The Southern African Journal of Entrepreneurship and Small Business Management
ISSN: (Online) 2071-3185, (Print) 2522-7343

Factors of market-driven strategies and access to finance effect on SMEs competitive performance in Lesotho

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Dates:
Received: 15 Nov. 2022
Accepted: 05 Apr. 2023
Published: 26 June 2023

How to cite this article:
Amadasun, E.O.D. & Mutezo, A.T., 2023, 'Factors of market-driven strategies and access to finance effect on SMEs competitive performance in Lesotho', *Southern African Journal of Entrepreneurship and Small Business Management* 15(1), a663. https://doi.org/10.4102/sajesbm.v15i1.663

Background: Entrepreneurship literature indicates a high rate of small and medium-sized enterprises (SMEs) failure in Lesotho, especially those operated by Basotho in major districts. Critical factors of market-driven strategies and access to finance are suggested strategic solutions to address this challenge.

Aim: This article empirically investigates the influence of market-driven strategies and access to finance factors on SMEs' competitive performance in Lesotho.

Setting: The study was conducted in the four Lesotho districts of Butha-Buthe, Leribe, Mafeteng and Maseru where Basotho SME enterprises dominate.

Methods: A questionnaire was used to obtain the data from the surveyed districts. The study adopted the descriptive correlation design and used the stratified random sampling in selecting 400 SMEs owners and managers in the four districts in Lesotho. Data analysis was conducted using descriptive and inferential statistics.

Results: The analysis of the data showed a positive and significant relationship between some factors of market-driven strategies and access to finance and as such influenced Basotho SMEs' capacity to attain competitive performance in Lesotho.

Conclusion: The findings showed that the technological dynamics and competitive intensity strategies play crucial roles in increasing SMEs' capacity to attain competitive performance. SMEs' incapacity is further compounded by the challenges associated with high collateral requirements by banks and inadequate access to financial information.

Contribution: The complementarity of the relevant factors of market-driven strategies and access to finance contribute significantly to SMEs' capacity to attain competitive performance.

Keywords: market-driven strategies; access to finance; technological dynamics; competitive intensity; financial information access; collateral requirement; SME competitive performance.

Introduction

Market-driven strategy is defined as the enterprises' capacity to create, disseminate and act autonomously in responding to information about market forces, and how they deal with market conditions better than less market-driven rivals (Tufa, Belete & Patel 2021:439). The entrepreneurship literature regards market-driven strategy as a technique that advances the enterprise's competitiveness, the hallmark trait that revolves around strategic market orientations and a business culture that facilitates entrepreneurs achieving sustainable competitive performance, and creating superior customer value (Van Gelderen et al. 2020:107). Market-driven strategies accentuate that managers or entrepreneurs must understand that their business environment is continually changing, regardless of the geographic location. Therefore, the competitive pressure demands small and medium-sized enterprises (SMEs) to be proactive in creating and doing something new to remain, maintain and enhance the enterprise's market share (Nawaser & Jahanshahi 2018:107).

Competitive pressure increases the market-driven strategic approach of entrepreneurs and managers to continuously adapt to the business environment. This allows SMEs that represent more than 90% of all enterprises in most developed countries to identify their market preferences and to be adaptable (Pech & Vrchota 2020:1). One unique facet that characterises the market-driven strategic phenomenon is the ability of the entrepreneur or manager to predict market and customer preferences, which eases the enterprise's capacity to create the desired product and/or service through innovation for the target market (Jahanshahi, Nawaser & Brem 2019:2).

In the last decade, records indicate that more than 39% of Basotho SMEs have been constrained because of a lack of capacity to effectively and efficiently respond, offer and deliver unique satisfaction to target market than their competing enterprises (Amadasun 2020:13). Less than 10% of Basotho SMEs survive and attain competitive performance within the first 5 year period of existence, and this could be attributed to issues related to market-driven strategies (Amadasun & Mutezo 2022:2). Furthermore, less market-driven strategies could further explain the inability of most Basotho enterprises' inability to take the opportunity to offer products that yield value proposition, meet the ever-changing customer tastes and preferences at competitive prices.

For the purposes of this article, the concept of 'market-driven strategies' rests on strategic factors such as market orientation, competitive intensity, and the technological dynamics that SMEs need to influence their competitive operation in the business environment.

Basotho SMEs are further constrained because of inability to access adequate credit from banks. Despite the market-driven strategic influence affecting the Basotho enterprises effective operation in a dynamic business environment, this article opined that the inability of SMEs to gain superior competitive advantage is compounded by the challenges associated with issues related to access to finance. Although SMEs are seen as a significant subsector given their contribution towards job creation, poverty mitigation and economic growth, access to finance is seen as one of the major challenges SMEs face in accessing the needed credit, to respond to a market-driven strategic operation in Lesotho. Finance is mainly accessed from banks in most sub-Saharan economies (Nyoni & Moos 2022:1). Rawat, Doshi and Ranjan (2021:158) and Amadasun and Mutezo (2022:3) opined that the competitive performance of SMEs depends upon SMEs financial situation and access to needed funds. Access to finance is defined as the constraints that impede SMEs' access to the needed credit to be able to respond to the dynamic market in Lesotho. Thus, 'access to finance' is measured by the following facets: financial information access, bank and business support services, the structure of the bank, and collateral requirements.

Thus, this study argues that to effectively operate market-driven strategies in the enterprisesinvolve cost of adopting new technology, exploiting the current and new markets, and implementing market models. Although there is plenty of literature on SMEs performance most studies have focused on either intrinsic issues or extrinsic factors that constrain SMEs capacity to attain competitive performance in Lesotho (Amadasun & Mutezo 2022; Benedict et al. 2021). This study opines that to address the perennial challenges of SMEs capacity to market responsiveness and operate dynamically in the ever changing business environment, the complementarity of market-driven strategies and access to finance could significantly influence the enterprises' capacity to attain competitive performance.

In the specific Lesotho context, this study opines that the complementarity of market-driven strategies and access to finance will influence most Basotho SMEs' capacity in gaining superior competitive performance. Therefore, to gain and sustain a significant market-driven strategic operation it is essential for SMEs to have access to finance to facilitate the enterprise's effectiveness and to maintain their market share over competitors. Hence, the relationship between market-driven strategies and access to finance is a complementary unison that could affect SMEs capacity to attain competitive performance.

The knowledge gap this research addressed was to establish whether a relationship exists between market-driven strategies factors and access to finance factors to influence SMEs competitive performance. Hence, the nexus between the factors of market-driven strategies and access to finance can be explained from the following perspectives. Firstly, as seen from the viewpoint of the resource-based view (RBV) on SMEs market flexibility and competitiveness require that an enterprise has access to flexible resources such as 'finance' to be flexible in coordinating the market-driven strategies to ensure the enterprise's competitive performance (Asah & Louw 2021:2). This study found that excellent market orientation, strategic competitiveness and superior technology strategies are unlikely to produce competitive performance of SMEs if enterprises do not have access to needed finance to operate in the competitive business environment. This view is consistent with Molina-Sanchez, Garcia-Perez-De-Lema and Lopez-Salazar's (2022), 'internal capabilities and enterprises performance', Benedict et al. (2021) 'Financial determinants of SMEs performance' and Tufa et al. (2021) 'entrepreneurial capability and firm performance'.

Secondly, the relationships and the joint implementation of market-driven strategies and access to finance enhance the enterprise's competitive performance in the context of SMEs. This implies that SMEs' competitive performance in a continuous and dynamic market environment requires access to adequate finance (Benedict et al. 2021:3). Furthermore, studies such as that of Chilembo (2021:438) and Iwara et al. (2021:2) emphasised that financial constraints continue to play a major role in entrepreneurship, and constrain SMEs' competitive performance in sub-Saharan Africa, leading to their inability to compete and gain sustainable performance. Venter and Hayidakis (2021:2) added that inadequate finance is the likelihood of less market-driven strategic operation in SMEs.

Centobelli, Cerchione and Singh (2019:5) accentuated that the market-driven strategic approach significantly effects on the enterprise's technological operations and innovative activities (such as process innovation effects product innovation), skills of the employees, training, and staff productivity, to such a degree that, for all their operations to be effective, SMEs need access to finance from the financial market. In particular, marketing performance of manufacturing SMEs in developing countries is more likely to be strategically market-driven and require access to finance to attain competitive performance (Riswanto et al. 2020:2).

Literature review

Market orientation in the small and medium-sized enterprise

Several strategic perspectives suggest that market orientation is motivated by the enterprise's ability to sense, evaluate and offer new products or services that suit the target market preferences (Chipunza 2020:2). Venter and Hayidakis (2021:3) acknowledged market orientation as a tactical concept that places the customer at the core of its strategy and the typology that emphasises the target market as the cornerstone of its market operation.

A novelty concept consistent with Jones and Rowley (2011:31) second-order multidimensional paradigm is shaped by three facets, namely customer orientation, competitor orientation and inter-functional coordination. Customer orientation refers to an enterprise focusing on the target market's perceptions and desires to satisfy its adopted supply. Competitor orientation emphasises the enterprise's capacity to be familiar with competing firms' market opportunities, strategies, strengths and weaknesses, and to configure and refigure strategic responses. Inter-functional coordination defines the capability of entrepreneurs or managers to harness and be efficient in using the enterprise's resources to provide better value to its customers.

In strategic literature, the assessment of market-driven strategic facets of market orientation effects on SMEs' competitive performance has remained inconclusive, as the few available findings range from significantly positive to insignificant effects. Riswanto et al. (2020:1950) found a positive and significant relationship between market orientation and enterprise's financial performance. Studies such as that of Chipunza (2020:7) and Ho et al. (2018:158) found a significant positive relationship between market orientation and SMEs' competitive performance. Venter and Hayidakis (2021:9) findings reveal that the general concept of market orientation enhances the enterprises competitive performance. In addition, Venter and Hayidakis (2021:9) findings indicated the SMEs exhibit significant performance when they poses high level of customer-focused market orientation. Thus, this article opines that SMEs with market orientation strategies will increase their capacity to refigure and configure their market core strategies, meet customers' needs proactively and attain competitive performance in the dynamic market, as expressed in the following hypothesis:

> H_1: SMEs with market orientation may attain competitive performance.

Competitive intensity

A review of the strategic literature shows that there is a lack of research into the competitive intensity concept in SMEs. According to Mkhonza and Sifolo (2022:1), the increase in the level of competition in the various markets has made many SMEs that are engaged in entrepreneurship unable to consistently formulate, implement market strategies and strategically take advantage of business opportunities. This is because most entrepreneurs or managers lack the understanding that the main thrust of competitive intensity anchors on the SME's capacity to focus on the dynamic market, configure and refigure strategic marketing concepts that can adapt, that secure an imitable position in meeting customers' preferences, and that expand product and/or service lines.

In general, competitive intensity is seen from both the degree of competition in the market that the enterprise faces, and the upsurge in the current market where many products and services have become increasingly ferocious, making it difficult for the SME to secure a unique position in the target market's minds. Consistent with strategic literature, it is not surprising that SMEs that adopt effective competitive intensity strategy benefit from business growth (Zhou et al. 2021). In particular for those SMEs that coped during and the post long-term crises such as the COVID-19 pandemic (Mkhonza & Sifolo 2022:2). Molina-Sanchez et al. (2022:3), Weller (2020:8), García-Guiliany et al. (2019), and Agyapong, Essuman and Yeboah (2021:31) reveal that competitive intensity has a positive and significant effect on the strategic and financial competitive performance of SMEs.

This article opines that the incapacity of the SME to consistently cope with the dynamic market preferences, understand the needs and deliver satisfaction more effectively and efficiently than competitors, suggests the enterprise's lack of competitive intensity strategies in the market environment. As competition increases in the business environment, the inability of the SME to influence its strategic process through a market-driven approach generally decreases its capacity to attain competitive performance. This is because competitive intensity stresses the SMEs' capacity to secure a unique position in the customers' minds in an uncertain market scenario. Therefore, the following hypothesis has been formulated:

> H_2: SMEs with a competitive intensity strategy may attain competitive performance.

Technological dynamics

Gheitarani et al. (2022:3) defined technological dynamics as the capacity of the enterprise to compete in local and international markets. This is anchored on SMEs' technological capacity to configure inimitable products or services unique to the target market. This means that the SME's technological dynamics refer to the degree of the enterprise's dynamism to create and adjust to the dynamic business environment by continuously offering radical products or services that alter the status quo of the market through novel processes and technologies. Edeh, Badeshi and Ramos-Hidalgo (2020) argued that the enterprise's technological dynamics account for the innovativeness that drives its ability to continuously create radically new products for the market, meet the target market's dynamic tastes and preferences, which directly effects SME's performance.

A study by Rachapaettayakom et al. (2020:2) and Munyanyi and Pooe (2019:7) found that technological dynamic enterprises experience significant market operation, both in terms of business success (sales of the SME) and competitive performance that are based on superior skills and distinctive capabilities of entrepreneurs or managers. Gheitarani et al. (2022:30) indicated that the enterprise's continuous responsiveness is a technologically innovative practice derived from technical and practical improvements to the methods and procedures necessary to produce the products or services that meet customers' demands. However, Silveira-Martins (2019:197) and Molina-Sanchez et al. (2022:2) suggest that because of a lack of better technology, most SMEs are denied the opportunity to effectively leverage costs, achieve high production capacity, and maximise optimal profits. It was therefore hypothesised that:

> H_3: SMEs with technological dynamics may attain competitive performance.

Inadequate financial information access to small and medium-sizeds

Financial information access has become a particularly challenging issue for both SME loan applicants and for banks in most sub-Saharan economies. According to Engidaw (2021:5) access to finance significantly affects the overall performance when SMEs have access to adequate financial information. For the purposes of this article, this facet serves as a stimulus to evaluate the financial information constraint in terms of credit grants by banks to SMEs, which possibly influences enterprises' incapacity to attain competitive performance in the business environment.

Finance literature presents a well-documented explanation regarding finance issues experienced by SMEs in terms of the 'financing gap analysis of the credit rationing theory' of Stiglitz and Weiss (1981:393) as observed by Alkahtani, Nordin and Khan (2020:4). The financing gap theory argues that information asymmetries are one of the major reasons why SMEs are constrained in terms of access to finance. From the paradigm of the informational problem, many commercial banks see most SMEs as high-risk and consider them to be highly insolvent with a diminished capacity to repay debt promptly. As a result, this discourages banks from supplying the necessary lending information to SME loan applicants. Consequently, as a result of the inadequate financial information tailored to SMEs because of their type of ownership, most loan officers continue to see them as being highly risky to finance. The loan officers perception of the SMEs as highly risky deny SME applicants the chance to access needed loan, which constrained their opportunity to effectively respond to market operation and attain competitive performance.

However, Benedict et al. (2021:5) argued that the enterprise's financial information access accounts for significant access to adequate information and allows SME applicants to identify the potential supplier of credit funds in the financial market and operate competitively in the dynamic market. Cicchiello et al. (2021:2) maintained that financial information access influences enterprises' access to finance, improve bank financial services even to underserved SMEs applicants' and when adequately utilised can influence enterprise performance. Thus, loan applicants' (SMEs) inadequate access to necessary information and awareness of available and supply of credit funds contribute to their access of needed loans from banks and such influence on their business operations and capacity to attain competitive performance, and this study suggests that:

> H_4: Financial information access constraint in terms of access to finance, influence SMEs capacity to attain competitive performance.

Inadequate bank and business support services

Bank and business support services have become a particularly challenging issue in terms of SMEs' operational capacity and in their efforts to attain competitive performance. According to Alkahtani et al. (2020:4), bank and business support services enable the entrepreneurial operational activities such as training, marketing, financial services, and other related business consultancy services that improve the SMEs' effective capacity and allow them access to needed credit and growth.

Eton et al. (2021:5) argued that such enabling services range from the management training skills, government service support, adequate information and integrated communication technology capabilities of entrepreneurs or managers in the business to ensuring adequate performance. According to Kunene (2020:5), the poor performance of SMEs is attributed to a lack of enabling services required for their formidable operation. Alkahtani et al. (2020:10) and Kassa and Mirete (2022:5) found a positive and significant relationship between the SMEs' business management training skills and significant performance. Akeyewale's (2018:8) findings indicated a significant and positive relationship between the integrated technology capability training that entrepreneurs possess and the enterprises' access to loans from the banks. This article regards the inability of SMEs to access the necessary credit as fundamental institutional neglect from private and public agencies, which prevents most SMEs' from attaining competitive performance. In Lesotho, this is considered a fundamental constraint to most Basotho SMEs' accessing bank loans, and it may have exacerbated the credit rationing that persists in the credit market. Thus, the article argues that:

> H_5: SMEs with business support services access may attain competitive performance.

Structure of the bank

In the context of access to finance, the 'structure of banks' refers to the financial structures of banks in the financial market. According to Amadasun (2020:92), the structure of a bank is defined as the level of competition in the financial market that determines the prices of loans or services that banks offer to clients. Thus, entrepreneurial literature indicates that the level of competition in the financial market determines the prices of financial products or services offered to SME loan applicants (Abdisa & Hawitibo 2021:2; Osano & Languitone 2016:6). This suggests that competition in the banking industry may positively affect loan applicants, particularly SMEs' access to the needed credit from banks. Therefore, a lack of competition in the financial market compromises the competitive cost of credit to SME loan applicants.

According to Abdisa and Hawitibo (2021:1), low competition in the banking industry directly affects a high regulatory regime that relies extensively on the country's regulatory services, financial and institutional system, rather than on the actual market of a country. A well-developed and flexible bank structure makes a country attractive destination to domestic entrepreneurs of all sizes, across sectors and to foreign investors' willingness to invest. Abdisa (2019) and Osano and Languitone (2016:13) found a positive and significant relationship between the structure of banks and SMEs' access to finance. Similarly, Abdisa (2018:116), found that low competition in the banking industry is an implication of a high regulatory regime that constrains many SME loan applicants' access to the needed credit from banks.

Although the strategic literature presents various factors, which constrain SMEs' access to finance, this study argues that the degree of competition in the banking industry significantly affects the prices of loans that banks offer to SMEs. In Lesotho, the level of competition seems to be very low because there are only three major commercial banks of which Basotho indigenes control minimal share ownership. The likelihood that the bank structure may favour the practice of financial exclusion because of acute information asymmetry, the unwillingness to finance SMEs based on the perception that SMEs are highly risky, and bias associated with enterprise ownership are high possibilities. Therefore, if the competitive costs of loans or services in the financial market is the influence of the structure of the bank, then:

> H_6: The structure of bank in Lesotho constraints SMEs' the capacity to attain competitive performance.

Collateral requirement and competitive performance

Entrepreneurship literature shows an immense amount of studies on access to finance, particularly regarding the collateral requirements of banks before granting loans to SMEs. Sriyono, Biduri and Proyogi (2021:3) argued that banks rely on various criteria while making lending decisions. Among these criteria, banks usually underpin the assessment of the trustworthiness of the borrower's capability to repay the principal and interest. Entrepreneurship literature stresses that where a high level of trust cannot be assured, transaction costs, adverse selection, and the collateral requirements increase. Prihantoro and Nuryakin (2020:220) indicated that because of a poorly resourced judiciary that protects the rights of creditors, banks tend to insist on collateral deposits up to the credit loan they intend to grant to SMEs. Meresa's (2018:70) study indicated that many small enterprises are denied access to loans because of collateral deposits in sub-Saharan Africa. Kassa (2021:4) confirmed that because of collateral deposits, most SMEs in North Wollo and Waghimira zones of Ethiopia are denied loans.

Osano and Languitone (2016:13) found a positive association between the collateral requirement and SMEs' access to a loan in Mozambique. According to Boushnak et al. (2018:6), collateral requirement is the biggest obstacle of SMEs access to finance and constrain their capacity to attain significant performance in Zimbabwe. Going by the general norm that SMEs generally have limited resources, most SMEs in developing countries, such as Lesotho, can hardly afford the needed collateral deposit required by banks for a loan application; hence, they lack sufficient finance to grow and to effectively compete and in diversifying their businesses (Prihantoro & Nuryakin 2020:223). Thus, this article argues that:

> H_7: Collateral requirement by banks constrains SMEs' ability to attain competitive performance.

Competitive performance

Strategic literature indicates that enterprises' competitive performance can be measured using internal indicators, business capacity in developing new or existing products, new markets to influence turnover, employee numbers and assets (Nyoni & Moos 2022:3). According to Zhou et al. (2021:5), competitive performance is measured by an increase in employee numbers and increase in sales. In this study, competitive performance is defined as a measure of SMEs' pecuniary and non-pecuniary measures. Pecuniary measures include trade, commerce and asset returns, and non-pecuniary measures include the assessed target market satisfaction and the entrepreneur's growth in competitive advantage.

Methodology

The study focused on SMEs in five sectors: construction, manufacturing, retail, service and tourism. Self-administered questionnaires were used to collect data in the four districts where SMEs are concentrated in Lesotho, namely Butha-Buthe, Leribe, Mafeteng, and Maseru. This study is descriptive-correlational that tests the effect of the factors of market-driven strategies and access to finance on the competitive performance of SMEs.

Research design

This article adopted a quantitative method for the empirical study and was skewed to the positivist approach to investigate the extent the factors of market-driven strategies and access to finance influence SMEs' competitive performance in some districts in Lesotho. In terms of this study, the quantitative method ideally stays within the traditions of post-positivism, which involves testing objective theories deductively, objectively examining the relationships among variables and generalising and replicating results (Creswell & Plano Clark 2018:24).

Current data from the Ministry of Small Business, Cooperative and Marketing and Basotho Enterprise Development Cooperative (BEDCO) indicated that Lesotho currently hosts about 13 899 formal micro-, small and medium-sized enterprises (MSMEs). Of the 13 899 formal MSMEs, fewer than 5000 are active Basotho SMEs in the four selected districts of Lesotho (GoL 2016:5). Thus, 5000 was adopted in this article as the study population. Research strategy adopted the seven Likert-scale structured questionnaires to collect from SMEs owners and managers in the four districts of Lesotho. Yamane's (1967) formula was used to calculate the sample size, which was rounded up to 400 for this study. The 400 sample size was used to determine the study's total respondents, consisting of SME entrepreneurs and managers. It was selected using stratified random sampling. From the stratified random samples of the 400 respondents selected in the survey, 384 questionnaires were validated and used for the analysis. Table 1 indicates the proportions of the distribution of SMEs in the four districts of Lesotho that were sampled.

Data analysis

The study's descriptive-correlational design focused on the relative descriptive, predictive, and model-testing design factors of market-driven strategies and access to finance that influence SME's competitive performance. The predictor items from various authors such as Riswanto et al. (2020), Osano and Languitone (2016), Weller (2020), Edeh et al. (2020), Amadasun (2020), Eton et al. (2021), Kassa (2021) were selected as measures and because they represent market-driven strategies and access to finance as relevant to the context of this study.

Various tests, such as the confirmatory factor analyses (CFA) and exploratory factor analyses (EFA) were performed to ensure minimal measurement errors of factors. The CFA results confirmed that the conceptual dimension of factors of market-driven strategies and access to finance matches the data. The eigenvalues of all the factors of market-driven strategies (i.e. market orientation, competitive intensity and technological dynamics) and access to finance (financial information access, structure of bank, bank and business support services and collateral requirement) indicated indicated that each loads within each independent construct. The exploratory factor analysis was used to identify the factor pattern of the data. The Bartlett test and the Kaiser–Meyer–Olkin (KMO) indicated that all scales conformed to and addressed the hypothesis in each construct. The result of the total value of KMO was 0.847, Bartlett's test of sphericity and determinant of the association matrix were degrees of freedom and 0.000, respectively. The results indicated that all observed factors loaded as anticipated supported the principal component analysis (PCA) method and predicted numbers of factors. In line with the exploratory factor analysis, the PCA generated seven constructs for market-driven strategies and access to finance factors. The PCA method with Varimax and Kaiser normalisation for the market-driven strategies and access to finance predictors showed that all items of both predictors were loaded to form seven predictors.

TABLE 1: Selection of sample size (N = 5000).

Districts representation	Estimated active population	Sample size	Proportional (%)
District 1: Butha-Buthe	1000	80	20.0
District 2: Leribe	1250	100	25.0
District 3: Mafeteng	875	70	17.5
District 4: Maseru	1875	150	37.5
Total	**5000**	**400**	**100**

Source: Survey output 2022.

To check for reliability, Cronbach's alpha estimated the internal consistency reliability of the scale of the seven factors; all scale scores had an alpha coefficient between 0.694 and 0.939. This suggested sufficient reliability scales for exploratory research (Hair et al. 2014:123, 2019).

Presentation and discussion of results

Data analysis considered the Spearman's correlation and the multiple regression analysis to explain how factors of market-driven strategies and access to finance affect SMEs' competitive performance in Lesotho.

Correlation analysis

Correlation analysis established the degree of association between all market-driven strategic and access to finance predictors' market orientation, competitive intensity, technological dynamics, financial information access, structure of bank, bank and business support services, and collateral requirement, and the extent to which each is related to the competitive performance of SMEs are presented in Table 2.

Table 2 shows the Spearman's correlation results that test for the direction and strength of the association between factors of market-driven strategies, access to finance, and SMEs' competitive performance. The Spearman's correlation results indicated that positive and significant associations were observed between the following factors: technological dynamics and competitive intensity (r = 0.37; moderate influence, $p < 0.05$), competitive intensity, and financial information access (r = 0.76; strong influence, $p < 0.05$), structure of bank (r = 0.25; low influence, $p < 0.05$), and collateral requirement (r = 0.30; moderate influence, $p < 0.05$).

The results indicated positive associations between technological dynamics and financial informational access (r = 0.32; moderate influence $p < 0.05$), business support services (r = 0.27; low influence; p < 0.05) and collateral requirement (r = 0.30; moderate influence, p < 0.05). Furthermore, a positive correlation between bank and business support services and structure of bank (r = 0.33; moderate influence, p < 0.05), collateral requirements (r = 33; moderate influence p < 0.05), and a positive correlation between structure of the bank and collateral requirement (r = 0.39; moderate influence, p < 0.05).

Furthermore, positive and significant associations were observed between competitive intensity and competitive performance (r = 0.55; strong influence, p < 0.55), technological dynamics and competitive performance (r = 0.78; strong influence, p < 0.05), financial information access and competitive performance (r = 0.54; strong influence, p < 0.05), structure of bank and competitive performance of SMEs (r = 0.36; moderate influence, p < 0.05), and collateral requirement and competitive performance (r = 0.74, strong influence, p < 0.05).

This result (Table 2) indicates that the factors of market-driven strategies and access to finance show a high and moderate association and are each associated with the competitive performance of SMEs. Thus, the analysis shows that inadequate technological dynamics and competitive intensity capabilities in SMEs are associated with Basotho SMEs' inability to attain competitive performance. Similarly, the inadequate financial information access, bank and business support services, regulatory inflexible structure of the banking system, and high collateral requirement by banks are related to SMEs' inability to attain competitive performance. This suggests that fewer constraints related to the factors of market-driven strategies and access to finance could be associated with the capability and capacity of SME entrepreneurs or managers to attain competitive performance.

Regression analysis results

Regression analyses such as model summary, analysis of variance and standardised coefficient were adopted to determine the degree of relationship between the factors of market-driven strategies and access to finance validity fit and to establish the effect on SMEs' competitive performance.

Model summary

After testing for the Durbin–Watson statistic for autocorrelation, the value 2 was obtained, which indicates no autocorrelation detected in the data. Table 3 explains the measure of the proportion of the variance of competitive performance (dependent factor), as explained by the seven factors of market-driven strategies and access to finance. The regression model is significant at the 95% level of significance and p < 0.05.

The model summary result indicates R = 0.922 that reflects the level of a positive and significant relationship between some of the predictors and the dependent factor (competitive performance), R^2 of 0.850 indicates the total variation of competitive performance explained by the model regression. Adjusted R^2 = 0.847 explains 84.7% of the variance of market-driven strategies and access to finance factors on SMEs' competitive performance. Thus, the adjusted R^2 of 0.847 indicates that the data fit well and that four predictors of market-driven strategies and access to finance contribute positively and significantly to SMEs' competitive performance.

Analysis of variance

In terms of the F-ratio, this analysis of variance provides the statistical test for the overall model fit. Using the values obtained from the factors of market-driven strategies and access to finance, the error is reduced by 84.99% (176.765 ÷ 207.979). This reduction is considered statistically significant with the F-ratio of 265.453, and at a significance level of 0.000. This means the result is significant at (F (7, 375) = 265.453, p < 0.001).

Standardised coefficient

Table 5 shows how well each of the seven factors of market-driven strategies and access to finance contributed to the

TABLE 2: Spearman's correlations of market-driven strategies and access to finance factors on competitive performance.

Variables	Market orientation	Competitive intensity	Technological dynamics	Financial information access	Bank and business support services	Structure of bank	Collateral requirement	Competitive performance
Market orientation	1	-	-	-	-	-	-	-
Competitive intensity	0.01	1	-	-	-	-	-	-
Technological dynamics	0.07	0.37**	1	-	-	-	-	-
Financial information access	-0.08	0.76**	0.32**	1	-	-	-	-
Bank and business support services	0.02	0.65**	0.27**	0.44**	1	-	-	-
Structure of bank	0.03	0.25**	0.23**	0.35**	0.33**	1	-	-
Collateral requirement	0.06	0.30**	0.76**	0.37**	0.33**	0.39**	1	-
Competitive performance	-0.01	0.53**	0.78**	0.54**	0.36**	0.31**	0.74**	1

Source: Correlation output 2022

Note: N = 38; **, suggests that correlation is significant at the 0.05 level (2-tailed). It suggests that all p values were less than 0.05.

TABLE 3: Model summary of coefficient of determination (R^2).

Model	R	R-square	Adjusted R-square	Std. error of estimate	R-square change	F-change	df.1	df.2	Sig. F change
1	0.922	0.850	0.847	0.28851	0.850	265.453	7	375	0.000

Source: Regression output 2022

Note: N = 384.

final equation. The significant column showed that the following factors contributed to the competitive performance of SMEs. From the highest contribution, technological dynamic contributed 42.1%, collateral requirement 38.8%, competitive intensity 16.1%, and financial information access, 13.5%. Thus, Table 5 indicates that technological dynamic capacity contributed the highest to SMEs' ability to attain competitive performance. From the strategic literature, it is evident that the technological dynamic ability of managers or entrepreneurs affects the enterprise's capacity to continuously configure and reconfigure strategies to offer unique goods or services to satisfy the target market and make competitors reactive. However, market orientation had a −6.4% magnitude, which negatively affects SMEs' competitive performance. This suggests that for Basotho enterprises, being market-oriented (scale −6.4%) do not directly affect SMEs' competitive performance. This is in contrast with evidence from the literature, which suggests that market orientation is a key factor that influences an enterprise's significant operation in the business environment. The non-significant effect could be attributed to Basotho small entrepreneurs' inability to understand that being market-oriented is a veritable market strategy that affects effective and efficient business performance. Similarly, Table 5 indicates that the structure of banks does not have a direct effect on the competitive performance of SMEs. The negative scale suggests that the structure of banks has a major effect on SMEs' access to finance but that it is unlikely to affect enterprises' capacity to attain competitive performance.

This study empirically investigated the relationship between the factors of market-driven strategies and access to finance that effect on SMEs' competitiveperformance in some districts in Lesotho. The findings of this article indicated that factors of market-driven strategic resources (technological dynamics and competitive intensity) and access to finance (collateral requirement and financial information access) have a positive and significant effect on SMEs' capacity to attain competitive performance in Lesotho.

TABLE 4: Analysis of Variance (ANOVA).

ANOVA						
Model		Sum square	Df	Mean square	F	Sig
1	Regression	176.765	7	22.096	265.453	0.000
	Residual	31.214	375	0.083	-	-
	Total	207.979	383	-	-	-

Source: Regression output of the analysis 2022
Note: N = 384
Predictors* (constant), MO, COMPINT, TECDYN, FIA, Bbss, SoB and COLLATA.
Dependent variable: COMPERF.

The result of the regression summarily showed that technological dynamics play a crucial role in increasing SMEs' capacity to attain competitive performance. This finding suggests that the low degree of dynamism among SME entrepreneurs or managers to create and adjust to the dynamic market shows that they are unable to continuously offer radical new target market tastes and preferences that alter the status quo of the market in terms of novel processes and technologies and negatively affects their ability to attain competitive performance. Furthermore, the analyses suggest that most Basotho SMEs lack the innovativeness that drives the enterprise's ability to continuously create radically new products to satisfy the constantly changing target market tastes and preferences. Thus, this result is consistent with Donbesuur et al. (2020), Rachapaettayakom et al. (2020), and Gheitarani et al.'s (2022:30) finding that technological dynamic enterprises experience significant market operation in terms of business sales and competitive performance, which can be accrued to superior skills and distinctive competences of managers or entrepreneurs.

The findings showed that competitive intensity has a unique statistical contribution influence on SMEs' capacity to attain competitive performance in Lesotho. The analysis suggests that as managers and entrepreneurs face increasing pressure because of their incapability to configure and refigure the marketing concept to adapt and secure an inimitable position in offering products or services, which meet customers' preferences, the competitive intensity strategy emphasises that operators of SMEs need to be equipped with market strategic resources to enable them to always secure a unique position in the minds of the target market. Therefore, the findings revealed that entrepreneurs or managers with greater competitive intensity strategies can consistently cope with the dynamic market preferences and are able to deliver customer needs in the increasingly ferocious market more efficiently than their competitors. Consistent with this finding are the studies of Molina-Sanchez et al. (2022), García-Guiliany et al. (2019) and

TABLE 5: Standardised coefficient.

Model	Coefficient			T	Sig	95% confidence for B		Collinearity statistics	
	Unstandardised coefficient		Standardised coefficients						
	B	Std. error B	B			Lower bound	Upper bound	Tolerance	VIF
1 (constant)	0.582	0.211	0.582	2.751	0.006	1.710	3.072		
Market orientation	-0.086	0.030	-0.064	-2.849	0.005	0.070	0.186	0.967	1.301
Competitive intensity	0.168	0.048	0.161	3.492	0.001	0.141	0.309	0.955	3.557
Technological dynamics	0.349	0.034	0.421	10.219	0.000	-0.073	0.117	0.967	3.524
Financial information access	0.126	0.036	0.135	3.461	0.001	0.073	0.189	0.987	1.035
Bank and business support services	-0.006	0.030	-0.006	-0.209	0.835	0.075	0.142	0.994	1.037
Structure of bank	-0.077	0.037	-0.055	-2.067	0.039	0.148	0.409	0.977	1.045
Collateral requirement	0.369	0.042	0.388	8.721	0.000	0.083	0.127	0.953	1.034

Source: Regression output of the analysis 2022
Note: N = 384; VIF, Variance Inflation.
Dependent variable: COMPERF, competitive performance.

Agyapong et al. (2021), which found that a competitive intensity strategy has a positive and significant influence on SME competitive performance.

Furthermore, the findings indicate that the collateral requirements by banks are a major factor constraining and discouraging most Basotho SMEs from accessing bank loans. The results indicated that the high collateral requirements by banks deny most SME applicants from seeking the needed bank credits and constrains their capacity to attain competitive performance in Lesotho. The findings of Kassa (2021), Prihantoro and Nuryakin (2020:223), Boushnak et al. (2018), and Osano and Languitone (2016:13) are consistent with this result.

In addition, the analysis showed that financial information access is a particularly challenging issue for most SME loan applicants from banks, and as such, affects their ability to attain competitive performance in the business environment. The inability to access adequate financial information is seen to constrain most Basotho SME applicants to identify potential bank lenders of loans in the financial market. This suggests that adequate financial information access influences enterprises' access to bank loans, and when adequately utilised, can affect business competitive performance. This result is in congruence with the findings of Benedict et al. (2021:10), Cicchiello et al. (2021:9) and Osano and Languitone (2016:14), which indicated that financial information access influences SMEs' access to finance and performance.

Nonetheless, the regression analysis indicated that market orientation does not have a positive significant effect on SME competitive performance and was contrary to the expectations of the researcher. According to the entrepreneurial literature being market-oriented is a strategic factor of effective operation of SMEs to attain growth. This result was in contrast to that of Chipunza (2020), Riswanto et al. (2020) and Venter and Hayidakis (2021). Furthermore, the findings indicated that the structure of the bank factor did not have a positive significant effect on SME competitive performance. In reference to this study's literature, the structure of bank significantly constrains SMEs' access to the needed funds from the financial market, but does not affect their capacity to attain competitive performance in Lesotho. This result was in contrast to that of Abdisa and Haritibo (2021), Abdisa (2018) and Osano and Languitone (2016:14) findings, and it suggests that the concept 'structure of bank' is perhaps a new concept not familiar to most Basotho SMEs respondents.

Equation 1 explains the extent each of the seven factors of market-driven strategies and access to finance contribute to the SME's competitive performance in the analysis:

$$\begin{aligned} \text{COMPERF} = {} & 0.582 + 0.421\,(\text{TECDYN}) + 0.388\,(\text{COLLATA}) \\ & + 0.161\,(\text{COPINT}) + 0.135\,(\text{FIA}) + -0.064\,(\text{MO}) \\ & + -0.055\,(\text{SoB}) + -0.006\,(\text{Bbss}) \end{aligned} \quad \text{[Eqn 1]}$$

Conclusions

The relevant factors of market-driven strategies and access to finance contribute significantly to SMEs' capacity to attain competitive performance. Firstly, the survival and competitive performance of SMEs depend on entrepreneurs' or managers' willingness and capability to adopt a higher level of technological dynamics and competitive intensity strategies to ensure competitive operation and performance. Secondly, policies on the harmonisation of collateral requirements are necessary, and as such, they would afford SME applicants access to the needed funds, increase their effective operations, and enable them to attain competitive performance. Thus, banks may promote policies on financial information programmes directed to ease SME applicants' access to loans in both the rural and urban areas of Lesotho. The implementation of such policies may decrease the problems of asymmetric information in the banking sector, and ease SME owners or managers' access to needed credit loans to improve their enterprises' operations.

Limitations of the study and areas for future research

This article poses a few limitations that present the prospect for new lines of future research. The first limitation of this study is the predictors. This article only focused on and empirically analysed seven competitive variables (i.e. market orientation, competitive intensity, technological dynamics, financial information access, bank and business support services, structure of bank and collateral requirements). The second is the survey areas of this study which were limited to four selected districts of the 10 districts that make up Lesotho. A future study could consider other fascinating factors, and for more robust findings, a similar study may be conducted across the 10 districts in Lesotho to see if the same results would be obtained. Lastly, this study examined Basotho SMEs in four districts, so the same study could be surveyed for all SMEs owned and managed by all nationals to see if the results are replicated and generalisable to all SMEs in Lesotho.

Acknowledgements

Competing interests

The authors have declared that no competing interest exists.

Authors' contributions

The first author E.O.D.A. did the preliminary writing, and the co-author A.T.M. supervised the study and reviewed the manuscript.

Funding information

The University of South Africa funded the survey as a bursary for the candidate's PhD study. Therefore, this article utilises the data obtained during the survey from the four districts of Lesotho (namely, Butha-Buthe, Leribe, Mafeteng and Maseru) in 2019.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of South Africa College of Economic and Management Sciences Research Ethics Review Committee (No. 2017_CEMS_DFRBM_014).

Data availability

The data generated and analysed in this study are included in this published article (and in the supplementary files).

Disclaimer

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of any affiliated agency of the authors.

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