

**The Effectiveness of Bank Debt Financing on the Growth of Small and Medium Enterprises
(SMEs) in Namibia**

A mini-thesis in partial fulfillment of the requirements for the Degree of

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ABSTRACT

Globally, SMEs are valued for their contribution to economic growth and development as well as for driving employment. To succeed, small firms require support especially in terms of obtaining funding and financial services that can enable them to meet day to day operational needs. Commercial banks play an important role for the financing of SMEs as small firms generally depend on bank loans to obtain external finance. However, despite the support and contribution, very little attention is given to the actual forms of finance used by small and medium-sized enterprises, the available finance made by lending institutions or investors and the relation between the use of the said debt finance and enterprise performance. Furthermore, several research studies carried out focusing on the effect of debt financing on performance of firms are inconsistent. Thus, this study sought to determine the effectiveness of bank debt finance on the growth of SMEs in Namibia.

To achieve the objective of the study, it was important to have it rooted in the pragmatism paradigm; followed by both the deductive and inductive approaches. Interviews were conducted with the six SME owners and structured questionnaires were completed by the seven staff of the selected bank. The study used thematic analysis to analyze primary data from interviews by following three steps namely: reducing the data referred to as coding, analyzing data by creating patterns, and generating themes and drawing conclusion. Data from self-administered questionnaires was populated and textually analyzed aided by tables.

The main findings of the study were that: (1) debt financing contributed to the growth and performance of SMEs as all firms under the study who made use of debt had experienced growth in terms of generated profits and acquired assets, (2) during the assessment and approving process, the bank looked at various lending factors and that collateral was not considered as prime to accessing funding, (3) the SMEs were not sufficiently funded and that there was no appropriate funding option for SMEs, (4) in terms of relationships, there was a lack of engagement and support between the bank and the SMEs. The support received from the bank was only in terms of lending.

Key terms: Financial management, Small business, Stakeholder management

DECLARATION

I, Panduleni Hambeleleni Paulus, hereby declare that this mini-thesis titled the effectiveness of bank debt financing on the growth of small and medium enterprise in Namibia represents my own work. This mini-thesis has not been submitted for a degree in any other university. The work of other authors has been acknowledged and referenced.



Signature

14 January 2023

Date

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Firstly, I would like to thank the almighty God for carrying me through this journey, for his unconditional love, guidance, and for giving me the strength and wisdom to see this dissertation through. It is because of his mercy that I am where I am today.

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LIST OF ABBREVIATIONS

SMEs	Small and Medium Enterprises
GDP	Gross Domestic Product
IFS	Informal Finance Sector
FFS	Formal Finance Sector
SEDA	Small Enterprise Development Agency

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Chapter 1

Introduction

1.1 Introduction

Small and Medium Enterprises (SMEs) are important for the role they perform in the economy. Research has shown that SME development and economic growth are interconnected. This is the reason why policy makers must examine aspects that are positively contributing to their growth (Gherghina, Botezatu, Hosszu and Simionescu, 2020). However, small firms need support to succeed especially in matters such as access to finance and financial services for their start-up, day to day operations and ongoing investment needs (Ma'aji, Sok and Long, 2020).

Bank loans, overdrafts, leasing, and factoring amongst others are the funding options available for SME financing and these vary worldwide (Nitescu, 2020). The success and productivity of SMEs rely heavily on access to finance as this allows for the establishment of new enterprises and promotion of innovation as well as boosting economic development (Ye and Kulathunga, 2019; Naude and Chiweshe, 2017). The main aim of this study is thus to determine the effectiveness of debt finance on the growth of SMEs. This chapter introduces the study, gives the background of the study, the problem statement, the goal of the study, and the significance of the study.

1.2 Background and context of the study

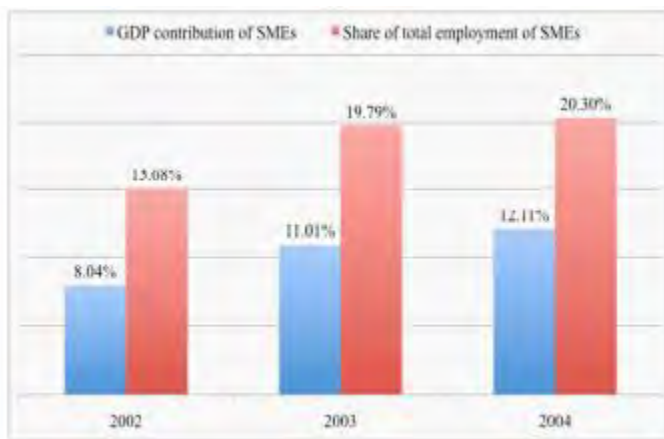
Small and Medium Enterprises have been recognized for their role and importance on countries' economies (Herr and Nettekoven, 2017). Worldwide, SMEs contribute to the countries' objectives of socio-economic development such as employment creation and contribution to gross domestic product (Pedraza, 2021). However, Sukkar and Menna El-Hady (2021) state that although SMEs are crucial for all economies globally, the extent and importance differs from country to country in terms of economic contribution towards income generation for government.

Small and medium-sized enterprises (SMEs) are a heterogeneous group. The firms operate in very different markets (urban, rural, local, national, regional and international), embody different levels of skills, capital, sophistication and growth orientation, and may be in the formal or the informal economy (El Madani, 2018).

In high income earning countries, studies have shown that SME's contribute about 55% and 65% towards employment (Chien, Ngo, Hsu, Chau and Iram, 2021). In South Africa, SMEs are said to be one of the biggest contributors to the economy, with an estimate of 90% of formal businesses being small and medium enterprises (Fatoki, 2018). In Namibia, SMEs create employment opportunities and income to 160,000 Namibian citizens, which accounts for roughly one third of the nation's workforce. SMEs' contribution to Namibian GDP is about 12% (Ministry of Industrialization, Trade and SME Development, 2016).

According to the Ministry of Industrialization, Trade and SME Development (2016), there is an estimated 33,700 SMEs in Namibia of which, around 15,000 are formally registered. SMEs' contribution to Namibian GDP is about 12%. However, these figures are outdated, which speaks to the need to conduct continuous quantitative research on Namibian SMEs. The figure below shows contribution of SMEs to GDP and shares of total employment in Namibia over the years as indicated.

Figure 1.1 SMEs GDP and employment contribution



Source: Stork et al 2004 and Arnold et al 2005.

In addition, there is a need for capital outlay and access to finance by SMEs for them to perform and be able to efficiently contribute to economic growth and development. Sibanda, Hove-Sibanda and Shava (2018), refers to financing as a precondition to the performance of enterprises and its availability has been highlighted as a major factor in the development, growth and success of

SMEs; the same sentiment was shared by Brixiova, Kangoye and Yogo, (2020). SME finance typically refers to financial services catering specifically for startup.

Every enterprise is financed either through debt or equity or a combination of both (Rao, Kumar, Chavan, and Lim, 2021; Muturi and Njeru, 2019). Both types of financing are usually sourced from either the informal finance sector (IFS) or the formal finance sector (FFS). Debt capital includes loans provided by creditors and SMEs financing usually depends and relies on good and direct personal relationships between the SME owner-manager and various stakeholders (Gramma-Vigouroux, Saidi, Berthinier-Poncet, Vanhaverbeke and Madanamoothoo, 2020) to obtain resources, money, and services for their sustainable growth (Chashmi and Fadaee, 2016). Wlodarczyk, Szturo, Ionescu, Firoiu, Pirvu and Badircea (2018) believe that a large body of the existing literature has documented that banks are the main external capital provider for SMEs sector in both developed and developing countries.

1.3 Problem Statement

Firms contribute to economic growth when there is production and services, which are achieved when they have sufficient funds to invest in new technologies, working capital, and movable assets. However, previous researchers confirmed that even though financial institutions have been financing firms, numerous SMEs are still closing operations due to lack of access to finance (Samudzimu and Munkumba, 2022; Wadesango, Chirembwe and Wadesango, 2020). Furthermore, some countries as part of their continued efforts to supporting SMEs came up with a law that forces banks to restructure their loan portfolios so as to allocate at least 30% of their loan book to SMEs. Sibanda, Hove-Sibanda and Shava (2018); Bvirindi, and Chikwawawa (2021) concluded that notwithstanding all this support, the operations of firms continue to be a cause of concern due to other factors such as management and competition.

According to Xu, Sun, Li, and Zhou, (2020), several research studies carried out reveal that the effect of debt financing on performance of firms are inconsistent. Furthermore, Githaiga and Kabiru (2015) stated that previous studies pertaining to the relationship between finance and performance had so far been focused on larger firms only. Yet, very little attention is given to the actual forms of finance used by small and medium-sized enterprises, the available finance made

by lending institutions or investors, and the relation between the use of the said debt finance and enterprise performance.

1.4 Goals of the study

The main goal of this study was to determine the effectiveness of bank debt finance on the growth of SMEs in Namibia. The goal was achieved using the following objectives:

- a) Identification of the type of debt financing obtained from the bank by SMEs;
- b) Determination of the level of debt employed by SMEs from the bank;
- c) Establishing whether firms are sufficiently funded for their operations;
- d) Identification and determination of the best suitable debt financing option for SMEs.

1.5 Significance of the study

The study aimed to contribute to the field of SME financing especially to the banks; on how to improve the financial environment and expand their lending portfolios to SMEs. The findings would be useful specifically to SMEs - to enable them to make better informed financial decisions with regards to funding. In addition, the results would enable policy makers to make informed decisions regarding the financing of SMEs.

Furthermore, stakeholders are the determinant of firms' survival; hence, the study contributes to the stakeholder theory by emphasizing the need to recognise firms' stakeholders, the extent of the relationship, and balance off their interest to create win-win situation. Therefore, the findings contribute towards improving the stakeholder engagements for the benefit of creating shared value for all.

1.6 Conclusion

This chapter provided a brief introduction to SMEs funding concept and, highlighted further, an overview of SMEs financing and how it contributes to countries' economies. The SMEs financing includes short and long term funding options. In this overview, the banks' relationship with SMEs was also discussed. The chapter further stated the research problem which indicated that there was a gap in research due to previous studies not being consistent and those that focused on the

relationship between financing and performance only looked at large firms. The research goal and objectives were also highlighted. The significance of the study particularly the contribution it might make to existing knowledge and to banks, policymakers, and SMEs concluded the chapter.

Chapter 2

Literature review

2.1 Introduction

According to Ipek Erdogan (2019) finance is crucial to the growth of SMEs and through their intermediation role, commercial banks are seen as a financial bridge to assist the SMEs. Amoako-Adu and Eshun (2018) state that debt financing from banks has been recognized as the effective and affordable source of capital for the SMEs. Moreover, in servicing the SMEs in terms of accessing finance, there are many stakeholders involved and those affected by the operations and success of SMEs. In this regard, this chapter provides literature on the concept of financing and growth of SMEs and the stakeholder theory which informs the study. The chapter also looks at the performance of the SMEs that are debt funded by the banks in an effort to achieving the research objective (to determine the effectiveness of debt finance on the growth of SMEs).

2.2 Definition of SMEs

Zhang and Ayele (2022) highlight that there isn't a universal definition that is widely accepted because of a lack of association in the criteria. However, the fact remains that the importance of SMEs definition is undisputable. Although there is no generally accepted definition, Musa and Adeyemi (2021) defines SMEs as non-subsidary, independent firms which employ less than a given number of employees.

The SMEs definition gets even more complicated because individual banks in the same country also use different definitions of SME for their own tactical and risk management purposes. In countries, such as South Africa, a commonly known definition of the SME is followed which is, the number of employees per firm size category combined with the annual turnover categories and the gross assets. Additionally, the Small Enterprise Development Agency (SEDA) (2016), illustrates the definition as follows:

Table 2.1 Definition of SME

Size	Number of employees	Annual Turnover	Maximum Balance sheet
Small	Less than 50	R2m to R25m, depending on industry	R2m to R4.5m, depending on industry
Medium	Less than 200 depending on industry	R4m to R50m, depending on industry	R4.5m to R18m, depending on industry

Source: Small Enterprise Development Agency (SEDA), (2016).

2.3 Theory underpinning the study

The development and sustainability of SMEs has received growing interest along with the relationship of SMEs and their stakeholders (Manzaneque-Lizano, Alfaro-Cortes, and Priego de la Cruz, 2019). Researchers such as Caputo, Buhnova and Wallezky (2018), proposed that stakeholders are possible drivers of the firms' sustainability and play an important part in obtaining resources that are needed for business survival and growth and therefore attention should be given to the relationship that SMEs have with their stakeholders.

The study is underpinned by the stakeholder theory which assumes that business is a system whose existence depends on its surroundings (Caputo et.al 2018). The relationship with the key stakeholders contributes to enterprises' income generation and increased performance (Caputo et.al 2018).

A study by Ipek Erdogan (2019). which analysed the relationship between banks and SMEs shows that relationship lending might not be fully beneficial for SMEs. This study showed that the SMEs that have a longer relationship with a bank have greater access to loans, even if they bear higher costs of debt. Furthermore, the results indicated that the trust prevailing between the firm and the bank enhances access to bank financing and lessens the cost of debt, however more guarantees are required for pledges. It is therefore concluded by Harc, Basarac Sertić, and Andabaka, (2017), that a relationship built on trust is a better approach to improve SMEs access to finance than the concentration and duration of a bank relationship as there is no flexibility to change banks and this could result in higher interest rates.

Isaksson, Garvare and Johnson (2015), identified SMEs' stakeholders in a more broader manner and listed them as the society, natural resources, and humanity as primary stakeholders whereas; Ginting (2016), identified stakeholders as internal including employees or external such as suppliers. Moreover, Westrenius and Barnes (2015) list SMEs stakeholders as employees, customers, suppliers, family the government, and local community as well as owner-manager.

According to Alsayegh, Abdul Rahman and Homayoun (2020) viewpoint, all stakeholders are "customers"—they all have decisions to make in terms of whether the value a firm provides is greater than opportunities sacrificed. Stakeholder theory, according to Torelli, Balluchi and Furlotti (2020); Sulkowski Edwards and Freeman (2018) underlines the reality that firms have to take into account and integrate the needs of all its stakeholders in the way they operate their business to create and distribute value. Despite the importance of stakeholders for SMEs, not much theoretical and empirical research has been done on how managers understand stakeholder relationships and their management (Torelli, Balluchi and Furlotti, 2020).

Furthermore, crucial questions such as which stakeholders are significant to SMEs, how do SMEs engage with their stakeholders (if at all), and what is the nature of these relationships, have barely been asked (Grama-Vigouroux, Saidi, Berthinier-Poncet, Vanhaverbeke, and Madanamoothoo, 2020). For example, the dominant stakeholder for an SME is often one large company to which the SME is financially tied; which, in the case of this study, is the selected commercial bank. Firms have stakeholders and should proactively pay attention to them (Laczko, Hullova, Needham, Rossiter and Battisti 2019), and firms that diligently seek to serve the interests of a broad group of stakeholders will create more value over time (Grama-Vigouroux, Saidi, Berthinier-Poncet, Vanhaverbeke, and Madanamoothoo, 2020). Stakeholder theory emphasizes the joint-ness of stakeholder interests and the need for all stakeholders to benefit over time through their cooperation (Barney and Harrison, 2020; Lu, Xu, and Zhang, 2022).

These stakeholders include customers, communities in which the firm operates, suppliers of capital, equipment, materials, and labour. However, firms may also have other legitimate stakeholders specific to their own situations (Sulkowski, Edwards, and Freeman, 2018; Breuer, Fichter, Lüdeke-Freund and Tiemann, 2018).

Financiers provide capital and face uncertainty as they hope for returns from the firms in which they invest. In the same vein, suppliers give up goods and services as well as time and other resources, and are also subjected to transaction uncertainties, in exchange for financial (and other forms of) payment. This in the end affects such stakeholders as banks and firms. Additionally, measuring performance through tangible and intangible factors is important to core stakeholders and allows organizations to better understand what stakeholders want and need—both as a reflective measure of how well firms have done and to help form new ideas about how firms will perform in the future (Harrison and Wicks, 2013).

The existing experiential literature, reviewed by Khan, Nijhof, Diepeveen, and Melis (2018); Harrison, Phillips and Freeman (2020); Freeman, Dmytriiev, and Phillips (2021) supports a positive connection between stakeholder-oriented management and firm performance, which is almost always measured in terms of financial returns. Subsequently, the pragmatic stakeholder literature itself strengthens the idea that financial returns are the most significant measure of the value created by a firm. Although financial performance is important to many of a firm's stakeholders, it is not the only aspect of value (Laczko, Hullova, Needham, Rossiter, and Battisti, 2019).

Creating processes for engaging stakeholders and understanding value creation from their perspective is critical to firm success and the ability to remain a vibrant business in the future. Thus, it gives managers the information they need to engage stakeholders where they are and enhance managerial ability to use such insights to create more value (Harrison, Phillips, and Freeman, 2020; Freeman, Dmytriiev and Phillips, 2021).

2.4 Financing the needs of SMEs

The financing of the needs and choices of SMEs relies on the firm's lifecycle and as the business advances, the firm also begins to adjust their capital structure (Cempakasari, Firdaus, and Hardiyanto, 2019). Similarly, SMEs potential to growth depends on the ability to improve and invest in the development of the firm by diversifying, being innovative, and becoming competitive in the market (Wijesinha and Perera, 2015). These investment developments require capital, both in the form of long and short term capital and the financing of such capital can be obtained from

various sources; thus making access to finance for SMEs crucial for their development (Wijesinha and Perera, 2015). Włodarczyk, Szturo, Ionescu, Firoiu, Pirvu and Badircea (2018) state that the banks are the main sources of offering external finance to the SMEs.

During the lifecycle phases of SMEs such as the startup, growth and maturity, SMEs have various debt financing needs (Wijesinha and Perera, 2015). According to Cempakasari, Firdaus, and Hardiyanto (2019), these as well as the financing options accessible for SMEs keep changing throughout different stages of their lifecycle. During the startup phase, the firm stands a high chance of failing should the business not be able to raise sufficient capital. At this stage, the firm is also cash strapped making it challenging to pay bills and operating costs and no bank would want to invest. The firm's survival at this stage is dependent on the ability to obtain increased working capital from the banking institutions for various funding solutions (Wijesinha and Perera, 2015; Nitescu, 2015).

The growth phase is the next critical stage, as firms begin to generate revenues and require additional short, medium and long-term funding to expand and increase productivity. At this stage of development, entrepreneurs get the attention of banks for financing and investments (Man and Macris, 2013; Wijesinha and Perera, 2015). However, Nitescu (2015) states that innovative SMEs could have even more problems at this stage because they might be faced with negative cash-flows, new business models promoted, and high initial investments needs in unconventional technologies. Gassler, Pointner and Ritzberger-Grünwald (2018) state that as SMEs enter a maturity stage, they begin to build a track record and develop the ability to be able to offer collateral. As a result, the firm progresses to accessing securitized debts.

As stated by Nitescu (2015), accessing financing solutions is interconnected with the enterprise growth stages and entrepreneurs' need to carry out an analysis on the type of funding they will require depending on their phases, pre-seed, startup phase, and early stage. According to Nitescu (2015), most of the banks offer financing solutions designed for SMEs covering financing needs for day to day firm activities such as working capital, payments of supplies and wages, funding acquisitions such as machines and equipment and other more sophisticated funding solutions.

Therefore, SMEs borrow for different reasons for their operations such as for business expansion (establishing of a new branch), acquiring of equipment and machinery, renovations, working capital, start up, acquiring business property, and for cash flow operations as discussed below;

a) Business start-up and expansion

According to Naude and Chiweshe (2017), SMEs can use debt finance to start-up or expand their operations, research and new product development as well as acquiring of latest production equipment and technology. Innovation combined with high technology can increase productivity and lead SMEs to maintain competitiveness for growth in the market.

b) Working capital and cash flow

The owners of firms should not only prioritize financial management skills and external competition in order to thrive in the business environment, but should also be committed to financial discipline in terms of working capital requirement as working capital has a direct impact on the business long-term growth and survival (Marfo-Yiadom and Agyei 2017).

Firms use working capital to afford short-term payments such as funding of operating costs, suppliers, debtors and inventories which occur during the period starting from the setting up of a business to the extent of going into operation and maintaining its activities (Konak and Güner, 2016).

According to Attom (2016), working capital needs to be managed. This is about managing components of current assets (such as cash, cash equivalents, stock) and current liabilities (creditors, and short term loans) that are employed by the firm and required in the day to day business operations. These components should be managed and monitored to ensure a smooth running of the business operations. Poorly management of working capital can cause the firm to struggle with day to day performance of business activities and eventually business failures (Masocha and Dzomonda (2016).

c) Assets and equipment purchasing

Samudzimu and Munkumba (2022) indicates that both new and existing SMEs need resources such as a vehicle, plant and equipment and other fixed assets to be able to attain a competitive advantage in the marketplace. If a firm has access to long-term debt finance, it can invest in new capital and equipment and new technology - which might help to increase productivity (Sibanda, Hove-Sibanda, and Shava, 2018).

Tamulevičienė and Mackevičius (2019) stated that tangible fixed assets are one of the most significant financial indicators describing the financial position and activity results of an enterprise. Tangible fixed assets are physical and include land and buildings, machinery and equipment, vehicles as well as tools and installations. Tangible assets play an active role in creating wealth of the firm and have a direct impact on the performance of enterprises as well.

SMEs owners decide what type of assets to invest in and how effectively these assets are used to achieve good financial state of the firms (Tamulevičienė and Mackevičius, 2019). They are valuable and offer particular economic benefits for the enterprise. However, due to high credit risk involved with SMEs, lending institutions require collateral as a back-up for loan financing which is commonly physical assets such as land or a house (Amoako-Adu and Eshun, 2018).

2.5 Capital structure of SMEs

Equity and debt financing are considered as the main sources of SME financing for growth and capital expenditure. Hirdinis (2019), state that when funding business operations, the determination of a firm's best financial structure is vital in deciding how much money should be borrowed. This also includes the suitable mixture of debt and equity as the choice can influence the value of the firm and financial performance.

SMEs owners choose to seek debt financing over equity financing because they want to have full ownership and control of their firms. SMEs seek financing from banking institutions as a source of short-term debt financing which can be converted to long-term debt (Msomi and Maharaj, 2022). Debt financing includes short as well as long-term loans from friends, relatives, banks, and micro financing loans (Amoako-Adu and Eshun, 2018).

Deciding between short and long-term debt is crucial when making a capital structure decision because there are benefits and disadvantages associated with the both short-term and long-term debt decisions (Panda and Nanda, 2018; Mahmood, Han, Ali, Mubeen and Shahzad, 2019) as illustrated in the table below;

Table 2.2 Advantages and disadvantages of short and long term facilities

Time frame	Advantages	Disadvantages
Short term Matures within one year or less (Shikumo, Oluoch and Wepukhulu, 2020).	<ul style="list-style-type: none"> • Unsecured lending (Dimitrova, 2021). • Offers zero to lower interest rates. • Offers flexibility (Kahl, Shivdasani and Wang, 2015). 	<ul style="list-style-type: none"> • Requires constant refinancing. • Vulnerable to interest rate changes (Wijesinha and Perera, 2015).
Long term Repayable over one year (Panda and Nanda, 2018).	<ul style="list-style-type: none"> • Affordable instalments. • Offered on fixed contract/term (Panda and Nanda, 2018). 	<ul style="list-style-type: none"> • High interest rates. • Collateral lending (Wijesinha and Perera, 2015).

Start up and small businesses mainly use short term loans because the lenders are mostly less willing to take big risks with new companies. Wijesinha and Perera, (2015) short term debt are normally taken out for a specific expenditure, such as purchasing equipment or settling a debt. Mahmood, Han, Ali, Mubeen and Shahzad (2019); Yazdanfar and Öhman (2015) state that there is a positive relationship between short term debt financing and financial performance leading to a firm's growth opportunities. The same sentiment was shared by Diamond and He (2014), who stated that firms that had high short-term debt levels when compared to their long-term debt performed better than their peers.

Short term loans allow business to increase working capital by enabling firms to expand and invest as they are used for various purposes such as obtaining materials for projects and purchasing of equipment and plant facilities (Wijesinha and Perera, 2015).

2.6 Debt financing of SMEs

SMEs are considered the pillar of the economy, as globally, they account for over 90% of businesses (Chávez, Koch-Saldarriaga, and Quesada, (2018); Obuya, (2017)). The success of the SMEs is portrayed in their performance and growth. However, the continuing and sustainable growth of SMEs heavily depend on accessing finance which in turn will boost economic development. According to Chávez et.al, (2018), the World Bank group's SME finance portfolio globally includes close to \$ 4.8 billion in active lending in 47 economies with 61 lending projects. In countries such as Kenya, Nigeria, Rwanda, South Africa, and Tanzania, the share of SME lending in the total loan portfolios of banks ranges between 5% and 20% (Chávez et.al, 2018).

Financing of SMEs is obtained from institutions such as microfinanciers, commercial banks, trade credit, government, friends, and families (Obuya, 2017). According to Włodarczyk, Szturo, Ionescu, Firoiu, Pirvu and Badircea (2018) a large body of the existing literature has documented that banks are the main external capital provider for SMEs' sector in both developed and developing countries. Moreover, Duqi, Tomaselli and Torluccio (2019) state that small businesses tend not only to borrow from banks but also to concentrate their borrowing at a single bank with which they have a long-term relationship.

Ombi, Ambad and Bujang (2018) explain that banks do not only provide the necessary capital to establish new SMEs or expand, but they also offer a variety of services and financial products. These services cover every aspect of the financial market such as overdraft facilities, term loans, trade bill financing, factoring, leasing, export and import finance, and even government loan guarantee schemes (Kuruwitaarachchi, Yajid, Khatibi, and Azam, 2019). In addition to this, the literature also reports that other benefits include lower cost of credit, protection against credit crunches and the provision of implicit interest rate or credit risk insurance (Shamshur and Weill, 2019). According to Nutescu (2015), most banks offer devoted specific financial solutions for SMEs which cover day to day funding needs and firm activities such as salaries, working capital, supplier payments, machinery, and equipment.

Ye and Kulathunga (2019) reason that in spite of the fact that bank financing is more expensive in comparison to other sources of finance (for example internal finance), it generates a higher rate of

return for SMEs. The explanation given by them is that SMEs use the funds more efficiently when they are monitored by, and are answerable to banks. They then conclude that bank finance can help SMEs accomplish better performance levels than other financing sources can do. A study carried out by Jepkorir et.al, (2019), indicated that debt capital usage in Kenya has been increasing and shows that firms have sustained a suitable growth and profits throughout the markets. Safavian, and Zia (2018) however argues that when SMEs obtain funding from commercial banks, they are charged commission for accepting the risk. This in turn raises the borrowing costs.

Moreover, Nitescu (2015), states that SMEs are often faced with tightened credit conditions and that when choosing financing, SMEs must consider such aspects as amounts required, the suitable finance solution, the business setting, the effectiveness for accessing the funds, and contractual obligations. Nitescu (2015), indicates that besides the lenders carrying out assessments on SMEs lending, SMEs themselves should also carry out their own analysis on the business opportunity, suitable repayment conditions, and borrowing capacity. Ayyagari et al (2010) confirm that while a relatively small percentage of firms utilize bank loans, bank financing is associated with faster growth whereas informal financing is not. From the perspective of banks, SMEs segment represents a strategic profitable part of bank business. In this regard, Duqi, Tomaselli and Torluccio (2019) describe the engagement between SMEs and banks as integral.

Cheong, Lee, and Weissmann (2020) adopts a different view, stating that banks often do not see SMEs as profitable and this is because of high costs involved in transactions when providing loans to SMEs compared to larger businesses. Furthermore, Cheong, Lee, and Weissmann (2020) points out that commercial bank loans are approved with short repayment terms. This makes the loans expensive to repay since they attract high interest repayment rates. The same sentiment was shared by Abe, Troilo, and Batsaikhan (2015) that banks face higher costs when dealing with SMEs because the credit monitoring process requires a broader branch staff network. Furthermore, Abe et al, (2015) indicate that SMEs lending highly contributes to non-performing loans because SMEs lack risk management skills.

Cecchetti (2011), indicates that adequate debt level enhances a firm's growth. He argues further that a higher level of debt might result in a decline of business growth which may result in a firm

channeling out most revenue towards debt repayments and also increase the risk of a firm. High debts also prevent enterprises from undertaking profitable developments due to the inability to attract further debts from financial institutions.

In conclusion, Nitescu (2015) states that accessing financing solutions is interconnected with the enterprise growing stage and entrepreneurs need to carry out an analysis on the type of funding they will require depending on their phase, for example, startup phase, early stage, or pre seed. Nitescu (2015) further states that the extent to which SMEs make use of debts depends on various factors such as managing experience, entrepreneurs' culture, and supply of equity. However, a studies carried out on the impact of debt financing and performance of firms have shown inconsistent results (Jepkorir et.al, 2019).

2.7 Types of debt

The most applicable debt financing source for SMEs are credit line or overdraft, bank loans, leasing or hire purchase and mortgage/property financing (Harc, Basarac Sertić and Andabaka, 2017; Yinusa and Elumah, 2017). Borrowers must pay a specified amount of interest to the lenders at a fixed interval irrespective of the financial condition of the company or investment returns. Banks provide various financing facilities through various parameters as shown below:

Table 2.3 Types of debt

Facility	Parameter
Credit line or overdraft	<ul style="list-style-type: none"> • Offered through revolving credit facility (Dimitrova, 2021). • Offers lower cost of credit Shamshur and Weill (2019)
Loans; <ul style="list-style-type: none"> ✓ Term loan ✓ Property loan or commercial mortgage loan ✓ Business loan 	<ul style="list-style-type: none"> • Channelled through ownership of assets such as houses, apartments, shops and/or offices. (Sasikirono, Sumanto, Sudana, and Meidiaswati, 2019).

	<ul style="list-style-type: none"> • Mortgage financing used for purchasing of land development and existing buildings (Yinusa and Elumah, 2017). • Commercial mortgage loan is long term funding and interest rates are granted at a fixed rate and term (Decardi-Nelson, Asamoah, Solomon-Ayeh and Nduro (2012). • Requires life insurance policies and security (Chen, Lee, and Pei-Fen, 2020)
Leasing or asset-based financing	<ul style="list-style-type: none"> • Used to finance new equipment such as machinery and motor vehicles (Wijesinha, and Perera ,2015) • Quick and easy to obtain and has no collateral requirements; asset itself serves as collateral. (Kraemer-Eis and Lang,2012).

Source: Researcher’s own design

2.8 Factors influencing lending decisions to SMEs

Pledging collateral to secure loans is a common requirement of obtaining credit from financial institutions (Gama and Duarte, 2015) and it is seen as one of the effective mechanisms of easing access to finance for SMEs and can reduce the credit risk of the loans (Rahman, Rahman and Ključnikov, 2016). Rahman, Rahman, and Ključnikov (2016) also confirm that by pledging collateral, borrowers tend to demonstrate their ability of repayment and that they can request the bank loans with lower interest rates.

Amoako-Adu and Eshun (2018) highlight that even though collateral is a commonly observed debt contracting feature, the primary motivation for collateral is not well understood due to lack of

information between borrowers and lenders. On the other hand, Grunert and Norden (2012), indicate that pledging collateral for the SMEs is required due to the inability to show credit worthiness to the banks. The banks tend to request for collateral as an underlying asset to back the loan because of the high credit risk of the micro-businesses and SMEs (Amoako-Adu and Eshun, 2018; Calice, Chando and Sekioua, 2012). Calice et.al (2012) carried out a study on bank financing for SMEs in East Africa and their sample reported that 94% lending banks tend to request collateral as a condition for granting loans to SMEs. Therefore, being able to meet collateral requirements has a positive impact on accessing debt finance.

Matsongoni, and Mutambara (2018); Ibidunni, Ogundana and Okonkwo (2021) indicated that because SMEs are more insecure and informal, more vulnerable to economic and political shocks and their firms are not easy to evaluate, lenders tend to ask for a higher value collateral in comparison to what they demand from larger companies. Collateral is required by the banks to increase the security of credit and the more sufficient the collateral is, the lower the loan interest rate (Jin, Ke, and Chen, 2022).

Collateral commonly tends to be physical assets of land or a property/house of which valuation of the property is mandatory (Amoako-Adu and Eshun, 2018). However, Calice et al. (2012) expressed concerns and nightmares with the valuation processes involved in getting the assets verified and registered in terms of ownership especially in African countries. With limited documentations, it is not easy to determine the legitimate owner of the pledged collateral and seizing and selling collaterals is not a core business of financial institutions. Another loan backing which banks use to lower the credit risk is a method of cash flow lending. Cash flow lending is where the loan application approval is determined based on the strength of the projected cash flow and equity value of the firm (Amoako-Adu and Eshun, 2018). To analyze the credit risk and forecast the cash flows, the bank requires historical financial statements from the borrower.

Chmielewski and Pirraglia (2015), conclude that the business ability to pay, history of cash flow, credit report, income tax returns, business plan, financial statements, personal resumes, legal documents, and collateral are the crucial factors considered when making decisions on small business loan financing. Moreover, authors like Adebisi, Alaneme, and Ofuani (2015); Ps and

Trivedi (2019) conclude that time in business/ or business experience of the firm and monthly income and the loan size and length of the loan's maturity period as factors affecting loan decisions.

In countries such as South Africa, unsecured credit is gaining popularity amongst all the leading commercial banks. Instead of relying on financial statements, banks also now rely on the borrowers' cash flow estimates through observation of the business or analysis of payments into a transactional account (Tutliha and Rahayu, 2019). Uriawan, Hasan, Badr and Brunie (2021) noted loan amount, the urgency of the loan request, other loan options as well as terms and conditions as considerations when granting a small firm loan. In addition, Akhtar and Liu (2018) state that proof of earnings, savings and investment statements, employment records, debt-to-income ratio, and mortgage and credit scores were the determining factors. In analyzing the repayment ability of firms, Boushnak, Mohammed and Aiman (2018) concluded that the owner manager's character, collateral capacity, capital size, conditions (known as 5Cs of lending) and the availability and credibility of financial statements are important considerations in making a good credit decision.

2.9 Performance of SMEs

Performance of an enterprise is characterised by sales, profits and returns (Bali moune-Lutz and Lutz, 2017), which is directly reliant on access to long and short term loans. According to Giang, Trung Yoshida, Xuan, and Que (2019), the nature of debt is an important determinant of productivity of a firm and long term finance was found to contribute to a firm's productivity. Accessing long term debt finance allows the business to capitalise on new investments which in turn increase productivity whereas, short term debt financing was found to deplete the working capital. This affects the running and operation activities of the enterprise.

Accessing finance provides SMEs with the capacity to expand especially on innovation and also presents an opportunity to improve on productivity (Naude & Chiweshe, 2017). In support of the latter, a study done by Ye and Kulathunga (2019) found that sufficient funding of SMEs also increases the strength to enter global markets. Numerous funding sources are available and accessing them is important to SMEs as they define their performance and survival (Sibanda, Hove-Sibanda, and Shava, 2018).

A study carried out by Sibanda, Hove-Sibanda and Shava (2018) in Zimbabwe indicates that some SMEs productivity levels are improved by debt finance and that long term debt finance influences productivity. However, Abe, Troilo, and Batsaikhan (2015) argued that despite banks offering various loans with different terms and complementary finances such as discounted rates, SME development finance through commercial banks is not usually successful.

It is evident from research that debt financing enhances the SMEs performances, however it is not the only factor that is playing a role and positively influencing in the SMEs' performance. Ndikubwimana (2016), indicated that successful firms perform because they have strong managerial and entrepreneurial skills which contribute to the profits and sustainability of the firms. Furthermore, Tarfasa (2016) confirms that the firms with ownership structure consisting of partnership performs better than sole proprietor because the enterprise gets exposed to different member experiences of running a business and willing to take more risks to drive business. These firms are also able to reach competitive advantage as they focus on skills enhancement in the key operation functions.

Another factor playing a role is location. Unlike the enterprises located in rural areas, firms situated in the city have a potential of quick growth as they gain entrance to big consumer markets and purchasing power (Nathan, Molefhe, Mupimpila, Nkuba, and Okurut, 2015). Urban areas offer easier access to critical resources such as water, electricity, and technologies which are important for growth and performance. Businesses located in urban areas also benefit from inter-firm cooperation and social networks that offer useful information in dealing with obstacles and overcoming challenges faced by SMEs (Wolde and Geta, 2015).

In a study carried out by Kambwale et.al, (2015) in Namibia, it was concluded that education of business owner plays a critical role in contributing to the SME growth and performance. This was further supported by Leza, Rajan, and Kuma (2016) that education level influences growth as it enables the business owners to gain access and exposure to new information that can improve the production and distribution of goods and services. The firms managed by educated owners also perform better because manager's exposure and ability to make better informed decisions is running and monitoring the enterprises.

Tarfasa, Ferede, Kebede and Behailu (2016) recognize that because firms also operate in different sectors/industries, some sectors are believed to perform and grow more than others. In Ethiopia, for example, firms operating in construction are noted to be growing quicker and better than those in manufacturing.

2.10 Failure of SMEs

Although the reason for establishing a business is to continue growing and operating in future, firms still experience failure. It is not only the business owners that are concerned with business failures but also the government that must bear the impact of failure such as creating jobs (Meressa, 2020). Bushe (2019) stated that because SMEs are different in terms of industry operation and were run by people with different set of skills, the causes of failures were also different. Various scholars such as Kambwale, Chisoro and Karodia (2015) have highlighted reasons for SME failures in their study carried out in Windhoek and concluded that lack of training and funding, poor planning and management skills and regulation limitations are some of the reasons for SME failures. Kambwale et.al, (2015) further noted that firm locations or business sites also contribute to failures when no proper investigations and analysis are carried out in determining the possibility of future growth and market.

In a study carried out in South Africa by Bushe (2019), poor financial management has been mentioned as one of the reasons why SMEs are failing in South Africa. This occurs as they fail to properly handle the inflow and outflow of money in a firm. Kambwale et.al, (2015) also noted that finance and proper managing and accountability, lack of financial education and management skills of those funds are crucial especially when in the startup stage of the firm. Poor marketing has also been pointed as contributing factor to SMEs failures (Bushe, 2019). SMEs are mentioned as incapable of providing the markets with good products and suitable pricing. It is thus concluded that poor marketing is a contribution to business failure. However, pricing has also appeared to be important, as wrong pricing can hinder the success of SMEs and determines the objective of the SMEs - which is profit (Wanzu, Turyakira, and Katumba, 2019).

SMEs in both developed and developing countries still face various challenges and complications that hinder their growth and operations; thus leading to failures. Amongst the reasons for SMEs

failures observed, are limited access to finance and high costs of financing the SMEs (Asare and Angmor, 2015). In countries such as Ghana, there has been a recorded decline in SMEs performance and even some closures. SMEs fail to perform financially because of mismanaging loans. Another challenge is that excessive debt in the financial structure continues to cripple the performance, which could be overcome by providing appropriate financial training to SME managers, thus preventing business failure (Kambwale et.al, 2015).

A study carried out in South Africa by Fatoki (2018); Bushe (2019) concluded that SME factors contributing to failures can be both internal and external. Internal are factors that are within the control of the firm and external are uncontrollable by the firm. SMEs fail because of internal matters such as lack of management skills and experience, non-trained workforce, and poor customer services. This is supported by Ndikubwimana (2016), noting that the people involved in the managing of operations are poorly trained, lack explicit skills and lack technological know-how and this contributes to the failure of SMEs. Bushe (2019), stated that a firm prospers more when entrepreneurs hire skilled workers to operate machinery and equipments and agrees that lack of management skills can be a disaster for small firms. Kambwale et. al (2015), concludes that firms need skilled management personnel in order to succeed in managing and controlling business resources. Failures that are experienced as a result of external factors increase business costs, for example, supplies, competition, lack of proper logistic chains, and high distribution costs (Fatoki, 2018; Nguyen, Nguyen, Nguyen, Do and Ngo, 2022).

Furthermore, Ndikumbwimana (2016) indicated that SMEs function at the operation levels and do not have a relationship with other business functions in the firm and this leads to poor business efficiency within the SMEs. Another reason for failure noted in South Africa is lack of support structure developments for SMEs. Structures such as incubation facilities and development parks (Msomi, Ngibe and Bingwa, 2020) are lacking. According to Kambwale et.al (2015) and Bushe (2019), SMEs also fail because they are not able to manage firm growth and lack of entrepreneurial mindset. Debelo, Teshome and Minalu (2015), noted that enterprises fail because of lack of access to proper infrastructures such as electricity, water, and communications.

This hinders the growth and potential of firms to compete in the markets. Literature has indicated that there appears to be no overall conclusion on the causes of business failures and it this leaves a challenge in overcoming the failures.

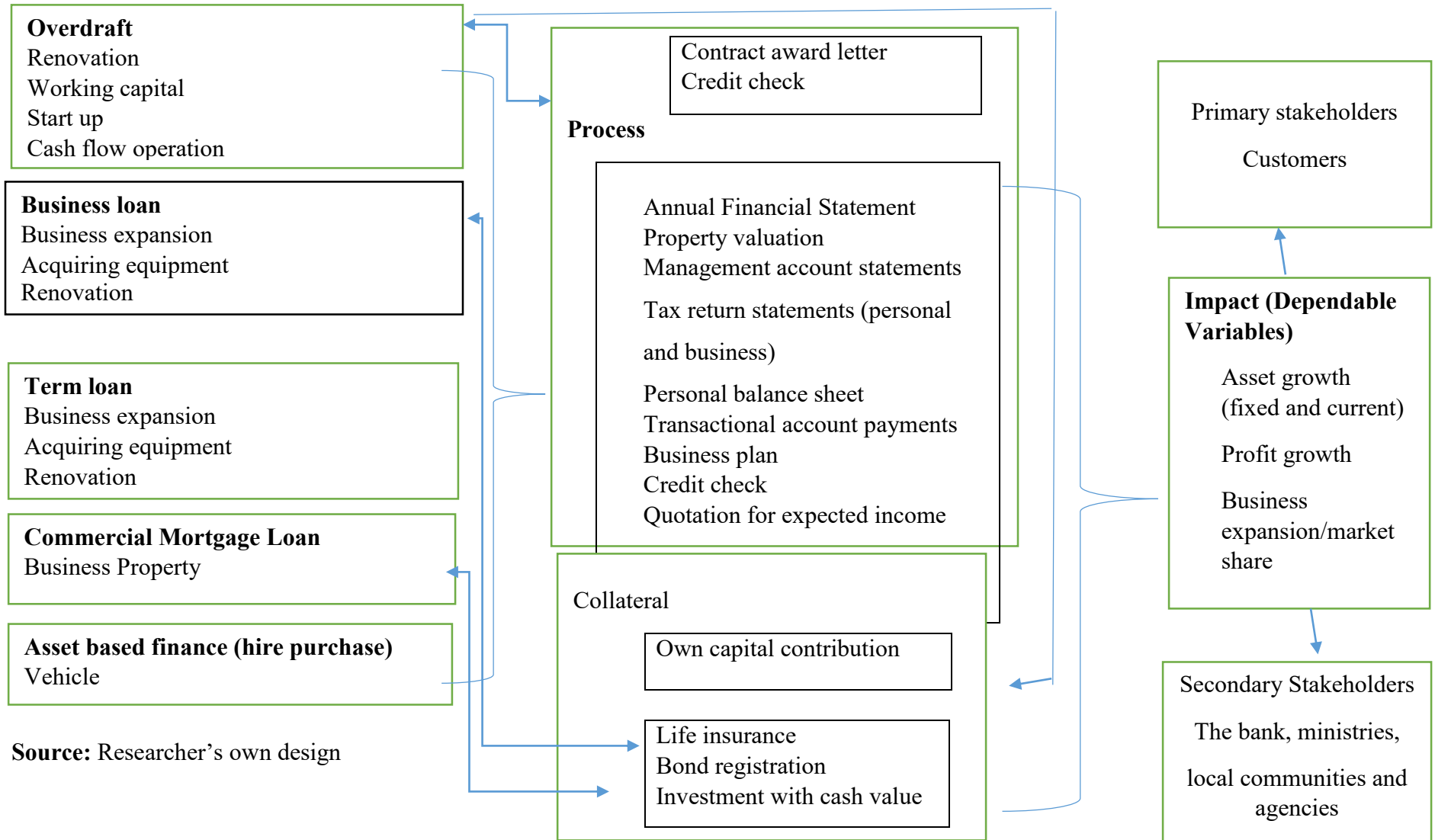
2.11 Conceptual framework

The idea of designing a conceptual framework is to incorporate all the appropriate aspects of a concept to reach a process that can deliver the best probable explanation of the problem identified Kivunja (2018). Amoako-Adu and Eshun (2018) state that debt financing from banks has been recognized as the effective and affordable source of capital for the SMEs.

According to Włodarczyk, Szturo, Ionescu, Firoiu, Pirvu and Badircea (2018), it is believed that a large body of the existing literature on debt finance has documented that banks are the main external capital provider for SMEs sector in both developed and developing countries. Blach, Wieczorek-Kosmala and Trzęsiok (2020), also noted that both internal and external sources of finance are identified as the most important determinants of SMEs growth.

Since the success and growth of SMEs greatly depend on accessing finance either from internal or external, it is important to propose a framework that illustrates the anticipated flow of the connections among the variables under study. The frameworks help guide future research on determining SMEs access to debt financing, performance, and growth. The diagram below shows the relationship between SME growth and performance and debt financing as the study variables. The SME growth and performance is a dependent while debt financing is an independent variable.

Figure 2.1 Conceptual framework



According to Apuke (2017), an independent variable which can also be termed as the explanatory variable is the assumed cause of the changes of the dependent variable, whereas a dependent variable refers to the variable which the researcher wishes to clarify.

The researcher also draws from the stakeholder theory to propose the conceptual framework which looks at the links among stakeholders, access to debt finance, and SME growth. The proposed framework provides an understanding about the role and the relationship that stakeholders play in the success and performance of SMEs, thus giving an insight on the research topic.

The firms rely on debt financing for the support and growth of their business. According to Too and Simiyu (2018), a firm's performance can be defined and measured in terms of profitability, growth, market value, total return on shareholder, economic value added, customer fulfilment, based on the stakeholder's expectations. Rashid (2021) reveal that most experts consider that a firm's performance is quite similar with financial performance and therefore measured using financial analysis tool for financiers, decision-makers, creditors and other stakeholders. However, Cho, Chung and Young (2019) states that for stakeholders not only financial performance matters but also the relationship amongst them.

Abbas, Raza, Nurunnabi, Minai and Bano (2019), defined the performance of small enterprises as their capacity to contribute to employment and wealth creation through firm startup, survival and growth and Ye and Kulathunga (2019) added that adequate financing of firms has a substantial effect on the survival and success of small enterprises.

Based on the key concepts/variables, the following propositions were generated:

1. There is a positive relationship between debt finance and the performance of SMEs.
2. There is a positive relationship between debt finance and the growth of SMEs.
3. SMEs obtain both short and long term debt financing from the bank.
4. The SMEs are not sufficiently funded by the bank.
5. There is no best suitable debt financing option for SMEs.

The framework is designed based on the literature reviewed on different financing options both internal and external that support the performance and growth of SMEs. The design is centred on the effect of debt financing on the growth of SMEs and the actual forms of finance used by small

and medium-sized enterprises as well as the relation between the use of debt finance and enterprise performance.

The conceptual framework of the research can be seen in figure 2.1, in which the dependent variable is firm performance as measured in terms of growth in the sale and revenue, assets growth and organic business growth. The independent variables of this research are external source of funding obtained from the bank both short and long term.

2.12 Research gaps identified in the literature review

The ultimate goal of literature reviewing is identifying research gaps. Rowe (2014), states that a literature review ought not only scrutinize previous research, but also find/identify research gaps. In this study, several research gaps emanated from the literature that was reviewed.

Firstly, the concentration of articles reviewed was mainly based on the challenges that SMEs face when obtaining bank debt financing, failure reasons and how lack of funding cripples the SMEs. Despite the challenges, SMEs do obtain funding from the bank. However, most previous researchers do not focus on those SMEs that have since obtained funding from the bank and their performance and sustainability thereafter. This is the gap that this study identified and closed this gap by looking at the performance and growth of those SMEs that obtained bank debt funding.

Secondly, past reviewed articles did not focus on the bank's non-financial support services (if any) that is offered to the SMEs by the lending financial institutions. This study attempted to close this gap by looking into the type of support and non-financial services that SMEs received or expect to receive from the bank. Lastly, not much literature had excavated into the actual type of debts (products) that the financial institutions offer to SMEs (if any products exists that are tailored specifically for SMEs). This study had an opportunity to close this gap by concluding with the findings that there is no best suitable product designed for SMEs.

2.13 Conclusion

This chapter defines SMEs and highlights their importance to economic development and growth. The theory that informs the study and the relationship between the theory and the stakeholders

were also presented. The chapter also provided a comprehensive review of related literature. The review particularly considered the financing needs of SMEs, their capital structure, and the types of facilities. The chapter further looked at the factors that influence the bank lending decisions to SMEs and the SME performance and failures. The chapter concluded by reviewing a developed conceptual framework as well as the propositions which are related to the findings of the study.

Chapter 3

Research Methodology

3.1 Introduction

The main goal of the study was to determine the effectiveness of bank debt financing on the growth of Small and Medium Enterprises (SMEs) in Namibia. This chapter outlines the research methodology used in conducting this study. The research paradigm, research design, sampling method and techniques used in data collection and analysis are discussed.

3.2 Research Paradigm

This study is underpinned by pragmatist epistemology which is that knowledge is constantly based on experience (Kaushik and Walsh, 2019). Morgan (2014), defines a pragmatic paradigm as researchers using the theoretical or methodological approach that works best for the particular research problem that is being investigated.

The pragmatism paradigm relates to abductive reasoning, meaning moving between both the deductive and inductive approach (Mitchell and Education, 2018). This study has a focus of SME owners borrowing from the bank and bankers making lending decisions to SMEs based on the banks policy and their knowledge and expertise. Interviews were conducted with the SME owners to provide an in-depth insight on the SME's debt funding and performance. Structured questionnaires were completed by the selected bank staff and these were used to understand how bankers perceived SMEs growth and performance with regards to debt finance. As highlighted by Park, Bahrudin and Han (2020), a pragmatic world is not only connected to one system, but embraces the two approaches of post positivism which support quantitative methods and deductive reasoning and constructivism which supports qualitative approach and inductive reasoning.

A pragmatic paradigm allows the flexibility to select numerous combinations of methods and to inquire from a variety of perspectives (Kaushik and Walsh, 2019). Thus, in pragmatist research, observations, experience, and experiments are all suitable ways to understand people and their world (Kaushik and Walsh, 2019). This paradigm was chosen as it allowed the subjects to explain

the object depending on its ability to achieve a goal or purpose rather than its utility or what it is (Mitchell and Education, 2018). The paradigm was suitable for this study as it allowed the participants to explain in detail how effective funding provided to SMEs influenced their growth. Morgan (2014), indicates that pragmatists' emphasis is on the nature of experience while other philosophies focus on nature of reality. Although Morgan (2014), acknowledges that all knowledge is socially shared because of shared experience, he concludes that every individual develops a unique understanding, which is based on their experience.

3.3 Research design

There are three types of research designs that a researcher can choose from; qualitative, quantitative, and mixed methods. Creswill (2014), defines research design as a set of procedures that guides a research inquiry. It is the method to be applied in collecting and analysing data. Mixed methods contain both qualitative and quantitative elements in research which is adopted by this study. Toyon (2021) indicate that unlike a single approach making use of mixed methods allows a greater expression of understanding to be communicated and a researcher can collect and analyse both data simultaneously. Almalki (2016), supports the mixed methods as an appropriate method as results from one method can inform another method by covering all matters of the research inquiry. It is for this reason the researcher used the mixed methods for this study.

3.4 Population

According to Majid (2018), a population is the complete group from which the required information is to be determined. The population of this study consisted of all the selected commercial bank SME clients and all bankers dealing with the SME portfolio. Population builds boundaries for the scope of study and allows the researcher to properly concentrate on contextualized results of the study (Casteel and Bridier, 2021). Defining the target population allows the researcher and readers to recognise the nature and extent of the group under study. This is crucial for the effectiveness of the research and also helps the researcher to set boundaries of who will be asked to take part in the study and for the researcher to manage resources efficiently (Casteel and Bridier, 2021).

3.5 Sampling method and size

Sampling is a process of selecting a sample from the population of interest (Taherdoost, 2016). Sampling technique is used by the researcher to choose a smaller number of representative items or people to serve as subjects for observation or investigation as per objectives of the study (Sharma, 2017). The researcher used this technique because it is impossible to test everyone in the population of the selected commercial bank's SME clients and bankers. Therefore, the study made use of a non-probability (quota sampling) to select a sample of six SME clients to represent the population. Non probability sampling according to De Vos (2011) is when the researcher does not know the odds of selecting a particular individual as the population size or specifically members of the population are not known too. In this type of sampling, participants do not have an equal chance of being selected for the study.

Quota sampling as Oribhabor and Anyanwu (2019) states, is a sample drawn as close to replicate the total population as possible based on certain criteria such as age, gender, or occupation. These strata are chosen according to their relevance to the topic of interest. Quota sampling allows the researcher easy access to the sample population and is a good choice when a researcher is pressed for time, as primary data can be collected in a short period and is cost effective (Yang and Banamah, 2014). This study used the following criteria to select a sample of six SME clients: industry type, number of years in operation and a variety of financing facilities received. This multiple informant strengthened the study's usefulness and achieved valuable and valid results.

In addition, the researcher used convenience sampling to select a sample of seven SME bankers to represent the population as indicated in section 3.4. Convenience sampling involves participants of the target population that meet definite practical criteria, such as easy accessibility, geographical proximity, availability at a given point with sufficient time and are willing to participate (Bhardwaj, 2019).

3.6 Data collection Instruments

3.6.1 Semi structured interviews

A semi-structured interview process was used to gather data from SME owners. This process is a common data collection method which is proven to be useful and flexible as it provides a platform for the discussion during interviews with participants, however, does not have to be followed too strictly (Kallio, Pietilä, Johnson and Kangasniemi, 2016). The study made use of semi-structured interviews with pre-determined open-ended questions as per the interview schedule for the qualitative data to provide answers to the primary objective. This is aligned to the pragmatic paradigm because it collected qualitative data and linked to stakeholder theory as SMEs are also stakeholders of the bank.

Participants were afforded an opportunity to ask for clarification and repeat of questions if needed. Semi structured interviews are used to gain a detailed picture of participants' beliefs or perception on the topic (De Vos, 2011), as it allowed an interaction between the researcher and participant.

3.6.2 Structured questionnaires

Structured questionnaires are commonly used in quantitative research and are defined as a set of questions completed by a participant. A questionnaire is a useful tool that is cost effective to design and administer (Dörnyei, and Dewaele, 2022). A questionnaire is further defined as a data collection instrument which is accomplished by the respondent in a written manner (Aithal, and Aithal, 2020). Questionnaires were used in answering the research questions and to supplement the qualitative data. Structured questionnaires were sent to the SME bankers email addresses. Those who could make use of google forms had questionnaires sent via google forms. Questionnaires protect privacy by providing respondent anonymity.

3.7 Data collection procedures

3.7.1 Qualitative data collection procedure

With respect to the procedure, the bankers identified the SMEs that are funded by the bank from the portfolios. The bankers then informed the SME owners that the researcher would contact them. SMEs were also informed that their participation was voluntary and the researcher required their consent in writing before interviews were conducted. The researcher then telephonically engaged SME participants and arranged for interviews. Before the interview began, the researcher requested participants to complete consent forms agreeing to partake in the interview and consent to the recording. The researcher also explained the purpose of the research to participants and informed them that participation in the study was voluntary and there were no monetary benefits to be derived from it.

During the interview process, the researcher asked participants questions as per the interview schedule to gain a detailed picture of participant's beliefs or perceptions on the topic. Each interview had 12 questions and an interview lasted for at least 30 minutes. This gave enough time to participants and the researcher to cover the relevant issues. This also enabled participants to provide their suggestions or recommendations on the subject matter. The interviews were audio recorded and assigned a code when transcribed and stored on google drive. Interviews were conducted with the SMEs owners to achieve the primary objective of the research which is to determine the effectiveness of bank debt finance on the growth of SMEs. The interview guide was divided into five sections:

- ❖ Section one: Type of industry and operating years of the SMEs

In this section, the respondents were requested to indicate the type of industry that the business was operating as well as the number of years in operation. The demographic data was to give a background to the profile of the SMEs.

- ❖ Section two: Borrowing decision, financing type, and term

In this section, information was requested to identify the motives behind the borrowing, the type of facilities obtained from the bank and the financing period.

The responses to these questions gave answers to the research objective of identifying the type of debt financing obtained from the bank by the SMEs. Ombi, Ambad, and Bujang (2018) explain that banks do not only provide the necessary capital for entrepreneurs to establish new SMEs or expand the existing ones they also offer a variety of services and financial products. Hence, what prompted your decision to borrow? The bank services cover every aspect of the financial market such as overdraft facilities, term loans, leasing, export and import finance, and even government loan guarantee schemes Kuruwitaarachchi, Yajid, Khatibi and Azam (2019). What type of funding did you obtain from the bank towards financing your business? A firm's productivity is determined by the nature of debt. Naude and Chiweshe, (2017) support that the availability of long-term finance lets firms to increase their productivity. Moreover, long-term finances allow firms to invest in new capital and equipment which helps to increase productivity. Lastly, for how long was the funding obtained?

❖ Section three: Borrowing capacity, usage, and collateral

In this section, the information was requested to determine the purpose and the borrowing capacity of the business, usage and collateral requirements. The responses to this question gave answers to the research objective of determining the level of debt employed by SMEs from banks. How much did the business borrow? Ye and Kulathunga (2019), explain that SMEs employ the funds more efficiently when they are monitored by, and were answerable to banks. What were the conditions of the loan, if any? There is a need for capital and access to finance by SMEs for them to perform and be able to efficiently contribute to economic growth and development. Sibanda, Hove-Sibanda and Shava (2018) further refers to financing as a precondition to the performance of enterprises. What was the loan used for?

❖ Section four: Debt financing and performance

In this section, the information was requested to determine whether SMEs are sufficiently funded and the impact of debt financing on the performance of the SMEs. The responses to this question gave answers to the research main goal which was to determine the effectiveness of bank debt finance on the growth of SMEs in Namibia and the objective of establishing whether firms were sufficiently funded for their operations. Did your bank grant you the facilities as applied for and

was it sufficient for your operations? Briefly explain. Evidence has been provided by Naude and Chiweshe, (2017) that all firms, irrespective of size, benefit from access to formal financing. Do you think it was a wise decision to use debt financing for your business? Explain how. Ye and Kulathunga (2019), concluded that bank finance could help SMEs accomplish better performance levels than other financing sources could do. What impact did the loan made towards your business in terms of growth?

❖ Section five: Financing choices of SMEs and support

In this section, the information was requested to investigate whether the enterprises needs had been met and to determine the financing options available towards SMEs. The responses to this question gave answers to the objective of identifying and determining the best suitable debt financing option for SMEs. SME finance typically refers to financial services catering specifically for small and medium-sized enterprises (Beck, 2013). Do you believe your bank avails the type of funding option that is suitable for SME business type? Please explain. Firms have stakeholders (i.e. customers, communities, suppliers, investors, bankers) that they should proactively pay attention to. Grama-Vigouroux, Saidi, Berthinier-Poncet, Vanhaverbeke and Madanamoothoo (2020) concluded that those firms which diligently sought to serve the interests of a broad group of stakeholders would create more value over time. Is there any other product / service that you would like banks to consider offering to SME business, besides SME loans? It is argued by Ye and Kulathunga (2019), that although bank financing was more expensive in comparison to other sources of finance (for example internal finance), it generated a higher rate of return for SMEs. Would you consider taking out a bank loan in future? Please briefly give reasons for your answer.

3.7.2 Quantitative data collection procedure

With regards to the procedure, the learning and development department communicated to the researcher about the permission granted to begin conducting research. Structured questionnaires were sent to the selected bank personnel. Prior to the collection, a brief meeting was held with the participants to explain the structure of the questions, and that the questionnaires would be sent to their email addresses and a google form used to answer the questions. Those who were not able to access google forms had to complete hard copies.

Participants were also informed that the researcher required them to give their consent in writing before completing the questionnaire. The questionnaire guide was divided into four sections:

❖ Section one: Demographic characteristics of participant

In this section, the participants were requested to indicate their department, position and number of years that they had been working with the SME portfolio, the industry of the SME that they were making reference to when answering the questions as well as the number of years that the SME business was in operation. This information was necessary to understand the expertise of the bank personnel, specifically working with SMEs portfolios as well as the experience of the SMEs owners in running the business.

❖ Section two: Lending frequency, capacity, facility type and need

In this section, the participants were requested to advise how frequently they lent to SME businesses, the borrowing capacity, the needs for business lending and the type of facilities that were requested by the SMEs. The respondents' answers gave effect to the following secondary research objectives; to identify the type of debt financing obtained from the bank and to determine the level of debt employed by SMEs from banks. According to Duqi, Tomaselli and Torluccio (2019) small businesses tended not only to borrow from banks but also to concentrate their borrowing at a single bank with which they have a long-term relationship. How often do you receive facility requests from your SME client? Please choose one. How much did the business borrow? There is a need for capital and access to finance by SMEs for them to perform and be able to efficiently contribute to economic growth and development. Furthermore, Sibanda, Hove-Sibanda and Shava (2018) refers to financing as a precondition to the performance of enterprises. What was the need for business borrowing? According to Kuruwitaarachchi, Yajid, Khatibi and Azam (2019), the bank services cover every aspect of the financial market such as overdraft facilities, term loans, leasing, export and import finance, and even government loan guarantee schemes. What facility did the business apply for?

❖ Section three: Interest rates, collateral, financing term and repayments

In this section, participants were requested to advise on the interest rates offered to enterprises, collateral requirements, financing and repayment periods.

Responses to these questions were used to determine the performance of the enterprises, the cost of credit and lending satisfaction to SMEs and to see if the loans were serviced with ease and repaid within agreed period. The respondents' answers gave effect to the main goal of the study which was to determine the effectiveness of bank debt finance on the growth of SMEs in Namibia and an objective of establishing whether firms were sufficiently funded for their operations.

Shamshur and Weill (2019) report that in addition to banks granting facilities (i.e overdraft, leasing), there were also other benefits including; lower cost of credit, protection against credit crunches and the provision of implicit interest rate or credit risk insurance. What interest borrowing rates was offered to the business? Ye and Kulathunga (2019) explained that SMEs used the funds more efficiently when they were monitored by, and answerable to banks. Was the SME business owner satisfied with the terms and conditions of the facility granted? Has the debt been repaid in full within the agreed period? If not, why? Ye and Kulathunga (2019) further argued that although bank financing was more expensive in comparison to other sources of finance (for example internal finance), it generated a higher rate of return for SMEs. Was the business able to service the loan with ease? If not, why?

❖ Section four: Financing choices of SMEs and support

In this section the participants were requested to clarify whether the bank availed funding specifically for SMEs and to advise whether they regarded debt financing as effective in contributing to the growth of SMEs and, in addition, to indicate if the bank offered any other support towards the SMEs and if there were commitments shown in making SME a success. The respondents' answers gave effect to the main goal of this study, which was to determine the effectiveness of bank debt finance on the growth of SMEs in Namibia as well as secondary objective to identify and determine the best suitable debt financing option for SMEs.

Beck (2013), defines SME finance as typically referring to financial services catering specifically for small and medium-sized enterprises. This also implies different lending techniques, product differentiation and possibly even different delivery channels for SMEs as opposed to large enterprises and retail clients. Do you believe the bank avails the type of funding options that is suitable for SME business type?

Naude and Chiweshe (2017) provided evidence that all firms, irrespective of size, benefit from access to formal financing. After granting a bank facility, what changes did you see in the SME business income/revenue generation? Choose one. From the perspective of banks, SMEs segment represents a strategic profitable part of bank business. In this regard Duqi, Tomaselli, and Torluccio (2019) describe the engagement between SMEs and banks as integral. Besides lending, do you offer any other kind of support to SME businesses? If so what sort? It is believed that a large body of the existing literature has documented that banks are the main external capital provider for SMEs sector in both developed and developing countries (Włodarczyk, Szturo, Ionescu, Firoiu, Pirvu, and Badircea, 2018). What do you consider as critical that the bank should help SME business with when it comes to making use of debts?

The questions were pre-tested on a banker who met the sample criteria before they were distributed to participants. The researcher explained the details of the research to participants and assured them of non-disclosure of their identities. Participants were then required to complete a voluntary consent form to give their permission to participate in completing the questionnaire and that they could withdraw their participation at any time. They were also assured that the information was to be treated with confidentiality and was used for the purpose of academic research only.

3.8 Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of collected data (De Vos et al, 2011). The study used thematic analysis to analyze primary data from interviews which Nowel, Norris, White, and Moules (2017) refer to as a method for identifying, analyzing, organizing, describing, and reporting themes found within a data set. During the data analysis, the researcher followed three steps: reducing the data referred to as coding, analyzing data by creating

patterns, and generating themes and drawing conclusion as narrated by Bertram and Christiansen (2014). After the interview was completed, the researcher identified patterns in the answers and colour coded them. Themes were created from the patterns which were then discussed. Nowel et al. (2017) found that a thematic analysis can yield reliable and insightful conclusions. Data from self-administered questionnaires was then populated and textually analysed aided by tables, graphs and pie charts. The data analysis was largely influenced by the theory as it determined how data was collected in the first place.

3.9 Quality criteria in mixed methods research

3.9.1 Credibility, Transferability and Trustworthiness

To obtain valid and reliable data, De Vos et al (2011) identified credibility, transferability, trustworthiness, and dependability as criteria for good research and to reflect the assumptions more accurately. SMEs participants strengthened the study's usefulness to achieve valuable and valid results. Similarities in responses strengthened the credibility in data. Questionnaires were piloted with the bankers who were not part of the study and this allowed an opportunity to reformulate questions that were not clear to allow the researcher to get correct data required for the study.

3.10 Ethical consideration

In terms of ethical requirements, the researcher obtained ethical approval from Rhodes University Ethics Standard Committee. This enabled the researcher to obtain gatekeeper permission from the commercial bank to carry out the study at their institution. This was done by sending formal letters requesting permission to the institution as well as participant consent letters.

The researcher explained the details of the research topic to the participants and assured them of non-disclosure of their identities. Participants were required to complete a voluntary consent form to give their permission to provide data and they could withdraw their participation and that the information was to be treated with confidentiality and used for the purpose of academic research only. Throughout the process, anonymity of both the bank and participants involved was

maintained. Moreover, data was presented in discrete variables and coded. Participants were also informed of the parties that could have access to the information.

3.11 Conclusion

The chapter covered the research paradigm used for the study. Qualitative data was obtained from SMEs and quantitative as well as qualitative data was obtained from the banking institution. The chapter also looked at the credibility, transferability, and trustworthiness of the study as well as ethical considerations. The research findings are transferrable as they can be used by other banking/funding institutions and be applied to SMEs in general.

The data analysis was done as influenced by the theory and following steps as coding, analyzing data by creating patterns and generating themes and drawing a conclusion.

Chapter 4

Presentation of findings of qualitative and quantitative data

4.1 Introduction

This chapter focuses on the presentation of findings with regards to determining the effectiveness of debt financing of the SMEs and contributes towards answering the main objective of the study.

The first section provides information on the demographic characteristics of participants and the second section is the presentation of both qualitative and quantitative findings.

4.2 Demographic characteristics of participants

4.2.1 Demographic characteristics of SMEs participants

Table 4.1 below shows demographic characteristics of SMEs participants and provides details of participant gender, the industry type, enterprise size, and the number of years in operation for the SMEs.

Table 4.1 Demographic characteristics of SMEs

SMEs				
Participant code	Gender	Industry type	Enterprise Size	Number of years in operation
P1	Male	Construction (general construction)	Medium	12 years
P2	Male	Hospitality (restaurant)	Medium	7 years
P3	Male	Construction (roads construction and maintenance)	Small	5 years
P4	Male	Energy (fuel and convenience)	Medium	4 years
P5	Male	Supply and delivery	Small	7 years
P6	Female	Tourism (guest house)	Medium	14 years

The participants consist of five males and one female. From the total number of participants, the common industry type is construction with two participants, general construction and roads construction and maintenance. Other participants have different industries with each being hospitality industry, energy (fuel and convenience), supply and delivery and tourism (guesthouse) Two firms are small and four are medium enterprises. The number of years that the participants have been in operation ranged between four (minimum) and fourteen (maximum) years.

4.2.2 Demographic characteristics of Bankers

Table 4.2 shows demographic characteristics of Banker participants and provides details of participant position, gender, the number of years that the bank officials have been working with the SMEs and the total number of years of general banking experience working in the bank.

Table 4.2 Demographic characteristics of Bankers

Bankers				
Participant number	Position	Gender	Number of years working with SME	Total number of years of experience in banking
B1	Branch manager	Female	13 years	20 years
B2	Relationship manager	Female	5 years	17 years
B3	Personal banker	Female	5 years	12 years
B4	Financial analyst	Female	3 years	25 years
B5	SME banker	Male	6 years	14 years
B6	SME banker	Male	5 years	11 years
B7	Credit Manager	Female	4 years	22 years

Banker participants consist of five females and two males. Only one participant has over ten years of experience of working with the SMEs. The rest have less than ten years. All participants possess more than ten years of general banking experience with the lowest experience number of years being eleven and highest twenty-five.

4.3 Presentation of findings

In order to get the perspectives of participants on the impact of debt financing on the growth of SMEs, as mentioned in chapter 3 under 3.7, interviews were conducted with the SME owners/manager as per the interview schedule and structured questionnaires were sent to the selected bank personnel. The results are presented in an integrated manner consisting of three sections (4.3.1 to 4.3.3). Section 4.3.1 focuses on identifying the type of debt financing obtained from the bank to the SMEs, as well as determining the level of debt employed by SME from the bank. Section 4.3.2 focuses on determining the best suitable debt financing option for SMEs by looking at products and services availed to SMEs. Section 4.3.3 looks at funding attainment, cost of funding, and the impact of debt financing.

4.3.1 Type of debt financing obtained and granted from the bank to the SMEs, and the level of debt employed by SME from the bank

This section focuses on results obtained with regards to sections two and three of interview schedule which looks at SME respondent's types of funding obtained from the bank, reasons for borrowing and usage of facilities, the duration as well as borrowing capacity. It further looks at the results of section two of the questionnaire which focuses at the respondents from the bank side with similar focus on the type of funding granted to SMEs, lending needs for firms, how often firms request funds as well as the lending capacity. Lastly, it looks at the collateral/factors influencing lending decisions to SMEs.

Table 4.3 Facilities obtained, borrowing reasons, term, and debt level employment

Participant	Facility obtained				Borrowing Reason									Term		Amount			
	Overdraft	Business Loan	Term loan	Commercial mortgage loan	Start up	Purchasing stock	Operating costs	Working capital	Cashflow operations	Acquiring equipment	Renovations	Business expansion	Purchasing business property	Short Term (one year or less)	Long Term (over one year)	0-500k	501k-1000k	1001k-1500k	Above 1500k
P1	√	√					√			√		√		√	√	√		√	√
P2	√		√							√	√	√		√	√	√			
P3	√				√		√	√						√	√	√			
P4	√	√			√	√			√	√	√			√	√	√	√		
P5	√					√		√						√		√			
P6				√									√		√				
Total	5	2	1	1	2	2	2	2	1	3	2	2	1	5	5	5	1	1	1

Table 4.3 shows overdraft as the most sought facility from the bank with all five participants having obtained it. This is followed by business loan with two participants, then a term loan and a home loan with one participant each. Furthermore, the common reason for SMEs borrowing from the bank are for purchasing of equipment and machineries with three participants, followed by two participants each for starting a business, buying stock, for operating costs, working capital, renovations, business expansion and, lastly, for purchasing business property with one participant. Moreover, Table 2 indicates that short (less than a year) and long term loans (a year and longer) are both commonly used by the enterprises with each having five participants. Also shown in the same Table 2 is the debt level employed by the SMEs with the majority having borrowed in the amounts range of less than N\$ 500k being five participants, and with one participant in each range from 501k-1000k, 1001k-1500k and above 1500k.

Table 4.4 Facility granted, lending need, term, capacity, and frequency

Participant	Facility Granted			Lending need			Term		Amount (Lending capacity)				Lending frequency		
	Overdraft	Leasing	Term loan	Start up	Cashflow operation	Asset purchase	Short Term (one year or less)	Long Term (over one year)	0-500k	501k-1000k	1001k-1500k	above 1500k	Frequently (every 3 rd month)	Twice a year	Once a year
B1	√				√		√		√				√		
B2	√		√		√		√	√	√			√	√		
B3	√				√		√		√						√
B4	√			√			√		√				√		
B5		√				√		√	√				√		
B6	√	√	√	√			√	√	√	√			√		
B7	√						√		√						√
Total	6	2	2	2	3	1	6	3	7	1	0	1	5	0	2

On the other hand, participants from the bank were asked on the type of facilities that were applied for by the SMEs. Table 4.4 shows the overdraft as the common used facility which is requested from the bank by the SMEs as indicated by six participants out of the seven. Term loan and leasing each have two participants. The participants were further requested to advise on the reasons why SMEs are requesting funding from the bank. This question sought to address the financing needs for bank lending to SMEs.

Table 4.4 then shows that the most common reason for bank lending to enterprises is to cater for cash flow operations as indicated by three participants. This is followed by business startup with two participants and one participant responded with asset finance.

Table 4.5 Lending factors

Participant	Lending Factors												
	Statements of own capital	Bond registration	Contract award letter	Annual submission of financial statements	Fixed assets	Investment with cash value	Direct payments into the trading account	Property valuation every second year	Management account statements	Tax returns (personal and the business)	Personal balance sheet	Quotations of expected income	Life insurance
P1	√	√	√										
P2				√									
P3			√		√	√	√						
P4		√		√				√	√	√	√		√
P5							√					√	
P6		√											√
Total	1	3	2	2	1	1	2	1	1	1	1	1	2

Table 4.5 shows bond registration as the common factor which influenced the bank to grant facilities to SMEs with three participants. This is followed by contract award letter, annual financial statement, direct inward payments and life insurance with two participants each. Lastly, statements of own capital/contribution, fixed assets, investment with cash value, property valuation, management accounts, tax return statements (personal and the business), personal balance sheet and quotations to determine expected income with one participant each.

Moreover, Table 4.5 shows that short term facilities (less than a year) were commonly used with six participants and long term loans (a year and longer) with four participants. The participants were also requested to indicate the borrowing capacity of the SME businesses. This question sought to identify the level of debt used by SMEs from the bank. It focused on the borrowing capacity and capital. Table 4.5 shows the majority having borrowed in the amounts range of less than N\$500k with seven participants, and with one participant in each range from 501k-1000k, and above 1500k. No participant borrowed in the range of 1001k-1500k.

Lastly, the participants were requested to advise how frequently they lent to SME businesses. It shows that five banker participants do lend to SMEs frequently (every 3rd month), while only two participants stated that the bank lent to SMEs once a year. None of the participants indicated receiving facility requests from SMEs twice a year.

4.3.2 Debt funding option, products, and services for SMEs

This section focuses on results obtained with regards to section five of the interview schedule which focuses on the type of funding options availed to SMEs and support received from the bank as well as the benefits and drawbacks of borrowing. Lastly, it looks at section four of the questionnaire with the attention from the bank side by looking at products, services, support, and commitments rendered from the bank to SMEs and showing changes that the bankers have observed in the SME business income/revenue generation after granting bank facilities.

Table 4.6 Bank products, support, and services

Participant	Bank services and products received by the SME										Bank support services expected by the SME from the bank							
	Specialised SME services	Financial advice	Bank expertise	Insufficient information	Inadequate or inexperienced staff	Long application process (turnaround time)	Lack of segmentation (unmatched sector products)	Costly products (high fees)	excessive paperwork	Training (financial planning, budgeting)	Stakeholder engagements	Segmentation of sectors	Differentiated costs	Equity financing	Discounted rates	Bank guarantee	Unsecured lending	
P1	√									√	√							
P2				√	√	√				√								
P3					√		√	√			√	√	√	√				
P4						√	√	√	√			√	√		√			
P5				√	√	√		√	√		√					√	√	
P6	√	√	√															
Total	2	1	1	2	3	3	2	2	2	3	2	3	2	1	1	1	1	

Two SME participants cited having received specialised SME services. Financial advice and bank professionalism (excellent customer service) were cited by one participant each as good service received from the bank. However, two participants each mentioned lack of insufficient information, lack of SME segmentation, expensive products/high fees and too many documentations and excessive paperwork as dissatisfaction in banking service and products when dealing with the bank. Dealing with inexperienced and/or inadequate staff and application process

which takes long carries the most weight with three participants each having expressed disappointment in the service received from the bank. Table 4.6 further highlights the type of products, services, and support that the enterprise owners would like to receive from the bank. Training of SMEs and segmentation of sectors carry the most weight with three participants each. This is followed by stakeholder engagements and differentiated costs each having two participants while equity financing, discounted rates, bank guarantee, and unsecured lending each have one participant.

Table 4.7 Advantages and disadvantages of borrowing

Advantages and disadvantages of borrowing							
Participant	High return	Low interest rates	Easy to access/flexible	Collateral requirements	Own contribution	Bond registration	High interest on long term loans
P1	√						
P2	√	√					
P3							
P4	√			√	√	√	√
P5	√		√				√
P6	√						
Total	5	1	1	1	1	1	2

As shown in Table 4.7, five SME participants indicated high returns as the most benefit that the SMEs had gained from making use of debts. One participant each highlighted low interest rates, and easy access or flexibility offered by short term loans as advantages. However, one participant each indicated collateral requirements, own contribution, and bond registration requirements as disadvantages, while two participants indicated high interests on long term loans as disadvantages.

Table 4.8 Bank support offered to SME, funding options suitable to SMEs and critical support services for SMEs’

Participant	Bank support offered to SME				Funding options suitable to SMEs		Critical support services for SME			Profit		
	None	After sales support	Financial advice	Promotional items	Yes	No	Training (financial literacy)	SME segmentation (micro and macro)	Financial advice	Increased	Remain unchanged	Decreased
B1	√				√					√		
B2		√				√	√			√		
B3			√		√		√		√	√		
B4				√	√					√		
B5	√					√	√	√		√		
B6			√			√		√			√	
B7	√					√			√			√
Total	3	1	2	1	3	4	3	2	2	5	1	1

The participants were requested to advise whether the bank offers any other support towards the SMEs other than lending. This is to determine the commitment shown in making SME a success for both parties. Table 4.8 shows that three participants indicated that the bank did not offer any other kind of support to SMEs besides lending. One participant indicated that the bank offered after sales services such as frequent communications and general business discussions with the clients, and two indicated that the bank offered support in a form of financial advice. In addition, one participant indicated that the bank sponsors promotional materials to businesses.

Furthermore, the participants were requested to advise whether they believe that the bank availed the type of funding that was designed specifically for SMEs. Table 4.8 shows that three out of the seven participants who took part in the study revealed that they believed the bank availed the type of funding that was suitable for SMEs. Four out of seven participants indicated that they did not believe the bank availed the type of funding that was suitable for SMEs.

Table 4.8 also shows information that was requested to determine what participants considered as critical that the bank should help SME businesses with for business survival and growth as well as making use of debts. It shows that three participants considered financial literacy training and support as critical. Two participants indicated that the bank should consider SMEs segmentation such as micro and macro, since not everyone wants a large amount of funds to start up, some SMEs are looking for lesser funding and therefore they should be considered differently.

Lastly, two indicated financial advice as critical that the bank should assist SME business with when it comes to making use of debts.

Participants from the bank were requested on what changes they had seen in the SME business profit making after granting the facilities. This information was requested to determine whether the participants regarded debt financing as effective in contributing to the growth of SMEs. Five out of seven participants indicated that they observed an increase in profit making of the business after the granting of facilities. One participant indicated that the profit made remained unchanged and another participant indicated that the profit made had decreased since the last facility review/renewal.

4.3.3 Funding attainment, cost of funding, conditions, and the impact of debt financing

This section is focusing on the results as obtained from section four of the interview schedule which looks at whether the firms consider themselves as sufficiently funded and granted facilities as applied for and whether they believe that it was a sensible decision to make use of debts. Furthermore, it focuses on the results of sections three and four of the questionnaire which look at interest borrowing rates offered to firms, looks at whether the owners were satisfied with the terms and conditions of the facility granted as well as debt repayments and service ability. Lastly, it looks at the impact of debt financing. The study revealed the impact of debt financing as assets growth (both fixed and current), profit, business, and market share growth as well as contribution to employment creation.

Table 4.9 Funding attainment

Participant	Facilities obtained	Amount	Sufficiently funded			Debt financing decision	
			Yes	Slightly	No	Yes	No
P1	Overdraft and Business loan	Above 1500k	√			√	
P2	Overdraft and term loan	0k-500k		√		√	
P3	Overdraft	0k-500k			√		√
P4	Overdraft and Business loan	501-100k	√	√			√
P5	Overdraft	0k-500k	√			√	
P6	Commercial mortgage loan	Above 1500k	√			√	
Total			4	2	1	4	2

On whether funding was sufficient, four participants responded that they were sufficiently funded and received the facility as applied for, two indicated that they had managed to work with what they got although they hoped for more, however one participant expressed that money was never enough, meaning the participant was not satisfied with the funding received.

Regarding the debt financing decision, four participants acknowledged having made a wise decision to use debt financing while two participants indicated that it was not a wise decision.

Table 4.10 Cost of funding, conditions, servicing, and settlement

Participant	Offered rates			SME terms and conditions satisfactory		Debt repayment, service ability and settlement				
	Less than 10%	Between 10 -15%	Above 15%	Yes	No	Within agreed term/ ease	Within agreed term/difficult	Not yet	Defaulted	Revolving
B1	√			√		√				
B2				√			√		√	
B3		√		√		√				√
B4	√	√		√		√				
B5	√			√		√		√		√
B6	√				√	√			√	
B7		√		√						√
Total	4	3	0	6	1	5	1	1	2	3

Banker participants were requested on the interest rates that were offered to enterprises. Responses to these questions were used to determine the cost of credit and the value received by the borrower. Four participants indicated lending interest rates of less than 10%, representing 57%, whilst three participants indicated an interest rate of between 10%-15% representing 43%. None of the participants indicated more than 15% as an offered rate.

Furthermore, participants were requested on the lending satisfactions of SMEs in view of terms and conditions as well as collateral requirements of the granted facilities. The results showed that six participants out of the seven that took part indicated that the SMEs were satisfied with the applied terms and conditions and only one participant indicated a dissatisfaction of the SMEs with the applied terms and conditions.

Lastly, participants were requested to advise whether the business was able to service the facilities with ease or not and to provide reasons if there were any challenges experienced by the SMEs that made it difficult for them to repay debts. This was to determine if the facilities were repaid in full and within the agreed period. The results show that five participants indicated that SMEs serviced the facilities with ease and within the agreed period, one participant indicated that the loan was serviced with difficulties.

In addition to that, two participants indicated that the clients experienced cash flow problems, and due to unforeseen circumstances, such as Covid 19 pandemic which made it difficult for SMEs to meet repayment obligations. This resulted in unpaid and later defaults. Three participants indicated that the facilities were not repaid yet as it was revolving facilities and one participant indicated that the term of the facility had not yet expired.

Table 4.11 The impact of debt financing

Participant	Facilities obtained	Impact			
		Fixed Assets	Current Assets	Profit	Expansion/ Market share
P1	Overdraft and Business loan	√		√	
P2	Overdraft and term loan	√		√	√
P3	Overdraft	√			
P4	Overdraft and Business loan	√	√	√	
P5	Overdraft		√	√	
P6	Commercial mortgage loan	√		√	√
Total		5	2	5	2

About the impact of debt finance on the growth of SMEs, five participants indicated an impact made in terms of fixed asset growth (furniture, patents, machinery, equipment and building), four achieved current assets growth (office suppliers, inventory, cash and cash equivalents), five participants indicated high profit returns and two achieved a growth in the market/business expansion.

4.4 Conclusion

This chapter presented a summary of the demographics of characteristics of participants who took part in the study. It also provided qualitative and quantitative data that was collected using both interviews and questionnaires. The chapter further looked at the impact and effectiveness of debt financing on the performance and growth of the SMEs. Moreover, the chapter highlighted the types of debt financing obtained and granted from the bank to the SMEs, and the level of debt employed by SME from the bank. Lastly, the chapter provided data found to determine the best suitable debt financing option for SMEs. Chapter 5 will present an analysis and discussion of findings.

Chapter 5

Discussion of findings

5.1 Introduction

This chapter focuses on discussing the findings of semi-structured interviews and structured questionnaires based on the themes that emanated from the study and supported by the literature reviewed. The chapter comprises of three parts. The first part analyses the various types of debts used, lending factors and the level of debt employed. The second part analyses products/services that are received and expected by the SMEs from the bank as well as the support availed to SMEs and the last part analyses cost of funding, attainment of debt and the impact of debt financing.

5.2 Analysis of Debt

5.2.1 Debt mixture

Table 5.1 Debt mixture

Debt type	Usage	Duration	Amount
Overdraft	a) operating costs b) renovations c) working capital d) start up e) cash flow	Short term	0-500k
Business loan	a) working capital b) machinery and equipment c) renovations	Long term	501k-1000k 1001k-1500k Above 1500k
Term loan	a) machinery and equipment b) expansion c) renovation d) working capital	Medium - long term	0-500k
Commercial mortgage loan	a) property finance	Long term	Above 1500k
Leasing	a) asset based finance	Medium term	0-500k

The findings are that the SMEs obtain a variety of debt mixtures, having obtained facility types from the bank in the form of overdraft, business loan, term loan and commercial mortgage loan. These mixtures were made up of both short and long term loan offerings of which there was an existing pattern that firms could get funding more than once. This agrees with literature by Hanc, Basarac Sertić and Andabaka, 2017; Yinusa and Elumah, 2017, as they too found that the most applicable debt financing sources for SMEs were credit line or overdraft, bank loans, leasing or hire purchase and mortgage/property financing. The study found that the overdraft was more common than the others. An overdraft is attached to the account and has no fixed terms and can be repaid anytime. The overdraft also normally involves small amounts compared to other facilities as it is for short term emergency needs that arise from time to time.

The study found that although both long and short term facilities were used for several reasons, it was seen that most of the facilities obtained were long term funding which were under business and term loan, commercial mortgage loan, and leasing. Only one facility type is obtained under short term which is an overdraft. However, the finding is that regardless of the lifecycle stage, industry, or type of SME, they all used an overdraft because it is revolving, easy to access and offers convenience. The finding is in line with what Shamsur and Weill (2019) found, that an overdraft offers lower cost of credit and further, Sibanda, Hove-Sibanda, and Shava (2018) agreed that short term financing type were easier to obtain, flexible and had lower charges.

Particularly, the study finding was that an overdraft, term loan and business loan were used for similar reasons such as operating costs, start up, cash flow, renovations and working capital while term and business loan were also used for business extension of existing facilities as well as purchasing of machinery and equipment. This means that whether one obtains short or long term facility it fulfils the same desired results such as expansion or assets acquiring. This finding is in contrary to Naude and Chiweshe (2017) who states that the nature of debt is an important determinant of productivity of a firm, and long term finance was found to contribute to a firm's productivity and that accessing long term debts finance allows the business to capitalize on new investments which in turn increases productivity whereas, short term debt finances was found to deplete the working capital which affected the running and operation activities of the enterprise.

Commercial loan and leasing is used for property finance and asset finance. This is confirmed in literature by Nitescu (2015) stating that most of the banks offer financing solutions designed for SMEs, covering financing needs for day to day firm activities such as working capital, payments of supplies and wages, funding acquisitions such as machines and equipment and other more sophisticated funding solutions. A study by Wijesinha and Perera, (2015), also found that long term loans were used for various reason such as buying of equipment, business expansion and acquiring inventories.

The findings revealed that both facilities falling under short and long term had been funded in the amounts ranging between N\$ 0-500k, however business loan and commercial mortgage were funded a minimum amount of N\$ 501 and above N\$ 1500k. This is because business loan is used for purchasing movable and fixed assets which are costly and require large funding. This is however an indication that a lot of SMEs are not investing in fixed assets. The other facilities are used for day to day running of business operations hence require less financing amounts relative to business loan and commercial mortgage. This finding means that the debt level employed by SMEs was likely to be determined by the need/usage. According to Samudzimu, and Munkumba (2022), both new and existing SME need resources such as a vehicle, plant and equipment and other fixed assets to be able to attain a competitive advantage in the marketplace. If a firm has access to long-term debt finance, it can invest in new capital and equipment, and new technology which helps to increase productivity (Naude and Chiweshe, 2017). The study finding is also that firms get funding more than one facility at once (i.e. approved for an overdraft as well as term loan and/or overdraft and business loan).

5.2.2 Lending factors analysis

Table 5.2 Lending factor analysis

Facility	Bank requirement	Collateral
Overdraft	Own contribution Monthly repayments Financial statements Contract award letter Credit checks Direct payments into trading account with the bank	Bond registration Investment with cash value

	Management account statements Tax return statements (personal and business) Personal balance sheet Quotation to determine expected income	
Business loan	Credit checks Property valuation Direct payments into trading account with the bank Management account statements Tax return statements (personal and business) Personal balance sheet Financial statements Monthly repayments	Bond registration
Term loan	Own contribution Financial statements Credit checks Monthly repayments	Bond registration
Commercial mortgage loan	Credit checks Financial statements Monthly repayments	Life insurance Bond registration
Leasing loan	Credit checks Financial statements Monthly repayments	Asset financed as collateral

The study finding is that to obtain credit facilities (both short and long term) from the bank, certain conditions have to be met first. Financial statements and credit checks are basic requirements. This is to check the credit worthiness of the owners, previous records and to determine how much risk is associated with the business. Out of all the factors, bond registration was found to be the common condition required both for short and long term facilities as it depends on the risk associated with the profile of the borrower and the amount of the facilities thereof. This implies that the SMEs have obtained funding because they are able to provide collateral and the other lending factors considered such as quotations, investment with cash or direct payments into a trading account which led to approval of facilities. The finding was supported by Gama and Duarte (2015), stating that pledging collateral to secure loans is a common requirement of obtaining credit from financial institutions. In addition to that Rahman, Rahman and Ključnikov (2016) further mention that collateral is seen as one of the effective mechanism of easing access to finance for SMEs and can reduce the credit risk of the loans.

Additionally, life insurance is another requirement on the commercial mortgage loan which is in line with Chen, Lee, and Pei-Fen (2020) who also concluded that term, property and business loan require life insurance policies and security.

However, the study findings also confirm that short term facility has the most requirements in comparison to long term. The requirements for the overdraft (short term) are statements of own capital/contribution, bond registration, monthly repayments, annual submission of financial statements, contract award letter, fixed assets, investment with cash value, direct inward payments into the trading account with the bank, management account statements, tax return statements (personal and the business), personal balance sheet, and quotations to determine expected income.

The study findings imply that the bank does not look at collateral alone to finance SMEs but also consider business information such as annual turnover, audited financials, business owners updated financial records, total net worth of the owner, investment accounts held, proof of expected income into trading account in order to make an approval. These checks are done to determine the position of the SMEs in terms of previous honouring payments. This means that those who can provide complete required information enhance the chance of approval. The findings concur with those of Chmielewski and Pirraglia (2015), who concluded that the business ability to pay, history of cash flow, credit report, income tax returns, business plan, financial statements, personal resumes, legal documents and collateral are the crucial factors considered when making decisions on small business loan financing. In addition, Akhtar and Liu (2018) also stated that proof of earnings, savings and investment statements, were the determinant factors. Furthermore, Tutliha and Rahayu (2019) also concluded that in countries such as South Africa, unsecured credit is gaining popularity amongst all the leading commercial banks and instead of relying on financial statements, banks also now rely on the borrowers' cash flow estimates through observation of the business or analysis of payments into a transactional account.

There are no requirements for the lease financing because the asset itself serves as security, only background credit checks. This is also in agreement with Kraemer-Eis and Lang (2012), who states that leasing or asset-based finance is quick and easy to obtain and has no collateral requirements.

The study finding is also that business loan required property valuation which concurs with a study by Amoako-Adu and Eshun, (2018) who states that collateral commonly tends to be physical assets of land or a property/house of which valuation of the property is mandatory.

The study shows that the bank was committed to assisting SMEs and was willing to accept and tolerate a certain amount of risk by doing several checks and considering various elements during the assessment of the applications. In a case where the bank is not entirely satisfied with the documentations and/or collateral offered or the risk is deemed to be very high, a decision is then reached to either decline the facility or approve a lesser amount that the initial required.

5.3 Discussion of products and services

Table 5.3 Products and services received versus products and services expected

Participant	Bank services and products received by the SME									Bank support services expected by the SME from the bank							
	Specialised SME services	Financial advice	Bank expertise	Insufficient information	Inadequate or inexperienced staff	Long application process (turnaround time)	Lack of segmentation (unmatched products)	Costly products (high fees)	excessive paperwork	Training (financial planning, budgeting)	Stakeholder engagements	Segmentation of sectors	Differentiated costs	Equity financing	Discounted rates	Bank guarantee	Unsecured lending
P1	√									√	√						
P2				√	√	√				√							
P3					√		√	√			√	√	√	√			
P4						√	√	√	√			√	√		√		
P5				√	√	√			√	√		√				√	√
P6	√	√	√														
Total	2	1	1	2	3	3	2	2	2	3	2	3	2	1	1	1	1

The study finding is that some SMEs are not happy with the services and products offered by the bank. Half of the SMEs spoken to complained of long application processes which also requires a lot of documentation to be submitted, having to deal with inexperienced staff and receiving insufficient information as well as costly products (bank fees and charges). The complaint of high fees agrees with a study by Cheong, Lee and Weissmann (2020) who states that when SMEs get funding from commercial banks, banks often charge them high interest rates for accepting the risk and this in turn raises the borrowing costs.

In contrast to the above findings, some SMEs do appreciate the bank offering of specialised SME services, financial advice and professionals that deal with their business accounts. This agrees with a study by Ombi, Ambad, and Bujang (2018) who explain that banks do not only provide the necessary capital to establish new SMEs or expand, but they also offer a variety of services and financial products.

SMEs also have expectations on what kind of services and products they would like to receive from the bank. The finding is that most of the SMEs expect the bank to provide them with training as they believe that they are not fully equipped in the areas of financial management such as budgeting, drafting of business plans, cash flow projections as well as financial planning and that there is a need for personal development and growth. SMEs see these as critical skills that they should possess as they will assist in the smooth running of their businesses and avoid failures or mismanagement of funds. This is supported by various scholars such as Kambwale, Chisoro and Karodia (2015), who have highlighted reasons for SME failures in their study carried out in Windhoek and concluded that lack of training and funding, poor planning and management skills and regulation limitations were some of the reasons for SME failures. Kambwale et.al (2015), further states that SME failures could be overcome by providing appropriate financial training to SME managers.

Furthermore, the findings show that SMEs would like to see sector segmentation in service provision, implying that SMEs expect to be treated differently based on their lifecycle stage, industry of operation or other demographics such as location which was currently not the case. This notion is supported by Tarfasa, Ferede, Kebede and Behailu (2016) who recognize that because firms also operate in different sectors/industries, some sectors are believed to be performing and growing more than others. Therefore, when banks assess credit applications the risks profiles would also not be the same and therefore it should be reviewed and assessed on a case by case (categorized) basis.

Stakeholder engagements and differentiated costs also strongly came out in the finding. This implied that the SMEs were not engaged either with the bank or other stakeholders such as the government or the communities in which they operated from.

The SMEs would like to be involved, engaged by the bank through seminars and campaigns as this would encourage trust, support and allow the firm owners to proactively consider everyone who had a benefit in their businesses. To this effect, the theory suggests that the ability of a firm to produce sustainable wealth and create long term value overtime was determined by its relationship with critical stakeholders such as government, communities and any other institutions like Ministry of Industrialization (Post, Preston, and Sauter-Sachs, 2002). Furthermore, Grama-Vigouroux, Saidi, Berthinier-Poncet, Vanhaverbeke and Madanamoothoo (2020) agreed that debt capital provided by creditors and SMEs financing usually depended and relied on good and direct personal relationships between the SME owner-manager and various stakeholders to obtain resources, money and services for their sustainable growth (Chashmi and Fadaee, 2016).

The finding is that SMEs do understand the benefits and value the stakeholder relationship just as confirmed by researchers such as Caputo, Buhnova and Wallezky (2018), have proposed that stakeholders are possible drivers of the firms' sustainability and play an important part in obtaining resources that are needed for business survival and growth and therefore attention should be given to the relationship that SMEs have with their stakeholders.

Additionally, SMEs also want the bank to provide bank guarantees and offer unsecured lending and equity financing. Hirdinis (2019) state that equity and debt financing are considered as the main sources of SME financing for growth and capital expenditure, and that when funding business operations, the determination of a firm's best financial structure is vital in deciding how much money should be borrowed. This also includes the suitable mixture of debt and equity as the choice can have an effect on the value of the firm, as well as financial performance.

The finding is that the SMEs are not entirely satisfied with fees structures as they would like to have discounted interest rates to reduce the cost of debt and as a reward for customer loyalty. This is contrary to the finding by Abe, Troilo, and Batsaikhan (2015) who state that banks offer various loans with different terms and complementary finances such as discounted rate. The finding is that the rates are not discounted.

5.3.2 Advantages and disadvantages of borrowing

Table 5.4 Advantages and disadvantages of short term and long term loans

Facility received	Advantages	Disadvantages
Overdraft	Profit generated Low interest rates Easy to access	Collateral required Own contribution Bond registration High interest rates
Business loan	Profit generated	Collateral required Own contribution Bond registration High interest rates
Term loan	Profit generated	Collateral required Own contribution Bond registration
Commercial mortgage loan	Profit generated	Long payment period

The study findings revealed that all SMEs regardless of the industry and type of facility obtained had all performed as a result of the facilities provided to them. This is contrary to the sentiment shared by Diamond and He (2014), who stated that firms that had high short-term debt levels when compared to their long-term debt performed better than their peers. The finding was that whether the funding was short term or long term the firms had experienced growth.

All SMEs have indicated having received high returns in terms of profit. These findings are confirmation that debt financing does contribute to the growth and performance of SMEs. This is further supported by Balamoune-Lutz and Lutz (2017), who states that performance of an enterprise is characterized by sales, profits and returns which is directly reliant on access to long and short term performance. Subsequently, the pragmatic stakeholder literature itself strengthens the idea that financial returns are the most significant measure of the value created by a firm. Furthermore, Ye and Kulathunga (2019) also reason that because bank financing is more expensive in comparison to other sources of finance (for example internal finance), it generates a higher rate of return for SMEs.

The finding is that long and short term loan both have advantages and disadvantages. However, the benefits of short-term loan outweigh the benefits of long term loans depending on what it is

used for. This is in agreement with Yazdanfar and Öhman (2015) who concluded that there was a positive relationship between short term debt financing and financial performance leading to a firm’s growth opportunities. Furthermore, the disadvantages of the long-term loan outweigh its advantages. This implies that given a choice, long term loans are not preferred because of the long repayment period and the high interest rates involved. The amount also plays a role as the higher the amount, the longer the repayment period. However, the disadvantages of both short and long term facilities are not different. This implies that one has to deal with stringent requirements.

Although Rahman, Rahman, and Ključnikov (2016), concluded that by pledging collateral, borrowers tend to demonstrate their ability of repayment and that the firms can request the bank loans with lower interest rates. This statement does not agree with the study findings as all SMEs whether borrowed on long term or short term indicated high interest rates that they paid despite collateral offered. Collateral is required by the banks to increase the security of credit and the more sufficient the collateral is, the lower the loan interest rate (Jin, Ke, and Chen, 2022). The study concluded that even the short term facilities which are repaid in a short period attract high interest rates. This is supported in a study by Cheong, Lee and Weissmann (2020) who stated that commercial bank loans are approved with short repayment terms which makes the loans expensive to repay by attracting high interest repayment rates as a barrier.

5.3.3 Bank support offered to SMEs, funding options and critical support services for SME

Table 5.5 Bank support offered to SMEs, funding options and critical support services for SME

Participant	Bank support offered to SME				Funding options suitable to SMEs		Critical support services for SME			Profit		
	None	After sales support	Financial advice	Promotional items	Yes	No	Training (financial literacy)	SME segmentation (micro and macro)	Financial advice	Increased	Remain unchanged	Decreased
B1	√				√					√		
B2		√				√	√			√		
B3			√		√		√		√	√		
B4				√	√					√		
B5	√					√	√	√		√		
B6			√			√		√			√	
B7	√					√			√			√
Total	3	1	2	1	3	4	3	2	2	5	1	1

The study finding is that besides lending, the bank does not offer much support to SMEs. This means that the bank has no close relationship with the SMEs and that the only service offered to SMEs is mainly in a form of lending. However, there is an indication that the bank does offer financial advice. This means that the bank does monitor the financial behaviours of the firm owners in order to provide guidance. This is because both parties do benefit from the relationship which agrees with a sentiment shared by Duqi, Tomaselli and Torluccio (2019) that from the perspective of banks, SMEs segment represents a strategic profitable part of bank business.

In this regard, Duqi, Tomaselli and Torluccio (2019) describe the engagement between SMEs and banks as integral for SMEs sustainability. The study further found that the bank does not offer funding options that are suitable for SMEs, this implies that although the bank does assist SMEs, it came out strongly that there were no products which were specifically tailored for SMEs. This is contrary to Nutescu (2015), who states that most banks offer devoted specific financial solutions for SMEs.

Financial literacy emerged in the study as a critical support that the bankers believe SMEs mostly need help with. This implies that the bankers believe SMEs lack financial education and that they find it difficult to make well informed financial decisions when it comes to managing their firms. This concurs with a study carried out by Leza, Rajan, and Kuma (2016), who stated that education level influences growth as it enables the business owners to gain access and exposure to new information that can improve the production and distribution of goods and services. The firms managed by financially literate owners also perform better because manager's exposure and ability to make better informed decisions runs and monitors the enterprises. Furthermore, a study done by Kambwale et.al, (2015) in Namibia, also concluded that financial literacy of business owner plays a critical role in contributing to the SME growth and performance.

Accordingly, the study finding is that the bank needs to look at classifications of SMEs such as the nature, scale, and size; meaning that what applies to small enterprise should not apply to a medium-sized enterprise as they are different. This means that they want to see SMEs treated differently as the risks, industry, and exposure is are also different. It should not be a one-shoe-fit all. This means that the bank should offer more diversified funding options to SMEs depending on the vulnerability of each sector and investment needs. However, despite the bank not offering funding

options specific for SMEs, the finding is that the funding offered made an impact in terms of profit and asset growth for the firms. This is noted in a study finding carried out by Jepkorir et.al, (2019), who concluded that debt capital usage in countries such as Kenya has been increasing and shows that firms have sustained a suitable growth and profits throughout the markets.

5.4 Funding attainment, cost of funding, conditions, and the impact of debt financing

Table 5.6 Funding attainment

Participant	Facilities obtained	Amount	Sufficiently funded			Debt financing decision	
			Yes	Slightly	No	Yes	No
P1	Overdraft and Business loan	Above 1500k	√			√	
P2	Overdraft and term loan	0k-500k		√		√	
P3	Overdraft	0k-500k			√		√
P4	Overdraft and Business loan	501-100k	√	√			√
P5	Overdraft	0k-500k	√			√	
P6	Commercial mortgage loan	Above 1500k	√			√	
Total			4	2	1	4	2

The findings are that the firms that borrowed amounts in the range of N\$ 0-500k were not sufficiently funded relative to what it was meant to be used. Those funded from N\$ 501k and above were sufficiently funded. This is regardless of the type of facility obtained. However, despite not having been sufficiently funded, the finding is that most SMEs confirmed that it was indeed a good decision to make use of debt financing because of the high returns and assets acquired, even though the funds they obtained were less than what they applied for. This implies that although SMEs do not entirely meet all the requirements, the bank is willing to accept a certain risk by still approving facilities lesser than the applied. This means also that even with the less funding obtained, it is still helpful and appreciated by the SMEs as it makes a difference. This is contrary to the study finding by Cecchetti (2011), who says that adequate debt level enhances firm's growth and further argued that higher level of debt may result in a decline of business growth which may result in a firm channeling out most revenue towards debt repayments and increase risk of a firm. High debts also prevent enterprises from undertaking profitable developments due to the inability to attract further debts from financial institutions. However, the above is not evident in this study.

The finding is that both firms funded whether inadequately or higher, achieved growth in terms of profits and assets. This also means they are managing funds well. This agrees with Ye and Kulathunga (2019) reason that, in spite of the fact that bank financing is more expensive in comparison to other sources of finance (for example internal finance), it generates a higher rate of return for SMEs. The explanation given by them is that SMEs employ the funds more efficiently when they are monitored by, and answerable to banks. They then conclude that bank finance can help SMEs accomplish better performance levels than other financing sources can do (for example internal financing).

Table 5.7 Cost of funding, conditions, servicing and settlement

Participant	Offered rates			SME terms and conditions satisfactory		Debt repayment, service ability and settlement				
	Less than 10%	Between 10 -15%	Above 15%	Yes	No	Within agreed term/ ease	Within agreed term/difficult	Not yet	Defaulted	Revolving
B1	√			√		√				
B2				√			√		√	
B3		√		√		√				√
B4	√	√		√		√				
B5	√			√		√		√		√
B6	√				√	√			√	
B7		√		√						√
Total	4	3	0	6	1	5	1	1	2	3

The study finding is that firms are offered reasonable interest rates with mostly funded below 10% and no interest is offered above 15%. This is in support of what Safavian and Zia (2018) found. He argues that when SMEs get funding from commercial banks, they are often charged commission for accepting the risk. This in turn raises the borrowing costs.

The study also found that the bank also offers revolving facilities, meaning facilities that do not have end period set but rather reviewed on annual basis until such time when they are called up. However, the study also found that few SMEs do find it difficult to make payments and this resulted in defaults.

5.4.3 Impact of debt financing

Table 5.8 The impact of debt financing

Participant	Facilities obtained	Impact			
		Fixed Assets	Current Assets	Profit	Expansion/ Market share
P1	Overdraft and Business loan	√		√	
P2	Overdraft and term loan	√		√	√
P3	Overdraft	√			
P4	Overdraft and Business loan	√	√	√	
P5	Overdraft		√	√	
P6	Commercial mortgage loan	√		√	√
Total		5	2	5	2

The finding is that all SMEs that made use of debts attain growth in terms of fixed assets acquired. They acquire assets such as furniture, patents, machinery, equipment, and building. Tamulevičienė and Mackevičius, (2019) stated that tangible fixed assets are one of the most significant financial indicators describing the financial position and activity results of an enterprise. Tangible fixed assets are physical and include land and buildings, machinery and equipment, vehicles as well as tools and installations. Tangible assets play an active role in creating wealth of the firm and have a direct impact on the performance of enterprises as well. Firms also achieve growth in terms of profits made.

In addition to fixed assets and profit generation, firms also acquired current assets such as office suppliers, inventory, cash and cash equivalents. They also acquired market share. Accessing finance provides SMEs with the capacity to expand especially on innovation and also present an opportunity to improve on productivity (Naude & Chiweshe, 2017). In support of the latter, a study done by Gashi, Hashi and Pugh (2014) found that sufficient funding of SMEs also increases the strength to enter global markets.

Performance of an enterprise is characterized by sales, profits, and returns (Baliamoune-Lutz and Lutz, 2017), which is directly reliant on access to long and short term performance. According to Naude and Chiweshe (2017), the nature of debt is an important determinant of productivity of a firm and long term finance was found to contribute to a firm's productivity.

Accessing long term debts finance allows the business to capitalize on new investments which in turn increase productivity; whereas short term debt finances were found to deplete the working capital which affect the running and operation activities of the enterprise. Firms rely on debt financing for the support and growth of their business. According to Too and Simiyu (2018), firm performance can be defined and measured in terms of profitability, growth, market value, total return on shareholder, economic value added, and customer fulfilment, based on the stakeholder's expectations.

5.5 Conclusion

It is evident from the finding that SMEs make use different kinds of debt financing. The finding is also that all SMEs who made use of debt financing experienced growth both in terms of acquired assets and profit. The study also shows that even the SMEs that are not able to provide collateral do get assisted as the bank looks at various factors other than collateral when assessing and approving facilities. The bank does not strictly rely on collateral alone. The study finding concludes that the application process to be followed whether applying for short- or long-term funding is the same. Furthermore, the finding is that the SMEs are not sufficiently funded and that there is no appropriate funding option for SMEs. In terms of relationships, the finding is that there is a lack of engagement and support between the bank and the SMEs. The support received from the bank is only in terms of lending.

Chapter 6

Recommendations and Conclusion

6.1 Introduction

This chapter provides an overview of the study in accordance with the aim and objectives of the study. The chapter also concludes the study, makes recommendations, and points out areas for further research.

6.2 Summary of the study

The main aim of the study was to determine the impact of bank debt financing on the growth and performance of SMEs in Namibia. In achieving the main goal, the study sought to answer the following objectives: identification of the type of debt financing obtained from the bank by SMEs, determination of the level of debt used by SMEs from the bank, establishing whether firms were sufficiently funded for their operations, identification and determination of the best suitable debt financing option for SMEs.

The study was rooted in the pragmatism paradigm and followed both the deductive and inductive approaches. The study dealt with the practical objective of SME owners which borrow from the bank and bankers that lend to SMEs; whether decisions were made based on their knowledge and expertise. Interviews were conducted with the SME owners to provide in-depth insight on the SME's debt funding and performance. Structured questionnaires were completed by the selected bank staff and data collected used to understand how bankers perceived SMEs growth and performance with regards to debt finance.

The study used thematic analysis to analyze primary data from interviews. During the data analysis, the researcher followed three steps: reducing the data referred to as coding, analyzing data by creating patterns, generating themes, and drawing conclusions. After the interview was completed, the researcher identified patterns in the answers and colour-coded them. Themes were created from the patterns which were then discussed. Data from self-administered questionnaires was then populated and textually analyzed and presented in tabular forms. To ensure credibility, transferability, trustworthiness, and dependability, SMEs participants strengthened the study's usefulness to achieve valuable and valid results.

The researcher obtained ethical approval from Rhodes University's Ethics Standard Committee. This enabled the researcher to seek for gatekeeper permission from the bank to carry out the study at their institution.

6.3 Contribution of the study

The study findings and results contribute to the body of knowledge in the field of SME financing. The study enhances the importance of having SMEs sufficiently funded by the bank as debt financing contributes to the growth and performance of SMEs. Besides lending, the study revealed lack of support and engagement between SMEs and the bank and that there were no appropriate funding options for SMEs. The study contributes to commercial and development banks in the field of SME financing specifically on how to improve the financial environment and expand their lending portfolios to SMEs. In addition, the study is also important to policy makers, educational and training institutions, SMEs, community, the government, and all involved in making SMEs a success. The study therefore contributes towards improving collaboration and the offering of services and support programmes for SMEs for all that are involved. Lastly, the study can also be used by academics for further research on the subject.

6.4 Study limitations

The study was limited to small number of SMEs. If the study could be extended to other financial institutions that lend to SMEs and other regions in the country for other SMEs to be part of the study. This would strengthen the result outcomes. Due to a lack of time and resources this could not be carried out.

6.5 Recommendations

Small and Medium Enterprises have been recognized for their role and the importance they play towards economic development and contribution towards income generation for government as well creating jobs. The study confirms that debt financing enhances performance and the growth of SMEs.

This is in terms of assets acquired or profit generation. This means that the banks play a very important role in terms of lending to SMEs. Based on the findings, the study recommends the following:

a) Expand SMEs lending portfolios

The study found that the bank did not offer a range of finance products and the process followed was similar whether borrowing for short or long term. Although it was not possible to meet every firms' specific financing need, it is recommended that the bank expand the SME lending product portfolio. This is particularly so in the case of short-term lending where a firm might need quick funding and for a shorter period of time to serve as bridging finance pending payments from delayed suppliers and contractors. This will also allow an opportunity for SMEs to be served according to suitability (small versus medium enterprises) as currently the product and service offering is the same.

b) Training and mentoring support programmes

Training was one of the identified needs pointed out by the SMEs as expected to be received from the bank. Firm owners have also pointed out that there was a need for personal development. It is recommended that the bank have training and mentorship support programmes that could address challenges as mentioned by the SMEs such as lack of financial planning skills and budgeting. The SMEs that have identified the need could approach the bank and the bank could also identify the firms' owners that were battling as observed during and after borrowing to be placed on the programme.

c) Collaboration between SMEs, the bank, and other stakeholders

The study found that SMEs considered the relationship with the bank as valuable. It is recommended that the bank consider partnering with other relevant bodies that offer similar support to SMEs such as ministries and government agencies. This could be done in the form of seminars to encourage information sharing as well as promoting support and financing of SME for growth and development.

6.6 Recommendations for further research

Further research can be carried out to determine better ways of engaging stakeholders to assist SMEs' and to facilitate training centers. In addition, research can be conducted countrywide with SMEs as well as with all other financial institutions that lend to SMEs and also perhaps consider relevant bodies that offer support to SMEs such as the Ministry of Industrialization for growth and development.

6.7 Conclusions

The chapter provided a summary of the study by looking at the research goal and objectives. The chapter also looked at the contributions of the study. Lastly, the chapter highlighted recommendations of the study and areas for further research. The study recommends that the bank expands SMEs lending portfolios, implement training and mentoring support programmes, and encourage collaboration between SMEs and the bank for support.

Appendices

Appendix 1 Rhodes ethics approval letter



Rhodes University Human Ethics Committee
PO Box 94, Makhanda, 6140, South Africa
t: +27 (0) 48 603 7727
f: +27 (0) 48 603 8829
e: s.mangole@ru.ac.za
NHIRC Registration number: RC-24114-045

<https://www.ru.ac.za/researchgateway/ethics/>

05/01/2021

Panduleni Penuk

Email: g18p8662@campus.ru.ac.za

Review Reference: 2020-0956-4883

Dear Prof Owen Skae

Title: The Effectiveness of Debt Financing on the Growth of Small and Medium Enterprises (SMEs).

Principal Investigator: Prof Owen Skae

Collaborators: Miss Panduleni Penuk,

This letter confirms that the above research proposal has been reviewed and **APPROVED** by the Rhodes University Human Ethics Committee (RU-HEC). Your Approval number is: 2020-0956-4883

Approval has been granted for 1 year. An annual progress report will be required in order to renew approval for an additional period. You will receive an email notifying when the annual report is due.

Please ensure that the ethical standards committee is notified should any substantive change(s) be made, for whatever reason, during the research process. This includes changes in investigators. Please also ensure that a brief report is submitted to the ethics committee on the completion of the research. The purpose of this report is to indicate whether the research was conducted successfully, if any aspects could not be completed, or if any problems arose that the ethical standards committee should be aware of. If a thesis or dissertation arising from this research is submitted to the library's electronic theses and dissertations (ETD) repository, please notify the committee of the date of submission and/or any reference or cataloging number allocated.

Sincerely,

Prof Arthur Webb

Chair: Rhodes University Human Ethics Committee, RU-HEC

cc: Mr. Siyanda Mangole - Ethics Coordinator

Appendix 2 Institution access to conduct research



ACCESS LETTER REQUESTING PERMISSION TO CONDUCT RESEARCH

Rhodes University
Drostdy Road,
Grahamstown,
6130

[Institution name withheld]

Dear Ms/Mr

REQUEST FOR PERMISSION TO CONDUCT RESEARCH

I am a registered Master's student in the Department of Rhodes Business School at the Rhodes University. My supervisor is Professor Owen Skae.

The proposed topic of my research is: The Effectiveness of Bank Debt Financing on the Growth of Small and Medium Enterprises (SMEs) in Namibia. The main goal of this study is to determine the effectiveness of bank debt finance on the growth of SMEs in Namibia. The goal will be achieved through the following objectives:

- a) to identify the type of debt financing obtained from the bank
- b) to determine the level of debt employed by SMEs from the bank
- c) to establish whether firms are sufficiently funded for their operations
- d) to identify and determine the best suitable debt financing option for SMEs

I am hereby seeking your consent to conduct research at your institution. The research will be undertaken through screening of all the funded SMEs clients in the bank list of the [selected] region and the SME bankers dealing with SME portfolio.

The data to be collected from this research will be quantitative data. The identity of your institution and the employees who voluntarily consent to participate will be treated with complete confidentiality. The collection of this data will require from each participant about [15] minutes to complete.

Rhodes University, Research Office, Ethics
Ethics Coordinator: ethics-committee@ru.ac.za
t: +27 (0) 48 603 7727 f: +27 (0) 86 616 7707
Room 220, Main Admin Building, Drostdy Road, Grahamstown, 6130



We look to you for guidance in identifying 8 participants (comprising of an Analyst and a Credit Manager) within the SME department in the [selected] region at your institute that would be suitable to complete the questionnaires (at a time and date that suites them). To assist you in reaching a decision, I have attached to this letter:

- (a) A copy of an ethical clearance certificate issued by the University
- (b) A copy the research instruments (questionnaire) which I intend using in my research

Should you require any further information, please do not hesitate to contact me or my supervisor or ethics coordinator. Our contact details are as follows:

Panduleni Paulus (researcher), [details withheld]

Professor Owen Skae (supervisor), contact number +27 (0) 46 603 8817, email address: o.skae@ru.ac.za

Mr. Siyanda Manqele (ethics coordinator), contact number +27 (0) 46 603 7727, email address: s.manqele@ru.ac.za

Upon completion of the study, I undertake to provide you with a feedback. Your permission to conduct this study will be greatly appreciated.

Yours sincerely,

Panduleni Paulus
Research Student

Rhodes University, Research Office, Ethics
Ethics Coordinator: ethics-committee@ru.ac.za
t: +27 (0) 46 603 7727 f: +27 (0) 86 616 7707
Room 220, Main Admin Building, Drosty Road, Grahamstown, 6139

Appendix 3 Request to conduct research



RHODES BUSINESS SCHOOL
Tel: [+27] 046 603 8617
E-mail: a.petsha@ru.ac.za

[Institution name withheld]

Re: REQUEST FOR PERMISSION TO CONDUCT RESEARCH

Dear Mr/s

I, Panduleni Paulus (under the supervision of Prof. Owen Skae) a Rhodes Business School student doing a Master of Business Administration Degree at Rhodes University carrying out research on The Effectiveness of Bank Debt Financing on the Growth of Small and Medium Enterprises (SMEs) in Namibia. The main goal of this research is to determine the effectiveness of bank debt finance on the growth of SMEs in Namibia. The goal will be achieved through the following objectives:

- a) to identify the type of debt financing obtained from the bank
- b) to determine the level of debt employed by SMEs from the bank
- c) to establish whether firms are sufficiently funded for their operations
- d) to identify and determine the best suitable debt financing option for SMEs

The study will make use of an in depth semi structured interviews for primary data and questionnaires to collect secondary data. The population to be selected will be the SMEs who are debt clients of the bank [name withheld]. Through an SME banker the sample size will be chosen on the basis of industry of operation and the type of financing facility received as reflected from the bank data of [details withheld]. This will be done by screening of all the funded SMEs clients in the bank list of the [selected] region and the SME bankers dealing with SME portfolio.

I am hereby seeking your consent to conduct research at your respected institution and also kindly requesting your institution to obtain consent in writing from the SMEs permitting the bank to provide the researcher with their contact details.

Rhodes University, Research Office, Ethics
Ethics Coordinator: ethics-committee@ru.ac.za
t: +27 (0) 46 603 7727 f: +27 (0) 86 616 7707
Room 220, Main Admin Building, Drostdy Road, Grahamstown, 6139



The researcher is further seeking permission to allow 6 participants (comprising of an Analyst and a Credit Manager) from the SMEs department in the [selected] region at your institution to partake in the study by completing questionnaires (at a time and date that suites them) The identity of your institution and the employees who voluntarily consent to participate will be treated with complete confidentiality. The collection of this data will require from each participant about [15] minutes to complete.

To assist you in reaching a decision, I have attached to this letter:

- (a) A copy of an ethical clearance certificate issued by the University
- (b) A copy the research instruments (questionnaire and interview structure) which I intend using in my research
- (c) A copy of the participants informed consents

Should you require any further information, please do not hesitate to contact me or my supervisor or ethics coordinator. Our contact details are as follows:

Panduleni Paulus, [details withheld]

Professor Owen Skae, (supervisor) contact number +27 (0) 46 603 8617, email address: o.skae@ru.ac.za

Mr. Siyanda Manqele (ethics coordinator) contact number +27 (0)46 603 7727, email address: s.manqele@ru.ac.za

Thank you for your time and I hope that you will find my request favorable.

Yours sincerely,

Panduleni Paulus
Research Student

Rhodes University, Research Office, Ethics
Ethics Coordinator: ethics-committee@ru.ac.za
t: +27 (0) 46 603 7727 f: +27 (0) 86 616 7707
Room 220, Main Admin Building, Drostdy Road, Grahamstown, 6139



PARTICIPANT INFORMED CONSENT
INFORMED CONSENT DECLARATION
(Participant)

Project Title: The Effectiveness of Bank Debt Financing on the Growth of Small and Medium Enterprises (SMEs).

Panduleni Paulus from the Department of Rhodes Business School, Rhodes University has requested my permission to participate in the above-mentioned research project.

The nature and the purpose of the research project and of this informed consent declaration have been explained to me in a language that I understand.

I am aware that:

1. The purpose of the research project is to determine the effectiveness of bank debt finance on the growth of Small and Medium Enterprises in Namibia. The goal will be achieved through the following objectives:
 - e) to identify the type of debt financing obtained from the bank
 - f) to determine the level of debt employed by SMEs from the bank
 - g) to establish whether firms are sufficiently funded for their operations
 - h) to identify and determine the best suitable debt financing option for SMEs
2. The Rhodes University has given ethical clearance to this research project and I have seen/may request to see the clearance certificate by contacting Mr. Siyanda Manqele on +27 (0) 46 603 7727 email address: s.manqele@ru.ac.za

3. By participating in this research project I will be making a contribution in the field of SMEs financing especially to the policy makers on how to improve the financial environment and expand their lending portfolios to SMEs. The study will better inform SMEs of a suitable debt financing to be obtained from the banks to avoid incurring more debts than what they are generating from their operations. The findings will also be useful specifically to SMEs to enable them to make better informed financial decisions with regards to funding.
4. I will participate in the project by partaking in the interview. The data to be collected from this research will be qualitative data.
5. My participation is entirely voluntary and should I at any stage wish to withdraw from participating further, I may do so without any negative consequences.
6. I will not be compensated for participating in the research.
7. The following risks are associated with my participation: possibility of psychological harm, this might rise from feeling of embarrassment of talking about finances and managing of money. Money matter is a sensitive topic and people are not always openly willing to talk about it. This can be experienced during interviews. There is also a possibility of social and economic harm, since research is being conducted on business growth and debt management which relates to social and behavior, this could label the subject. The researcher will ensure academic professionalism and properly explain to participants what the information collected will be used for and what benefits will be derived from the study. Participants will be treated with respect and dignity.
8. Panduleni Paulus intends publishing the research results in the form of a research paper. However, confidentiality and anonymity of records will be maintained and that my name and identity will not be revealed to anyone who has not been involved in the conducting of the research.
9. I will not receive feedback/will receive feedback in the form of a summary report regarding the results obtained during the study.
10. I agree/disagree to Panduleni Paulus to make use of voice recording of my comments and opinions during interviews.
11. Any further questions that I might have concerning the research, or my participation will be answered by Panduleni Paulus by contacting her on [details withheld].

12. By signing this informed consent declaration, I am not waiving any legal claims, rights or remedies.
13. A copy of this informed consent declaration will be given to me, and the original will be kept on record.

I,, have read the above information / confirm that the above information has been explained to me in a language that I understand and I am aware of this document’s contents. I have asked all questions that I wished to ask and these have been answered to my satisfaction. I fully understand what is expected of me during the research.

I have not been pressurised in any way and I voluntarily agree to participate in the above-mentioned project.

.....

Participants signature

Date

Rhodes University, Research Office, Ethics

Ethics Coordinator: ethics-committee@ru.ac.za

t: +27 (0) 46 603 7727 f: +27 (0) 86 616 7707

Room 220, Main Admin Building, Drostdy Road, Grahamstown, 6139



PARTICIPANT INFORMED CONSENT
INFORMED CONSENT DECLARATION
(Participant)

Project Title: The Effectiveness of Bank Debt Financing on the Growth of Small and Medium Enterprises (SMEs).

Panduleni Paulus from the Department of Rhodes Business School, Rhodes University has requested my permission to participate in the above-mentioned research project.

The nature and the purpose of the research project and of this informed consent declaration have been explained to me in a language that I understand.

I am aware that:

1. The purpose of the research project is to determine the effectiveness of bank debt finance on the growth of Small and Medium Enterprises in Namibia.

The goal will be achieved through the following objectives:

- i) to identify the type of debt financing obtained from the bank
 - j) to determine the level of debt employed by SMEs from the bank
 - k) to establish whether firms are sufficiently funded for their operations
 - l) to identify and determine the best suitable debt financing option for SMEs
2. The Rhodes University has given ethical clearance to this research project and I have seen/may request to see the clearance certificate by contacting Mr. Siyanda Manqele at telephone: +27 (0) 46 603 7727 email address: s.manqele@ru.ac.za

3. By participating in this research project I will be making a contribution in the field of SMEs financing especially to the policy makers on how to improve the financial environment and expand their lending portfolios to SMEs. The study will better inform SMEs of a suitable debt financing to be obtained from the banks to avoid incurring more debts than what they are generating from their operations. The findings will also be useful specifically to SMEs to enable them to make better informed financial decisions with regards to funding.
4. I will participate in the project by partaking in the completing of questionnaire. The data to be collected from this research will be quantitative data.
5. My participation is entirely voluntary and should I at any stage wish to withdraw from participating further, I may do so without any negative consequences.
6. I will not be compensated for participating in the research.
7. The following risks are associated with my participation: the study involves dealing with confidential information of clients from the bank. This could be a risk to the bank if the information is not safeguarded to preserve confidentiality and ensure anonymity. Throughout the process anonymity will be maintained. In presenting the research results, participant's personal information will be coded. Information will be treated and handled with strict confidentiality, data will be presented in discreet variables. Participants will also be informed of the parties that will have access to the information.
8. Panduleni Paulus intends publishing the research results in the form of a research paper. However, confidentiality and anonymity of records will be maintained and that my name and identity will not be revealed to anyone who has not been involved in the conducting of the research.
9. I will not receive feedback/will receive feedback in the form of a summary report regarding the results obtained during the study.
10. Any further questions that I might have concerning the research, or my participation will be answered by Panduleni Paulus by contacting her on [details withheld].
11. By signing this informed consent declaration, I am not waiving any legal claims, rights or remedies.
12. A copy of this informed consent declaration will be given to me, and the original will be kept on record.

I,, have read the above information / confirm that the above information has been explained to me in a language that I understand and I am aware of this document's contents. I have asked all questions that I wished to ask and these have been answered to my satisfaction. I fully understand what is expected of me during the research.

I have not been pressurised in any way and I voluntarily agree to participate in the above-mentioned project.

.....

.....

Participants signature

Date

Rhodes University, Research Office, Ethics

Ethics Coordinator: ethics-committee@ru.ac.za

t: +27 (0) 46 603 7727 f: +27 (0) 86 616 7707

Room 220, Main Admin Building, Drostdy Road, Grahamstown, 6139

The main goal of this study is to determine the effectiveness of bank debt finance on the growth of SMEs in Namibia. There are no right or wrong answers but to express your opinions only. Your contribution is highly valued as it will be useful to SMEs, policy makers and financing institution in enabling them to make better informed financial decisions with regards to SME funding and development. You are hereby assured that your personal identities will not be revealed as your responses are coded.

SECTION 1: DEMOGRAPHICS

Participant's Profile

Interview Code:

Time Taken (min):

Type of Industry:

Number of years in operation:

SECTION 2: BORROWING DECISION, FINANCING TYPE AND TERM

1. Ombi, Ambad and Bujang (2018) explain that banks do not only provide the necessary capital for entrepreneurs to establish new SMEs or expand the existing ones they also offer a variety of services and financial products. What prompted your decision to borrow?

.....
.....

2. The bank services cover every aspect of the financial market such as overdraft facilities, term loans, leasing, export and import finance, and even government loan guarantee schemes (Kuruwitaarachchi, Yajid, Khatibi and Azam, 2019). What type of funding did you obtain from the bank towards financing your business?

.....
.....

3. A firm's productivity is determined by the nature of debt. Naude and Chiweshe (2017) support that the availability of long-term finance lets firms to increase their productivity. Moreover, long-term finances allow firms to invest in new capital and equipment which helps to increase productivity. For how long was the funding obtained? (i.e. 0 to 1 year, 1-5 years or 5+ years)

.....
.....

SECTION 3: BORROWING CAPACITY, USAGE AND COLLATERAL

4. How much did your business borrow?

.....
.....

5. Ye and Kulathunga (2019) explain that SMEs employ the funds more efficiently when they are monitored by, and answerable to banks. What were the conditions of the loan? If any.

.....
.....

6. There is a need for capital and access to finance by SMEs for them to perform and also be able to efficiently contribute to economic growth and development. Sibanda, Hove-Sibanda and Shava (2018) further refers to financing as a precondition to the performance of enterprises. What was the loan used for?

.....
.....

SECTION 4: DEBT FINANCING AND PERFORMANCE

7. Did your bank grant you the facility as applied for and was it sufficient for your operations? Briefly explain.

.....
.....

8. Evidence has been provided by Naude and Chiweshe (2017) that all firms, irrespective of size, benefit from access to formal financing. Do you think it was a wise decision to use debt financing for your business? Explain how.

.....
.....

9. Ye and Kulathunga (2019) concluded that bank finance can help SMEs accomplish better performance levels than other financing sources can do. What impact did the loan made towards your business in terms of growth?

.....
.....

SECTION 5: FINANCING CHOICES OF SMEs AND SUPPORT

10. SME finance typically refers to financial services catering specifically for small and medium-sized enterprises (Beck, 2013). Do you believe your bank avails the type of funding options that is suitable for SME business type? Please explain.

.....
.....

11. Firms have stakeholders (i.e customers, communities, suppliers, investors, bankers) that they should proactively pay attention to. Grama-Vigouroux, Saidi, Berthinier-Poncet, Vanhaverbeke, and Madanamoothoo (2020) concluded that those firms who diligently seek to serve the interests of a broad group of stakeholders will create more value over time. Is there any other product / service that you would like banks to consider offering to SME business, besides SME loans?

.....
.....

12. It is argued by Ye and Kulathunga (2019) that in spite of the fact that bank financing is more expensive in comparison to other sources of finance (for example internal finance), it generates a higher rate of return for SMEs. Would you consider taking out a bank loan in future? Please briefly give reasons for your answer.

.....
.....

Thank you for your co-operation and taking part

.....

 3. There is a need for capital and access to finance by SMEs for them to perform and also be able to efficiently contribute to economic growth and development. furthermore, Sibanda, Hove-Sibanda and Shava (2018) refers to financing as a precondition to the performance of enterprises. What was the need for business borrowing?

Start up	
Expansion	
Cash flow operations	
Others (Please specify)	

4. According to Kuruwitaarachchi, Yajid, Khatibi and Azam (2019), the bank services cover every aspect of the financial market such as overdraft facilities, term loans, leasing, export and import finance, and even government loan guarantee schemes. What facility did the business apply for?

Overdraft	
Term loans	
Leasing	
Export finance	
Import finance	
Others (Please specify)	

SECTION 3: INTEREST RATES, COLLATERAL, FINANCING TERM AND REPAYMENTS

5. Shamshur and Weill (2019) report that in addition to banks granting facilities (i.e overdraft, leasing), there are also other benefits including; lower cost of credit, protection against credit crunches and the provision of implicit interest rate or credit risk insurance. What interest borrowing rates was offered to the business?

Less than 10%	
10% -15%	
More than 15%	

6. Ye and Kulathunga (2019) have explained that SMEs employ the funds more efficiently when they are monitored by, and answerable to banks. Was the SME business owner satisfied with the terms and conditions of the facility granted?

Yes	
No	

7. Has the debt been repaid in full within the agreed period? If not, why?

.....

8. Ye and Kulathunga (2019) further argued that in spite of the fact that bank financing is more expensive in comparison to other sources of finance (for example internal finance), it generates a higher rate of return for SMEs.

Was the business able to service the loan with ease? If not, why?

.....

SECTION 4: FINANCING CHOICES OF SMEs AND SUPPORT

9. Beck (2013), defines SME finance typically as referring to financial services catering specifically for small and medium-sized enterprises. This also implies different lending techniques, product differentiation and possibly even different delivery channels for SMEs as opposed to large enterprises and retail client.

Do you believe the bank avails the type of funding options that is suitable for SME business type?

Yes	
No	

10. Naude and Chiweshe (2017) provided evidence that all firms, irrespective of size, benefit from access to formal financing. After granting a bank facility, what changes did you see in the SME business income/revenue generation? Choose one.

Increased	
Decreased	
Remain unchanged	

11. From the perspective of banks, SMEs segment represents a strategic profitable part of bank business. In this regard Duqi, Tomaselli and Torluccio (2019), describe the engagement between

SMEs and banks as integral. Besides lending, do you offer any other kind of support to SME businesses? If so what sort?

Yes	
No	

.....
.....

12. It is believed that a large body of the existing literature has documented that banks are the main external capital provider for SMEs sector in both developed and developing countries (Wlodarczyk, Szturo, Ionescu, Firoiu, Pirvu, and Badircea, 2018). What do you consider as critical that the bank should help SME business with when it comes to making use of debts?

.....
.....

Thank you for your co-operation and taking part in this questionnaire!

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