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Navigating the Entrepreneurial Landscape: Unpacking the Major Challenges Faced by SMEs in Katima Mulilo, Namibia

Nico Sisinyize[1], Eric Tubatole[2]

[1]Department of Technical, Vocational Education and Training (TVET), Namibia University of Science and Technology, Windhoek, Namibia
[2]Management College of South Africa (MANCOSA), Durban, South Africa
Email: nicoliswani@yahoo.com

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Abstract

This study examines the primary challenges confronting Small and Medium Enterprises (SMEs) in the urban area of Katima Mulilo, Namibia. Employing a qualitative research approach with an exploratory design, the study aimed to gain in-depth understanding of the difficulties experienced by SME owners and operators. A total of ten (10) knowledgeable and experienced participants were purposefully selected from the Katima Mulilo Open Market and the Multi-Purpose Industrial Park. Data collection was conducted using semi-structured interviews, and the responses were analysed through thematic analysis. The findings revealed a range of challenges affecting SMEs, including low profitability and limited access to financial resources, stringent business regulations, high costs of machinery, equipment, and materials, restricted market opportunities, inadequate customer care and relationship management, absence of standardized business practices, scarcity of affordable land and rental spaces, and the lack of formal business career pathways. To address these challenges and transform them into growth opportunities, the study recommends targeted capacity-building programmes, provision of affordable business equipment and materials, improved access to information on products and services, financial support through loans and grants, more flexible regulatory frameworks, and collaboration among government agencies, NGOs, donors, private sector actors, and local business communities. Implementing these measures could enhance the resilience, competitiveness, and sustainability of SMEs in Katima Mulilo.

Keywords

Small and Medium Enterprises (SMEs), Entrepreneurial Development, Financial Constraints, Market Opportunities, Regulatory Environment

1. Introduction

Small and Medium Enterprises (SMEs) are widely regarded as important drivers of economic development, employment creation, and innovation across both developed and developing economies. Their contribution extends beyond income generation, as they also promote entrepreneurship, support local production, and stimulate economic diversification. In many countries, SMEs serve as the backbone of the private sector by providing employment opportunities and contributing significantly to gross domestic product (GDP). Despite their importance, SMEs often operate in environments characterized by uncertainty and various structural constraints that affect their growth and sustainability. Historical and contemporary events, including global economic recessions, health crises such as the COVID-19 pandemic, and other external shocks, have demonstrated the vulnerability of SMEs to disruptions in markets, supply chains, and consumer demand. Previous studies have identified challenges such as limited access to finance, inadequate managerial skills, regulatory barriers, and restricted market opportunities as some of the common obstacles confronting SMEs worldwide (Sharu & Guyo, 2015; Shipulwa, 2016). Understanding these challenges remains important for informing interventions aimed at strengthening the SME sector and enhancing its contribution to economic development.

In Namibia, SMEs occupy a strategic position in national development efforts due to their potential to generate employment, reduce poverty, and stimulate economic activity. The Government of Namibia has long recognized the significance of the sector and introduced the National Policy on Small Business Development to create a supportive environment for entrepreneurial growth. Through this policy framework, efforts have been directed towards improving access to financial services, strengthening entrepreneurial competencies, encouraging business formalization, and facilitating participation in economic activities. For the purpose of this study, SMEs are defined according to the Namibian classification framework, which considers factors such as the number of employees, turnover, and the nature of business operations. Generally, micro enterprises employ fewer than ten people, small enterprises employ between ten and thirty employees, while medium enterprises employ up to one hundred employees, depending on the sector in which they operate. This study adopts this classification framework in identifying and analysing SMEs operating within the Katima Mulilo Urban Area.

Although government policies and support programmes have sought to strengthen the SME sector, many enterprises continue to face significant operational and financial challenges. Previous research in Namibia has highlighted constraints such as limited access to capital, inadequate business management skills, high operating costs, labour-related challenges, and insufficient technical expertise (Shipulwa, 2016). In addition, many entrepreneurs encounter difficulties in accessing markets, obtaining relevant business information, and complying with regulatory requirements. These challenges often hinder business expansion and reduce the ability of enterprises to compete effectively in increasingly dynamic economic environments. Consequently, many SMEs experience low survival rates, limited profitability, and restricted opportunities for growth. Addressing these barriers is essential for ensuring that SMEs can fulfil their role as catalysts for economic transformation and employment creation.

The situation is particularly relevant in Katima Mulilo, a growing urban centre in the Zambezi Region that serves as an important commercial gateway linking Namibia with neighbouring countries. The town presents various opportunities for entrepreneurial activities due to its strategic location and expanding consumer market. However, SMEs operating within Katima Mulilo also encounter a range of challenges that affect their performance and long-term viability. These include high rental and operating costs, limited access to suitable business premises, inadequate access to financing, and intense competition within local markets. Furthermore, some business owners possess limited knowledge of business registration procedures and regulatory requirements, resulting in a substantial number of enterprises operating informally. Informality often restricts access to government support programmes, financial institutions, and business development services that could otherwise enhance enterprise growth. Understanding the nature and extent of these challenges is therefore necessary for developing appropriate interventions that respond to the realities of the local business environment.

Against this background, this study investigates the major challenges faced by SMEs in Katima Mulilo, Namibia. By examining the experiences of SME operators within the urban area, the study seeks to generate evidence that can inform policymakers, development practitioners, financial institutions, and other stakeholders involved in enterprise development. The findings are expected to contribute to the formulation of practical strategies aimed at improving the business environment, enhancing the sustainability of SMEs, and strengthening their contribution to local and national economic development. Through this analysis, the study contributes to the broader discourse on entrepreneurship and SME development in Namibia and other developing economies facing similar challenges.

2. Problem Statement

Small and Medium Enterprises (SMEs) play a vital role in driving economic growth, job creation, and poverty reduction globally. In developing countries like Namibia, SMEs are particularly important as they provide livelihoods, stimulate local economies, and foster innovation. Despite their significance, SMEs in Namibia face numerous challenges that hinder their development and sustainability. These challenges are multifaceted and include financial constraints, limited market access, inadequate skills, and regulatory burdens. The success and growth of SMEs largely depend on the owners' ability to make strategic decisions, innovate, and apply entrepreneurial skills effectively. Additionally, SMEs must adapt to dynamic social, economic, and political environments to remain competitive and profitable (Schöneburg-Schultz & Schultz, 2006).

Access to finance remains one of the most significant barriers for SME development in Namibia. Many SMEs struggle to secure loans due to stringent collateral requirements, high-interest rates, and limited financial literacy. This lack of funding restricts their ability to invest in business growth, purchase equipment, or expand operations. Moreover, SMEs often face difficulties in establishing relationships with financial institutions, limiting their opportunities to access credit or investment. Financial constraints also reduce SMEs' capacity to penetrate local and international markets effectively. Addressing these financial barriers is essential for enabling SMEs to grow and compete in both domestic and regional markets. Recent studies emphasize that financial support programs must be flexible and accessible to meet SMEs' unique needs (Shipulwa, 2016; Sharu & Guyo, 2015).

Another critical challenge is the limited technical, managerial, and entrepreneurial skills among SME owners and employees. A lack of training and capacity-building programs reduces operational efficiency and restricts the ability to innovate. Many SMEs struggle to adopt modern business practices or respond to market demands, which affects competitiveness. This problem is more pronounced in remote urban areas such as Katima Mulilo, where access to training resources and mentorship is limited. Skills gaps also hinder SMEs from implementing effective customer relationship management and marketing strategies. Without addressing these skill deficiencies, SMEs risk stagnation or failure in a highly competitive business environment.

Regulatory and operational barriers further complicate SME development in Namibia. Complex tax requirements, licensing procedures, and labour regulations often overwhelm small business owners, particularly those with limited administrative capacity. Non-compliance, whether intentional or accidental, can result in fines or legal issues, discouraging business formalization. In addition, inadequate infrastructure—such as poor internet connectivity, unreliable electricity, and insufficient transportation networks, limits SME operational efficiency. These challenges reduce SMEs' ability to adopt digital technologies, engage in e-commerce, and expand market reach. Overcoming regulatory and operational hurdles is therefore essential for creating a supportive business environment. Collaborative efforts between government, private sector, and NGOs are needed to streamline regulations and improve infrastructure.

Finally, SMEs' ability to grow and compete depends on their access to opportunities, markets, and modern technology. Many SMEs in Katima Mulilo lack the resources to scale operations, develop innovative products, or establish profitable market linkages. Informal SMEs often avoid registration due to fear of compliance with VAT, social security, and labour regulations, resulting in unequal access to business support. These factors contribute to the high failure rate of SMEs in Namibia, limiting their contribution to economic growth (April, 2021). Turning these challenges into opportunities remains a scarce but critical priority for SME development. By understanding and addressing these barriers, policymakers and stakeholders can create strategies to unlock SMEs' potential and ensure their sustainability.

3. Objectives of the Study

The study aims to achieve the following objectives:

1) To map and categorize the Small and Medium Enterprises (SMEs) operating within the Katima Mulilo Urban Area.

2) To investigate and analyse the prevalent challenges affecting the performance, growth, and sustainability of SMEs in Katima Mulilo Urban Area.

3) To propose practical and evidence-based recommendations that can enhance the development, efficiency, and competitiveness of SMEs in Katima Mulilo Urban Area.

4. Theoretical Framework and Literature

This study is guided by the Resource-Based View (RBV) Theory**,** which asserts that a firm's internal resources and capabilities are central to achieving sustainable performance and competitive advantage (Barney, 1991). According to RBV, resources that are valuable, rare, inimitable, and non-substitutable (VRIN) enable firms to develop distinct capabilities that differentiate them from competitors. In the context of SMEs, these resources include financial capital, human capital, managerial skills, technology, and organizational processes. The theory emphasizes that SMEs' ability to grow and overcome challenges such as limited funding, inadequate skills, and restricted market access depends largely on how effectively they mobilize and deploy these internal resources (Peteraf, 1993). For SMEs in Katima Mulilo, this means that owners' entrepreneurial skills, strategic decision-making, and resource management directly influence business survival, growth, and market competitiveness.

RBV also emphasizes the importance of dynamic capabilities**,** which refer to a firm's ability to adapt, integrate, and reconfigure resources in response to changing environments (Teece, Pisano, & Shuen, 1997). SMEs that develop dynamic capabilities can respond effectively to operational challenges, technological changes, and market fluctuations, thereby enhancing resilience and long-term sustainability. Empirical studies have shown that SMEs leveraging their internal resources and capabilities are better positioned to innovate, access new markets, and maintain competitiveness (Mishra & Shah, 2018; Agyapong, 2020). In this study, RBV provides a theoretical lens to analyze the challenges faced by SMEs in Katima Mulilo and to formulate evidence-based recommendations that strengthen their operational capacity, market access, and overall development.

5. Literature Review

5.1. Importance of SMEs in Economic Development

Small and Medium Enterprises (SMEs) are widely acknowledged as key contributors to economic growth, employment creation, and innovation across the globe (Agyapong, 2020). They play a vital role in reducing poverty by creating job opportunities, supporting household incomes, and fostering entrepreneurial activity. SMEs also help stimulate local economies and diversify industrial activities, particularly in developing countries. In Namibia, SMEs serve as an important driver of urban and rural economic development, helping to improve livelihoods and reduce income inequality (Sharu & Guyo, 2015). Despite their significant contributions, SMEs often face challenges that prevent them from fully realizing their potential. Studying these businesses is crucial for designing policies and interventions that enhance their development and sustainability.

Furthermore, SMEs are central to promoting innovation and competitiveness within economies. They introduce new products and services, adopt efficient business practices, and strengthen supply chains. In urban areas such as Katima Mulilo, SMEs provide essential goods and services that boost local trade and employment. Yet, financial, operational, and infrastructural obstacles often limit their performance. Understanding the role of SMEs helps stakeholders create targeted strategies to support their growth. Research in this area informs policy measures that can enhance the impact of SMEs on regional and national economies.

5.2. Financial Challenges Faced by SMEs

Limited access to finance is one of the main barriers hindering SME growth in Namibia and other developing nations (Shipulwa, 2016). Many SMEs struggle to obtain loans due to strict collateral requirements, high interest rates, and insufficient financial knowledge. These financial limitations restrict their ability to invest in equipment, technology, or business expansion. In turn, limited funding affects competitiveness, reducing SMEs' capacity to explore new markets or scale operations. Financial constraints also limit the ability to recruit skilled employees or implement marketing strategies. Therefore, improving access to finance is critical to supporting SME sustainability and growth.

Additionally, financial challenges are intensified by a lack of government and institutional support. Many SMEs remain informal, avoiding registration to escape tax obligations or compliance with labour laws, which reduces their eligibility for financial aid. Programs tailored to meet SMEs' specific needs are often limited, leaving them underfunded and underdeveloped. Studies indicate that SMEs with better financial access are more likely to innovate, expand, and survive in competitive markets (Sharu & Guyo, 2015). Access to funding not only facilitates growth but also enhances long-term sustainability. Addressing these financial barriers is therefore essential to promote SME development, particularly in Katima Mulilo.

5.3. Skills and Capacity Constraints

A lack of managerial, technical, and entrepreneurial skills remains a significant challenge for SMEs (Mishra & Shah, 2018). Many SME owners do not possess formal training in areas such as strategic planning, financial management, or marketing, which affects decision-making. This lack of skills reduces the capacity to innovate, adapt to market changes, or adopt modern technologies. In urban centers like Katima Mulilo, access to training programs, mentorship, and advisory support is often limited. As a result, many SMEs struggle to improve their operations or scale effectively. Addressing skill gaps is therefore vital for increasing SME efficiency and competitiveness.

Skills deficiencies also impact regulatory compliance and human resource management. SMEs with limited expertise face challenges in meeting tax, labor, and licensing obligations, often resulting in informal operations or operational risks (Schöneburg-Schultz & Schultz, 2006). Limited vocational and technical training reduces workforce productivity and business innovation. Strengthening managerial and technical skills through training programs and mentorship improves decision-making, operational efficiency, and long-term viability. Human capital development is a key strategy to enhance SME performance. This enables SMEs to compete effectively in both local and regional markets.

5.4. Operational and Market Challenges

Operational inefficiencies and market constraints are major obstacles to SME growth. High costs of machinery, limited access to affordable land, and poor infrastructure reduce productivity and limit expansion opportunities (April, 2021). SMEs often struggle to maintain reliable supply chains, ensure product quality, and provide consistent customer service. Limited technological adoption, including low digital literacy and unreliable internet access, further hinders engagement in e-commerce. Competition from established firms also limits SMEs' ability to grow market share. Addressing operational challenges is essential for improving SME performance and sustainability.

Market-related barriers additionally constrain SME development. SMEs in Katima Mulilo often face difficulties accessing new customers, expanding distribution, and building business networks. Limited market information reduces their ability to make informed strategic decisions or respond to changing demand. Many SMEs also lack skills in marketing and branding, which reduces visibility and competitiveness. Evidence suggests that SMEs leveraging innovation and networks can overcome operational and market challenges (Teece, Pisano, & Shuen, 1997). Improving access to markets, operational efficiency, and customer engagement is therefore crucial to promoting SME growth.

5.5. Strategies for Enhancing SME Development

Addressing challenges faced by SMEs requires coordinated support from governments, financial institutions, NGOs, and business communities. Policies that facilitate access to finance, reduce regulatory burdens, and promote capacity-building programs are crucial for SME development (Agyapong, 2020). Technological adoption and improved infrastructure allow SMEs to compete effectively and seize new opportunities. Collaboration, networking, and partnerships also enhance access to resources, markets, and knowledge. Evidence-based interventions can transform barriers into opportunities, increasing SME sustainability and growth. In Katima Mulilo, these strategies are particularly important for unlocking the potential of SMEs and contributing to regional economic development.

Furthermore, proactive support programs improve SMEs' long-term viability. Training, mentorship, and advisory services enhance managerial and technical skills, while financial assistance strengthens operational capacity. Digital literacy programs and infrastructure development enable SMEs to engage in e-commerce and broader market opportunities. Partnerships between stakeholders ensure coordinated support and reduce resource gaps. Through such strategies, SMEs can overcome structural, financial, and operational challenges. These measures are essential for promoting sustainable SME development and enhancing their contribution to Namibia's economy.

6. Methodology

This section presents the methodology applied to investigate the challenges experienced by Small and Medium Enterprises (SMEs) in Katima Mulilo Urban Area. The study details the research philosophy, approach, strategy, design, sampling techniques, data collection methods, and analysis procedures. Research is defined as a systematic process to answer questions, resolve problems, or gain understanding of phenomena using data (Kabir, 2016). Methodology refers to the logic and techniques employed to gather and analyze data based on specific philosophical assumptions (Schwartz-Shea & Yanow, 2012). The chosen methodology facilitated the exploration of SME owners' experiences and identification of opportunities for SME development in Katima Mulilo.

6.1. Research Philosophy

The study adopted an interpretivist research philosophy, emphasizing the subjective meanings participants assign to their experiences (Sedmak & Longhurst, 2010). SME owners were regarded as active contributors to their enterprise development rather than passive subjects (Darby, Fugate, & Murray, 2019). This philosophy enabled a deeper understanding of how SME owners perceive challenges and opportunities within their business environment. Interpretivism also allowed the researcher to explore social, economic, and political factors influencing SMEs while acknowledging the context-specific nature of the data (Saunders, Lewis, & Thornhill, 2009).

6.2. Research Approach and Design

This study adopted an inductive research approach, allowing patterns and concepts to emerge directly from the lived experiences of participants (Sedmak & Longhurst, 2010). This approach enabled SME owners and operators to freely express their perspectives on the challenges affecting their businesses, thereby generating rich qualitative data. In addition, secondary sources such as academic literature, policy documents, and reports were used to support and validate the primary data. The flexibility of the inductive approach also made it possible to accommodate participants' schedules while ensuring comprehensive data collection within limited time and resource constraints.

A phenomenological strategy was employed to gain deeper insight into the lived experiences of SME operators in Katima Mulilo (Neubauer, Witkop, & Varpio, 2019). This strategy facilitated an in-depth understanding of how participants perceive and respond to operational, financial, and market-related challenges within their business environment. By focusing on individual experiences, the study was able to capture nuanced realities that may not be easily observed through other research strategies. Alternative methods, such as focus group discussions, were not utilised due to logistical limitations and health-related considerations at the time of data collection.

6.3. Population and Sampling

The target population for this study consisted of Small and Medium Enterprise (SME) owners and operators in Katima Mulilo who had at least one year of operational experience. This criterion ensured that participants possessed sufficient knowledge and practical exposure to provide meaningful insights into the challenges affecting their businesses. A purposive sampling technique was employed to select participants who were knowledgeable and directly involved in SME operations, thereby enabling the collection of rich and relevant data aligned with the study objectives (Palinkas et al., 2015).

A total of ten participants were included in the study, comprising seven from the Katima Mulilo Open Market and three from the Multi-Purpose Industrial Park. This sample size is consistent with qualitative research guidelines, which emphasise depth of understanding rather than large sample sizes. It was considered adequate to generate detailed insights while remaining manageable within the scope of the study (Tongco, 2007; Palys, 2008).

6.4. Research Instruments

Data were collected using semi-structured interviews, allowing participants to share detailed experiences (Annum, 2017). An interview schedule guided discussions covering demographics, operational challenges, financial and market constraints, and potential solutions. Secondary data from journals, reports, and government documents complemented the primary data. Telephonic interviews were used where face-to-face interaction was not possible.

Each interview lasted between 30 and 60 minutes, depending on the availability and responsiveness of participants. Interviews were conducted primarily in English, while Silozi was used where participants were more comfortable expressing themselves in their local language to ensure clarity and accuracy of responses. All interviews were conducted in environments chosen by the participants to ensure comfort and openness.

With participants' consent, all interviews were audio-recorded using a digital recording device and mobile phone backup to prevent data loss. The recordings were later transcribed verbatim to preserve the original meaning and context of participants' responses. Where Silozi was used, translation into English was done carefully during transcription to maintain meaning consistency. In addition, field notes were taken during and immediately after interviews to capture non-verbal cues, emotional expressions, and contextual observations that could not be recorded electronically.

6.5. Data Analysis

Thematic analysis was employed to interpret qualitative data systematically (Alhojailan, 2012; Kiger & Varpio, 2020). Themes were identified, reviewed, and linked to the research objectives. Data were presented using tables, charts, and narrative summaries, ensuring clarity and alignment with study aims.

Data analysis followed a systematic thematic analysis process. First, all transcripts were read multiple times to achieve familiarisation. Second, initial codes were generated inductively from the data. Third, codes were grouped into broader categories reflecting recurring patterns. Fourth, themes were reviewed and refined to ensure internal consistency and alignment with the study objectives. Data saturation was reached when no new themes emerged from the final interviews, confirming adequacy of the sample size. An audit trail was maintained throughout the process, including coded transcripts and theme development records, to enhance transparency and reliability.

6.6. Ethical Clearance

Ethical standards were strictly observed, including informed consent, voluntary participation, confidentiality, and secure data storage (Showkat & Parveen, 2017; Arifin, 2018). Permission was obtained from local authorities, and COVID-19 health protocols were followed to protect participants (Shangula, 2021).

7. Results, Discussions and Interpretation

This section presents the findings of the study on the major challenges confronting Small and Medium Enterprises (SMEs) in Katima Mulilo Urban Area. The data were generated through semi-structured interviews with ten participants purposively selected from Katima Mulilo Open Market and the Multi-purpose Industrial Park. Participants qualified if they had operated their businesses for at least one year. All participants voluntarily consented to participate and were informed of their right to withdraw at any stage of the process.

The data were analysed using thematic analysis, which allowed for systematic identification, categorisation, and interpretation of recurring ideas within the participants' narratives (Alhojailan, 2012; Kiger & Varpio, 2020). Thematic analysis ensured that the findings were grounded in the lived experiences of the entrepreneurs while maintaining alignment with the study's objectives. The results were presented through descriptive tables, figures, and narrative explanations, supported by the Resource-Based View (RBV) Theory, which guided interpretation.

RBV posits that internal resources such as human capital, knowledge, financial assets, and technology are the foundation for sustained business performance and competitiveness (Barney, 1991; Grant, 1996). Within this framework, the study explores how resource limitations and environmental constraints influence the ability of SMEs in Katima Mulilo to survive and grow. The distribution of responses across themes indicates that financial, managerial, and infrastructural constraints were the most frequently reported challenges, while market and regulatory issues were moderately reported, and resilience strategies were observed among a smaller but significant group of participants.

Demographic Profile of Participants

Age Distribution

The study found that one participant was aged between 20 - 30 years, five were 31 - 40 years, three were 41 - 50 years, and one was between 51 - 60 years. The predominance of participants in the 31 - 40 age group suggests that the SME sector in Katima Mulilo is largely driven by individuals in their economically active and productive years. This age group is often associated with accumulated work experience, energy, and innovation critical elements in the entrepreneurial journey (Fatoki, 2014). Demographic characteristics suggest a relatively diverse but economically active group of entrepreneurs with varying levels of formal education and business exposure (**Figure 1**, **Figure 2**).

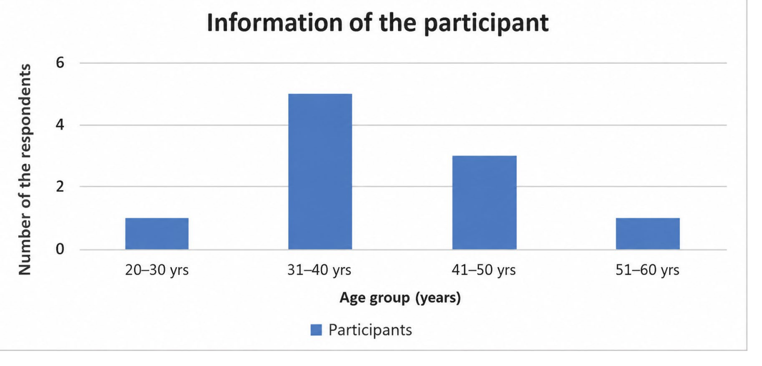

Figure 1. Information of the participants.

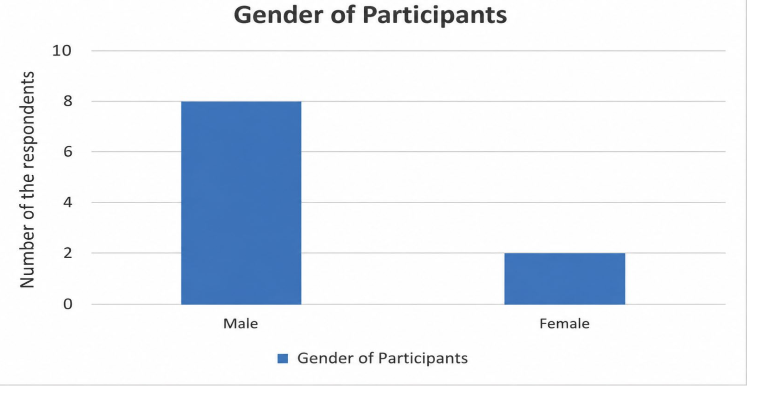

Figure 2. Gender distribution.

Eight of the participants were male and two were female. This gender imbalance mirrors the national and regional trends where men dominate the formal SME sector, while women are more active in informal microenterprises. The limited representation of women in formal business underscores persistent gender-related barriers, such as restricted access to finance and cultural expectations (Kambwale, Chisoro, & Karodia, 2015).

Educational Background

Three participants had bachelor's degrees, three completed secondary education (matric), two had education below matric, and two possessed vocational or other qualifications. This mix reveals that entrepreneurship in Katima Mulilo is not confined to formally educated individuals but is also accessible to those with technical or experiential knowledge. This finding aligns with Rabie, Cant, and Wiid (2016), who argue that while education improves managerial capability, entrepreneurial success often depends on innovation, persistence, and risk-taking (**Figure 3**).

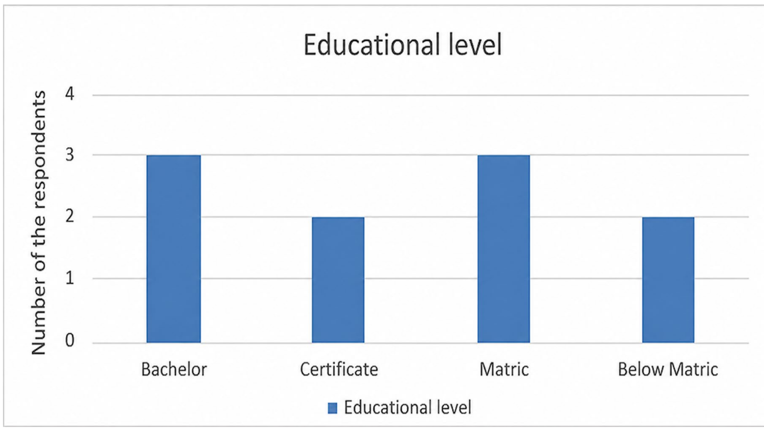

Figure 3. Educational level.

Mapping and Categorization of SMEs in Katima Mulilo

The findings show that SMEs operating in Katima Mulilo are highly diverse, although they are largely concentrated in a few dominant sectors. Most of the participating enterprises were engaged in retail and service-related activities such as tuck shops, general dealers, hair salons, catering services, informal food vending, and small repair services. A smaller proportion of businesses operated in areas such as transport services, small-scale manufacturing, and agro-related activities. This concentration in trade and services reflects the structure of the local economy, where small businesses tend to emerge in response to immediate consumer demand and relatively low entry barriers. Similar patterns have been observed in Namibia's SME sector more broadly, where informal trade and services dominate due to limited capital requirements and flexible operating conditions.

In terms of business registration status, the study found a clear distinction between formal and informal enterprises. Some SMEs were registered with relevant authorities and complied with taxation and licensing requirements, while a significant number operated informally without full registration. Many participants indicated that formalisation was constrained by administrative requirements, perceived tax burdens, and limited understanding of registration procedures. Despite these challenges, formally registered enterprises reported better access to credit facilities, training opportunities, and institutional support compared to informal businesses. Informal enterprises, on the other hand, relied largely on personal savings and family networks to sustain their operations. This dual structure of formal and informal SMEs remains a common feature in developing economies, including Namibia, and continues to influence access to opportunities and support mechanisms (Ministry of Industrialisation, Trade and SME Development, 2017).

The categorisation of SMEs by years of operation and size further revealed important patterns in the local entrepreneurial landscape. Most businesses had been in operation for a relatively short period, generally between one and five years, indicating a youthful and evolving SME sector. In terms of size, the majority of enterprises fell within the micro and small categories, employing fewer than thirty workers, while only a limited number could be classified as medium-sized enterprises. This categorisation was useful in interpreting variations in business experiences, as newer and smaller enterprises tended to struggle with capital accumulation, customer base development, and market entry, whereas more established businesses were more concerned with sustainability and competition. The predominance of micro and small enterprises highlights the need for targeted policy and development interventions aimed at strengthening business survival rates and supporting gradual enterprise growth within the Katima Mulilo context. Across all ten interviews, informal and micro-enterprises were the dominant business type, indicating a structurally informal SME environment in Katima Mulilo.

Ownership Status and Experience

Nine participants were owners of their enterprises, and one was an operator managing on behalf of an owner. Most had between five and thirteen years of experience in business operations. This indicates a relatively mature group of entrepreneurs who have gained contextual knowledge about customer preferences, seasonal variations, and local market trends an important intangible resource in RBV terms (Barney, 1991).

Financial Constraints and Limited Capital

Participants consistently identified limited financial resources as the most severe challenge, with eight out of ten participants highlighting this issue. Many reported struggling to access credit due to stringent collateral requirements, high interest rates, and limited banking facilities tailored for small enterprises. Those operating in the open market expressed that their profit margins were too low to cover operational costs and expansion.

One participant explained:

"*We survive from month to month; after paying rent and stock, there is hardly anything left to save or reinvest.*"

Another participant stated:

"*Even when business is doing well, accessing loans is difficult because we don't have the required collateral*."

A third participant explained:

"Banks require guarantees that many small business owners simply cannot provide, making it difficult to secure funding for business expansion."

Similarly, another respondent noted:

"There are times when I identify opportunities to buy more stock or equipment, but the lack of capital prevents me from taking advantage of those opportunities."

A third participant added that

"Banks require guarantees that most small businesses do not have, which makes it very difficult to get funding."

Another respondent noted:

"Sometimes I see opportunities to expand, but lack of capital prevents me from doing so."

The recurrence of financial challenges across eight interviews indicates that access to capital is a dominant structural constraint affecting SME sustainability in Katima Mulilo.

Within the RBV framework, financial capital represents a fundamental tangible resource that enables the acquisition of other strategic assets such as machinery, technology, and skilled labour (Grant, 1996). The absence of adequate capital weakens firms' ability to compete and scale up their operations, particularly in small towns where cash flow is limited. The fact that eight of the ten participants raised concerns regarding financial constraints suggests that limited access to capital is not an isolated challenge but a widespread barrier affecting SME growth and sustainability in Katima Mulilo.

Managerial and Operational Inefficiencies

Seven out of ten participants reported participants lacking formal business training, record-keeping systems, or marketing strategies. As a result, many operated informally, relying on instinct and experience rather than structured management practices. Poor customer service and inadequate stock control were cited as common operational weaknesses.

A participant reflected:

"*I don't have a proper bookkeeping system*; *I just calculate everything in my head. Sometimes I lose track of profit or loss*."

One participant explained:

"*I don't have a proper bookkeeping system*; *I just calculate everything in my head*."

Another participant added:

"*Sometimes I don't know if I am making profit or loss because I don't keep records*."

A fourth participant stated:

"I have never received formal training in business management, so I mostly rely on experience and guesswork when making decisions."

Similarly, another respondent noted:

"I struggle with managing stock and pricing because I was never taught how to properly run a business."

Another participant further explained:

"Customer handling is a challenge for me because I do not have skills in customer service or marketing."

This lack of managerial competence reduces efficiency and weakens customer trust. According to Rabie, Cant, and Wiid (2016), managerial skills constitute a critical intangible resource that enhances competitiveness and innovation. Under the RBV theory, deficiencies in such skills reduce a firm's ability to leverage its internal strengths and adapt to environmental pressures. Capacity-building initiatives focusing on business planning, financial literacy, and customer management could therefore strengthen SMEs' internal capabilities.

These findings suggest that limited managerial capacity reduces efficiency and weakens business sustainability. From a Resource-Based View perspective, managerial skills are critical internal resources that influence competitiveness and long-term performance. The fact that seven out of ten participants highlighted managerial and operational weaknesses indicates that this challenge is widespread and represents a systemic constraint affecting SME performance in Katima Mulilo.

Inadequate Infrastructure and Resource Shortages

Infrastructure and resource-related challenges were reported by seven out of ten participants, highlighting their widespread impact on SME operations. Participants identified unreliable electricity, high rental costs, and lack of adequate workspace as key barriers affecting productivity.

One participant noted:

"*Power cuts affect my work; sometimes I cannot complete orders on time.*"

Another participant stated:

"*The rent is too high for small businesses like ours, and we struggle to keep up with payments.*"

A third participant explained:

"Sometimes we go for several hours without electricity, and this delays my production and reduces my income."

Another respondent added:

"The space I am using is too small, and I cannot expand my business even when demand increases."

Infrastructure deficiencies such as unreliable electricity, poor road networks, and limited access to workspace emerged as significant barriers to SME growth. Entrepreneurs based at the Open Market described frequent power cuts that interrupt production, while those in the Industrial Park complained about inadequate sanitation and high rental costs.

In addition, some businesses operated with outdated tools or limited access to raw materials. For instance, participants in the printing and repair sectors cited the high cost of importing equipment and the unavailability of spare parts locally.

These resource limitations reduce productivity and hinder service delivery.

From an RBV perspective, infrastructure and equipment are tangible assets that contribute directly to operational efficiency and competitiveness (Wernerfelt, 1984). Their absence constrains the transformation of other resources such as human capital into productive outputs. The Ministry of Industrialisation, Trade and SME Development (2017) also acknowledges that infrastructural investment is crucial for SME development in Namibia's regional economies.

These infrastructural limitations reduce operational efficiency and constrain business growth. Within the RBV framework, physical infrastructure and equipment are essential resources that enable firms to convert inputs into outputs effectively. The fact that seven out of ten participants reported infrastructure-related constraints demonstrates that these challenges are not isolated but constitute a structural barrier affecting SME performance in Katima Mulilo.

Market Access and Regulatory Barriers

Limited market access and regulatory barriers were highlighted by five out of ten participants, indicating moderate but important constraints on business growth. Participants reported challenges related to a small customer base, fluctuating demand, and complex licensing procedures.

One participant explained:

"*Sometimes there are no customers, especially after month-end when people have no money.*"

Another participant remarked:

"*The process to get a business licence is long and expensive.*"

A third participant added:

"The customer base in this town is very small, so even if you have good products, sales are not always consistent."

Another respondent stated:

"Competition is very high, and bigger businesses attract most of the customers, leaving small ones struggling."

Furthermore, SMEs in Katima Mulilo face limited market access due to the town's small population and competition from established firms. Several entrepreneurs indicated that consumer demand fluctuates seasonally, often dropping sharply after government paydays or during economic downturns. Additionally, participants lamented restrictive local authority regulations, including high rental fees and complex licensing procedures.

As one respondent stated:

"*The process to get a business licence is long and expensive; by the time you are done, you have already lost capital.*"

Some participants further emphasized that regulatory procedures often discouraged them from formalising their businesses, as the process was perceived to be costly and time-consuming.

These regulatory bottlenecks stifle entrepreneurship and discourage formalization, consistent with findings by Kambwale et al. (2015). From an RBV standpoint, market access is an external condition that influences how effectively internal resources such as skills and products can be converted into value. SMEs require enabling institutions and fair market conditions to translate their internal strengths into sustainable outcomes.

These findings show that external environmental factors restrict SMEs' ability to expand and compete. From an RBV perspective, such external conditions influence how effectively internal resources can be utilised to generate value. The fact that five out of ten participants raised concerns about market access and regulatory barriers indicates that while not universal, these constraints represent a significant structural challenge affecting a substantial proportion of SMEs in Katima Mulilo.

Entrepreneurial Resilience and Adaptive Strategies

Despite the multiple challenges, participants demonstrated notable resilience and adaptability. Entrepreneurs described strategies such as diversifying products, using social media for marketing, sharing resources with other businesses, and participating in regional trade fairs to gain exposure.

For example, one business owner explained:

"*When business is slow, I join with others to advertise together or share a stall at events it helps us reach more customers*."

Another participant stated:

"I started selling different products depending on what customers need because relying on one product was not enough."

A third respondent added:

"Social media has really helped me reach more customers, especially WhatsApp and Facebook."

Another participant explained:

"Sometimes we collaborate with other small businesses to reduce costs and attract more customers during events."

This adaptive behaviour reflects the essence of RBV's dynamic capability perspective, where firms continuously reconfigure resources to survive in changing environments (Teece, Pisano, & Shuen, 1997). The resilience displayed by SMEs in Katima Mulilo illustrates a strong entrepreneurial culture and a commitment to sustain livelihoods despite resource scarcity. The fact that six out of ten participants reported using adaptive and survival strategies demonstrates that resilience is a common but not universal response among SMEs in Katima Mulilo, highlighting varying levels of entrepreneurial capability across the sample.

Interpretation and Theoretical Linkage

The findings indicate that the performance of SMEs in Katima Mulilo is influenced by both internal resource limitations and external environmental constraints. Internal challenges include limited financial capital, inadequate managerial skills, weak business processes, and restricted access to technology. These factors directly affect the ability of SMEs to build and sustain competitive advantage. On the other hand, external constraints such as regulatory complexity, limited market size, infrastructural challenges, and restricted access to financial institutions represent conditions beyond the direct control of the enterprise. Distinguishing between these internal and external factors is important, as it highlights the need for both capacity-building interventions at the enterprise level and structural improvements in the business environment. This distinction strengthens the application of the Resource-Based View by linking firm-level capabilities with broader contextual influences.

Distinguishing Internal Resource Gaps and External Constraints within the RBV Framework

The findings of this study indicate that the challenges experienced by SMEs in Katima Mulilo arise from both internal limitations within the enterprises themselves and external conditions within the broader business environment. Making this distinction is important because the Resource-Based View (RBV) emphasizes that an organisation's performance is influenced by the resources and capabilities it possesses, while recognising that external conditions may affect how effectively those resources can be utilised (Barney, 1991).

The study identified several challenges that can be classified as internal resource gaps. These include limited access to financial capital at the enterprise level, inadequate managerial and entrepreneurial skills, poor record-keeping practices, weak customer relationship management, and limited use of technology in business operations. Such shortcomings reduce the ability of SMEs to plan effectively, manage resources efficiently, and respond to changing market conditions. In terms of the RBV, these represent weaknesses in the tangible and intangible resources required for enterprise growth and sustainability. The findings suggest that some SMEs struggle not only because resources are scarce, but also because existing resources are not always managed or utilised strategically.

At the same time, several challenges emerged that are largely external to the enterprises. Participants reported difficulties associated with business registration procedures, licensing requirements, high rental costs, unreliable infrastructure, limited market opportunities, and fluctuating consumer demand. These factors are largely beyond the direct control of SME owners but nevertheless influence business performance. Even where entrepreneurs possess the necessary skills and motivation, their ability to expand and compete may be constrained by the conditions within which they operate.

The distinction between internal and external challenges provides a useful basis for interpreting the findings. Internal resource gaps point to the need for interventions aimed at strengthening enterprise capabilities through training, mentorship, financial literacy programmes, business management support, and the adoption of appropriate technologies. External constraints, on the other hand, highlight the importance of creating a more enabling business environment through improved infrastructure, simplified regulatory procedures, greater access to finance, and initiatives that expand market opportunities for SMEs.

Viewed through the RBV lens, the findings suggest that improving SME performance in Katima Mulilo cannot be achieved through a single intervention. Strengthening internal capabilities alone may yield limited results if external barriers remain unchanged. Similarly, improvements in the business environment may not lead to sustainable growth if enterprises lack the skills and resources required to take advantage of available opportunities. Sustainable SME development therefore requires a balanced approach that addresses both enterprise-level resource limitations and broader environmental constraints.

8. Conclusion

The study established that SMEs in Katima Mulilo face multifaceted challenges that impede their growth and long-term sustainability. These challenges financial, managerial, infrastructural, and regulatory are deeply intertwined and reflect both internal and external constraints. Nonetheless, the adaptive strategies and resilience displayed by entrepreneurs illustrate significant potential for growth if appropriate support mechanisms are implemented.

In line with the Resource-Based View, enhancing SME performance requires empowering entrepreneurs to develop, access, and utilize valuable resources both tangible and intangible. Policy interventions should therefore focus on improving access to finance, strengthening managerial competencies, and investing in infrastructure to create a conducive environment for SME development in the Zambezi Region and Namibia at large.

9. Recommendations

The recommendations presented in this study are informed by the distinction between internal resource limitations and external environmental constraints identified during the analysis. While some interventions are aimed at strengthening the capabilities of SMEs through skills development, financial management training, and improved business practices, others focus on creating a more supportive business environment through regulatory reforms, infrastructure development, improved access to finance, and enhanced market opportunities. Addressing both dimensions simultaneously is essential for improving the competitiveness, growth, and long-term sustainability of SMEs in Katima Mulilo.

The study recommends the following measures to address the challenges faced by SMEs in Katima Mulilo:

Improving access to finance should be prioritised through the development of flexible loan schemes with reduced collateral requirements tailored to small businesses. Financial institutions and government support programmes should be more accessible to both formal and informal enterprises.

Capacity-building initiatives are necessary to strengthen managerial and entrepreneurial skills. Training programmes in financial management, marketing, and customer relations should be provided through vocational training centres and business development services.

Regulatory processes should be simplified to encourage business formalisation.

Local authorities should streamline licensing procedures and reduce associated costs to make compliance more accessible for small enterprises.

Infrastructure development is essential to support SME operations. Investment in reliable electricity supply, affordable business premises, and digital connectivity will enhance productivity and efficiency.

Efforts to improve market access should include support for digital marketing, participation in trade fairs, and the establishment of local business networks. These initiatives can help SMEs expand their customer base and improve competitiveness.

Finally, the establishment of local SME support centres can provide mentorship, advisory services, and access to business information, contributing to long-term sustainability and growth.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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