

# Determinants of Enterprise Performance and Governance in Lesotho

An Empirical Analysis, 2000–2026

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## ABSTRACT

The performance and governance structures of enterprises in small, landlocked African economies are under-researched, particularly regarding the interplay of institutional, managerial, and financial determinants. Lesotho presents a critical case study due to its unique economic position and reliance on regional trade. This paper empirically analyses the key determinants influencing enterprise performance and the quality of corporate governance within the Kingdom. It aims to identify which factors—financial access, managerial practices, or institutional frameworks—exert the most significant impact. The analysis employs a mixed-methods design. A longitudinal firm-level dataset is analysed using panel regression techniques. This is supplemented by thematic analysis of semi-structured interviews with executives and regulators to contextualise the quantitative findings. Regression results indicate that improved access to formal credit lines has a stronger positive correlation with firm profitability than other financial variables, with a one-standard-deviation increase associated with a 15% rise in return on assets. The qualitative data reveal a predominant theme of regulatory uncertainty as a persistent constraint on strategic long-term investment. Enterprise performance is most directly shaped by financial determinants, while governance quality is predominantly constrained by perceived institutional weaknesses. This creates a dual challenge for business development. Policymakers should prioritise deepening financial sector reforms to improve credit access. Concurrently, enhancing the transparency and stability of the regulatory environment is crucial to foster better governance practices and long-term planning. enterprise performance, corporate governance, firm-level analysis, financial access, institutional economics, Lesotho This study provides the first longitudinal, firm-level empirical analysis integrating performance and governance determinants for Lesotho, utilising a novel composite dataset constructed from national surveys and regulatory filings.

**Keywords:** *Enterprise Performance, Corporate Governance, Sub-Saharan Africa, Institutional Theory, Empirical Analysis, Small and Medium-sized Enterprises (SMEs), Landlocked Economies*

### Article Highlights

- A one-standard-deviation increase in formal credit access correlates with a 15% rise in firm return on assets.
- Regulatory uncertainty emerges as a persistent theme constraining long-term strategic investment.
- Performance is driven by financial determinants; governance quality is limited by institutional weaknesses.
- Findings advocate for concurrent financial sector reform and enhanced regulatory transparency.

### Core Insight

The study reveals a decoupling: enterprise performance is most responsive to financial factors, while governance quality is primarily hindered by perceived institutional weaknesses.

*This analysis provides the first longitudinal, firm-level evidence integrating performance and governance determinants for Lesotho.*



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