THE INFLUENCE OF ACCESS TO FINANCIAL SERVICES AND EFFECTIVE FINANCIAL MANAGEMENT PRACTICES ON SME SUCCESS IN SOUTH AFRICA

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ABSTRACT

The success rate of small and medium enterprises (SMEs) in South Africa is still low due to the majority failing in their early stages of initiation. The main reasons why SMEs fail can be ascribed to their lack of access to financial services and effective financial management practices. Access to financial services refers to the ability of SMEs to obtain financial products and services from formal financial institutions at affordable prices, while effective financial management practices refer to the adoption of cash and credit management practices to efficiently manage finances within the SMEs. This study investigated the influence of access to financial services and effective financial management practices on SME success in South Africa. Access to financial services was measured by SMEs' access to transactional bank accounts, savings accounts, credit facilities, and insurance products. Effective financial management practices were measured according to their cash and credit management practices. Lastly, SME success was measured as SMEs operating for over five years, reporting growth according to the owner's perception, and earning annual profits of R15 000 and above.

This study applied the quantitative research design to investigate the influence of access to financial services and effective financial management practices on SME success in South Africa. The study used existing data collected by Ipsos for the FinMark Trust FinScope South Africa MSME 2020 with a sample of 4 897 respondents. The study used secondary data to investigate the independent variables, namely access to financial services and effective financial management practices, on the dependent variable, SME success. Pearson's correlation coefficient and the multiple regression analysis were used to test the hypotheses of the study.

The results showed that these SMEs were mostly from the Gauteng Province (40%), the majority had between 11 and 50 employees (76%), and the owner was the manager (73%). Pearson's correlation coefficient results showed a significant positive correlation between access to financial services and SME success. It also showed a significant positive correlation between effective financial management practices and SME success. Furthermore, this study's multiple regression analysis showed that access to financial services and effective financial management practices significantly influence SME success. Thus, SMEs with access to financial services (transactional bank accounts, savings accounts, credit facilities, and insurance products) and adopting effective financial management practices such as cash and credit management are likely to succeed. This study emphasises the importance of access to financial services and effective financial management practices on SMEs' success.

Therefore, it is recommended that to enhance SME success, SMEs need to open transactional bank accounts as soon as they start operating to ensure that they build favourable profiles with the financial institutions to gain access to other financial services such as credit facilities and insurance products. Furthermore, in terms of effective financial management practices, SMEs need to adopt the relevant cash and credit management practices, ensuring that they can meet the financial institutions' requirements, subsequently enabling them to access financial services. Lastly, this study recommends that financial institutions offer relevant and affordable financial products and services to SMEs to ensure they can access more financial services. This study contributes to SMEs and formal financial institutions in South Africa by identifying the factors that influence SME success, the measures that SME owners can put in place for the SMEs to be successful, the role that formal financial institutions play in enabling SMEs' success, and the changes they can implement to aid SMEs to access financial services at affordable costs.

KEYWORDS: *Access to financial services; financial management practices; SME success; Resource-Based Theory; South Africa*

DECLARATION

I, *Ubenathi Sisusa*, *g16s1580*, declare that the thesis "*The influence of access to financial services and effective financial management practices on SME success in South Africa*", which I hereby submit for the degree of Master of Commerce in Financial Management at Rhodes University is my own work. I also declare that I have not previously submitted this thesis for a degree at this or any other tertiary institution and that all the sources I have used or quoted have been indicated and acknowledged using complete references**.**

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CHAPTER 1

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

South Africa greatly depends on small and medium enterprises (SMEs) for the growth and development of the economy (Ayandibu & Houghton, 2017:49). However, South African SMEs seemingly have a high failure rate during their early stages of operations (Leboa, 2017:14). Research conducted on the success of South African SMEs has found that five out of seven SMEs do not succeed in their first year of operation (Rankhumise & Masilo, 2017:168; Ayandibu, Ngobese, Ganiyu & Kaseeeram, 2019:1403; Rodney-Nkwinika & Mashau, 2020:15151). Due to the nature of SMEs' operations, SME success is usually measured using non-financial measures (e.g., growth and income levels) as it is difficult to use financial measures such as financial ratio analysis because the majority of SMEs do not prepare financial records as they are not required to share their financial statements with the public (Fatoki, 2014:142 cited in Mahohoma, 2018:24). Thus, SME success is measured using SME longevity, growth according to the owner's perspective and having sustainable and consistent profits (Svotwa, 2019:63; Agbenyegah, 2018:119; Douglas, Douglas, Cano & Moyes, 2019:221; Lim & Teoh, 2021:42). This study also measured SME success using non-financial measures.

One of the major reasons why SMEs fail is their lack of access to financial services (Sitharam & Hoque, 2016:278; Garg & Phaahla, 2018:55). Access to financial services refers to the ability of SMEs to obtain financial products and services from formal financial institutions at an affordable cost (Padiaychee, 2016:4; Turyakira, Kasimu, Turyatunga & Kimuli, 2019:201). This study measured access to financial services based on SMEs having access to transactional bank accounts, savings accounts, credit facilities in the form of loans, and insurance policies from formal financial institutions (Fowowe, 2017:9; Zaloumis & Foya, 2022:49). Access to financial services is important for SMEs, as it is directly linked to their growth and success (Sitharam & Hoque, 2016:282). It allows the SMEs to be more innovative, increase productivity, grow, and create more jobs (Fowowe, 2017:6; Kim, ElTarabishy & Bae, 2018 cited in Msomi & Olarewaju, 2021:281). Therefore, the lack of access to financial services results in SMEs' inability to be successful and fully participate in the country's economic growth and development (Do, Van Phong, Van Thuong, Tien & Dung, 2019:69).

Also, SMEs have been failing in South Africa because the majority do not adopt effective financial management practices (Abimbola & Kolawole, 2017:6; Gawali & Gadekar, 2017:53; Musah, Gakpetor & Pomma, 2018:35; Karadag, 2018:71). Other problems that have been identified to hinder the success of SMEs in South Africa include but are not limited to lack of comprehensive business plans, strategic implementation, inadequate infrastructres, lack of entrepreneurship skills, and high taxes and other tariffs (Akiyemi & Adejumo, 2017:626; Aigbavboa, Oke & Kakanyo, 2016:345). For Nketsiah (2018:8), not having effective financial management practices have always been at the top of the problems that are hindering the success of SMEs in South Africa. Financial management practices refer to how the finances are managed and used to achieve the objectives of the business (Nadzri, Omar & Rahman, 2017:5; Musah, Gakpetor & Pomma, 2018:26). Effective financial management practices refer to performing recording activities, frequent recording, financial planning, setting credit limits for customers, and conducting background checks on the reliability of the customers before credit is allowed (Cheruiyot, Namusonge & Sakwa, 2017:212; Miguel, 2017:23; Zada, 2021:1074). Thus, effective financial management practices play a major role in SME success. It has been proven to have a significantly positive relationship with SME success (Abimbola & Kolawole, 2017:7; Zada, 2021:1074).

Despite the different financial management practices, cash and credit management practices are the most used and the most important financial management practices in SMEs (Ramli, Zain, Razik & Yaacob, 2017:190; Osinowo, 2018:40). Cash management ensures that the daily activities continue and credit is used to attract more customers, subsequently increasing the profitability and success in SMEs (Blose, 2018:38; Dzomonda & Fatoki, 2018:9; Kimiti, 2020:25).

Several studies have been conducted on access to financial services and financial management practices of SMEs in South Africa, separately (Makhitha, 2016:263; Gawali & Gadekor, 2017:47). It has been found that access to financial services is associated with the growth and profitability of SMEs (Sitharam & Hoque, 2016; Fowowe, 2017; Garg & Paahla, 2018; Msomi & Olarewaju, 2021). On the other hand, not adopting effective financial management practices is associated with SMEs' low success rate in South Africa (Gawali & Gadekor, 2017; Dzomonda & Fatoki, 2018; Bushe, 2019). To the knowledge of the researcher, no study has investigated the combined influence of access to financial services and effective financial management practices on SME success in South Africa.

Therefore, this study explored the influence of access to financial services and effective financial management practices on SME success in South Africa. This study utilised the Resource-Based Theory (RBT) to explain the influence of access to financial services and effective financial management practices on SME success.

The RBT was used because many studies investigating the influence of access to financial services and financial management practices on the performance of SMEs have used this theory (Asad, Sharif & Alekam, 2016; Aliyu, Ahmad & Nordin, 2019; Turyakira et al., 2019). According to the RBT, each SME has a set of resources and capabilities that are rare, valuable, inimitable, and non-substitutable, which are capable of providing its long-term competitive advantage when each business can identify and select them as its core competencies (Balashova & Gromova, 2016:326). In applying the RBT in this study, access to financial services was identified as a valuable resource in an SME, which can lead to a competitive advantage, while effective financial management practices were identified as rare capabilities that lead to the success of SMEs (Adomako, Danso & Damoah, 2016:54; Kamau & Samson, 2019:6; Sidek, Nasir & Mohamad, 2019:94). This study's use of RBT was similar to a study conducted in Uganda by Turyakira, Kasimu, Turyatunga and Kimuli (2019) which investigated the influence of access to financial services and financial management practices on the performance of SMEs. The study has reported a positive relationship between access to financial services, financial management practices, and the performance of SMEs (Turyakira et al., 2019:205). This study attempted to determine whether access to financial services and effective financial management practices influence SME success in developing economies such as South Africa.

1.2 PROBLEM STATEMENT

Despite the increasing importance of SMEs in the South African economy, they continuously show low success rates. Studies conducted in the last decade have indicated that five out of seven SMEs do not succeed in their first year of operation (Rankhumise & Masilo, 2017:168; Ayandibu, Ngobese, Ganiyu & Kaseeeram, 2019:1403; Rodney-Nkwinika & Mashau, 2020:15151), with access to financial services and effective financial management practices influencing SME success. Many researchers agree that access to financial services remains the key factor that influences potential growth and SME success (Osano & Languitone, 2016:2; Jordaan & Coetzee, 2021:374; Amadasun & Mutezo, 2022:2), while others ascribe it to the lack of the adoption of effective financial management practices (Abimbola & Kolawole, 2017:7; Zada, 2021:1074). However, thus far, no study in South Africa has used access to

financial services and effective financial management practices in combination to predict SME success. Many studies in South Africa have either focused on the influence of access to financial services or effective financial management practices on SME success in South Africa separately, while others have focused on the impact of access to financial services and financial management on the performance of SMEs in South Africa (Saah & Musvoto, 2020; Msomi & Olarewaju, 2021; Nanziri & Wamalwa, 2021; Aliamutu & Mkhize, 2024). To the knowledge of the researcher, the combined influence of the two factors on SME success has not been explored. Thus, this study combined these two independent variables in a single study to contribute to theory and to practically provide recommendations to the relevant parties in terms of the study. The next section outlines the objectives of the study.

1.3 RESEARCH OBJECTIVES

This section outlines the research objectives of this study. First, the primary objective is presented, followed by the secondary objectives of this study.

1.3.1 PRIMARY OBJECTIVE

The primary objective of this study is to investigate the influence of access to financial services and effective financial management practices on SME success in South Africa.

1.3.2 SECONDARY OBJECTIVES

In order to put into effect the primary objective of this study, the study had the following secondary objectives:

- To provide an overview of SMEs in South Africa and use the Resource-Based Theory to explain factors influencing SME success.

- To investigate the concepts of access to financial services and effective financial management practices.

- To adopt statistical techniques to determine the influence of access to financial services and effective financial management practices on SME success.

- To determine the influence of access to financial services and effective financial management practices on SME success.

- To provide recommendations to SME owners on achieving success by improving access to financial services and effective financial management practices.

The following section discusses the hypotheses of this study and the definitions of the variables.

1.4 RESEARCH HYPOTHESES AND OPERATIONAL DEFINITIONS

The background of this study presented two important variables that influence SME success: access to financial services and effective financial management practices. This study's independent variables included access to financial services and effective financial management practices, with SME success being the dependent variable. Table 1.1 presents the operational definitions of the independent variables (access to financial services and effective financial management practices) and the dependent variable (SME success).

Table 1.1: Operational definitions

Factors	**Operational definition**	**Adapted from / Source(s)**
Access to financial services	Access to financial services refers to the ability of SMEs to obtain financial products and services in the form of transactional bank accounts, savings products, credit facilities and insurance products from formal financial institutions.	Fowowe (2017); Turyakira, Kasimu, Turyatunga & Kimuli (2019)
Effective financial management practices	Effective financial management practices refer to adopting cash and credit management practices to manage business finances within SMEs.	Cheruiyot, Namusonge & Sakwa (2017)
SME success	SME success refers to SMEs being able to operate for more than five years, projecting year-on-year growth according to the owner's perception and making annual profits of R15 000 and above.	Svotwa (2019)

Source: Own creation

Information on the measurements of each variable will be provided in detail in Chapter 4. The hypotheses of this study are presented below:

- **H_1**: There is a significant positive relationship between access to financial services and SME success.

- **H_2**: There is a significant positive relationship between effective financial management practices and SME success.

The following section briefly discusses the research design and methodology adopted in this study.

1.5 RESEARCH DESIGN AND METHODOLOGY

This study used the positivism paradigm, which is based on the understanding and the idea that the researcher discards any biases in the pursuit of objective and empirical results (DeCarlo, 2018:138). Studies that adopt the positivism paradigm usually follow a quantitative research design. The quantitative research design is defined as an investigation of facts by collecting quantifiable data and performing statistical and numerical analysis techniques (QuestionPro, 2021). Using numerical data, this study adopted the quantitative research design to investigate the relationships between the independent factors (access to financial services and effective financial management practices) and the dependent factor (SME success).

This study used secondary data to test its hypotheses. The secondary data was obtained through a publicly available database owned by the FinMark Trust on the levels of access to financial services for South African SMEs, challenges faced by SMEs, formalisation, digitisation, and women- and youth-owned SMEs (FinMark Trust, 2021). The FinMark Trust survey used closed questions aligned with the objectives mentioned above. A non-probability sampling technique was used with a sample of 4 897 respondents that are South African SME owners (FinMark Trust, 2021). According to FinMark Trust (2021), these were spread across all nine South African provinces, focusing on retail and service providers. The responses were measured on a five-point Likert scale (1 = extra satisfactory, 5 = extra dissatisfactory).

The database was scrutinised for any missing data using the listwise deletion approach, which discards cases with at least one missing variable (Data, Salgado, Azevedo, Proenca & Vieira,

2016:147). Missing data refers to one or more variables that are not available on the dataset (Keskes, 2019:1). Construct validity was determined using exploratory factor analysis to show or reflect the extent to which each instrument served the purpose of the study and to explore patterns in the variables of the study (Surucu & Maslakci, 2020:2698). The reliability of the measuring instruments was tested to determine if they would be able to show similar results when applied at different times (Surucu & Maslakci, 2020:2707). The validity and the reliability was already performed by the source of the secondary data.

Descriptive statistics were used to summarise and show the basic features of the dataset (Kaur, Stoltzfus & Yellapu, 2018:60). These tests focused on the mean, frequency, and percentages. Pearson's correlation coefficient was used to analyse the direction and the strength of the relationship between the independent and dependent variables (Amin, 2019:115). The Pearson's correlation coefficient was also used to find multicollinearity between the variables, a situation where the independent factors are highly correlated (i.e., correlation ≥ 0.9), which would lead to significant changes in the results because a change to one variable would increase the standard error (Songhao, 2020:1).

Furthermore, multiple regression analysis was used to test the hypotheses and determine the relationship between the independent and dependent variables. The multiple regression analysis fitted this study because it allows having more than one independent variable and one dependent variable (Allen, 2017:2); this study had two independent variables (access to financial services and effective financial management practices) and one dependent variable (SME success). This was done using the p-value to test evidence against the null hypothesis (there is no correlation between variables), with a p-value<0.05 indicating enough evidence to reject the null hypothesis and showing that there is a correlation between the variables (Abhigyan, 2020:1).

1.6 THE STRUCTURE

The study is structured into six chapters, as shown in Table 1.2.

Table 1.2: Structure of the study

Chapter	Name of chapter	Focus

Chapter 1	Introduction and background of the study	Chapter 1 presented the introduction and background of the study. It also presented the problem statement and the primary and secondary objectives of the study. Furthermore, it provided an overview of the research methodology. Lastly, it outlined how this study is structured according to the study chapters.
Chapter 2	Overview and SME success	Chapter 2 presents an overview of SMEs in South Africa and SME success. It will describe SMEs, outline their importance, and discuss initiatives available to support SMEs in South Africa. Furthermore, it will define what success is in South African SMEs, including the SME success rates, and adopt the Resource-Based Theory to explain the factors that influence SME success. Lastly, the previous studies conducted on SMEs in South Africa will be discussed.
Chapter 3	Access to financial services and financial management practices	Chapter 3 presents the literature review on access to financial services and effective financial management services. It will describe the South African financial sector, the key financial services (products and services), define access to financial services, the SMEs' levels of access to financial services and the importance of access to financial services to SME success. This chapter will also define financial management practices, identify and define financial management practices critical to SMEs, and discuss the importance of cash and credit management on SME success. Lastly, this chapter will discuss previous studies on access to financial services, financial management practices and SME success in South Africa.
Chapter 4	Research design and methodology	This chapter presents the research design and methodology adopted in this study. It will also discuss

		sampling, the data collection method, and data analysis techniques used to test the hypotheses of this study.
Chapter 5	Data analysis and results	Chapter 5 focuses on the data analysis and results of the study. Descriptive statistics (frequency and percentages) will summarise the demographic information of the SME owners and characteristics of the SMEs, levels of access to financial services, adoption of effective financial management practices and measures of SME success. It will also discuss the correlation results (from Pearson's correlation coefficient) showing the relationships between access to financial services and SME success, effective financial management practices and SME success, and access to financial services and effective financial management practices. Furthermore, this chapter will present the multiple regression results showing the strength of the relationship between access to financial services, effective financial management and SME success. Lastly, the study's hypotheses and findings will be presented.
Chapter 6	Summary, conclusion, and recommendations	Chapter 6 presents the summary, conclusions, and recommendations of the study. It provides summaries of all the previous chapters, including how each chapter's research objectives were achieved. Furthermore, the results will be discussed, recommendations will be provided based on the results, the theoretical and practical contribution of this study will be presented, and limitations and recommendations for future research will be addressed. Lastly, this chapter will provide concluding remarks.

Source: Own creation

1.7 CHAPTER SUMMARY

This chapter provided an introduction and background to the study. It began by introducing SMEs and providing background information on the South African SME sector. This was done by highlighting the role that SMEs play in the South African economy, their influence on it, and the overall importance of SMEs. Also, the main factors that influence SME success were identified, which led to the introduction of the research problem. As the research problem was introduced and discussed, the objectives of this study were identified and divided into primary and secondary objectives.

Furthermore, this chapter provided the definitions of the study variables. Lastly, Chapter 1 provided an overview of the research design and methodology used in this study. Chapter 2 provides an overview of SMEs in South Africa and applies the Resource-Based Theory to explain factors influencing SME success.

CHAPTER 2

OVERVIEW AND SME SUCCESS

2.1 INTRODUCTION

Chapter 1 discussed the background of the study, including the problem statement. It also presented the hypotheses and briefly discussed the research process used in this study. As indicated, the study's primary objective was to investigate the influence of access to financial services and effective financial management practices on SME success in South Africa. In order to achieve the primary objective, this study explored secondary objectives, providing an overview of the SMEs in South Africa and using the Resource-Based Theory to explain factors that influence SME success.

This chapter seeks to achieve the mentioned secondary objectives by investigating relevant literature on South African SMEs. The chapter starts by defining SMEs and introducing the importance of SMEs and the support available for South African SMEs. This is followed by an explanation of the factors that influence the success of SMEs using the Resource-Based Theory. This chapter also addresses previous studies in the field of South African SMEs, concluding with the summary of the chapter.

2.2 DEFINITION OF SMEs

There is no universal definition for SMEs (Balogun, Ansary & Ekolu, 2017:246; Edobor, 2023:53). According to Makhalemele (2020:16) and Serame (2019:7), this is because different national governments, international and bilateral development agencies, statutes, industries, and economies all choose to define SMEs in a way that is specifically appropriate to their policy or purpose. For example, other developing countries, such as Bangladesh, define SMEs according to the value of their fixed assets (Bosri, 2016:41). Malaysia, however, defines it based on the total number of workers and their annual turnover (Rahman, Yaacob & Radzi, 2016:125). Thus, SMEs can be defined using both qualitative and quantitative parameters.

The most common quantitative parameter that is used to distinguish SMEs from large corporations is the number of employees, which also varies by country and industry (Blose, 2018:17; Serame, 2019:7). For instance, South Africa is a developing country and uses the number of employees to define an SME (Department of Small Business Development, 2019).

Other quantitative parameters include the annual turnover of the SME (Blose, 2018:18). For example, a business with an annual turnover between R0 and R220 million is classified as an SME in South Africa (Department of Small Business Development, 2019). However, SMEs can also be classified according to qualitative parameters, such as a fully involved SME owner in the management activities of the business (Coetzee & Buys, 2017:136). According to the National Small Business Act as amended (2019), the qualitative classification of an SME is "a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and classified as a micro, a small or a medium enterprise by satisfying the criteria mentioned in columns 3 and 4 of the Schedule".

The World Bank defines SMEs according to three quantitative parameters: the number of employees, total value of assets, and annual sales (Makhalemele, 2020:17). However, for South African SMEs, this cannot entirely be applied, as the total value of assets does not form part of the definition. Instead, it focuses on the number of employees, the total annual turnover and the owner being involved in managerial activities (Tsatsenko, 2020:9). Therefore, in South Africa, SMEs are defined as businesses that have zero (0) to 250 employees, with owners that are involved in managerial activities, and have an annual turnover that is less than R220 million (Department of Small Business Development, 2019). Table 2.1 illustrates how SMEs are defined in the South African economy.

According to the National Small Business Act as amended (2019), the qualitative definition of an SME is "a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and classified as a micro, a small or a medium enterprise by satisfying the criteria mentioned in columns 3 and 4 of the Schedule".

Table 2.1: Definition of an SME: South Africa

Size of Enterprise	**Total full-time equivalent of paid employees**	**Total annual turnover in South African Rands (R)**
Medium	51 – 250	≤ 220 million

Small	11 – 50	≤ 80 million
Micro	0 – 10	≤ 20 million

Source: Department of Small Business Development (DSBD, 2019)

Table 2.1 shows the distinction between small, micro, and medium enterprises (SMMEs) according to the South African economy (DSBD, 2019). Micro enterprises have zero (0) to ten (10) employees and a maximum annual turnover of R20 million, with small enterprises having 11 to 50 employees and an annual turnover of up to R80 million, and medium enterprises have 51 to 250 employees with an annual turnover of up to R220 million (DSBD, 2019). The above includes the different sectors in which SMEs operate. Also, the maximum turnovers differ between the sectors.

This section explored the different quantitative and qualitative parameters used to define SMEs, locally and internationally. It also presented the different definitions in the South African context. This study specifically focused on SMEs that employ less than 250 employees, with owners involved in the organisation's managerial activities, because these SMEs do not necessarily accomplish their main socio-economic objectives, such as creating employment to decrease the high unemployment rate and poverty alleviation due to their high failure rates in the first five years of existence (South African Reserve Bank, 2016 cited in Masama & Bruwer, 2018:20). This study anticipates to contribute to these SMEs by highlighting areas to focus on when attaining access to financial services and managing their finances.

Despite having an understanding of what SMEs are, their importance should also be emphasised to contextualise the relevance and need of SMEs in South Africa. The following section will discuss the importance of SMEs.

2.3 IMPORTANCE OF SMEs

Previous studies have highlighted the importance of SMEs on economic growth, job creation, the alleviation of poverty, and equitable distribution of wealth (Bhila, 2017:12; Jili, Masuku & Selepe, 2017:2; Bhorat, Asmal, Lilenstein & Van der Zee, 2018:4; Surya, Menne, Sabhan, Suriani, Abubakar & Idris, 2021:13). The SMEs' contribution to the Gross Domestic Product (GDP) differs from 16% in low-income countries to 51% in high-income countries (Niewenhuizen, 2019:666). According to Francis and Willard (2016:43), SMEs are necessary

for a competitive and efficient market, especially in developing countries. Therefore, SMEs are critical in addressing important socio-economic concerns such as unemployment, poverty, food insecurity, and starvation by providing new, improved products and services to raise people's living standards (Jili, Masuku & Selepe, 2017:3; Tsatsenko, 2020:1). The following sections will discuss the importance of SMEs in the South African economy, job creation, alleviation of poverty and starvation, and wealth distribution.

2.3.1 ECONOMY

The economy refers to the state of a country or a region in terms of commodities and services production and consumption, as well as the money supply (Samuel, 2021:157). It is associated with the movement of a country's goods, services, and money and its impact on the population. The National Development Plan (NDP, 2012), Vision 2030, recognises the importance of SMEs in the South African economy, stating that the short- to medium-term goals of creating employment are likely to be generated by the SME sector. By creating more jobs, the SMEs will contribute positively to the economy in terms of money supply (e.g., salaries, production and consumption of goods and services). As such, it is important to note that the contribution of SMEs to the South African economy has been on the rise, with a consistent increase of 20.7% per financial year in the annual turnover for the period of 2013 and 2019 (Statistics South Africa, 2020). The annual turnover contribution relates to the money obtained through the sale of goods and/or the provision of services, as well as the leasing or hiring of transportation equipment, machinery, equipment, land, buildings, and mineral rights (Statistics South Africa, 2020). Further, SMEs contribute an estimation of 50% to South Africa's Gross National Product (GNP) and produce between 52% and 57% of the Gross Domestic Product (GDP) (Rens, Iwu, Tengeh & Esambe, 2021:215). This reflects the importance of SMEs in South Africa's economic growth and gross production. For Bhorat, Asmal, Lilenstein and Van Der Zee (2018:2), SMEs are key components in promoting inclusive growth and development in South Africa in terms of offering more employment opportunities and increasing participation in economic activities. Therefore, SMEs remain necessary for the stability and growth of the economy and are becoming a significant driving force for economic development (Surya et al., 2021:26).

2.3.2 UNEMPLOYMENT

Unemployment refers to the part of the population that is of working age, not currently employed and actively seeking work (Hendricks, 2016:3). It is seen as a serious macroeconomic issue in developing countries, of which South Africa's economy forms part (Khalid, Akalpler, Khan, Shah & Khan, 2021:2). In the fourth quarter of 2023, South Africa reported an unemployment rate of 32.1%; a 0.2% increase from the third quarter of 2023 (Statistics South Africa, 2024). According to Statista (2024), South Africa is at the top of the list regarding unemployment in the SADC countries. Nonetheless, the National Planning Commission (2012) remains positive that South African SMEs will be the main sector that will aid in creating more job opportunities and curb the rising unemployment rate. Nieuwehuizen (2019:667) found that the sector is indeed growing, creating more jobs and curbing the high unemployment rate. Meyer (2017) added that most entrepreneurs start their SMEs as a possible solution to the current unemployment issue that South Africa is facing. For Dhanah (2017:3), there has been a paradigm shift from depending on big businesses to focusing on small businesses to stimulate economic growth and job creation. Overall, this implies that by creating more jobs and curbing the high unemployment rate, South African SMEs are contributing positively by increasing the number of the employed population, therefore increasing the employment rate.

According to Mahadea and Kaseeram (2018:4), the high levels of unemployment have caused some entrepreneurs to become self-employed to earn an income. Subsequently, there is an increase in the probability of more people getting employed by small businesses established out of desperation and necessity. Iwu and Opute (2019) defined this concept as survivalist entrepreneurship, which refers to entrepreneurs who enter the market for daily survival due to the high levels of unemployment. In their study, Iwu and Opute (2019:1445) reported that the central motivation for individuals starting small businesses was the push factor of escaping unemployment by taking the entrepreneurial route. Therefore, it is evident that entrepreneurship, especially in the SME sector, is a valuable tool that may be used for targeting South Africa's economic growth and unemployment concerns (Musara, Mabila, Gwaindepi & Netsai, 2020:7). By increasing the employed population, the SMEs are also being involved in reducing the levels of poverty, food insecurity and starvation; the population employed by these SMEs would be able to provide for their basic needs. The following section will explore the relationship between SMEs and poverty reduction and starvation.

2.3.3 POVERTY REDUCTION, FOOD INSECURITY, AND STARVATION

Poverty refers to lacking financial, human, and physical necessities to create sustainable living standards (Nkwede 2013 cited in Mosweunyane & Rambe, 2017:505). According to Statistics South Africa (2024), the majority of the adult population is living below the upper-bound poverty line (UBPL), which is the line that contains both the food and non-food components of household consumption expenditure. The UBPL was estimated at R1 558 in 2023 (Statistics South Africa, 2024). The United Nations Development Program (2022) found that one in five South Africans is living in extreme poverty. The population living below the UBPL cannot afford some of the most basic food and non-food necessities, leading to food insecurity.

According to Statistics South Africa (2019), food insecurity is when a certain part of the population does not have adequate access to food and is having trouble meeting their basic needs. The people who experience food insecurity are poverty-stricken, unable to produce their food, and constrained by the inability to secure employment and generate an income (Statistics South Africa, 2019). The lack of food for extended periods leads to starvation, a state of extreme hunger that could result in serious illness and death (Macmillan, 2009).

Thus, poverty, food insecurity, and starvation can be ascribed to a lack of employment opportunities and lack of income (Jili, Masuku & Selepe, 2017:3). The majority of South African SMEs, based on their physical geographical area, are found outside of cities, creating an opportunity for SMEs to employ more local residents, especially the survivalist entrepreneurs (Nursini, 2020:155). This could alleviate poverty, food insecurity, and starvation and encourage economic activity or participation (Mosweunyane & Rambe, 2017:503). Thus, being employed by these SMEs will result in more people earning an income and being able to provide for themselves, gain more access to food and meet their basic needs.

2.3.4 WEALTH DISTRIBUTION

The distribution of wealth refers to how the accumulated resources of a country are divided or shared among the population (Schneider, Pottenger & King, 2016). Currently, South Africa is still listed as one of the most unequal countries in terms of wealth and income distribution. The top 10% of the population in South Africa holds more than 85% of household wealth, with the top 0.01% of the population (around 3500 people) holding higher wealth than the bottom 90% collectively, approximately 32 million people (Chatterjee, Czajka & Gethin, 2022:20). The above is a clear indication of the inequality in wealth distribution in South Africa. The recent

World Bank Report (2022) on inequality in Southern Africa reported that according to the World Bank's global poverty database, South Africa is the most unequal country in the world, ranking first out of 164 countries. With the above statistics on the wealth inequality in South Africa, the question arises of who can decrease the existing gap.

When entrepreneurs establish SMEs, they create job and employment opportunities, with the employed population generating income through labour. Thus, income and wealth are related and significantly correlated. The World Bank (2022) also deems income earned through labour as a major source of wealth. Furthermore, by expanding on the process of creating personal wealth from the income earned, wealth is accumulated through the income left in the bank after taxation, and all household consumption has taken place (World Bank, 2022). Therefore, there is a high chance that SMEs are increasing the population that can grow their personal wealth; thus, the wealth inequality gap is not as wide as previously reported.

This section has discussed the important role that SMEs play in the South African economy: reducing the unemployment rate, reducing poverty and food insecurity, and addressing wealth disparities. These are crucial and pressing socioeconomic issues for South Africa. With SMEs' increasing contribution in addressing them, they need support from the government and other private forums. The following section will explore the existing government interventions supporting SMEs and their growth and other available forums to support and assist them.

2.4 INITIATIVES SUPPORTING SMEs IN SOUTH AFRICA

Considering that SMEs mostly rely on the resources provided by the owner, there is a strain and limitations on those resources and therefore, external support is essential to SMEs (Yusoff, Razak, Zainol & Hassan, 2018:3; Kibuuka & Tustin, 2019:36). The external support for SMEs refers to the additional sources of finance available to SMEs, the research and design (R&D) planning support, and technological support (Padiaychee, 2016:9; Seo & Cho, 2020:13). Having limited access to the external support, as indicated above, hinders the effective performance of the SMEs. Thus, due to SMEs' role in the South African economy in terms of unemployment, poverty and food insecurity, external sources of support are imperative for the SMEs to keep them in operation for a longer period.

In South Africa, different government departments offer external support to SMEs in different ways. These government departments include the Department of Trade, Industry and Competition (DTIC), the Department of Small Business Development (DSBD), the Presidency,

the Small Enterprise Development Agency (SEDA), National Empowerment Fund (NEF), Small Enterprise Finance Agency (SEFA), Commercial Banks, and South African Micro-Finance Apex Fund (SAMAF) (Saah & Musvoto, 2020:415).

The DTIC's objective is to assist in increasing the SMEs' contribution to the economy through financial, administrative, and other support (DTIC, 2021). The DTIC does this by providing a simple uniform framework for registering and enforcing commercially secured loans on SME payback profiles, enhancing credit exposure and status of pledges for SMEs (Saah & Musvoto, 2020:415). This includes the agency of the DTIC, Khula Enterprise Finance Limited (Khula), which has a role in facilitating access to credit by SMEs, including collaborating to develop new sector-specific financing programmes for SMEs (Mahohoma, 2018:24).

Another government initiative established in 2014 under the Ministry of Small Business Development is the DBSD, with a vision of a modified and inclusive economy powered by creative, sustainable SMEs and co-operatives (DSBD, 2021). To date, the Department has been able to increase the participation of these SMEs and co-operatives in international and domestic markets, increase the contribution in priority sectors, coordinate the support for SMEs in village and township economies, expand the access to both finance and non-financial support and implement responsive programmes to new and existing SMEs (DSBD, 2021).

The South African government also has the Small Enterprise Development Agency (SEDA), formed under the National Small Business Amendment Act 29 of 2004, which has a mandate of implementing small enterprise development support to integrate government-funded SMEs and establishing a standard distribution network to expand the SMEs. It uses a strategy that secures partnerships with organised businesses, local municipalities, government departments, and banks (Rankhumise & Masilo, 2017:169). Rankhumise and Masilo (2017:169) stated that even though SEDA does not offer financial assistance, there have been improvements in the number of SMEs supported through the business plans and recommendations for SME funding through SEDA.

The government's other available initiative is the National Empowerment Fund (NEF). The NEF was created by the National Empowerment Fund Act of 1998 with a mandate to promote and facilitate the economic participation of the marginalised by offering financial and non-financial support to Black-owned businesses. It offers business loans between R250 000 and

R75 million to new and existing SMEs for growth and acquisition across all sectors of the economy in South Africa (Garach, 2017 cited in Saah & Musvoto, 2020:416).

Similar to the initiative mentioned above, the role of the Small Enterprise Finance Agency (SEFA) is to assist less attractive SMEs in obtaining commercial credit by providing them with financial products and services (SEFA, 2021). The support offered by SEFA includes easing the compliance burden of SMEs to access finance, business development services, and youth enterprise development (Malebana, 2017:78). According to Saah and Musvoto (2020:416), SMEs are assisted financially by SEFA through collaboration with financial intermediaries and granting loans that range between R50 000 and R5 million. In addition, the SAMAF aims to offer affordable financial services to SMEs through capacity-building incentives that include business development services and microfinance credit loans with lower interest rates (Malebana, 2017:77; Saah & Musvoto, 2020:417). The South African government also has initiatives focusing mainly on improving youth entrepreneurs.

The National Youth Development Agency (NYDA) was established by Parliament's Act 54 of 2008 (National Youth Development Agency Act, 2008). The mandate of the NYDA is to address developmental challenges faced by the South African youth at the national, provincial, and local government levels (NYDA, 2021). According to Madichie, Mpiti, and Rambe (2019:148), the NYDA successfully assists youth with their career skills and helps them start businesses by training and offering loans to small businesses. These initiatives mainly focus on marginalised groups, including the youth and Black entrepreneurs, as they have been proven to be most struggling when it comes to initiating their SMEs and keeping them in operation.

The Black Business Supplier Development Programme (BBSDP) was formed to address the challenges faced by many Black-owned small enterprises to participate in the mainstream economy (DSBD, 2016 cited in Nxumalo, 2018:20). According to BBSDP (2021), they share costs with the small Black-owned enterprises to assist them in improving their competitiveness and sustainability. The programme provides grants to a maximum of R1 million, with R800 000 for tools, machinery, and equipment based on a 50:50 cost-sharing and R200 000 for business development and training interventions on an 80:20 cost-sharing basis (BBSDP, 2021).

Some forums are mainly focused on small business development within the South African economy. According to South Africa's Enterprise and Supplier Development (ESDSA, 2021),

the South African Small Business Forum offers business development, training workshops, and networking opportunities to SMEs, emerging entrepreneurs, and any other businesses looking for growth and development. The forum was founded to encourage and assist the formation, growth, and development of SMEs in South Africa (ESDSA, 2021). Similar to the Small Business Forum, the South African Black Entrepreneurs Forum (SABEF) also uses networking programmes, solution-driven development, and lobbying to promote the entry of emerging entrepreneurs into significant sectors of the mainstream economy (SABEF, 2021). This forum focuses on the Black and marginalised groups of the population and their interests (SABEF, 2021).

It is evident that the South African government and the independent forums have programmes that assist SMEs in reaching success with financial and non-financial support. However, the success rate of SMEs is still slacking, with South Africa still facing the highest SME failure rate compared to other developing economies (Leboea, 2017:14). Therefore, this chapter will also address the different factors that might influence the success of SMEs.

2.5 SME SUCCESS AND THE RESOURCE-BASED THEORY (RBT)

This section will describe what success for South African SMEs and the SME success rates entail. The theory adopted in this study will be discussed to explain the potential factors that influence SME success. This section will start by exploring SME success in South Africa.

2.5.1 DESCRIPTION OF SME SUCCESS IN SOUTH AFRICA

As previously indicated, SME success can be measured using two broad measures: financial and non-financial measures (Mahohoma, 2018:26). SMEs, as stated in the definition, are usually managed by owners who are reluctant to provide detailed financial records (they consider them confidential) or they do not have adequate financial records (Fatoki, 2014:142 cited in Mahohoma, 2018:24). This makes it difficult for the success of SMEs to be measured using financial measures such as the ratio analysis such as returns on investments and assets, liquidity, and other financial analysis ratios. Therefore, the non-financial measures are more applicable to SMEs. Svotwa (2019:63) recommended that due to the lack of availability of financial data or records in SMEs, sustainable and consistent income for the owners and employees should be used as one of the measuring tools of SME success. The increase in the number of employees, training, retention of high-quality staff, selling of goods and services, and their ability to last for a long period can also be included (Agbenyegah, 2018:119; Douglas,

Douglas, Cano & Moyes, 2019:221; Lim & Teoh, 2021:42). Previous studies indicated that the majority of SMEs fail during the initiation stage; thus, the longevity of South African SMEs is measured by SMEs surviving the first two to five critical years of existence (Douglas et al., 2019:226). In addition, because of the difficulty in attaining financial information from SMEs, the ability of owner and their employees to keep a reasonable income by maintaining the highest level of activity with which they can cope and continue to operate can also be used as a measure for SME success (Svotwa, 2019:63). This study, therefore, measured SME success by the SMEs' longevity, making profits (self-reported data) and reporting year-on-year growth. The majority of SME owners are not reluctant to provide such data; previous researchers indicated this as sufficient to measure SME success when adopting non-financial measures to measure SME success.

2.5.2 SUCCESS RATES OF SOUTH AFRICAN SMES

This section provides a summary of the South African SMEs' success rate, as obtained from the Small Enterprise Development Agency (SEDA) quarterly updates of the first quarters for 2018, 2019, 2020, 2021 and 2022. Table 2.2 shows the success rate of SMEs as determined by the number of SMEs that could continue operations within each financial year and how many jobs they could create and maintain. Table 2.2 also provides evidence, in terms of numbers, of the changes in the success rate of South African SMEs.

Table 2.2: South African SMEs in operation per annum

Key indicators	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Number of SMEs	2 478 877	2 443 163	2 550 540	2 614 063	2 325 203	2 535 238
Jobs provided	10 586 701	8 886 015	10 839 819	10 406 070	9 757 287	15 784 343

Source: SEDA (2017;2018; 2019; 2020; 2021; 2022).

Table 2.2. displays South African SMEs that were actively operating and successful year-to-year between 2017 and 2022 (first quarter). In 2018, the number decreased by 1.4% from 2 478 877 SMEs in 2017 to 2 443 163 operating SMEs in 2018 (SEDA, 2018). The number increased by 4.4% from 2 443 163 in 2018 to 2 550 540 in 2019 (SEDA, 2019). There was a further 2.5% growth in the number of operating SMEs in the first quarter of 2020, from 2 550 540 in 2019

to 2 614 063 in 2020 (SEDA, 2020). In the first quarter of 2021, an 11.1% decrease in the number of SMEs was reported, from 2 614 063 in 2020 to 2 325 203 (SEDA, 2021). Lastly, in the first quarter of 2022, an increase of 210 035 SMEs was reported (SEDA, 2022). The above numbers are year-on-year updates on how many South African SMEs are operating annually. They reflect how many South African SMEs were successful and continued with operations per annum, how many were shut down and unable to continue, or how much the number of those who can continue with operations has increased.

Table 2.2. also reflects the number of jobs created and filled by South African SMEs between the first quarters of 2017 and 2021. The number of jobs provided by SMEs in 2018 decreased by 15.9% from 10 568 701 jobs in 2017 to 8 886 015 jobs in 2018 (SEDA, 2018). The number increased by 22% in 2019, from 8 886 015 in 2018 to 10 839 819 in 2019 (SEDA, 2019). The number of jobs provided decreased in 2020 by 4%, from 10 839 819 in 2019 to 10 406 070 in 2020 (SEDA, 2020). In the first quarter of 2021, the contraction in SME employment was at 6.2%, from 10 406 070 in 2020 to 9 757 287 in 2021. Lastly, the jobs created by SMEs in 2022 increased from 9 757 287 in 2021 to 15 784 343 in 2022. The jobs created by the SMEs also indicate the SMEs' success or growth and lack of success in other cases where there is a decrease in the number of jobs provided due to the SMEs' inability to continue operating.

Despite the success rates for each year discussed above, the possible influences in the significant increases and decreases in the number of SMEs in operation and the number of jobs created or lost were not explored. The following sections will encompass a discussion of the Resource-Based Theory in an attempt to explain the potential factors influencing SME success. Numerous researchers have utilised this theory, especially in business strategy literature, to explain factors influencing entrepreneurial success or factors influencing business success and any critical success factors in the business environment focusing on the efficient use of business resources and capabilities to be successful (Adekunle & Israel, 2022; Yuen, Wang, Ma, Lee & Li, 2019). In this study, the Resource-Based Theory was used as a means to explain access to financial services and effective financial management practices, suggesting these as a set of resources and capabilities that influence SME success.

2.5.3 BACKGROUND OF RESOURCE-BASED THEORY (RBT)

The competitive advantage of businesses has been an ongoing conversation, and researchers have explored, to a considerable extent, how businesses are able to obtain and sustain

competitive advantage in their respective markets. Barney (1991) explored how businesses can stand out from their competitors in their different industries and markets. The research defined the strategies other researchers used when exploring the factors that create and sustain businesses' competitive advantage. Originally, the Resource-Based Theory (RBT) was proposed by Penrose (1959) who speculated that the firm's resources influence its growth and it was further developed by several researchers who introduced the concepts of inimitability, with no effective substitutes (Lippman & Rumelt, 1982; Wernerfelt, 1984; Dierickx & Cool, 1989). Barney (1991:99) also focused on isolating the business threats and opportunities, including describing their strengths and weaknesses. Drawing from previous studies (Porter, 1980, 1985; Hofer & Schendel, 1978; Penrose, 1958; Stinchombe, 1965; Caves & Porter, 1977) explored and analysed, Barney (1991:100) identified a gap and focused on the businesses' internal characteristics and their influence on success and competitive advantage. Therefore, the Resource-Based Theory (RBT) was introduced with a focus on the business's unique internal resources and capabilities.

2.5.4 DEFINITION AND IMPLICATION OF THE RESOURCE-BASED THEORY (RBT)

The RBT describes how a business gains competitive advantage and economic rents by owning and managing assets, capabilities, organisational processes, firm attributes, knowledge and other internal resources (Wahab, Ismail & Muhayiddin, 2016:7; Miller, 2019:2). The RBT encourages the key role of unique, difficult to imitate, and non-replaceable resources and capabilities in determining the long-term competitive advantage of a business (Padiaychee, 2016:8; Gellweiler, 2018:6; Roostika, 2019:423). Resources include the assets (tangible and intangible) that the business owns or controls (Roostika, 2019:425), while capabilities are the ability to combine the resources within the business and perform a coordinated set of tasks to achieve a particular end result (Angulo-Ruiz, Donthu, Prior & Rialp, 2017:20).

According to the RBT approach, the combination of resources and capabilities differentiates a business from others, allowing it superior offerings (Agyapong et al., 2016 cited in Roostika, 2019:423; Angulo-Ruiz, et al., 2017:20). For this to be possible, the owners or managers of the SMEs should identify the resources and capabilities by seeking the rare, valuable, and inimitable resources inside their firms and apply them to create differentiation of their businesses (Khan, Talib & Kowang, 2020:146). Previous researchers who explored and applied the RBT all highlighted that the founder of the theory (Barney, 1991) included all assets, capabilities, organisational processes, information, and expertise that an organisation may

control and contribute to the implementation of strategies as firm resources (Wahab, Ismail & Muhayiddin, 2016; Gellweiler, 2018; Roostika, 2019; Hutter, 2020). Therefore, the theory leaves the question of creating superior offerings in the market at the hands of the business owner and the strategies they employ using their available resources. The following section will apply the RBT to identify some of the factors that play a role in the success of SMEs.

2.5.5 SELECTED SUCCESS FACTORS

According to the RBT, multiple factors are interconnected to SMEs' success. The RBT indicates that financial resources are important for the success of an SME; for example, previous studies that have applied the RBT have identified access to sufficient financial services as a resource that is necessary for the success of SMEs (Asad, Sharif & Alekam, 2016; Aliyu, Ahmad & Nordin, 2019; Dubey & Das, 2021:4; Turyakira, et at., 2019). Additionally, RBT highlights the importance of capabilities in ensuring SMEs' success. Previous studies have shown the importance of the ability to perform effective financial management practices as a capability that enhances the competitive advantage and gives the SME a superior position in the market (Wahab, Ismail & Muhayiddin, 2016:7). The factors mentioned above were the focus areas of this study; however, the theory is broad in explaining the factors that influence the success of SMEs. As a result, the following section will discuss the different resources and capabilities necessary for SME success.

2.5.5.1 RESOURCES

Access to financial services refers to the ability of SMEs to obtain financial services from formal financial institutions (Padiaychee, 2016:4). It is directly linked to the growth and success of SMEs (Sitharam & Hoque, 2016:282). A business that is able to use financial services that are accessible and functional and satisfy its financial obligation has good access to financial services (Msomi & Olarewaju, 2021a:106). Access to financial services allows SMEs to innovate, increase productivity, grow to new markets and create millions of jobs (Kim et al., 2018 cited in Msomi & Olarewaju, 2021a:282). The above enables an SME to grow and ensures increases and consistency in income year-to-year (Hoque & Koali 2021:22). Msomi and Olarewaju (2021a:286) found that the lack of access to these financial services does indeed limit the range of services that these SMEs can render, especially because they mostly rely on the owners' personal wealth and resources to fund their SMEs. The growth of SMEs requires

adequate funding, and without such, there is a high risk of failure, which is a major hindrance to the entire success of the SME (Muriithi, 2017:40).

Different causes may lead to SMEs' lack of access to financial services. Saah and Musvoto (2020:418) reported that other business owners stated that they had little to no knowledge of the existing sources of finance for SMEs, which added to why other South African SMEs never benefitted from the available sources of finance. Other SMEs might have the knowledge and be aware of the external funding opportunities; however, they would lack a track record which causes reluctance among the lenders (Hoque & Koali, 2021:20). The reluctance from the lenders could also be from the lack of collateral, the owner's contribution not being sufficient, blacklisting, failure of the SMEs to produce attractive financial records or business plans (if they are new), and other SME-specific characteristics (Serame, 2019:22). South African banks and other financial institutions are reluctant to offer loans to SMEs due to a perceived high level of risk and a low projected return, as evidenced by microenterprise surveys in the country (Rahman, Yaacob & Radzi, 2016:127; Meyer & Meyer, 2017:130).

Access to infrastructure refers to an SME having access to adequate infrastructures such as power, water supply, road networks, business incubation centres, waste management, and telecommunication (Adeolu, 2017:13; Effiom & Edet, 2018:119). Infrastructure such as electricity, water supply, transportation, and communication networks have been proven to be either unavailable or in insufficient supply in most African SMEs (Effiom & Edet, 2018:121). Infrastructure access is key to a positive contribution to economic growth as a whole, starting with the development of SMEs (Makhathini, Mlambo & Mpanza, 2020:115).

The most common causes of poor infrastructure in South Africa are improper business structures, expensive rentals, and poor road networks (Kativhu, Iwara & Mwale, 2021:131). Kativhu, Iwara and Mwale (2021:135) added that, especially for SMEs in rural areas, rental becomes expensive for proper buildings, and therefore, the SME owners would rather have premises that are constructed from cabins, plastic, and wood, increasing the risk of destruction from heavy rains, strong winds, and criminal activities. In terms of roads, Sitharam and Hoque (2016:285) stated that poor roads make it difficult for the transportation needed to deliver the goods and services to where they need to be, limiting SME growth and success. Leboea (2017:74) also found that the quality of infrastructure is a great challenge for South African SMEs, which significantly affects their growth prospects. Meyer and Meyer (2017:130) reported that the infrastructure plays a huge role and is required for business growth. Thus,

effective access to infrastructure is vital for the growth and success of SMEs. The lack thereof is a significant barrier to their growth and survival, limiting operations to having a proper business structure, roads for customers and suppliers and the water and electricity that might be used for the production process (Mabotha, 2021:19).

2.5.5.2 CAPABILITIES

Managerial competencies are a set of observable or projected behaviours that managers use to display their knowledge, abilities, and attitudes as individuals or the synergy between them bring value and improve results for themselves, other individuals, teams, departments, organisations, or networks that are congruent with the context, available resources, and adopted plan (Freitas & Odelius, 2018:39). Management competencies, when cultivated, encourage superior leadership and contribute to business success (Shet & Pereira, 2021:9). Managerial competencies entail effective time management, level of education, human resources management, marketing and marketing skills, access to information, and financial management. All the above-mentioned managerial competencies are discussed below.

Effective time management entails respecting a set of principles and practices meant to maximise the efficiency of the time required to complete particular tasks and to increase production (Pratiwi & Wisesa, 2017:87). For Pratiwi and Wisesa (2017:88), effective time management plays an important role in determining the business' success. This is because the corporate world is rapidly evolving, and keeping up with the pace of change is critical. Therefore, business owners should recognise that business decisions must be implemented quickly because they significantly impact the overall business performance (Bhila 2017:19; Saunila, Ukko, Rantala, Nasiri & Rantanen, 2019:540). There is no specific formula to efficiently manage time. However, the owner should be able to balance time by planning, programming, and defining priorities, as well as establishing objectives and selecting priority jobs, in order to determine and meet needs (Pratiwi & Wisesa, 2017:88; Yasar & Sagsan, 2020:2). The more the company grows, the more time it needs of the owner and staff, and the more communication there is within the company (Bhila, 2017:20). Saunila (et al., 2019:555) concluded that time is another essential component (capability) in every business that may make or break it.

The *level of education* refers particularly to the owner and manager of the SME. According to Fisher (2018:36), the SME owners' level of education will contribute to the success rate of

SME start-ups and future operations. The justification for the above is that owners with higher levels of education have improved knowledge and skills, while those with lower levels of education are not likely to have the proficiency to develop the business success (Amarteifio & Agbeblewu, 2017:1461; Fisher, 2018:36; Wijewardana, 2018:598). Those with higher levels of education are likely to be more persistent, motivated, and self-disciplined, increasing the SMEs' ability to perform successfully in the long run because of the knowledge and the modern managerial skills obtained through higher education (Amarteifio & Agbeblewu, 2017:1461). Additionally, obtaining higher education will most likely improve the owner's capacity to deal with challenges and capture opportunities that are critical to the success of SMEs (Amarteifio & Agbeblewu, 2017:1461; Mxhunyelwa & Vallabh, 2017:7). Even though obtaining higher education is not a necessity for SME owners, it still gives their SMEs a competitive advantage in the sector/market due to having more capacity to deal with the challenges and seizing more opportunities.

Human resources (HR) are human potentials that are considered non-financial assets; they function as a driving force for businesses to keep their existence (Amboningtyas &Yulianeu, 2019:77). The practices that fall under human resources include activities relating to job design, staffing, hiring, guidance and coaching, performance appraisal, compensation, training, giving a framework of strategies, policies, procedures, and practices for coordinating the activities of all members of a business (El-Ghlayini, 2017 cited in Rahman, Hamid & Mustaffa, 2018:67; Hutter, 2020:42). Shafeek (2016:100) reported that the activities that SME owner should pay most attention to included organisational structure, personnel training and promotion, and organisational culture, especially for new SMEs to be well established. According to Rahman, Hamid and Mustaffa (2018:69), human resource management has evolved from its origins as personnel management, whose primary job was to keep track of recruiting, payrolls, and promotions. Over time, the people managers (human resources managers) have come to play an increasingly essential function within the HR department and the organisation's broader decision-making process; thus, they should have a broader knowledge of the above-mentioned human resources skills (Rahman, Hamid & Mustaffa, 2018:69).

Human resource limitations in SMEs have been noted as a major hindrance, notably a lack of training or qualifications for individuals operating in the structure, as well as a lack of experience among employees (Adla, Gallego-Roquelaure & Calamel, 2016:1520). An effective and efficient human resource function is key for a business as it assists the SME in acquiring

and developing human capital, organising positions in a way that encourages employee engagement in process improvement, and inspiring employees to direct their efforts toward the SMEs' goals (Forth & Bryson, 2018:5). Favourable human resource management allows an SME to access relevant skills at a reasonable price for the growth and continuous operation of the SME (Mahohoma, 2018:13). Therefore, a human-resource development framework is an essential element for the success of SMEs from its early stages.

Marketing is a process that business owners use to teach their target market about their product or service, informing the consumers why they should choose their product or service over their rivalries (Gibbs, 2016 cited in Bhila 2017:16). For Bhila (2017:16), marketing skills are key skills that business owners should possess in order for their business to be well visible and increase their customer base. Poor marketing skills possessed by business owners can lead to failure in the business (van Scheers, 2018:30). Insufficient marketing skills create marketing problems for SMEs because marketing determines whether the business will succeed or fail in the long run (Rahman, Yaacob and Radzi, 2016:129; van Scheers, 2018:28). Dzogbenuku and Keelson (2019:173) found that in the current world, long-term competitive battles are won by the continuous delivery of superior quality products and services. In addition, being aware of consumer needs and preferences and manoeuvring the market leads to higher performance (Dzogbenuku & Keelson, 2019:173).

SMEs should implement an effective marketing strategy that is well-designed, as it has proven to be increasingly important for the success and continuation of the SMEs (Varadarajan, 2018 cited in Kanayo & van Rensburg, 2020:6). Having an effective marketing strategy allows SMEs to adapt to the ever-changing needs and preferences of their customers, which enables consistency in providing for the target market (Kanayo & Rensburg, 2020:7).

Access to information and advice refers to the owner's ability to obtain sufficient information about the market they want to compete in and the advice on how they can go about obtaining a competitive advantage in that particular market (Malatji, 2021:50). Information is viewed as a valuable economic resource. A lack of it has increasingly been recognised as one of the key causes of many poor outcomes; thus, the emphasis on the importance of having access to information (Imran, Salisu, Aslam, Iqbal & Hameed, 2019:5). It is an essential asset that owners need to discover and explore as it also enhances innovativeness and competitiveness, decreases ambiguity by clarifying procedures, priorities, and decisions, and increases satisfaction (Imran et al., 2019:5).

Fio (2020:58) highlighted that access to information becomes a challenge, especially for SMEs in developing countries, because the majority of these SMEs are found in rural areas far from the administrative and capital cities. This might lead to these owners failing to receive timely notifications about contracts that might be beneficial to the growth of their SMEs, limiting their ability to compete effectively in the market (Fio, 2020:58; Malatji, 2021:51). Adeolu (2017:12) added that the information that these SME owners obtain might be questionable because they might be retrieving it from informal sources. Informal sources might include word of mouth, blogs, YouTube videos, and casual Google searches not guided by formal organisations or people with relevant knowledge.

These SME owners find it challenging to participate in the market because they lack market information, are unaware of the product/service demand, and are unaware of the best time to sell or they receive the information from informal sources which limits their effectiveness in the market (Adeolu, 2017:12; Malatji, 2021:55). Therefore, the success of the majority of the SMEs with owners that have limited access to information about the market is hindered (Malatji, 2021:55).

Financial management involves recognising the factors that influence the value of a business's uncertain cash flows over time and managing these aspects through thorough financial planning, control, and smart financial decision-making (Karadag, 2017:303). Financial management also involves value analysis, which is a technique for increasing the utility of a product without increasing or lowering its price; this can result in significant cost savings as well as a superior product for customers (Bhila, 2017:16). According to Hoque (2017:6), the importance of financial management in SMEs is that owners of SMEs that are financially literate are able to keep their businesses functioning smoothly. Furthermore, an effective financial management system can help SMEs with their liquidity and solvency problems and is critical to a country's economic health (Hoque, 2017:6). Paying less attention to the business solvency is guaranteed to contribute largely to the collapse of an SME (Mchunu, 2019:10). Having a proper grasp of financial management skills will aid in the day-to-day operations of the SME, allowing it to run profitably (Bhila, 2017:15).

According to Mamabolo (2017:30), SMEs have more chances of having limited financial knowledge and practices, particularly the smaller ones, as the SME might only be managed by the owner with just their knowledge and skills. The most common financial management skills required from SME owners are cash flow and credit management because a lack of such

knowledge and skills could lead to insolvency and bankruptcy of the SME (Mamabolo, 2017:30). Hoque (2017:6) added that the most basic practice that the owner need to understand is the cash conversion cycle which measures how long it takes them to convert their investments in inventory into cash. Having effective financial management skills allows SMEs to manage the flow of funds and to further align them with the intentions to meet the goals of the SME and maximise the income (Yusufu, Suleiman & Akuh, 2020:146).

Access to technology refers to the ability to gain access to appropriate and relevant technologies to be able to fully participate in the economy (Leboea, 2017:54). Technological capabilities refer to the SMEs having the luxury of accessing modern technology and not lacking the necessary skills and abilities to effectively use it (Madichie, Mpiti & Rambe, 2019:149). For Blose (2018:34), technology is important in a business as it includes the capacity to communicate with consumers and the ability to provide products and services to a larger population, especially worldwide. For SMEs struggling to make financial breakthroughs, having access to current technology is considered a thorn in their side (Madichie, Mpiti & Rambe, 2019:149). However, using the technology effectively tends to make them more competitive than those that do not (Sitharam & Hoque, 2016:278; Madichie, Mpiti & Rambe, 2019:149). According to Leboea (2017:54), SMEs usually use foreign technology they do not have shared ownership of or lease because the local patents are difficult to obtain. Madichie, Mpiti, and Rambe (2019:149) supported the idea that it is difficult for SMEs to access modern technology because it is expensive, especially for new start-up SMEs. In addition, the rapid evolution of technical applications presents a greater problem to most SMEs, which could hold up their innovative process (Barbeau, 2019:8). Consequently, SMEs with limited technological capabilities are also limited to compete effectively in the local and global market.

The SME sector is a competitive sector that needs active and strategised owners to survive (Masupa, Beharry-Ramraj & Amolo, 2017:8). *Market competitiveness* refers to the ability of the SME owners to direct their efforts to the needs of their customers, considering their needs and preferences (Masupa, Beharry-Ramraj & Amolo, 2017:8). Market competition refers to competition from other businesses that can better identify the needs and preferences of their customers (Makhitha, 2016:263). Competition drives a business to adopt new strategies to survive, and businesses tend to grow more quickly and efficiently where the competition is high (Omer, 2016:66; Sitharam & Hoque, 2016:279; Leboea, 2017:65). These strategies include price reductions, advertising campaigns, improved customer service, and

improvements in service or product quality; competitors frequently employ these tactics to strengthen their relative industry or market positions, as well as to react to the actions of others (Leboea, 2017:65). Therefore, South African SMEs should aim to always be competitive in the market and remain flexible to new strategies to succeed and gain a competitive advantage.

The above-discussed factors that influence SME success align with the RBT. This study focused on two factors already discussed: access to financial services as a resource needed by SMEs and effective financial management practices as a key capability for SME success. Access to financial services is necessary for innovation, productivity, and business growth. On the other hand, financial management practices are necessary to manage the business's finances to enable them to reach their goals and objectives and maximise their income. These two factors were selected as they are crucial for a business's initiation, implementation and operations; therefore, their influence on SME success is crucial to investigate and understand.

The following section explores the factors that influence the success of SMEs that were not explained using the RBT.

2.6 OTHER SUCCESS FACTORS – OUTSIDE THE RBT

The previous section discussed the factors that influence the success of SMEs in relation to RBT, such as resources and capabilities. This section explores those factors that influence SMEs' success, which RBT did not explain.

2.6.1 GOVERNMENT SUPPORT

All processes, procedures, policies, and structures put in place by the government to assist SMEs are referred to as government support programmes (Dzomonda & Fatoki, 2018:4). Government support for SMEs includes the government services that are aimed at formulating policies related to SME development, facilitating SME financing, and providing education and training to entrepreneurs (Hyder & Lussier, 2016:85). According to Madichie, Mpiti and Rambe (2019:147), government support offers SMEs a variety of direct financial assistance packages, including subsidies, grants, and tax incentives (e.g., tax rebates and deductions), all of which help with developing the SMEs and keep them in the business for a longer period. Government support is also available to ease the financial constraints on SMEs by assisting in generating additional cash flows and obtaining more finance (Madichie, Mpiti & Rambe, 2019:148). Kanayo (2021:125) highlighted the importance of government support by stating

that adequate government support is critical to a country's SME sector's long-term viability and development, particularly in South Africa.

As identified above, various initiatives are available to SMEs to encourage the development and growth of SMEs in South Africa. According to Rankhumise and Masilo (2017:170), there has been some development in the support provided by the agencies, considering the goal of government agencies, which is to provide support to SMEs in the country. This is reflected in the number of new and existing enterprises receiving support (Rankhumise & Masilo, 2017:170). Many enterprises have flourished, with significant turnover rates; existing businesses have been able to hire more employees, allowing the government to achieve its goal of fostering company expansion in order to reduce unemployment (Rankhumise & Masilo, 2017:170). This is a true reflection of the importance of government support to SMEs. However, government laws, regulations and policies are still hindering the SMEs from reaching their full potential. They are also a key part of the discussion of the importance of government intervention to the growth and success of South African SMEs.

2.6.2 GOVERNMENT LAWS, REGULATIONS, AND POLICIES

Government laws, regulations, and policies should be aimed at accomplishing the success of SMEs, providing a climate that allows SMEs to thrive and grow into viable businesses, as well as contribute to South Africa's economic growth and development (Mahambehlala, 2019:22). According to Mahambehlala (2019:23), successful government policies lay the foundation for faster SME entry and expansion in the markets. However, the regulations governing the establishment and operations of businesses are time-consuming and expensive for most South African SMEs (Sitharam & Hoque, 2016:279; Rankhumise & Masilo, 2017:170). Sitharam and Hoque (2016:279) added that the majority of SMEs find the laws that govern them hard to comply with. The above is also supported by Leboea (2017:73), stating that SMEs spend more time dealing with regulations and not focusing on activities that generate income for them, resulting in a loss of income.

Fundamentally, SMEs see government regulations as red tape, especially new SMEs, due to the lack of a one-stop office that could provide most of the support they need (Rankhumise & Masilo, 2017:171). The process seems rather disintegrated; multiple stakeholders need to play a role. Therefore, there needs to be one setting where these agencies and stakeholders are based to ensure that entrepreneurship development efforts are coordinated and turnaround times

shortened (Rankhumise & Masilo, 2017:171). Also, the governance regime, which is the set of laws and procedures that impact how SMEs operate, is a neglected but crucial part of the systemic restrictions confronting small economies (Scheba & Turok, 2020:82). Scheba and Turok (2020:84) reported that the key regulatory barriers to small economies' SMEs are mainly those relating to property ownership and registration, land-use management, and national building regulations. Due to their unique characteristics and unfortunate histories, many of these rules and practices have disproportionately negative effects on developing economies' SMEs, such as South African SMEs that are based in rural areas (Scheba & Turok, 2020:91). Therefore, the majority of South African SMEs are still facing these hindrances due to the laws and regulations that are strictly set by the government.

2.6.3 BUSINESS AGE

Previous literature defined business age as the number of years that a business has been in operation within the confines of the law (Maduku & Kaseeram, 2019:143; Mahohoma & Agbenyegah, 2020:42). Mahohoma and Agbenyegah (2020:42) reported that business age leads to favourable business growth; older SMEs perform better than younger SMEs. Mandiringana, Mwanza and Simamba (2018:135) added that an SME's first few years are the most vulnerable since its cost functions are more diverse as it learns about its industry and managerial capabilities, which can lead to poor business performance. Older SMEs have a better network of business partners and clients, as well as solid contacts with financial institutions (Ngcobo, 2017:67). When the financial institutions are analysing any credit requests, they evaluate the SMEs' age and size, with newer firms finding it difficult to obtain credit from these institutions due to a lack of credit history, which aids the bank in projecting the likelihood of loan payback in the future (Ngcobo, 2017:68).

2.6.4 ACCESS TO THE MARKET

SMEs' access to the markets refers to the SMEs' expansion into new geographic markets, locally and internationally (Bongomin, Munene, Ntayi & Malinga, 2018:54). The expansion is determined by the sales and employment to different geographic locations and markets (Sibiya & Kele, 2019:4). For Sibiya and Kele (2019:4), SMEs need to be able to access the home markets and further expand into international markets for more growth. SMEs' access to the different markets, both locally and globally, enables them to understand the needs of the different markets and, subsequently, cater to them (Rankhumise, 2017:61). South African

SMEs have challenges accessing the markets, impacting the growth and success negatively (Mamabolo, 2017:30). The main challenges SMEs face with regards to growing and expanding are accessing sufficient information about the market and the lack of understanding and having knowledge of the market (Makhitha, 2017:4; Sibiya & Kele, 2019:4). Those challenges may be caused mainly by the lack of marketing research before going into business and lack of the necessary business marketing (Rankhumise, 2017:61). SMEs could have the necessary products or services and lack the clients to provide to due to the lack of access to the different markets. Ramukumba (2017:6) added that this could be due to the communication mediums used to raise awareness not reaching some of the SME owners. South African SMEs would perform even better in terms of increased income and creating more jobs if they could retrieve the information to manoeuvre both the local and global markets (Sibiya & Kele, 2019:13).

This study focused on two of the factors already discussed: access to financial services as a resource and effective financial management practices as a capability. Access to financial services is necessary for innovation, productivity, and business growth. While financial management practices are necessary to manage the business's finances to enable them to reach their goals and objectives and maximise their profits. Therefore, these two variables are necessary for SMEs to remain in operation. Also, their influence on SME success is critical. Thus, this must be further explored to add to the existing literature on how SMEs can improve their success rates.

2.7 PREVIOUS STUDIES ON THE FACTORS THAT INFLUENCE THE SUCCESS OF SMEs

This section explores the literature regarding the factors that influence the growth, stability, and success of SMEs in South Africa and the significance these factors have on SMEs. Table 2.3 presents these studies conducted within a six-year period (2016-2021). The majority of these studies were conducted in different cities, three nationally and two in rural areas.

Table 2.3: Previous studies on South African SMEs

Author(s)	Location	Research Methodology and Results
Makhitha (2016)	Soweto, South Africa	The quantitative research methodology was used to identify challenges faced by small independent retailers in Soweto and

		Johannesburg. The results showed the following challenges: competition, high inventory costs, high rental costs, and high taxation.
Sitharam & Hoque (2016)	KwaZulu-Natal, South Africa	The quantitative research methodology was applied to identify internal and external factors that affect the success of SMEs. The internal factors identified were technological capacities, managerial competencies and skills, and access to financial services. The external factors were macroeconomic factors, competition, globalisation, and crime.
Bhila (2017)	Tembisa Township, South Africa	The quantitative research methodology was used to establish factors influencing the success and failure of SMEs. The results reflected the importance of effective financial management practices, marketing, time management, and interpersonal communication skills to succeed in the business.
Garg & Phaahla (2018)	Sekhukhune District, South Africa	The quantitative research methodology was applied to identify factors that influence the success of SMEs. The results showed that relying heavily on owners' funds negatively affects SMEs. In addition, the results indicated that finance, the characteristics of the entrepreneurs, the location of the business, and government support play a role in whether or not they succeed.

Dzomonda & Fatoki (2018)	South Africa	The study applied quantitative research methodology to investigate the financial management behaviour of rural entrepreneurs. The results reflected that the financial management behaviour is unacceptably low, thus leading to the lack of effective financial management practices. Effective financial management behaviour can enhance the survival and growth of SMEs.
Blose (2018)	Msunduzi Municipality, South Africa	The quantitative research methodology was used to determine internal and external factors that hinder SME growth. The results indicated the internal factors as characteristics of an entrepreneur, managerial skills, technology capacities, access to markets, human resources management, and financial management. The external factors were market share, investment in technology, high taxes, and high competition.
Bamata, Govender & Fields (2019)	South Africa	The quantitative research methodology was applied to examine the relationship between start-up awareness, management skills and finance suppliers. Results indicated that start-up awareness significantly affects the choice of government as a source of funding for an SME. It also reflected that entrepreneurs' decisions to use their personal or social networks as a prospective source of money are influenced more positively and significantly by management skills. Lastly, management skills

		have a relatively strong impact on corporate finance.
Naicker (2020)	Durban, South Africa	The qualitative research methodology was applied to highlight the importance of cash flow management on the sustainability of SMEs. The study reported that poor cash flow management and the failure of SMEs are still problems in South Africa. The study also found that when cash flow management increases, the sustainability of the business will also increase (longevity).
Jordaan & Coetzee (2021)	Free State, South Africa	The quantitative research methodology was used to investigate if access to financial services is an obstacle to the growth of SMEs. The results indicated that SMMEs face obstacles when accessing finance from formal banking institutions, especially during the early stages of their life cycle, subsequently hindering their growth.
Msomi & Olarewaju (2021a)	Durban, South Africa	The study applied the quantitative research methodology to evaluate access to financial services, market access and the viability of SMEs. The study reported that the lack of SMEs' access to financial services limits the range of goods and services they can render, as the owners mostly rely on personal wealth and resources to keep the businesses operating. Having increased access to financial services from the formal financial institutions led to improved performance of the SMEs.

Msomi & Olarewaju (2021b)	South Africa	The quantitative research methodology was adopted to investigate the influence of accounting skills on the sustainability of SMEs. The results reflected that SME owners with financial skills and basic accounting knowledge are more equipped with the needed skills to ensure accurate financial management practices that determine the business's success.

Source: Own Creation

Table 2.3 shows that the majority of the previous studies adopted the quantitative research approach, and only one adopted the qualitative research approach.

Based on the studies identified in Table 2.3, the following gap has been identified:

- The majority of the studies conducted were focused on specific parts of the country in their literature and not the entire country's SMEs (Makhitha, 2016; Sitharam & Hoque, 2016; Bhila, 2017; Garg & Phaahla, 2018; Blose, 2018; Naicker, 2020; Jordaan & Coetzee, 2021; Msomi & Olarewaju, 2021a). The studies have identified and discussed separate factors that hinder the success of SMEs, such as investing in the influence of accounting skills on the sustainability of SMEs. Another investigated whether access to financial services is an obstacle to growth, with one exploring multiple variables (lack of access to financial services and access to the market) and the role they play in the SMEs' growth. However, they do not explore the combined influence of the factors they are investigating on the success of SMEs; the focus is only on the individual impact and influence. For example, the researcher who investigated access to financial services and market access could have also taken the path to study the influence of access to financial services on the SMEs' capability to access markets and the influence that would have on the success of SMEs.

Despite their importance for the South African economy in terms of job creation and economic development, SMEs continue to have an alarming failure rate, especially during their early years of operation. It is also evident that SME survival, expansion, and success require excellent managerial competencies and access to sufficient resources. However, no South African research has yet investigated the combined impact of various managerial competencies

and access to resources on SME success in the country. Therefore, drawing on the previous literature on South African SMEs, this study investigated the combined influence of access to financial services and effective financial management practices on SME success in South Africa. This study did not address a particular area or specific areas of South Africa. However, it addressed the SMEs around the entire country, covering the nine provinces.

2.8 CHAPTER SUMMARY

This chapter aimed to provide an overview of SMEs and use the RBT to explain the factors that influence SME success in South Africa. The relevant definition of SMEs in South Africa was provided, and the relevant one was adopted. This was followed by exploring the importance of SMEs in the overall economy, unemployment, poverty reduction, and wealth distribution. Following the importance of SMEs in South Africa, this study measured and discussed the success of South African SMEs from 2017 to 2022. The section showed that South African SMEs still fail, and the success rate remains questionable. The key is to explore why the SMEs have high failure rates.

The Resource-Based Theory (RBT) was used to show how a company achieves a competitive advantage and profits by owning and controlling assets, capabilities, organisational processes, firm attributes, knowledge, and other internal resources that must be unique and not transferable to other businesses. Thereafter, the chapter identified different resources and capabilities that have proven to be common amongst South African SMEs that usually give them a competitive advantage. Also, access to financial services and effective management practices were linked to the RBT. Access to financial services was linked to resources, with effective financial management practices explained as a capability needed for SME finance. Furthermore, other selected factors that influence SME success but are not necessarily firm resources and capabilities (which do not form part of RBT) were discussed. The discussion included factors such as government support, laws, regulations and policies, business age, and access to market. Lastly, this chapter explored previous related studies conducted on South African SMEs, identifying the research gap in this literature. The research gap was established using the combined influence of access to financial services and effective financial management practices on SME success in South Africa. The following chapter will discuss access to financial services and financial management practices.

CHAPTER 3

ACCESS TO FINANCIAL SERVICES AND FINANCIAL MANAGEMENT PRACTICES

3.1 INTRODUCTION

Chapter 2 presented an overview of SMEs and applied the RBT to explain the factors that influence SME success in South Africa. The chapter also discussed the SME success rates, measurements of SME success, the importance of SMEs, the RBT, and previous studies investigating the factors that influence SME success in South Africa.

This chapter seeks to achieve the secondary objective of this study, namely, to investigate the concepts of access to financial services and effective financial management practices. This chapter aims to achieve this by investigating literature on access to financial services for SMEs, the adoption of financial management practices in SMEs, and the role played by the South African financial sector in the success of SMEs. This will be done through investigating and discussing the state of the South African financial sector, the financial products and services offered by formal financial institutions, access to the financial services, access to financial services and SME success, financial management practices and SME success, and the previous research on access to financial services and financial management practices focusing on South African SMEs. The chapter will conclude with a summary of the above discussions.

Before exploring the level of access to financial services by South African SMEs, it is pertinent to first discuss the South African financial sector to understand how it is structured and operates.

3.2 SOUTH AFRICAN FINANCIAL SECTOR

The South African financial sector refers to the section of the economy consisting of institutions and organisations that offer financial products and services and manage and offer intermediary services to distribute financial capital (Corporate Finance Institute, 2023). It is divided into two parts: formal financial institutions and informal financial institutions. The difference between the two subsectors is that the formal financial institutions are legally regulated by the government, whilst the informal financial institutions have no government regulations that govern them (Wiyani & Prihantono, 2016:59; Godwin & Simon 2021:14). The formal

financial institutions refer to banks, credit unions and other non-bank financial institutions such as insurance companies and brokerage firms. In March 2022, the Prudential Authority reported that there were 31 banking entities in South Africa. These include 18 local banks, 13 local branches of foreign banks and four entities operating as mutual banks (South African Reserve Bank, 2022). However, the five largest banks in the country that focus on business banking are Standard Bank, FirstRand (FNB), Absa Bank, Nedbank, and Capitec Bank. These five big banks are also known as commercial banks, meaning that they accept public deposits and disburse loans for investments to make a profit (Puturidze, 2021:24), which is their main objective. Thus, these banks have divisions that are mainly focused on 'financial statements' lending, which requires SMEs to have collateral or a guarantee with an asset value before they can be granted credit or loans and access to other financial services (Langa & Govender, 2019:31). This is to ensure that the SMEs can afford the cost of the debt, ensuring the bank can continue to make profits from these lending practices.

Even though formal financial institutions have been utilised as the main suppliers of business funding, they are still reluctant when it comes to offering financial products and services to SMEs due to the perceived high risk and lack of collateral by the majority of SMEs (Mpofu & Sibindi, 2022:2). The South African banks are even more reluctant when it comes to financing start-up SMEs and those in their early stages of operations, due to the lack of business knowledge and history on the owner. Also, the SMEs are not meeting the know-your-client (KYC) requirements due to the inability of the majority of SMEs to keep the proper records or not having such records entirely (Balongun, Ansary & Ekolu, 2017:247; Saah & Musvoto, 2020:413). This, in turn, creates a lack of reliance on the formal financial institutions of South African SMEs and more reliance on the informal financial institutions for their financing needs. As already defined above, informal financial institutions are lenders that the government does not regulate and are founded by two or more people with the intention of mobilising savings and lending money (Uruakpa, 2018:33). Therefore, the demand for informal financial institutions increases due to the flexibility in the process, the financial services are tailored according to the specific needs of the borrower, less emphasis on collateral and the ease with which the credit applications can be submitted and approved (Godwin & Simon, 2021:15). These institutions are regulated by their own set of rules, which means that there is no regulatory body that can hold them accountable. This gives rise to several risks to the SMEs, including being charged unreasonably high interest rates, with the informal financial sector

suffering from limited resources and failing to offer services to the SMEs that require substantial funding (Mpofu & Sibindi, 2022:1).

Therefore, the South African formal financial sector can still be improved to be inclusive of the SME sector in their system if they offer products and services that cater for SMEs' specific needs and integrate the previously disadvantaged who have not been able to accumulate sufficient assets for collateral in the South African formal economy (Leshilo & Lethoko, 2017:54). It is evident that the SME sector is not yet entirely included in the formal financial sector, with the current systems not in favour of the SMEs, especially new SMEs and those in their early stages of operations. They are mainly focusing on businesses that have already indicated a high probability of growth and going concern, avoiding any risk that new SMEs might impose. Despite the above discussions, it is also key to explore the types of financial products and services that SMEs need.

3.3 FINANCIAL PRODUCTS AND SERVICES

Financial services are defined as economic services that are provided by the financial sector in relation to banking, investment and insurance services, which include activities such as asset management, investment advice and product information (Mertzanis, 2017:2). On the other hand, financial products are defined as "instruments on which financial services are offered" (Mertzanis, 2017:2). There are four main financial products and services that businesses need to be exposed to, have access to and utilise to reach success. These are transactional, credit, saving and insurance products and services. This section will explore these, their roles in businesses and their importance.

Transactional products and services, often referred to as *transactional bank accounts*, are usually provided by banking institutions and include transactional banking products such as current accounts and debit cards with services such as ATM services and financial information services that allow business owners to make informed decisions. Transactional bank accounts allow clients to receive information regarding the products, the advantages, and the disadvantages of the products so that they can choose banking products that meet the needs of their businesses (Zvirevo, 2017:17). These transactional bank accounts allow businesses to transact by going physically to the bank or by conducting their transactions online, without visiting the financial institutions (Khalil, Ahmad & Khan, 2017:3). They offer the convenience to the business owner to conduct their banking activities where they are comfortable.

Furthermore, these products and services enable business owners to do routine transactions easily without necessarily visiting the financial institution, saving the business owner's time.

The main role of the transactional bank account is to allow businesses to transfer and pay funds between various bank accounts, internally and externally (Smit, Mostert & Mostert, 2016:394). According to Bamata (2018:42), transactional bank accounts are the most needed services to ensure that SMEs can perform their cash management and transfers; these can only be offered by formal financial institutions. They provide convenience for the day-to-day financial activities of the business, allowing businesses to make transfers to accounts, including transfers to different banks, payment of the business bills and employees' salaries, and purchasing of supplies (Mwangasu, Ngali & Maina, 2022:7). Therefore, is important for SMEs to have access to a transactional bank account to conduct such operations while saving the business time and money. In addition, the transactional financial products and services can be seen as 'entry' products and services to the formal financial sector that would enable the financial institutions to gather any information that they could also use to assess whether those SMEs could afford other financial products and services that they offer, such as business lending products (credit facilities).

Credit products and services, often referred to as *credit facilities*, allow SMEs to borrow money from financial institutions for use now. They can pay it back at a later stage, as agreed by the financial institutions and the SMEs. Having access to credit facilities means that the financial institutions provide these services in the form of business credit cards, loans that could be paid into the business' transactional bank accounts, and the businesses must repay the financial institutions the principal amount plus an agreed interest over a specific period (Zvirevo, 2017:17). These facilities usually have specified timelines of when the borrower would be expected to repay the loan amount, also indicating what would happen should they not fulfil those obligations. This means these credit facilities allow the SMEs to use funds they do not currently have and pay them back to the bank when they have generated enough income from their operations.

Having access to credit facilities is an essential part of the development of the economy as it allows the economic entities (SMEs) to meet their needs, goals and objectives using financial resources which they do not currently have at their disposal (Gyimah & Boachie, 2018:62; Dubyna, Zhavoronok, Nitchenko, Sadchykova, Chiipesh & Murashkovska, 2021:59). Thus, operations of the SMEs do not have to stay on hold until they have generated enough funds

(e.g., through sales), as that would disadvantage their income levels. Additionally, having access to credit facilities is crucial for SMEs as businesses that receive an adequate loan amount from financial institutions often perform better than businesses that do not have access or adequate loan amounts (Husnah, Antra, Rauf & Suparman, 2018:4). Ahmed (2019:43) added that when the financial institutions' credit requirements are stiffened, businesses might broaden their loan-securing strategies in order to keep their businesses afloat for longer periods. However, this becomes a difficult task for new SMEs as they do not have the resources to broaden their strategies; thus, their operations and profitability might be negatively affected by the lack of access to credit and loans (Ahmed, 2019:43). Subsequently, they are seen as undercapitalised. SMEs with access to these loans are seen as fully capitalised, allowing them to be more adaptable to grow and diversify their product offering (Mencken & Tolbert, 2018:378). Therefore, having access to credit facilities is important for SMEs as it allows them to expand while using financial resources they do not possess, which they may repay later when income has been derived from the expansions and operations. As much as being able to expand, paying their obligations and shareholders is an important aspect of business growth; businesses should also be able to save some of the funds and income they generate to not depend solely on borrowing for all their business activities. Therefore, SMEs must have access to savings products and services.

Savings products and services refer to the services that allow SMEs to save a certain amount of their funds for later use (Omondi & Jagongo, 2018:33). Using the savings products and services involve the process of depositing money in a bank or permitting regular contributions of cash to a savings scheme to build a substantial capital amount. This requires the business to forego current consumption to meet future needs (Zvirevo, 2017:17). These savings products and services can be offered for long- and short-term periods, depending on the agreement between the business and the financial institution. They are rendered using traditional savings accounts, such as savings accounts aimed at short-term goals and fixed-term deposits focused on long-term (Anaman, 2017:24; Adusei & Tweneboah-Koduah, 2020:176). Generally, savings allow businesses to accumulate more capital, which they can use for further investments and expansions that would, in turn, lead to high-income levels (Bukirwa & Musoke, 2020:173). Continuous investment in improving the business in terms of widening the product offering and investing in technology and other resources that will improve the efficiency and effectiveness of business processes is important for SMEs to increase their customer

satisfaction and profitability (Afolayan & De la Harpe, 2020:697). Thereafter, the high-income levels would support and increase business development and sustainability.

It is evident that savings products and services are essential for SMEs, as they enable SMEs to save a portion of their money, enabling them to invest it in expanding their businesses and for any future emergencies that might arise (Omondi & Jagongo, 2018:33). In addition, these savings products and services are an advantage to the SMEs, as the SMEs can choose a flexible deposit and the investment period, earning interest, which could lead to more cash inflows for the business according to their preferred terms and period of time (Dzmuranova & Teply, 2016:618). That is deemed the safest option that SMEs can use to save money while accumulating interest and earning enough to invest in their future business ventures (Anaman, 2017:25). In essence, having access to savings products plays a crucial role in the growth of SMEs, as they are able to earn this interest, take on future business ventures and remain in operations for longer without possibly depleting their funds. Having savings can be seen as a safety measure for SMEs, allowing them to have sufficient funds they might require in the future. Another safety and security measure businesses need to have in place is insurance on their assets and liabilities.

Insurance products and services are provided by banking and non-bank institutions, namely insurance companies. Insurance products and services are contractual agreements in which the insurer commits to pay the policyholder or their specified beneficiary a payment or benefit if a specific loss occurs (Tiletwa & Magali, 2021:67; Cardona, Castaneda, Martins, Gandouz, Juan & Franco, 2021:394). These insurance benefits allow the business to recover to the same financial position before any disruptions or losses. The insurance products and services include a product warranty from an insurer that would assist in cases of a product failure to reduce the direct cost to the business, should they need to replace such products that fall under that insurance policy (Chen, Wei & Xie, 2017:636). Other insurance products and services are focused on cyber risk: businesses' online platforms getting hacked, protection against viruses, and any other destructions to the IT systems and software (Wrede, Stegen & Graf von der Schulenburg, 2020:660). Lastly, traditional insurance products and services aim to cover any physical damage to the business and personal injuries that occur while working (Gyimah & Boachie, 2018:62).

The motivation for the need for insurance in businesses is that businesses encounter a variety of risks that must be well managed through a methodical procedure that includes the use of

well-structured instruments and products such as insurance (Musah & Duker, 2020:83). Furthermore, because of the strenuous efforts to replace the SMEs' variety of assets (e.g., property, plant and equipment, as well as other costly assets), the SMEs require and need the insurance to assist in cases of any risks to the assets (Musah & Duker, 2020:84). South African SMEs require insurance due to their low turnover. It provides assistance when there is a risk and avoids getting into debt trying to recover. Thus, having access to insurance products and services for SMEs would be necessary to avoid having to spend huge amounts to fix or repair their assets, which might cost them more than they can afford due to any losses, damages, or destructions that have occurred.

The above discussion of the different financial products and services clearly outlines the importance of each to SMEs and how they impact their growth, development, and sustainability. Furthermore, they prove that they are a necessity for the SMEs to be able to participate efficiently in economic activities. The following section will explore the levels of access to financial services in the South African SME context.

3.4 ACCESS TO FINANCIAL SERVICES

As previously indicated, access to financial services refers to the ability of SMEs to obtain financial products and services from formal financial institutions at an affordable cost (Padiaychee, 2016:4; Turyakira, Kasimu, Turyatunga & Kimuli, 2019:201). Thus, businesses would have less to no restrictions to accessing and obtaining financial products and services and be able to access them at affordable costs (Chowdhury & Alam, 2017:56). Chowdhury and Alam (2017:57) defined it as the extent to which SMEs have access to formal financial institutions that are prepared to provide reasonable and appropriate financial services that align with their business needs.

The majority of SMEs depend on their internal finances to start up and to operate within the first few years of their existence due to the lack of access to financial services due to the reluctancy by the financial institutions and the lack of the needed collateral (Mpofu & Sibindi, 2022:33). However, as the business grows, it needs to expand, focus on new product development, invest in production facilities and new staff. Therefore, there is a need for external sources of finance. These external sources of finance include the above-discussed financial products and services mainly provided by formal financial institutions (Matsebula &

Yu, 2020:173). In this study, having access to financial services refers to SMEs having access to transactional, savings, credit, and insurance products and services.

3.5 LEVEL OF ACCESS TO FINANCIAL SERVICES

Access to financial services is essential and necessary for all businesses to operate and survive. It is required to operate, develop, and expand SMEs. In the SME literature, the lack of access to financial services has been highly correlated with the SME owners' inability to achieve the overall business objectives (Adomako, Danso & Damoah, 2016:47).

SMEs still face difficulties with accessing financial services compared to larger businesses, especially in the early stages (Ahmed, Beck, McDaniel & Schropp, 2016:37). This is evident from the following South African statistics recorded between 2015 and 2019: The percentage of new SMEs that had access to financial services from the formal financial institution was reported low at only 27% in 2015 (Saah & Musvoto, 2020:414). This percentage decreased drastically in 2017 to only 2% of new SMEs being able to obtain access to financial services from formal financial institutions (Balongun, Ansary & Ekolu, 2017:247). In 2019, it was reported that the percentage of new SMEs that had access to formal finance was still relatively low at approximately 2% (Joseph & Tambandini, 2022:2). These results in the levels of available formal finance to SMEs are very low, indicating that the SME sector has not entirely been included and catered for in the formal financial sector. Some of the reasons that have been stated as hindering and limiting the access of SMEs to financial services included being given shorter maturity on loans, higher interest rates, and stringent collateral requirements (Ahmed et al. 2016:37), leading to the SMEs' lack of affordability due to their inability to fulfil those conditions.

The lack of access to financial services leads most SMEs to find alternative financing sources. Thus, the informal sector emerges as a substitute form of financing when there are multiple hindrances to obtaining financial products and services from formal financial institutions (Turkson, Amissah & Gyeke-Dako, 2022:335). For instance, SME owners would borrow from family and close friends to be able to continue with operations as they cannot obtain credit from formal financial institutions. Depending on these alternative sources of finance might not be sustainable for the SMEs, as they might not be sufficient. Therefore, formal financial institutions remain the main source of financial services for SMEs. Additionally, SMEs need

to have access to financial services to achieve success. The following section discusses the role of access to financial services on SME success.

3.6 ACCESS TO FINANCIAL SERVICES AND SME SUCCESS

Access to financial services from formal financial institutions is important for SMEs as it directly influences their success. Chapter 2 provided the following definition of SME success: being able to operate for over five years, making profits (self-reported data) and reporting year-on-year growth. Nsanzimana (2016) found that when SMEs had more access to financial services, they had the ability to grow more in terms of creating employment, remaining in business for longer, and offering more products and services to customers. Therefore, the above definition of SME success has been adopted and applied in this study.

According to Fowowe (2017:14), SMEs with access to financial services, especially through formal financial institutions, have more chances of improved growth and success than SMEs that do not have access to financial services. The SMEs that have restricted access to financial services are unable to expand beyond a certain level due to the lack of the financial resources that are needed (Asad, Sharif & Alekam, 2016:3). Essentially, the inability of SMEs to obtain financial services from the formal financial institutions negatively impacts SME success, especially in developing economies leading to very few SMEs surviving for a period more than five years (Asad, Sharif & Alekam, 2016:3).

Accordingly, access to financial services has been highlighted as a determinant of SME success. Waked (2016:51) defined it as the pillar of SME development, as it is a necessary resource for SMEs to invest in activities that accelerate their development. That is caused by the fact that the level of access to financial services that SMEs have will directly impact the methods that the owner or manager of the SME employs to target the marketplace and position the SME in the market (Omondi & Jagongo, 2018:30). Furthermore, Adegboye and Iweriebor (2018) aligned the importance of access to financial services and SME success to productivity and innovation. Depending only on the internal financial resources for innovation is limiting for the majority of SMEs in developing economies, and even though external funding for SMEs still faces significant hurdles, a broadened domain of external finance for SMEs improves innovation and productivity and is thus necessary (Adegboye & Iweriebor, 2018:459). Therefore, increasing SMEs' access to financial services and broadening the domain of external

finance is vital to ensure the sector's growth and sustainability, improve performance, facilitate economic growth by providing liquidity, and make money available to the business.

Lastly, it has been proven that SMEs with access to financial services can develop, create more job opportunities, aid in achieving the set goals and objectives, be innovative, and have the ability to drive the overall economy by positively contributing to the GDP and the overall annual turnover (Ngek, 2016:358). Therefore, SME success is highly influenced by the level of access to financial services. However, access to financial services requires SMEs to implement effective financial management practices. The next section will explore SMEs' use of effective financial management practices.

3.7 FINANCIAL MANAGEMENT PRACTICES

Financial management refers to the management process of planning, controlling, directing, and managing financial activities such as financial or asset investments, including the utilisation and managing of financial resources effectively and efficiently (Grozdanovska, Bojkovska & Jankulovski, 2017:120). Financial management practices refer to the effective and efficient allocation and use of a collection of resources to manage the business finances (Cheruiyot, Namusonge & Sakwa, 2017:213). Financial management is integral to the main business operations, forming part of the business decision-making processes. These financial management decisions include the following: investment decisions (basic asset investments such as capital and current asset investments, namely working capital), decisions concerning the raising of funds from various sources, the length of time for financing, the expenses of assets, the return of those assets, and the dividend decisions (dividends to shareholders and remaining profit, the two areas in which net profit is allocated) (Grozdanovska, Bojkovska & Jankulovski, 2017:121). When these decisions are made, businesses adopt financial management practices to perform and implement these decisions.

The implementation of relevant financial management practices in a business allows the SME owners to make informed decisions that will support the goals and objectives of the business (Morozko, Morozko & Didenko, 2018:87). They enable the planning for the future of a business to ensure sufficient future cashflows. Therefore, the adoption of effective financial management practices has a significant impact on an SMEs ability to succeed, whereas having ineffective and no financial management practices contributes to a business's failure (Zada, Yukun & Zada, 2019:1074).

Effective financial management practices refer to the practices that allow the business to realise its full potential and reach its goals while also maintaining optimum cashflows within the business (Rahmah & Peter, 2024:2). Different businesses adopt and use different financial management practices. The standard financial management practices include capital structure management, financial reporting and analysis, fixed asset management, working capital management, and accounting information systems (Musah, Gakpetor & Pomaa, 2018:26). Different businesses adopt and apply business financial management practices according to their capabilities. The next section discusses the different financial management practices that are crucial and commonly used by SMEs.

3.8 FINANCIAL MANAGEMENT PRACTICES USED BY SMEs

There are several available financial management practices. However, using them depends on the different businesses and the skills and capabilities available within each business. According to Rauf (2016:117), financial management in SMEs is mainly the responsibility of one division that could be managed by one individual; therefore, the use and application of the practices would not be as broad as they would be in large businesses.

The most common financial management practices identified include the following:

- Working capital management: This practice is the most commonly used and most important financial management practice as it addresses all operations that affect the current assets and liabilities, including the liquidity of a business.
- Capital structure management: It focuses on ensuring that the combination of debt and equity adopted by the business maximises its market value (Nthenge & Ringera, 2017:9).
- Capital budgeting: Its main purpose is identifying potential investments, analysing the investment opportunities and selecting investments that yield the most shareholder value (Nthenge & Ringera, 2017:9; Somathilake & Pathirawasam, 2020:1792).
- Cash budgeting: This is important for all businesses. However, only a few SMEs use the practice due to the duration it might take them to identify, analyse and select the investments to allocate funds to (Addo, 2017:15).

Despite the importance and the key role these financial management practices play in businesses, SMEs still mainly utilise working capital management, with other financial

management practices being less used in the SME sector (Addo, 2017:15). This is also not foreign to South African SMEs.

FinMark (2021) reported that working capital management practices are South African SMEs' most used and important financial management practices. Addo (2017:15) added that working capital management is the most crucial financial management practice in SMEs, as it ensures adequate cash flow to cater for current and future operational obligations. Therefore, this study focused on the financial management practices identified as the most important and typical for the South African SMEs. These are working capital management practices (FinMark, 2021; Addo, 2017). Working capital management is crucial to financial management practices and strategies since it involves monitoring a business's current assets and liabilities to meet short-term obligations while avoiding excessive short-term asset investments (Sensini, 2020:1749). It has four components: Cash and credit management, inventory management and accounts payable management. However, this study only focused on cash and credit management, as they reflect on whether or not the business is able to keep sufficient funds that will enable them to meet their current and future financial obligations. In addition, they address the business's long- and short-term operations. The next section discusses these two practices in depth, including their impact on SMEs.

3.9 CASH AND CREDIT MANAGEMENT PRACTICES

SMEs mostly utilise working capital management practices, particularly cash and credit management (Ramli, Zain, Razik & Yaacob, 2017:190; Osinawo, 2018:40). They seldom utilise inventory management and accounts payable. This section will encompass an in-depth discussion about cash and credit management practices, what they entail and their importance in businesses.

Cash management is concerned with the management of cash flowing into and out of the business, as well as cash flows inside the business and cash balances held by the business at any one time, whether through financing a deficit or investing surplus cash (Abdullahi, Garba & Abubakar, 2021:446). The main concern in managing the cash flows is ensuring that the cash and short-term investments are used efficiently (Salas-Molina, Pla-Santamaria & Rodriguez-Aguilar, 2018:515). Efficient cash management entails determining the ideal amount to retain by weighing the opportunity cost of holding too much cash versus the trading cost of having too little (Bari, Muturi & Samantar, 2019:132). As a result, thorough planning and monitoring

of cash flows throughout time is required to establish the best cash to retain. As cash is a scarce resource in SMEs and at the centre of any operational processes that businesses use, the management of cash remains crucial in every business (Nwarogu & Iormbagah, 2017:2; Eton, Gilbert, Fabian, Benard & Dennis, 2019:115).

According to Ahmad (2016:332), cash management in a business is an enabler that also increases business sustainability and future planning. Future planning allows SMEs to maintain a favourable cash balance in the business so that it is not in excess or deficit (Ahmad, 2016:332). Due to financial resources being scarce resources, especially for SMEs, cash management forms part of the key management decisions (Smirat & Yousef, 2016:100). Smirat and Yousef (2016:100) added that due to the nature of cash being the most liquid asset, cash management is a necessity for the overall SME success, as the success of any business venture is determined by how well management planned and managed its cash flows. Furthermore, effective cash management not only increases the business's chances of survival but also helps to attract investors that can fund its expansion, a critical aspect investors look for when evaluating a company, its operations, and its management processes (Eton, Gilbert, Fabian, Benard & Dennis, 2019:115). Managing credit is equally important, as it ensures the business can collect cash from their credit sales timeously.

Credit Management is commonly known as the trade receivables management or trade credit management in business. Credit management relates to how a business manages its credit sales, which the businesses use as a tool to increase their customer sales (Azman & Ramakrishnam, 2021 cited in Peter, Peter, Bamidele, Adeniyi, Adama, Decster, Ogundipe & Adioti, 2022:2). The credit sales occur when a business decides to sell their product or service on credit, instead of immediately expecting cash from its customers; the customers may have the product or service now and pay at a later date (Remenaric, Cevizovic & Kenfelja, 2018:126). No immediate income is received when the business decides to sell on credit, posing a greater risk to the business operations. Thus, good credit management is critical for the survival of businesses, without which sustainable development is practically impossible (Zimon & Dankiewicz, 2020:6114). Altogether, selling goods and services on credit is an instrument used by businesses to increase the magnitude of sales; therefore, its management is equally significant (Okpala, Osanebi & Irinyemi, 2019:1).

Credit management by a business includes a clear indication of the credit period to the credit customer, which states the specific number of days they are given to settle the amount of cash

they owe the business (Gorondutse, Ali & Ali, 2016:3). This also includes taking note of any discounts that the customers would be given if they settled the outstanding amount within a particular stipulated period. For Okpala, Osanebi and Irinyemi (2019:2), this is only possible if SMEs have a credit policy that clearly stipulates the terms of trade, assesses the customers' risk profile before credit is granted, including the collection period and the business' low-cost debt recovery. The policy defines many operating guidelines for the credit sales process that the entire organisation must follow when approving credit to customers (Okpala, Osanebi & Irinyemi, 2019:3). Credit management is crucial for any business to ensure that the business' credit sales are not paid up for prolonged periods, resulting in SMEs having less cash to cover their cash outflows (Marenya, 2020:24). The next section will explore cash and credit management's impact and influence on SME success.

3.10 IMPORTANCE OF CASH AND CREDIT MANAGEMENT ON SME SUCCESS

Cash management is critical for the financial survival of SMEs (Ahmad, 2016:331). Ahmad (2016:331) emphasised that each business needs effective cash management to achieve its goals and objectives by enhancing their cash allocation. When a business has effective and efficient cash management practices in place, the growth in business activities is influenced, resulting in sufficient working capital to maximise profits (Ahmad, Ahmad & Abdullah, 2018:25). An SME's cash management system must be in good working order to speed up the payment of debt obligations, boost profitability, and plan for the future (Ahmad, Ahmad & Abdullah, 2018:26).

The adequacy of cash and other current assets and their effective management essentially decides the business's existence or extinction. Also, cash is a critical current asset for business operations; it is a basic input that is required to keep the business operating on a continuous basis (Smirat & Yousef, 2016:98). Pandey (2019:54) added that businesses with inadequate cash management are unable to generate acceptable levels of profit as there is a decrease in productivity, increasing the possibility of failing to fulfil their primary goals and objectives. Businesses with adequate and effective cash management practices in place tend to increase their profitability and stay in operation for longer periods (Pandey, 2019:56). Having strong cash management practices in place would also ensure that the businesses continue to meet their key objectives and plan for a future successful strategy (Naidu & Sri, 2020:144).

Furthermore, credit management is essential for the survival of businesses, and SMEs are no exception. Bungule (2016:17) highlighted the importance of credit management in SMEs and stated that SMEs should be cautious not to over-invest in offering credit goods and services, as this could harm their cash flow and, as a result, their overall operations and financial performance. However, SMEs that can successfully manage their credit can increase their sales and boost their overall financial results (Bungule, 2016:35).

Furthermore, businesses that can manage their credit effectively, leading to better financial performance and success, can implement effective policies. The main policy proven effective is the debtor's collection policy (Nyawira & Omagwa, 2019:5; Kevin & Omagwa, 2017:467). The credit or debtor's collection policy can lead to a minimum number of bad debts, indicating that the business can collect more cash from their customers for credit sales, improving the SMEs' performance and success (Kevin & Omagwa, 2017:467). Also, SMEs that do not implement the policy and effective credit management strategies might find their operations in a compromising situation of having to provide a large sum of funds for bad debts due to failing to collect from their debtors (Okpala, Osanebi & Irinyemi, 2019:2). Thus, effective credit management directly impacts SME success (Oluoch, 2017:44). The more the SME invests in the effective credit management practices, the more they are able to improve their sales income, the more they can improve the business operations, and the more likely they are to succeed in the market.

The following section will discuss previous studies that have researched access to financial services and the use of financial management in South African SMEs.

3.11 PREVIOUS RESEARCH ON ACCESS TO FINANCIAL SERVICES AND FINANCIAL MANAGEMENT PRACTICES OF SMEs IN SOUTH AFRICA

This section explores recent studies investigating the factors that influence the success of South African SMEs. Table 3.1 summarises previous studies concerning access to financial services and effective financial management practices of South African SMEs.

Table 3.1: Access to financial services and effective financial management practices of South African SMEs

Author(s)	Title	Aim & results

Msomi, Yearwood & Msomi (2022)	Evaluating Access to Information, Access to Financial Services, Firm Competition and Small Medium Enterprise Performance in South Africa	The study aimed to evaluate access to information, access to financial services, firm competition and small and medium enterprise performance in South Africa. The results showed a positive correlation between access to information, access to financial services and SME performance.
Mpofu & Sibindi (2022)	Informal Finance: A Boon or Bane for African SMEs?	The study aimed to discover what can be done by the informal financial sector to close the gap and improve SMEs' access to financial services. The results of the study showed that even though the informal financial sector fills the gap when it comes to SME financing, it is exploiting the SMEs by charging high interest rates. Furthermore, it was found to lack resources and fail to fully service SMEs that require larger funding.
Serame (2019)	Factors influencing SMEs' access to financial services in South Africa	The study aimed to examine the key reasons SMMEs struggle to gain access to banking finance, aiming to understand the root causes of those reasons. The results revealed that the poor credit record of the SMMEs was the main reason for their not being granted credit.
Edoun, Mbohwa & Bhila (2019)	Factors influencing the success and failure of small and medium-sized enterprises in Tembisa Township, South Africa	The overall aim of the study was to investigate the motivating factors responsible for the failure or success of SMEs in Tembisa Township. The research revealed that it is important to have managerial skills, including financial management, to ensure the success of their businesses.

Source: Own Creation

Table 3.1 shows recent research studies with their aims and findings. These studies investigated the hindrances to South African SMEs' access to financial services, specifically access to credit from financial institutions. It is also evident that most of these studies focused on including SMEs in the formal financial sector. Studies based on South African SMEs are still mainly concerned with access to financial services and financial inclusion in the formal financial sector.

Multiple researchers have researched the impact of access to financial services on SME success in South Africa. Also, many researchers have studied the impact of financial management practices on the performance of South African SMEs. However, these studies do not cover all the four financial products and services investigated in this study. Previous studies mainly explored access to credit facilities to address access to financial services (Msomi, Yearwood & Msomi, 2022; Mpofu & Sibindi, 2022). Also, these studies focused on the impact financial management practices have on the performance of South African SMEs or success and failure and not necessarily on SME success as the dependent variable (Edoun, Mbohwa & Bhila, 2019). Therefore, this study addressed the existing gap and investigated access to financial services, focusing on the four financial products (transactional bank accounts, savings accounts, credit facilities and insurance products) discussed in this chapter and the influence of effective financial management practices on SME success in South Africa.

3.12 CHAPTER SUMMARY

This chapter investigated access to financial services and financial management practices. It defined access to financial services as having unrestricted access to financial products and services from formal financial institutions. The financial products and services referred to were divided into transactional bank accounts, savings accounts, credit facilities, and insurance products. The transactional bank account refers to the bank accounts that can be used for daily banking activities and processes SMEs can access and use. Those activities and processes include cash deposits, withdrawals, and other financial consultations. Savings products and services refer to a process where the SMEs put money away for future use (e.g., in emergencies), deferring all the current consumption while focusing on the future. Credit facilities refer to SMEs borrowing money from financial institutions, thus getting advances to use the money for immediate purposes. The SMEs are expected to repay the borrowed amounts with the interests they agreed to with the financial institution during the agreed-upon period.

Insurance products are services that SMEs use with financial institutions to cover and secure their assets from any harm, damage, or theft. SMEs usually take the insurance for the costly assets, as it might be nearly impossible to repurchase or recover them soon enough to continue their operations. This chapter also discussed the level of access to financial services for SMEs in South Africa. The investigation showed that SMEs still face challenges accessing the different products and services crucial for their growth and innovation. Several challenges still need to be addressed to increase the inclusion of SMEs in the South African formal economy. This chapter also indicated that access to financial services is a determining factor of the success of any SME operation. Access to financial services enables SMEs to grow, provide additional job opportunities, assist in attaining defined goals and objectives, be innovative, and drive the entire economy through their positive contribution to GDP and annual turnover. Furthermore, SMEs without constraints to financial services have a better opportunity to succeed than SMEs with restrictions and limitations to access financial services.

Financial management refers to planning, organising, directing and controlling financial activities such as asset acquisitions and use. For the above processes to be completed, several practices should be applied, which include capital structure, capital budgeting and working capital management. Capital structure refers to how the business chooses to finance its operations. It is divided into two parts: debt and equity. The SMEs may fund their operations using equity, debt, or a combination of both. Capital budgeting is concerned with long-term investments mainly focused on maximising shareholder value. It is focused on the returns of any investments the SMEs make.

The financial management practices also included working capital management, which is divided into four parts: inventory management, accounts payable management, cash management and credit management. However, the focus of this study was working capital, which is vital for SMEs. Working capital comprises cash management, debtors (credit) management, inventory management, and creditors management. Cash and credit management are the most basic and important financial management practices for every business. Cash management refers to the efficient management of cash inflows and outflows to ensure optimal cash within the business. Lastly, credit management refers to managing the debtors of the business. Credit management requires businesses to implement policies to ensure debtors are credit-worthy, communicate the terms and conditions of the credit to the debtors, and plan for

any bad debts that the SMEs might face because of offering or rendering their products and services on credit.

This chapter also discussed the importance of cash and credit management for SME success. It is evident that the adequacy of cash and its successful management determine whether a business will survive or not. Cash is also a critical current asset for business operations and a basic input necessary to keep the business running on a continuous basis. Lastly, the chapter discussed the importance of credit management for SME success. The discussions showed that SMEs that can control the amount of credit they grant their customers, the debt collection period and bad debts can collect more cash from their credit sales, leading to improved operations and increases in their cash inflows from the timely credit payments.

The following chapter will present the research methodology adopted for this study. It will discuss the research design and the methodology applied to achieve the objective of the study.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

Chapter 3 provided a literature review of access to financial services and effective financial management practices. It entailed a detailed discussion of the South African financial sector, what it comprises, and the requirements for accessing such financial services. The chapter also provided details about the financial products and services included in this study, the level of access to financial services by the SMEs, and the role of access to financial services in SME success. Furthermore, the chapter discussed financial management practices used by SMEs, their importance for SME success, and previous studies on access to financial services and financial management practices for South African SMEs.

The objective of this chapter is to adopt statistical techniques that will assist in determining the influence of access to financial services and effective financial management practices on SME success. This will be done by discussing the research paradigm, research procedures and methods used to undertake the primary and secondary objectives of the study. This chapter will also use secondary data to test the hypotheses of the study, subsequently attempting to answer the study's primary objective. Therefore, this chapter will present the research paradigm, the research design and the methodology of the study. The chapter will also test the study's hypotheses and how they will be used to draw conclusions. The chapter will conclude with a summary of the sections discussed.

4.2 RESEARCH PARADIGM

Majeed (2019:118) defined a research paradigm as the way that shapes how a researcher views the world and how they interpret and act within that world through a set of abstract beliefs and principles. Thus, it is the lenses through which the researcher sees the world and directs the researcher on how they would examine and interpret data. Furthermore, a research paradigm guides how problems are solved and influences the researcher's choice of methods (Brown & Duenas, 2020:545).

Two types of research paradigms are used in business research: positivism and interpretivism. The positivist paradigm seeks to identify pertinent factors, characterise the components of

research, and explain how the relevant factors are related (Ganiyu, Ebohon & Ajayi, 2020:65). Also, the researcher views the reality objectively, not part of the study, and interested in testing theories. On the other hand, the interpretivist paradigm highlights that reality can be better understood by experiencing it; thus, the researcher should also be part of the study (Ganiyu, Ebohon & Ajayi, 2020:66).

This study adopted the positivist research paradigm, enabling the researcher to apply scientific and statistical methods to observe, explain and predict patterns in the data. The researcher did not form part of the research process and tested the hypotheses of the study by using statistical methods to draw conclusions. Any conclusions reached should be highly reliable, factual and generalisable to the population (Alharahsheh & Pius, 2020:41). Therefore, this study used a large sample to generalise the results to a population of small businesses in South Africa. The nature of positivism requires a strict focus on quantitative data and facts without any influence of human bias, feelings or interventions from the researcher. Therefore, the results are deemed objective, reproducible and generalisable.

4.3 RESEARCH APPROACH

There are two main research approaches, namely: deductive and inductive research approaches. Jones and McCrickard (2021) describe the deductive research approach as an approach of conducting research where an existing theory or conceptual framework is adopted, then data is subsequently gathered and analysed to support or refute the idea and theory. Whereas the inductive research approach is described as an approach where the researcher gathers data and build a theory or hypotheses directly from the data (Nordmark, 2017; Jones & McCrickard, 2021).

This study adopted the deductive research approach, as the theory was adopted and hypotheses were formulated, based on the assumptions of the adopted theory, to test whether they are true or false. This adoption of the deductive research approach is supported by Yuwono and Rachmawati (2023:9) who expressed that applying the deductive research approach means that the researcher begins with adopting a theory that leads to an assumption, and they test the assumptions which are ultimately accepted or rejected based on the outcome of the research. Lastly, the deductive research approach is mainly associated with quantitative research design (Nordmark, 2017), and this study utilizes the quantitative research design which also relies on testing hypotheses using data that us collected and nalysed to prove or disprove the hypotheses

(Barroga, Matanguihan, Furuta, Arima, Tsuchiya, Kwahara, Takamiya & Izumi, 2023:3). The next section will discuss the research design of the study.

4.4 RESEARCH DESIGN

A research design is defined as the "blueprint to guide the research process by laying out how a study will move from the research purpose/questions to outcomes" (Abutabenjeh & Jaradat, 2018:238). It could be viewed as a plan for linking the research problems to the solutions. The research design chosen always directs the researcher in terms of the data that is required, methods to be utilised for data collection and analysis and how it is going to address the research questions (Asenahabi, 2019:76). It must also reflect the strategy that will be applied for interpreting the data when it is analysed, subsequently providing sufficient findings and conclusions from the research which will allow the researcher to construct recommendations based on the study (Asenahabi, 2019:78).

There are two fundamental research designs: qualitative and quantitative. The quantitative research design is defined as a scientific method that includes collecting data from the population without considering emotions and feelings (Rahi, 2017:2). The qualitative research design considers the participants' feelings and emotions in the analysis (Rahi, 2017:2). Studies that adopt a positivist paradigm usually utilises the quantitative research design, as it has the same objectives as the positivist research paradigm, namely to find correlations or causes and effect relationships through statistical analysis. This method, as indicated above, is an analytical approach towards research; the world is seen as outside of the researcher, and it believes that there is a reality that is objective and unaffected by any observations (Asenahabi, 2019:79). Applying mathematical and statistical procedures, which concentrate on either experimental or nonexperimental means of gathering numerical data and generalising the studied results to the study population is how data collection and analysis are conducted in the quantitative research method (Asenahabi, 2019:79). Once the quantitative research design is adopted, the researcher must decide on the methodologies associated with a quantitative research design.

4.4 RESEARCH METHODOLOGY

Quantitative research consists of two types: experimental and non-experimental research. According to Mohajan (2020:11), the experimental research method explains how measurements or observations should be made to provide a reliable and effective response to a

research question. Furthermore, researchers create precise conditions to test their ideas or hypotheses, managing the experiment and gathering data to identify the links between their specified independent variables and dependent variables (Mohajan, 2020:11). Ratelle, Sawatsky and Beckman (2019:26) added that the manipulation of an independent or experimental variable to determine its impact on a dependent or outcome variable is the central principle of experimental research.

Non-experimental research is defined as a research method that does not include manipulating the research variables; thus, the study variables are studied as they exist naturally without any intervention (Sutherland, 2016:192). The non-experimental research method is divided into two types: the correlational and the descriptive research method. Sutherland (2016:192) distinguished between the two non-experimental research designs according to what they describe, with the correlational methodology describing the relationship between the variables of the study and the descriptive methodology describing the variables themselves. This study applied the correlational research methodology. This methodology was adopted because the aim was to test hypotheses and determine the relationships between the independent variables and the dependent variable of this study. In order to achieve the objective of the study, hypotheses were tested using the correlation of the variables and the regression analysis.

4.5 SAMPLING

Sampling is the process of identifying and selecting a representative subgroup from the targeted population (Bhardwaj, 2019:158; Berndt, 2020:224). The target population refers to the entire group the researcher intends to obtain information from and draw conclusions about (Kabir, 2016:169). The target population for this study was SMEs in South Africa, employing less than 250 employees with an annual turnover of R220 million or less. The sample selection comprised setting up the sampling frame, which contained a list of elements from which the sample was drawn (Kabir, 2016:170). The sample frame for this study included South African SME owners aged 16 years and above who employ less than 250 employees, with annual turnovers that are less than R220 million (FinMark Trust, 2021). From the sample frame, the researcher used a sampling method to select the sample for the study. The sampling method applied to select the sample should be as thorough as possible to achieve minimal error, bias, and maximum representativeness (Berndt, 2020:224).

Two main sampling methods can be used, namely probability and non-probability sampling. When applying probability sampling methods, each member of the population has a known chance of being chosen (Bhardwaj, 2019:158). In non-probability sampling, there is no known chance of being selected, and the probability of being selected in the sample cannot be determined accurately (Kabir, 2016:173; Bhardwaj, 2019:161). FinMark Trust applied non-probability sampling.

According to the FinMark Trust, the formal and informal records of all small businesses are not available or do not exist. Therefore, the absence of this framework required listing small businesses before the survey could be distributed. This entailed the following:

- Identifying the country's geographical areas (Enumerator Areas – EAs) where the survey will be conducted at national, urban-rural, and regional levels.
- Identifying all small business owners per geographical area.
- Drawing a random sample from the list made per geographical area to conduct the interviews.

For the purpose of the 2020 survey, a sample of 400 EAs was drawn and benchmarked to the StatsSA 2019. By the end of the survey, data was collected from 400 EAs, yielding 15 977 potential respondents; however, data was only collected from 4 897 respondents. Of the willing potential respondents, 1 150 could no longer participate due to their businesses closing down due to COVID-19 while the rest of the potential respondents could not participate because they did not meet the definition of small businesses within the South African context. The definition stipulates that the owners must be 16 years and older and generate an income through business activities, according to the definition of small businesses per the National Definition of Small Enterprise in South Africa. Thus, the survey only collected data from 4 897 respondents.

4.6 DATA COLLECTION

This study used secondary data, which refers to any dataset that is not originally obtained or collected by the researcher; this includes data that has been gathered previously and is under consideration to be reused to answer new research questions which it was not initially collected for (Martins, Cunha & Serra, 2018:2). It is publicly available for the researchers through census information, academic publications, statistical agencies and many other sources that collect and store data (Rengasamy, 2017:33).

The secondary data used in this study was collected from publicly available databases from national and international academic journals, books, encyclopaedias, research papers, and search engines such as Google Scholar. These data sources were accessed via the Rhodes University library database, which is available online. These data sources were used to collect relevant information on the literature review for chapters 2, 3 and 4 of this study.

In addition, secondary data from the FinMark Trust was used to test the hypotheses of the study. This secondary data was based on the levels of access to financial services for South African SMEs, challenges facing the SMEs, formalisation, digitisation, and the women- and youth-owned SMEs (FinMark Trust, 2021). The FinMark Trust survey used closed questions aligned with the objectives mentioned above. Therefore, a database was obtained from the FinMark Trust. The data was collected in 2020 for the FinMark Trust FinScope South Africa MSME 2020 report released in 2021. The database had 4 897 respondents.

4.6.1 QUESTIONNAIRE DESIGN

As previously stated, this study utilised the questionnaire used by FinMark Trust, namely the FinScope South Africa MSME 2020 (see Annexure A). The questionnaire used closed-ended questions, also known as closed questions. Closed questions are questions that do not allow the participant to fully express their opinions; they provide participants with choices to choose from, allowing them to evaluate each choice and choose the option that best represents them (Enders, Gaschler & Kubik, 2021:92). Closed questions are used to obtain specific information from the respondents (Miracle Foundation, 2021). Thus, respondents only answer the questions required, providing no additional information. The main advantage of closed questions is that it is an efficient method for the researcher to obtain the information needed for their study, eliminating the possibility of irrelevant and unneeded information (Enders, Gaschler & Kubik, 2021:92). A disadvantage, however, is that the options could be suggestive, providing the respondent with the researcher's expectations and subsequently responding according to the researcher's expectation rather than their own experience (Connor Desai & Reimers, 2019:1428). This study used closed questions because the researcher sought specific information. Silber, Zull and Kuhnel (2020:41) emphasised that using closed questions provides greater efficiency in coding and analysing the data collected.

Closed questions can collect nominal and ordinal data. Nominal data refers to data without any quantitative value that is used to name or label variables which does not include any ranking

or order of the variables, while ordinal data is defined as data with categories that can be ranked or placed in an order (Supra, 2022:42). Closed questions can also collect interval data. Supra (2022:43) defined the interval data type as data that is only measured on an equidistant scale. This study used nominal data to categorise data without ranking, such as the gender of the business owners. Furthermore, the ordinal data was utilised to reflect categories of success, where the business owners indicated whether they perceive their businesses to be unsuccessful, fairly successful or very successful.

The questionnaire in this study was divided into 18 sections: Section A to Q.

- Section A comprised information about the nature of the business.
- Section B addressed the perception of the owners regarding their businesses.
- Section C was concerned with the employees in the business.
- Section D was concerned with the customers and tendering.
- Section E explored the business's registration and compliance.
- Section F examined the formal product penetration.
- Section G focused on banking penetration.
- Section H explored access to credit and loans.
- Section I entailed savings and investments.
- Section J explored risk insurance.
- Section K addressed the money management within the business.
- Section L was concerned with record-keeping in the business.
- Section M explored the imports and exports.
- Section N addressed the small business report.
- Section O focused on the skills of the business owner/company resources.
- Section P explored psychographics and business performance.
- Section Q was concerned with the demographics of the owners.

4.6.1.1 ACCESS TO FINANCIAL SERVICES

Access to financial services consisted of four components: transactional, savings, credit, and insurance products. The first component, having access to transactional products, was measured by one question in Section F: "Do you have a banking account?" The second component was whether they have access to savings, which was addressed in Section I: "Where do you save, invest or put money away for business purposes?" The third component regarding

access to credit was addressed in Section H: “From which of these places did you borrow the largest amount of money?”. If they had no credit, they indicated that they had not borrowed anywhere. Lastly, access to insurance was measured in Section J: “Does your business have business insurance?” Table 4.1 shows how access to financial services was measured in this study.

Table 4.1: Access to financial services

Answered “yes”	**Category**
0 = No access to any financial product/service	No Access
1 = Access to one financial product/service	Low Access
2 = Access to two financial products/service	Average Access
3 = Access to three financial products/services	Moderate Access
4 = Access to four financial products/services	Full Access

Source: Own creation

The respondents with access to all four financial products and services that measure access to financial services were considered to have full access to financial services. Those with access to three financial products and services were regarded as having moderate access to financial services. The respondents with access to two financial products and services were regarded as having average access to financial services, and those with only one financial product and service were regarded as having low access to financial services. Lastly, the respondents with no financial products and services were regarded as having no access to financial services.

4.6.1.2 FINANCIAL MANAGEMENT PRACTICES

Effective financial management practices were measured by determining whether the SMEs sell on credit and if they have a policy that guides them in collecting from their customers, recording the discounts they would give the customers and keeping the records of the customers buying on credit. Furthermore, effective financial management was measured by exploring the record-keeping of the SMEs and whether they negotiated prices with their suppliers. Financial

management practices were all addressed in Section K. Respondents had to answer the following questions:

1. You detail the payment period (i.e., 30 days)

2. You know invoice discounting

3. Your business uses invoice discounting practice

4. You charge interest on credit sales

5. You charge interest on late payments

6. You keep a written record of payments owing

7. You have a policy for handling late / non-payments

8. You have credit forms/books for customers to sign when buying on credit

9. Your business offers a rewards programme

10. You offer discounts to your customers

11. Your business takes advantage of trade discounts (e.g., specials, promotions)

12. Your business buys in bulk to earn / negotiate discounts

13. Your business actively negotiates prices

4.6.1.3 SME SUCCESS

SME success was measured according to whether the business had been operating for more than five years (longevity), whether the SMEs were profitable, and the level of growth as deemed by the owners of SMEs. The first component was addressed in Section B of the questionnaire: "How long has your business been in operation?" The second component was addressed in Section P: "Thinking about the last 12 months, would you best describe your business as growing, remaining the same, getting smaller, just starting out or can't say?" Lastly, the third component was addressed in Section Q: "Could you tell me the approximate monthly net profit of this business in rands?" This question was further annualised to measure annual profits of the SMEs. Table 4.2 illustrates the success factors that were applied in this study.

Table 4.2: Components of SME success

Components	**Measure**
Longevity	Operating for over 5 years
Growth	Growing
	Remained the same
Profitability	Annual net profits > R15 000

Source: Own Creation

Table 4.2 shows the components that were used to measure SME success. Three components were used to measure SME success: longevity, growth, and profitability. Longevity was measured by the number of years a business has been in operation; businesses operating for more than five years were deemed successful. For the growth component, businesses deemed growing and remaining the same were successful, while the rest were deemed unsuccessful. For the annual net profits, businesses reporting annual net profits of R15 000 and more were categorised as successful, and anything below that was unsuccessful. Therefore, in this study, successful SMEs had been operating for more than five years, growing or remaining the same in terms of growth, with annual net profits of R15 000 and more. In contrast, those operating for less than five years, getting smaller or just starting out and with annual net profits below R15 000 were deemed unsuccessful.

4.6.2 ETHICAL CONSIDERATIONS

Ethical considerations in research encompass ethical issues pertaining to the conduct of research with living subjects, animals as well as humans, individuals and groups (Bos, 2020:37). This study involved humans, and thus protection, preserving their interests and rights, risk assessment, maintaining confidentiality, and having them participate willingly was of utmost important. Since this study used secondary data, FinMark Trust adhered to the non-disclosure of the participants of the study; only the data relevant to their study was released on their public platforms. Lastly, the respondents signed a consent letter that pertained to the above, agreeing that they were participating willingly and voluntarily, and they were made aware that the FinMark Trust would maintain their confidentiality. This study used publicly

available data; thus, no ethics application form was submitted using the Ethical Review Application System (ERAS) (it was a low-risk desktop research). Since FinMark Trust obtained ethical clearance and the study used secondary data, no ethical clearance was obtained from Rhodes University. However, permission and access were granted by FinMark Trust for the researcher to use the database for this study's purposes only.

4.7 DATA ANALYSIS

Data analysis refers to transforming data into information utilised for decision-making and explanation in each circumstance (Bamata, 2018:102). The data on the database was captured on a Microsoft Excel sheet and captured in Microsoft Word. Before data was analysed, it was coded into numbers to ensure it was analysed in a language that Microsoft Excel and Statistica understood. The database was scrutinised for any missing data using the listwise deletion approach, which discards any cases with at least one missing variable, as those hinder the production of well-calculated results (Data, at al., 2016:147). The listwise deletion approach is important because a new dataset with all the data the researcher needs is created by eliminating any case with missing data (Waterbury, 2019:155). There were no missing variables on the database and the data was uploaded into Statistica for data analysis. Additionally, before analysing the data, the researcher measured the validity and reliability of the remaining data.

4.7.1 VALIDITY AND RELIABILITY

Validity is a measure used to define how well the data of a certain study covers the actual area of research (Taherdoost, 2016:28; Mohajan, 2017:70). It ensures that the instruments used measure what it is intended to measure. Additionally, validity covers the entirety of the experimental idea and determines whether the outcomes satisfy all criteria for scientific research. There are different types of data validity: face, content, construct, and criterion. Content validity and construct validity were used for this study. Content validity measures the degree to which aspects of the measuring instruments are relevant to the construct or the concept it is intended to measure (Yusoff, 2019:49). The purpose of considering content validity is to reduce any potential mistakes associated with the initial operationalisation of the measuring instruments. According to Shrotryia and Dhanda (2019:2), content validity is viewed as a precondition for the other forms of validity, and therefore, it should always be the first check that researchers do before they go through the process of developing assessment instruments. Sajid, Muhammad and Zakaria (2019) added that studies utilising secondary data

can rely on the reviewed literature and the reputation of the secondary data source as far as content validity is concerned. This study used secondary data tested for content validity by FinMark Trust, a reputable institution in the SME sector with different studies across Africa. Therefore, content validity was fulfilled.

Construct validity mainly focuses on the testing of hypotheses to construct theories; this is due to the nature of researchers being able to create theoretical constructs that assist them to better understand, explain, and predict behaviour (Mohajan, 2017:74). Surucu and Maslakci (2020:2700) found that the use of construct validity is key, especially for studies that aim to distinguish between participants with and without a certain quality. For this study, construct validity was determined by using previous studies to identify the items for the constructs of the study. These constructs were used to determine if the independent variables (access to financial services and effective financial management practices) are related to SME success. For instance, previous studies showed that access to financial services and effective financial management practices separately influence SME success.

Reliability refers to a measurement that yields consistent results. It assesses the precision, consistency, and repeatability of the study (Mohajan, 2017:67). Reliability in research implies that the instruments that are measured should yield similar results when they are applied at different times (Surucu & Maslakci, 2020:2707). Having reliable measuring instruments is key for healthy results in any study; thus, the reliability of the measuring instruments was also tested. The reliability of these instruments was measured through internal consistency, which reflects the degree to which the test items yield similar results when tested on different objects at different points in time (Anselmi, Colledani & Robusto, 2019:2). The reliability of the measuring instruments was already performed by the FinMark Trust (2020). Similar to the validity, the reliability will be based on the reputation of the data source, as the institution has already performed the reliability test. This study used correlations to determine whether the items of the study were strongly correlated. After measuring the validity and reliability of the variables, the analysis process started by summarising the data using descriptive statistics.

4.8 DESCRIPTIVE STATISTICS

This study used descriptive statistics to describe the sample or the remaining dataset utilised to conduct the analysis of the study. Descriptive statistics explain and assist with comprehending the dataset that is used in a study by offering succinct observations and summaries about the

sample, which can help discover trends (Conner, Fryar & Johnson, 2017:58). These summaries are presented using numerical information and visuals such as graphs and charts. For this study, the descriptive statistics were presented as measures of frequency and percentages. The mean score was used to indicate the average of the factors of the study. Frequency was reflected by the number of times a particular value occurred in the data relative to the total number of values for that variable (Kaur, Stoltzfus & Yellapu, 2018:61). Descriptive data only provides a summary of the raw data; it does not assist with making any conclusions. This study used frequency and percentage to describe the sample of the study, namely the demographics of the owners of the SMEs and the characteristics of SMEs. Descriptive statistics were used to summarise the SME owners' responses regarding access to financial services, effective financial management practices and SME success. In addition, means and standard deviation were used to measure the average and distribution of the data. Subsequently, the data was used for inferential statistics.

4.9 INFERENTIAL STATISTICS

Inferential statistics are a set of statistical techniques that allow the researcher to make conclusions based on the statistical evidence and reasoning beyond a particular sample used to study a large population (Doucette, 2017:54; Haden, 2019:133). They are usually a secondary form of statistics after the data has been defined and summarised using descriptive statistics. The inferential statistics for this study were conducted using the Pearson product moment correlation coefficient, often referred to as *Pearson's correlation coefficient,* and multiple regression analysis.

Pearson's correlation coefficient (r) measures the relationship between two variables assessed, including its strength and direction (Obilor & Amadi, 2018:15; Liu, 2019:115). It also measures the linear relationship between continuous variables. Obilor and Amadi (2018:19) explained that the Pearson's correlation coefficient (r) indicates the strength of a relationship, and the significance of the relationship is demonstrated by probability levels (p). Correlation coefficients range between -1 and 1 (Zhou, Deng, Xia & Fu, 2016:209). Positive values of *r* indicate a positive linear correlation; a negative value of *r* indicates a negative linear correlation and an r-value of 0 indicates no linear correlation.

Pearson's correlation coefficient can also test multicollinearity between variables, a case where two independent variables are highly correlated. Multicollinearity would be shown as a high

correlation if the correlation was > 0.9. This step is necessary, as having two independent variables highly correlated would lead to significant changes in the results when there is a change in one variable, increasing the standard error (Songhao, 2020:1). It would also lead to significant fluctuations in the results, indicating unstable results. For Shrestha (2020:39), the presence of multicollinearity might lead to significant study variables becoming statistically insignificant, subsequently altering the tests conducted and the conclusions of the study. Therefore, it is key for the researcher to be aware of whether multicollinearity exists within the variables, as their results and conclusions would be affected. If no cases of multicollinearity are found in the correlation of the independent variables of a study, then multiple regression analysis could be conducted as the following step.

Multiple regression analysis is a statistical approach that enables the researcher to examine the relationships between numerous independent and dependent variables. The multiple regression analysis was appropriate for this study because it includes having more than one independent variable and one dependent variable (Allen, 2017:2); this study had two independent variables (access to financial services and effective financial management practices) and one dependent variable (SME success). Researchers use multiple regression analysis to evaluate the strength of the relationship between the dependent variable and multiple independent variables, as well as the significance of each independent variable to the relationship. This study tested the beta (b) and the r-squared (r^2) to determine the dependence of the dependent variables in relation to the independent variables. The r-squared, which is also known as the coefficient of determination, measures the proportion of variation that the independent variables contribute to the dependent variable (Chicco, Warrens & Jurman, 2021:2). It establishes the proportion of the variance in the dependent variable that is explained by the independent variable, which is in percentage or a scale of zero (0) to one (1). When the r-squared has been measured, it is important to measure the beta coefficients (beta). The beta coefficient measures how much the dependent variable changes for every unit that the independent variable changes (Ziglari, 2017:14). Lastly, this study used multiple regression analysis to determine the significance of the two independent variables (access to financial services and effective financial management practices) on the dependent variable (SME success). Multiple regression analysis was also used to test the hypotheses of this study. The following section outlines the process of testing this study's hypotheses.

4.10 TESTING OF THE HYPOTHESES

To draw conclusions on what is presented by the data, the researcher should have hypotheses related to the study's objective to allow them to accept or reject the results/hypotheses. A hypothesis is a speculative answer to the research problem identified by the researcher, which is constructed based on the issue identified before discovering the outcomes based on the review of the literature (Anupama, 2018:78). It is a prediction about the relationship between the study variables that the researcher makes prior to conducting any tests. There are two basic types of hypotheses: the null hypothesis and the alternative hypothesis. The null hypothesis (H_0) states that no relationship exists between the independent and dependent variables (Kaur, 2017:124). On the other hand, the alternative hypothesis (H_1) proposes that there is a relationship between two or more variables (Kabir, 2016:2). This study used the alternative hypothesis (H_1) to test the relationships between the independent and dependent variables. This study tested two hypotheses (H_1 and H_2).

The process of testing the hypotheses was as follows:

This study aimed to determine whether any correlation and relationship existed between the independent variables and the dependent variable, subsequently using Pearson's correlation coefficient and multiple regression analysis. Table 4.3 shows the hypotheses of the study and the decision rule.

Table 4.3: Study hypotheses and decision rules

Hypotheses	**Decision rule**	**Outcome**
H_1: There is a significant positive relationship between having access to financial services and the success of SMEs	$P < 0.05$	Accept
H2: There is a significant positive relationship between	$P < 0.05$	Accept

the use of effective financial management practices and the success of SMEs		

Source: Own creation

Table 4.3 shows that the hypotheses were accepted when $p < 0.05$ in the multiple regression analysis results of the relationships. After completing the testing and analysis, the researcher can draw conclusions and provide recommendations.

4.11 CHAPTER SUMMARY

This chapter presented the methodology used in this study. The first part described the research paradigm. This study used the positivist paradigm. This chapter also discussed the two main research designs. This study employed the quantitative research design, defined as an analytical approach towards research where the world is seen as external to the researcher, believing there is an objective reality. Also, the positivist paradigm is unaffected by any observations, which allows for more objective and unbiased results.This chapter also discussed the two design approaches and the deductive research approach was adopted. The two types of quantitative research were discussed, indicating that this study used correlational methodology to describe the relationships between the variables of the study.

The sampling of the data used in this study was also defined. This study used secondary data collected for a FinMark (2020) research study, which was analysed in this study using descriptive and inferential statistics. Descriptive statistics were used to define the dataset. Lastly, inferential statistics were used to make scientific-based conclusions. The hypotheses for the study were defined, indicating the use of the alternative hypothesis to test the hypotheses of the study in order to draw conclusions and make recommendations. The following chapter will present an analysis of the data and the results of the study.

CHAPTER 5

DATA ANALYSIS AND RESULTS

5.1 INTRODUCTION

The primary objective of this study was to investigate the influence of access to financial services and effective financial management practices on SME success in South Africa. In order to achieve this objective, secondary data obtained from FinMark Trust was analysed using statistical techniques, which will be presented in this chapter. Chapter 4 outlined the research design and methodology adopted in this study, including details about the questionnaire FinMark Trust used to collect the data, which this study used as secondary data.

This chapter will thus report on the results of the study. The chapter will first discuss data capturing and missing data, followed by a presentation of the demographic characteristics of the SME owners (respondents) and the business characteristics. Pearson's correlation coefficient will then be used to measure the relationships between the study variables. Furthermore, the results of the multiple regression analysis and hypotheses will be provided. The chapter will conclude with a chapter summary.

5.2 DATA CAPTURING AND MISSING DATA

This study utilised secondary data, namely a database collected by the Ipsos research company on behalf of FinMark Trust for the FinScope MSME 2020. Ipsos conducted 4 897 interviews using a closed-ended questionnaire; all questionnaires were returned with no missing data. As a result, no missing variables or data were missing in the database. The data was captured on a Microsoft Excel spreadsheet and analysed using Statistica version 14.1.0. A total of 4 897 responses were included, as all the respondents answered all the questions. Thus, the response rate was 100%. The following section summarises the demographic information of the respondents and the characteristics of the SMEs.

5.3 DEMOGRAPHIC INFORMATION AND SMEs CHARACTERISTICS

The demographic information and SME characteristics were collected from sections A and Q of the questionnaire. The demographic information of the respondents and SME characteristics will be discussed separately below.

5.3.1 DEMOGRAPHIC INFORMATION

Demographic information of the respondents was collected in Section Q of the questionnaire. The information included the respondents' gender, race, age, and level of education. Categorical data was used to collect the information in Section Q of the questionnaire, which is presented in Table 5.1.

Table 5.1: Demographic Information

Characteristic	**Category**	**Frequency**	**Percentage (%)**
Gender	Female	2243	46
	Male	2654	54
	Total	**4897**	**100**
Race	Black	3904	80
	Coloured	265	5
	Asian/Indian	280	6
	White	371	8
	Other	77	2
	Total	**4897**	**100**
Age	Below 20	56	1
	20 - 29	807	16
	30 - 39	1679	34
	40 - 49	1333	27
	50 - 59	723	15
	60 and above	299	6

	Total	**4897**	**100**
Level of Education	No Matric	1386	28
	Matric	2086	43
	Post-Matric qualification	1209	25
	Postgraduate degree	216	4
	Total	**4897**	**100**

Source: FinMark Trust (2021)

Table 5.1 shows that the majority of the respondents were males (54%) compared to 46% of female respondents. According to race, a significant number of the respondents were Black (80%), while White respondents were 8%. Only 6% of the respondents were Asian/Indian, and 5% identified as Coloured. The last 2% of the respondents' race was unidentifiable.

Regarding the age of the respondents, the majority were between the ages of 30 and 39 (34%). The respondents between 40 and 49 years old (27%) also comprised a significant percentage. Only 1% of the respondents were below the age of 20, while 16% were between the ages of 20 and 29. Respondents between 50 and 59 years comprised 15%, while only 6% were 60 years and above.

In terms of the education of the respondents, most of the respondents reported that they only obtained a matric certificate (43%), while 28% of the respondents indicated that they did not have a matric certificate or any qualifications, respondents who indicated a post-matric qualification comprised 25% of the sample. A post-matric qualification refers to a diploma, an undergraduate degree, or an apprenticeship. Of the 25% of the respondents with a post-matric qualification, 12% have a diploma, 6% have an undergraduate degree, and 7% have an apprenticeship. Lastly, only 4% of the respondents had obtained a postgraduate degree. The postgraduate degree refers to a master's degree or a PhD.

5.3.2 SME CHARACTERISTICS

The information on the characteristics of the SMEs was collected from Section A of the questionnaire. The section used categorical data to collect information on the location of the

SMEs and nominal data to collect information on whether the SMEs have less than 250 employees. Section A also collected information about who manages the daily business activities of the SMEs. The three characteristics measured are presented in Table 5.2.

Table 5.2: Characteristics of the SMEs

Characteristic	**Category**	**Frequency**	**Percentage (%)**
Location	Eastern Cape	557	11
	Free State	224	5
	Gauteng	1948	40
	KwaZulu-Natal	1056	22
	Limpopo	355	7
	Mpumalanga	116	2
	North-West	177	4
	Northern Cape	103	2
	Western Cape	361	7
	Total	**4897**	**100**
Responsible for daily operations of the business	Owner alone	3581	73
	Owner and one employee	1221	25
	Owner and other employees	95	2
	Total	**4897**	**100**
Number of employees	0 - 10	1094	22
	11 - 50	3719	76

	51 - 250	84	2
	Total	**4897**	**100**

Source: FinMark Trust (2021)

Table 5.2 shows that the majority of the SMEs are based in the Gauteng province (40%). Another significant portion of SMEs are based in KwaZulu-Natal (22%). SMEs based in the Eastern Cape comprised 11% of the total SMEs in the study. A total of 7% of SMEs were based in Limpopo and the Western Cape, respectively. SMEs based in the Free State Province comprised 5% of the total SMEs, while SMEs in the North-West were only 4%. Lastly, SMEs in Mpumalanga and Northern Cape comprised 2% each.

Furthermore, the majority of the respondents indicated that owners alone are responsible for the day-to-day operations of the business (73%). Only 25% of the respondents indicated that the SMEs are managed by the owners receiving assistance from one other employee. A mere 2% of the respondents indicated that the owner with more than one other employees manage the SMEs' daily operations.

In terms of the number of employees of the SMEs, the majority of the respondents (76%) reported that their SMEs employ between 11 and 50 employees, while 22% indicated that they employ between zero (0) and ten (10) employees. Lastly, only 2% of the respondents indicated that their SMEs employ between 51 and 250 employees. The following section will explore SMEs' access to financial services.

5.4 ACCESS TO FINANCIAL SERVICES

Access to financial services refers to SMEs' ability to obtain financial products and services from formal financial institutions at reasonable prices with few to no limitations (Chowdhury & Alam, 2017:56). The financial products and services for this study included transactional banking products and services (transactional bank account), savings products and services (savings account), credit products and services (credit facilities) and insurance products and services. The information on access to financial services was collected in sections F, H, I and J of the questionnaire. Section F collected data on access to transactional banking products and services. Section H collected data on access to credit products and services (using credit facilities), while Section I collected data on access to savings products and services. Lastly,

Section J of the questionnaire collected data on access to insurance products and services. The following section will present the SMEs with access to the four financial products and services.

5.4.1 ACCESS TO FINANCIAL SERVICES

The respondents were asked whether they had access to the four financial products and services mentioned. Their responses were recorded and summarised using descriptive statistics such as frequency and percentage. Table 5.3 illustrates SMEs' level of access to each of the financial products and services.

Table 5.3: Access to financial services

Financial Product	**Access**	**Frequency**	**Percentage (%)**
Transactional Bank Account	Yes	3620	74
	No	1277	26
	Total	**4897**	**100**
Savings Account	Yes	3568	73
	No	1329	27
	Total	**4897**	**100**
Credit Facility	Yes	1799	37
	No	3098	63
	Total	**4897**	**100**
Insurance Product	Yes	1099	22
	No	3798	78
	Total	**4897**	**100**

Source: FinMark Trust (2021)

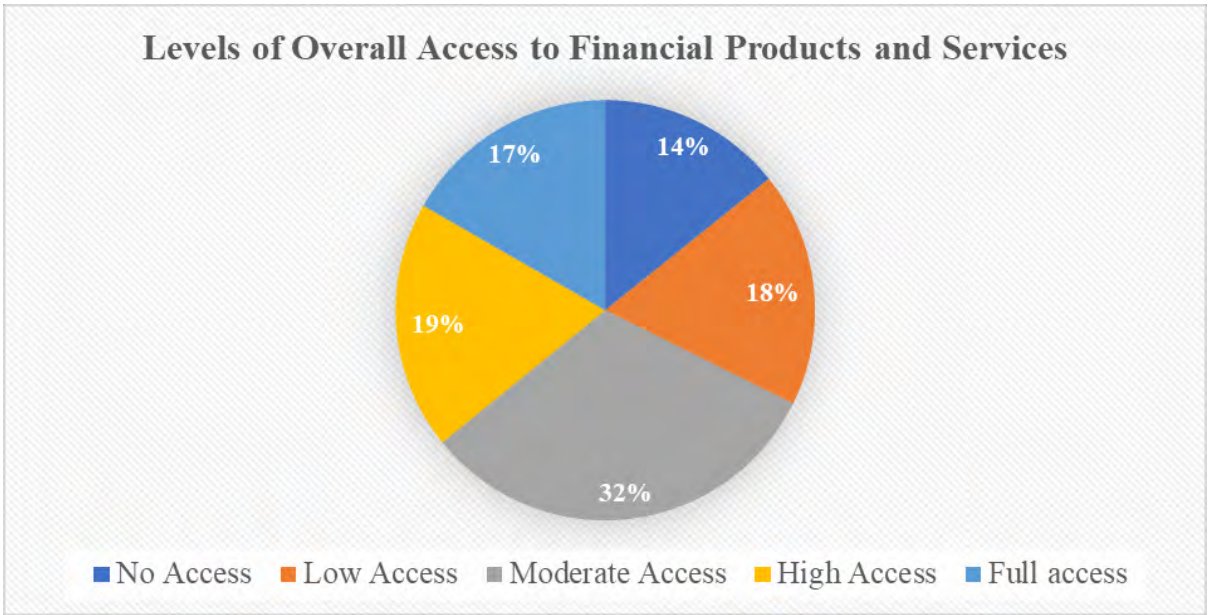
According to Table 5.3, the respondents indicated that most SMEs have access to a transactional bank account (74%), while 26% indicated that they do not own a bank account. Additionally, the respondents showed that 73% of the SMEs do have access to savings accounts, whereas 27% did not have a savings account. In terms of having access to credit facilities, only 37% have access to a credit facility. A total of 63% did not have access to it. Lastly, only 22% of the SMEs were recorded to have access to insurance products, while 78% of the SMEs did not have access to insurance products.

In summary, most SMEs have access to three financial products and services: the transactional bank account, savings account, and credit facilities. Only a few have access to insurance products. The next section presents the levels of access to financial services based on the overall access to financial services.

5.4.2 LEVELS OF ACCESS TO FINANCIAL SERVICES

In order to determine the overall access to financial services by SMEs, the responses were categorised into five groups: 1) having no access, 2) having low access, 3) having moderate access, 4) having high access, and 5) having full access to financial products and services. Regarding the groups, SMEs that fall under the no-access category did not have access to any of the four financial products and services selected in the study. The low access category was for SMEs with access to only one of the financial products and services. The moderate access category included SMEs with access to two financial products and services. SMEs with access to three financial products and services were grouped under the high-access category. Lastly, the full access category included SMEs with access to all four financial products and services. Figure 5.1 provides an overview of the SMEs' levels of access to financial services.

Figure 5.1: Overall Access to Financial Services



Source: FinMark Trust (2021)

Figure 5.1 shows that 14% of SMEs have no access to financial products and services. Thus, 14% of SMEs do not have access to a transactional bank account, savings accounts, or any credit facilities, including no access to any insurance products and services. A total of 18% of SMEs have access to only one of the financial products and services. Thus, 18% of SMEs might have access to only one of the four financial products and services: a transactional bank account, savings account, credit facility or an insurance product. A significant portion of the SMEs have access to two of the financial products and services (32%) included in this study. A total of 32% of SMEs have access to a combination of a transactional bank account and savings account, savings account and credit facility or insurance product and savings account. Regarding SMEs with high access to financial services, only 19% have access to three financial products and services. In other words, 19% of SMEs have access to a combination of three of the four financial products and services. Lastly, only 17% of the SMEs in this study have full access to financial services. This implies that only 17% of SMEs have a transactional bank account, savings accounts, credit facilities, and insurance products for their businesses.

The above shows that SMEs have access to different combinations of financial products and services. For instance, SMEs with access to two financial products and services can have access to a transactional bank account and a savings account, while another SME could have access to a credit facility and insurance products. Thus, two SMEs with access to two financial products and services might have access to two different products and services, but they would

both fall within the same category. Therefore, measuring which financial products and services make up each category is difficult. It is also difficult to state exactly the financial products and services that formed part of each of the above categories, as it could be all four of them.

Furthermore, it is imperative to explore the financial management practices of SMEs. Therefore, the financial management practices of SMEs will be discussed below.

5.5 FINANCIAL MANAGEMENT PRACTICES

Financial management practices refer to a collection of relevant resources along with the allocation and use of the resources efficiently and effectively to manage the business's finances (Cheruiyot, Namusonge & Sakwa, 2017:213). Effective financial management practices refer to the adoption of cash and credit management practices to manage business finances within SMEs. This study focused on measuring SMEs' cash management and credit management practices. The following section will discuss the financial management practices SMEs utilised in this study.

5.5.1 ADOPTION OF FINANCIAL MANAGEMENT PRACTICES

Section K of the questionnaire addressed the financial management practices of SMEs. It measured cash and credit management practices using 13 financial management practices listed in Section K of the questionnaire. Table 5.4 presents the financial management practices used by SMEs.

Table 5.4: Financial Management Practices

Financial Management Practice	**Category**	**Frequency**	**Percentage (%)**
1. Does your business adopt any financial management practices?			
Adoption of Financial Management Practices	*Yes* *No*	2010 2887	41 59
	Total	**4897**	**100**

2. Does your business adopt any of the following?			
Credit Management	2.1 State payment period: *Yes* *No*	 1553 3344	 32 68
	Total	**4897**	**100**
	2.2 Charge interest on credit sales: *Yes* *No*	 743 4154	 15 85
	Total	**4897**	**100**
	2.3 Charge interest on late payments: *Yes* *No*	 711 4186	 15 85
	Total	**4897**	**100**
	2.4 Written record of payments owing: *Yes* *No*	 1293 3604	 26 74
	Total	**4897**	**100**
	2.5 Policy for late/non-payments: *Yes*	 806	 16

	No	4091	84
	Total	**4897**	**100**
	2.6 Credit forms/book for customers to sign when buying on credit:		
	Yes	886	18
	No	4011	82
	Total	**4897**	**100**
Cash Management	2.7 Offers a rewards programme:		
	Yes	613	13
	No	4284	87
	Total	**4897**	**100**
	2.8 Offer discounts to customers:		
	Yes	952	19
	No	3945	81
	Total	**4897**	**100**
	2.9 No invoice discounting:		
	Yes	826	17
	No	4071	83
	Total	**4897**	**100**
	2.10 Use invoice discounting:		
	Yes	801	16

	No	4096	84
	Total	**4897**	**100**
	2.11 Take advantage of trade discount:		
	Yes	849	17
	No	4048	83
	Total	**4897**	**100**
	2.12 Buys in bulk to earn / negotiate discounts:		
	Yes	970	20
	No	3927	80
	Total	**4897**	**100**
	2.13 Actively negotiates prices:		
	Yes	979	20
	No	3918	80
	Total	**4897**	**100**
Record-keeping	2.14 Keep financial records:		
	Yes	3028	62
	No	1869	38
	Total	**4897**	**100**

Source: FinMark Trust (2021)

Table 5.4 shows that 59% of SMEs do not adopt any of the 13 financial management practices used in this study. Thus, 59% of SMEs do not adopt credit management practices such as offering goods and services on credit to their customers. They also do not adopt any cash management practices such as offering discounts to customers, taking advantage of trade discounts and even buying in bulk to earn discounts.

Of the SMEs that provide credit to their customers, only 32% stipulated the payment period when they offer goods and services on credit, while 68% of the SMEs do not have a payment period that states when the customers are expected to repay the amounts outstanding. In terms of interest on credit sales, only 15% of SMEs charge interest on credit sales, while 85% do not charge interest on credit sales. In addition, only 15% of SMEs charge interest on late payments from their debtors, while 85% do not charge any interest on late payments. Only 26% of the SMEs keep written records of the payments owed to them by their debtors, while 74% do not keep any written records of the payments owed to them. Another credit management practice that SMEs use is the implementation of a credit policy. Only 16% of the SMEs have a credit policy, while the majority (84%) do not have one. This means that only 16% of the SMEs have a credit policy that states the conditions of the credit given to their customers and addresses late and non-payments by their credit customers (debtors). Another important document in managing credit is a credit form or book that the customers sign when buying on credit. Only 18% of the SMEs use it, and most (82%) do not have the credit forms or books their customers sign when they buy on credit.

Regarding cash management, the SMEs were asked if they have a rewards programme, with 13% indicating that they do have a rewards programme for their customers, while 87% do not offer any rewards. Furthermore, 19% of the SMEs indicated that they offer discounts on the prices paid by their customers, and 81% indicated that they do not offer any discounts on the prices of their goods and services. Only 17% of the respondents indicated that they know what invoice discounting is, while most (83%) are unaware of it. This means that 83% of the respondents are unaware that they can arrange and submit their invoices to a third-party invoice discounting institution to receive a portion of the debt that is owed to them from the institution. When the customer(s) finally pays up, the invoice discounting institution pays the SME the balance of those invoices. Only 16% of the SMEs use invoice discounting, as defined above, while 84% do not use invoice discounting. With trade discounts, 17% of the respondents indicated that they take advantage of trade discounts and promotions when purchasing the

SMEs' inventory, while 83% indicated that they do not take advantage of any trade discounts and promotions. Furthermore, 20% of the SMEs indicated that they buy their inventory in bulk to earn and negotiate discounts on the prices they are charged. In comparison, 80% indicated that they do not negotiate the prices to earn any discounts. They would rather buy inventory at full prices. In supporting the above result, 20% also indicated that they do actively negotiate the prices, while 80% indicated they are not actively negotiating prices. This implies that 20% of the respondents actively negotiate with their suppliers to get lower prices when they buy the SME inventory.

Lastly, in terms of financial record keeping (related to cash management) in SMEs, the majority of the respondents indicated that they do keep financial records of their transactions (62%) using a manual system, a computerised system or have an accountant that does the record keeping for them. In contrast, 38% of the respondents indicated that they do not keep any financial records of the SMEs' transactions in any format or system.

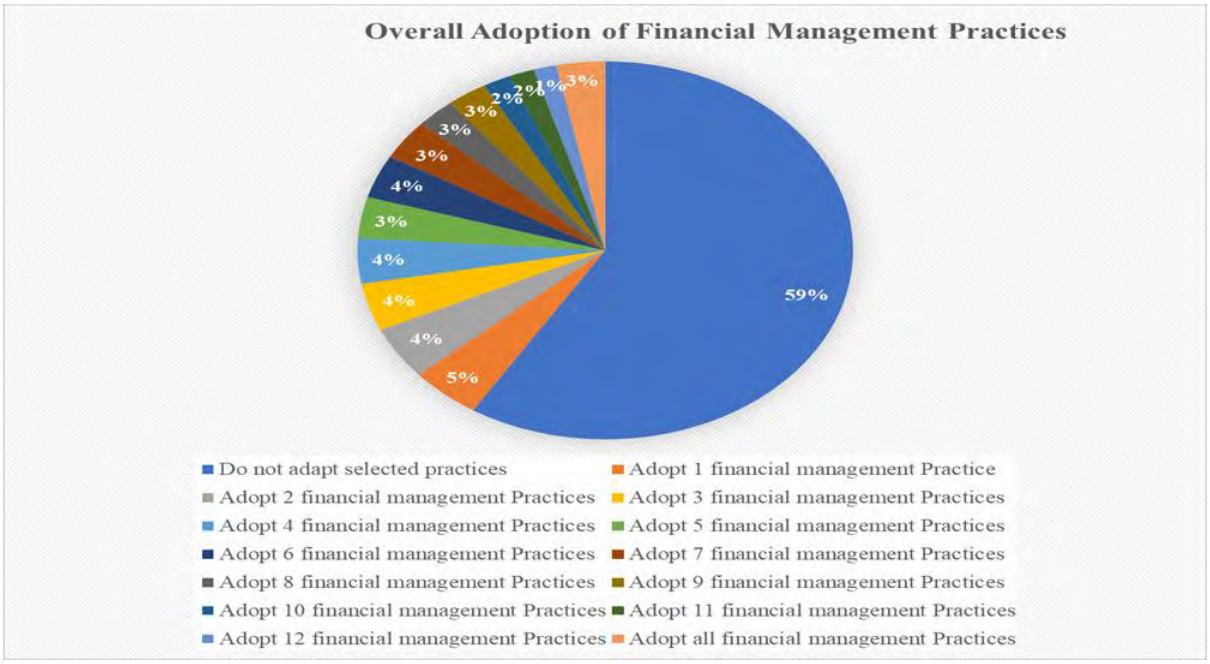
The section below will discuss the overall use of the financial management practices adopted by SMEs.

5.5.2 OVERALL ADOPTION OF FINANCIAL MANAGEMENT PRACTICES BY SMES

In order to determine the overall adoption of the financial management practices by the SMEs, the 13 financial management practices will be categorised according to those adopting the most and those adopting fewer financial management practices.

Figure 5.2 shows the overview of the adoption of the financial management practices that were measured in this study.

Figure 5.2: Overall Adoption of Financial Management Practices



Source: FinMark Trust (2021)

Figure 5.2 shows that the majority of SMEs adopt fewer financial management practices. Most SMEs do not adopt any of the 13 financial management practices (59%). Additionally, most of the remaining 41% of the respondents indicated that their SMEs adopt fewer financial management practices, while few SMEs adopt many financial management practices. This is also evident in Figure 5.2, as 4% to 5% of the SMEs reported that they adopt one (1) to six (6) financial management practices, while 1% to 3% of the SMEs adopt seven (7) to 13 of the financial management practices. Thus, 59% of the SMEs reported not to adopt any financial management practices. The few SMEs that adopted the financial management practices also adopted a few of the selected financial management practices in the study. Therefore, only a few of the study's SMEs use the selected financial management practices for their cash and credit management. The next section discusses the measures of SME success.

5.6 SME SUCCESS

SME success can be measured using financial measures and non-financial measures. Financial measures include the financial ratio analysis, such as returns on investments and assets, while non-financial measures include the growth in the business based on the increasing number of employees, the ability for the businesses to operate for longer periods, sustainable and consistent income (Agbenyegah, 2018:119; Douglas, Douglas, Cano & Moyes, 2019:221; Lim & Teoh, 2021:42). This study used non-financial measures of success, namely longevity in

years, the business growth based on the owner's perception, and the annual net profits based on the owner's perception to measure SME success. Below, the measures of SME success are presented.

5.6.1 SME SUCCESS MEASURES

The SME success measures were addressed in sections B, P and Q of the questionnaire. Section B addressed longevity in years, Section P addressed growth based on the owner's perception, and Section Q addressed the annual net profits. Table 5.5 shows the years (in ranges) the SMEs have been operating to measure longevity, growth levels, and the annual net profit ranges.

Table 5.5: Measures of success

Characteristic	**Category**	**Frequency**	**Percentage (%)**
Years in operation	Non-Committal	39	1
	Less than a year	422	9
	1 to 2 years	1061	22
	2 to 5 years	1678	34
	6 to 10 years	862	18
	More than 10 years	835	17
	Total	**4897**	**100**
Owner's Perception - Growth	Growing	1522	31
	Remained the same	1645	34
	Getting smaller	960	20
	Just starting out	322	7
	Non-committal	448	9

	Total	**4897**	**100**
Annual Net Profits	R0 – R14 999	3597	73
	R15 000 – R220 000 000	1300	27
	Total	**4897**	**100**

Source: FinMark Trust (2021)

Table 5.5 shows that most SMEs have been in operation for two to five years (34%). Another significant number of SMEs (22%) have been in operation for one to two years. Only 18% of the SMEs have been operating for six to ten years, while 17% of the participating SMEs have been operating for more than ten years. Lastly, SMEs that have been operating for less than a year were 9%, while 1% of the respondents could not say how long their businesses have been in operation. For this study's purpose, longevity refers to the SMEs operating for over five years. This is due to the majority of SMEs in South Africa and other developing economies not surviving for over five (5) years (Strydom, 2017; Obazee, 2019:3).

Table 5.5 also shows how the SME owners view their SMEs in terms of growth. The majority of the respondents (34%) indicated that their SMEs had remained the same, not recognising or identifying any growth in their business. Another significant number of respondents (31%) indicated that their SMEs were growing, while 20% indicated that their SMEs were not growing but getting smaller. In addition, 7% of the respondents indicated that they were only starting out and thus could not comment on growth trends in their business. Lastly, 9% of the respondents were unable to provide any feedback on the growth trends of their SMEs.

Furthermore, Table 5.5 reflects the annual net profits made by the SMEs. Most SMEs make less than R15 000 of annual net profits (73%), while 27% make above R15 000 per annum. For this study, SMEs with annual net profits above R15 000 were considered successful, while SMEs with annual net profits below R15 000 were considered unsuccessful.

The section below will provide an overview of the overall measures of SME success.

5.6.2 OVERALL MEASURES OF SME SUCCESS

This section will summarise the three measures of SME success: longevity, growth based on the owner's perspective and the SMEs' annual net profits. In order to determine the overall

success levels of the SMEs, the responses were categorised into four groups: 1) successful, 2) almost successful, 3) partially successful, and 4) not successful. In terms of the groups, SMEs that fell under successful answered yes to all three measures of success. SMEs in the almost successful category answered yes to only two measures of success. When the SMEs answered yes to just one of the success measures, they fell under the partially successful group. Lastly, those not successful answered no to all the measures of success.

Table 5.6 reports on the different measures of success as mentioned above.

Table 5.6: Overall SME Success

Measures of Success	**Frequency**	**Percentage (%)**
Longevity – more than 5 years		
Yes	1697	35
No	3200	65
Total	**4897**	**100**
Owners' Perception – Growth		
Yes	3167	65
No	1730	35
Total	**4897**	**100**
Annual Net Profits – Above R15 000		
Yes	1300	27
No	3597	73
Total	**4897**	**100**
Successful SMEs *(Yes to all measures)*	734	15
	566	12

Almost successful SMEs *(Yes to 2 measures of success)*	936	20
Partially successful SMEs *(Yes to only 1 measure of success)*	2634	54
Unsuccessful SMEs *(No to all measures)*		
Total	**4897**	**100**

Source: FinMark Trust (2021)

Table 5.6 shows that the majority of the SMEs have been operating for less than five years (65%) compared to the 35% of the SMEs that have been operating for over five years. In terms of growth, the majority of the respondents indicated that their SMEs were growing (65%), while 35% indicated that they were not growing. Regarding the annual net profits, most SMEs record less than R15 000 (73%), while only 27% make annual net profits above R15 000. For the SMEs to be deemed as successful for the purposes of this study, they should have answered yes to all three measurements of success as stated above.

The majority of the respondents answered no to all of the SME success measures (54%). Thus, 54% of the SMEs are deemed unsuccessful. Another significant number of respondents (20%) answered yes to only one of the success measures of this study. This means that they are partially successful and cannot be deemed successful. Only 12% of the respondents answered yes to meeting two of the success measures of success. They are categorised as being almost successful as they also have not answered yes to all the measures of success but have answered yes to two of the three success measures. Lastly, 15% of the respondents answered yes to all three of the success measures regarding their SMEs. This means that only 15% of the SMEs in this study are deemed successful according to the above success measures.

The following section will determine the relationships between the independent (access to financial services and financial management practices) and the dependent (SME success) variables of this study. This will be done by reporting the correlation results below.

5.7 CORRELATION OF THE STUDY VARIABLES

As discussed in Chapter 4, Pearson's correlation coefficient was used to measure the relationship between the study's independent and dependent variables. Pearson's correlation coefficient was used to measure the individual relationships between all the study variables.

This study used Pearson's correlation coefficient to determine the correlation between access to financial services, financial management practices, and SME success. The individual relationships and direction of the relationships between these variables were interpreted using the correlation coefficient, as indicated in Table 5.7.

Table 5.7: Correlation Coefficient Interpretations

Correlation Coefficient	**Correlation Interpretation**
0	No correlation
-0.20 ≥ R ≤ 0.20	Very weak or Negligible Correlation
-0.20 > R > -0.35; 0.20 < R < 0.35	Weak Correlation but to be considered
-0.35 ≥ R > 0.50; 0.35 ≤ 0.50	Fair or Moderate Correlation
-0.50 ≥ R > -0.70; 0.50 ≤ R < 0.70	Strongly Considerable High Correlation
-0.70 ≥ R > -1; 0.70 ≤ R < 1	Very Strongly Considerable Correlation

Source: Senthilnathan (2019)

Table 5.7 shows the correlation values (in ranges) and how they were interpreted for this study. The correlation coefficients of this study variables are presented in Table 5.8.

Table 5.8: Pearson's Correlation Coefficient

Variable	Means	Standard Deviation	Access to Financial Services	Financial Management Practices	SME Success
Access to Financial Services	0.51	0.32	1.00	0.25*	0.43*
Financial Management Practices	0.19	0.29	0.25*	1.00	0.19*
SME Success	0.42	0.30	0.43*	0.19*	1.00
***P < 0.05 (Statistically significant)**					

Source: Own creation

Table 5.8 presents the correlation results of the study variables. It is evident that access to financial services and SME success have the highest significant positive correlation (r = 0.43). Thus, access to financial services and SME success positively correlate, and a high increase in access to financial services leads to a high increase in SME success. Furthermore, a positive correlation exists between financial management practices and SME success (r = 0.19). Thus, a weak correlation exists between financial management practices and SME success. However, it still means that SMEs can increase their success as they adopt more effective financial management practices.

Table 5.8 also presents the correlation results between the study's independent variables. The relationship between the two independent variables was used to test the presence of multicollinearity, presented by a high coefficient value (r > 0.9). It is important to measure multicollinearity, as having two highly correlated independent variables would lead to significant changes in the results when there is a change in one of the variables. As already stated above, there were also positive correlation coefficients between the independent variables. However, there was no high correlation between the independent variables of this study (access to financial services and financial management practices). Thus, there was no

multicollinearity between the variables, as there was no r > 0.9 between any of the independent variables.

Nonetheless, the correlation shows that access to financial services and financial management practices was positive. This means that SMEs with high levels of adoption of financial management practices are also more likely to have high levels of access to financial services. Having established no multicollinearity between the variables, the researcher performed the multiple regression analysis.

5.8 MULTIPLE REGRESSION ANALYSIS

As discussed in Chapter 4, multiple regression analysis is a statistical method that uses two or more independent variables to predict the dependent variable of the study. This study used multiple regression analysis to determine the strength of the two independent variables (access to financial services and effective financial management practices) on the dependent variable (SME success).

Table 5.9: Multiple Regression Analysis Results

Dependent variable: SME Success						
Independent Variables	**Standardised Beta**	**Standard Err**	**Unstandardised Beta**	**Standard Err**	**t-value**	**p-value**
Intercept			0.20	0.01	27.33	0.00*
Access to financial service	0.41	0.01	0.39	0.01	30.47	0.00*
Financial management practices	0.09	0.01	0.09	0.01	6.47	0.00*
$R^2 = 0.19$ *p < 0.05						

Source: Own creation

Table 5.9 shows a positive and significant relationship ($p < 0.05$; beta = 0.41) between access to financial services and SME success. A positive and significant relationship reflects that SMEs are likely to be successful when they have access to financial services. Furthermore, there was also a significant positive relationship ($p<0.05$; beta = 0.09) between financial management practices and the success of SMEs. This reflects that adopting effective financial management practices in a business positively impacts its success.

From Table 5.9, it can also be observed that there are positive and significant relationships between the independent variables (access to financial services and financial management practices) and the dependent variable (SME success), which is reflected by their beta and p-values. This implies that the more SMEs have access to financial services, the more successful they become (beta = 0.41). Additionally, SMEs that adopt more effective financial management practices will be more successful compared to those that do not (beta = 0.09). Access to financial services reflected the highest beta (0.41) than financial management practices (beta = 0.09). However, all these independent variables had a positive and significant relationship to the success of SMEs. Also, together, the independent variables of this study were significant determinants of the dependent variable. This is reported by the variance explained value. The variance explained (r^2) was 0.19, meaning that the independent variables combined explain 19% of the movements in this study's dependent variable. Thus, the independent variables predicted 19% of the changes in the dependent variable, which is a significant value considering that there are other factors that influence SME success which are not part of this study.

The following section will report on the hypotheses of this study and their outcomes, whether they are accepted or rejected.

5.9 STUDY HYPOTHESES

As discussed in Chapter 1 and Chapter 4 of this study, the hypotheses of this study were accepted where $p < 0.05$ and thus statistically significant. The decisions for accepting or declining the hypotheses of this study were based on the multiple regression results in Table 5.9. The hypotheses, decision rules and outcomes are shown in Table 5.10.

Table 5.10: Results of the Hypotheses

Hypotheses	**beta**	**p-value**	**Outcome**
H_1: There is a significant positive relationship between access to financial services and SME success.	0.41	0.00*	Accepted
H_2: There is a significant positive relationship between effective financial management practices and SME success	0.09	0.00*	Accepted

Source: Own Creation

Table 5.10 shows that Hypothesis H_1, namely, there is a significant positive relationship between access to financial services and SME success, was significant, with a p-value less than 0.05. Thus, Hypothesis H_1 was accepted. This means that SMEs with access to financial products and services have a high probability of success. Hypothesis H_2 states that there is a significant positive relationship between effective financial management practices and SME success, and it also has a significant p-value of less than 0.05. Thus, Hypothesis H_2 was also accepted. This reflects that SMEs that adopt effective financial management practices will likely succeed. All the hypotheses for this study were accepted. This means that an SME with access to financial services and can adopt effective financial management practices within their SMEs will have a high chance of success.

5.10 CHAPTER SUMMARY

This chapter reported on the secondary data analysed in this study, which included the characteristics of the SMEs that were part of the study and the demographic information of the SME owners, including their race, age, gender, and level of education.

The chapter discussed the descriptive statistics of the study variables (access to financial services). The four main financial products and services were described, and the respondents indicated whether they had access to each of the financial products and services. The overall access to financial services was measured based on those responses. It was shown that most SMEs (32%) had access to only two of the financial services. The same process was followed for the financial management practices. The respondents indicated which of the 13 financial management practices they adopted in their SMEs, and the overall use of effective financial

management practices was measured based on how many of the financial management practices each SME adopted. The result showed that most (59%) of SMEs do not adopt any of the financial management practices measured in this study. The success of the SMEs was then measured using the three measures (annual perceived net profits, growth based on owners' perspectives, and the years they have been in operation). The overall success of the SMEs was measured based on the SMEs meeting the criteria of each measurement. These results showed that most (54%) SMEs were unsuccessful.

The correlations of the variables were measured using Pearson's correlation coefficient (r). The relationships between each of the study variables were measured to identify if there was some correlation between the factors of the study. It was found that there was a strong, significant positive correlation between access to financial services and SME success. It was also found that there was a weak significant positive correlation between financial management practices and SME success. Pearson's correlation coefficient was also used to test if there was multicollinearity, a case where there is a high correlation between the study's independent variables ($r > 0.9$). There was no multicollinearity between this study's independent variables.

The multiple regression analysis was undertaken to measure the strength of the relationship between the independent and dependent variables. The results reflected that all the relationships were positive and significant. These results meant that access to financial services had the strongest significant relationship with SME success. At the same time, effective financial management practices also had a significant relationship with SME success. However, the relationship was weaker than the other independent variable.

The variance explained (r^2) indicated that this study's independent variables (access to financial services and effective financial management practices) explained 19% of the dependent variable (SME success). Lastly, the hypotheses of the study were tested, and both were accepted. Chapter 6 will provide a summary of the study, including conclusions and recommendations based on the study results.

CHAPTER 6

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

Chapter 5 presented the results of this study, more specifically, the results of the descriptive statistics of the sample, inferential statistics, and outcomes of the hypotheses of the study. The hypotheses tested the influence of access to financial services and effective financial management practices on SME success. This chapter will discuss the results and recommendations based on the findings reported in Chapter 5. These recommendations will be provided to South African SMEs on how to improve their access to financial services and effective financial management practices to increase SME success. Lastly, this chapter will provide recommendations, the contribution of the study, its limitations, and recommendations for future research.

6.2 THE AIMS AND OBJECTIVES OF THE STUDY

The primary objectives and secondary objectives of this study were discussed in the respective chapters. Table 6.1 presents the objectives of the study.

Table 6.1: Summary of the Objectives

Primary Objective	
The primary objective of this study was to investigate the influence of access to financial services and effective financial management practices on SME success in South Africa.	
Secondary Objectives	**Chapter**
To provide an overview of the SMEs in South Africa using the Resource-Based Theory to explain factors that influence SME success.	2
To investigate the concepts of access to financial services and effective financial management practices.	3
To adopt statistical techniques that assisted in determining the influence of access to financial services and effective financial management practices on SME success.	4
To determine the influence of access to financial services and effective financial management practices on SME success.	5

To provide recommendations to SME owners on how to achieve success by improving access to financial services and adopting effective financial management practices.	6

Source: Own Creation

Table 6.1 shows the primary and secondary objectives of this study. Table 6.1 also shows which chapters addressed the secondary objectives. The following section will provide information on the chapters of this study.

6.3 STRUCTURE OF THE STUDY

The study consisted of six structured chapters, as shown in Table 6.2.

Table 6.2: Structure of the Chapters

Chapter	Name of chapter	Focus
Chapter 1	Introduction and background of the study	Chapter 1 presented the introduction and background of the study. It also discussed the problem statement and primary and secondary objectives of the study and gave an overview of the research methodology. Lastly, it outlined how this study was structured according to the chapters of this study.
Chapter 2	Overview and SME success	Chapter 2 provided an overview of SMEs in South Africa and SME success. It described SMEs, outlined their importance, and discussed the initiatives available to support SMEs in South Africa. It also defined success in South African SMEs and their success rates. Furthermore, it adopted the Resource-Based Theory to explain the factors influencing SME success. Lastly, the previous studies that influence the success of SMEs conducted in South Africa were discussed.
Chapter 3	Access to financial services and financial management practices	Chapter 3 presented the literature review on access to financial services and effective financial management practices. It described the South African financial

		sector, the key financial services (products and services), defined access to financial services, the SMEs' levels of access to financial services and the importance of access to financial services to SME success. This chapter also defined financial management practices, identified and defined financial management practices critical to SMEs, and the importance of cash and credit management on SME success. Lastly, this chapter discussed previous studies on access to financial services, financial management practices and SME success in South Africa.
Chapter 4	Research design and methodology	This chapter presented the research design and methodology adopted in this study. It also discussed sampling, the data collection method, and data analysis techniques used to test this study's hypotheses.
Chapter 5	Data analysis and results	Chapter 5 focused on the data analysis and results of the study. Descriptive statistics (frequency and percentages) were used to summarise the demographic information of the SME owners and characteristics of the SMEs, levels of access to financial services, adoption of effective financial management practices and measures of SME success. Furthermore, it discussed the correlation results (from Pearson's Correlation Coefficient) showing the relationships between access to financial services and SME success, effective financial management practices and SME success, and access to financial services and effective financial management practices. This chapter also presented the multiple regression results showing the strength of the relationship between access to financial services, effective financial management and SME

		success. Lastly, the study's hypotheses and decisions were presented.
Chapter 6	Summary, conclusion, and recommendations	Chapter 6 presents the summary, conclusions, and recommendations of the study. It provides summaries of all the previous chapters, including how the research objectives were achieved in each chapter. Also, the results are discussed, recommendations based on the results provided, the theoretical and practical contribution of this study are presented, and limitations and recommendations for future research are addressed. Lastly, this chapter provides concluding remarks.

Source: Own creation

Table 6.2 outlines the six chapters of this study. The next section will provide a summary of the literature review discussed in chapters 2 and 3 of this study.

6.4 SUMMARY OF LITERATURE REVIEW

The literature review of this study was presented in chapters 2 and 3. Chapter 2 achieved the secondary objective of this study, which was to provide an overview of SMEs in South Africa using the Resource-Based Theory to explain factors that influence their success. In order to achieve this secondary objective, a literature search on South African SMEs and the factors that influence SME success was conducted. The chapter first defined the concept of SMEs in South Africa. An SME was defined as any business that employs less than 250 employees, with owners involved in the management activities, making up to R220 million of annual turnover. This study adopted this specific definition as proposed by the National Small Business Act as amended (2019). Furthermore, the importance of SMEs was discussed, focusing on their crucial role in the economy through promoting inclusive growth and development by creating and increasing employment opportunities while reducing poverty and food insecurity.

Chapter 2 also defined success and measurements used for SME success. Success is measured using financial measures that focus on financial information, such as ratio analysis, to measure success and non-financial measures, such as growth in the number of employees and longevity using the number of years operating. However, this study used non-financial measures of

success, such as growth and how long the business has been operating. This is because most SMEs do not keep financial records and are not compelled to make their financial statements public, making applying financial ratio analyses such as returns on investments and assets challenging. SME success in this study was described as SMEs being able to operate for more than five years with consistent income and growth levels based on the owners' perception. To explain the factors that influence SME success, the Resource Based Theory (RBT) was utilised.

RBT states that owning unique, difficult-to-imitate, and non-replaceable resources and capabilities each business can identify and apply could give it a long-term competitive advantage. Applying the RBT, this study was able to explain the factors that influence SME success. From the above, access to financial services was linked to resources and financial management practices were linked to capabilities. From the theory, it was concluded that SMEs need these resources and capabilities to achieve success in South Africa. Finally, Chapter 2 explored previous studies in relation to the success of SMEs. A gap was identified based on the previous studies, which showed that limited studies investigated the combined influence of having access to financial services and adopting effective financial management practices on SME success in South Africa.

Chapter 3 sought to achieve the secondary objective of the study, which was to investigate the concepts of access to financial services and effective financial management practices. This was done by investigating the literature on access to financial services, effective financial management practices and the success of South African SMEs. This chapter first explored the South African financial sector, which is divided into the formal and informal sectors. This study focused on the formal financial sector. The formal financial sector was reported to comprise 31 banking entities, which are still reluctant to lend to SMEs as they are perceived as high risk, lacking collateral and not keeping proper financial records. Chapter 3 also identified the five major financial institutions in South Africa: Standard Bank, First National Bank, Absa, Nedbank, and Capitec Bank. The four most important financial services for SMEs were transactional bank accounts, savings accounts, credit facilities and insurance products. These were adopted in the study as the financial services needed for the success of SMEs. Access to financial services was described as the ability of SMEs to obtain financial products and services from formal financial institutions and being able to access them at affordable costs.

The chapter further investigated the level of access to financial services in South African SMEs, especially in their early stages of operations, as they are seen to be failing more. The statistics

between 2017 and 2019 reflected that only 2% (each of the years) of new SMEs were able to access financial services from formal financial institutions; this was a drastic decrease from 27% in 2015. The reason for the low levels of access to financial services was that SMEs in South Africa face significant challenges in accessing financial services, particularly in their early stages. Factors limiting SMEs' access to financial services include shorter loan maturity, higher interest rates, and stringent collateral requirements. Even so, access to financial services for SMEs promotes development, job creation, goal achievement, innovation, and economic growth by positively contributing to GDP and annual turnover, thereby driving overall economic growth. Therefore, it remains necessary for SME success.

Chapter 3 addressed the second factor influencing SME success: financial management practices, which are defined as a collection of pertinent resources and their efficient allocation to achieve business goals. Adopting effective financial management practices enables businesses to identify deviations and make informed decisions that align with their goals and objectives. The two most important financial management practices were discussed further: cash management and credit management. It was highlighted that well-functioning cash management is crucial for an SME to efficiently pay debts, enhance profitability, and prepare for the future. Well-functioning, effective credit management would be crucial to minimise bad debts, collect from debtors timeously, make more money available to reinvest in the business, improve SME operations and increase their success levels.

Lastly, the importance of access to financial services and effective financial management practices on the SME success was shown. The study defined the research design and methodology adopted in this study, which are summarised below.

6.5 SUMMARY OF THE RESEARCH METHODOLOGY

Chapter 4 of this study encompassed the design and methodology of the study. Chapter 4 sought to achieve this study's secondary objective, which was to adopt statistical techniques that assisted in determining the influence of access to financial services and effective financial management practices on SME success. This was done by outlining the research design and methodology adopted. The chapter started with the research paradigm, adopting the positivist paradigm. Further, the research approach was discussed and this study adopted the deductive research approach. Studies that adopt a positivist paradigm usually follow a quantitative

research design because quantitative research design shares objectives with the positivist research paradigm, aiming to identify causes and effects through statistical analysis.

Once the quantitative research design was selected, different quantitative methodologies were considered: the experimental and non-experimental research methods and non-experimental research methods. The non-experimental research method was adopted because it does not involve manipulating variables; instead, it studies them naturally without any intervention to produce an objective outcome of an investigation. The non-experimental research method consists of correlational and descriptive research methods; this study applied the correlational research methodology. A correlational research methodology has a sample, data collection instrument and data analysis. The study population comprised SMEs in South Africa, and the sample was SME owners, 16 years and above, who employ less than 250 employees with annual turnovers of less than R220 million. The sample size of this study was 4 897 SME owners.

This study used secondary data to develop the literature and test the hypotheses of the study. This study utilised secondary data that Ipsos collected on behalf of the FinMark Trust for its FinScope MSME 2020 report, which is a report that focused on the state of South African MSMEs in 2020. The target population of this study was SMEs in South Africa; the study sample was 4 897 respondents. Data for the FinScope MSME 2020 report was collected from the respondents using a closed-question questionnaire. The questionnaire consisted of 18 sections, sections A to Q. Sections A-E collected information on the nature of the SMEs, such as the nature of the activities of the business, business registration, its management, employees, and customers. Information on access to financial services such as product penetration, banking penetration, savings and investments, credit and loans, and risk and insurance were collected in sections F-J. Information on financial management and record keeping was collected in sections K and L. Information on success was collected in sections B, P and Q.

Thereafter, for data analysis, descriptive statistics such as the measures of frequency, percentages and measures of tendency using the means were applied. This was followed by using inferential statistics such as Pearson's correlation coefficient and multiple regression analysis to measure correlation and relationships between the study variables. The next section will summarise the results of the study.

6.6 SUMMARY OF THE RESULTS

Chapter 5 provided the results of this study. It addressed the objective of exploring the influence of access to financial services and effective financial management practices on SME success.

6.6.1 DEMOGRAPHIC INFORMATION AND SME CHARACTERISTICS

The respondents of this study were owners of SMEs in South Africa. There were 4 897 respondents in the study. The results showed that the majority of the respondents were male (54%), while 46% were female. According to race, the majority were Black (80%), followed by White respondents (8%), 6% were Asian/Indian, and 5% identified as Coloured. There were 2% of respondents whose race was unidentifiable.

Most of the respondents were aged between 30 and 39 (34%), while respondents aged 40-49 were also a significant portion (27%). Respondents aged 20-29 comprised 16%, followed by respondents aged 50-59 (15%) and those aged 60 and above (6%). Only 1% were aged below 20 years. Most of the respondents have obtained a matric certificate (43%), whereas 28% do not have a matric. Only 25% of the respondents have a post-matric qualification, and only 4% have a postgraduate degree.

With regards to SME characteristics, the SMEs were based in the following provinces: Gauteng (40%), followed by KwaZulu-Natal (22%), Eastern Cape (11%), Limpopo (7%), Western Cape (7%), Free State (5%), North-West (4%), Mpumalanga (2%) and Northern Cape (2%). According to the managerial responsibilities, the majority of the SMEs were managed by the owners alone (73%), while owners and one other employee managed 25%, and only 2% were managed by owners and more than one employee. In terms of the number of employees, 76% have 11 to 50 employees, 22% have zero (0) to ten (10) employees, and only 2% have 51 to 250 employees. The next section will provide information on access to financial services and effective financial management practices.

6.6.2 ACCESS TO FINANCIAL SERVICES

Access to financial services was measured by four products and services: transactional bank accounts, savings accounts, credit facilities and insurance products. SMEs that had access to all four financial products and services were categorised as having full access, SMEs with access to three financial products and services were categorised as having high access, those

with access to two financial products and services were categorised as having moderate access, while those with access to only one financial product or service were categorised as low access. If an SME had no access to any financial products and services, they were categorised as having no access. Only a minority (17%) had full access to financial services. SMEs with high access were 19%, and a significant portion (32%) had moderate access. Furthermore, 18% of the SMEs had low access, with 14% having no access to financial services. This means that most SMEs had access to two or more financial products and services. The next section will discuss the financial management practices adopted by SMEs.

6.6.3 FINANCIAL MANAGEMENT PRACTICES

This study used cash and credit management to measure SMEs' adoption of financial management practices. This study used 13 financial management practices related to cash and credit management. The results showed that 59% of the SMEs did not adopt any of the selected cash and credit management practices. Of the remaining SMEs that did adopt the financial management practices, between 4% and 5% of SMEs adopted one (1) to five (5) of the financial management practices. The SMEs that adopted between seven (7) and 13 financial management practices all ranged between 1% to 3%.

From the 13 financial management practices measured in this study, 5% of the SMEs adopted only one practice. SMEs that adopted two, three and four financial management practices were 4%, respectively. SMEs adopting five financial management practices were just 3%, while SMEs adopting six were 4%. SMEs that adopted seven, eight and nine financial management practices were 3% for each category. Only 2% of the SMEs adopted ten financial management practices, while another 2% adopted 11 financial management practices. Only 1% of the SMEs adopted 12 financial management practices measured in this study. Lastly, just 3% of the SMEs adopted all the 13 financial management practices measured in this study.

6.6.4 SUCCESS OF SMES

SME success was measured by the SMEs' ability to operate for longer than five years, grow according to the owners' perceptions, and make annual profits above R15 000. To measure whether SMEs were successful or not, they needed to be measured using the three measures. SMEs that scored yes to all three of the measurements of success were considered successful, those who answered yes to two measures were considered partially successful, and SMEs with just one 'yes' to the measurements were considered almost successful. Lastly, SMEs that did

not say ‘yes’ to all three measures were considered unsuccessful. Most SMEs (54%) were unsuccessful, while only 15% were successful. Only 20% of the SMEs were partially successful, and 12% were almost successful. The next section will show the influence of the independent variables on the dependent variable.

6.6.5 THE INFLUENCE OF THE INDEPENDENT ON THE DEPENDENT VARIABLE

In order to determine the correlation and relationship between the independent variables (access to financial services and financial management practices) and dependent variable (SME success), Pearson’s correlation coefficient and multiple regression analysis were used. It was reported that there was a significant positive correlation between access to financial services and SME success ($r = 0.43$). This correlation meant that when there is an increase in the access to financial services used by SMEs, SMEs are also likely to succeed. The correlation between financial management practices and SME success ($r = 0.19$) was also positive and significant. This indicated that changes in the two variables were in the same direction. There was no evidence of multicollinearity between independent variables of the study.

Multiple regression analyses were employed to measure the strength of the relationships between the independent and dependent variables. The strength of the two independent variables was measured, and it was reported that the independent variables, combined, explained 19% of the changes in the dependent variable. This was reported by the variance explained value of $r^2 = 0.19$. This means that when there are changes in SME success, 19% of the changes will be defined by access to financial services and effective financial management practices combined. Therefore, the influence of the two independent variables on the dependent variable was significant. The section below will show the outcomes of the hypotheses of the study.

6.6.6 OUTCOMES OF THE HYPOTHESES OF THE STUDY

Chapter 5 tested the hypotheses of this study. Table 6.3 shows the hypotheses, the decisions, and the outcomes.

Table 6.3: Hypotheses Outcomes

Hypotheses	**beta**	**p-value**	**Outcome**

H_1: There is a significant positive relationship between access to financial services and SME success	0.41	0.00*	Accepted
H_2: There is a significant positive relationship between effective financial management practices and SME success	0.09	0.00*	Accepted

Source: Own creation

Table 6.3 shows that the two hypotheses of this study were accepted where $p < 0.05$. Both the p-values of the hypotheses were less than 0.05; therefore, both hypotheses were accepted to be true. The following section will discuss the results of this study.

6.7 DISCUSSION OF RESULTS

This section will discuss the results of this study while also providing the implications of these results.

6.7.1 RESULTS ON SMALL BUSINESS OWNERS AND SME CHARACTERISTICS

This study's descriptive statistics showed that most of the SMEs in South Africa have male owners (54%), while females only make up 46% of the SME owners. These figures are also supported by previous studies in the South African SME sector, which report that most SME owners are male (Neneh, van Zyl & van Noordwyk, 2016). Similarly, Shiva (2018) reported that most SME owners are males because male entrepreneurs are almost always willing to take risks, while female entrepreneurs are more reluctant to take uncertain business risks.

This study also used the ages of the SME owners to collect data on their demographics. The majority (34%) were aged between 30 and 39 years, while another significant portion of the SME owners (27%) were aged 40 to 49 years. These results are consistent with previous findings by Akinyemi and Adejumo (2017), who reported that the majority of the SME owners in Nigeria and South Africa were between the ages of 25 years and their late 40s.

Lastly, on the owners' demographics, this study reported on the level of education of the SME owners. Most of the SME owners in this study (43%) reported having a matric certificate. These results concur with those of Akinyemi and Adejumo (2017), who reported that most of the SME

owners in South Africa had a qualification below a university degree. Similarly, Chakabva and Tengeh (2023) found that the majority of SME owners in South Africa have a Grade 12 certificate (matric certificate), which supports the results of this study.

This study further addressed the characteristics of the SMEs. In terms of location, the majority of South African SMEs are based in Gauteng (40%). Mkhwanazi (2023) also found that most SMEs are based in urban areas. The South African government labels Gauteng as an urban province. The study results showed that most SMEs (73%) are run and managed by the owners, with no assistance from other employees. This result is in accordance with the findings by Chakabva and Tengeh (2023), who reported that most SME owners are also managers in their businesses. This is also supported by the definition of SMEs by the South African National Small Enterprise Act Amendment (2019), which defines one of the SME characteristics as having an owner who also manages the business.

The section below discusses the results of access to financial services and SME success.

6.7.2 ACCESS TO FINANCIAL SERVICES AND SME SUCCESS

The study results showed a significant and positive relationship between having sufficient access to financial services and SME success. This suggests that the movements of the two variables are in the same direction: a decrease in the levels of access to financial services will result in a decrease in SME success. Also, an increase in access to financial services will lead to an increase in SME success. Thus, SMEs that are able to access financial services with no limitations and hindrances are most likely to be successful. These findings are in accordance with previous findings by Fatoki (2021), who reported that SMEs that have access to financial services such as credit facilities through formal financial institutions perform better in terms of growth and invest in more projects to ensure longevity while maintaining profitability. It has been proven that for SMEs in South Africa to succeed in business growth, longevity, and profitability, they need to have access to financial services from formal financial institutions.

The financial services measured in this study were transactional bank accounts, savings accounts, credit facilities, and insurance products. According to the data on access to financial services in the sample of this study, only 17% of these SMEs had access to all the financial services that were measured. This means that only a minority of SMEs are able to get full access to financial services from formal financial institutions, while the majority do not have full access to financial services. These results are similar to the findings of Jordaan and Coetzee

(2021), who found that SMEs still face difficulties accessing financial services due to the stringent requirements of formal financial institutions. Similarly, Schmidt, Mason, Bruwer and Aspeling (2017) reported that SMEs are indeed unable to obtain the majority of the financial services due to the cost of obtaining them being too high, suggesting that there are financial services available on the side of the formal financial institutions; however, SMEs are not accommodated.

The following section will discuss the results of financial management practices and SME success.

6.7.3 FINANCIAL MANAGEMENT PRACTICES AND SME SUCCESS

The study also reported a significant positive relationship between effective financial management practices and SME success. The results imply that an increase in the adoption of effective financial management practices would also lead to an increase in SME success. Salamah (2023) also found that applying effective financial management practices is essential for business sustainability while improving performance and success as it aids with being able to estimate and allocate resources effectively, manage risks and make correct financial decisions. Mazibuko (2021) emphasised the important role of effective financial management practices in SME success. There is a desperate need for SMEs to adopt them to enhance their chances of success, as the lack leads to SMEs' low levels of success and eventually failure.

Furthermore, it was found that the financial management practices selected were not all adopted by the majority of the SMEs, but it also showed that they influenced the SMEs' success. These included clearly stipulated payment periods on credit sales, utilising invoice discounting, charging interest on credit sales and late payments, keeping written records of payments owing, having a policy for late and non-payments, having credit books, offering rewards and discounts to clients to clients, taking advantage of trade discounts, buying in bulk and negotiating prices. According to the results of this study, 59% of SMEs do not adopt any of the above-mentioned financial management practices. This result supports the findings by Fosu (2020), who reported that most South African SMEs have shortcomings in adopting effective financial management practices. Fosu (2020:5) added that, in most cases, most SMEs have their owners acting as managers and managing their finances. Concurring with the above, Dzomonda and Fatoki (2018) reported that the majority of SME owners who also perform financial management roles within their business do not adopt effective financial management

practices due to different reasons that include the lack of skills, which consequently lead to the low success rates of their SMEs.

Below, the results of the combined influence of access to financial services and effective financial management practices on SME success are summarised.

6.7.4 ACCESS TO FINANCIAL SERVICES AND FINANCIAL MANAGEMENT PRACTICES TO SME SUCCESS

Finally, the combined influence of access to financial services and effective financial management practices was analysed by measuring the significance of the two independent variables (access to financial services and financial management practices) on the dependent variable (SME success). The results showed that the two independent variables of this study were significant determinants of the dependent variable. This was reported by the variance explained (r^2), which was 0.19, indicating that 19% of the changes in SME success are due to changes in access to financial services and the adoption of effective financial management practices. This is a significant value considering that other factors also influence SME success, as discussed in Chapter 2 of this study. These include but are not limited to the following: access to infrastructure, level of education of owners/managers, human resources management, marketing, and many others that were already discussed. However, this study focused on access to financial services and effective financial management practices as they have been identified to be the most common factors by the majority of researchers in the literature review, with only a few studies studying these factors combined. Therefore, having a variance explained of 19% shows that they significantly influence SME success.

The above results are supported by Zada, Yukun and Zada (2019), who reported that access to financial services and financial management practices were significant determinants of SME success in Pakistan. The results from the study above are not from a South African context. However, Pakistan is also a developing economy, just like South Africa. This supports the findings that access to financial services and financial management practices play a significant role in SME success. The studies that combined the influence of the two independent variables have not been investigated in South Africa; thus, there was a research gap on the combined influence of access to financial services and financial management practices. Therefore, the section below will make recommendations on how South African SMEs can have more access

to financial services and adopt effective financial management practices to improve their success rates.

6.8 RECOMMENDATIONS

The results of this study are a fundamental part of the literature surrounding SME success in the South African economy. This section will provide recommendations based on this study's results.

This study found that many of the SMEs have access to only one or two financial services. Therefore, SME owners must familiarise themselves with the information on the different business banking products that formal financial institutions offer to increase access to financial services. Also, SME owners might not know about other financial services. Knowledge of financial services will enable them to gain insights about entry-level financial products and services that are affordable even for startup businesses. This information can be obtained through various free platforms and on the internet using the different financial institutions' (banks) websites. Having this knowledge and penetrating the banking system in the early stages of operations will enable the formal financial institutions to collect all relevant data that might be useful to them and the business when they need more products and services, such as credit facilities. Rachapaettayakom, Wiriyapinit, Cooharojananone, Tanthanongsakkun, and Charoenruk (2020:6) added that SME owners who know of the different financial services tend to be able to gain a competitive advantage.

It is also recommended that SMEs have savings accounts as early as possible. They can open fixed or non-fixed savings accounts with financial institutions to save flexible amounts whenever they have surpluses and other incomes in their business accounts. This reassures financial institutions, as SMEs can retain their earnings and reinvest in their businesses. This also assists when the SMEs are seeking credit facilities and do not have the required collateral where they offer to pledge their savings accounts with the amount of credit they require. The financial institution usually converts this savings account to an investment account when the client agrees to pledge it. It should always have a minimum balance of the required facility. Thus, SMEs advance the account with the amount that they require and obtain a working capital facility which is revolving monthly, allowing them to have access to the same amount of credit monthly while they only pay for the interest portion of it. This process is referred to as taking cash cover as collateral for credit. According to Bwembya (2022) and Luck and Santos (2023),

while this process is not the most used when taking collateral, cash cover is one of the best collateral types to be taken to increase access to financial services, especially by SMEs, as the majority might not have the immovable assets that most financial institutions require as collateral.

Furthermore, to increase access to financial services, this study recommends that SME owners be aware and familiarize themselves with the 5Cs of credit (Pambudi, 2022:719): the **character** of the borrower (SME), the **capacity** to take up additional debt, which is reflected on the financial statements, the **capital** required, **collateral** to offer and **conditions** of the economy or the industry the SME is operating in. The character of the borrower refers to the business conduct in terms of the following: how their financials are presented, their business accounts conduct (whether there are any deficits, excesses, and payments dishonoured), if there are any judgements against the SME and the owner, including the character of the owner (their bank accounts and conduct of any other credit they have). The capacity is reflected in the financial statements, determining whether there are sufficient equity levels, profitability, and liquidity. The capital required refers to the credit facility the business would require, whether it aligns with the affordability and profits reflected. Collateral refers to what the business offers the financial institution to secure its credit facility. Lastly, the conditions of the industry refer to understanding how the industry is performing, whether it is high risk or not and being aware of the changes in the industry or economy that would affect the affordability of the facility by the SME. When SME owners are aware of this information, they are able to be proactive in terms of managing their business effectively by preparing financial statements, investing in their equity, and ensuring profitability and liquidity to ensure that they are able to obtain access to financial services. The use of the 5Cs of credit in credit assessments and evaluation has been researched by several researchers who suggest and support the view that the use of 5Cs enables SMEs to gain access to financial services that they can afford according to the assessments of the 5Cs (Enoch, Digil & Arabo, 2021; Pambudi, 2022).

The results of this study, as discussed above, showed that the majority of the SMEs do not adopt effective financial management practices. This leads to low success rates in the SME sector, as finances might not be managed effectively and efficiently. This study recommends that SME owners invest in the adoption of the recommended financial management practices. This can be done by investing in accounting short courses, where the owners or financial managers can receive education on financial management practices that are essential for SMEs

as a way to improve success. These short courses should focus on record keeping, drawing up of financial statements, and drawing up of policies to manage the business operations, such as debtors' collection policies; these are the financial management practices that most SMEs did not adopt, according to the results of this study. This ensures that SMEs always produce transparent financial statements that enable financial institutions to analyse and evaluate the financial needs of the business and the affordability of required credit facilities, enabling them to make informed decisions.

Additionally, adopting effecting financial managements that include cash (rewards programmes, discounts, buying in bulk, negotiating prices) and credit (clearly stipulating terms of credit, written records of payments owed, policy for late/non-payments) management practices were proven to be an issue that led to the low success rates of SMEs. This study recommends that SMEs adopt these cash and credit management practices by ensuring that they have credit books and a credit policy that will assist with recording the credit sales that the SME makes, the payment period for each credit sale, the interest charged (where applicable), the conditions of the credit sales where the customer would sign to acknowledge what would happen if they fail to pay or they do not pay in time. Adopting these financial management practices would enable a quicker and easier collection of payments from credit clients. The majority of studies support this view and further state that cash and credit management practices are crucial to SMEs as they ensure liquidity and profitability within the business (Osinowo, 2018; Zada, Yukun & Zada, 2019). The following section will discuss the contribution of this study.

6.9 CONTRIBUTION OF THE STUDY

This section will cover the theoretical and practical contributions of this study. Theoretically, this study contributed to the body of literature by investigating the influence of access to financial services and effective financial management practices on SME success. This study applied the Resource-Based Theory to explain the factors influencing SME success. Access to financial services was linked to resources, while financial management practices were linked to capabilities. As far as it could be established, no study used the Resource-Based Theory to explain the factors of access to financial services and effective financial management practices that influence SME success in South Africa. As a result, future studies may follow this study as a guideline and use the Resource-Based Theory to explain factors that influence SME success, such as internal resources and capabilities.

Furthermore, this study used a combination of access to financial services and effective financial management practices. The majority of the researchers used access to financial services and effective financial management practices separately in their studies, while this study was the only study, according to the researcher's knowledge, that combined these factors in South Africa. The results showed that access to financial services and effective financial management practices (combined) significantly influence SME success in South Africa. Therefore, this study contributes to the theory by giving more insights into the factors influencing SME success when combined. Also, this study found a positive correlation between access to financial services, effective financial management practices and SME success. Additionally, this study reported that access to financial services and effective financial management practices are significant determinants of SME success.

Practically, this study contributed to SMEs and the formal financial institutions in South Africa. Firstly, to SMEs by explaining the factors that influence SME success. Access to financial services and effective financial management practices are crucial to SME success as they enable successful innovation and operations in SMEs. Therefore, short courses can be developed for SMEs using the results of the study on financial services and effective financial management practices. These include keeping financial records and preparing transparent financial statements to enable financial institutions to make informed decisions regarding granting them credit. Short courses focusing on financial services could also include understanding the fundamentals of credit and others focusing on financial services for new businesses so that they can be able to obtain financial services as early as possible.

Financial institutions can use the results of the study to know which financial products and services are relevant and needed by SMEs. For instance, financial services such as transactional bank accounts and credit facilities would allow SMEs to operate in the early stages of their businesses. Financial institutions can also design marketing strategies for certain financial services to be advertised to SMEs, as the results show that they still do not use some financial services. In addition, financial institutions could design financial services that focus on SMEs in terms of requirements and pricing, as the study has noted that the majority of SMEs do not have access to financial services such as credit facilities and insurance products due to their costs.

Therefore, one can conclude that the results of this study will be significant to owners of SMEs and financial institutions. Also, the results of this study will help improve the success of SMEs,

which will affect South Africa's economy since SMEs help create jobs, alleviate poverty and food insecurity, and provide new and improved products and services while contributing positively to the economy. This will help improve the economy's performance and accomplish its main socioeconomic objectives.

6.10 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study has used non-financial measures of success to measure SME success. This was due to SMEs not being required to provide detailed financial records to the public and some not having the detailed financial records needed. Furthermore, SMEs are not required to make their financial statements available to the public. Using non-financial measures of success meant that the researcher had to take owners' perceptions regarding the success of their SMEs, which could also be viewed as subjective. Future studies should attempt using financial ratios such as financial performance and investments to measure SME success.

Another limitation of this study is that only two factors were measured to influence SME success, and thus, it did not address all the factors that influence SME success. Future studies could include more factors that influence SME success. This study focused only on financial factors (access to financial services and effective financial management practices) and sought to close the research gap in related literature. Researchers can also add to the literature in the future by including other factors that determine SME success.

In light of the limitations and findings discussed above, the following are recommendations for future research focusing on the South African SME sector. Future researchers could use a sample of SMEs with financial statements willing to share them for research purposes. This will allow for the financial measures of success to be utilised and draw more objective results based not only on the owners' perspective but also on evidence supported by the financial statements. The results of future studies may further strengthen the results of this study. Furthermore, this study can be used as a baseline for future studies, as this study justified combining access to financial services and effective financial management practices to influence SME success. The following section will provide concluding remarks on this study.

6.11 CONCLUDING REMARKS

SMEs are an integral part of the South African economy. It is, therefore, imperative to understand their current conditions, including their challenges and what plays a significant role in their success. They need to be accommodated by formal financial institutions in terms of financial services, especially by having credit facilities available to SMEs and lessening their collateral requirements. SMEs must also broaden their focus to other financial products, such as transactional bank accounts, savings accounts, and insurance products. These are important for SMEs as they allow businesses to use finances safely, save for future obligations, enable them to gain access to financial services (in terms of credit) to use funds that they do not currently have to continue with business operations, and insure their business and assets. Lastly, improving the adoption of financial management practices also aids in access to more financial services and increases SME success. SMEs must also adopt more effective financial management practices to improve their success. Therefore, SMEs must obtain access to financial services and adopt effective financial management practices to increase their levels of success in South Africa.

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ANNEXURES

ANNEXURE A: FINSCOPE SOUTH AFRICA MSME SURVEY 2020 QUESTIONNAIRE

Confidential when complete

Questionnaire
Project Name: Finscope South Africa MSME Survey 2020
English Version_9
Project Number: 20-034251-01
Version Number: 5
Date: 21.09.2020

COLOUR KEYS	
OMO	One Mention Only
MMP	Multi Mentions Possible
DNRO	Do Not READ OUT
PROGRAMMER NOTES	Blue
INTERVIEWER NOTES	Green
Verbatim Response	Verbatim Response Type

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SECTION A: INTRODUCTION AND SCREENER

Hello, my name is _____, and I'm from Ipsos, an international market research and public opinion polling company. We are conducting a survey about the nature and scope of micro, small and medium enterprises (MSMEs) in South Africa to identify the constraints hindering MSMEs' development and growth.

I value your time. The survey should take about **60 minutes** to complete. All comments you make during the interview will be treated in the strictest confidence and will only be kept as long as needed and then destroyed securely.

We are not trying to sell you anything, nor will we use your details to sell you anything in the future.

S.1. Do you want to proceed with the survey?

1.	Yes	CONTINUE
2.	No	"Thank you for your time. Have a good day." TERMINATE INTERVIEW

S. 2 Do you own a small business with less than 250 employees?

1.	Yes	CONTINUE
2.	No	"Thank you for your time. Have a good day." TERMINATE INTERVIEW

S.3 Is the maximum annual turnover for this establishment 220 Million or less?

1.	Yes	CONTINUE
2.	No	"Thank you for your time. Have a good day." TERMINATE INTERVIEW

S.4 Including yourself, how many workers does this establishment have, (this includes everyone who is full-time, part-time and temporary/seasonal/contract worker).

Record Number

NUMERIC

OMO

DNRO

Micro	1-10	-1
Small	11-50	-2
Medium	51-250	-3

S5 Province

Interviewer Note: Please record the province

OMO

Please select one	Province	
	1. Eastern Cape	-1
	2. Free State	-2
	3. Gauteng	-3

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	4. KwaZulu-Natal	-4
	5. Limpopo	-5
	6. Mpumalanga	-6
	7. North West	-7
	8. Northern Cape	-8
	9. Western Cape	-9

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MAIN QUESTIONNAIRE

SECTION A: NATURE OF THE BUSINESS

We are going to talk about the business that you own. Please can you tell me…

A1. How many small businesses with less than 250 employees do you own?

- *Do not prompt.*
- *Cannot say none.*
- *OMO*

1	-1
2	-2
3	-3
4	-4
5 or more	-5

If the respondent owns more than one business, please tell respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on'. or which you consider as your main business

A2. Now thinking about the small business that you spend most of your time working in or on, who is responsible for the running of this business?

- *Read out.*
- *OMO*

You alone	-1
You and another person or other people	-2
Not you but another person or other people	-3
Other (SPECIFY)	-4

……

A3. What does this business mainly do?

- *Hand respondent showcard A3*
- *OMO*

Sell something in the same form that I buy from someone else and sell as is (e.g. cigarettes)	-01
Sell something that I buy but add value to before selling, e.g. repackage, cook, etc.	-02
Sell something that I make e.g. crafts, clothes, furniture, bricks	-03
Sell something that I collect from nature, e.g. herbs, firewood, charcoal, thatch, sand, stone	-04
Sell something that I get for free, e.g. secondhand clothes, scrap metal	-05
Rear livestock/poultry and sell e.g. chickens	-06
Sell by-products of animals e.g. meat, eggs, milk	-07
Grow something and sell, e.g. fruit, vegetables, plants (like a nursery)	-08
Render a professional service e.g. doctor, lawyer, accountant, engineer, consultant	-09
Render a skilled service e.g. mechanic, plumber, hair salon, barber, painting, landscaping, electrician	-10
Render building/construction services	-11

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Render tourism-related services e.g. accommodation/hotel/B&B/guest house, tour operators	-12
	-13
Render financial advice	-14
Render funeral services and providing funeral insurance (Funeral parlors).	-15
Render childcare services	
Render other services e.g. car wash, garden services, transport (taxi services), catering, baking	-16
Other (SPECIFY)	-17

.....

A3a There are different sectors that a business can fall into. In which of the following **SECTORS** would you say your business falls into?

[Interviewer note: If in two sectors, choose the one with most reliable income]

OMO

SHOWCARD A3a

1.	Agriculture, Forestry and fishing	-1
2.	Mining and quarrying	-2
3.	Manufacturing	-3
4.	Electricity, gas, steam and air conditioning supply	-4
5.	Water supply; sewerage, waste management and remediation activities	-5
6.	Construction	-6
7.	Wholesale and retail trade; repair of motor vehicles and motorcycles	-7
8.	Transportation and storage	-8
9.	Accommodation and food service activities	-9
10.	Information and communication	-10
11.	Financial and insurance activities	-11
12.	Real estate activities	-12
13.	Professional, scientific and technical activities	-13
14.	Administrative and support service activities	-14
15.	Education	-15
16.	Human health and social work activities	-16
17.	Arts, entertainment and recreation	-17
18.	Other service activities	-18

A4. Where does the business mainly offer its services from?

- *Hand respondent showcard A4.*
- *OMO*

Street/street corner/pavement	-01
Door to door/Go to customers	-02
Car/truck/vehicle	-03
Farm/small holding	-04
Residential premises – dwelling/garage/building on residential premises	-05
Online – internet, phone, Apps selling	-06

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Stall/table/container in a designated trading or market area	-07
Shopping mall / trading malls such as China mall etc.	-08
Office block/office park	-09
Business park/Premises dedicated to my business – hotel/accommodation facility/factory/workshop	-10
Other (specify)	-11

A4a. Do you own, rent or just use the place where the business operates from?

DO NOT PROMPT

1.	My business operates from my house – That I own	-1
2.	My business operates from my house – That I rent	2
3.	My business operates from a business premise – That I own	-3
4.	My business operates from a business premise – That I rent	-4
5.	My business operates from a business premise – No rent is required	-5
6	Operate on an open space – Rent required	
7	I operate on an open space – No rent is required	-6
8	Internet platform/online	
98.	Other (specify)	-98
99.	Not Applicable (DNRO)	-99

A9. On average, how many hours in a typical week, do you spend working in or on this business?

- *Record number of hours with leading zero's:*
- *OMO*

1-20 hours	-1
21 – 40 hours	-2
41 – 60 hours	-3
61 – 80 hours	-4
81 – 100 hours	-5
101+ hours	-6

***A11.** I am now going to read a list of things your business should have access to. Do you have the following in your business?

- *Hand respondent showcard A11.*
- *Multiple mentions possible.*

Type of water	
*Running water inside	- 01
*Running water from outside	- 02

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*Hot running water / geyser	- 03
Electricity	
*Electricity	- 04
Toilets	
*Toilet facilities inside	- 05
*Toilet facilities outside	- 06
Other rooms/facilities	
*Storeroom/Access to storage facilities	- 07
*A kitchen	- 08
*A canteen or dining room for staff/customers	- 09
*An executive dining room	- 10
*A room specifically for training staff	- 11
*A library	- 12
*A reception area or waiting room	- 13
*A separate presentation or function room	- 14
*A boardroom	- 15
Business documents	
*A vision or mission statement	- 16
*A written business plan	- 17
*A written business strategy	- 18
*A written marketing plan	- 19
*Up to date financial or accounting records	- 20
*A formal training programme for staff	- 21
*A business budget	- 22
Other	
*Device to monitor staff access in and out of the business premises e.g. electronic access cards	- 23
*Security system or alarm	- 24
Postal address	- 25
Signage advertising the business	- 26
Phone / cellphone	- 27
Internet connection	- 28
Calculator	- 29

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None of these *(do not show - DMO)* -30

A12. Please tell me which, if any, of the following you use in your business?

- *Read out.*
- *MMP*

	Q.A12 Business use
1. A generator	-01
*2. A company car or cars/bakkies/minibus	-02
*3. Telephone/landline (not a cell phone)	-03
*4. Cell phone	-04
*5. A fax machine/fax facility	-05
*6. A photostat/copying machine	-06
7. Printers	-07
*8. Speed point machine	-08
*9. Switchboard	-09
*10. Computers/laptops	-10
*11. An email address	-11
*12. A website	-12
*13. Internet access	-13
*14. Own network (LAN) and Server Room	-14
15. Cash register/ till	-15
16 Social media networks	
16. None of the above [DNRO]	-16

Logic check if code -3 or -4 in Q.A12 then must code -27 in Q.A11.

SECTION B. GETTING INVOLVED IN YOUR BUSINESS

I would now like to talk to you about your experiences when you first got involved in this business.

Please remind respondent that for the purposes of this interview we are talking about the 'small business that they spend the most time working in or on'

B1. How long has your business been in operation?

- Do Not Prompt

Record year e.g. 2016

Less than a year	
1 to 2 years	
3 to 5 years	
6 to 10 years	
More than 10 years	
Don't know [DNRO]	

B2. Which of the following statements applies to you?

- *Read out.*
- *DMO*

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You started this business by yourself	-1
You started this business with a business partner(s)	-2
You bought/took over/ inherited an already operating business	-3
You started this business with a family member(s)	-4
Other (SPECIFY) *(DNRO)*	-5

B3. What motivated you to start or take over this business?

- *Do not prompt.*
- *MMP*

Lost my job	-01
Couldn't find a job / unemployed	-02
Saw an opportunity	-03
Interested in particular product or service	-04
Wanted to – it makes me happy / was interested in it / use my skills	-05
To be my own boss / have my own business	-06
To make more money / provide for my family	-07
Took over from previous owner / manager	-08
Inherited the business	-09
My family expected me to	-10
Other (SPECIFY)	-11

B4. What problems, if any, were you faced with when you started or took over your business?

- *Do not prompt.*
- *MMP*

Finance	
Sourcing money	-01
Opening a bank account	-02
Banks didn't want to help with funding	-03
Getting insurance for my business	
Cash flow	-04
Being owed money / debtors	-05
Financial records	-06
Legal issues	
Registering the business	-07
Laws and regulations	-08
Tax compliance	-09
Sales and Marketing	
What product / service to sell	-10
Who to sell to – i.e. who the customers will be	-11
Raising awareness of products / services	-12
Too many competitors	-13
Not enough customers	-14
Problems with stock / goods sold	-15
Skills and staff	
Finding staff with the required skills/experience	-16

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Lack of skills / experience	-18
Writing a business plan	-19
Resources	
Finding business premises or space	-20
Connecting water services	-21
Connecting electricity	-22
Internet connectivity	-23
Transport e.g. moving stock	-24
Equipment	-25
Other	
Crime / theft by staff	-26
Crime / theft by others	-27
Other (SPECIFY)	-28
.....	
None / No problems	-29

SECTION C: EMPLOYEES IN THE BUSINESS

Ask all.

Now I am going to ask some questions about any other people who might work for your business or help you in your business.

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on.'

C1a. Of all the people (excluding yourself) who work or help out in this business, how many workers are ...?

- *If respondent does not know, then probe for best estimate.*
- *Read out statements.*
- *If ZERO record as '0'*
- *Record with leading zero's*
- *Record number in grid below.*

C1b. *Interviewer note: Add up total number of employees in column Q.C1a in grid below and check with respondent that this is the TOTAL number of employees in their business excluding themselves.*

Ask Q.C2 if total in Q.C1b is 1 or more, All others go to Q.C6.

C2. Of all the people you have mentioned, excluding yourself, how many are males and how many are females? Please remember to exclude yourself.

- *If respondent does not know, then probe for best estimate.*
- *Ask for each work type*
- *Record number for male and female for each type of work in each row, write 0 if none.*
- *Check that total male and female equals the total column by work type. (Male + Female = TOTAL)*

C3. Please tell me how many are Black, Coloured, Indian or White? Please exclude yourself in this.

- *If respondent does not know, then probe for best estimate.*
- *Ask for each work type*
- *Record number by race in each row, write 0 if none.*
- *Check that total by race equals the total column by work type (Black + Coloured + Indian + White = TOTAL)*

- *Single mention per employee type.*

Q.C1a	Q.C2		Q.C3

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	Total	Male	Female	Black	Coloured	Indian	Asian	White
1. Full-time paid								
2. Part-time paid								
3. Temporary/Seasonal/Contract paid								
4. Paid in kind i.e. receive something in place of money e.g. food								
5. Combination of money and paid in kind								
6. Unpaid								
7. Other (SPECIFY)								
8. Don't know								
C1b. TOTAL								

If 0 then go to C6

C6. I have a list here of various benefits that companies offer or provide to their employees. Thinking about the benefits that this company offers to its employees, please tell me whether or not you offer the following to your employees?

- *Read out statements or let respondent read.*
- *MMP*

1.	Health or medical insurance	-01
2.	Pension or provident fund	-02
3.	Death or disability cover	-03
4.	Income protection or workmen compensation	-04
5.	Funeral cover	-05
6.	UIF	-06
7.	Travel insurance	-07
8.	Subsidised meals	-08
9.	Transport	-09
10.	Accommodation	-10
11.	Discounts on store products/services?	
12.	Employee Wellness programs (Psychological Support/Counselling)	
13.	Gym access	
14.	Staff loans	
15.	Scholarship/educational funding	
16.	Other (SPECIFY)	-11
	.....	
17.	None of these *(single mention)*	-12

Ask all.

C8. What is the main way you pay yourself and your employees?

- *Hand respondent showcard C8.*
- *Read out each employee type with 1 or more employees in Q.C1a.*
- *Single mention per employee type.*

	Cash	Cheque	Wallet money (e.g. E-wallet)	Internet bank transfer	Bank telegram/pay roll system)	Other	Do not pay

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1.	Full-time paid	-1	-2	-3	-4	-5	-6	
2.	Part-time paid	-1	-2	-3	-4	-5	-6	
3.	Temporary/Seasonal/Contract paid	-1	-2	-3	-4	-5	-6	
5.	Combination of money and paid in kind	-1	-2	-3	-4	-5	-6	
7.	Other (SPECIFY)	-1	-2	-3	-4	-5	-6	
8.	Yourself	-1	-2	-3	-4	-5	-6	-7

Logic check can only mention code -6 in statement 8 in Q.C8 if mentioned code -6 in Q.C6.

Ask all.

C9. How many employees (full-time and part-time) has this business hired in the last 12 months excluding temporary or casual staff?

- *Do Not Prompt*
- *Single mention only.*

0	-0
1	-1
2	-2
3	-3
4	-4
5+	-5

Logic check Answer in Q.C9 must be less than or equal to answer in Q.C1b.

C10. How many employees (full-time and part-time) left this business in the last 12 months excluding temporary or casual staff?

- *Do Not Prompt*
- *Single mention only.*

0	-0
1	-1
2	-2
3	-3
4	-4
5+	-5

***C11.** Do you have any partners or shareholders, other people or businesses who also have a share in this business?

Yes	-1	⇨ *Continue*
No	-2	⇨ *Go to Q.D1*

***C12.** Do you have a written shareholders or partnership or members' agreement?

Yes	-1
No	-2

SECTION D: CUSTOMERS AND TENDERING

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on'.

Ask all.

D1. Who are your customers or clients? Are they…?

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- *Read out statements.*
- *Multiple mentions possible.*

Private individuals	-1
Other small businesses	-2
Other larger businesses	-3
Government	-4
Other (SPECIFY)	-5

.....

D2. How do you advertise/promote your business?

- *Do not prompt.*
- *Multiple mentions possible.*

Word of mouth	-01
Pamphlets / leaflets / brochures	-02
Yellow pages / business directory	-03
Door to door selling / sales rep / road show	-04
Phone, e-mail, fax	-05
Websites / internet	-06
Radio	-07
TV	-08
Business cards	-09
Signage	-10
Newspapers	-11
Social media	-12
SMS	-13
Outdoor media (Billboard)	
Other (SPECIFY)	-14
.....	
Do not market or advertise business	-15

D3. How do your customers find you or connect with your business? Do they...?

- *Read out statements.*
- *Multiple mentions possible.*

Walk in or walk by	-1
Come back to you i.e. repeat business	-2
Come through references or recommendations by other customers	-3
Use you through a contractual arrangement	-4
Digital marketing (website, social media etc.)	-5
Online reach (cold calling)	-6
Other (SPECIFY)	-7
.....	
Don't know *(DNRO)*	-8

D4. Has this business submitted tender proposals in the last 12 months? By tenders, we mean a formal bid or offer submitted in response to an invitation to bid or request for tenders.

Yes	-1	⇨ *Continue*
No	-2	⇨ *Go to Q.D6*

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D5. Were any of your tenders successful?

- *Single mention only.*

Yes	-1
No	-2

⇨ *Go to Q.E1a*

D5b. Is your business registered with the Central Supplier Database?

- *Single mention only.*

Yes	-1
No	-2

D6. Why did you not tender in the last 12 months?

- *Do not prompt.*
- *Multiple mentions possible.*

Didn't need to	-01
Too busy	-02
Don't know about tenders	-03
Don't understand tenders	-04
Not relevant to this business	-05
Previous tender failed	-06
Lack of capacity	-07
Takes too long	-08
Too much paperwork	-09
Too complicated	-10
No tax clearance certificate	-11
Not Black Economic Empowerment (BEE) compliant	-12
Do not comply with tender standards	-13
Tenders are not transparent – suppliers are pre-selected	-14
Business too young to tender	-15
Other (SPECIFY)	-16
.....	
Don't know (DNRO)	-17

SECTION E. REGISTRATION / COMPLIANCE OF BUSINESS

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on'.

Ask all.

***E1.** Please tell me if this business is registered with...

- *Read out statements.*
- *Single mention only.*

Type of Registration	Yes	No	Not sure if necessary	Not Applicable
The Companies and Intellectual Property Commission CIPC, e.g., company registration, etc				
SARS, e.g., VAT registration, etc				
Industry / Professional licence, e.g. liquor board, medical council, etc				
Dept of Labour, e.g., UIF for employees, etc				
Municipal trading licence, e.g., property zoning, vendor licence, etc				
Other licencing or registration authority Broad-based Black Economic Empowerment (BBBEE)				

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If all answers in E1 are Yes, Not sure if necessary, not applicate - Go to E3
ASK E2 only if No to any of the options in E1

E2. Please tell me why you have not registered this business to organisations that apply to your business

- *Do not prompt.*
- *Multiple mentions possible.*

Tried but was not successful	-01
Don't have time	-02
Don't have money to register	-03
It is too complicated	-04
No benefit	-05
Business is too small	-06
Don't want to pay tax	-07
Don't know how	-08
Registration is being processed	-09
Not Applicable (N/A)	-10
Don't know (DNRO)	-11
Refuse to answer	-12

Ask all.

E3. What do you think is the main benefit of being a registered business?

- *Do not prompt.*
- *Single mention only.*

Comply with the law	-01
Avoid harassment from authorities	-02
Avoid fines	-03
Issue receipts	-04
Access to finance	-05
Less bribes to pay	-06
Access to government assistance	-07
Access to new clients	-08
Access to raw materials	-09
Access to tenders	-13
Other (SPECIFY)	-10
Don't know	-11
No benefits / None	-12

Ask all.

***E4.** Which of these, if any, does this business submit or act in accordance with?

Interviewer note: Please remind the participant that they will not be reported to any authority for non-compliance.

- *Read out statements.*
- *Single mention per statement.*

	Yes	No	Don't know	Refused
*1. UIF (Unemployment Insurance Fund)	-1	-2	-3	-4
*2. Income Tax	-1	-2	-3	-4
*3. PAYE (Pay as You Earn)	-1	-2	-3	-4
*4. VAT (Value Added Tax)	-1	-2	-3	-4
*5. Minimum Wage Requirements	-1	-2	-3	-4
*6. Return of Earnings / Workman's compensation	-1	-2	-3	-4

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7. Basic Conditions of Employment Act	-1	-2	-3	-4
*8. Employment Equity Act	-1	-2	-3	-4
*9. Labour Relations Act (LRA)	-1	-2	-3	-4
*10 SETA and Skills Development Levy	-1	-2	-3	-4
*11. Access to Information Act	-1	-2	-3	-4
12. Health Regulations (Health and Safety)	-1	-2	-3	-4
13. Zoning laws / Regulations	-1	-2	-3	-4

Logic check If code -6 in Q.C6 (page 18), then must answer code -1 in statement 1 in Q.E7.

SECTION F: FORMAL PRODUCT PENETRATION

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on'.

I would now like to ask you about different financial products that you use for this business. Note that we are referring both to products that you have specifically taken out for the business or in the business's name as well as other products that you may have in your own name or someone else's name but that are also used for this business's purposes.

F1.1 Do you have a banking account?

Yes	-1	IF YES ASK F1a
No	-2	ASK NO ASK F1.2

***F1a** I have a list here of various financial products. Thinking about all the financial products that you specifically use for your business please tell me which of the following products you have now, used to have but don't have now or you have never had…?

- *Hand respondent showcard F1a.*
- *Read out products or services or let respondent read.*
- *Single mention per statement.*

?F2. Please tell me where or at what organisation you have your … *(ask for each product/service 'have now' (code -1) in Q.F1a).*

- *Hand respondent showcard F2.*
- *Multiple mentions possible for each product.*
- *Write in code in grid, if respondent mentions a name not on the list write code -20 as well as the name in full.*

	Q.F1a			Q.F2
	Specifically, for business	Personal but use for the business	Do not have	Institution
Financial Products				
1. Card merchant device or POS, that is Point-Of-Sale.	-1	-2	-3	
2. Savings account	-1	-2	-3	
3. Deposit account (fixed term or notice deposit)	-1	-2	-3	
4. Investment accounts (e.g. call account, fixed deposits, etc.)	-1	-2	-3	
5. Business Loan account	-1	-2	-3	
6.Current / cheque account	-1	-2	-3	
7. Personal loan account (secured / unsecured)				
8. Debit card or cheque card	-1	-2	-3	
9. Credit Card	-1	-2	-3	
10. A Savings book	-1	-2	-3	
11. Garage card / petrol card	-1	-2	-3	
12. Internet banking	-1	-2	-3	
13. Wallet money (e.g. e-wallet, instant money, cash send, etc.)				
14. Cell phone banking (not SMS notification but to check balances, transfer money or pay third parties)	-1	-2	-3	
15. Car or vehicle loan	-1	-2	-3	

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16. Overdraft facility (credit line)	-1	-2	-3	
17.Mortgage bond	-1	-2	-3	
18. Digital / online credit – (have applied for credit digitally)				

F1.2 Do you have personal risk insurance (e.g. Life insurance, Disability insurance)?

Yes	-1	IF YES ASK F1a
No	-2	IF NO ASK F1.3

***F1a** I have a list here of various financial products. Thinking about all the financial products that you specifically use for your business please tell me which of the following products you have now, used to have but don't have now or you have never had…?

- *Hand respondent showcard F1a.*
- *Read out products or services or let respondent read.*
- *Single mention per statement.*

F2. Please tell me where or at what organisation you have your … *(ask for each product/service 'have now' (code -1) in Q.F1a).*

- *Hand respondent showcard F2.*
- *Multiple mentions possible for each product.*
- *Write in code in grid, if respondent mentions a name not on the list write code -20 as well as the name in full.*

	Q.F1a			Q.F2
	Specifically, for business	Personal but use for the business	Do not have	Institution
Personal risk insurance				
19. Personal accident insurance	-1	-2	-3	
20. Life insurance or cover	-1	-2	-3	
21 Disability insurance or cover	-1	-2	-3	
22 Workmen's compensation	-1	-2	-3	
23 Dreaded disease insurance	-1	-2	-3	
24.Taxi commuter insurance (covers you when you travel in a taxi)	-1	-2	-3	

F1.3 Do you have Health insurance (e.g. Medical aid Funeral plan)?

Yes	-1	IF YES ASK F1a
No	-2	IF NO ASK F1.4

***F1a** I have a list here of various financial products. Thinking about all the financial products that you specifically use for your business please tell me which of the following products you have now, used to have but don't have now or you have never had…?

- *Hand respondent showcard F1a.*
- *Read out products or services or let respondent read.*
- *Single mention per statement.*

F2. Please tell me where or at what organisation you have your … *(ask for each product/service 'have now' (code -1) in Q.F1a).*

- *Hand respondent showcard F2.*
- *Multiple mentions possible for each product.*
- *Write in code in grid, if respondent mentions a name not on the list write code -20 as well as the name in full.*

	Q.F1a			Q.F2
	Specifically, for business	Personal but use for the business	Do not have	Institution
Health Insurance				
25 Medical Aid / medical scheme	-1	-2	-3	
26. Hospital plan	-1	-2	-3	

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27. Funeral plan or cover	-1	-2	-3	

F1.4 Do you have Business insurance?

Yes	-1	IF YES ASK F1a
No	-2	IF NO ASK F1.5

***F1a** I have a list here of various financial products. Thinking about all the financial products that you specifically use for your business please tell me which of the following products you have now, used to have but don't have now or you have never had…?

- *Hand respondent showcard F1a.*
- *Read out products or services or let respondent read.*
- *Single mention per statement.*

ᵀF2. Please tell me where or at what organisation you have your … *(ask for each product/service 'have now' (code -1) in Q.F1a).*

- *Hand respondent showcard F2.*
- *Multiple mentions possible for each product.*
- *Write in code in grid, if respondent mentions a name not on the list write code -20 as well as the name in full.*

	Q.F1a			Q.F2
	Specifically, for business	Personal but use for the business	Do not have	Institution
Business insurance				
28.Business contents insurance for office equipment	-1	-2	-3	
29.Business contents insurance for specialised tools and machinery	-1	-2	-3	
30. Property / structure of business premises insurance	-1	-2	-3	
31.Accidental damage to goods in transit	-1	-2	-3	
32.Legal insurance/assistance cover, Legal Aid, Legal Wise	-1	-2	-3	
33.Loss of earnings insurance	-1	-2	-3	
34.Professional indemnity cover	-1	-2	-3	
35.Public Liability/ liability insurance	-1	-2	-3	

F1.5 Do you have Portable effects insurance (e.g. Cell phone, Jewellery, Camera)?

Yes	-1	IF YES ASK F1a
No	-2	IF NO ASK F1.6

***F1a** I have a list here of various financial products. Thinking about all the financial products that you specifically use for your business please tell me which of the following products you have now, used to have but don't have now or you have never had…?

- *Hand respondent showcard F1a.*
- *Read out products or services or let respondent read.*
- *Single mention per statement.*

ᵀF2. Please tell me where or at what organisation you have your … *(ask for each product/service 'have now' (code -1) in Q.F1a).*

- *Hand respondent showcard F2.*
- *Multiple mentions possible for each product.*
- *Write in code in grid, if respondent mentions a name not on the list write code -20 as well as the name in full.*

	Q.F1a			Q.F2
	Specifically, for business	Personal but use for the business	Do not have	Institution
Portable effects insurance				
36.Cell phone insurance	-1	-2	-3	
37.Jewellery, camera, watch insurance	-1	-2	-3	

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F1.6 Do you have other insurance and investments?

Yes	-1	IF YES ASK F1a
No	-2	IF NO MOVE TO SECTION G

***F1a** I have a list here of various financial products. Thinking about all the financial products that you specifically use for your business please tell me which of the following products you have now, used to have but don't have now or you have never had...?

- *Hand respondent showcard F1a.*
- *Read out products or services or let respondent read.*
- *Single mention per statement.*

?F2. Please tell me where or at what organisation you have your ... *(ask for each product/service 'have now' (code -1) in Q.F1a).*

- *Hand respondent showcard F2.*
- *Multiple mentions possible for each product.*
- *Write in code in grid, if respondent mentions a name not on the list write code -20 as well as the name in full.*

	Q.F1a			Q.F2
	Specifically, for business	Personal but use for the business	Do not have	Institution
Other insurance and investments				
38. Motor vehicle insurance	-1	-2	-3	
39.Travel insurance	-1	-2	-3	
40.Insurance that pays your loan or borrowing when you die, lose your job or are disabled	-1	-2	-3	
41.Key man insurance	-1	-2	-3	
42.Pension or provident fund	-1	-2	-3	
43.Shares	-1	-2	-3	
44.Unit trusts	-1	-2	-3	

Showcard F2

ABSA
African Bank
Capitec
Clientele General Insurance
Coface South Africa Insurance
Community Life Insurance
Compass Insurance Company
Constantia Insurance Company
Coronation Life Assurance Company
Dial Direct Insurance Limited
Discovery Bank
Emerald Life (Pty) Ltd
Enpet Africa Insurance
Escap Soc Ltd
Exxaro Insurance Company
Fedgroup Life
First for Women Insurance Company
First National Bank
First Rand Bank
FirstRand Insurance Services Company
General Reinsurance Africa
Guardrisk Insurance Company

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Hollard Insurance Company
Home Loan Guarantee
Indequity Specialised Insurance
Infiniti Insurance Limited
Investec
Investec Life Limited
Ithala Bank
King Price Insurance
Land Bank
Liberty Group
Legal Aid
Lion of Africa Insurance Company
Metropolitan Life International Limited
Miway Insurance Limited
Mutual & Federal Risk Financing
Nedbank
Nestlife Assurance Corporation
Netcare Life
Nzalo Insurance Services
Old Mutual Bank
Old Mutual Insurance
Outsurance Insurance Company
Post Office Bank/Post Bank
Rand Mutual Assurance
Real People Assurance
Sanlam Life Insurance
Santam Beperk
Scorpion
Shield Life Limited
Shoprite Insurance
Standard Bank
Sunderland Marine (Africa)
The Smart Life Insurance
TymeBank
UBank
Viva Life Insurance
Vodacom Insurance
Western National Insurance
Other (Specify)

SECTION G: BANKING PENETRATION

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on".

Ask all.

G1. In relation to your main bank account, please indicate to what extent you agree / disagree with the following statements

- *Read out statements one at a time.*
- *Rotate order of reading statements and mark starting point with an asterisk (*).*

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- *Single mention per statement.*

	Agree	Disagree	Don't know/Not applicable
1. When you opened your business account, you were given all the key details about the account fees and charges	-1	-2	-3
2. Banks are assisting your business to deal with Covid-19 risks better / Banks doing their best to deal with COVID-19 and mitigate risks or potential risks	-1	-2	-3
3. The complaints management processes and turn-around times on resolving complaints at bank are suitable for a small business	-1	-2	-3
4. If you had to open another business account today, you would choose to the same account	-1	-2	-3
5. When you opened a business account, you were given all the key details about the account fees and charges	-1	-2	-3
6. When you opened your business account, you went to the branch and already knew which account you wanted to open	-1	-2	-3
7. Your bank offers the services or products that your small business needs	-1	-2	-3
8. You would recommend your business account to your friends and family	-1	-2	-3
9. The business account you have is good value for money	-1	-2	-3
10. The fees and charges in my account are transparent, or at least easy to find	-1	-2	-3
11. The fees and charges in the business account are transparent, or at least easy to find	-1	-2	-3
12. If your business needs financial advice, you can count on bank staff to give you accurate information	-1	-2	-3

***G2.** Which is the **MAIN** bank that you use for your business purposes? By main bank, we mean the bank your business uses for most of its business transactions.

- *Refer to showcard G2.*
- *Single mention only.*

ABSA	-01
African Bank	-02
Capitec	-03
Discovery Bank	
First National Bank	-05
Ithala Bank	-06
Land Bank	-07
Investec	
First Rand Bank	
Nedbank	-09
Old Mutual Bank	-10
Post Office Bank/Post Bank	-13
Standard Bank	-14
UBank	-15
TymeBank	-16
Other (SPECIFY)	-20
Do not have a bank account.....	-21

Ask only those with a bank account

G3. Is it a personal bank account or business account?

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Personal	-1
Business	-2

Ask Q.G4 if code -21 mentioned in Q.G2, all others go to Q.G5.

G4. Why don't you have a bank account in your business name?

- *Do not prompt.*
- *Multiple mentions possible*

Irregular income	-01
Business / Income is too small	-02
Don't have business address	-03
Don't qualify	-04
Bank charges	-05
Can't afford the minimum balance	-06
Not enough money from business	-07
Don't need one	-08
Haven't registered my business	-09
Too complicated	-10
Planning to in future	-11
Don't know anything about it	-12
Other (SPECIFY)	-13
.....	
Don't know	-14
Refused to answer	-15

Ask Q.G5 and G6 if code -1, -2 mentioned in Q.G3, all others go to Q.H1.

G5. Which of the following banking transactions were conducted for the purpose of your main business in the last month?

- *Hand respondent card G5.*
- *Multiple mentions possible.*

G6. For each transaction used in your business banking, please tell me how often do you do the following?

- *Hand respondent card G6.*
- *Read out statements mentioned in Q.G5.*
- *Multiple mentions possible per statement.*

	Q.G5	Q.G6				
	Conducted in the last month	Daily	Weekly	Monthly	Less often	Other
1. Paying suppliers and service providers	-01	-1	-2	-3	-4	-5
2. Cash deposits for the business	-02	-1	-2	-3	[redacted]	-5
3. Cash withdrawals for the business	-03	-1	-2	-3	[redacted]	-5
4. Cheque deposits for the business	-04	-1	-2	-3	[redacted]	-5
5. Money transfers between my bank accounts	-05	-1	-2	-3	-4	-5
6. Money transfers between my bank accounts and someone else's e.g. employees	-06	-1	-2	-3	-4	-5
7. Purchase items using debit card e.g. Visa, Maestro, Electron for the business	-07	-1	-2	-3	-4	-5
8. Credit card transactions for the business	-08	-1	-2	-3	-4	-5
9. Draw a cheque for the business	-09	-1	-2	-3	-4	-5
10. Balance enquiry for the business	-10	-1	-2	-3	-4	-5
11. Request bank statements / mini statement for the business	-11	-1	-2	-3	-4	-5
12. Buy cell phone or landline airtime for the business	-12	-1	-2	-3	-4	-5

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13. Pay cell phone or telephone bill for the business	-13	-1	-2	-3	-4	-5
14. Pay utilities bills e.g. water, electricity, rates for the business	-14	-1	-2	-3	-4	-5
15. Paying salaries/wages	15	-1	-2	-3	-4	-5
16. Making a payment towards internet connection (Data and/or WiFi)						
17. None of these *(Single mention only)*	-16	Go to Q.G7				

H. CREDIT AND LOANS

Remind which business we are talking about and that answers will be confidential

Ask all.

H1. How much money, if any, did you need to start or take over this business? Note that you need only read out the letter that applies.

- *Hand respondent showcard H1.*
- *Single mention only.*

A.	None	-01	⇨ *Skip to Q.H3*
B.	Less than R1 000	-02	
C.	R1 000 – R4 999	-03	
D.	R5 000 – R9,999	-04	
E.	R10 000 – R19,999	-05	
F.	R20 000 – R49,999	-06	
G.	R50,000 – R99,999	-07	⇨ *Continue to H2*
H.	R100,000 – R199,999	-08	
I.	R200 000 – R499,999	-09	
J.	R500,000 – R999,999	-10	
K.	R1 000 000 – R4 999 999		
L.	R5 000 000 – R9 999 999		
M.	R10 000 000 and more	-11	
N.	Don't know ***(Do not show)***	-12	⇨ *Skip to Q.H3*
O.	Refused to answer ***(Do not show)***	-13	

H2. Where did you get the money you needed to start or takeover this business? Please indicate all the sources of money you might have used.

- *Do not prompt.*
- *Multiple mentions possible.*

Respondent's own money sources	
Money from another business	-01
Sold Assets e.g. car, property, tools	-02
Savings	-03
Retrenchment package	-04
Government grant	-05
Pension or retirement policies	-06
Inheritance	-07
Salary	-08
Stokvel payout	-09
Loans / money from others	
Personal loan	-10
Business loan	-11
Loan on house	-12
Credit Card	-13
Spouse / partner	-14
Friends and family (excluding spouse)	-15
Business partner	-16

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Church group	-17
Other (SPECIFY)	-18
.....	
Don't know/can't remember	-19

Ask All

ΣH3. There are many ways people borrow money. Some people borrow money from places like the bank to buy business equipment or cars. Some people get goods on credit from a store. Some people borrow small amounts of money from their friends or family. All these are types of borrowing.

which of the following statements apply to the business?

- *Read out statements.*
- *Multiple mentions possible.*

- ***Excluding any money, you used to start or take over the business***

You have borrowed money in the past 12 months for business purposes, this excludes any money you used to start or take over the business	-1	⇨ *Continue H4*
You have taken goods on credit for business purposes in the past 12 months	-2	
You are currently repaying business debt or owe money for your business	-3	
None of the above *(DNRO – OMO)*	-4	⇨Go to Q.H9

Ask Q.H4 & Q.H5 if code -1 to -4 mentioned in Q.H3, if code -5 mentioned in Q.H3 go to Q.H9.

*H4. Where did you borrow the money for the business from?

- *Hand respondent showcard H4.*
- *Multiple mentions possible.*

Ask if more than one source of borrowing in Q.H4, all others copy code from Q.H4 into Q.H5 and go to Q.H6.

H5. From which of these places did you borrow the largest amount of money?

- *Refer to showcard H4.*
- *Single mention only.*
- *Mention in Q.H5 must be in Q.H4*

	Q.H4 Source of Borrowing	Q.H5 Largest Source
1. Bank e.g. Post Bank/ Post Office, FNB, ABSA, Standard Bank, Nedbank, African Bank, Capitec	-01	-01
2. MFI (Microfinance) or Microlender e.g. CreditU, Blue	-02	-02
3. Village bank or co-operative e.g. Yebo, Lemas, Development Bank	-03	-03
4. NGO (Non-governmental organisation)	-04	-04
5. Government agency e.g. SEFA, NYDA	-05	-05
6. Stokvel society, burial society, umgalelo or savings club	-06	-06
7. Informal money lender e.g. mashonisa, loan shark or township money lender	-07	-07
8. Friends, family or colleagues	-08	-08
9. Employer	-09	-09
10. /Get goods on credit from a store	-10	-10
11. Other (SPECIFY)	-11	-11

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Ask if mentioned code -1, -2, or -3 in QH4, all others go to Q.H7

***H6.** Please tell me if your loan is a…?

- *Read out statements.*
- *Multiple mentions possible.*

1.	Personal loan	-1
2.	Business loan	-2
3.	Don't know *(DNRO)*	-3

H8. For what reasons did you borrow money?

- *Hand respondent showcard H8.*
- *Multiple mentions possible.*

Growing my business	-01
Day-to-day business needs	-02
Finance a tender / contract	-03
To buy property	-04
To buy technology	-05
To buy machinery	-06
To pay debts	-07
To finance stock	-08
To upgrade business facilities	-09
New equipment	-10
Personal reasons	-11
Start my business	-12
Other (SPECIFY)	-12
.....	
Refused *(Do not show)*	-13

Ask Q.H9 if code -5 in Q.H3, all others go to Q.H10.

H9. Why have you not borrowed money?

- *Do not prompt.*
- *Multiple mentions possible.*

Borrowed in the past and paid back (i.e. no debt now)	-01
Don't need to	-02
Business is slow so I am afraid to borrow	-03
I've tried but was turned down	-04
I don't qualify	-05
I don't have collateral / security	-06
I have collateral / security, but I am not prepared to risk it	-07
My earnings change from month to month	-08
I am scared	-09
Other (SPECIFY)	-10
.....	
I don't believe in borrowing money	-11
Don't know	-12

Ask all.

H10. I am going to read some statements to you. Thinking about your business, please tell me if you agree or disagree with each statement

- *Read out statements.*
- *Single mention per statement.*

	Agree	Disagree	Don't know /

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			doesn't apply
1. This business has missed more than two months of credit or debt repayments in the past 12 months	-1	-2	-3
2. This business has an excellent credit score (credit worthiness)	-1	-2	-3
3. This business has far more debt than is manageable	-1	-2	-3
4. The business has enough money left for savings (reserves) after covering all business spending needs	-1	-2	-3
5. Your business is able to keep up with your monthly debt instalments	-1	-2	-3

SECTION I: SAVINGS AND INVESTMENTS

Ask all.

I2a. **Where do you save, invest or put money away for business purposes?**

- *Hand respondent showcard I2a.*
- *Multiple mentions possible.*

Bank e.g. Post Bank/ Post Office, FNB, ABSA, Standard Bank, Nedbank, African Bank, Capitec	-1
MFI (microfinance) or Microlender e.g. CreditU, Blue	-2
Insurance companies	-3
Village bank or co-operative e.g. Yebo, Lemas, Development Bank	-4
NGO (Non-governmental organisation)	-5
Government agency	-6
Bonds, stocks	-7
Stokvel society, burial society, umgalelo or savings club	-8
Other (SPECIFY)	-9
.....	
Currently do not save money for business purposes	-10

Do not ask those who answered 10 in 12a

I2b. **You said that you save money for business purposes, what are you saving or putting the money aside for?**

- *Do not prompt.*
- *Multiple mentions possible.*

To expand the business	-1
Money for day-to-day running of the business	-2
To have money when I need it	-3
For the future	-4
To acquire more businesses	-5
Other (SPECIFY)	-6
.....	

Ask all.

***I3.** **Are you a member of an informal society or group savings scheme such as a stokvel, savings club, or investment club, to which you contribute to on a regular basis for the purposes of the business / in the interest of the business?**

Yes	-1	⇨ *Continue to Q.I4a*
No	-2	⇨ *Skip to Q.I5*

Logic check If code -8 in Q.I2a then must say yes (code -1) in Q.I3.

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I4a. Thinking about having your own business, do you think that belonging to a stokvel or other group savings scheme holds any advantages for the business?

Yes	-1	⇨ *Continue to Q.I4b*
No	-2	⇨ *Skip to I5*

I4b. What advantages are there to belonging to a savings club or a stokvel?

- *Do not prompt.*
- *Multiple mentions possible.*

Get a lump sum which I use or need for the business	-1
To make contacts with / network with other people	-2
Get business advice or ideas	-3
Market or advertise the business	-4
Social support	
Other (SPECIFY)	-5
.....	
Don't know	-6

Ask all.

I5. I am going to read some statements, tell me if you agree or disagree with each

- *Read out statements one at a time.*
- *Rotate order of reading statements and mark starting point with an asterisk (*).*
- *Single mention per statement*

	Agree	Disagree	Don't know/NA
1. You try to save regularly for the purposes of the business	-1	-2	-3
2. You invest money for the business for the long term	-1	-2	-3
3. You would go without basic things to save for the purposes of the business	-1	-2	-3
4. You would use your personal savings for the business	-1	-2	-3

SECTION J: RISKS AND INSURANCE

J1a. Thinking about your <u>business</u>, what are the biggest risks that you can think of that would seriously affect your operation or income?

- *Do not prompt.*
- *Multiple mentions possible.*

Ask only if mention a risk (i.e. code 01 to -22) in Q.J1a, all others go to J6a

J1b. And what would you do in the instance of (read out risk mentioned in Q.J1a) to cope with this financially?

- *Hand respondent showcard J1b.*
- *Repeat for each risk mentioned in Q.J1a.*
- *Multiple mentions per risk statement possible.*

		Q.J1b. Means to cope financially

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	Q.J1a Risks	Claim on insurance	Sell assets /dispose of agricultural crop/livestock	Cut down on household expenses	Donations	Apply for government grant	Borrow money from bank or other formal institutions	Borrow money from informal providers/other people	Use savings or investments	Postpone plans to pay for something else	Cash in other financial instruments e.g. shares	I don't have anything in place	Other	Don't know *(do not show)*
1.	Flood, fire or natural disaster destroys business premises	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12	-13
2.	Rain damage	-02	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
3.	Theft of business equipment	-03	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
4.	Theft of business stock	-04	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
5.	Theft of livestock	-05	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
6.	Business equipment failure	-06	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
7.	Drought	-07	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
8.	Loss of big financial contract	-08	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
9.	Loss of income	-09	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
10.	Damage to my place of business	-10	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
11.	Death of owner	-11	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
12.	Death of staff	-12	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
13.	Illness of owner	-13	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
14.	Illness of staff	-14	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
15.	Disability of business owners / staff members	-15	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
16.	Loss of business equipment (computers/ laptops/ cell phone/ phone)	-16	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12
17.	Loss of banking facilities	-17	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12

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18. Loss of credit worthiness	-18	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12	-13
19. Loss of vehicle	-19	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12	-13
20. Not being paid by creditors or people that owe you money	-20	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12	-13
21. Bankruptcy of the business 22. Business interrupted (e.g. Covid-19)	-21	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12	-13
23. Government restrictions (like the Covid-19 restrictions) ..... 24. Labour instability (Strikes/Protests, shortage of skills)	-22	-01	-02	-03	-04	-05	-06	-07	-08	-09	-10	-11	-12	-13
25. Other (SPECIFY)														
26. None *(Do not show)*	-23	Go to Q.J6												
27. Don't know *(DNRO)*	-24													
28. Refuse to answer	-25													

Ask all.

J6.a Does your business have business insurance?

Yes	-1	
No	-2	Go to J6b

Logic check If code -24 in Q.A11 then must say yes (code -1) in Q.J6.

J6.b There are many reasons why businesses don't have insurance. Are there any reasons why this business does not have business insurance?

- *Do not prompt.*
- *Multiple mentions possible.*

1	Business makes little profit
2	Don't want it
3	Don't believe in insurance
4	Never thought about it
5	I don't know enough about these products
6	I don't need it
7	Do not trust insurance to pay out when I claim
8	These things are not meant for people like me
9	There are better things to spend my money on
10	Don't see the benefits
11	Insurance products available do not meet my needs
12	If I miss a payment, I lose the insurance cover and the money I have paid for the insurance cover
13	I am too young/still a student
14	I am not currently working

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15	I was declined or did not qualify
16	The language used and conditions are too confusing
17	I have never been told about it
18	I am covered by someone else
998	No reason *(DNRO)*
999	Don't Know *(DNRO)*
996	Other (SPECIFY)

J7. What would happen to this business if you were unable to work?

- *Do not prompt.*
- *Multiple mentions possible.*

Close down	-1
Family would run it	-2
Would be sold	-3
Business partners would continue	-4
Manager / employees would run it	-5
Give to someone to rent	
Hire someone to run it	
Not sure / haven't thought about it	-6
Other (SPECIFY)	-7

J8. I am going to read some statements to you, please tell me if you agree or disagree with each statement

- *Read out statements.*
- *Single mention per statement.*

	Agree	Disagree	Don't know / doesn't apply
1. Business insurance (non-life) is important for your business	-1	-2	-3
2. You would buy insurance online for your business or employees	-1	-2	-3
3. You often suffer losses that insurance would help you cover	-1	-2	-3
4. You cannot afford insurance payments	-1	-2	-3
5. Insurance companies do not insure businesses like yours	-1	-2	-3
6. Insurance does not cover the kinds of losses that you suffer	-1	-2	-3
7. You would take out insurance if you could take payment breaks	-1	-2	-3

SECTION JA: IMPACT OF CORONA VIRUS PANDEMIC

JA1. Is your business classified as an essential service during Lockdown?

- *Do not Prompt*
- *OMO*

Yes	-1
No	-2

JA2. What impact has COVID-19 had on the following aspects of your business during the period February to June 2020?

- *Hand showcard JA2*
- *Single mention per statement*

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	Stopped	Reduced	Same as before	Same as before, but expect the worse in future	Increased	Do not know/Not Applicable
Revenues/Sales	-1	-2	-3	-4	-5	-6
Staff income	-1	-2	-3	-4	-5	-6
Orders from customers	-1	-2	-3	-4	-5	-6
Existing stock	-1	-2	-3	-4	-5	-6
Workforce Staff salaries	-1	-2	-3	-4	-5	-6
Workforce other benefits such as pension fund etc.	-1	-2	-3	-4	-5	-6
Workforce attendance at work	-1	-2	-3	-4	-5	-6
Staff size		-2	-3	-4	-5	-6
Supply of products	-1	-2	-3	-4	-5	-6
Business debts paying or repayment	-1	-2	-3	-4	-5	-6
Payments of invoices	-1	-2	-3	-4	-5	-6
Competitiveness		-2	-3	-4	-5	-6
Online activities	-1	-2	-3	-4	-5	-6
Business network	-1	-2	-3	-4	-5	-6

JA2a Have you retrenched any staff members due to COVID-19?

Yes	1
No	2

JA3. Have you faced difficulties with the following due to Covid-19?

- *Read out statements.*
- *OMO*

	Yes	No	Do not know/NA
Shortage of suppliers/input materials	-1	-2	-3
Shipping of finished goods	-1	-2	-3
Stock/inventory that expires	-1	-2	-3
Delaying goods delivery	-1	-2	-3
Delivering existing orders	-1	-2	-3
Disruption of logistics	-1	-2	-3
Export volumes	-1	-2	-3
Import volumes	-1	-2	-3
No contractual performances issues	-1	-2	-3
Conducting financial services remotely	-1	-2	-3
Other	-1	-2	-3

JA4. Still thinking in the context of Covid-19. What changes if any have your business made to manage occupational safety and health challenges during the Covid-19 pandemic?

- Do not prompt
- *Rotate order of reading statements*
- Multi mentions possible

Work from home programme	-1
Operate with minimal staff onsite (i.e. Rotation schedule for staff)	-2
Implemented a safe working environment for both employees and visitors	-3
Social distancing set up	-4
Random screening	-5
Sanitation stations	-6

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Office space deep cleaning and sanitation	-7
Staff temperature check	-8
Screening station	-9
Distributed persona protective Equipment (PPE) (i.e., hand sanitizer, masks, gloves) for employees	-10
Other (specify)	-11
Have not made any changes yet (OMO)	12

If code 11 and 12 in JA4 Ask JA5:

JA5. You said you have not made any changes; would your business be making any changes in the coming weeks/moths and what would be those changes?

- Do not prompt
- MMP

Work from home programme	-1
Operate with minimal staff onsite	-2
Implemented a safe working environment for both employees and visitors	-3
Social distancing set up	-4
Random screening	-5
Other (specify)	-7

JA6. Which online platforms are you using to connect with clients / staff / hold meetings?

- Do not prompt
- MMP

Zoom	-1
Skype / Skype for business	-2
Microsoft Teams	-3
Google hangouts/Google Meets	-4
GotoMeeting	-5
WhatsApp	-7
Workplace by Facebook	-8
Other, (specify)	-9
None of the above (DNRO)	-10
Don't know (DNRO)	-11

JA7. Given the impact of Covid-19 on your business, what is the top three support measures that your business will need to survive?

- Hand Showcard JA7
- Only allow 3
- Multiple mentions

Existing loan repayments	-1
Cash flow	-2
Emergency loan to meet business expenses	-3
Moratorium on loan repayment	-4
VAT refund	-5
Any other taxes assistance	-6
Provided training/business advice to manage the crisis	-7
Advice with business continuity	-8
Advice on labour regulations during crisis	–9

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Advice how to negotiate with Financial Services Providers	-10
Guideline on how to access available relief funds	-11
Information and support on digital transactions	-12
More information on transmission and spread of the virus	-13
More clarity on officials/FSP measures to contain the crisis	-14
Other (specify)	-15

JA8. How is your business affected by the Covid-19 pandemic?

- Hand Showcard JA8
- OMO

It was not affected, because the business diversified to other opportunities and made profits during the crises	-1
Only time will tell	-2
Incurred significant losses	-3
We had some small losses (but not significant)	-4
We might be closing down	-5
Other (specify)	-6

JA9. If the current restrictions continue, how long can your business continue to operate? Select only one

- *Hand showcard JA9*
- OMO

Less than 3 months	-1
3- 6 months	-2
7-12 months	-3
More than 12 months	-4
Indefinitely	-5
Don't know (DNRO)	-6

JA10. What level of threat do you think the coronavirus poses to each of the following?

- *Hand showcard JA10*
- Read out statements
- Single mention

	1	2	3	4	5	99
	Very Low Threat	Low Threat	Moderate Threat	High Threat	Very High Threat	Don't Know
You personally	-1	-2	-3	-4	-5	-99
Your business	-1	-2	-3	-4	-5	-99
The South African economy	-1	-2	-3	-4	-5	-99
The global economy	-1	-2	-3	-4	-5	-99

JA11. What does the future look like for this business with regards to the changes in behaviour required during the pandemic?

- *Hand showcard JA11*

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- *Multiple mentions possible.*

We have gone digital and will continue investing in this infrastructure	-1
The organisation is working on the lockdown exit strategy	-2
Continue to use technology to augment without replacing people	-3
The company is embracing the cultural and behavioural shifts that COVID-19 introduced	-4
Other (specify)	-5

SECTION R: LIVED EXPERIENCES

R1. Tell us about your business experiences during Covid-19

(open ended)
TEXT: _____

SECTION K. MONEY MANAGEMENT WITHIN THE BUSINESS

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on'.

Ask all.
I'm now going to ask you about the money that comes into the business and gets paid out of the business.

K1a. How do your customers usually pay you?

- *Do not prompt.*
- *Multiple mentions possible.*

Cash	-1
Swipe/tap bank card	-2
Cheque	-2
Bank transfer	-3
Direct debit	-4
Internet banking / Electronic Fund Transfer	-5
Wallet money, e.g., ewallet, Instant Money	-6
Cell phone banking	-7
Payment in kind (goods/services accepted as payment)	-8
Other (SPECIFY)	-9

K1b. Ask only those who receive cash payments (code 1 on K1a). What portion of the cash generated through sales do you bank monthly?

- *Do not prompt.*
- *Single mention*

	K1b Percentage banked
A. 0 – 10%	-01
B. 11% - 25%	-02
C. 26% - 50%	-03

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D. 51% - 75%	-04
E. 76% - 100%	-05

***K2.** Does your business offer goods or services on credit to your customers i.e. they do not have to pay immediately?

- *Read out.*
- *Single mention only.*

Yes always	-1	⇨ *Continue*
Yes, sometimes	-2	⇨ *Continue*
No	-3	⇨ *Skip to Q.L1*

***K3.** Please tell me whether you agree or disagree with the following statements.

- *Read out.*
- *Single mention per statement.*

	Agree	Disagree	Don't know
1. You detail the payment period (i.e. 30 days)	-1	-2	-3
2. You know invoice discounting	-1	-2	-3
3. Your business uses invoice discounting practice	-1	-2	-3
4. You charge interest on credit sales	-1	-2	-3
5. You charge interest on late payments	-1	-2	-3
6. You keep a written record of payments owing	-1	-2	-3
7. You have a policy for handling late / non payments	-1	-2	-3
8. You have credit forms/book for customers to sign when buying on credit	-1	-2	-3
9. Your business offer a rewards program	-1	-2	-3
10.You offer discounts to your customers	-1	-2	-3
11. Your business takes advantage of trade discounts (e.g. specials, promotions)	-1	-2	-3
12.Your business buys in bulk to earn / negotiate discounts	-1	-2	-3
13.Your business actively negotiates prices	-1	-2	-3

***K4.** Please tell me how familiar you are with each of the following.

- *Read out.*
- *Single mention per statement.*

	Know only	Know and have used	Don't know
1. Asset-based finance (Asset based finance is a type of business financing that is secured by company assets)	-1	-2	-3
2.Supply-chain finance (solutions that optimizes cash flow by allowing businesses to lengthen their payment terms to their suppliers while providing the option for their large and SME suppliers to get paid early)	-1	-2	-3
3. Leasing (leasing the hiring out by one firm (the lessor) of an ASSET such as a factory building, piece of machinery or vehicle to another firm (the lessee) in return for the payment of an agreed rental)	-1	-2	-3
4. Working capital loans (Working capital loans are short-term loans that are designed to provide financial bridging to address cash flow needs)	-1	-2	-3
5. Factoring (Factoring is a financing method in which a business owner sells accounts receivable at a discount to a third-party funding source to raise capital)	-1	-2	-3
6. Purchase Order Finance (Purchase Order Financing is a financial lending facility that allows companies to access funds in the short term, service their clients and grow their business)	-1	-2	-3
7. Warehouse financing (Warehouse financing is a form of financing in which manufacturers take loans using their goods or commodities as collateral for the loan)	-1	-2	-3

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8. Private Placements (Private placement is a funding round of securities which are sold not through a public offering, but rather through a private offering, mostly to a small number of chosen investors)	-1	-2	-3
9. Crowdfunding debt (Crowdfunding debt is actually a peer-to-peer and social loan akin to traditional borrowing. One asks for funds with the assurance of paying back with interest over a definite time period)	-1	-2	-3
10. Private Equity (Private equity funds are pools of capital to be invested in companies that represent an opportunity for a high rate of return)	-1	-2	-3
11. Venture Capital (Venture capital is a form of private equity and a type of financing that investors provide to start-up companies and small businesses that are believed to have long-term growth potential)	-1	-2	-3
12. Business Angels (Business angels are people who invest their money in the initial phase of start-ups, in exchange for a participation in capital. They also usually carry out the role of a mentor and offer their consent and experience to entrepreneurs)	-1	-2	-3
13. Crowdfunding equity (Equity crowdfunding is raising capital from the crowd through the sale of securities - shares, convertible note, debt, revenue share, and more, in a private company)	-1	-2	-3

***K5.** Who manages the finances of the business?

- *Read out*
- *Multiple Mentions Possible*

- o Owner -1
- o Accountant -2
- o Business Partner -3
- o Non Business partner (Family/ Friend) -4
- o Other (Specify) -5

SECTION L. RECORD KEEPING

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on'.

Ask All

***L1.** Do you keep financial records for your business?

Yes	-1	⇨ *Go to Q.L2*
No	-2	⇨ *Go to Q.M1a*

L2. How do you keep your financial records for the business? Is it…?

- *Hand showcard L2*
- *Multiple mentions possible.*

A manual system, e.g. on paper or a book	-1
A computerised system	-2
An accountant does it for me	-3
Keep track of the records in my head	-4
Other (SPECIFY) *(DNRO)*	-5

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***L3.** Who, if anyone, helps you with your financial records?

- *Do not prompt.*
- *Multiple mentions possible.*

Ask Q.L4 only if respondent answered (code -2, -3, -4, -7, -8 or -9) in Q.L3. All others go to Q.L5.

L4. Is the ***(ask for each person mentioned in Q.L3)*** an employee of your business, or an external consultant?

- *Read out each person mentioned in Q.L3.*
- *Do not prompt.*
- *Single mention per person mentioned in Q.L3.*

	Q.L3	Q.L4	
	Helps	Employee	External consultant
1. No one, I do it myself ***(Single mention)***	-1		
2. An auditor	-2	-1	-2
3. A bookkeeper	-3	-1	-2
4. An accountant	-4	-1	-2
5. My bank	-5		
6. A professional consultant	-6		
7. A friend	-7	-1	-2
8. A family member	-8	-1	-2
9. Other (SPECIFY)	-9	-1	-2

Logic check If code -5 in Q.L3 then must have code -1, -2 or -3 in Q.G2
Logic check If any code -1 in Q.L4 then must have at least one employee in Q.C1b

L5. What information do you keep in your financial records?

- *Hand respondent Showcard L5.*
- *Prompt if needed*
- *Multiple mentions possible.*

Total sales made	-01
Number of customers	-02
Revenue or total sales before expenses	-03
Cost of sales	-04
Expenses of the business	-05
Income after expenses	-06
Stock	-07
Debts or debtors	-08
Hire of equipment	-09
Other (SPECIFY)	-10
Don't know (Do not show)	-11

L6. What accounting packages does your business use?

- *Do not prompt.*
- *Multiple mentions possible.*

Sage	-01
Slick pie	-02
Quickbooks online	-03
Kashoo	-04
Xero	-05
Pastel	-06

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Other (SPECIFY)	-07
I don't use any (Do not show)	-08

SECTION M: IMPORTS & EXPORTS

Ask all.

M1a. Do you export to any customers that are outside South Africa?

Yes -1 ⇨ *Go to Q.M1b*

No -2 ⇨ *Go to Q.M2a*

M1b. Please tell me where most of your customers are from?

- *Hand respondent Showcard M1b.*
- *Multiple mentions possible.*

SADC (Southern Africa Development Community)	Angola	1	-
	Botswana	2	-
	Comoros	3	-
	DRC	4	-
	Eswatini	5	-
	Lesotho	6	-
	Madagascar	7	-
	Malawi	8	-
	Mauritius	9	-
	Mozambique	10	-
	Namibia	11	-
	Seychelles	12	-
	Tanzania	13	-
	Zambia	14	-
	Zimbabwe	15	-
Europe			-16
North America			-17
South America			-18
Other African countries			-19
Asia			-20
Other specify			-21

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Don't know (Do not show)

Ask all.

***M2a.** Do you have any suppliers that are outside South Africa?

Yes	-1	⇨ *Go to Q.M2b*
No	-2	⇨ *Go to Q.N1*

M2b. Please tell me where most of your suppliers are from

- *Hand respondent Showcard M1b.*
- *Multiple mentions possible.*

SADC (Southern Africa Development Community)	Angola	1
	Botswana	2
	Comoros	3
	DRC	4
	Eswatini	5
	Lesotho	6
	Madagascar	7
	Malawi	8
	Mauritius	9
	Mozambique	10
	Namibia	11
	Seychelles	12
	Tanzania	13
	Zambia	14
	Zimbabwe	15
Europe		-16
North America		-17
South America		-18
Other African countries		-19
Asia		-20
Other specify		-21
Don't know (Do not show)		

M3. IF YES M1a or M2a ASK

- *Read out.*
- *Multiple mentions possible.*

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What are the payment terms or condition for foreign receipts and foreign payments?

Cash-in-advance (received before the ownership of the goods is transferred)	-1
Letters of credit (commitment by a bank on behalf of the buyer that payment will be made)	-2
Documentary Collections (the exporter entrusts the collection of the payment for a sale to its bank (remitting bank))	-3
Open Account (goods are shipped and delivered before payment is due)	-4
Consignment (only after the goods have been sold by the foreign distributor)	-5
Other (SPECIFY)	-6

Don't know (Do not show)	-7

SECTION N: SMALL BUSINESS REPORT

Ask all.

N1. There are a number of organisations that give help and advice to small businesses. Can you name any organisations that give advice or assistance to small businesses in South Africa?

- ***Do not prompt.***
- ***Multiple mentions possible.***

N2. Which of these have you ever made use of for help with your business?

- ***Do not prompt.***
- ***Multiple mentions possible.***
- ***Mentions in Q.N2 must be in Q.N1.***

N3. Was the help you received from *(read out organization mentioned in Q.N2)* useful?

- ***Ask for each organization mentioned in Q.N2.***
- ***Single mention per organization***

	Q.N1 Spontaneous Awareness	Q.N2 Ever used	Q.N3 Help received useful		
			Yes	No	Not sure / Don't know/ can't remember
1. Business Partners	-01	-01	-1	-2	-3
2. Business Place	-02	-02	-1	-2	-3
3. Business Trust	-03	-03	-1	-2	-3
4. Casidra	-04	-04	-1	-2	-3
5. Construction Industry Development Board (CIDB)	-05	-05	-1	-2	-3
6. Council for Scientific and Industrial Research (CSIR)	-06	-06	-1	-2	-3
7. Department of Small Business Development	-07	-07	-1	-2	-3
8. Department of Trade and Industry (the dti)	-08	-08	-1	-2	-3
9. Development Bank of SA (DBSA)	-09	-09	-1	-2	-3
10. Development Funding Institutions (DFI's)	-10	-10	-1	-2	-3
11. Eskom Small Business Foundation	-11	-11	-1	-2	-3
12. Expanded Public Works Programme (EPWP)	-12	-12	-1	-2	-3
13. FinFind	-13	-13	-1	-2	-3
14. Industrial Development Corporation (IDC)	-14	-14	-1	-2	-3
15. Isibane Capital	-15	-15	-1	-2	-3
16. Khula Enterprise Finance Ltd	-16	-16	-1	-2	-3
17. National African Federated Chamber of Commerce and Industry (NAFCOC)	-17	-17	-1	-2	-3
18. National Development Agency	-18	-18	-1	-2	-3
19. National Empowerment Fund (NEF)	-19	-19	-1	-2	-3
20. New Business Finance	-20	-20	-1	-2	-3

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21.	Productivity SA	-21	-21	-1	-2	-3
22.	Provincial or District Government Agencies	-22	-22	-1	-2	-3
23.	Red Door	-23	-23	-1	-2	-3
24.	Regent Factors	-24	-24	-1	-2	-3
25.	SA MicroFinance Apex Fund (SAMAF)	-25	-25	-1	-2	-3
26.	SAB Kickstart	-26	-26	-1	-2	-3
27.	SETAs (Sector Education and Training Authority)	-27	-27	-1	-2	-3
28.	Siyakhana Business Centre	-28	-28	-1	-2	-3
29.	Small Enterprise Development Agency (SEDA)	-29	-29	-1	-2	-3
30.	South African Bureau of Standards (SABS)	-30	-30	-1	-2	-3
31.	South African Revenue Service (SARS)	-31	-31	-1	-2	-3
32.	The banks (ABSA, FNB, Nedbank, Standard etc.)	-32	-32	-1	-2	-3
33.	The Pick n Pay Foundation	-33	-33	-1	-2	-3
34.	Tourism Enterprise Partnership (TEP)	-34	-34	-1	-2	-3
35.	Transunion Information Trust Corporation (ITC)	-35	-35	-1	-2	-3
36.	Tshumisano Trust	-36	-36	-1	-2	-3
37.	Umsobomvo Youth Fund / National Youth Development Agency	-37	-37	-1	-2	-3
38.	Women's Development Bank	-38	-38	-1	-2	-3
39.	Other (SPECIFY)	-39	-39	-1	-2	-3
40.	None	-40	-39	⇨ *Skip to Q.N5*		
41.	Refused	-41	-39	⇨ *Skip to Q.N5*		

⇨ *Continue to N4*

N4. What did you receive help with?

- *Hand respondent Showcard N4.*
- *Multiple mentions possible.*

Accounting and bookkeeping	-01
Financial budgeting or forecasting	-02
Obtaining loans, finance and operating on credit	-03
Knowledge of laws and regulations relevant to small business	-04
Tendering information	-05
Debt management	-06
Technical training on goods and services being provided	-07
Customer relations	-08
Computer related training	-09
How to start up a business	-10
Business management	-11
How to write a business plan	-12
How to market a business	-13
Productivity improvement	-14
Employee / Staff management	-15
Other (SPECIFY)	-16
Don't know *(Single mention, do not show)*	-17
Don't remember *(Single mention, do not show)*	-18

Ask all.

N5. Please tell me which of the following you or your business belong to?

- *Hand respondent showcard N5.*
- *Multiple mentions possible.*

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	Q.N5 Belong to
1. A trade union or labour movement	-2
2. A women's group	-3
3. A business organisation or professional body	-5
4. A business networking group	-6
5. Church / Religious group	-7
6. Other (SPECIFY)	-8
7. None *(Do not show – single mention)*	-9

SECTION O. SKILLS OF THE BUSINESS OWNER / COMPANY RESOURCES

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on'.

Ask all:

O1. How did you learn MOST of the skills you have/ are using to run the business?

- *Do not prompt.*
- *Multiple mention only.*

Previous job or work experience	-01
Training programmes / courses	-02
School	-03
University / Technikon / College (Tertiary Education)	-04
Mentor / advisor	-05
Spouse	-06
My family (other than spouse)	-07
Taught myself	-08
Whilst managing the business itself / on the job	-09
Other (SPECIFY)	-10

***O2.** Which of these services and functions does your business currently have or use?

- *Hand respondent showcard O2.*
- *Multiple mentions possible.*

Ask only for mentioned a function (i.e. code -01 to -11) in Q.O2.Others go to Q.O4.

O3.** Is... ***(read out each function mentioned in Q.O2) handled by yourself or someone in the business or do you contract or outsource someone to do it?

- *Repeat for each function mentioned in Q.O2*
- *Single mention per function mentioned in Q.O2.*

	Q.O2	Q.O3 Who handles function	
	Services currently have/use	Yourself/ Your staff	Contracted/ Outsourced
1. IT / Computing / Computers	-01	-1	-2
2. Accounting / bookkeeping	-02	-1	-2

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3. Secretarial	-03	-1	-2
4. Human resources / personnel / payroll	-04	-1	-2
5. Public relations	-05	-1	-2
6. Marketing and sales	-06	-1	-2
7. Customer management	-07	-1	-2
8. Debt management	-08	-1	-2
9. Recruitment	-09	-1	-2
10. Legal and compliance services	-10	-1	-2
11. Other (SPECIFY)	-11	-1	-2
12. None of these *(Single mention)*	-12		

⇨ *Skip to Q.O4*

Logic check if code -2 ('contracted/outsourced') in statement 2 ('accounting / book keeping') in Q.O3 then must have code -2 'external consultant' in any statement in Q.L4

Ask Q.O4 if 1 or more employee in Q.C1b , all others go to Q.O6.

O4. Now I am going to read out two statements to you. Thinking about what your business mainly does, do your employees need...?

- *Read out statements.*
- *Single mention per statement.*

	Yes	No
1. Specialised skills	-1	-2
2. A minimum level of education	-1	-2

Ask Q.O5. if 'yes' (code -1) to statement 2 in Q.O4. All others go to SECTION P.

O5. You said that your employees need a minimum level of education. What minimum level would you say they need...?

- *Do not prompt.*
- *Single mention.*

Less than Grade 12 / matric	-1
Grade 12 / matric	-2
Work-related training or course	-3
Special technical diploma or apprenticeship	-4
General university degree	-5
Specific university degree	-6
Don't know	-7

SECTION P: PSYCHOGRAPHICS & BUSINESS PERFORMANCE

Please remind respondent that for the purposes of this interview we are talking about the 'business that they spend the most time working in or on'.

P1. We are now going to talk about how well your business is performing. Thinking about the last 12 months, would you best describe your business as *(read out statements...?)*

- *Single mention only.*

Growing	-1
Remained the same	-2
Getting smaller	-3
Just starting out	-4

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Can't say/ Don't know *(DNRO)* -5

P2. What are you doing to transform your business to thrive in the fourth industrial revolution (4ir)?

- *Read out.*
- *Multiple Mentions Possible*

Automating the processes	-1
Using digital payments	-2
Digitising the record-keeping system	-3
Enabling business to work remotely	-4
Business as usual / I am not doing anything	-5
Don't know	-6
Other (specify)	-7

P3. Does the business use crypto currency…?

- *Single mention only.*

Yes	-1
No	-2
Do not know	-3

P4. If no in QP3 ask: What will you need to use cryptocurrency…?

- *Read out.*
- *Single mention only.*

Availability of e-commerce and point of sale options	-1
If they can be converted immediately into traditional currency	-2
Enough suppliers to use crypto currency	-3
Enough customers to use crypto currency	-4
Do not know (DNRO)	-5

P5. Do you consider your business to be…?

- *Read out.*
- *Single mention only.*

Very Successful	-1
Fairly Successful	-2
Struggling but promising	-3
Struggling but surviving	-4
At risk or in danger of failing	-5

Ask all:

P4. I am going to read you a few statements. Please tell me if you agree or disagree with each.

- *Read out statements one at a time.*
- *Rotate order of reading statements and mark starting point with an asterisk (*).*
- *Single mention per statement.*

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	Agree	Disagree	Don't know
Entrepreneurship (DNRO)			
1. Having drive is more important than doing careful research on the business	-1	-2	-3
2. You network with other businesspeople	-1	-2	-3
3. Taking calculated risks is not a problem for you	-1	-2	-3
4. You are happy to take charge of and see things through	-1	-2	-3
5. If you make up your mind to do something you don't let anything stop you	-1	-2	-3
6. You regularly analyse your competitors	-1	-2	-3
7. You would easily consider venturing into a new business	-1	-2	-3
Future & connection (DNRO)			
8. You believe that your business is going to be more successful in the next year	-1	-2	-3
9. Given the opportunity you would consider leaving South Africa for good	-1	-2	-3
10. South Africa will have a stable political environment in the future	-1	-2	-3
11. South Africa will have a stable economic environment after the COVID-19 pandemic			
12. If paid employment was offered to you at roughly the same level of take-home profit that you earn in your business, you would accept such employment and close your business	-1	-2	-3
13. You feel you don't have the same opportunities as other people	-1	-2	-3
14. You are satisfied with what you have achieved so far in your business	-1	-2	-3
15. The recession has had a negative impact on your business	-1	-2	-3
16. You are worried that your business will shut down	-1	-2	-3

P5. What are the top three (3) biggest obstacle to growing your business, if any?

- *Hand respondent showcard P5.*
- *Single mention only.*

Space to operate	-01
Communication means -Telephone or internet	-02
Electricity supply (load shredding)	-03
Transportation	-04
Access to land	-05
Regulatory compliance burden/Tax	-06
Customs and trade regulations	-07
Labour regulations	-08
Skills and education	-09
Business licensing	-10
Access to finance	-11
Cost of finance	-12
Policy uncertainty	-13
Corruption	-14
Crime and theft	-15
Competition	-16
Harassment by officials	-17
Legal system / conflict resolution	-18
Zoning regulations	-19
Bad weather/ natural disasters	-20
Health issues	-21

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Other (SPECIFY)	-22
.....	
None / Nothing	-22
Don't know (DNRO)	-23

SECTION Q: DEMOGRAPHICS

Ask all

We are nearly at the end of the questionnaire. I need to ask you a few questions about yourself, bear in mind that these are for analysis only and all your personal details will remain strictly confidential

Q2. What is your home language?

- *Do not prompt.*
- *Single mention only.*

Afrikaans	-01
English	-02
North Sotho/Pedi	-03
Sesotho/Southern Sotho	-04
Setswana/Tswana	-05
Sindebele/Ndebele	-06
Siswati/Swazi	-07
Xhosa	-08
Zulu	-09
Tsonga/Shangaan	-10
Venda	-11
Other (SPECIFY)	-12
.....	

Q3.a Which of the following statements apply to you?

- *Read out.*
- *Multiple mention possible.*

You currently hold a South African passport	-1
You are a South African Citizen	-2
You currently hold a South African identity book	-3
All of the above	-4
None of the above *(single mention only)*	-5

Q3.b Nationality

- *Interviewer record nationality by observation*
- OMO

South African	-1
Non-South Africa	-2
Not sure	-3

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Q5. What is your exact age?

- *Record age in years.*

Q6. *Interviewer record gender by observation:*

Male	-1
Female	-2

Q7. *Interviewer record race by observation:*

- *Single mention only.*

Black	-1
Coloured	-2
Asian / Indian	-3
White	-4
Other	-5

Q8. What is your marital status?

- *Hand respondent Showcard Q8:*
- *Single mention only.*

Married	-1
Single/never married	-2
Not married, living with someone	-3
Divorced	-4
Widowed	-5
Separated	-6

Ask all.

Q9. Do you own or rent the dwelling you live in?

Own	-1
Rent	-2
Other (SPECIFY)	-3

.....

Ask all:

Q10. What was the highest level of education you had the opportunity to reach?

- *Hand respondent Showcard Q10.*
- *Single mention only.*

No schooling	-1
Some primary school	-2
Primary school completed	-3
Some high school	-4
Matric	-5
Apprenticeship	-6
Post matric qualification (diploma)	-7
Undergraduate University degree	-8
Post graduate University degree	-9

Q11. Is this business your only source of personal income?

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Yes	-1	⇨ *Skip to Q.Q13*
No	-2	⇨ *Continue*

Q12. What are your other sources of personal income?

- *Do not prompt.*
- *Multiple mentions possible.*

Income / money from other businesses	-01
My spouse's salary / earnings	-02
Other family contributions	-03
Government disability grant	-04
Government child grant or grant related to a dependant	-05
Government pension	-06
Other pension / retirement annuity	-07
Investments	-08
Remittances	-09
Salary, wage or income from someone else	-10
Salary, wage or income from another job	-11
Salary, wage or income from another business that I own or run	-12
Commissions / bonus	-13
Subletting of business premises	-14
Subletting of home (own and other property)	-15
Other (SPECIFY)	-16
.....	
Refused to answer	-17

Logic check If code -1 in Q.Q12 then must have code -2, -3, -4, -5 in Q.A1
Logic check If code -2 in Q.Q12 then must have code -1 or -3 in Q.Q8.

Ask all:

Q13. Please give me the letter which best describes your total monthly personal income before tax and other deductions. Please include ALL sources of income i.e. salaries, pensions, income from investments, disability grant, child grant etc. You need only read out the letter that applies.

- *Hand respondent showcard Q13.*
- *Single mention.*

	Q.Q13 Personal income
F. R1 - R399	-01
G. R400 –R699	-02
H. R700 –R999	-03
I. R1 000 –R1 399	-04
J. R1 400 –R2 499	-05
K. R2 500 –R4 999	-06
L. R5000 – R7 999	-07
M. R8 000 –R10 999	-08
N. R11 000 –R15 999	-09
O. R16 000 –R29 999	-10
P. R30 000 –R39 999	-11
Q. R40 000 –R49 999	-12
R. R50 000 –R59 999	-13
S. R60 000 –R69 999	-14
T. R70 000 –R99 999	-15
U. R100 000 +	-16

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V. Refused/Don't know *(DNRO)*	-17
W. No personal income	-18

Q15. Could you tell me the approximate ***MONTHLY*** turnover of this business in Rands? You need only read out the letter that applies.

- *Hand respondent showcard Q15.*
- *Single mention.*

Q17. Could you tell me the approximate ***MONTHLY*** net profit of this business in Rands? You need only read out the letter that applies.

- *Refer to showcard Q15.*
- *Single mention.*

Q18. Could you tell me the approximate ***MONTHLY*** net loss of this business in Rands? You need only read out the letter that applies.

- *Refer to showcard Q15.*
- *Single mention.*

	Q.Q15 Turnover	Q.Q17 Net profit	Q.Q18 Net loss
A. Less than R1 000	-01	-01	-01
B. R1 000 – R9 999	-02	-02	-02
C. R10 000 – R14 999	-03	-03	-03
D. R15 000 – R19 999	-04	-04	-04
E. R20 000 – R49 999	-05	-05	-05
F. R50 000 – R99 999	-06	-06	-06
G. R100 000 – R199 999	-07	-07	-07
H. R200 000 – R499 999	-08	-08	-08
I. R500 000 – R999 999	-09	-09	-09
J. R1 000 000 – R1 999 999	-10	-10	-10
K. R2 000 000 – R4 999 999	-11	-11	-11
L. R5 000 000 – R9 999 999	-12	-12	-12
M. R10 000 000 – R14 999 999	-13	-13	-13
N. R15 000 000 – R19 999 999	-14	-14	-14
O. R20 000 000 – R29 999 999	-15	-15	-15
P. R30 000 000 – R39 999 999	-16	-16	-16
Q. R40 000 000 – R59 999 999	-17	-17	-17
R. R60 000 000 – R69 999 000	-18	-18	-18
S. R70 000 000 – R99 999 999	-19	-19	-19
T. R100 000 000 – R149 999 999	-20	-20	-20
U. R150 000 000 – R199 999 999	-21	-21	-21
V. R200 000 000 – R220 000 000	-22	-22	-22

Logic check If respondent uses the same code in Q14 and Q16 (i.e. Daily, weekly, monthly, annual etc.) then net profit must be less than turnover. For example: if net profit DAILY is L (code -12) then must be less than turn over DAILY.

Ask all

Q19. Do you currently have any disability?

Interviewer Note: DISABILTY IS DEFINED AS "the inability to perform an activity in a normal way as a result of impairment e.g. such as not being able to walk due to a weakness or paralysis in a leg."

Yes	-1
No	-2

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Q20. The Department of Small Business and Development (DSBD) will be conducting research in the future to understand how the government can improve its support to small businesses like yours. If you agree to share the information provided during this interview with the DSBD, you may be selected to be part of the DSBD Longitudinal study. If you are part of the DSBD study, you will be invited for a follow-up survey, 2-3 months from now. Note that the DSBD will treat this information as highly confidential and the information will only be used for research purposes.

If you have any questions regarding the DSBD's study, please contact ..... at the DSBD on 012 .....

Can we share the information that you have just provided with the DSBD?

Yes	-1	⇨ *Ask respondent to sign in the space provided below and then go to Q.Q21*
No	-2	⇨ *Go to Q.CD1*

Q21. Would you be willing to provide the DSBD with the name of your business?

Yes	-1	⇨ *Ask Q.Q22*
No	-2	⇨ *Go to Q.CD1*

Q22. What is the name of the business?

.....

PARTICIPANT CONSENT

Interviewer note: Please read out

Dear Respondent

Ipsos is a leading market research company in South Africa, with over 10 years of experience in both qualitative and quantitative research. The company embraces an ethos of professionalism and we abide by the South African Market Research Association (SAMRA) code of conduct.

For quality control purposes on the survey, we would like to record your GPS coordinates. This is done automatically by the device and we will destroy the GPS coordinates within four months.

Before closing the survey, we would like to inform you that the research is conducted on behalf of FinMark Trust and ask if we may share your details with FinMark Trust, (along with your GPS coordinates). Please be aware that if you agree, your personal data will be retained by Ipsos and FinMark Trust for four months and may be transferred to authorised third parties and to other countries as part of automated aggregation and analysis of responses, but will only be used within the scope of this research. Should you want to find out more about how Ipsos treats your personal data, please visit the privacy information on our website.

May we share your details and GPS coordinates with Finmark?

Yes	-1
No	-2

We appreciate your participation and should you have any concerns whatsoever, please feel free to contact our Research Team, Kgothatso Mokgele (kgothatso.mokgele@ipsos.com) and/ or Owen Manda (owen.manda@Ipsos.com)

END OF SURVEY

DISPLAY TEXT

50

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We have now reached the end of this survey. Thank you for your time and for your participation. You have been speaking to (PLEASE STATE YOUR NAME CLEARLY) from Ipsos. Enjoy the rest of your day!

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ANNEXURE B: DECLARATION FROM LANGUAGE EDITOR

LANGUAGE PRACTITIONER: Anneke-Jean Diesel

BA Communication Science (Corporate and Marketing Communications)*
BA Hons Communication Science (Corporate and Marketing Communications)*
* Cum Laude

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May 2024

DECLARATION

I, Anneke-Jean Diesel, hereby declare that I did the language editing of the thesis of Ubenathi Sisusa (title: THE INFLUENCE OF ACCESS TO FINANCIAL SERVICES AND EFFECTIVE FINANCIAL MANAGEMENT PRACTICES ON SME SUCCESS IN SOUTH AFRICA). This thesis is submitted in fulfilment of the requirements for the degree MASTER OF COMMERCE in FINANCIAL MANAGEMENT at RHODES UNIVERSITY. All the suggested changes, including the implementation thereof, were left to the discretion of the student.

Please note:
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