, structurally divided into three divisions: Entrepreneurial Training, Business Advisory Services and Business Research (Lesotho FSDS, 2013) built in with very competitive staff aimed at a mission to build sustainable enterprises contributing to national economic growth. However, even though it was established with good intentions, BEDCO was however described as under-capacitated, failing to deliver, rather targeting mainly the rural micro enterprises, while neglecting a large segment of small and medium enterprises, capable of yielding remarkable growth (SBP, 2008).

3.5.2 Lesotho National Development Corporation (LNDC)

LNDC is an independent entity established with a mandate of initiating, promoting and facilitating development of manufacturing industries, agro-food processing industries, mining and commerce industries, with the purpose of enhancing the industries' employment and income generation capacity (Lesotho, FSDS, 2013). LNDC mainly has operations geared towards attracting Foreign Direct Investment (FDI) into the country, charged with the implementation of the country's industrial development policies (LNDC, 2022). According to Lesotho Economic Review (2009), LNDC has developed a strategy to support the indigenous private sector, which consists of strengthening capacity for local business support; linking local businesses with the garment industry and regional market; and facilitating funding for Basotho projects. For example, ILO (2014) takes a record of an agreement of the government of Lesotho, LNDC and commercial banks, referred to as the Partial Credit Guarantee scheme (PCGS). The agreement aimed to fund local business initiatives and promote entrepreneurship.

3.5.3 Lesotho Enterprise Assistance Program (LEAP) and Mineworkers Development Agency (MDA)

LEAP is an entity also established by the government to strengthen the human and institutional capacity of SMEs and professional associations (Lesotho Economic Review,

2009). This is achieved through the provision of financial and technical assistance to SMEs, enhancing their international competitiveness. MDA was established particularly for the purposes of facilitating job creation, enterprise development and managerial skills to ex-mineworkers, to further improve and sharpen their entrepreneurial skills. The institutions are mainly established to address the most common barriers to Lesotho SMEs: mainly inadequate business skills, limited access to finance and marketing opportunities (SMME Support Network Lesotho, 2010).

3.5.4 Women's Entrepreneurship Development and Gender Equality (WEDGE)

This is an established body promoting equality in enterprise development affairs, aimed at reducing existing gender imbalances (SMME Support Network Lesotho, 2010). According to Maxine *et al.* (2011) WEDGE's main purpose has been to bring into picture gender segregation on entrepreneurship matters, with the aim of setting out appropriate policies for all in entrepreneurship. WEDGE Lesotho works in line with the Poverty Reduction Strategy (PRS), geared towards equality in enterprise development, especially targeting the disabled women and those living with HIV/AIDS and are based in the remote areas of Lesotho (SMME Support Network Lesotho, 2010). While taking the successful women-led enterprises to be their point of reference and motive (SMME Support Network Leostho, 2010), WEDGE strongly advocate for women involvement in policy making as this would improve economically a large fraction of the society as most SMEs are owned by women, and their success would be equal to massive economic growth (Maxine *et al.*, 2011). Despite the set institutions, working to develop the SMEs, there are observed challenges that constrain the effectiveness of the sector.

3.6 SMEs barriers to full realisation

Research shows that most SMEs in Lesotho are constrained by among others lack of financial funding and access, inadequate infrastructures, managerial incompetency (Maliehe, 2015). Amadasun and Mutezo (2022) added a lack of market driven strategies to the impediments of SMEs in Lesotho. These factors and many have led to a decline in the number of SMEs in Lesotho. Adding to the mentioned challenges, the Ministry of Trade, Industry, Cooperatives and Marketing (MTICM) White Paper on the development and promotion of small business, outlines high cost of doing business, difficult regulatory compliance, and insufficient integration of indigenous businesses in supply chains.

3.6.1 Lack of funding and access to finance

Khoase (2011) and Mokoatleng (2015) as well as Amadasum and Mutezo (2021) agree that most SMEs in Lesotho are unable to obtain substantial financial loans from the financial institutions. According to Mokoatleng (2015) financial institutions require collateral, business plan for start-up SMEs, cash flows and information on the turnover and investment for the ongoing businesses and the whole lengthy loan application process; and these work as a barrier because most SMEs are unable to meet the requirements. Khoase (2011) and Amadasum and Mutezo (2021) identify that the high interests charged on financial loans together with the lengthy process and demands associated with loan application work as a hindrance for financial accessibility. These are the reasons most SMEs rely on their own savings of family and friends for their start-up capital and on-going financing of the business (Khoase, 2011). However; Makhetha and Polasi (2015) and Masupha *et al.* (2017) observe that Lesotho SMEs are financially constrained, but mainly because the SMEs are making a limited use of the financial institutions and are internally not well developed to secure financial loans.

3.6.2. High cost of doing business

One of the constraints is the cost of doing business. Among others, Lesotho White Paper (2002) outlines the poor infrastructure, poorly developed markets and unavailability of raw materials that demand to be imported from neighbouring countries to be the core to the high cost of doing business for SMEs. Acquiring imports as raw materials is described as a process of travelling long costly distances together with complicated border administration regularities which are burdensome to SMEs (SBP, 2008). Maphephe *et. al.* (2014) present another reason to be the country's low infrastructural development particularly ICT; which impedes the effectiveness of SMEs. The development of features like ICT infrastructure is a need for the SMEs to adopt better innovation and techno-utilities that can improve their general performance (Mapeshoane and Pather, 2016). The use of ICT development for example mobile financing has proven to work best as a resilient strategy for most SMEs during COVID-19 (Hlabeli, 2020; Owolade, 2021).

3.6.3. Difficult regulatory compliance, lack of managerial skills and corruption

According to SBP (2008) many SMEs owners are not familiar with the government regulations in order to tell if they are helpful or burdensome, however few SMEs are of the view that the government regulations are in favour of the big companies and foreign

companies against the SMEs. Above board is the high start-up and compliance rigidity which are discouraging to most local entrepreneurs, further contributing to increases in the informal sector, owing to the complicated procedures such as obtaining relevant licenses, obtaining land leases and paying taxes (NSDP, 2012).

Onubi (2020) confirms that most SMEs owners in Lesotho are lacking appropriate managerial skills, which are fundamental for the effective growth of the enterprises. Qhobela (2010) agrees but observes that most SMEs owners are men who were retrenched from South African mines, even though women are showing an impressive involvement. These factors are also intensified by Lesotho business sector which is covered by a cloud of corruptive business dealings not based on meritocracy, from the early stages of business registration to tender awarding for bigger projects (SBP, 2008). The existing challenges were further exacerbated by the outbreak of COVID-19 which led the world into a global economic crisis.

3.6 The Impact of COVID-19 on SMEs in Lesotho

While the pandemic has led to a vast number of research materials for many scholars across the globe, in the case of Lesotho there has been a lack of knowledge on the impact of COVID-19 on SMEs, hence this study aims to fill this gap. Pike and Molise (2020)'s article on developing worldwide working conditions amid the COVID-19 has highlighted a brief scenario of how the manufacturing SMEs workers have been affected by the COVID-19. Pike and Molise (2020) discovered that most businesses in Lesotho have laid off workers due to orders cancellation or delays owing to the disruptions brought by the COVID-19. Not only were most workers laid off as argued by Pike and Molise (2020), but also some businesses closed permanently, leaving many workers totally unemployed and others were delayed in opening up to fully operating after the country's national lockdowns restrictions were loosened due to the 14 days quarantine policies.

While Pike and Molise (2020) gave a limited account on the impact of COVID-19 on manufacturing SMEs workers, Makateng (2020) portray a more detailed account on the impact of COVID-19 in Lesotho. Prior to COVID-19 outbreak, Lesotho unemployment rate remained high, at 22.5 percent and 38.3 percent (using strict definition and using expanded definition; respectfully) in 2019, whereas the poverty rate was estimated to be at a stagnant rate -30 percent between 2020 and 2021 (World Bank, 2021). Makateng (2020) attest that the pandemic have escalated unemployment and poverty rates, resulting from dropping remittances which the economy is dependent due to total morbidity restrictions and border

closures. Makateng (2020) also argued that COVID-19 has caused decreased external demand in the textile and mining sector, and has placed most SMEs at a vulnerable position. The author argues that most SMEs had piles of stock which mostly lost value when the lockdown was introduced, opening up only for the essential services providers.

Additional literature on the effects of COVID-19 in Lesotho elaborates on the impact on tourism business sector (Tlali and Musi, 2022). According to Tlali and Musi (2022), Lesotho's economy obtains massive gains from tourism facilities like the Malea-lea Initiative, however such developments have been devastated by COVID-19 lockdowns and movement restrictions which prohibited the visitation of such places by tourists.

Another challenge observed (World Bank, 2020), is the disruptions in demand and supply chains of production, due to the COVID-19 which have contributed to increases in the pricing of goods and services, making them inaccessible and unaffordable for most marginalized societies and SMEs. On this account, Nhlengethwa *et al.* (2020) confirm that the market restrictions owing to the COVID-19 pandemic led to scarcity of maize flour for Basotho, especially in the rural areas. This was caused by and has led to drastic price increments of the maize flour, especially because most Basotho are dependent on subsistence farming which is not even sustainable.

Nhlengethwa *et al.* (2020) further show that the effects of price increment are unequally born by those in the rural and urban areas of Lesotho. For instance, March-April 2020 after the national lockdown was declared, prices rose up from M5.86/kg and M5.75/kg to M6.27/kg and M6.13/kg in Mokhotlong and Thaba-Tseka respectively. The increase was further projected to 6.51/kg in July 2020. All the above literature gives a shallow picture of how the COVID-19 had impacted retail and trading SMEs in Lesotho, therefore this calls for a necessity for a detailed research on how the pandemic had affected the SMEs as the main economic drivers expected to boost back the economy from the rampant repercussions of COVID-19. The COVID-19 pandemic outbreak bore a record on an economic crisis, affecting SMEs which were already burdened by existing challenges. The challenges are thoroughly discussed on the next session.

3.6.1 Lesotho policy response during COVID-19

The severity of the effects of COVID-19 on humanity called for government intervention and Lesotho has been no exception in this regard. While the effects of COVID-19 were harsh to all society, the government of Lesotho introduced temporary relief measures to assist

businesses through the Private Sector COVID-19 Relief Fund and vulnerable members of the society through the Food Distribution Package Program (Government of Lesotho, 2021). The government of Lesotho paid a three month wage subsidy to workers in textile factories (Devereux, 2021). The three month wage relief amounted to M800 which was given to factory workers, aimed at helping the employees to survive amidst COVID-19 as the factories were closed (Mpaki, 2020: Masobala, 2020).

The government also distributed food parcels and a relief fund to informal SMEs of M500 once off payment (Government of Lesotho, 2021). However, literature shows that many Basotho have experienced economic losses due to COVID-19, but relatively few benefited from the relief assistance (kali, 2020b; Malephane, 2022). Kali (2020) and Malephane (2022) attest that the government through its established institution (NACOSEC) particularly working on COVID-19, displayed marred accountability to the distribution of funds, showing that the majority of informal street vendors and many vulnerable citizens have not received any assistance.

3.7 Conclusion

The government of Lesotho acknowledges the need to nurture and sustain productive and sustainable jobs through the creation of viable, vibrant and sustaining micro, small and medium enterprises. MSMEs are commendable drivers of economic growth and development; however they are the most adversely affected by the COVID-19 pandemic. The aftermath of the pandemic therefore requires the building up of this sector which even prior to COVID-19 was entangled by a web of barriers that needed government intervention.

CHAPTER FOUR

THE SOCIO-ECONOMIC IMPACT OF COVID-19 ON SMEs IN TEYA-TEYANENG

4.1 INTRODUCTION

This chapter presents and analyses data collected from SMEs owners and employees in Teya-teyaneng (TY) in the Berea district. There are two main approaches that were used to collect data, qualitative and quantitative approaches. Data was collected from the respondents through self-administered, semi-structured and closed-ended questionnaires from the key informants. There were 80 respondents interviewed, and these were 50 SMEs owners and 30 workers. Purpose sampling was used to select retail SMEs that operated in TY in the past years until the study was conducted. Collected data is analysed through the use of statistical analysis and the results are converged. The simplified data is presented through the frequency distribution tables, bar charts, pie charts and graphs.

4.2 THE DEMOGRAPHIC CHARACTERISTICS OF ENTREPRENEURS

The impact of COVID-19 was felt in each and every country of the world. The pandemic affected people and countries in different ways. In the case of individuals, it affected the main sources of making a living, including businesses. It also severely affected the elderly people. It is imperative to look at the demographic characteristics of the population under study. This is to determine how COVID-19 affected different business owners as well as employees. It is also important to investigate how COVID-19 affected business performance by looking at the age, gender and educational level of business owners, for example.

4.2.1 AGE DISTRIBUTION OF ENTREPRENEURS

SMEs growth and survival are dependent on certain qualities of owners such as competency and managerial skills. Another important factor that determines business performance is age. In this case, Martey *et al.* (2013), Ritchie and Brindley (2005) share the same perception that age of participants is directly related to the proper functionality of enterprises. It is therefore imperative to study the age of the business owners in Teya-teyaneng. This will show whether there is a causal relationship between age of owners and performance of business during the peak of COVID-19.

Table 4.1 Age of Entrepreneurs in Teya-teyaneng, May 2022

Age of business owners	Frequency	Percentage
18-25	11	22
26-35	24	48
36-45	9	18
46-55	4	8
56-66	2	4
Total	50	100

Source: Field work data

The above Table 4.1 shows that the majority (48%) of SMEs owners age between 26-35 years. People found in this age category are youth. Although the definitions of youth differ between countries, many African countries consider youth to be people between 18 – 35 years (Gyimah-Brempong and Kimenyi, 2013). The Lesotho government has also adopted this definition (Bureau of Statistics, 2021). It can be noted from the above results that, young people are the main business proprietors in the study area. These results are also in line with some international trends where governments have provided entrepreneurship programmes to youth for self-employment. And the Lesotho government is not an exception (Lesotho Economic Review, 2009). It is also noted elsewhere in Indonesia that entrepreneurs older than 25 years are more probable to succeed than the younger ones (Furuholt and Wahid, 2003). Gukurume (2018) also argues that in Harare, Zimbabwe, young people are owners of SMEs and are employing other youth. It has been reasoned out that engagement in the SME sector enables the youth to navigate socio-economic uncertainties and hardships.

The large number of young people establishing small businesses in Lesotho can also be attributed to an increasing unemployment rate among the young people which is estimated at 23% (Lesotho Labour Force survey, 2019, Lesotho Financial Inclusion Refresh, 2021). Increasing unemployment is witnessing many young people establishing small businesses to make a living. It is also a fact that many young people are energetic and always eager to venture into something that can assist them to make a living. It can therefore be deduced that many young people in Teya-teyaneng own SMEs for making a living.

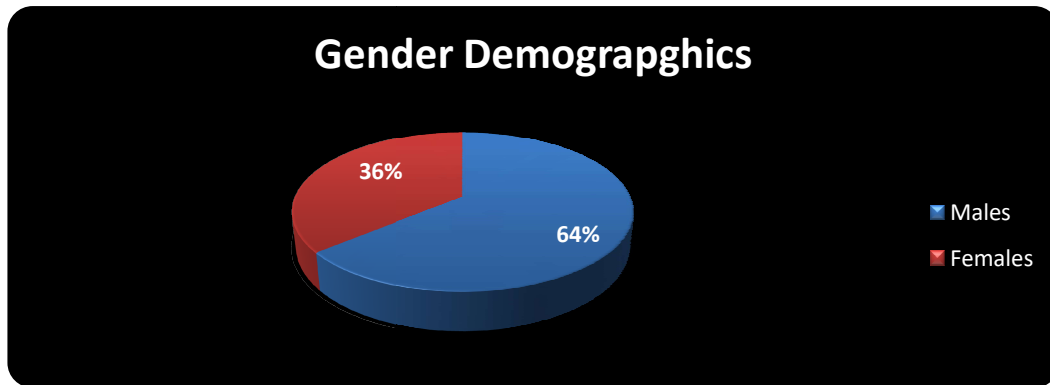
It can also be observed from Table 4.1 that few (4%) entrepreneurs age between 56 – 66 Years. There are some factors that are associated with a small percentage of entrepreneurs in this group category. Many people in this age group are retirees, and depend on pension for making a living. In addition, the elderly people are no longer energetic, and always avoid the stress of running businesses.

It can be concluded from the above research findings that youth owned businesses are mostly affected by COVID-19 pandemic. This is because this category of people is found in large numbers in the SMEs sector in Teya-teyaneng. This does not mean that, COVID-19 targeted only youth owned businesses, but the large number of youth in the SMEs sector makes them the majority who felt the impact of the pandemic.

4.2.2 GENDER OF ENTREPRENEURS

It is very common in many African countries that female people are responsible for family chores, while the male ones engage in activities outside the household. When it comes to business, females occupy the less paying jobs while men establish the more lucrative businesses compared to their female counterparts in the SMME sector. It is therefore imperative for this study to see the main dominant gender in retail businesses. In the light of this, this section presents the results showing gender that is actively involved in the SMEs sector.

Figure 4.1 Gender of SMEs entrepreneurs in Teya-teyaneng, May 2022



Source: Field work data

According to the international trends, African women are restricted to the household's activities, while men move to urban areas in search of employment opportunities. It is also evident that men as breadwinners engage in different types of income generating activities. In this respect, the research findings reveal that 64% of men in Teya-teyaneng work in SMEs. They are running their own businesses to cater for their households' needs. There are many factors that make the male people establish their own businesses in Lesotho. Firstly, according to Basotho and other African cultures men are breadwinners in most families.

Therefore, they are responsible for maintenance of their households. Secondly, men are in control of the family resources and decision making. This gives them authority to decide on

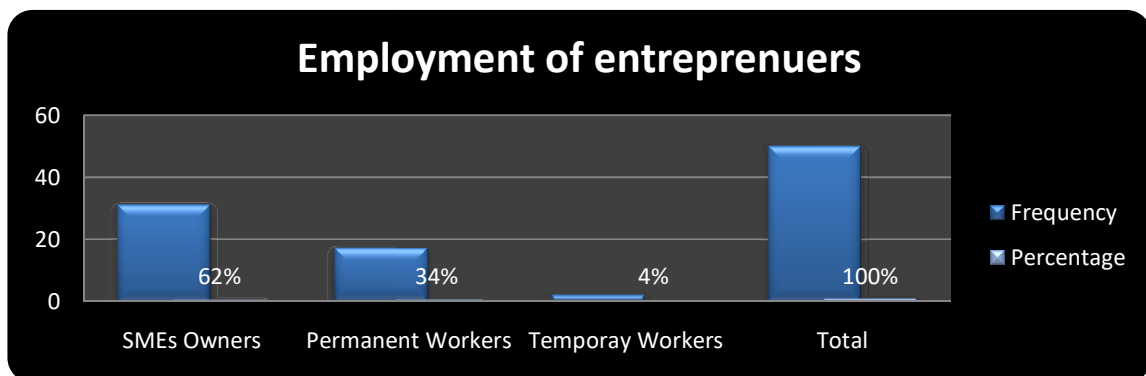
the type of business activity to engage in. Thirdly, many Basotho men were retrenched from the South African mines starting from the 1990s. In this regard, it is stated by Rantšo (2014) that most retrenched migrant labourers used their packages to establish small businesses. It can therefore be inferred from these results that, COVID-19 affected many male owned SMEs in Teya-teyaneng. This is not because it targeted mostly male owned businesses, but the male owned businesses dominate the SME sector in the area.

It is also noted from many African countries, including Lesotho that the traditional lifestyles are still dominant (especially in the rural settings). Some of the cultural norms have perpetuated females not to engage in paid employment. These account for the small number of females found in the SMEs sector. For instance, only 36% of females own businesses in Teya-teyaneng. They are mostly found in saloons and clothing businesses such as knitting and tailoring (These are female dominated activities in most parts of Africa). It can be argued from these findings that, there are few female owned businesses in Teya-teyaneng as opposed to the literature review which embraced the magnitude of women in SMEs entrepreneurship. Although they are affected by the impact of COVID-19 as their male counterparts, the impact is not the same when taking the majority ownership of SMEs into consideration.

4.2.3 TYPE OF EMPLOYMENT IN THE SME SECTOR

People hold different positions in the management of businesses. These positions are contained in the contractual arrangements (both formal and informal) (Aleksynska and Berg, 2016). For example, some businesses have temporary and permanent employees. It is on this account that the study presents the type of employment in the SME sector in Teya-teyaneng.

Figure 4.2 Employment of entrepreneurs in Teya-teyaneng, May2022



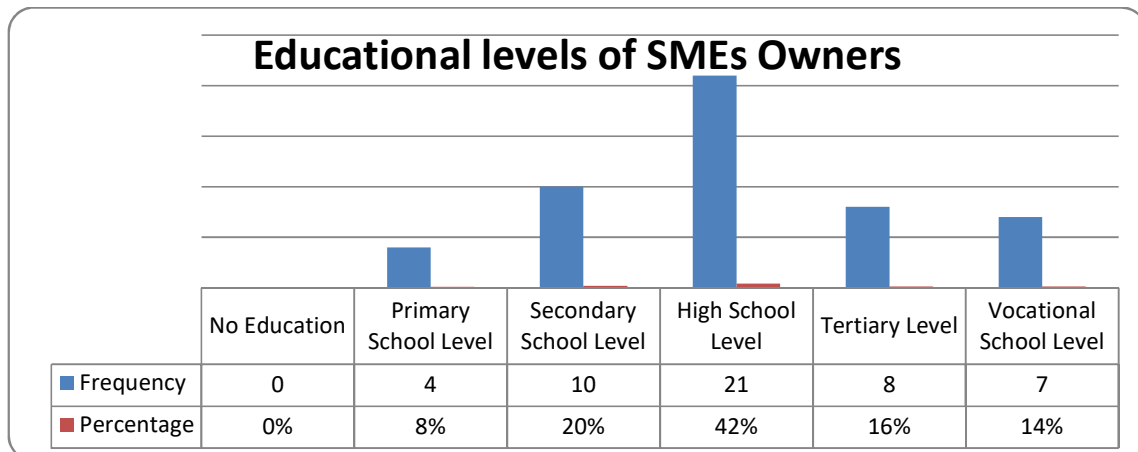
Source: Field work data

Literature shows that the majority of firms (60%) in developing countries are not relying too much on the temporary staff (Aleksynska and Berg, 2016). Instead, many SMEs are run by owners or managers (Mead and Liedholm, 1998 and Bruhn and Mckenzie, 2014). It can be noted from Figure 4.2 that many SMEs in Teya-teyaneng are managed by owners. For example, 62% of owners are self-employed in small businesses or managing their own businesses in the study area. These results show that SMEs in Teya-teyaneng create self-employment for the majority of people. This affirms that most SMEs are established primarily to create employment due to scarcity of employment opportunities in Lesotho (Damane and Sekantsi, 2018). It can further be noted that from Figure 4.2 that many SMEs in the study area are managed by owners. These results suggest that, performance of businesses can be high due to dedication of owners when striving for profit maximization.

4.2.4 EDUCATIONAL BACKGROUNDS OF SME OWNERS

Education and training influence the entrepreneurial activity in most SMEs in developing countries. Research indicates that there is a relationship between the levels of education of an entrepreneur and performance of a business (Karadag, 2016). Although there is no substantive evidence across different developing countries that educational level has a correlation with good performance of businesses, it is notable that some deficiencies in basic educational training amongst SMEs workforce has a negative impact on the performance of businesses (OECD, 2004). An attempt to address the matter has been the introduction of the Business Development Skills (BDS) taking top priority for most developing countries. For these reasons, vocational training and incorporation of entrepreneurial curriculum in Secondary School are highly recommended to equip the labour force with entrepreneurial skills (OECD, 2004). In the light of this, the following Figure 4.3 portrays the educational background of SMEs owners in Teya-teyaneng.

Figure 4.2: Educational levels of SMEs entrepreneurs in Teya-teyaneng, May 2022



Source: field work

It can be observed from Figure 4.3 that 42% of SMEs owners have high school education. Although high school education is considered important for providing people with literacy and numeracy skills, it cannot be linked with good performance of businesses. For instance, entrepreneurial skills are often inculcated into young people in some societies. Furthermore, the type of education that is offered in many high schools in Lesotho does not include the entrepreneurial skills. In this case, it cannot be concluded that high school education has a bearing on the success of a business.

Research on Lesotho reveals that many SMEs in Lesotho are owned by about 75.8% of people with High School qualifications (Qhobela, 2010). Although there is no relationship between the level of education and ownership of SMEs in the study area, one can argue that the high number of SMEs owners with high school education can be ascribed to the high literacy rate in Lesotho which is estimated at 75% (ILO, 2014).

The above Figure 4.3 also shows that 14% of entrepreneurs have vocational training. Vocational training is very important in some businesses such as tailoring, knitting and some others. The Lesotho Government introduced many vocational training skills in some high schools in the country. There are also some vocational training centres that are meant to provide entrepreneurial skills to students. Although the Lesotho government has introduced vocational training centres in the country, it can be noted that many entrepreneurs in the study area do not have that kind of education. This can be linked to the inclination of many vocational training mainly to wood work and metal work, whose skills are not normally needed in retail businesses. It can be concluded that, education and training provide

entrepreneurs with some skills that are important for management of the businesses (Smit and Watkins, 2012). For instance, cognitive thinking of literate and illiterate people is different. The educated people are able to make some informed decisions that can be acquired from studying compared to someone with a low level of education. In this case, education is important for innovativeness and proactiveness in business (Kozubikova *et al.* 2015; Sarwoko and Frisdiantara, 2016).

4.2.5 MARITAL STATUS AND ENTREPRENEURS AND THE SIZE OF THEIR HOUSEHOLD

It is important to look at the marital status and the household size of entrepreneurs in this study for a number of reasons. First, marital status determines the number of dependents she/he is taking care of. Secondly, marital status also gives a clear picture of whether an entrepreneur is getting partner’s support or not. Thirdly, the size of the household enables one to determine the amount of household labour the entrepreneur might be having. It is observed elsewhere in Tanzania that married entrepreneurs showed increases in profits when receiving moral support from their spouses, using household resources and using family labour to support business operations (Tundui and Tundui, 2020). Table 4.4 shows the marital status and household size of entrepreneurs at Teya-teyaneng.

Table 4.2: Marital Status of SMEs entrepreneurs in Teya-teyaneng 2022

Marital Status	Frequency	Percentage
Not Married	12	24%
Married	33	66%
Divorced	3	6%
Separated	0	0
Widowed	2	4%

Source: Field work data

Table 4.2 shows that 66% of the sample is married. The findings are in line with Lesotho's population census of 2016, where 43.4 % males and 31.0% females constitute the greatest segment of the married population (Bureau of Statistics, 2022). This authenticates the findings of a study on Lesotho SMEs by Qhobela (2010), that depicts 65.3% of SMEs owners were married. The implication for this factor according to Qhobela (2010), may be that all the income generated by the enterprise is directed to sustaining the household livelihood, at the expense of reinvesting back into the business for substantial growth.

The table also shows that 4 % of the SMEs owners are widows who are also dependent on the SMEs income to cater for their needs. This also shows that widowed individuals are also in

business as a source of income for their wellbeing, however married entrepreneurs forms the largest group to have been affected by COVID-19

Table 4.3 Entrepreneurs’ household size, Teya-teyaneng May 2022

Number in Household	Frequency	Percentage
1-3	31	62%
3-6	13	26%
6-9	4	8%
9-12	2	4%

Source: Field work data

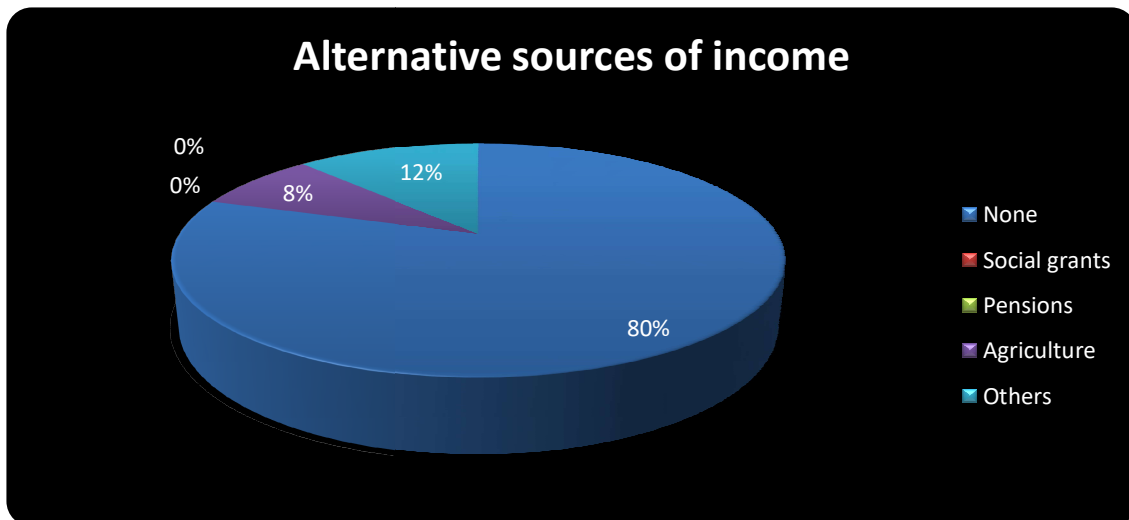
Table 4.3 shows that 62% of entrepreneurs have 1-3 members of a household. SMEs are significant for provision of household income, alleviation of poverty and improvement of social welfare (Nursini, 2020). Even in Lesotho, SMEs are a decisive strategy to livelihood diversification, where SMEs are basically established for income generation to improve household livelihoods (Kanono, 2000, GoL, 2012).

Data also displays that 4 % of the sample consists of 9-12 household members. Lesotho's average number of family households is at 5 percent, and the majority are employed in informal low-wage employment. The implication is a state of poverty and vulnerability as members compete for limited household income (Mots’oene, 2014) It can be concluded that SMEs are considered a viable alternative for households income and job creation for many SMEs owners in Teya-teyaneng; to both small and big sized households, and of different marital status sustaining a valuable number of livelihoods. One can conclude therefore that COVID-19 has affected the married SMEs owners of a household size of 1-3 members, which for the greatest portion of the SMEs owners in Teya-teyaneng.

4.2.6 ALTERNATIVE SOURCES OF INCOME

It is a fact that COVID-19 impacted negatively on many SMEs in Lesotho and elsewhere in developing countries. It is therefore important to establish whether entrepreneurs depend only on incomes derived from SMEs, or there are some other alternative income generating activities. This is important in the case when a business experiences a shock of some sort. It is therefore important to investigate entrepreneurs’ alternative sources of income, to ascertain whether businesses are totally dependent on incomes generated by businesses. Figure 4.5 displays the alternative sources of income for entrepreneurs in Teya-teyaneng.

Figure 4.4 Alternative sources of income for entrepreneurs in Teya-teyaneng, May 2022



Source: Field work data

Figure 4.5 shows that 80% of entrepreneurs do not have any other source of income besides the ones generated through the business. According to Gukurume (2018), the emergence and development of the SMEs sector has been proven by most African countries as a source of livelihood and employment for many people. It has been stated by retail entrepreneurs in Teya-teyaneng that SME play an important role as a source of income generation and employment generation.

It can be noted from the above Figure 4.4 that about 8% of entrepreneurs depend on agriculture as an alternative source of livelihood. Even though agriculture is predominant in Lesotho, it has been negatively affected by among others drought, climate changes, heavy rainfall, rugged terrain (Hapazari, 2019). The deterioration in agricultural production together with declined South African remittances have been a pulling factor for most Basotho to divert to small-scale enterprises as an alternative source of income (Rantšo, 2016). These results suggest that, although agriculture is considered as the main source of living in Lesotho, it has currently failed to assure the means of living for most people due to changing climatic conditions. Therefore, it cannot be a reliable alternative source of living.

It can be deduced from the above results that many entrepreneurs lost their main source of income during the climax of COVID-19 pandemic. This is because many of them depend solely on businesses as a source of livelihood. Closure of many businesses during lockdowns meant the loss of income for many entrepreneurs.

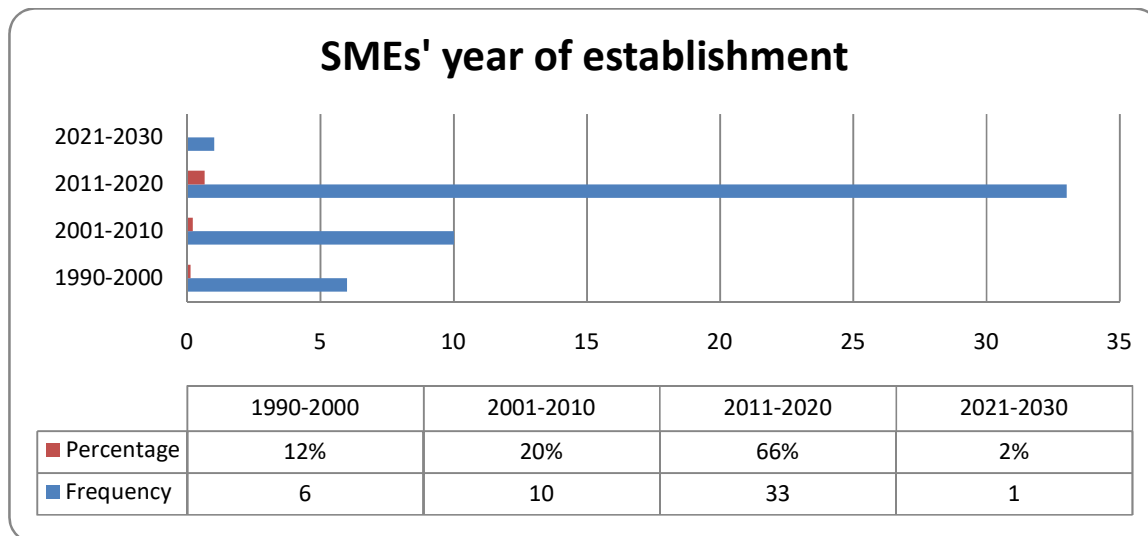
4.3 SECTION B: BUSINESS PROFILE

This section is about the profile of the businesses. And these include among others, the year of establishment, the reasons for establishment and the sources of financing. It goes further to include the raw materials the business uses for operations and where they are sourced, the supply and demand of the business, the general business performance during the COVID-19 the last section covering the COVID-19 relief strategies.

4.3.1 THE BUSINESS’S YEAR OF ESTABLISHMENT

SMEs' contribution to economic development is acknowledged in developed and developing countries, but their survival and growth are of concern. Most SMEs find it hard to go past the initial growth stage to being fully established to the capacity of birthing other branches (Fatoki, 2014). Approximately, five out of seven new SMEs fail within the first year of operation, meaning that only two out of seven new SMEs are anticipated to survive in their first year (Cant et al., 2014). Okpara (2011) shows that factors hindering the growth and survival of SMEs, are administrative, operational, strategic and exogenous problems. It is against this background that Figure 4.6 presents the year of establishment of SMEs in Teya-teyaneng.

Figure 4.5 SMEs year of establishment in Teya-teyaneng, May 2022



Source: Field work data

From Figure 4.5 above, it can be derived that 66% of entrepreneurs established their businesses between 2011 and 2020. It can be argued from these results that, unlike in many African countries where many people established SMEs in the 1980s during the introduction of Structural Adjustment Policies, the large number of entrepreneurs in Teya-teyaneng

established businesses in the middle of the New Millennium. It is also stated by Rantšo (2014) that many small businesses in Lesotho were established in the 1990s during the massive retrenchment of Basotho mine workers from South Africa. It can therefore be deduced from these results that, increasing number of businesses in the SME sector in Lesotho do not have a correlation with retrenchment in the South African mines. The main motive for establishment is to make a living and to fill the demand gap for goods in the market.

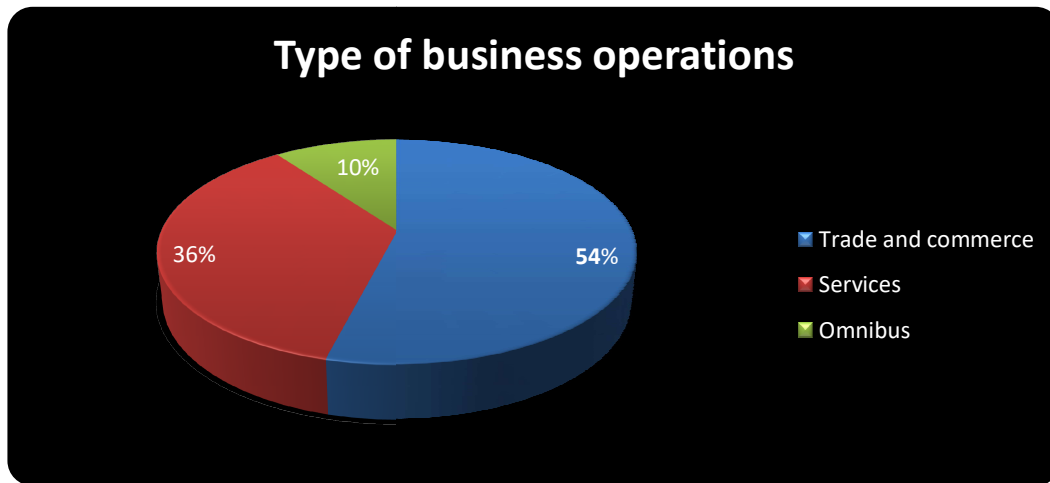
Data in Figure 4.5 also demonstrates that 2% of entrepreneurs established businesses in 2021. This was a period where the economic repercussions of COVID-19 were mostly felt by all sectors; business establishment was mostly not an option as the already existing ones battled with resilience and agility strategies. According to Caiazza *et al.* (2021) and World Bank (2020) the effects of COVID-19 are confirmed to be unprecedented and will still be felt even in the future especially by the SMEs. This means that most businesses established a little after the eruption of COVID-19 are likely to experience the severity of COVID-19 regulative measures.

It can be concluded from the results that, SMEs established prior the advent of COVID-19 are large in number compared to the ones coming after the high peak of the pandemic. COVID-19 has negatively affected most SMEs in Lesotho, mainly those established prior the spread of the pandemic in 2020.

4.3.2 THE TYPE OF BUSINESS OPERATIONS

There are a variety of businesses depending on the type of goods and services they provide. They range from manufacturing SMEs that cover some activities such as sewing and knitting, metal and leather works, woodworks and handicrafts, etc (Kanono, 2000). There are also trade and retailing SMEs and the services SMEs. The latter encompasses the food retailers, supermarkets, furniture stores, fabric, material retailers, butcheries, books and stationery clothing boutiques etc. It is paramount to categorise SMEs by their unique operations for this study. The following Figure 4.7 presents the type of business operations in the study area.

Figure 4.6 Type of business operations among SMEs in Teya-teyaneng, May 2022



Source: Field work data

The results from Figure 4.6 reveal that 54% of entrepreneurs operate businesses in trade and commerce. Most business found in this category includes supermarkets, clothing shops, furniture shops, animal feeds and seeds, liquor shops and street vendors. The large number of entrepreneurs operating businesses in trade and commerce can be attributed to easy access to goods. It is not difficult to get groceries, clothes and other things in the country. Although most of them are imported from South Africa, transportation of essential services such as food was not hindered during the national lockdowns.

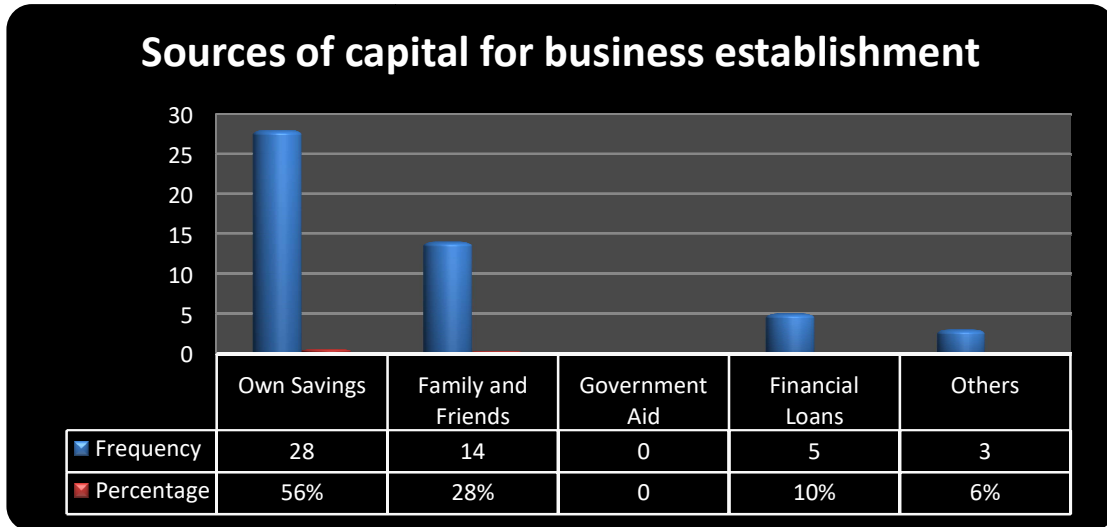
There are also some entrepreneurs who specialise in provision of services in the study area. For instance, 10% of entrepreneurs offer services ranging from Information Technology (IT), financial barber, saloons and shoe repair services to mention a few.. During the climax of COVID-19 in the country, when the first national lockdown was introduced in March 2020, many retail businesses including all its components were hit hardest by closure. This affected people who lived on them for survival.

4.3.3 SOURCES OF CAPITAL FOR ESTABLISHMENT OF BUSINESSES

Capital is one major factor of production as the entirety of all business operations are reliant on the financial injection a business can acquire. In assessing the performance of SMEs, it is important to consider their financial resource base. Literature confirms that most SMEs are facing financial challenges from the initial capital start-up to operational financing due to high demands of collateral from financial institutions and high interest rate (IFC, 2013. Lesotho Financial Inclusion, 2021). The demands have led most SMEs to rely on their own savings or help from family and friends, a source that has proven to be very limited (Khoase

2011).The figure below shows how the SMEs have obtained their financial capital at the establishment of the business.

Figure 4.7 Sources of capital for establishment of SMEs in Teya-teyaneng May 2022



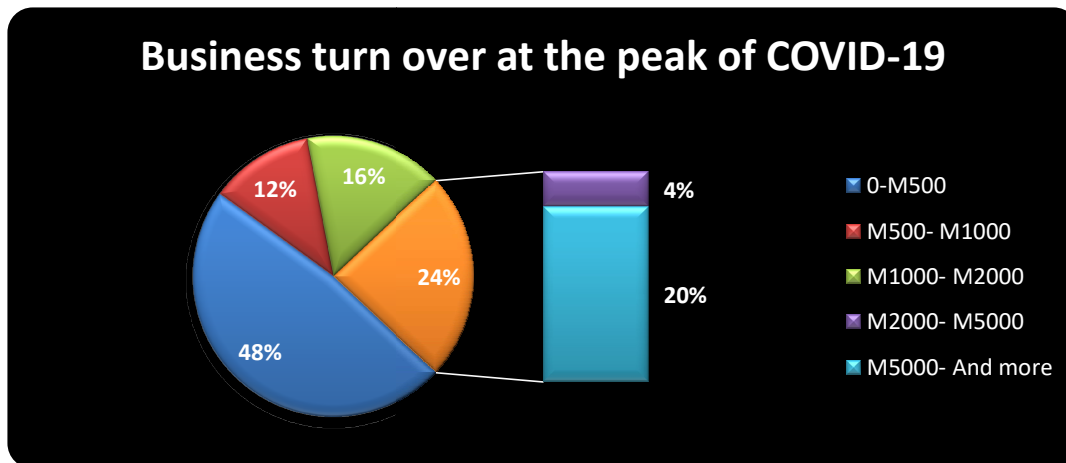
Source: Field work data

As depicted in Figure 4.7 above, 56% of entrepreneurs use their own savings as start-up capital. This shows that most entrepreneurs rely entirely on their own finances for establishing businesses. These results confirm the findings by Qhobela (2010) and Rantšo (2016) who showed that most SMEs are financed through their own financial savings. Some of the entrepreneurs showed that they previously worked in the foreign Chinese shops and factories. They were able to save some start-up capital while working in those foreign owned businesses. According to Khoase (2011) reliance on own savings and capital from family and friends is very common in many small business owners in Lesotho. It can be concluded from these results that COVID-19 has impinged negatively on small entrepreneurs who struggled to secure start-up capital. Therefore, recovery of businesses that closed down during COVID-19 is very bleak. This is because entrepreneurs struggled even to get the start-up capital during the initial establishment of the businesses.

4.3.4 BUSINESS TURNOVER DURING COVID-19 CLIMAX

Business turn-over is one of the determinants of the business profitability or success. Turnover is often used to assess performance of businesses SMEs (Akinboade, 2014). There are some scholars who attribute business turnover with the educational qualifications, age, gender and the location of business (Akinboade, 2014 and Rantšo, 2016). Figure 4.8 presents SMEs turnover during the climax of COVID-19.

Figure 4.8 Business turn over at the peak of COVID-19



Source: Field work data

It can be observed from Figure 4.9 that most entrepreneurs (48%) recorded turnover 0-M500 per month during the peak of COVID-19. There are some different factors that contributed to low turnover of businesses during that period. One, the Lesotho government first introduced the national lockdown in March 2020. During this period, most businesses completely closed operations. Two, national lockdowns also imposed restrictions on people's movement. As a result, most businesses lost the market. It is also observed elsewhere in Zimbabwe as was also outlined in the literature review that businesses selling non-essential products were compelled to shut down due to national lockdowns (Nyanga and Zimira, 2020).

It is also evident from Figure 4.8 that a small percentage (4%) of entrepreneurs indicated that their businesses were not badly affected by COVID-19. This is because most of them generated a monthly turn-over of between M2000 and M5000. Entrepreneurs running businesses making this amount of turnover highlighted that their businesses were not affected by total closure, but their working hours were limited.

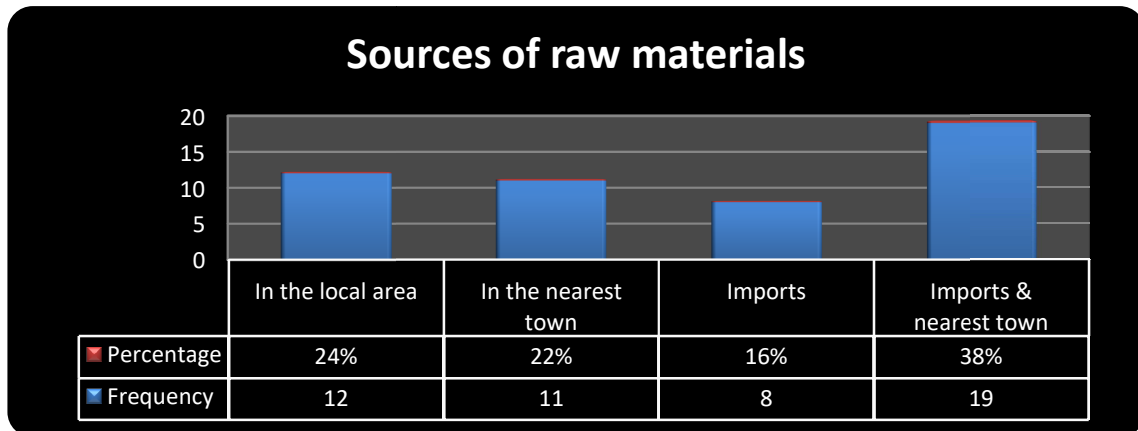
It is observed that COVID-19 affected businesses in some developing countries such as Indonesia. It is reported that businesses' turnover declined due to the national lockdown imposed during COVID-19 (Panjaitan, 2021).

4.3.5 THE SOURCE OF RAW MATERIALS FOR BUSINESSES

Raw materials play an important role in the functioning of a business. While some businesses use raw materials for processing, some use goods bought from wholesales for selling to customers. This is a case of retail businesses in the study area, they depend on

goods imported from South Africa or other places. This is because trade liberalisation has made it easy for imports and exports of raw materials, goods and services. Lesotho is no exception in this regard (Malefane and Odhiambo, 2019).

Figure 4.9 Source of raw materials for SMEs in Teya-teyaneng, May 2022



Source: Field work data

Figure 4.10 illustrates that about 38% of entrepreneurs purchase inputs from the nearest towns, while some import them from neighbouring countries, South Africa and Botswana. Although many entrepreneurs obtain their goods from the neighbouring countries, that was not possible during the national lockdowns. In addition to restriction of movement, international travel was banned. This affected sourcing raw materials from outside the countries. As a result, many entrepreneurs resorted to the local suppliers for sources of raw materials. However, entrepreneurs whose businesses depend mainly on imported goods, had no option but to close down. It is for this reason the import substitution theory advocates that national economies industrialise and maximise local production, to shield local economic markets from international trade fluctuations. Again, 70 % of the SMEs owners showed that after COVID-19 prices for raw material were not affordable. This group showed an alarming woe to escalating price increases after COVID-19..

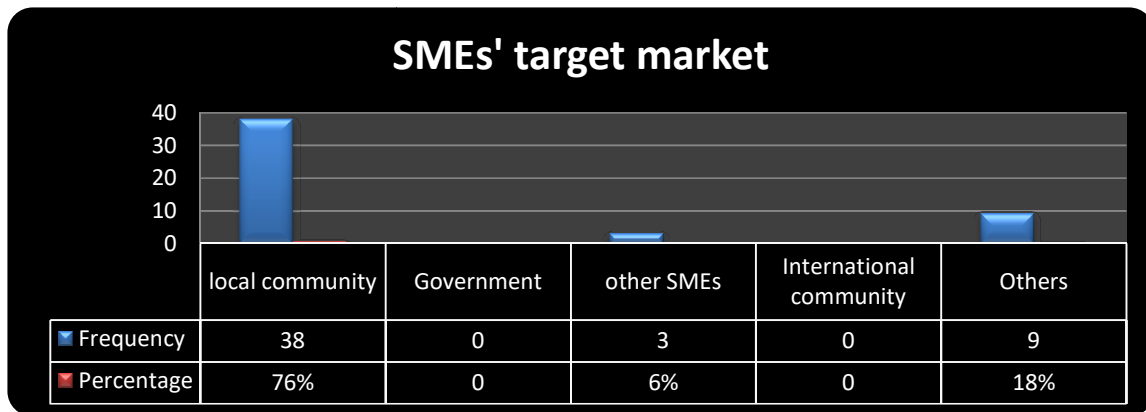
Although national lockdowns and ban on international travel affected sourcing raw materials, some entrepreneurs did not have too many hurdles in obtaining raw materials. For instance, some liquor retailers mentioned that despite alcohol facing total ban during lockdowns, supply of alcohol was constant for their businesses. This shows that some entrepreneurs were

able to manoeuvre around to get the stock. However, it is noted that such practices were illegal.

4.3.6 MARKET FOR GOODS IN THE RETAIL SMES SECTOR

Most SMEs in developing countries are considered survivalists, with a small group of high performing gazelles, all highly not internationalised, producing particularly for the local market (Andersen and Qiang, 2016). It has been the priority of most economies to expand the production potential of SMEs as they are key drivers of national economies (Mundimet *al.*, 2000), Lesotho being no exception (GoL, 2012). Figure 4.13 shows the target market for SMEs in Teya-teyaneng.

Figure 4.10 Target market for SMEs in Teya-teyaneng, May 2022



Source: Field work data

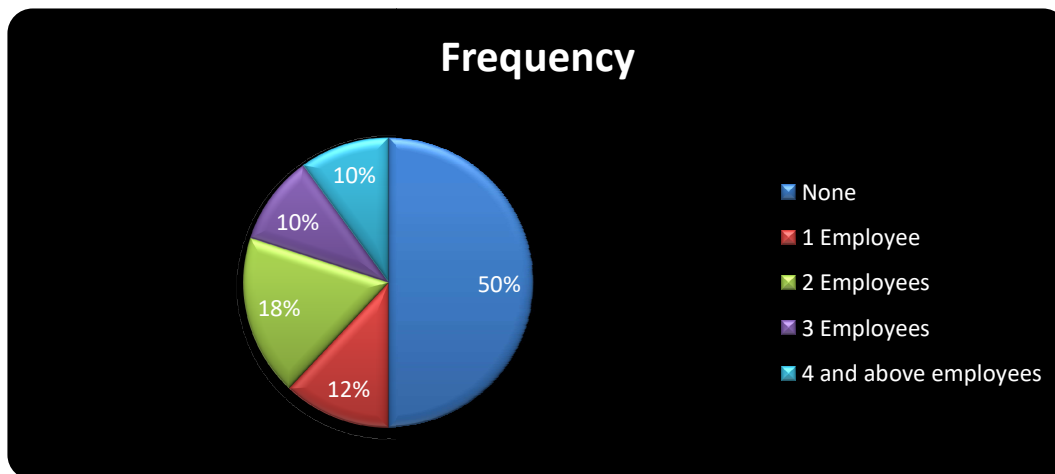
Figure 4.10 shows that some SMEs' (76%) target market is mainly the local community. This simply shows that SMEs' production capacity is mainly limited to provision of goods and services to the local people. This may be attributive to the fact that the Lesotho SME sector is not well equipped and developed to be competitive in the global markets. Issues of low-skilled labour, the already limited local market, and the weak financial muscle are also contributing factors. The findings are in collaboration with previous studies on SMEs in Lesotho, with a display of 97% of SMEs producing entirely for the domestic market, with no intentions of tapping into the international markets (SBP, 2008).

On the category of 'others' is a combination of answers at 6%, carrying SMEs whose target market features both the local community and the government or the local community and the SMEs. From the sample, the illustration can be summed up that local SMEs are particularly producing for the local community with a few targeting the government and other SMEs and these are mostly by COVID-19.

4.3.7 NUMBER OF EMPLOYEES LAID OFF DUE TO COVID-19

It is evident that COVID-19 outbreak has caused turbulence in the global economies, particularly causing most SMEs to totally shut down business operations or to lay off employees due to the financial burdensome (Bartik et al., 2020). The figure below displays the number of employees laid off from SMEs in Teya-teyaneng, due to COVID-19.

Figure 4.11 Number of employees laid-off due to COVID-19



Source: Field work data

From the literature it was narrated that some of the effects of COVID-19 on employment are job losses, cut salaries and reduced salaries. The findings on this study show that 50% of the sample has not laid off their employees due to COVID-19, instead SMEs owners showed that some had to cut off salaries when the pandemic was on its peak and others had to reduce salaries through the introduction of working shifts. Most SMEs also claimed to have delayed their employees' salaries until they recovered.

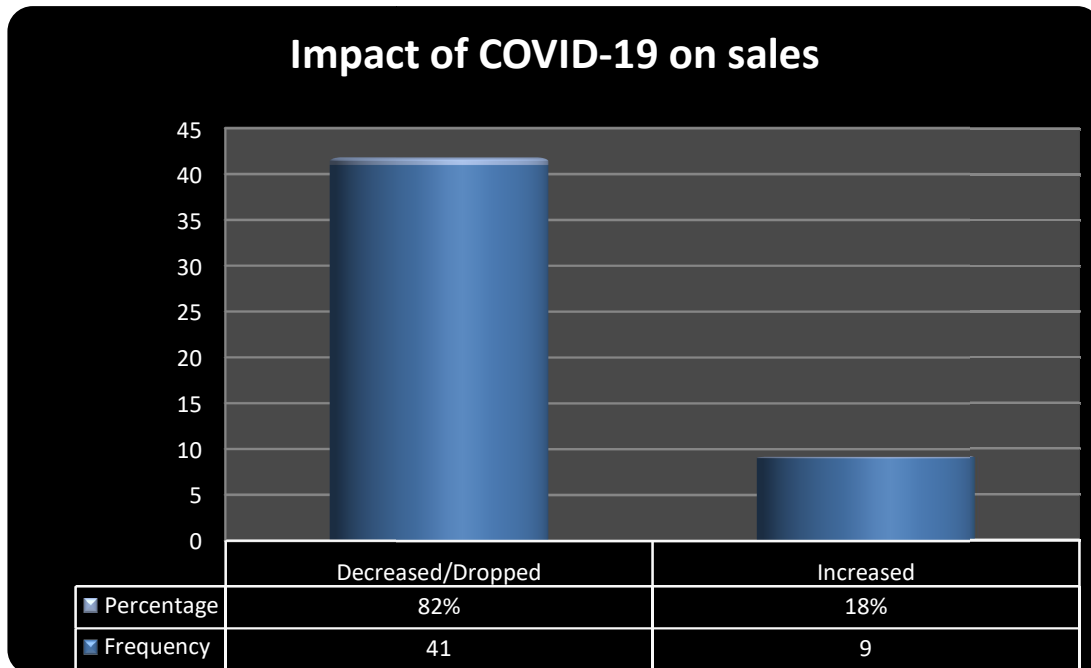
For those who have retrenched their employees; at the minority is a group of SMEs which retrenched one employee, consequent to COVID-19. The respondents agreed that the retrenchments affected SMEs productivity but were mandatory due to inadequate finances to maintain all the business expenses. It is therefore safe to conclude that most SMEs in TY have not retrenched their employees due to COVID-19, but there were some alterations in employees' incomes due to COVID-19.

4.3.8 IMPACT OF COVID-19 ON SALES

Sales are determining factors to profitability and growth of the business. Accumulative sales in business contribute to increased revenues that can sustain the market; which is an

indication of business growth. The impacts of COVID-19 on SMEs sales are illustrated on the bar chart below.

Figure 4.12 Impact of COVID-19 on SMEs sales for SMEs in Teya-teyaneng, May 2022



Source: Field work data

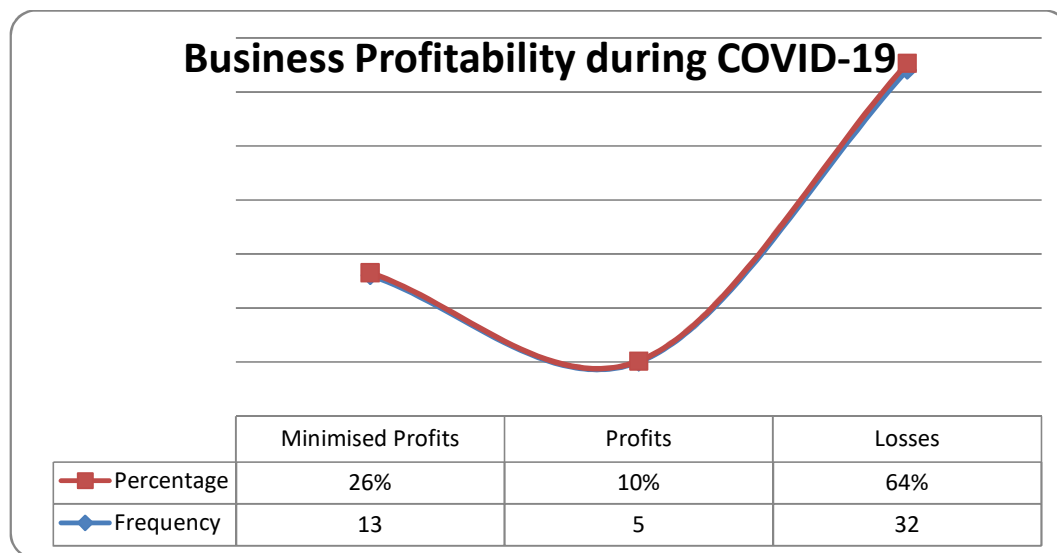
As displayed in figure 4.12, 82% of the SMEs reported that their sales have dropped due to COVID-19. This is in adherence to the literature that revealed that COVID-19 brought about some disruptions in the supply chains, called for business inactivity for businesses in non-essential goods and services and demanded movement restriction which had a negative impact on business sales (Aderemi *et al.* 2020). Most SMEs owners showed that the sales dropped to zero with the introduction of hard lockdown and it has not been easy to recover from the ramifications up to date. The findings were predicted by the Keynesian economic cycle theory which demonstrated decline in aggregate demand (in this case due to lockdown) leads to declines in sales and revenues.

While COVID-19 is viewed by many as all evil, to some it has been a blessing (Kwon and Kim, 2021). The chart shows that 18% of the SMEs reported to have experienced increases in sales since the emergence of COVID-19. With some exceptions, it can be concluded that COVID-19 has led to declines in SMES sales.

4.3.9 SMEs LEVEL OF PROFITABILITY DURING COVID-19

In assessing the performance of the business, the key factors in consideration are whether the business is making profits or loss. Informal SMEs are considered to have high profitability in terms of fixed assets employed than formal SMEs (Esselaaret *al.*, 2007). According to Esselaaret *al.* (2007), this is because informal businesses are not bound to minimum wages, can hire casual workers whenever there is a need, do not pay tax and operate on less costly infrastructure. Other scholars associate SMEs profitability with proper financial management practices (Ahmad and Ali, 2017) while others associate it with ICT adoption in SMEs (Fathian *et al.*, 2008). Figure 4.18 shows the SMEs profitability levels.

Figure 4.13 SMEs profitability during COVID-19, May 2022



Source: Field work data

From the diagram above, 64% of SMEs owners reported that their businesses experienced losses due to COVID-19. The pandemic caused dramatic and sudden loss of demand and revenue for SMEs. According to OECD (2020), this has been attributed also to consumers' loss of income, fear of contagion and heightened uncertainty which reduced customers' spending and consumption. The losses are further triggered by the loss of income compounded by job losses and reduced salaries amongst most workers (Danquah *et al.*, 2020).

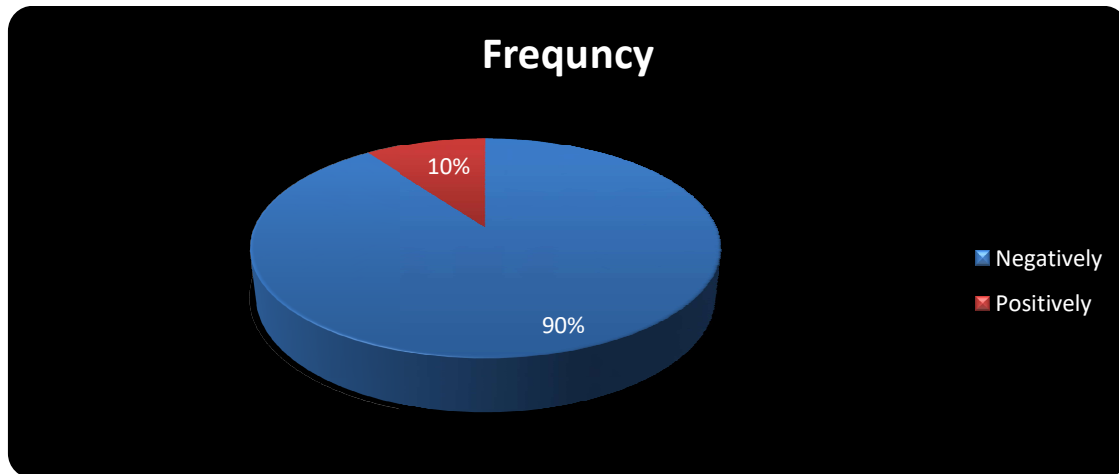
Some SMEs in the business of essential services also confirmed that even though they opened for operations during lockdowns, they experienced reduced profits due to the reduced working hours and curfews at the time. In this case, 26% of the respondents have experienced reduced profits due to the pandemic. At the lowest are a few SMEs that have reported to have

attained profits owing to the pandemic. While not neglecting that the effects have been different on different SMEs, it can be concluded that SMEs experienced mass losses due to COVID-19.

4.3.10 WORK ADJUSTMENTS BROUGHT BY COVID-19

COVID-19 compelled authorities to enact social distancing and wearing of masks policies in order to contain the spread of the virus (WHO, 2020). These policies demanded some operational changes in the SMEs' day to day business activity. For example, social distancing forced others to adopt working in shifts and reducing the number of consumers in the premises. The effects of these factors are therefore tackled in this section.

Figure 4.14 Impacts of COVID-19 work adjustments (work shifts, social distancing) on SMS, May 2022



Source: Field work data

As displayed on the figure above, 90% of the respondents reported to have been negatively affected by COVID-19 policies. Majority demonstrated that their peak sales are after working hours from the formally employed, who no longer logged into the SMEs for purchases because they were forced by the imposed curfews to be at home on time. Others claimed that they would have queues outside their premises, aimed at maintaining social distance. This, however, discouraged their customers from coming for services. Another factor raised by the respondents has been the wearing of masks; they showed that some customers would forfeit buying from them in place of wearing a mask.

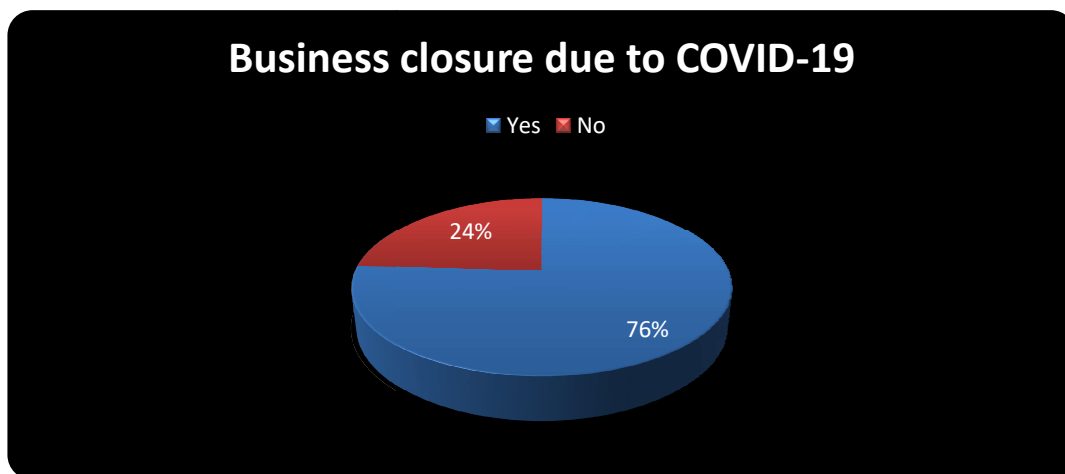
The positive responses are equal to 10% of the sample, comprising a fraction that the reduced working hours have been a relief to them also because they were still maintaining profits amidst the situation. It can however be narrated that COVID-19 measures have been to some

extent effective in containing the spread of the virus, but have also negatively affected the general operations of SMEs.

4.3.11 BUSINESS CLOSURE

COVID-19 has immensely caused havoc to the world economy, affecting the developing and the developed countries. Not only has it been a health issue, but it has also been an economic problem, causing enormous chaos to all business sectors, most particularly hitting hard on the vulnerable SMEs. As articulated by Sipahi (2020), the disruptions in the supply-chains due to the lockdowns which were extended reeled some SMEs who do not provide essential goods and services into complete closure of all business operations. Literature also implies that most SMEs are probably not able to withstand the pressures of COVID-19. Zeidy (2020) suggests two reasons for this course. Firstly, SMEs are labour-intensive therefore, the quarantine and social distancing policies affecting the human capital were costly on the production side. Secondly, SMEs have limited liquidity reserves due to their limited finances, therefore being mandated to cover for all operational costs amidst the external crisis called for a total shutdown for most SMEs. It has therefore been indispensable to assess the extent of SMEs closure due to COVID-19 on SMEs in Teya-teyaneng.

Figure 4.15 SMEs closure due to COVID-19 at its peak



Source: Field Work

The pie chart displays that 76% of SMEs workers responded positively to business closure due to COVID-19. Evidence again proves it will take a milestone for most SMEs to recover

from the effects of COVID-19 (Caiazza *et al.* 2021). On another account, Caiazza *et al.* (2021) highlight that COVID-19’s mortality rate (at 2.2%) has been relatively lower than that of the Spanish flu (at 10-20%). However, the spread of the latter had shattered the enterprise's production and consumption patterns at an unprecedented speed. This therefore called for the containment measures directive by most governments; such as total lockdowns, movement restrictions, banning of public gatherings and international flights and border closures (Enesi and Ibrahim, 2021). These policies arrested SMEs operations for those in the business of non-essential services. On all occasions therefore businesses closed either temporarily or permanently.

Also from the figure above, 24% of the respondents reported to have never closed their operations. Examples are supermarkets, pharmaceuticals and animal and farm feed enterprises. It is also worth considering if their opening has been profitable or not, based on the fact that other sectors had closed. In summary, most SMEs have either closed temporarily or permanently due to COVID-19: owing to their vulnerability and lowered resilience capacity.

4.3.13 RELIEF FUND

Governments throughout the world have put measures in place to help soothe and cushion the adverse effects of COVID-19 on the most vulnerable groups of society. In some countries, the NGOs and the voluntary individuals have joint hands with the government, even as shown in the literature. Zeidy (2020) points out that specifically, governments have urgently deployed measures to support SMEs, entirely focusing on their sustainability. Table 5. 22 below display a scenario of responses determining whether SMEs in Teya-teyaneng have received aid or support and the institutions that the support came from.

Table 4.4 SMEs support/ assistance during COVID-19

Owners’ response	Frequency	Percentage
Yes	15	30
No	35	70
Total	50	100

Source: Field work data

It can never be overemphasized that most SMEs are financially burdened, and as such, were exposed to the hardships brought by COVID-19. This necessitated governments to reach out to this sector, considering their valuable contribution to the economy (Belitski *et al.* 2022).

According to Groenewegen *et al.*, (2021) there are various support schemes adopted by most nations which were aimed at preventing the collapse in aggregate demand, retaining the employees and providing SMEs with tax-free allowances to finance fixed costs such as rent.

The table shows that 30% of the sample received support in the form of money and food parcels. Also, 53% of the sample that received support reported to have received M500 and others M5000 from the government. On the other hand, 47% of those who received the support in the form of food parcels distributed during the first total lockdown to SMES owners; from family and ordinary individuals.

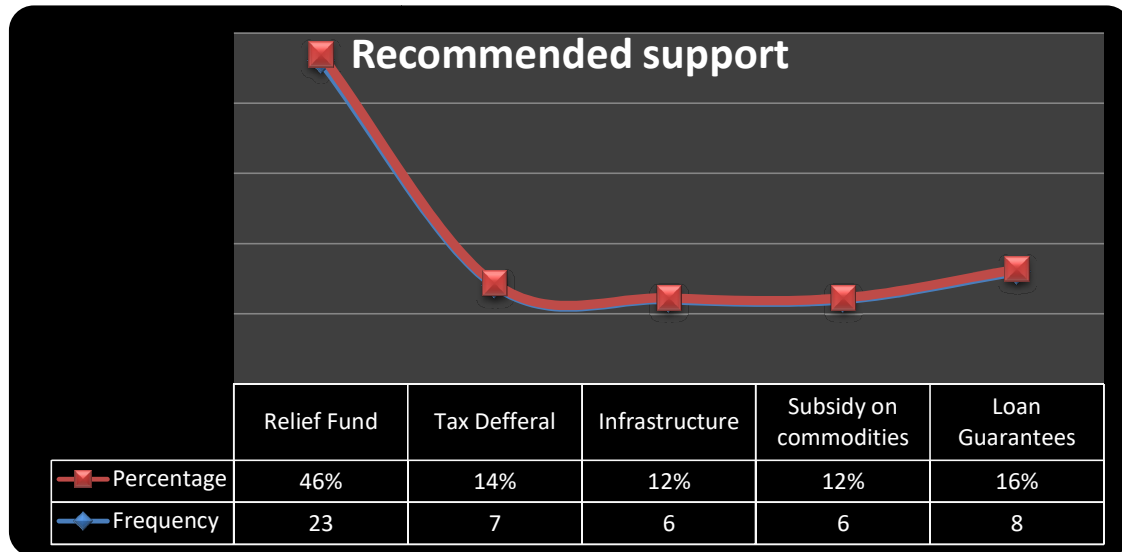
On the other hand, Table 4.20 depicts that 70% of the respondents have not received any form of aid. Majority in this group showed that they have filed proper application forms for support which unfortunately have not come. This implies that the majority of SMEs in Teya-teyaneng have not received any form of support.

The conclusion one can draw from this findings is that most SMEs survival and sustainability post COVID-19 is threatened, as Groenewegen *et al.*(2021) confirms that COVID-19 state aid reaches the firms that need it in the short run because of poor turnover prospects due to external crisis and is adequate to boost the productivity of such in improving their turnover prospects. SMEs therefore need state intervention even as the Keynesian theory advocates that the state needs to intervene in economic crises to balance the fluctuations in the market.

4.3.14 RECOMMENDED SUPPORT BY SMEs OWNERS

With the easing of lockdowns and COVID-19 rules and regulations, the question remains of how to get the economy back to escape the economic recession. It has been in this regard that several governments have enacted intervention policies (Danquah *et al.* 2020). It is imperative also to deduct from the affected groups how they would want to be helped. Figure 4.19 covers the responses of SMEs owners in Teya-teyaneng, into how they want the state to intervene.

Figure 4.19 SMEs owners' recommended government support



Source: Field Work

Figure 4.19 show that 46% of the sample prefers that the government may disperse the relief fund appropriately to all SMEs. This attempt as stated by the respondents will help businesses to be able to increase their capital finance and hence their production capacity. The relief fund also can ease the financial pressures on employees' salaries and fixed costs, hence will help the businesses to quickly recover from COVID-19 aftermath. According to Yaya *et al.* (2020), financial support for SMEs has the potential to invigorate productivity; limit job losses and increase the liquidity of such enterprises.

It is also displayed that 12 % of those propose that the government must provide appropriate infrastructure and subsidies on commodities. Those on infrastructure claimed that they are able to afford work premises, and are as a result unable to register as conditions require inspection of working conditions. Another 12% claimed that prices have terribly increased, therefore they plea with the government to subsidize most commodities. In support of the above, McKinsey (2020) proposes that wage subsidies, credit guarantees and postponed financial obligations can be of immense benefit especially for the vulnerable SMEs.

4.4 SECTION C: THE IMPACT OF COVID-19 ON EMPLOYEES

Entrepreneurs in SMEs may thrive with good business ideas, but they need proper workforce to mould them into operational goals to be pursued in business (Neiman et al., 2005). Hence the significance of SMEs employees is mostly acknowledged. Although employees contribute significantly to the performance and daily operation of businesses, many of them

(employees) were laid-off during COVID-19 pandemic (Pratama *et al.*, 2021). This section therefore presents the socio-economic impact of COVID-19 on employees in the SME sector.

4.4.1 GENDER OF EMPLOYEES

Women participation in SMEs is acknowledged by most researchers (Singh and Belwal, 2008). However; evidence shows that women do not occupy key managerial or ownership positions in businesses. Instead, most women participate in some low income generating activities such as food processing, handicrafts or as cashiers in supermarkets (Ram *et al.*, 2011). This is attributed to the cultural barriers that mostly restrict women to household responsibilities such as taking care of the family. Lesotho is no exception in this regard, and efforts have been taken to increase high participation of women in SME entrepreneurship (ILO, 2014).

The findings in this study show that 57% of employees working in the SMEs are women compared to 43% of their male counterparts. It can be noted from these results that, small businesses are the major employers of females. There are some factors that contribute to the large number of female employees in the SME sector. First, women are mostly responsible for household maintenance. Therefore, many of them seek employment to take care of the family members; Secondly, women are mostly a migrating gender compared to men. As a result, they are found in large numbers in the country while most men have migrated to the main capital city, Maseru to find employment. Furthermore, many Basotho have been working in South African mines starting from the past centuries. Although the number of Basotho men labour migrants has deteriorated, many of them are still employed in South African mines.

4.4.2 EDUCATIONAL BACKGROUND

Availability of skilled labour and administrative staff in SMEs throughout the world is highly commendable. They are important in performing some key roles, making an enterprise a successful entity in the market (Neiman *et al.*, 2005). Another significance of educated and sophisticated SMEs employees is observed in their positive contribution to the enterprises' turnover (Akinboade, 2014).

The research findings show that 40% of employees have a high school qualification. These results show that SMEs are important for employing people with a low level of education. This is because most high school completers are unable to secure employment in the formal sector where tertiary qualifications are needed. The results further show that 10% of

employees have primary school education. People with primary education have less numeracy and literacy skills. As a result, it is not easy for them to secure employment in the SME sector. It is also argued that most SMEs in developing countries compose of a less skilled labour force (Akhtar and Abubakar, 2015). It can be concluded that COVID-19 has affected the low skilled SMEs employees in Teya-teyaneng who cannot find it easier to be absorbed in the formal sector employment.

4.4.3 NUMBER OF HOUSEHOLD MEMBERS OF SMMs EMPLOYEES

The average household size across the globe ranges between 2 and 9 persons per household. The developed countries have the minimum of less than 3 members per household while developing countries households have more than 5 members (UN, 2017). For example Senegal and Oman in Africa and in the Middle East have the largest household sizes at 9.0 and 8.0 persons respectively (UN, 2017). Household size also has a direct impact on the well-being of the family.

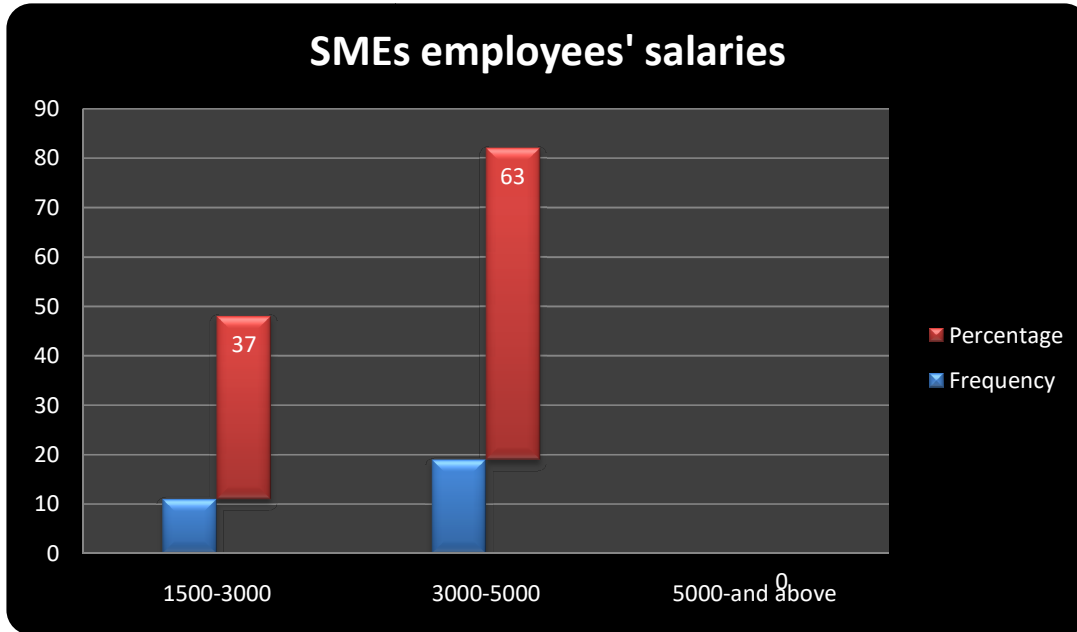
The findings show that 53% of employees have household sizes ranging between 3 and 6 members. These results suggest that many employees working in SMEs in the study area have large household members to support. It can further be noted from the results that, that closure of businesses due to spread of COVID-19 pandemic affected many people who depend on SMEs incomes. The results of the study further show that 83% of employees do not have other alternative sources of income besides working in the business. These results show the importance of incomes derived from small businesses in making a living in the study area. Therefore, closure of businesses due to national lockdowns impacted negatively on their main source of living (employment in the businesses). There are (17%) of employees who also make a living out of subsistence farming. However, agriculture was also affected negatively by the COVID-19.

4.4.4 SMEs EMPLOYEES' SALARIES

A proper compensation policy is mandatory for SMEs productivity and efficiency. Compensation to the human resource may be in the form of basic salary or wages, bonuses and non-material benefits like promotions, training and development program (Radisic *et. al.*, 2017). These are the incentives given to the SMEs employees aimed at improving their competency and satisfaction so that they become more productive and committed. Kansisingi and Dliwayo (2022) also cited that SMEs' reward on employee amplifies the entrepreneurial spirit and innovation capacity amongst workers; however their study also revealed that most SMEs are not diversifying rewards to employees in relation to salary increases, promotions

and employees' dependants' scholarships. Figure 4.20 demonstrates the employees' salary status.

Figure 4.20 SMEs employees' salaries in Teya-teyaneng, May 2022



Source: Field work data

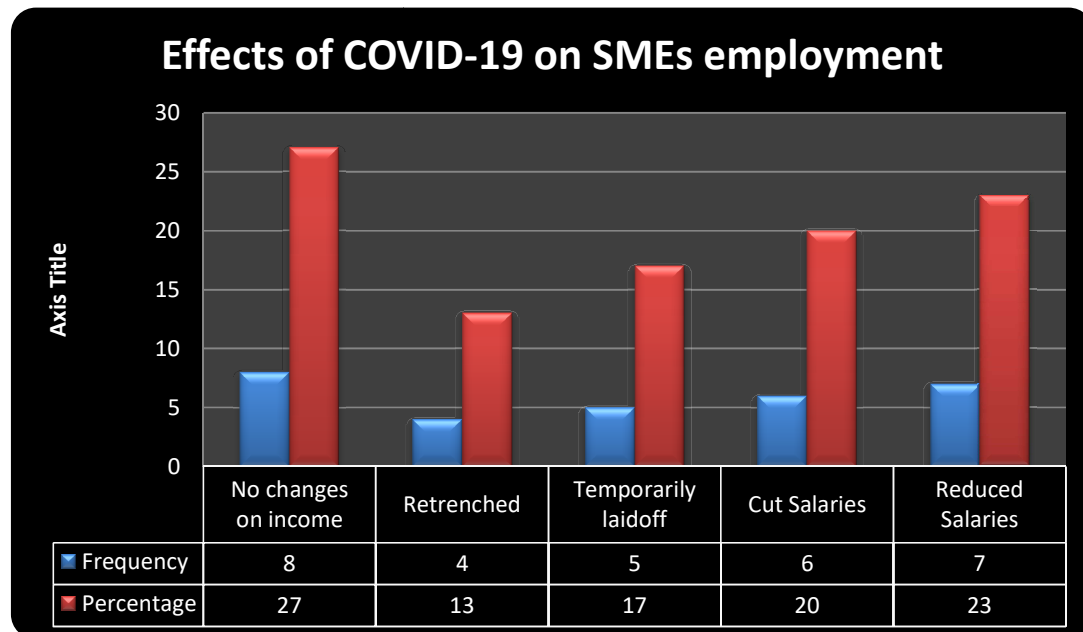
The findings for this study show the differing salaries of SMEs in Teya-teyaneng, with the highest percentage at 63% of salaries ranging from M1500-M3000 per month and the lowest at 37% of the salaries ranging from M3000-M5000 per month. The follow-up question to the SMEs salary inquired on how they spend their salaries. The responses differed according to age and marital status but the most popular answers were family expenses on food, housing, transport fares, health care and others on education of household members. COVID-19 has affected the salaries of SMEs workers in Teya-teyaneng and has affected their general livelihood patterns. It has also been observed from the findings that 93% of SMEs employees reported their salaries not adequate to sustain their livelihood and a minority reported their salaries adequate at 7%. SMEs employees showed that prior to COVID-19, their salaries were not adequate to maintain a reasonable living standard. It can therefore be authenticated that the pandemic has been an impediment to the economic wellbeing of SMEs workers, further exacerbating the situation.

4.4.5 THE IMPACT OF COVID-19 ON EMPLOYMENT

Over 70% percent of SMEs employees are considered vulnerable to COVID-19 pandemic (World Bank, 2020). Several reasons include firstly, that the SMEs sector is predominant of

the informal SMEs, which are dependent on physical contact with customers, low incomes and without any social protection. Consequent to COVID-19's imposed lockdowns, social distancing, movement restrictions and non-essential business closures; SMEs succinctly experienced temporary lay-off, job losses and cut salaries (Robinson and Kengatharan, 2020). Secondly, workplace and market closures, restrictions on mobility and the associated reduction in demand for goods and services have resulted in a slowdown in production together with total suspension of some business activities, leading to a reduction in working hours and labour earnings of most SMEs employees (Danquah *et. al.*,2020). It is against this background that the bar chart displays the findings.

Figure 4.21 Effects of COVID-19 on SMEs’ employees in Teya-teyaneng, May 2022



Source: Field work data

Figure 4.21 illustrates that 27% of the employees’ income was not affected by COVID-19. It has been derived from the data that most SMEs employees working in the supermarket posit that they still received their full salary amidst the pandemic despite the global changes. This however led to the financial stress that caused other firms to lay-off some employees, in order to minimize the mounting expenses as the economic activity was limited by the imposed lockdowns and curfews.

Figure 4.21 also shows that 13% of the employees were retrenched. Most employees experienced reduced salaries (23%) due to the reduced working hours as many firms opted for working shifts, others had their salaries cut (20%) while the businesses were closed in the

total lockdown period until the businesses recovered. Examples in this regard are liquor shops which were banned completely and their business operations explicitly halted. One other effect has been employees who were temporarily laid off when COVID-19 was on its peak but were re-employed as it subsided. It can be concluded that the effects of COVID-19 on employees are dire ranging from retrenchments, reduced salaries, cut off salaries and temporary lay-offs.

From the sample also, 93% of employees are negatively affected by COVID-19 while 7% of the employees are uncertain, showing that their income was not affected but the general changes brought by the pandemic demanded some insignificant adjustments. Majority of employees also illustrated that they have no alternative sources of income besides their salaries; they are doomed by the adverse effects and had no alternative coping strategies. On this account, 93% also reported that their living standards have deteriorated due to COVID-19 and have not recovered.

4.4.6 COVID-19 RELIEF OR ASSISTANCE ON SMEs

Most governments globally adopted some intervention policies to curtail the adverse effects of COVID-19 on SMEs. For example, the European governments adopted several initiatives aimed at rescuing SMEs employment, ranging from wage support schemes for partial employment, working hour reduction and sick leave (Jorgensen *et al.*, 2020). The developing countries have also followed the pattern and governments are considered as key players in the ecosystem of the SMEs sector (Rajagopaul *et. al.*, 2020). For most developing countries, Akrofi and Antwi (2020) posit that government assistance has been in the form of aid packages, economic stimulus package/bills, and physical incentives to boost liquidity of SMEs.

On this course therefore, the findings show that 80% of the employees have not received any form of assistance, with only a few employees reporting to have received aid in the form of food parcels which were distributed to SMEs employees by individual volunteers. This implies that the government has not been able to reach out to the affected SMEs employees. This may be due to the limited resources challenge that the country is faced with, which was further exposed by the accelerated health expenditure on the government sector, owing to the high cases of COVID-19 infections.

4.5 RELEVANCE OF THEORITICAL FRAMEWORK TO THE STUDY FININDINGS

The study adopted two theories as a research framework for this study. The first is the import substitution theory. According to this theory, it is imperative to enhance local industrialisation by producing locally most valuable goods and services. This aids in minimising the impact of the fluctuations in the international trade to the local economies. This also helps with massive accumulation of revenues in the national markets through zero imports but increased exports. However, the findings of this study are not in harmony with the theory principles, as most SMEs are relying on imports of goods and services for their production. This dependence has led most SMEs to be adversely affected by the turbulence brought by COVID-19 and the border closure policies. The disruptions from the supply ought to be minimised if imports were substituted by local production.

The second is Keynesian cyclical theory which describes the economic crisis in terms of the declines in aggregate demand that has the significance of causing unemployment and reductions in production, consumption and investments in the business cycles. The findings of this study therefore validate the principles of this theory. With the outbreak of COVID-19 came along the implementation of mitigation policies that were mainly aimed at containing the spread of the virus, these measures however transpired to cause an unprecedented decline in aggregate demand globally as the lockdowns put a halt to business activity and people's movement. The aftermath have been massive job losses, which is also evidenced in the study as SMEs experienced irrepressible declines in aggregate demand and were compelled to lay off some employees in order to adjust with the economic crisis. In the same manner also, production and consumption displayed unfathomable declines, leading to reduced revenues and investments in the business enterprises.

4.6 CONCLUSION

COVID-19 mitigation policies have adversely affected the supply, demand and general performance of SMEs. The SMEs profitability, cash flows and turnover are also drastically compromised by the outbreak of COVID-19. Some SMEs laid off employees, other SMEs employee's incomes were reduced or cut-off and the working hours have reduced due to COVID-19; while the level of external assistance towards this group has been slack. Although it was a once off initiative, SMEs received aid in the form of food parcels and relief fund in these challenging times. There however is an alarming woe from SMEs; for the government to assist the SMEs sector as it was adversely affected by the pandemic. Such

assistance in the form of relief fund may boost the business capacity to recover from the rampant ramifications brought by the pandemic.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

SMEs are acknowledged globally as economic drivers of socio-economic development. They are recommended for their contribution in income and job creation, poverty alleviation, innovative capacity and for their provision of affordable goods and services to the local market. SMEs are also a vital strategy in equal distribution of wealth, providing employment for the vulnerable low-skilled labour particularly the youth and women; which are unable to secure employment in the formal sector. They are relatively easy to establish, flexible to adjust in the market and are characterised with less rigid organisational structures, therefore they are mostly found in the rural areas, working as valuable agents of community development.

Though undoubtedly hailed for their importance in the economy, the SMEs sector is clouded with several constraints which shadow their potential. These include inadequate finances, lack of managerial skills, complicated regulatory and licensing policy and lack of infrastructure. On top of the existing barrier to SMEs, COVID-19 has drastically shaken the global economies, rendering SMEs as most vulnerable. COVID-19 has affected the aggregate demand and market, caused some disruptions in the supply and has come with the containment policies that demanded a total arrest of all economic activity of the majority of SMEs, affecting also their employment and total productivity.

5.1 Summary and discussion of the findings

The aim of the study was to thoroughly investigate the socio-economic impact of COVID-19 on SMEs. The mixed method approach was deployed to assist with the findings that were channelled toward answering the research questions and the objectives of the study. The objectives of the research entailed the analysis of the impact of lockdowns and border closures on import of stock for operations of retail SMEs, to investigate the impact of COVID-19 on employment in SMEs and to assess the profitability of retail SMEs during COVID-19. Demographically the findings revealed that the majority of SMEs entrepreneurs and employees are youth, mostly married and having high school qualifications. The source of capital has been outlined by the majority as their own savings backed by finances from family and friends. SMEs are showing reluctance in accessing financial loans that would help improve their production and growth. Most SMEs have been in business for more than five years. The findings are briefed on the next session based on the research objectives.

5.2.1 Impact of Lockdown and border closures on SMEs performance

After COVID-19 was declared a pandemic by WHO, countries implemented several measures to curb the spread of the virus, which among others were lockdowns, movement and country's border closures. The findings of this study revealed that these policies affected the supply and demand of SMEs. Lockdown has affected the global economies, causing major disruptions from the supply as it demanded total shutdown of the economic activity for most industries. Movement restrictions which were endorsed through social distancing and border closures affected the supply as the majority of SMEs purchased their stock in South Africa and Botswana. SMEs relying on imports showed that they had to incur extra costs during COVID-19 in order to process their purchases through courier logistics. Some SMEs claimed that their supply was unreachable; therefore they resorted to buying stock locally with higher prices that lowered their profit making.

The worst scenario is the SMEs which claimed that they were forced to cut-off the production of some items as they were not able to get to the suppliers due to the border closure and the complications therein. The import substitution theory advocates for local industrialisation as an economic strategy, which values production of local products in order to shield local economies from international trade fluctuations. During the COVID-19, if Lesotho SMEs were not relying on imports, if the country had adopted import substitution with advanced local production, the effects of COVID-19 on SMEs would have been minimised.

The eruption of COVID-19 has been sudden and the spread unprecedented, as a result the first lockdown in Lesotho was in March-April 2020. The policy was aimed at curbing the spread of COVID-19 and to ease the health burden on the health institutions. Nonetheless, the lockdown policy was very costly on SMEs because the demand declined as shops closed and people were commanded to stay at home. This led to a sudden drop in economic activity, leading to some perishable items depreciating in value; others consuming their own stock as their source of income were extinct. The findings also showed that due to the lockdowns and the uncertainties brought along by the pandemic, people's purchasing rate declined due to the unknown future and the fact that people's expenditure was geared toward essential health items used to help fight COVID-19. The Keynesian cycle theory anticipates a sudden decline in aggregate demand during an economic crisis, which is capable of affecting the business employment and performance. The decreased demand meant a reduction in SMEs income which called for job losses.

5. 2. 3 Impact of COVID-19 on SMEs employment

The findings revealed that COVID-19 has drastically affected the employment of SMEs. It has been accompanied by job losses, some reduction in income of employees and in some cases cut of salaries. Majority of the SMEs owners showed that COVID-19 has been a global crisis weakening the production of business in the midst of escalating fixed costs, and this propelled some adjustments on SMEs' employment. Majority of SMEs were compelled by the circumstances to lay-off some employees, reduce salaries, delay salaries and in some cases others completely cut off workers salaries until they were fully operational.

It has been observed that most SMEs are not in the business of essential items, therefore the majority have experienced total closure temporarily after the introduction of the lockdown. This affected the vulnerable SMEs which are dependent on their day-to-day physical interactions in the market. Another important discovery has been the limited finances in terms of capital and diversification in terms of alternative sources of income. The entrepreneurs have shown their total reliance from pocket to mouth with no other alternative means to income, which demanded that they cut on some expenses especially on employees because there was no economic activity in the business with workers commanded to stay at home. Majority of SMEs workers showed that their living standard had deteriorated due to COVID-19. Some employees were temporarily laid off but have been reemployed while others are still jobless and hopeless. The cyclical pattern of declining consumption, followed by a decline in demand, then a reduction in business investments all arising from the global fluctuations in the market, are attributed to massive job losses in SMEs. The pattern fits to the Keynesian cyclical theory framework.

5. 2. 4 Profitability of retail and trading SMEs during COVID-19

Variables that were used to assess the profitability of SMEs during COVID-19 are monthly turnover, the pricing of items and the cash flows. Most SMEs owners reported their monthly turnover to have radically dropped with the emergence of the pandemic. Majority of SMEs owners also reported that prices for most items have extremely increased leading to increased cost of production. SMEs' cash flows have also been claimed to have been flawed with the escalating outflows and dropping inflows. The reduced economic activity due to lockdowns and curfews that have been set to control the spread of the virus and the labour force layoffs even in other industries have led to declines in demand and purchases. The increased cost of production with constant fixed costs, along with extra expenditure incurred in keeping safety measures for the employees in the workplaces meant a unfathomable loss of income for

SMEs. The Keynesian Cycle theory also states that, with the increased lay-offs also, the production capacity of businesses declines with the absence of the labour force.

Minority of SMEs entrepreneurs and employees reported to have received aid from the state and voluntary individuals in the form of money and food parcels. On the question of the effectiveness of the aid, the majority claimed that it was a once off attempt and therefore not effective as COVID-19 has been for a certain period. Majority of the participants in the study raised up their woes, collectively seeking assistance from the state in the form of relief fund, tax deferral, infrastructure, subsidies on commodity and loan guarantees.

5.3 Concluding remarks

SMEs have the potential to boost the economic growth of national economies through their intensive labour absorbent capacity also as they are flexible to erupt in numbers in numerous places. They have proven to easily adjust to the current demand in the markets as they are based on physical interactions among buyers and sellers. These economic drivers have nonetheless been affected by COVID-19 and demand a serious government intervention to help curtail the adverse effects of the pandemic and speed up their recovery.

5.4 Recommendations

The study has identified some key areas that need to be improved in order to amplify the contribution of SMEs in economic development of the national economies. The study therefore has the following recommendations: provision and access to finances, building the resilience capacity, Business skills development and training, improved ICT adoption and utilization and SMEs clustering.

5.4.1 Provision and Access to finance

It has been observed from the study that most SMEs rely on owner's savings for start-up capital and many are not considering bank loans for their capital. Access to adequate finance is as vital in the early stages of business establishment as it is also for the full running of the business. It takes adequate finances to turn creative business ideas into viable new ventures. Despite remarkable efforts from the government, of providing support through established institutions, the problem still stands and needs to be addressed if the SMEs sector is considered significant for economic development and growth. According to the literature, there are two sides to the problem. First, there seems to be a lack of knowledge about how SMEs can get financial access from financial institutions. Secondly, the collateral and loan application process required seem to be a barrier and this is topped with the high interests on

loans which are unaffordable for SMEs. The study therefore recommends two solutions for the financial challenge faced by the SMEs. First, the government through the set support institutions should provide training on financial literacy regularly to all SMEs. Secondly, the government should encourage formalization of informal SMEs through easing on the infrastructural and regulatory compliance for registration and provision of outstanding incentives for registered SMEs. This can be through provision of tenders to SMEs as a way to build and improve their capacity.

5.4.2 Building SMEs resilience

COVID-19 and many other economic crises that came before are a lesson enough that there are turbulences in the market and for business to survive, they need to have resilience capacity. This research has found it impetus for SMEs to be equipped with appropriate lessons in regard to agility and resilience. Resilience is an important concept in entrepreneurial crisis management which equips entrepreneurs with conceptualizing the changes in the market and adjusting accordingly to adapt or resist change. Internally this may be achieved by ensuring that our SMEs are creative and innovative through entrepreneurship lessons like the lean six sigma strategies. Another way the SMEs can have resilience is through public policies from the government that may be a benchmark set appropriately to assist SMEs in times of crisis.

5.4.3 Business skills and development

It has been deducted from the study that most labour force active in the business have high school qualification. This calls for a need for continual business skills and development on the human resources. The government has to embark on business skills and training programmes that will help SMEs to grow from micro to medium enterprises the can have significant impact on the economy in terms of employment creation and income generation.

5.4.4 Improved ICT adoption and utilisation

The study recommends the government to enhance infrastructural development, particularly the ICT development for SMEs. It has been derived from the literature that most SMEs that have resorted to intensive use of ICT programmes have coped better with the adverse impact of COVID-19 and more richly those who were already technologically advanced were on the safer side with the outbreak of the pandemic.

5.4.5 SMEs clustering

The study has identified some limitations on SMEs performance in terms of the targeted market and production base derived from the minimal monthly turnover. SMEs in the study

area have shown a lack of ability to produce for the international market, due to financial constraints they are faced with along with the market. The researcher therefore recommends that the government forms SMEs cluster as a way to increase the ability and potential of SMEs. In this regard, all SMEs resources in one location may be mobilized towards production of a certain product at a larger scale targeting a wider spectrum of the market; reaching even to international trade. Clustering can also be an answer to the limited access to finance as the grouping of SMEs may work to capacitate their financial strength, thereby improving their production.

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APPENDIX

Secondary ()
High School ()
Tertiary ()
Other:.....

Marital Status

Married ()
Married ()
Divorced ()
Separated ()
Widow ()

No. in Household

1-3 households ()
3-6 household ()
6-9 household ()
9-12 household ()

Other sources of livelihood making

None ()
Social Grants ()
Pensions ()
Friends and family ()

Agriculture

Other:.....

SECTION B: BUSINESS PROFILE

What is the name of your Business?

.....

When was the business established?

.....

What was the purpose of establishing the business?

.....

What kind of business are you operating?

Trade and Commerce

Services

Manufacturing

What is the type of business ownership

Sole/Proprietorship

Company

How has the business been financed?

Own savings

Family or friends

Government aid

Financial Loan

Others:.....

How much was the business's monthly turnover when COVID-19 was at its climax?

M500- M1000 ()

M1000-M2000 ()

M2000-M5000 ()

Other.....

How much was the business's monthly turn over when COVID-19 had subsided?

.....

How many employees does the business have?

1-3 ()

3-9 ()

10-49 ()

Type and source of inputs

What type of products does your business specialize in or sell?

Grocery ()

Clothes ()

Health & beauty products ()

Books & stationery ()

Others.....

Where do you get the source of products/goods/inputs?

In the local area ()

Purchase from nearest town ()

Get from other towns ()

Imports ()

If imported from outside the country, mention the country

South Africa ()

Botswana ()

Eswatini ()

China ()

Other:.....

If imported, how did you buy products when borders were closed?

Explain.....

Are the suppliers reliable?

Yes ()

No ()

If No, what alternatives do you use?

.....

Are prices of products/inputs/ goods affordable from suppliers?

Yes ()

No ()

Explain.....

If no, how are they affecting your business?"

.....

How was the supply of goods affected by the COVID-19

.....

Marketing and market access

Where do you market your goods?

Local community ()

In town ()

In other districts ()

Who is your target market?

Community ()

Government ()

Small Businesses ()

Other ()

Specify.....

What marketing strategies does your business adopt?

Radio ()

Business brochures ()

Social Media ()

Billboards

Others.....

How did COVID-19 affect your market?

Negatively

Positively

Explain.....

Business status during COVID 19

How many employees did the business have before the COVID-19 pandemic?

Male

Females

How many workers were laid off due to the COVID-19 pandemic?

Males

Females

Which employees were mostly affected with retrenchment?

Management

Interns or temporary staff

Permanent workers

Others.....

Business Performance during COVID-19

How has the COVID-19 affected the cash flows of the business?

.....

How were the business sales affected by COVID-19?

.....
Has the business experienced profits or losses due to the COVID-19?
.....

At the COVID-19 climax period, has the business experienced profits or losses?

What kind of losses did your business incur?

Market

Employees

Equipment

Other.....

How have the working adjustments imposed by the COVID-19 (working shifts, social distancing etc) affected the business?

Positively

Negatively

Explain.....

Has the business totally closed down business operations during the COVID-19 climax?
.....

Business Relief or Support

Has your business received any form of aid/support during the COVID-19 climax?

Yes

No

If Yes, from which institutions have this help come from?

Government

Financial Institutions

NGOs ()

Family/ Friends ()

Ordinary volunteers ()

What kind of relief?

Money ()

Food Parcels ()

Others.....

If money, how much?

.....

How effective has the aid/support been to the business?

.....

How has the government solely reach out to help SMEs during the COVID-19?

.....

How frequent was the assistance?

Once ()

Twice ()

Three times ()

Four and more times ()

What kind of support does your business need currently to fully overcome the hurdles of the COVID-19?

.....

THANK YOU

SMEs EMPLOYEES' QUESTIONNAIRE

SECTION A: PROFILE OF RESPONDENT

Age

18 - 25 ()

26 - 35 ()

36 - 45 ()

46 - 55 ()

56 - 65 ()

66 and above:.....

Gender

Male ()

Female ()

Position in the Business

Employer ()

Employee ()

Temporary Employee ()

Internship Employee ()

Educational Level

No Education ()

Primary ()

Secondary ()

High School ()

Tertiary ()

Other:.....

Marital Status

Married ()

Not Married ()

Divorced ()

Separated ()

Widow ()

No. in Household

1-3 households ()

3-6 household ()

6-9 household ()

9-12 household ()

Other sources of livelihood making

None ()

Social Grants ()

Pensions ()

Friends and family ()

Agriculture ()

Other:.....

Socio-economic impact for COVID-19 on workers

Prior to COVID-19, how much was your salary?

.....

How did you spend the money?

.....

Was the income enough to cater for your households' livelihood?

Yes ()

No ()

If no, how do you supplement your income?

.....

How were you affected by COVID-19?

Displaced ()

Retrenched ()

Rotational working shifts ()

Other (Explain).....

How did COVID-19 affect your income?

Negatively ()

Positively ()

Explain.....

What coping mechanisms did you adopt?

.....

Are you currently able to cater for your households' basic needs?

Explain.....

Has your living standard improved or deteriorated due to COVID-19?

Explain.....

Have you received any assistance?

Explain.....

What kind of assistance?

.....

Has the assistance been effective?

.....

How you like to be assisted to cope with the post COVID-19 repercussions?

LETTER OF AUTHORISATION
THE NATIONAL UNIVERSITY OF LESOTHO

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P. O. Roma, 180

Lesotho

Southern Africa

(DEPARTMENT OF DEVELOPMENT STUDIES)

Ref: 9th May 2022

Dear Sir/Madam

Request to assist Mrs Mabatho Makoia with regard to SMMEs

The above mentioned student is my supervisee, and she is conducting a research project as a fulfillment for the requirements of MA in Development Studies. Her research topic is on '*Socio-Economic Impact of COVID-19 on Retail SMMEs in Teyateyaneng*'. The main thesis of the research is to look at the challenges faced by SMMEs during the Lockdowns in Lesotho. The outcome of the research is to inform the relevant policy makers about the impact of COVID-19 on business performance.

The data that will be collected from this study is mainly meant for academic purpose: research project writing. And can also be disseminated to the wider community through publication in one of the international journals.

I therefore request you to assist her with any information that she may need.

Sincerely

A handwritten signature in blue ink, appearing to read 'A. Rantšo'.

Tšepiso A. Rantšo (Professor)
Head of the Department

