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Research article

Challenges faced by Small, Micro and Medium-sized tourism enterprises in Greater Letaba Local Municipality, Limpopo Province, South Africa

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ABSTRACT

Small, Micro, and Medium-sized Tourism Enterprises (SMMTEs) are widely recognised as catalysts for inclusive economic growth, employment creation, and rural development. However, their sustainability remains fragile in rural South African municipalities, including Greater Letaba Local Municipality (GLM), Limpopo Province. Guided by Finance Gap Theory and Resource Dependence Theory, this study examined the internal and external challenges affecting SMMTEs in the municipality. An explanatory sequential mixed-methods design was employed: quantitative data were collected through a structured survey of 100 purposively selected SMMTEs, followed by qualitative insights from 10 semi-structured interviews. The findings reveal persistent internal and external constraints, with respondents identifying finance as a significant survival challenge. Limited funding information, insufficient collateral and high loan costs restricted access to finance, while financial and skills limitations constrained digital-technology adoption. Although financial vulnerability occurred across enterprise-maturity categories, the primary chi-square test found no statistically significant association between enterprise maturity and perceived financial constraint. By examining the interrelationship between internal capabilities and external resource conditions in a rural municipality, the study provides an integrated explanation of SMMTE sustainability that may not be fully understood when financial, technological and market constraints are considered separately. The findings support coordinated capacity-building, accessible financing, digital support and collaborative local tourism networks in GLM and comparable rural municipalities.

KEYWORDS

Tourism SMMEs;
financial constraints;
resource dependence;
rural tourism;
enterprise sustainability

Introduction

Small, Micro, and Medium-sized Tourism Enterprises (SMMTEs) are widely recognised as critical drivers of economic development, particularly in rural and underserved areas (Adegunloye & Wissink, 2024). In South Africa, SMMTEs contribute significantly to inclusive growth, job creation, and local livelihoods (Ngo Ndjama & Van Der Westhuizen, 2024). However, despite their importance, many SMMTEs face substantial barriers to sustainability and growth, with rural municipalities such as the GLM showing disproportionately high failure rates (Botha et al., 2021). Although national strategies highlight tourism's potential to spur local development, limited empirical research has examined the specific challenges SMMTEs face in rural settings such as GLM. SMMTEs encompass a range of small-scale tourism and hospitality service providers, including guesthouses, lodges, and cultural attractions (Khalique et al., 2011; Naef, 2020). These enterprises often struggle due to limited operational capacity amid dynamic market and environmental conditions (Yi et al., 2023). South Africa faces particularly high SMME failure rates, with estimates reaching 90% within ten years of establishment (Lings, 2014; Bushe, 2019; Global Entrepreneurship Monitor, 2012). Contributing factors include inadequate managerial skills, financial mismanagement, limited access to training, regulatory

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constraints, poor infrastructure, and inconsistent government support (Mhlongo & Daya, 2023). This combination of internal and external challenges undermines the growth and competitiveness of SMMTEs.

Tourism enterprises operate within a complex environment shaped by both internal factors such as organisational resources and managerial capacity and external factors including market access, legislation, infrastructure, and the broader economic climate (Shehu & Nilsson, 2014; Rogerson, 2012). Rural SMMTEs often lack the resilience required to navigate these complexities, limiting their potential for sustainable growth (Mhlongo & Daya, 2023; Ramukumba & Sethwana, 2024). Despite these challenges, SMMTEs remain important contributors to employment creation, local livelihoods and destination development, consistent with the objectives of the National Development Plan (National Planning Commission, 2012). However, their sustainability is threatened when structural and operational barriers are addressed separately (Leboea, 2017; Sitharam & Muhammad, 2016). Existing studies have established that tourism SMMTEs experience financial, managerial, technological and environmental constraints (Chamboko-Mpotaringa et al., 2025; Mhlongo & Daya, 2023; Ramukumba & Sethwana, 2024). However, less is known about how enterprise-level capabilities relate to access to externally controlled resources and how limitations in the external environment may, in turn, constrain the development of those capabilities, particularly in rural municipalities. Examining this relationship is important because the sustainability of rural SMMTEs may depend not only on individual constraints, but also on how these constraints reinforce one another. This study examines this relationship by integrating Finance Gap Theory and Resource Dependence Theory in the context of Greater Letaba Local Municipality.

Despite the strategic importance of Small, Micro and Medium-sized Tourism Enterprises (SMMTEs) to local economic development and national growth, many continue to experience high failure rates. Existing literature attributes these challenges to a combination of internal and external environmental factors, including inadequate managerial capacity, limited financial resources and poor infrastructure (Mhlongo & Daya, 2023; Ramukumba & Sethwana, 2024). Although studies have identified both internal and external challenges, these factors are frequently examined separately, providing limited understanding of how enterprise-level capabilities are related to access to externally controlled resources. Recent studies continue to report financial, managerial and technological constraints affecting tourism SMMTEs but generally discuss them as separate areas of enterprise vulnerability (Chamboko-Mpotaringa et al., 2025; Ramukumba & Sethwana, 2024). This study therefore examines internal and external constraints together to develop a more integrated understanding of the conditions affecting the growth and sustainability of SMMTEs in Greater Letaba Local Municipality (GLM). Against this background, the study is guided by the following objectives: (1) to identify the internal challenges constraining the growth and sustainability of SMMTEs in GLM; (2) to examine the external challenges affecting the operational environment of SMMTEs in GLM; and (3) to determine whether perceived financial constraints are associated with enterprise maturity, measured by the number of years the SMMTE has been in operation.

Theoretical framework

This study is grounded in two interrelated theoretical perspectives: Finance Gap Theory and resource dependence theory. The finance gap theory explains the structural disadvantages that SMMTEs face in accessing funding, often arising from information asymmetries, perceived higher risk, lack of collateral, and institutional biases within financial markets. In the tourism context, these barriers persist despite the availability of formal support mechanisms, creating a persistent “funding gap” that restricts growth and competitiveness (Beck & Demirgüç-Kunt, 2006; Mhlongo & Daya, 2023). The theory is particularly relevant for SMMTEs in rural municipalities, where limited financial literacy and geographic remoteness further exacerbate exclusion from mainstream credit systems (Fosu, 2020). Resource dependency theory (RDT) complements this perspective by analysing how SMMTEs rely on external stakeholders such as government agencies, training institutions, and private investors for essential resources, including finance, skills development, infrastructure, and market access (Pfeffer & Salancik, 1978). RDT posits that the survival and growth of these enterprises are contingent on their ability to establish, maintain, and strategically manage relationships with these external actors to reduce uncertainty and secure long-term sustainability (Hillman et al., 2009; Adegunloye & Wissink, 2024). By integrating finance gap theory and resource dependency theory, this study provides a more comprehensive understanding of how internal capabilities and external resource constraints interact to shape the sustainability of SMMTEs. Although finance gap theory highlights structural and systemic barriers to accessing capital, RDT underscores the strategic importance of leveraging external partnerships and networks to mitigate these limitations.

Literature review

Internal challenges faced by SMMTEs

SMMTEs face a range of internal challenges that are largely under the control of business owners or managers. These include limited managerial competence, inadequate financial management skills, restricted access to finance, and insufficient technological capabilities (Mhlongo & Daya, 2023; Ramukumba & Sethwana, 2024). Such constraints significantly influence operational efficiency, competitiveness, and long-term survival. Managerial competence is widely acknowledged as a decisive factor in sustainability, encompassing business planning, customer relationship management, marketing, and human resource management (Ngo Ndjama & Van Der Westhuizen, 2024). However, many owners enter the sector in response to unemployment rather than through formal business training, leading to gaps in strategic decision-making and market positioning (Mhlongo & Daya, 2023). A lack of targeted business education and managerial skills training contributes to high failure rates (Adegunloye & Wissink, 2024). Without these competencies, SMMTEs struggle to adapt to market shifts, introduce innovation, and manage growth effectively (Yi et al., 2023). Managerial competency is a critical driver of SMME performance, influencing business planning, financial management, marketing, and human resource practices (Fatoki, 2014). In the tourism sector, effective management skills enable companies to deliver consistent service quality, adapt to market shifts, and implement innovative offerings that improve competitiveness (Krüger & Steyn, 2020). Empirical studies highlight that SMMTEs led by competent managers achieve higher profitability, customer loyalty, and operational stability than those lacking such skills (Rogerson, 2017; Sandada et al., 2014). Furthermore, the successful operation of SMMTEs requires integrating sector-specific expertise, such as destination knowledge, tourism product development, and network building, with general business management capabilities (Mhlongo & Daya, 2023). This combination not only supports day-to-day operations but also ensures long-term sustainability in a competitive and volatile tourism market.

Financial management capability is equally critical, yet many operators lack basic financial knowledge, such as budgeting, interpreting financial statements, and maintaining accurate records (Fosu, 2020; Ramukumba & Sethwana, 2024). Poor recordkeeping and limited accounting skills hinder access to formal finance, which typically requires reliable documentation and collateral (Chili & Mabaso, 2016). Even when external funding is obtained, weak financial controls often lead to ineffective use of resources (Mhlongo & Daya, 2023). Limited access to finance is one of the most significant obstacles to growth and survival (Adegunloye & Wissink, 2024; Rambe, 2017). Financial institutions often classify these companies as high-risk due to their size, lack of collateral, and short operational history, resulting in stringent lending requirements (Beck & Demirgüç-Kunt, 2006). Rural tourism enterprises are particularly disadvantaged, often lacking the records and credit histories needed to meet lending criteria (Ramukumba & Sethwana, 2024). Streamlined processes and integrated business development services are needed to ensure that funding is translated into sustainable growth. Technology adoption could address several constraints by improving efficiency, expanding market reach, and enhancing customer engagement. However, many SMMTEs rely on manual systems and have minimal online presence due to inadequate skills and limited funds (Adinolfi et al., 2018; Popescu, 2019; Chamboko-Mpotaringa et al., 2025). Insufficient digital literacy reduces competitiveness in a marketplace where customers expect seamless online transactions (Mametja et al., 2023). The integration of technology into marketing, financial management, and operations is therefore essential for business growth, yet remains underutilised, particularly among rural tourism enterprises (Ramukumba & Sethwana, 2024).

External challenges faced by SMMTEs

SMMTEs operate in a complex external environment over which they have limited control. These external forces, ranging from market competition and globalisation to regulatory frameworks, infrastructure constraints, natural disasters, and crime, shape the conditions under which businesses survive or fail (Mhlongo & Daya, 2023; Ramukumba & Sethwana, 2024; Rogerson & Sixaba, 2022). Shifts in economic indicators such as inflation, exchange rates, and interest rates, along with socio-political instability, also influence their performance (Kalidas et al., 2020). Competitive pressures on both domestic and international markets remain a significant challenge. Globalisation and rapid technological change have redefined competitive standards, increased customer expectations, and intensified rivalry (Adinolfi et al., 2018). Many SMMTEs struggle to respond effectively due to resource constraints, limited market intelligence, and insufficient innovation capacity. As a result, their competitive strategies often rely heavily on pricing rather than differentiation, branding, or technology-driven approaches (Ngo Ndjama & Van Der Westhuizen, 2024). Integration into the global tourism economy offers opportunities for market expansion, but many South African SMMTEs remain excluded due to financial limitations, inadequate international marketing capabilities, and weak strategic positioning, and the persistent difficulty of forging linkages with larger,

established enterprises (Adegunloye & Wissink, 2024; Harilal & Nyikana, 2019). Although reductions in certain trade barriers have created new openings, small operators often lack the skills, partnerships, and infrastructure to compete internationally. Without targeted support in export readiness, digital marketing, and cross-border networking, global market participation remains limited (Mhlongo & Daya, 2023).

Methodology

An explanatory sequential mixed-methods design was used to examine internal and external challenges facing SMMTEs in GLM, a predominantly rural municipality in the Mopani District of Limpopo Province (Greater Letaba Local Municipality, 2019/2020). The quantitative phase involved a structured online survey sent to 100 purposively selected SMMTEs from the Limpopo Department of Economic Development, Environment and Tourism (LEDET) database. Eligible SMMTEs had been in operation for at least three years. In the qualitative phase, all 100 SMMTEs who participated in the quantitative phase were invited to semi-structured follow-up interviews, and 10 accepted. The interviews were recorded with consent, transcribed verbatim, and thematically analysed. Integration occurred during interpretation, with qualitative insights used to explain the statistical trends. Triangulation improved validity by corroborating patterns across the two phases. Ethical clearance was granted by the Nelson Mandela University Research Ethics Committee (H23-BES-TRM-075), and informed consent was obtained from all participants before data collection.

Results and discussion

This section presents the quantitative results first, followed by the qualitative findings that provide further explanation of the statistical results.

Demographic profile of the participants

The demographic profile of the respondents within the SMMTEs indicates diverse representation across roles, qualifications, and sector experience. Most participants were company owners (50%), followed by those occupying both owner and managerial roles (30%), while 16% were managers and 4% held other positions. Regarding academic qualifications, the majority possessed a bachelor's degree or national diploma (46%), with smaller proportions holding an honours/B-Tech qualification (20%), grade 12 or below (18%), a Master's/M-Tech (15%), and only 1% holding a doctoral/D-Tech degree. In terms of industry experience, the largest group of respondents had 11-20 years (44%), followed by those with 5–10 years (25%) and 1–4 years (15%), while 15% reported more than 21 years in the sector. Only 1% of respondents indicated less than a year of experience. These results reflect a participant group that is relatively well-qualified, with significant managerial ownership and extensive experience in the tourism SMME sector. The survey findings reveal important characteristics of the participating SMMTEs. In terms of business type, most of the respondents operated guesthouses (41%), followed by bed and breakfasts (16%), lodges (14%), and tour or travel agencies (7%), while hotels accounted for 5%, resorts 1%, and 16% fell into the "other" category. This dominance of small-scale accommodation aligns with Apulu's (2012) assertion that guesthouses are central to South African tourism, offering personalised services that suit the region's attractions. Regarding employment, almost half of the businesses (48%) employed fewer than five workers, while 38% had between 5 and 20 employees, 12% employed 21 to 50 people, and only 2% had between 51 and 100 employees. With respect to years in operation, 41% of SMMTEs had been in existence for over 15 years, while 22% had been operating for 10 to 15 years, another 22% for 6 to 9 years, 10% for 3 to 5 years, and 5% for less than 3 years.

Management skills and experience of participants

The findings reveal diverse perspectives on management skills and experience among the respondents. Concerning the lack of management skills as a challenge, 25% of participants either strongly agreed (8%) or agreed (17%), while 29% disagreed and 31% strongly disagreed, suggesting that a majority did not perceive this as a critical issue. When asked about prior experience in business management, only 12% of respondents agreed, 23% disagreed, and a notable 52% strongly disagreed, indicating that most managers lacked prior business management experience. Regarding training in business management, 18% agreed, 34% disagreed, and 39% strongly disagreed, indicating that limited training was not perceived as a major barrier. A similar pattern was observed in financial management and planning, where 20% agreed, but a larger proportion (25% disagreed and 37% strongly disagreed) rejected the notion of insufficient training. Regarding marketing knowledge, 22% agreed, 25% disagreed, and 34% strongly disagreed, suggesting that most respondents did not view marketing training as significantly lacking. Lastly, concerning bookkeeping and accounting, 27% agreed that management lacked training, but 24% disagreed, and 29% strongly disagreed, indicating that most participants considered their management sufficiently skilled in this area.

The findings reveal significant skill gaps among management in relation to core financial management practices. Regarding the ability to analyse financial statements, 22% of respondents (8% strongly agree and 14% agree) indicated that management lacks the necessary skills, while 31% strongly disagreed and another 31% disagreed, suggesting that the majority perceive this skill as adequately present, though 16% remained neutral. Regarding cash flow forecasting, 29% (10% strongly agree and 19% agree) reported a lack of skills, whereas 59% (31% disagree and 28% strongly disagree) expressed the opposite view, with 12% neutral. Similarly, 29% (10% strongly agree and 19% agree) agreed that management lacks the skills to prepare trading budgets, while 56% (28% disagree and 28% strongly disagree) disagreed, and 15% were neutral. Finally, when it comes to preparing financial statements, 37% (14% strongly agree and 23% agree) acknowledged limited skills, compared to 45% (24% disagree and 21% strongly disagree), with 18% taking a neutral stance. Overall, while a considerable proportion of respondents highlight deficiencies in financial management capabilities, the results suggest mixed perceptions, with many respondents disagreeing that such limitations exist.

The survey results above indicate that while a minority of the respondents acknowledged gaps in management skills and training, the majority reported adequate prior business and sector-specific experience, aligning with the view that managerial competence is a critical driver of SMME performance (Fatoki, 2014). Strong disagreement with statements about the lack of managerial experience supports the argument that tourism enterprises with skilled leaders are better able to ensure service quality, adapt to changing markets, and maintain operational stability (Krüger & Steyn, 2020; Sandada et al., 2014). Similarly, the perception of sufficient expertise in marketing and accounting corresponds with evidence that effective management improves competitiveness and long-term sustainability in SMMTEs (Rogerson, 2017; Mhlongo & Daya, 2023). However, mixed responses regarding specific financial practices such as preparing cash-flow forecasts, trading budgets, and financial statements align with findings in the literature that, despite broad managerial competence, many small tourism enterprises continue to face technical challenges in financial management (Fatoki, 2014; Sandada et al., 2014).

Access and challenges to finance

The findings on access to finance among SMMTEs in the GLM indicate that financial constraints remain a critical challenge to their survival. Most respondents (71%) identified finance as a significant challenge, while only 29% did not. Awareness of available funding opportunities also appears uneven, with 60% of SMMTEs reporting no knowledge of government funding programmes, whereas a higher proportion (65%) demonstrated awareness of private funding opportunities. Regarding sources of finance, equity (27%), short-term loans (18%), and self-funding (18%) emerged as the most common, followed by long-term loans (16%), other forms of finance (11%), venture capital (6%), and family or friends (4%). Despite these funding avenues, a smaller proportion of respondents (8%) reported difficulties accessing external finance, compared with 31% who reported no such challenges. These results suggest that while external financing options exist, reliance on personal or equity-based funding remains dominant, highlighting limited awareness of and access to formal financing mechanisms among SMMTEs in the GLM. The findings highlight several challenges facing tourism SMMTEs in accessing finance. A considerable proportion of respondents (53%) either strongly agreed or agreed that a lack of information about external finance, such as business loans, constitutes a significant barrier, while 24% remained neutral. Similarly, a majority (60%) indicated that the lack of collateral is a major difficulty, with only a small fraction (13%) disagreeing. Awareness of available financing also emerged as a key issue, with 63% acknowledging it as a challenge. Poor-quality business information was another prominent factor, as 62% of respondents agreed that it hinders access to finance. Furthermore, 45% recognized that insufficient managerial experience or skills impede access to finance, although responses here were more mixed, with 25% neutral and 30% disagreeing. High loan interest rates appeared to be one of the most critical obstacles, with 77% of participants agreeing or strongly agreeing that this was an issue. The age of the business was perceived as less influential, with 36% neutral and a split between agreement and disagreement. Finally, poor credit scoring drew mixed views: 30% agreed it is a hindrance, 27% were neutral, and 34% disagreed, suggesting it may not be as universally constraining as other factors. Collectively, the results demonstrate that while structural and informational barriers such as limited awareness, poor collateral, and high interest rates are the most pressing issues, other factors like managerial skills, business age, and credit scoring exert more variable influence on SMMTEs' access to finance.

The results confirm that access to finance remains a critical constraint for SMMTEs in the GLM, with 71% identifying finance as a major challenge and many reporting low awareness of government funding opportunities. This aligns with existing research showing that limited access to finance is one of the most significant barriers to the survival and growth of small enterprises, particularly in tourism (Adegunloye & Wissink, 2024; Rambe, 2017). The reliance on equity, self-funding, and short-term loans in the study aligns

with evidence that, in the absence of accessible external funding, many operators rely heavily on personal resources or informal networks (Ngo Ndjama & Van Der Westhuizen, 2024). Consistent with the survey finding that poor-quality business information and lack of collateral hinder financing, scholars highlight that weak financial literacy, poor recordkeeping, and inadequate accounting practices prevent many enterprises from meeting formal lending requirements (Fosu, 2020; Chili & Mabaso, 2016; Ramukumba & Sethwana, 2024). The finding that high interest rates constitute the most pressing challenge further reflects structural constraints, as financial institutions often classify SMMTEs as high risk and impose stringent terms due to their limited collateral and short operating histories (Beck & Demirgüç-Kunt, 2006). Similarly, the uneven awareness of funding opportunities mirrors observations that many tourism SMMTEs remain excluded from government programmes due to information gaps and the complexity of application processes (Ramukumba & Sethwana, 2024; Adegunloye & Wissink, 2024). Moreover, the mixed responses regarding the role of managerial experience in securing finance resonate with the literature, which stresses that even when funding is obtained, weak financial management and poor controls can undermine its effective use (Mhlongo & Daya, 2023). Overall, the findings reinforce the literature by showing that structural barriers (collateral, interest rates), informational gaps (awareness, documentation), and capacity limitations (financial literacy, recordkeeping) combine to restrict access to finance and perpetuate reliance on personal savings.

Technological advancements in SMMTEs

The survey findings reveal that technological advancements are widely perceived as critical to improving the performance of Small, Medium, and Micro Tourism Enterprises (SMMTEs). Most respondents strongly agreed or agreed that online booking and reservation systems (87%), digital marketing and search engine optimisation (88%), and electronic payment systems (81%) would positively influence their businesses, indicating a strong recognition of the value of technology in improving competitiveness and efficiency. However, several barriers hinder the adoption of technology. Notably, 59% of respondents identified a lack of financial resources as a challenge, 41% cited a lack of awareness, and 49% pointed to insufficient skills or expertise in using technology. Follow-up interviews confirmed these barriers. Some participants reported positive outcomes from systems like Night Bridge, citing improved automation, real-time updates, and operational efficiency (Participants A, C, E). Others raised issues such as security concerns, cost–benefit limitations with platforms like Booking.com, and affordability of content creation (Participants B, F, I, H). The financial burden and training needs remain key obstacles. This resonates with the literature, which highlights that technology adoption improves efficiency, broadens market reach, and strengthens customer engagement, thus improving overall business performance (Adinolfi et al., 2018; Popescu, 2019). However, several barriers hinder the adoption of technology. 59% of respondents identified a lack of financial resources as a challenge, 41% cited a lack of awareness, and 49% pointed to insufficient skills or expertise in using technology. These constraints mirror previous findings that many SMMTEs continue to rely on manual systems and have minimal online presence due to limited funds and inadequate digital literacy, particularly in rural contexts (Adinolfi et al., 2018; Mametja et al., 2023; Ramukumba & Sethwana, 2024). The consequences of insufficient digital capacity are significant, as poor digital literacy and weak integration of technology into marketing, operations, and financial management reduce competitiveness in a marketplace where customers increasingly expect seamless online transactions (Chamboko-Mpotaringa et al., 2025). Follow-up interviews reinforced these barriers: while some participants reported positive outcomes from systems like Night Bridge, such as automation, real-time updates, and improved efficiency, others highlighted persistent challenges, including the affordability of platforms like Booking.com, security concerns, and the high cost of digital content creation. The findings underscore the continued need for financial support, capacity-building initiatives, and awareness programmes to facilitate the digital transformation of SMMTEs (Ramukumba & Sethwana, 2024).

Competition

The findings reveal that competition is a significant challenge facing Small, Medium and Micro Tourism Enterprises (SMMTEs) in the Greater Letaba Municipality (GLM). More than half of the respondents (56%) acknowledged competition as a critical barrier to their operations, while 44% did not perceive it as a major challenge. When considering the type of competition faced, the majority of SMMTEs (71%) reported being primarily affected by local competition, suggesting that the density and similarity of tourism offerings within the municipality intensify market rivalry. A smaller proportion (4%) reported being affected by international competition, while a notable 25% experienced pressure from both local and international competitors. These findings highlight that while global competition has a limited influence, local market saturation and rivalry are the predominant competitive forces shaping the sustainability and performance of SMMTEs in the region. However, the follow-up interviews provided a view that contradicted the 56% who acknowledged that competition is a critical barrier. Participant A reframed competition as an opportunity, stating that *"new*

hotels in the area are not a threat but potential partners for overflow bookings and collaborations." This cooperative mindset aligns with resource dependency theory, which advocates strategic alliances to reduce vulnerability. Similarly, Participant D emphasised differentiation through service quality, noting that *"creating a unique customer experience is the only way to stand out in a crowded market."* Participant E reinforced this view, focusing on cleanliness and value for money to attract repeat clients, while Participant B highlighted building credibility through Tourism SA registration and a three-star rating to secure high-profile clients. From a broader perspective, Participant F noted that competition from neighbouring countries like Botswana and Zimbabwe *"can actually benefit the region by making Southern Africa a more diverse tourist destination,"* while also stressing the need for diversity and inclusion in service delivery. The findings reveal that competition is a significant challenge facing Small, Medium and Micro Tourism Enterprises (SMMTEs) in the Greater Letaba Municipality (GLM). More than half of the respondents (56%) acknowledged competition as a critical barrier to their operations, while 44% did not perceive it as a major challenge. When considering the type of competition faced, the majority of SMMTEs (71%) reported being primarily affected by local competition, suggesting that the density and similarity of tourism offerings within the municipality intensify market rivalry. This reflects broader evidence that competitive pressures in domestic markets are heightened by limited resources, weak innovation capacity, and overreliance on pricing strategies rather than differentiation (Adinolfi et al., 2018; Ngo Ndjama & Van Der Westhuizen, 2024).

Statistical test of associations

An analysis was conducted to examine the impact of financial constraints on the survival of SMMTEs across business maturity in relation to the length of time the business has been in operation. The cross-tabulation (Table 1) of the responses below indicates that a substantial proportion of companies in all age categories perceive finance as a critical survival challenge. Specifically, companies operating for less than 3 years and 3–5 years reported unanimous concern (100%) regarding financial constraints, whereas firms in operation for 6–9 years, 10–15 years, and over 15 years reported 73%, 64%, and 63%, respectively, affirming financial challenges. A Chi-square test of independence was used to determine whether perceiving finance as a survival challenge was associated with business age. The Pearson Chi-Square value was 7.884 with 4 degrees of freedom ($p = 0.096$), indicating that there is no statistically significant association at the conventional 0.05 level, although the Likelihood Ratio ($\chi^2 = 11.957$, $p = 0.018$) and the Linear-by-Linear Association ($\chi^2 = 6.151$, $p = 0.013$) suggest a significant trend that longer-established firms may be slightly less likely to perceive finance as a critical threat. In particular, three cells (30% of the table) had expected counts below 5, with a minimum of 1.45, suggesting caution when interpreting the Pearson Chi-Square result due to potential low-frequency bias. These findings imply that while financial challenges are prevalent across all enterprise maturities, newer firms (<5 years) experience them more acutely, which may reflect their limited access to capital, weaker credit histories, and lower revenue buffers. In contrast, longer-established firms (>10 years) appear somewhat more resilient, possibly benefiting from accumulated resources, established networks, and operational experience that mitigate financial vulnerability. The observed linear trend further supports the argument that the perception of financial threats decreases modestly as businesses mature. These insights underscore the importance of targeted financial support mechanisms, particularly for nascent SMMTEs, to improve survival and long-term sustainability. Participant A, who has been in business for more than a decade, noted that "even after all these years, keeping up with operational costs and maintaining cash flow is still a struggle." In contrast, Participant B, which has operated for three years, stressed that "the first few years are the hardest because there is no financial history to convince lenders."

Table 1: Cross tabulation

			Finance poses a significant challenge to the survival of your business		
			Yes	No	Total
Length of time company has been in operation	<3 years	Count	5	0	5
		Expected Count	3.6	1.5	5.0
		Residual	1.5	-1.5	
	3-5 years	Count	10	0	10
		Expected Count	7.1	2.9	10.0
		Residual	2.9	-2.9	
	6-9 years	Count	16	6	22
		Expected Count	15.6	6.4	22.0
		Residual	0.4	-0.4	
	10-15 years	Count	14	8	22
		Expected Count	15.6	6.4	22.0
		Residual	-1.6	1.6	
	>15 years	Count	26	15	41
		Expected Count	29.1	11.9	41.0
		Residual	-3.1	3.1	
Total		Count	71	29	100
		Expected Count	71.0	29.0	100.0

Chi-Square Tests					
	Value	df	Asymptotic Significance (2-sided)		
Pearson Chi-Square	7.884[a]	4	0.096		
Likelihood Ratio	11.957	4	0.018		
Linear-by-Linear Association	6.151	1	0.013		
N of Valid Cases	100				
a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 1.45.					

A homogeneity of variance test (Table 2) was conducted to assess whether the assumption of equal variances across groups was satisfied for the variable measuring the extent to which management or owners possess the necessary skills to carry out financial functions. The results of the Levene test indicated non-significant values in all measures: based on the mean (F = 2.137, df = 2, 97, p = 0.124), the median (F = 1.878, df = 2, 97, p = 0.158), the median with adjusted degrees of freedom (F = 1.878, df = 2, 96.373, p = 0.158) and the trimmed mean (F = 2.070, df = 2, 97, p = 0.132). These findings suggest that the assumption of homogeneity of variances was not violated, thereby justifying the use of parametric ANOVA procedures. Subsequent one-way ANOVA analysis did not reveal statistically significant differences between groups (F = 1.091, df = 2, 97, p = 0.340), which was corroborated by robust tests of the equality of means using the Welch statistic (F = 1.376, df = 2, 36.87, p = 0.265). Post hoc comparisons using Tukey's HSD test further confirmed the absence of significant pairwise differences among the groups, as all confidence intervals included zero. Collectively, these results indicate that variations in the perceived financial management skills of SMMTE owners or managers do not differ significantly across levels of the relative difficulty of running the enterprise during the past financial year, with the underlying assumption of homogeneity of variances satisfactorily met.

Table 2: Test of homogeneity of variances

Tests of Homogeneity of Variances						
			Levene Statistic	df1	df2	Sig.
The extent to which the management/owner of the business has the necessary skills to carry out the financial functions.	Based on Mean		2.137	2	97	0.124
	Based on Median		1.878	2	97	0.158
	Based on Median and with adjusted df		1.878	2	96.373	0.158
	Based on the trimmed mean		2.070	2	97	0.132
ANOVA						
The extent to which the management/owner of the business has the necessary skills to carry out the financial functions.						
	Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	3.315	2	1.658	1.091	0.340	
Within Groups	147.347	97	1.519			
Total	150.662	99				
Dependent Variable:						
Tukey HSD						
(I) Running an SMME during the past financial year		Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
More difficult	Easier	-0.30296	0.36701	0.688	-1.1765	0.5706
	The same.	0.27740	0.28362	0.592	-0.3977	0.9525
Easier	More difficult	0.30296	0.36701	0.688	-0.5706	1.1765
	Stayed the same	0.58036	0.40343	0.325	-0.3799	1.5406
Stayed the same	More difficult	-0.27740	0.28362	0.592	-0.9525	0.3977
	Easier	-0.58036	0.40343	0.325	-1.5406	0.3799
Robust Tests of Equality of Means						
The extent to which the management/owner of the business has the necessary skills to undertake the financial functions.						
	Statistic[a]		df1	df2	Sig.	
Welch	1.376		2	36.87	0.265	
ANOVA						
The extent to which the management/owner of the business has the necessary skills to undertake the financial functions.						
	Sum of Squares	df	Mean Square	F	Sig.	
Between Groups	3.315	2	1.658	1.091	0.340	
Within Groups	147.347	97	1.519			
Total	150.662	99				

Conclusions

The three objectives of this study have been addressed: internal challenges constraining SMMTEs (Objective 1); the external challenges shaping their operational environment (Objective 2); and the relationship between financial constraints and enterprise maturity was determined through statistical analysis (Objective 3). This study aimed to examine the internal and external challenges that constrain the growth and sustainability of Small, Micro, and Medium-sized Tourism Enterprises (SMMTEs) in the Greater Letaba Municipality (GLM). The findings highlight that, while SMMTEs remain vital drivers of rural economic development and employment creation, they continue to face persistent obstacles that limit their competitiveness and long-term survival. Internally, companies are constrained by financial management gaps, limited access to funding, and uneven adoption of digital technologies. Externally, structural barriers such as inadequate infrastructure, high lending costs, regulatory compliance requirements, and intensified local competition further compound these vulnerabilities. The study demonstrates that these challenges are interdependent: weaknesses in managerial capacity exacerbate difficulties in securing finance, while structural limitations, such as poor infrastructure and high interest rates, magnify operational inefficiencies. Importantly, despite these constraints, many companies exhibit resilience through experience, differentiation strategies, and collaborative approaches that reframe competition as an opportunity. The results also underscore the critical role of technological adoption, financial literacy, and strategic partnerships in improving the sustainability of rural tourism enterprises. Addressing these challenges requires integrated policy and practice interventions that combine capacity-building, improved access to finance, digital transformation support,

and infrastructure investment. Strengthening institutional support and streamlining government programmes will also be essential to reducing barriers to participation and ensuring that SMMTEs can contribute fully to local and national development goals. By bridging internal skill gaps and external structural limitations, SMMTEs in GLM can unlock their potential as engines of inclusive growth and sustainable rural transformation. The integration of Finance Gap Theory and Resource Dependence Theory explains how internal enterprise capabilities and external resource conditions are interrelated in shaping the sustainability of rural SMMTEs. The mixed-methods evidence from Greater Letaba Local Municipality indicates that limitations in financial management and technological capability occur alongside externally imposed constraints, including limited funding information, collateral requirements, high lending costs, and market pressures. Financial vulnerability was reported across enterprise maturity categories, although the Pearson chi-square test did not indicate a statistically significant association between enterprise maturity and perceived financial constraint. These findings support coordinated capacity-building, accessible financing, digital support, and collaborative tourism networks for SMMTEs in comparable rural municipalities. The findings derive from a purposive sample of SMMTEs in a single municipality and are therefore context-specific rather than statistically generalisable; reliance on self-reported perceptions may introduce response bias. Future research, therefore, could extend the analysis through comparative, multi-municipality, and longitudinal designs that track enterprise survival and further test the interdependence of internal and external constraints identified here.

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