f

BLENDED FUNDING MODEL: AN OPTION TO CLOSE THE SMALL AND MEDIUM ENTERPRISE (SME) FUNDING GAP IN SOUTH AFRICA

by

Foster Baloyi

Student number: 64059340

submitted in accordance with the requirements
for the degree of

DOCTOR OF BUSINESS LEADERSHIP

at the Graduate School of Business Leadership

UNIVERSITY OF SOUTH AFRICA

SUPERVISOR: Dr Moses B Khanyile

November 2022

ABSTRACT

One of the constraints faced by owners of small and medium enterprises (SMEs) around the world is a lack of access to external funding. The majority of South African black-owned enterprises experience funding challenges arising from a lack of collateral security and a lack of trust among financiers that such enterprises would prove to be sustainable. The failure of SMEs to access external financing from private and public financing institutions has resulted in a funding gap. SMEs also fail to access external financing because of mismatches between demand and supply. Without improved access to external funding, the South African SME sector will be unable to realise the government’s goal to create about 11 million jobs by 2030, as stated in the National Development Plan (NDP).

This study reviewed literature on entrepreneurship theories, capital structure theories and entrepreneurship practice in South Africa. The literature review pays attention to entrepreneurial models, the behaviours and characteristics of entrepreneurs, and current SME funding models and options. This research adopted an ethnographic design using mixed methods. Purposive sampling was used to collect data using unstructured in-depth interviews and questionnaire techniques. 24 interviews were conducted during the qualitative phase. The survey phase attracted 160 participants. The thematic data analysis method perfectly guided the analysis of data obtained during the interviews.

The blended finance model offers practical options to accelerate SME funding and hence to close the existing funding gap. Improved collaboration and partnerships between the public and private sectors are vital for both improved access to funding and the creation of market access for SME products and services. The study further recommends the establishment of SME/entrepreneurial support structures in all nine provinces of South Africa to improve the accessibility of support and advisory services such as incubation, mentorship, product development support, funding, access to markets, accounting services, access to technology and office space. Improved collaboration and partnerships between the public and private sectors are vital for the success of the proposed model.

Key words: Entrepreneurship; small and medium enterprise (SME) funding; SME/entrepreneurial risk; SME/entrepreneurial success; blended SME funding model; business incubation; mentorship; policy and regulatory framework.

ABSTRACT (XITSONGA)

Xin'wana xa swisivelo leswi vini va mabindzu lamatsongo na ma le xikarhi va langutaneke naswona (tiSME) emisaveni hinkwayo i ku pfumala mfikelelo eka mpfuneto wa le handle wa swa timali. Mabindzu yotala ya Vantima eAfriks Dzonga ya hlangana na mitlhontlho ya mpfuneto wa swa timali leyi tumbulukaka ku suka eka ku pfumala rifuwo kumbe nhundzu yo riha hi yona loko mali leyi va pfuniweke hi yona va nga ha koti ku yi hakela na ku pfumaleka ka ntshembho exikarhi ka vanyiki va mali hi leswaku mabindzu yalawo ya ta kota ku heta nkarhi woleha. Ku tsandzeka ka tiSME ku kuma mpfuneto wa le handle wa mali ku suka eka tiinstituxini to nyika mali ta phurayivhete na mfumo swi vangile vangwa ra nkayivelo wa mali. TiSME ti tlhela ti tsandzeka ku fikelela mpfuneto wa le handle wa mali hikwalaho ka ku va swikoxo na mphakelo swi nga fambelani/hlangani. Loko ku ri hava mfikelelo lowu antswisiweke wa mpfuneto wa le handle wa swa timali, sekithara ya Afrika Dzonga ya SME yi ta tsandzeka ku tekela enhlokweni xikongomelo xa mfumo xo tumbuluxa kwolomu ka 11 wa mimiliyoni ya mitirho ku nga se fika 2030, tanihi leswi swi kombisiweke eka Pulani ya Nhluvukiso wa Rixaka (NDP).

Dyondzo leyi yi valangile tibuku hi tithiyori ta swa vutivi bya mabindzu, tithiyori ta swivumbeko swa timali na maendlelo ya swa vutivi bya swa mabindzu eAfrika Dzonga. Mbalango wa tibuku wu nyika nyingiso eka mimodlele ya swa vubindzurisi, mahanyelo na swihlawulekisi swa vativivamabindzu, na mimodlele na tindlela ta sweswi ta mpfuneto wa swa timali eka SME. Ndzavisiso wu tirhisile dezayini ya etinogirafiki hi ku tirhisa maendlelo yo hlanganisiwa. Sampulu ya xikongomelo yi tirhisiwile ku hlengeleta datara hi ku tirhisa tiinthavhiyu leti nga riki ta ximfumo na tithekiniki ta nongoloko wa swivutiso. 24 wa tiinthavhiyu ti endliwile hi nkarhi wa xiyimo xa nkoka Xiyenge xa mbalango xi kokile rinoko ra vatekaxiave vo ringana 160. Maendlelo ya nxopaxopo wa datara ya thematiki ya leterile hi ndlela ya kahle nxopanxopo wa datara leyi kumiweke hi nkarhi wa tiinthavhiyu.

Modlele wa mali lowu hlangansiweke wu nyika tindlela leti kotekaka to hatlisisa mpfuneto wa swa timali eka SME naswona ku pfala vangwa ra nkayivelo wa mali leri nga kona. Nhlangano na vutirhisani lebyi antswisiweke exikarhi ka tisekithara ta phurayivhete na ta mfumo i swa nkoka eka hinkwaswo ku nga mfikelelo lowu antswisiweke wa mpfuneto wa swa timali na ntumbuluxo wa mfikelelo wa makete eka swimakiwa swa SME na vukorhokeri. Dyondzo yi ya emahlweni yi bumabumela ku

simekiwa ka SME/swivumbeko swo seketela vutivi bya swa mabindzu eka swifundzakulu hinkwaswo swa kaye eAfrika Dzonga ku antswisa mfikelelo wa nseketelo na vukorhokeri bya vutsundzuxi byo fana na vulanguteri bya le kusunguleni, vulanguteri, nseketelo wa nhluvukiso wa ximakiwa, mpfuneto wa swa timali, mfikelelo eka timakete, vukorhokeri bya vunkota, mfikelelo eka thekinoloji na ndhawu ya hofisi. Nhlangano na vutirhisani lebyi antswisiweke exikarhi ka tisekithara ta phurayivhete na ta mfumo i swa nkoka eka ku humelela ka modlolo lowu ringanyetiweke.

Maritoyankoka: Vutivamabindzu, mabindzu lamatsongo na ma le Xikarhi, (SME)mpfuneto wa swa timali; SME/khombo hi swa vutivamabindzu; SME/ku humelela ka swa vutivamabindzu; Modlolo wa SME wa mpfuneto wa swa timali lowu hlanganisiweke; nkarhi wa le kusunguleni wa bindzu; vulanguteri; pholisi na rimba ra maendlelo ya nawu.

ISIFINQO

Esinye sezingqinamba abanikazi bamabhizinisi amancane naphakathi (ama-SME) ababhekene nayo emhlabeni wonke ukuntula ukufinyelela okuxhasweni ngemali yangaphandle. Iningi lamabhizinisi aseNingizimu Afrika aphethwe ngabamnyama linezinselele zokuxhaswa ngezimali ngenxa yokuntula isibambiso sokuvikeleka kanye nokuntula ukwethembana kwabaxhasi bezimali ukuthi amabhizinisi anjalo azobonakala esimeme.. Ukwehluleka kwama-SMEs ukuthola uxhaso lwezimali lwangaphandle oluvela ezikhungweni ezizimele nezikahulumeni ezixhasa ngezimali kubangele igebe lezimali. Ama-SME nawo ahluleka ukufinyelela uxhaso lwangaphandle ngenxa yokungafani phakathi kokufunekayo nokuhlinzekwa. Ngaphandle kokufinyelela ekuthuthukisiwe kwezimali zangaphandle, umkhakha waseNingizimu Afrika wama-SME angeke ukwazi ukufeza umgomo kahulumeni wokudala amathuba emisebenzi angaba izigidi eziyi-11 ngonyaka wezi-2030, njengoba kushiwo oHlelweni Lokuthuthukiswa Kwezwe okwaziwa ngokuthi (i-NDP).

Lolu cwaningo lubuyekeze izincwadi ezikhuluma ngamathiyori amabhizinisi, amathiyori esakhiwo semali kanye nokusebenza kwezamabhizinisi eNingizimu Afrika. Ukubuyekezwa kwezincwadi kubheka amamodeli amabhizinisi, ukuziphatha kanye nezici zosomabhizinisi, kanye namamodeli amanje oxhaso lwama-SME nezinto okukhethwa kuzo. Lolu cwaningo lwamukele ukwakheka kwe-ethnografikhi kusetshenziswa izindlela ezixubile. Ukusampula okuhlosiwe kwasetshenziselwa ukuqoqa idatha kusetshenziswa izingxoxo ezijulile ezingahlelekile kanye namasu ohlu lwemibuzo. Izingxoxo ezingama-24 zenziwa ngesikhathi sesigaba sesimo. Isigaba socwaningo sihehe ababambiqhaza abayi-160. Indlela yokuhlaziya imininingwane yesihloko iqondise kahle ukuhlaziya imininingwane etholwe ngesikhathi sezingxoxo.

Imodeli yezezimali ehlanganisiwe inikeza izinto okungakhethwa kuzo ezingokoqobo zokusheshisa uxhaso lwama-SME futhi ngaleyo ndlela kuvalwe igebe elikhona lokuthola imali. Ukusebenzisana okuthuthukisiwe kanye nobudlelwano phakathi kwezinkampani zikahulumeni nezizimele kubalulekile kukho kokubili ukufinyelela okuthuthukisiwe kwezimali kanye nokudala ukufinyeleleka kwemakethe kwemikhiqizo namasevisi ama-SME. Lolu cwaningo luphinde luncome ukusungulwa kwezinhlaka zokweseka ama-SME/osomabhizinisi kuzo zonke izifundazwe eziyisishiyagalolunye zaseNingizimu Afrika ukuze kuthuthukiswe ukufinyeleleka kwezinsiza zokweseka ezifana nokufukamela, ukweluleka, ukwesekwa kokuthuthukiswa kwemikhiqizo, uxhaso lwezimali, ukufinyelela

ezimakethe, izinsiza zokublwa kwezimali, ukufinyelela kwezobuchwepheshe. kanye nendawo yehhovisi. Ukusebenzisana okuthuthukisiwe kanye nobudlelwano phakathi kwezinkampani zikahulumeni nezizimele kubalulekile ukuze imodeli ehlongozwayo ibe yimpumelelo.

Amagama abalulekile: Ezamabhizinisi; uxhaso lwezimali lwamabhizinisi amancane naphakathi nendawo (ama-SME); I-SME/ubungozi kosomabhizinisi; imodeli yemali ye-SME ehlanganisiwe impumelelo yama-SME/ezamabhizinisi; imodeli yoxhaso lwe-SME ehlanganisiwe; ukufukamelwa kwebhizinisi; ukufundisa; inqubomgomo kanye nohlaka lokulawula**.**

DECLARATION

I declare that this thesis is my own work. It is being submitted to fulfil the requirements for the degree of Doctor of Business Leadership (DBL) in the School of Business Leadership (SBL), University of South Africa. I further testify that this work has not been submitted for any other degree or at any other university or institution of higher learning.

Signed …………………………………………

November 2022

ACKNOWLEDGEMENTS

Completing this research project would have not been possible without the help of the Almighty God and the following people:

- Dr Moses B. Khanyile, my leader and supervisor, who provided clarity and supervision for this work.
- The 160 survey and 24 interview respondents. This study adopted grounded theory approach, mintirho ya nwina yi vulavurile.
- N'wa Xilumani, Nkensani Baloyi, khanimamba eka nseketelo wo ngasi.
- Rifumo Nkateko and Baloyi Rifuwo Baloyi, thank you for your patience and understanding.
- Jayela, N'wa Ben Mkhomi Chauke, ndza khensa Mhlengwe – manani wa nkoka. Na wena Khanimamba, ku tsutsuma-tsutsuma ka wena ku hi endlile timbhoni ta matimba ya ku pfumela eka Xikwembu.
- Vongani Sarah, Muchini Jonas and Thomas Baloyi. Matimbaya ngwenya i mati, ndza khensa.
- Extended family and friends, khanimamba.
- I will not forget you, my departed heroes. Risenga Evans Baloyi (my father) and Sapota Joas Chauke (my uncle).

DEDICATION

I dedicate this thesis to Nkhensani, Nkateko, and Rifuwo.

ACRONYMS AND ABBREVIATIONS

AMP	Austrian Market Process
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
COGTA	Department Of Cooperative Governance and Traditional Affairs (COGTA)
CSR	Corporate Social Responsibility
DFI	Development Financial Institution
DSBD	Department of Small Business Development
GDP	Gross Domestic Product
ECF	Equity Crowdfunding Funding
ESD	Enterprise Supplier Development
FinTech	Financial Technology
GEM	Global Entrepreneurship Monitor
ICT	Information and Communication Technology
ID	Identity Document
IDC	Industrial Development Corporation
MFMA	Municipal Finance Management Act
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act (PPPFA)
POT	Pecking Order Theory
P2P	Peer-to-Peer
PPPs	Public Private Partnerships
RFP	Request For Proposal
RFQ	Request for Quotation
SA	South Africa
SAB	South African Breweries
SAMAF	South African Microfinance Apex Fund
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SOEs	State Owned Enterprises
StatsSA	Statistics South Africa
SMEs	Small and Medium Enterprises
SMMEs	Small Medium and Micro Enterprises
TEA	Total Early-stage Entrepreneurship Activity

TOT	Trade-Off Theory
TVET	Technical and Vocational Education and Training
NDP	National Development Plan
NYDA	National Youth Development Agency
UNISA	University of South Africa
USA	United States of America
VAT	Value Added Tax
WACC	Weighted Cost of Capital

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Many South African Black-owned enterprises experience funding challenges arising from lack of collateral security and lack of trust by financiers on the sustainability of such enterprises. The funding challenges are worse for Black-owned enterprises as creditors cite inexperience on the part of black entrepreneur as a weakness that turns away potential creditors, considering that thousands of entrepreneurs across the country compete for such funding. Entrepreneurs and the owners of small and medium enterprises (SMEs) face lack of access to external funding as a constraint in conducting business in South Africa and all over the world (Beck, 2007; Beck, 2012; GEM, 2017). According to Finfind (2017), the formal financing institutions only approve and provide financing to only 1% of SMEs in South Africa. Furthermore, Finfind (2017) found that the funding gap in the South African SME sector is estimated to be between R86 billion to R346 billion. Against this background, the SME funding gap negatively affects the significantly undercapitalised youth entrepreneurs (Green, 2013).

Solutions to address the existing SME funding gap in South Africa must be found urgently for the benefit of the sector and the country's social challenges. There is a positive correlation between increased access to external finance and thriving entrepreneurship (Beck, 2012). Entrepreneurship contributes to both the economic growth and employment creation (Saberi and Hamdan, 2019). Joseph Schumpeter's studies defines an entrepreneur as an active agent in the economic system (Swedberg, 2002). Successful entrepreneurs in South Africa include Mark Shuttleworth (Thawte and Ubuntu Linux) and Herman Mashaba (Black Like Me). Internationally, some of the well-known entrepreneurs include Mark Zuckerberg, the co-founder of Facebook and Bill Gates, the founder of Microsoft.

These listed successful entrepreneurs are just a drop in the ocean compared to many failed entrepreneurs worldwide. A study conducted by Omer *et al.* (2015) found that there are five different types of constraints limiting the growth and contributing to the failure of SMEs in South Africa. The constraints include:

- high competition market environment;
- insufficient government support;
- regulatory framework;
- the financing gap; and

- Corruption.

Recently, Bowmaker-Falconer and Herrington (2020) found that SMEs in South Africa face unsupportive government regulation, inflexible labour market conditions and bureaucratic processes. Countless researchers concur that SMEs experience difficulty in accessing funding and as a consequence, SMEs realise slow growth and development (Petersen & Rajan, 2002; Beck, 2007; Wu, Song, & Zeng, 2008; Klonowski, 2012; Wagenvoort, 2003; Woldie, Mwitta, & Saidimu, 2012; Ayyagari *et al.,* 2008). SMEs are firms with less than 250 employees and have an annual turnover of about €50 million and less (OECD, 2004). The National Small Business Amendment Act of 2003 makes a distinction between SMEs. The National Small Enterprise Act, 1996 (Act No. 102 of 1996), read with the National Enterprise Amendment Act, 2003 (Act No. 26 of 2003) as amended and the National Small Enterprises Act, 2004 (Act No. 29 of 2004) recognise SMEs as separate and distinct entities employing not more than 50 full-time paid employees and not making a total annual turnover exceeding R220 million. According Finfind (2017), the SME sector employs between 60% and 70% of private employment across the world. In South Africa, SME contribution to private employment accounts for 53% (GEM, 2017).

This study has explored different funding models and instruments and to propose the blended funding model which is an option to effectively close the funding gap (constrained) impacting negatively on SMEs, particularly black entrepreneurs.

1.2 BACKGROUND OF THE STUDY

South Africa's commitment to supporting and enabling entrepreneurship and SME growth dates back to 1995 when the first White Paper on SME development was published (Mthimkhulu, 2015). The most recent governmental decision indicating its commitment in supporting the SME sector was when a ministry (Department of Small Business Development [DSBD]) responsible for small business sector was established in 2014 by former President Jacob Zuma. According to DSBD (2021), the DSBD was created to facilitate the promotion and development of small businesses by means of providing policy leadership and direction to all other national departments, state-owned entities (SOEs) and institutions offering SME support functions including but not limited to Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA) and National Youth Development Agency (NYDA).

The establishment of the DSBD in 2014 was justified by high failure rate of small businesses and low entrepreneurial activity in South Africa. According to GEM (2017), the DSDB has however achieved very little meaningful impact since its establishment in 2014. According to Bowmaker-Falconer and Herrington (2020), survey participants who had dealings with NYDA gave a rating of 20.6% indicating that the assistance was ineffective. South Africa records low numbers for both entrepreneurship participation and newly entrant's entrepreneurs as measured by both entrepreneurs' pool percentage and Total Early-stage Entrepreneurship Activity (TEA) rate, respectively. The pool of entrepreneurs in South Africa accounts for 12% compared to 27% in similar economies (ED, 2015). South Africa's low entrepreneurial activity should be a great concern given the persistent high levels of unemployment, poverty, and low economic growth (GEM, 2017). The rate of unemployment in South Africa is 34.4% (Stats SA, 2021).

The TEA rate in the African region is measured at 12.1% compared to South Africa's 10.8% during 2019 (Bowmaker-Falconer & Herrington, 2020). TEA is calculated as the number of people involved in business start-ups from the country's active working age population (IGI Global, 2018). According to RSA Parliament (2016), the country records 88% and 44% failure rate of cooperatives and SMEs respectively. The South African SME discontinuity rate was measured at 4.9% which is still higher compared to 3.5% for established enterprises (Bowmaker-Falconer & Herrington, 2020). The signs of entrepreneurial failure in the local black communities are exhibited by the taking over of Spaza shop businesses by foreign operators such as Ethiopians, Somalian, Pakistanis, and others (Liedeman *et al.,* 2013). Moreover, black townships have malls or shopping centres but there are few black-owned businesses operating in the malls built in local black townships. While spaza shops are viewed as incubators for entrepreneurships, between 2010 and 2012, approximately 70% of locally black-owned spaza shops closed casting doubt on whether they still play a significant role in growing entrepreneurship in South Africa (Liedeman *et al.,* 2013).

The causes of high failure rate of SMEs and entrepreneurship have been studied and ranked repeatedly. The legislative framework is unsupportive and as a result, South Africa is ranked 101 out of 141 countries in terms of doing business (Bowmaker-Falconer & Herrington, 2020). According to SiMODiSA (2015), the firms that participated in the 2013 SME Growth Index cited poor local economic conditions, skills deficit, finance constraints and the regulatory framework as impediments to entrepreneurial success.

Lack of access to funding is a constant constraint experienced by SMEs throughout the world (Beck & Cull, 2014).

Entrepreneurship contributes to both the economic growth and employment creation (Ayyagari et al., 2011; Bowmaker-Falconer & Herrington, 2020). Green (2013) argues that entrepreneurship is a mechanism through which disadvantaged people can break out of social exclusion. The people with low skills take jobs created by entrepreneurs and large firms would not employ such people (Beck, 2012). According to SEFA (2017), South Africa aims to create 90% of the 11 million jobs envisaged by 2030 through the SME sector as outlined by the National Development Plan (NDP). The SME sector currently account for 53% of employment in South Africa (SEDA, 2017). According to Finfind (2017), the SME sector employs between 60% and 70% of the working population globally. Therefore, South Africa's SME contribution to employment creation is lower compared to the global average. South Africa still has a change to develop and position SMEs for greater employment creation (Bowmaker-Falconer & Herrington, 2020).

Researchers found that SMEs experience difficulty in accessing funding resulting in slow growth and development (Petersen & Rajan, 2002; Beck & Demirguc-Kunt, 2006; Beck, 2007; Klonowski, 2012). According to Njiro *et al.* (2010), SMEs use other sources of funding such as own savings, friends, family, and government institutions. Agwa-Ejon and Mbohwa (2015) found that some entrepreneurs are discouraged to source funding from private banks because of the stringent conditions and there is also a belief that banks exploit small businesses.

There are theories that explain the SMEs' capital structure. According to Kumar and Rao (2015), capital structure refers to forms of financing a firm which could be through the options of retained earnings, long-term debt and equity. Firm's capital structure theories include mainly the Modigliani and Miller (1958, 1963) "MM" theory, Trade-Off Theory (Kraus and Litzenberger,1973), Pecking Order Theory which is also referred to as the information asymmetry theory propounded by Myers and Majluf (1984) and the Agency Cost Theory (based on conflict of interest) by Jensen and Meckling (1976). The capital structure theories explain the behaviour of both the banks and firms but they do not provide solutions to financially constrained SMEs established by previously disadvantaged blacks with no personal savings, financially resourced family, creditworthiness, security or collateral.

The objective of realising job creation through entrepreneurs and SMEs will be impossible without improved access to external funding. Firms use external finance to exploit growth and investment opportunities, and to achieve larger equilibrium (Beck, *et al.,* 2011). The banks are not designed to deal with small loans and this exacerbates small businesses challenges since their loans are generally small (Agwa-Ejon & Mbohwa, 2015). One of the reasons why entrepreneurs are denied access to funding by the banks is lack of collateral (Rao *et al.,* 2021). Entrepreneurs are also denied funding by the banks because of having no business track record, poor credit history and limited own contribution (Agwa-Ejon & Mbohwa, 2015). SEFA (2017) closes the gap through the waiver of the collateral requirements and extend credit to entrepreneurs with adverse credit record where steps to rectify negative records is evident.

The current SMEs loan application and assessment rules are strict and lacks flexibility, developmental approach. A non-governmental bank of Bangladesh, the Grameen Bank, approved credit for credit unworthy women. A study by Rouf (2016) found that 70% of women who received funding from Grameen Bank escaped poverty because of success of their businesses. In Malaysia, specific pieces of legislation were introduced to enable the financial technology capital market inclusiveness in order to cater for the SMEs sector (Yap, 2018). Equity crowdfunding (ECF) and peer-to-peer (P2P) financing are some of the sources of funding introduced (Yap, 2018). Different researchers, ministers of government and captains of industries have called for new funding models to support black economic empowerment initiatives.

The apartheid government introduced the Bantu Urban Consolidation Act with the purpose of blocking the emergence of black capitalists (Smuts,1986). The black Africans would in compliance to the Act not operate their enterprises in urban black townships. The lack or low entrepreneurial success in black communities could be the legacy of the Bantu Urban Consolidation Act. The black African entrepreneurs were forced out of the urban townships because of the Bantu Urban Consolidation Act. Black-owned businesses in South Africa have little success because of lack of role models (ED, 2015).

1.3 THESIS STATEMENT

The blended SME funding model integrates and leverage both the private and public financial resources to reduce and mitigate against SME funding risks, hence close the SME funding gap. A thriving, black-owned entrepreneurial and small business sector would benefit the country by creating employment, contribute to economic growth and facilitate wealth distribution and economic transformation. SMEs are viewed as critical to broadening economic participation and job creation in line with the National Development Plan (NDP) (NPC, 2011).

1.4 PROBLEM STATEMENT

South African's SME failure rate is at 44% while cooperatives record a failure rate of 88% (SA Parliament, 2016). The reasons and constraints causing high SME failure rate have been studied over the years. According to Omer *et al.* (2015), some of constraints affecting SMEs in South Africa include high competition, insufficient government support, regulatory framework, the financing gap, and corruption. Mutoko *and* Kapunda (2017) listed financial challenges to be among the challenges that threaten survival of SMEs.

Fatoki and Odeyemi (2010) found that about 75% of small firms' loan applications are rejected by the banks. Banks require collateral (Beck, 2013) and proof of creditworthiness (Rao *et al.,* 2021; OECD, 2015; Erdogan, 2019) during the loan application. Transactional costs and information asymmetries are some of the reasons leading to SMEs experiencing financial constraints (Beck, 2013). Respondents of the GEM have been consistent since 2015 citing access to finance as the reason leading to business discontinuity and statistically, two-thirds of business closures were motivated by financial reasons (GEM 2017). Lending institutions such as banks perceive SMEs to be riskier and risk assessment mechanism that is reliant on assets owned by a small firm is disadvantageous (Beck, 2013).

Lack of access to external funding as a constraint hit hard on black-owned SMEs. The current existing funding models are designed to cater for large enterprises. The government's plan to address market failure through the establishment of SEFA is yet to make considerable impact. Bowmaker-Falconer and Herrington (2020) posit that entrepreneurial support programs in South Africa require financial investment and further relaxation of regulation to improve. According to the South African Parliament (2016), South Africa lacks impact on the ground in terms of money deployment. The estimated funding gap in South Africa is said to be between R86 billion to R346 billion (Carpenter and Petersen, 2002; Visser, 2019). According to Omer (2016), SMEs also fail to access external financing because of mismatches between demand and supply. Existing empirical evidence in the literature suggest that the funding gap negatively impact the growth and expansion potential of SMEs (Beck & Demirguc-Kunt, 2006; Hutchinson & Xavier, 2006; Mahadea & Pillay, 2008; Robson & Bennett, 2000).

1.5 SIGNIFICANCE OF THE STUDY

Governments' response to high levels of unemployment and social inequalities is by implementing policies aimed at supporting small business sector, which has the potential of addressing such socio-economic challenges (Mthimkhulu, 2015). Small business sector worldwide is recognised for employment creation. According to Beck (2013), the poor take jobs created by SMEs. South Africa has 34.4% unemployment rate (Stats SA, 2021).

Empirical evidence shows how black-owned entrepreneurial start-ups fail because of financial constraints and other constraints such as lack of access to markets and others. Despite being declined finance by the banks, government established institutions such as NYDA, SEFA, SEDA, and others lack meaningful impact and employ inefficient models (SA Parliament, 2018, MISTRA, 2020). It has been reported that the current SEFA's operating and lending models are failing SMEs (SA Parliament, 2018; MISTRA, 2020; Bowmaker-Falconer & Herrington, 2020).

The model through which the banks provide loans to SMEs is not suitably designed to deal with small loans and this exacerbates small businesses' challenges since their loans are generally small (Agwa-Ejon & Mbohwa, 2015). An investigation aimed at achieving the better models was therefore necessary. A reduction of transactional costs can be achieved through the redesign of the lending technique, government policies and the structural characteristics of financial institutions and the economy (Beck, 2016). Moreover, the high loan application decline rate of SMEs is also the reason why other entrepreneurs are discouraged from seeking funding from the banks (Agwa-Ejon & Mbohwa, 2015). Correlation exists between SME growth and increase level of access to external funding (Beck, 2013). The 11 million jobs envisaged to be achieved through the SME sector will only be realised when the sector and entrepreneurs enjoy improved level of financial and non-financial support. The blended SME funding model offers practical measures to mitigate SME inherent risks, hence address the current market imperfections and close the SME funding gap.

1.6 RESEARCH OBJECTIVES

Various research studies have been conducted to understand the challenges and constraints SMEs and entrepreneurs face in South Africa. According to Beck (2013), SMEs in their nature differ considerably compared to larger enterprises and their creditworthiness cannot be assumed to be the same and therefore cyclical creditworthiness disadvantages the SMEs. SMEs are denied funding by the banks because of having a poor credit history, no business track record, lack of collateral and limited owner's contribution (SEFA, 2017). The government-funded developmental institutions lack meaningful impact and employ inefficient funding models (SA Parliament, 2018). The objectives of this study are as follows:

1.6.1 To explore the reasons for the failure of black entrepreneurs in South Africa;

1.6.2 To identify the factors that enable funding for Black-owned SMEs;

1.6.3 To examine SMEs and entrepreneurship funding models with respect to how the models can address the funding GAP in South Africa; and

1.6.4 To analyse the South African policy and legislative framework supporting or limiting entrepreneurship.

1.7 RESEARCH QUESTIONS

The main research question:

- What impact do funding models have on entrepreneurship, SMEs sustainability, and growth in South Africa?

The sub-research questions are as follows:

1.7.1 What are the causes of failure associated with SMEs owned by black entrepreneurs in South Africa?

1.7.2 What are the factors that enable SMEs funding for enterprises owned by black entrepreneurs in South Africa?

1.7.3 How can SME funding models be developed to address the existing SMEs and entrepreneurship funding GAP in South Africa?

1.7.4 What are the policy and regulatory factors that will hinder the adoption and implementation of a new SMEs funding model in South Africa?

1.8 RESEARCH ASSUMPTIONS

The following assumptions are made in this study.

- The South African SME sector will miss the opportunity to achieve high economic growth and unemployment reduction if no better SME entrepreneurial funding model is developed to close the existing funding GAP. Resource constrained SMEs will not grow (Gill and Biger, 2012) and create enough jobs required to reduce high unemployment in South Africa.
- The resources and institutions that the country has establish are not justified by high enterprise failure rate in the small business sector as well as unsustainability of the current funding models.
- Scientifically conducted research can find better ways on how to improve SMEs and entrepreneurship funding in South Africa. The resource-based theory compares financial resources to SMEs as oil for growth (Owusu et al., 2017).

1.9 RESEARCH DESIGN AND METHODOLOGY

This section provides a detailed description of research design and methodology for this study. Data collection methods and data analysis methods are also discussed.

1.9.1 Methodology

In this study, both quantitative and qualitative research methods were employed to address the research questions and to achieve the research objectives. The choice of mixed methods was informed by the need to achieve both the experiences that participants (entrepreneurs and non-entrepreneurs) have about the current public and private funding/financing techniques/instruments and their views on how the new funding techniques/instruments can be implemented. A qualitative research method was used to collect primary data through in-depth semi-structured interviews. The usefulness of phenomenological research method is in the uncovering of people's perceptions and understanding of phenomenon (Leedy & Ormrod, 2010). According to Ospina (2004), a qualitative research method is suitable where the researcher aims for a holistic picture from historically unique situations, where idiosyncrasies are important for meaning. In addition, a survey questionnaire was used to collect quantitative data as a way of validating the findings of the qualitative phase. An abductive approach to theory development was embraced in this study. The abductive approach combines both deductive and inductive approaches (Suddaby, 2006).

1.9.2 Research Philosophy

According to Saunders *et al.,* (2016), there are ten research philosophies. These are radical instrumentalist, radical humanist, functionalist, subjectivism, interpretivitsm, positivism, realism, objectivism, pragmatism, and interpretive. Different research designs and strategies have different philosophies which suite them better. According to Saunders *et al.* (2016), interpretivism philosophy is recommended for researchers who are determined to get in-depth meanings as opposed to making generalisations.

Saunders (2016) argues that it is the research philosophy that gives the understanding of the process of knowledge development and scrutinised until it is well received. Pragmatism philosophy has been carefully chosen for this research. The choice of pragmatism is informed by the fact that this philosophy is best suited in finding answers to problems in the natural or real environment. The problem being solved in this research is a real-world problem. It is envisaged that the research outcome will contribute to the body of knowledge, and also influence policy making to benefit visionary young black graduate entrepreneurs who are only let down by lack of access to finance.

Saunders *et al.* (2007) argue that the highly important determinant of the research philosophy adopted is the research question – one approach may be ‘better’ than the other for answering particular questions. A pragmatist’s view is that it is perfectly possible to work with both positivist and interpretivism philosophy as long as there is no ambiguity in the research question. According to Tashakkori and Teddlie (1998), the researcher must study what is of interest to them in the way they deem appropriate and use the results to bring about positive consequences within the value system.

1.9.3 Time Horizon

Saunders *et al.* (2007) identify cross-sectional and longitudinal studies. A cross-sectional study investigates a phenomenon at a particular time and often uses survey strategy (Easterby-Smith *et al.,* 2002; Robson, 2002). Furthermore, cross-sectional studies can be employed on qualitative methods such as case studies where data are collected through interviews conducted over a short period of time. An example of a cross-sectional study would be a survey of the Information Technology skillsets of managers in an enterprise at a given time.

In this study, cross-sectional approach has been considered for this research. This selection is informed by the factors of time period within which this study should be concluded (being an academic study) and the fact that cross-sectional studies can be employed on qualitative methods where data are collected through interviews. This study has reviewed funding models and instruments being implemented by the current active SME funding institutions. The successful SME funding cases from elsewhere in the international community have been considered.

1.9.4 Techniques and Procedures

This section discusses the techniques and procedures selected to conduct the proposed study.

1.9.4.1 Data Collection Techniques

A triangulation data collection phased approach was used in this study since it is a mixed methods research. The results of a qualitative data collected through in-depth interviews were analysed and further validated through surveys. Methodological triangulation serves to provide a "multiplicity of perspectives" (Cohen & Manion, 1997) and to test and provide confirmation and assurance that there was a correct interpretation of collected qualitative data by the researcher (Saunders *et al.,* 2009). According to Saunders *et al.* (2016), triangulation contributes to the cross-validation of the data sources and the data collection strategies to determine whether the same patterns and themes emerge. The interview participants considered in this study included entrepreneurs (SMEs), policy makers, investors, banking lending officials and researchers. The elements of the proposed blended SME funding model were validated through survey instrument.

1.9.4.2 Data Analysis

The most appropriate method for data analysis of a phenomenological study is to identify common themes in the description of the respondents (Leedy & Ormrod, 2010). Thematic data analysis has been used and themes will be organised by identifying statements that pertain to the issue in question. Statements from the respondents have been grouped into meaning units. Similar and divergent experiences among the respondents were identified and the overall picture painted by the respondents is shown in the themes emerging from the data. Statistical analysis has been used to analyse quantitative data. The purpose of quantitative phase in the research is primarily to validate the results of the qualitative phase.

1.9.5 Research Population

Population is defined as a group of units, items or people being considered for a specific study (Saunders *et al.,* 2007). This investigation considered entrepreneurs, policy makers, investors, banking lending officials and researchers in the field of enterprise funding as the study population.

1.9.6 Sampling Methodology

A sample is defined as "a subset of elements from a population" (Aaker *et al.,* 2001). Sampling is effectively an act, technique, or process of identifying qualifying units, objects or people from the entire group for participation in the research. According to Saunders *et al.* (2016), a well selected sample has a better chance of perfectly yielding the characteristics of the entire population from where it has been selected. A sampling method can be a probability or non-probability. A full population database must exist before a probability sampling method is selected (Saunders *et al.,* 2007). Alternatively, non-probability method can be used (Saunders *et al.,* 2016).

It was not possible to access a database of all entrepreneurs and therefore, non-probability sampling has been used in this study. The selection of non-probability purposive sampling was also motivated by the fact that representativeness is not essential. The entrepreneurs, policy makers, investors, banking lending officials and researchers in the field of enterprise funding were sampled in a non-probability method to participate in the study. Saunders *et al.* (2007) argues that the challenges associated with the study population must be well understood and constraints identified before a sample size determined. This research employed a mixed methods approach, which encapsulates both quantitative and qualitative research methods.

A sample of 30 participants consisting of entrepreneurs, senior government policy makers from the relevant departments and state-owned enterprises (SOEs), banking officials, academics, and professionals in the SME sector was considered for interviews.

In order to enhance the accuracy and applicability of the proposed funding models emanating from the results obtained from interview participants, 250 entrepreneurs and ordinary participants were targeted for participation in the survey process. According to Saunders *et al.* (2009), quantitative technique can be used to test and provide confirmation and assurance that there was a correct interpretation of collected qualitative data by the researcher.

1.9.7 Validity and Reliability

Validity refers to the extent to which the instruments being used in the study effectively measure that which they are intended to measure (Kent, 2007). It is critical that any research work being conducted gain respect and its trustworthiness is not being questioned (Nowell *et al.,* 2017). Conversely, reliability is defined as being confident and certain that the same research results can be arrived at repeatedly when the same instruments are used to study the same population repeatedly (Welman *et al.,* 2005).

The results of valid and reliable research work, in all probability, can be generalised to alternative sample populations and produce similar results to a study that is representative of a larger population. Reliability assures the credibility of the findings from the study and if the results will stand up to the closet analysis (Welman *et al.,* 2005). The researcher instruments were theoretically grounded and designed with the aim to answer the research questions and address this study's objectives.

Two pilot studies were conducted for the purpose of testing the data collection instruments. A pilot study is referred to as a mini-version of a full-scale study and is conducted in preparation of the complete study. Moreover, a pilot study can also be a specific pre-testing of research instruments, including questionnaires or interview schedules (Saunders *et al.,* 2016). During both pilot studies, few participants were selected and their responses were studied to determine if data collections instruments were suitable or required amendments. In both the interviews and surveys, pilot testing revealed inadequacies in the earlier visions of the instruments which were accordingly improved.

1.9.8 Ethical Considerations

Ethics are morals of the standards that an individual or group has about what is right and wrong, good, and evil (Velasquez, 2012). The researcher was be fully guided by University of South Africa’s ethical research standard. An ethical clearance certificate was issued by Unisa and the researcher upheld the ethical research conduct. Right conduct is considered to be actions taken under the guidance of principles and morals. This research was guided by the principles stipulated in Unisa’s ethical clearance certificate.

1.9.9 Limitations and Delimitations of the Study

According to Simon (2011), delimitations refer to characteristics that limit the scope and define the boundaries of your study. Delimiting factors include the identification and formulation of research objectives, the research questions, variables of interest, theoretical perspectives as adopted by the researcher and the population chosen for investigation (Simon, 2011). There is more than one constraint impeding SMEs and entrepreneurship growth as found by many researchers but lack of access to external financing has been identified for this study. Against this background, this study has chosen black entrepreneurship in South Africa. Purposive (non-probability) sampling does not afford every possible participant an equal chance to be selected for participation. It would still be impossible to apply probability sampling given that no organisation had an updated database of all black entrepreneurs at the time when this study was conducted.

1.10 CHAPTER LAYOUT

The chapters of this study are structured as follows:

Chapter 1: Introductory chapter covering the study background, problem statement, objectives, research questions, assumptions, and the research design.

Chapter 2: Extensive literature review covering entrepreneurship and funding theories.

Chapter 3: The chapter reviews empirical literature covering entrepreneurial and funding practices locally and selected international cases.

Chapter 4: Research design, methodology and methods used in the research project. The chapter also covers the theories and rationale for the selected methods and strategies.

Chapter 5: Presentation of qualitative results collected via in-depth interviews. Thematic analysis was used in the study; hence the results are presented in themes.

Chapter 6: Thematic Data Analysis chapter conduct analysis on the identifies themes and patterns within emerging from chapter 4.

Chapter 7: Presentation of survey results. A quantitative phase is being used to test the elements of the proposed funding model.

Chapter 8: Proposed SME funding model presentation.

Chapter 9: Summary, conclusion, and recommendations of the study.

1.11 CONCLUSION

This chapter has introduced the study conducted in this project, covered the background, thesis statement, problem statement, the research objectives and the methodological approach employed. The significance of this study has been well articulated. The layout of the remaining chapters is also covered.

CHAPTER 2: THEORETICAL LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews literature on entrepreneurship and capital structure theories, entrepreneurial practices, and SME funding models. The entrepreneurship theories reviewed are both traditional and emerging. The chapter then focuses on the entrepreneur as an individual and more focus is given to the character, qualities, and the behavioural aspects of the entrepreneur. The capital structure theories are reviewed to understand how firms make decisions between debt and equity financing options.

2.2 THEORETICAL FRAMEWORK

In this section, definitions and discussions of terms and theories are fully covered. Theories underpinning the study context are discussed first.

Theory is defined as a summary and synthesis of what is known about a field (Moore, 1991). In addition, theory reduces our knowledge to the basic ideas and presented in a way that shows underlying patterns and relationships (Moore, 1991). Furthermore, models are simplified representations of a system. Models attempt to reduce the world to a fundamental set of elements and laws, and on this basis, they hope to better understand and predict key aspects of the world (Börner *et al,* 2012). This section discusses the theory and models of entrepreneurship and funding in order to inform the research work undertake.

2.2.1 System and Critical Change Theory

Theoretical framework theories such as ethnography, social construction, content analysis, grounded theory, systems theory, and critical change theory have been previously applied in the field of finance research (Salmona *et al.,* 2015). However, this study will be guided and supported by the systems and critical change theories.

2.2.1.1 Systems Theory

Systems theory in qualitative research is adopted from the field of sociology and therefore views a programme, organisation, or social structure to have different sectors. More importantly, systems theory posits that the interaction of these different sectors determines how the social system works. The social sectors that the theory has been applied to conventionally include business, government, justice, family, religion, education, technology, and media. Previous qualitative studies using the system theory involved dismantling the system in order to explore the interaction and the relationship between the components. The systematic approach allows for examination and distinguishing of different characteristics such as roles, functions, boundaries and overlap.

The findings in Gippel's (2015) study identified distinct narrow boundaries within the components of the field of finance, which limits innovation and change in research practice. This study was concerned with the interaction of the entrepreneurship ecosystem components. According to SiMODiSA (2015), the ecosystem components include government, financial institutions, and market. The current interaction could be influenced and amended to cater black entrepreneurs.

2.2.1.2 Critical Change Theory

The study will also adopt critical change theory. According to Salmona *et al.* (2015), the researcher openly discloses the strong ideological beliefs ahead of the study. According to Patton (2002) and Weiss and Greene (1992), the researcher is directly engaged and the engagement may therefore be taken as an advocate to give voice to the disenfranchised, the marginalised, the underprivileged and others outside the social mainstream of decision making and influence.

2.3 ENTREPRENEUR THEORIES

Entrepreneurship theories in the main explain how the market systems work, details the relationship between the entrepreneurs and profit (Bula, 2012). The emerging entrepreneurship theories go beyond the economist's view of the concept. They focus on innovation, resources and even the influence of the social environment and personal choices. This section provides a discussion on some existing entrepreneurship theories relevant to this study.

2.3.1 The Social Enterprise School and Sociological Theories

The Social Enterprise School theory views entrepreneurship as a “social enterprise” initiative (Bula, 2012). It is the enterprise’s contribution to social programmes and problems whereby earned income is spent to help the community that informs this theoretical view. Charitable contributions and other donations by enterprises from earned profits qualify them to be social enterprises (Bula, 2012). Entrepreneurs operate within the social rules of engagements and they work towards their socio-economic needs as well as showing commitments to their community (Osorio *et al.,* 2015). In the same vein, Schumpeter (1949) also views entrepreneurs as socio-economic leaders who are fulfilled by being of good service to the society and being inventors. Through SMEs, entrepreneurs foster social cohesion by reducing inequality gaps between regions of unequal economic and developmental levels (Koshal, 2017).

The Sociological Entrepreneurship Theory postulates that entrepreneurial ventures are by nature, social entities (Bula, 2012). Bula (2012) posits that the enterprise’s founder has a choice to share ownership and such decisions have long lasting consequences on both the survival and performance of the business. Ruef *el al.* (2003) presents three principles of team formation. The first principle is *homophily*, implying people’s tendency of preferring to associate with those that they share similarities with such as gender or ethnicity. Secondly, the *purposive principle* which refers to selecting association based on people’s skills, experience or even educational qualifications. The third and final principle is *the context or opportunity structures* which are set by the first two principles. Bird (1989) argues that there are psychological benefits of running a business with partners as opposed to a solo operated business. The burden of decision-making and facing consequences could be too much to handle for one person, hence the need to share ownership arises. Social networks can also be source of opportunities for entrepreneurs.

Ronald Burt (1995) presents the entrepreneurship theory from a sociologist point of view. According to Swedberg (2002), entrepreneurial opportunities can be found within a person’s social networks. Networks build one’s social capital and it is through a circle of friends and other relations that one can find opportunities and resources (Dorin and Alexandru, 2014). Burt (1995) terms the entrepreneurial opportunity as “a structural hole” which occurs when two non-redundant members of the network meet. Burt calls the third person who joins to take advantage of the network “tertius gaudens”. According to Burt (1995), the social networks increase the social capital value when there are less redundant contacts in the circle. Babatunde and Qaim (2009) argue that there is a category of entrepreneurs that is called “*social capital* and political *network exploiters*”. These individual entrepreneurs identify the *social and political networks* which they exploit for business profit (Babatunde and Qaim, 2009). Government policy programmes such as privatisation create opportunities for the politically connected.

Privatisation of government assets does not lead to more entrepreneurial activities, instead, large companies get to acquire strategic assets through the help of “predatory entrepreneurship” (Feige, 1997). Entrepreneurs referred to as “predatory entrepreneurs” use the political powers to gain access to opportunities. According to Rehn and Taalas (2004), top-down formed enterprises benefit the politically connected entrepreneurs who benefit from redistribution of former state assets. South Africa’s examples may include Cyril Ramaphosa, Tokyo Sxwale, Mathews Phosa, Robert Gumede, and Patrice Motsepe. According to Osorio *et al.* (2015), entrepreneurs choose to form “coalitions” to collectively confront imperfect information, conflict, and uncertainty. Sheriff and Muffatto (2014) note that while the socio-economic climate influences entrepreneurial activities, the same socio-economic climate is influenced by entrepreneurial activities.

2.3.2 Equilibrium Destruction Theory

Entrepreneurs are innovation and social agents. Although entrepreneurship may produce profits, entrepreneurs as social and economic leaders are fulfilled by being of good service to the society and being inventors (Schumpeter, 1949). Schumpeterian theory is of the view that it is the actions of entrepreneurs which moves the market conditions from equilibrium to disequilibrium state (Bula, 2012). According to Schumpeter (1949), entrepreneurs run the process of “creative destruction” by introducing new production methods and products, hence rendering others obsolete.

According to Bula (2012), the entrepreneur considers the joy of innovation to be far greater than acquiring social power status. Schumpeter argues that it is during the innovation process that an individual earn the title of an “entrepreneur” (Dorin and Alexandru, 2014) .The Schumpeterian theory acknowledges that the one who discovers new production combinations or innovations may not necessarily be the owner of the business, but the business owner is viewed as an entrepreneur for the implementation role played. Entrepreneurship has the power to create new order as well as to deliver new methods of doing things.

Schumpeterian entrepreneurship appears to be pre-condition for economic and societal modernisation (Chepurenko, 2015). According to Anderson (2011), it is the nation at large that benefits from the successes of innovation while the failures of innovation are only felt at the enterprise level. Schumpeter (1934) also used innovation to differentiate entrepreneurs from capitalists. According to Schumpeter, a capitalist is an individual who owns a business, take risk by investing their capital into the business and not innovate. On the contrast, an entrepreneur discovers new production combinations or innovations.

2.3.3 Resource Allocation Theories

Schultz's (1975) theory find connectedness between entrepreneurship and disequilibria (Bula, 2012). Schultz (1975) argues that entrepreneurship exists in all aspects of life and that success in entrepreneurship is determined by one's ability to coordinate and reallocate resources. Entrepreneurs are differentiated according to their ability to deal with disequilibrium, thereby reallocating resources to achieve greater satisfaction (Bula, 2012). Better allocation of resources can be achieved through experimenting process which can involve trial and error.

The experimenting process is unpredictable and risky, associating risk taking to entrepreneurship. Both Schultz (1975) and Cantillon's (1931) theories acknowledge the risk element associated with the entrepreneurial process. According to Brown and Thornton (2013), bearing risk and acting in uncertainty characterises the Cantillon's theory of entrepreneurship. The entrepreneurship value creation process occurs within uncertain and unknowingness characterised context (Townsend *et al.*, 2018). Business risk is when process outcomes are predictable and yet uncertainty exist (Rocha, 2012).

In this theory, Knight (1971) views an entrepreneur in relation to uncertainty, risk, and profits. Knight (1971) observes that risk can be insured, and uncertainty cannot be insured because it is dependent on unique events such as sift in consumer taste (Bula, 2012). According to Knight (1971), the entrepreneur is the owner of the business and has the responsibility to shield stakeholders against such events through judgement and response to unique situation. To realise profit, the entrepreneur performs three tasks which are change initiation through innovativeness, adapt to change and the assumption of consequences of uncertainty inherent in the business operations (Knight, 1971). Herbert and Link (1988) views the Knightian theory as a refinement of the Cantillon theory. The Cantillon's theory views an entrepreneur as an active agent in the economic system.

2.3.4 Knowledge-based Entrepreneurship

Von Hayek's theory argues entrepreneurial behaviour from the perspective of application of knowledge, more specially the practical knowledge (Dorin and Alexandru, 2014). The knowledge-based theory advances arguments which are not specific. According to Swedberg (2002), practical knowledge means understanding circumstances of time and locations. Entrepreneurs achieve success through gaining understanding of people and cultures continuously observed from their actions (Swedberg, 2002).

2.3.5 The Practice Theory

According to Anderson and Ronteau (2017), the practice theory calls for a contextualised understanding of entrepreneurship because functionalist and disciplinary restricted theories do not go beyond their domains. It is in practices that we extract meaning, identity and order producing activities proposed by Anderson and Ronteau (2017). Entrepreneurial practice theory extends its focus beyond the entrepreneur; the theory reaches to "entrepreneuring" which is what the entrepreneurs actually do. Drucker (1985) argues that entrepreneurship is best understood as practice.

Feldman and Orlikowsk (2011) propose three approaches to studying an entrepreneur which are through the "*what*?", "*how*?" and the "*why*?" The "*wha*t?" which is also called the "empirical" focus on the daily activities of an entrepreneur. This approach is viewed as a response to credible criticisms which claimed that too much focus was on the structural features while neglecting human action or agent capacity (Anderson and Ronteau, 2017). The focus of the *how* or "theoretical" approach is on providing explanation of the activity and *how* it relates to the dynamics, context within which they operate and the time factor (Anderson and Ronteau, 2017). Finally, the third approach which is the *why* or "philosophical" sees the social reality as a product of everyday activities. Social reality is a product of everyday activities. Emerging economies are unique and different from western economic conditions, existing fragmented and functional theories and therefore fall short of providing holistic view of entrepreneurship.

2.3.6 Effectuation Theory

The field of entrepreneurship has attracted more interest from researchers and as a result, new theoretical perspectives emerged (Fisher, 2012). According to Fisher (2012), effectuation is one of the emerging theories of entrepreneurship. The theory attempts to provide explanation as to why individual entrepreneurs decide to build new business activities that are not related to their initial business goals (Matalamäki, 2017). According to Fisher (2012), entrepreneurs develop the appetite to pursue new opportunities because of market changes and trying new opportunities provides learning opportunity for entrepreneurs. The roots of effectuation theory can be traced back to the period between 1988 and 2011 (Matalamäki, 2017).

2.4 CONTEMPORARY VIEW OF ENTREPRENEURSHIP

Contemporarily, the focus has shifted from the entrepreneur to the environment within which entrepreneurial activities take place (Koshal, 2017). Entrepreneurship is researched from different disciplines, for instance, behavioural science focuses on the individual entrepreneurs, the entrepreneurial process and the person's freedom of choice (Koshal, 2017). It is now that the need to focus on the social and psychological aspects of the entrepreneur has arisen leading to conclusions that people's choices are influenced by their immediate environment and given more support, more people would embark on new ventures. According to Alvarez *et al.,* (2011), the society's dominant beliefs, values and attitudes influences the entrepreneurial behaviour of individuals in that society.

2.4.1 Opportunity Driven Entrepreneurship

Van Aardt (2016) defines business opportunity as a set of exploitable circumstances warranting commitment, persuasion and deployment of resources aimed at achieving unpredictable result. Kariv (2011) describes an opportunity as an entrepreneur's own creation whereby resources are used to make a superior value which is appealing to the marketplace. According to Drucker (1985), an entrepreneur scans through the change taking place and identify opportunities which can be exploited. While change is considered by many as threat to established routines, entrepreneurship takes advantage of change; it employs change and it also brings about change by delivering new products

(Anderson *at al.,* 2012). Therefore "change" can be said to be the initiator, source of opportunity and the output of entrepreneurship.

Babatunde and Qaim (2009) differentiate between necessity-driven and opportunity-driven entrepreneurs. The opportunity-driven entrepreneurs use social capability skills to scan through the market environment to identify new business opportunity (Babatunde and Qaim, 2009). Necessity-driven entrepreneurs are classified as informal because they operate outside the economic mainstream which is referred to as the informal sector (Gurtoo & William, 2009). According to Adu-Gyamfi *et al.* (2018), enterprises owned by a necessity-driven business owner inherit the survivalist operational mode from the owner who cannot focus on innovation but preoccupied with the need to survive. Among the necessity-driven entrepreneurs, there are those who are driven by the need for personal freedom and independence as well as those who are motivated by the need for economic survival (Adu-Gyamfi *et al.,* 2018). Emerging market economies have conditions forcing citizens into entrepreneurship (Fitch & Myers, 2000; García-Cabrera & Gracia Garcia-Soto, 2008). Low economic growth and high unemployment rate are some of the conditions forcing people into necessity-driven entrepreneurship.

Conversely, opportunity-driven entrepreneurs are growth-oriented, and they continue to search for opportunities despite the lack of resources (Stevenson and Jarillo, 1990). According to Chen and Yang (2009), entrepreneurs in Taiwan exhibited and proved to use less resources in every state of the entrepreneurial development stages through creativity.

2.4.2 Opportunity Identification Methods

Kariv (2011) in Table 1 lists four methods of identifying opportunities, namely, *active search*, *opportunity creation*, *passive search,* and *fortuitous discovery*. In the *active search*, a comprehensive research is innovatively conducted by scanning the environment, strategic planning, and competitive analysis. The *opportunity creation* method is initiated by the entrepreneur. Kariv (2011) describes the entrepreneur-initiated opportunity as the one whereby resources are used to make a superior value which is appealing to the marketplace.

TABLE 1: OPPORTUNITY IDENTIFICATION METHODS

Active Search Comprehensive research based around innovative goals: environmental scanning, competitive analysis, strategic planning.	**Opportunity creation** An opportunity presents itself (e.g. new legislation), or is created by the entrepreneur, and the entrepreneur takes advantage by responding to the need created by the opportunity.
Passive Search Without actively recognising goals, the environment is being constantly scanned for opportunities.	**Fortuitous discovery** Chancing upon an opportunity due to the entrepreneur's personal fascination with a particular area of interest.

(Adapted from Kariv, 2011:31)

The *passive search* method involves constant scanning of opportunities without any recognising of goals. The *fortuitous discovery* method is guided by the entrepreneur's fascination. According to Stevenson and Gumpert (1985), entrepreneurial opportunity exists if the future state of the prospect is desirable, has growth potential and the individual entrepreneur deem it feasible. Feasibility is not determined and dependent on the resources currently at hand (Gartner and Baker, 2010).

2.5 ENTREPRENEUR'S BEHAVIOURAL CHARACTERISTICS

According to Simpeh (2011), there are certain behaviours associated with successful entrepreneurship. In their behaviour, entrepreneurs must be emotionally resilient, mentally strong, innovative, impatient with stagnation, hardworking and possess high optimism (Simpeh, 2011). There is correlation between high risk tolerance and successful entrepreneurship (Arko-Achemfour and Dzansi, 2016). Entrepreneurs are risk takers, always willing to learn and they always desire to bring change. Entrepreneurship both embodies and articulates change (Anderson *et al.,* 2012). Entrepreneurship takes advantage of change, it employs change and it also brings about change by delivering new products. Simpeh (2011) found successful entrepreneurs to be self-reliant, success-oriented, persistent, and open to meet new people, highly committed and tolerant of ambiguity.

Drucker (1998) argues that there is a clear distinction between entrepreneurs and traditional business owners. Entrepreneurs are more technical than just business owners (Drucker ,1998). Behaviours that are crucial entrepreneurial success include creativity and innovation, hard work and perseverance (Simpeh, 2011). According to Simpeh (2011), it is required of the entrepreneur to always have the desire to learn, aspire to win, work excellently, and take risk and to act with integrity to become successful. Rwigema *et al.,* (2012) highlight problem solving skills, self-confidence, and internal locus of control as other entrepreneurial success attributes that the individual entrepreneur must possess.

2.5.1 Entrepreneurial Character and Qualities

Ardent Executive (2008) lists characteristics of an entrepreneur as *commitment* and *determination, courage, leadership, opportunity obsession, risk tolerance, creativity,* and *motivation to excel. Commitment* and *determination* refer to the willingness and persistent immersion into the mission to achieve set goals through hard work, discipline, and personal sacrifices. Entrepreneurs display the character of being *courageous* through being intensely curious when experimenting new combinations regardless of the risk identified.

Entrepreneurs are leaders who are self-starters, building their teams through inspiration, influence, building trust, learning, and teaching the team members. Teams formed by entrepreneurs are well prepared to pursue *opportunities* that the leaders are obsessed about. *Opportunity obsession* is seen through the constant searching of new combinations, the need to understand customer needs and shaping the opportunity. In seeking new opportunities, entrepreneurs calculate and take *tolerable risk* (Ardent Executive, 2008).

Entrepreneurs possess the qualities of intelligence and leadership (Marshall, 1964), visionary, self-confidence (Knight, 1985), *creativity*, innovation, planning and management, communicator and sales, negotiation (Rusu *et al.,* 2012) and organising (Schumpeter, 1934). Hébert and Link (2006) endow the roles of coordinator of resources, decision-making and uncertainty bearer to the entrepreneur. Entrepreneurs are risks takers, more technical, they are dreamers and they love what they do (Drucker ,1998). According to Fatoki (2014), leadership requirements change as the entrepreneurial venture grows and therefore, a need may arise for a professional manager to replace the entrepreneur.

2.5.2 Entrepreneurial Leadership

Entrepreneurial leadership is defined as "leadership that creates visionary scenarios that are used to assemble and mobilise a 'supporting cast' of participants who become committed by the vision to the discovery and exploitation of strategic value creation' (Ardent Executive, 2008; Marshall, 1964). Cruikshank (2005) asserts that an entrepreneurial manager constantly seeks opportunities, is determined to act quickly when an opportunity avails, carefully manage and uses available resources optimally and works hard to establish networks rather than a hierarchy. Enterprise growth may lead to a situation where an experienced manager may be required (Fatoki, 2014).

2.5.3 The Entrepreneur and Entrepreneurial Risk

Mises (1949) describes risk as imperfect knowledge which is measurable and can be calculated in the form of probability. According to Rocha (2012), business risk is when the process outcomes are predictable and yet uncertainty exists. Risk exists because the perceived potential income depends on number of conditions governed by probabilities (Bylund and Manish, 2016; Townsend *et al.*, 2018). Risk and uncertainty are two different concepts even though they are mistakenly used interchangeably sometimes. Risk can be transferred in the form of insurance cover (Mises, 1949). When differentiating risk and uncertainty, Knight (1985) used an example of a champagne producer who can use historical records of champagne bottles recorded to have burst after production. The champagne producer can quantify and assign monetary losses and transfer the risk to the commercial insurance.

In contrast, uncertainty is the knowledge gap that cannot be measured and quantified mathematically (Knight, 1995). According to Mises (1949), the only method to deal with uncertainty is to study people's choices through understanding their choices. Uncertainty cannot be completely eliminated owing to human being's lack of continuity and consistency. Entrepreneurs take risks (Drucker, 1998; Bula, 2012). Risk taking is at the centre of Cantillon's theory. Cantillon (1931) argues that a farmer will riskily hire labourers and borrow capital under uncertain demand or production. Bula (2012) views entrepreneurs as creative people, risk-takers, leaders, and innovators who coordinate and organise resources.

2.5.4 The Entrepreneur and Uncertainty

Business profits and losses must be associated with imperfect foresight (Bylund and Manish, 2016). According to Knight (1985), no profit or losses can be expected in the state of perfect competition. The error for judgement remains permanently in situations of "uncertainty" since it cannot be reduced to fixed costs (Knight, 1985). The existence of the phenomenon of uncertainty in business is largely owing to the subjective nature of human choices (Bylund and Manish, 2016). The bold and courageous business decisions must be made even in the absence of knowledge about the possible outcomes; entrepreneurs act on the guidance of "intuitive judgement" in such cases (Knight, 1985).

Human actions and choices cannot be separated from imperfect knowledge (Mises, 1949). The value of goods is determined by their level of scarcity, the advantage of possessing them and the needs that can be satisfied when you have them under your control (Bylund and Manish, 2016). According to Menger (1871), error cannot be separated from all human knowledge. Any action taken by a human being based on the knowledge they have has a margin of error. This, therefore, means business risk cannot be totally eliminated where business decisions are associated with the application of human knowledge and uncertainty.

2.5.5 Managing and Reducing Business Risks

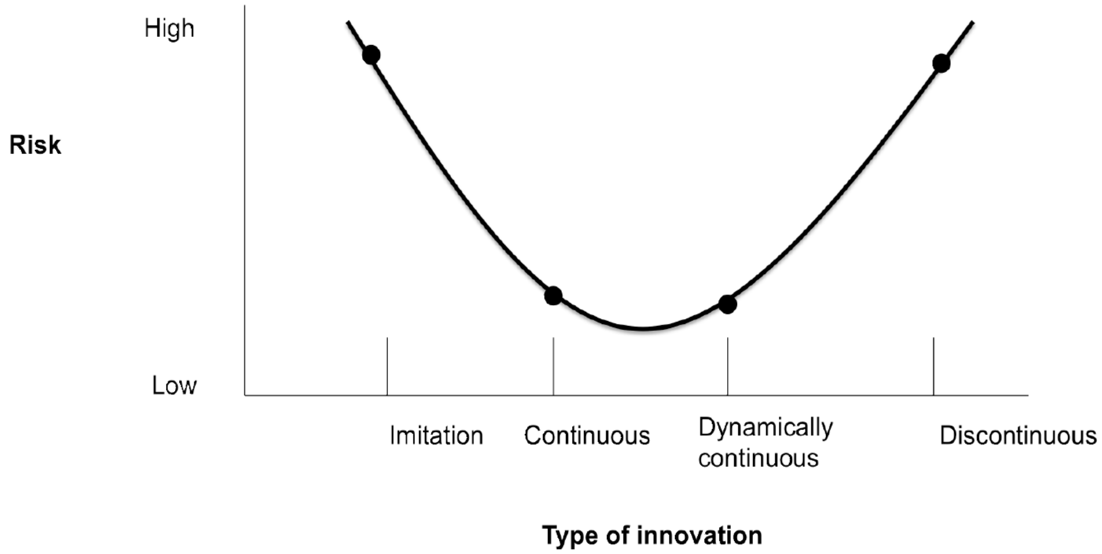
The process of managing and reducing business risk is about putting into place mitigation measures to preserve the profit-making power (Atreya, 2010). There are four different types of managerial activities that businesses can employ to deal with business risk, namely; *acceptance*, *reduction*, *elimination*, and *transfer* of risk (C.A, 2008).

Risk acceptance method is applied when the entrepreneur recognises that there is nothing that they can do about the risk which is beyond their management level. The *reduction* method is applied when the entrepreneur has the ability to establish systems and processes that can lead to the reduction of certain level of risk. The entrepreneur can use the risk *elimination* method if the application of the available resources can achieve the total elimination. Lastly, *transfer* method is used when the entrepreneur can afford insurance premium and then sign up for an insurance cover to transfer the risk to an insurance underwriter.

2.5.6 Innovation

According to Drucker (2012), the strength of the entrepreneur lies in his/her ability to create something new (innovation). The four entrepreneurial innovations are discontinuous, dynamic, continuous, and imitation. Figure 1 shows the four types of innovation.

FIGURE 1 : CORRELATION OF RISK AND INNOVATION



(Morris *et al.*, 2010:69)

The *discontinuous* innovation delivers a completely new product or service which serves an existing need that has not previously been satisfied. The examples of discontinuous innovation include the invention of the personal computer or mobile phone. All *discontinuous* innovated products and services have disruptive impact on existing consumer behaviour patterns. In contrast, dynamic continuous innovation seeks to deliver enhancement on the existing product or service. Although the impact of dynamic continuous innovation is not at the same level as that of discontinuous innovation, it leaves some disruptive effect on the consumer behaviour patterns too. Laptop and/or android phones are some of the examples of dynamic continuous innovation products and services.

Continuous innovation has an element of repeated enhancement on the products and services already in existence. Morris *et al.* (2010) list longer battery life for a laptop computer and the introduction of new software for smart phones as examples of continuous innovation. It is important to note that continuous innovation does not deliver any significant disruption on the consumer buying patterns. The *imitation* method of innovation is inspired by existing successful products or services. According to Morris *et al.* (2010), Samsung developed and introduced its own tablet device which was a mimicry of Apple iPad.

2.6 BENEFITS OF ENTREPRENEURSHIP

Existing literature shows a positive correlation between national entrepreneurial level activity and the national economic growth (Carree & Thurik, 2010). The evidence of entrepreneurship contribution to economic development includes, creation of new products, wealth generation, and distribution (employment creation), and improved living conditions of the citizens. Wealth is created and shared with the investors when an enterprise successfully implements an entrepreneurial idea into a growing business by means of pooled capital (Adu-Gyamfi *et al.,* 2018).

Schumpeterian theory lists five benefits of entrepreneurship namely, the *creation of a new good*, *invention of a new production method*, *creation of a new market*, *creation of a new entity* of an industry and new supplier of raw material (Dorin and Alexandru, 2014). Wealth creation, reduction of unemployment and capital formation are the benefits of entrepreneurship (Koshal, 2017). The benefits of entrepreneurship include both direct and indirect employment creation (Adu-Gyamfi *et al.,* 2018). According to Adu-Gyamfi *et al.,* (2018), any unemployed person venturing into entrepreneurship automatically becomes self-employed and all jobs created through their entrepreneurial activity becomes indirect jobs. SMEs in China absorbed about 19 million workers who were retrenched by state-owned enterprises between 1988 and 2003 (Hoffmann, 2017). According to Brixiova *et al.,* (2015), employed citizens earn income and pay tax well as purchasing buy goods and products.

The benefits of entrepreneurship also include rendering of services and goods to communities, increasing market competitiveness, building, and promoting a strong social identity (Koshal, 2017). SMEs have Corporate Social Responsibility (CSR) programmes which help the communities by supporting schools, homes for the aged and providing water provision infrastructure (Koshal, 2017). SMEs lead to the reduction of government expenditure in security because of reduced of crime levels owing to entrepreneurship [employment created, CSR investment and economic growth contribution] (Koshal, 2017).

2.6.1 Entrepreneurship Ecosystem

Entrepreneurship is differentiated from the traditional business practice by being innovative, proactive, and risk-taking while the traditional businesses are risk-averse, non-innovative and reactive (Urban, 2011). Entrepreneurs proactively scan through the market the business opportunities in the market. Kariv (2011) defines opportunities as creation of appetite and/or interest in the market, which is done through the introduction of quality products and services through the use of skills, knowledge, and other resources. In order for entrepreneurship to thrive, various role players in the entrepreneurial ecosystem need to play their part.

FIGURE 2 : ENTREPRENEURIAL ECOSYSTEM

(Adapted from Isenburg, 2011)

As depicted in the Figure 2, the entrepreneurship ecosystem includes stakeholders such as the policy makers, suppliers of finance, societal cultural influence, supporting stakeholders, human capital, and the markets. The supportive policy environment has a huge influence on the availability and the forms of instruments used by the suppliers of funding, access to competitive market environment, and access to skilled human capital.

2.6.2 Models of Entrepreneurship

The majority of theories that have been used to explain the field of entrepreneurship are largely based in Economics, Psychology, Sociology, Anthropology, and Management (Simpeh, 2011). The theories include Economic Entrepreneurship, Psychological Entrepreneurship, Sociological Entrepreneurship, Anthropological Entrepreneurship, Opportunity Based Entrepreneurship and Resource-Based Entrepreneurship. This section discusses only theories relevant to this research which are economic, entrepreneurship, opportunity-based and resource-based theories.

2.6.2.1 Economic Entrepreneurship

There are economic factors that enhance entrepreneurial behaviours and they are based on the Austrian Market Process (AMP) and the classical and neoclassical theories of economics (Simpeh, 2011). The classical theory was the result of Britain's industrial revolution in which history has recorded to have taken place during the mid-1700 and carried on until the 1830s. The classical theory inscribed the merits of free trade, specialty and competitiveness (Ricardo, 1817; Smith, 1776), the classical movement described the role of the entrepreneur which was to provide direction in the context of production and distribution of goods in a competitive marketplace (Say, 1803). Simpeh (2011) notes the existence of theorists challenging and rejecting the classical theory. In their challenge against the classical theory, the theorists however could not explain the constant change brought by entrepreneurs of the industrial age (Murphy *et al.,* 2006).

The classical model presented how the economic phenomena could take place in the forms of exchange, yield an optimal ratio and manifest in an economic system that was basically closed (Simpeh, 2011). The neo-classical model argues that there are in the economic system the participants of exchange, exchange events and the influence of outcomes of the exchange on other market agents in the economic system. The impetus for entrepreneurship in the neoclassical movement is created by the importance of exchange combined with declining marginal utility (Murphy *et al.,* 2006).

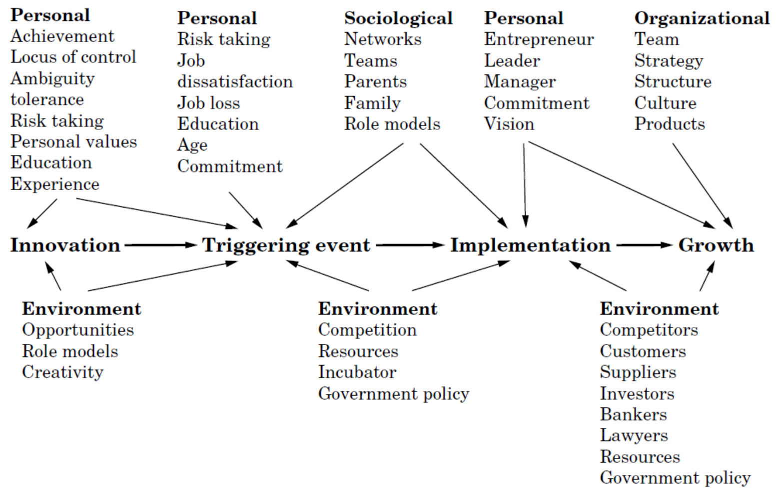
The main arguments challenging the neo-classical theory were that the aggregate demand fails to appreciate the uniqueness of individual-level entrepreneurial activity and that the future value of innovation outcomes cannot be reflected by the use or exchange value. The third and fourth arguments raised were that the rational resource allocation in the market environment does not capture the complexity of market-based systems and that efficiency-based performance does not comprehend innovation and non-uniform outputs. The fifth argument point is that inputs and outputs in a market system cannot be traced. Finally, entrepreneurial activity is destructive to the economic system in its current form.

2.6.3 Entrepreneurship Process Model

Bygrave (2009) characterises this age as the entrepreneurial age and that global economies globally are being transformed and renewed by the revolutionary force of entrepreneurship. Entrepreneurship entails a process through which an individual whether they act on their own or through an organisation pursues opportunities irrespective of the resources they currently control (Stevenson & Jarillo, 1990). The earlier writings of Joseph Schumpeter define an entrepreneur as someone who destroys the prevailing economic patters through the exploitation of new raw materials and creating new services and products (Gartner & Barker, 2010).

Entrepreneurship has processes and models. According to Gartner and Barker (2010), process involves all the functions, activities and actions associated with conceiving of ideas, identifying, and perceiving opportunities, and creating enterprises to pursue them. As depicted in the Figure 3, the four main factors that lead to the formation of an enterprise are personal, environmental, sociological, and organisational.

FIGURE 3 : ENTREPRENEURSHIP PROCESS MODEL



Source: Based on Carol Moore's model, presented in "Understanding Entrepreneurial Behavior," in J. A. Pearce II and R. B. Robinson, Jr., eds., *Academy of Management Best Papers Proceedings*, Forty-sixth Annual Meeting of the Academy of Management, Chicago, 1986.

2.6.3.1 Personal Factors

Personal characteristics and traits do differentiate entrepreneurs from non-entrepreneurs. According to Gartner and Barker (2010), entrepreneurs possess characteristics and traits such as a higher locus of control, decisiveness, self-belief, independence, and being a visionary. Other personal characteristics of entrepreneurs include being dreamers, doers, determination, dedication, devotion, details oriented, shift decision-making and never give-up attitude (Gartner and Barker, 2010). Becoming rich is not the main motivator of entrepreneurs. Moreover, having money is only a measure of their success.

2.6.3.2 Environmental Factors

Environment comprises competitors, customers, suppliers, investors, bankers, lawyers, resources, and government policy (Gartner & Barker, 2010). According to Gartner and Barker (2010), the environment around Silicon Valley in the USA is such that everyone knows someone who is a successful entrepreneur and therefore the place has no shortage of role models. This situation produces what Stanford University Sociologist Everett Rogers called “Silicon Valley fever.” The entrepreneurship ecosystem components such as regulatory framework, resources, market access, and cultural entrepreneurship spirit require attention and to be strengthened to support a thriving entrepreneurship in South Africa (SiMODiSA, 2015).

The environment even extents to a demographical level. Gartner and Barker (2010) observed that the Pacific Northwest has more microbreweries than any other region of the United States. The estimation is that half of all the convenience stores in New York City are operated and controlled by people of Korean origin and that the African American community which is 12% of the American population, owns only 4% of the nation’s businesses. It is interesting to note that what was observed in a black community in USA is similar with what (ED, 2015) observed in the South African black communities. According to Gartner and Barker (2010), one of the reasons for a relative lack of entrepreneurship among African Americans is the insufficiency of African-American entrepreneurs, especially storeowners, to provide role models. Similarly, Black-owned businesses in South Africa have little success because of lack of role models (ED, 2015).

2.6.3.3 Sociological Factors

According to Gartner and Barker (2010), family responsibilities, a person’s age, marital status, and other sociological factors play an important role in the decision whether one will start a company or not. In addition, Gartner and Barker argue that young and single people at the age of 25 years with no dependents have it easier to start a business compared to older people. Again, a person gains more experience as they grow older, but sometimes being in an industry for a long time means one will end up knowing so many pitfalls that they become pessimistic about the chance of succeeding should they wish to go out on their own.

The entrepreneurship model demonstrates how attributes such as experience, education, creativity, and the available opportunities in the environment trigger innovation. Supportive environment, availability of role models and resources contribute to a success of an entrepreneurial activity while growth needs supportive regulatory framework, investors, strategy, structure, culture, customers, as well as competitors. The entrepreneurial ecosystem model agrees with the preceding discussed process model of entrepreneurship in terms of required supportive elements.

2.6.3.4 Organisational Factors

The organisational factors refer to the team that the entrepreneurs build to drive the strategy of the business. It is important for the organisation to have its unique culture of hardworking individuals who work to achieve the strategic goals. The organisation needs to adopt a structure, which is supportive for entrepreneurial organisation.

2.7 CAPITAL STRUCTURE THEORIES

Brealey *et al.* (2011) define capital structure as the combination of debt and equity acquired by the business, and the support resources necessary for its operations. Firms use one of or the combination of debt and equity to finance new projects. According to Gitman *et al.* (2014), the firms can calculate the Weighted Cost of Capital (WACC) by using a formula that considers the portions of long-term debt, preferred shares and equity to determine the acceptable cost of capital. The firm’s value and profitability are said to increase with the decrease of the calculated WACC (Lovemore and Brummer, 2009). The capital structure theories discussed in this section are Modigliani and Miller (known as the “MM” theory), Trade-off Theory, the Pecking Order Theory and the Agency Theory.

2.7.1 Modigliani and Miller (1958) “MM” Theory

The MM theory claims that a perfect competitive market exists wherein enterprises trade in a tax-free environment and in the absence of agency and information asymmetric related costs (Modigliani and Miller, 1958). According to Saarani and Shahadan (2013), and Modigliani and Miller (1958) also argue that the capital structure is irrelevant and that value of an enterprise is dependent on the assets it controls. Modigliani and Miller (1963) conceded to the empirical evidence nullifying the claims made in Modigliani and Miller (1958) by discussing the advantage of tax through debt financing and that the capital structure influence the value of an enterprise.

The Modigliani and Miller (1958) and Modigliani and Miller (1963) arguments triggered discussions which deepened the studies on capital structure subject (Saarani and Shahadan, 2013). Beyond the tax shield, the capital structure is also influenced by costs of advertising, research and development and volatility of income (Bradley *et al.,* 1984). According to Saarani and Shahadan (2013), capital structure theories such as Trade-off Theory and Pecking Order Theory emerged following the arguments made in Modigliani and Miller (1958) and Modigliani and Miller (1963) publications.

2.7.2 Trade-Off Theory

According to Siljander (2018), the Trade-off theory emerged as a result of collective theories produced to criticize Modigliani and Miller (1958) paper. Some of the Trade-off theorists include Kraus and Lintzenberger (1973). Kraus and Lintzenberger studied how the enterprises use the combination of debt and equity in consideration of the costs of bankruptcy and the benefits of debt. According to Myers (2001), the Trade-off theory posits that the manager of an enterprise aims to achieve a balance of realising the tax benefits and bankruptcy risk. The risk of bankruptcy is higher for SMEs than it is for larger enterprises (Siljander, 2018).

While the Trade-off theory is credited for successfully challenging rudimentary findings of Modigliani and Miller (1958) paper, it failed to address the capital structure questions in the context of imperfect market (Siljander, 2018). The Trade-off theory is contradicted by lack of evidence showing high utilisation of debt financing as incentivised by corporate tax (Salami & Iddirisu, 2011). According to Siljander (2018), most profitable enterprises around the world adopt a more conservative capital structure. In the South African context, the Trade-off theory argument about corporate tax benefits are irrelevant to SMEs given the tax exemptions afforded to small businesses.

2.7.3 Pecking Order Theory

The Pecking Order Theory (POT) originates from the work of Myers and Majluf (1984). The POT posits that firms prioritise internal financing ahead of external finance options to minimise information asymmetric related costs (Popescu & Visinescu, 2009). Adair and Adaskou (2015) argue that enterprise leaders draft financial policy with the aim of reducing the costs incurred as a result of asymmetric information, adverse selection, and prefer internal financing to external financing. An assumption is made in the POT that a business follows hierarchy, which include self-financing, non-risky debt issuance, risky debt issuance and equity issuance considered as a last resort.

According to Siljander (2018), debt is preferred over hybrid finance and equity respectively when external financing is to be considered. SMEs prefer internal and debt funding options to equity (Rao *et al.,* 2021). External financing is costly compared in internal financing and debt financing has the benefits of tax deductions (Myers, 1984). External financing is good for investment (Saarani & Shahadan 2013). The POT postulates that equity financing is least desired by the firms (Popescu & Visinescu, 2009). Equity financing is considered costly because issuing of new equity decreases the firm value owing to "Lemon Premium "(Siljander, 2018).

Entrepreneurs prefer to enjoy decision-making control over their enterprises, equity financing therefore is largely not an option (Rao *et al.,* 2021). Angel investors bring a wealth of expertise and provide mentorship given the fact that they were entrepreneurs themselves (Kerr *et al.,* 2010). The use of internal funding by SMEs where funding is sourced from own personal savings, friends and family is very high (Njiro *et al.,* 2010). SMEs fail to meet the requirements set by commercial banks to obtain external funding, hence the high usage of internal sourced funding.

2.7.4 Agency Theory

According Jansen and Meckling (1976), Agency theory assumes that there is potential existence of conflicts between the shareholders and business managers who are referred to as agents' leads to agency cost of equity. As a consequence, the conflict of interest lead to problems termed as "agency costs" (Stiglitz & Weiss, 1981). The agency costs that apply to the SMEs exist between equity-holders and lenders because the lenders enjoy preference over the equity-holders in case of bankruptcy. The realization of an optimal debt ratio occurs when agency costs are reduced to a minimal level. Agency related problems can result in credit rationing. Further, lenders incur additional costs for monitoring the behaviour of riskier and unpredictable SMEs.

2.8 SUMMARY

Entrepreneurship theories discussed in this chapter have demonstrated the vast difference viewpoints on the concept of entrepreneurship. Firstly, the background of a theorist appears to be the source and motivator for differing views (Dorin and Alexandru, 2014). The second element observed by Dorin and Alexandru (2014) is the times during which the theories were written. The silo views of entrepreneurship cannot achieve a wholeness view of the concept (Anderson *at al.,* 2012). While there is a need for convergence of views on the concept of entrepreneurship, the multi-disciplinary isolated views on the concept must be appreciated for bringing arguments which would otherwise not be possible to come from one discipline. For an example, an economist is likely to argue from economic point of view and would not present sociological views of entrepreneurship like a theorist with a sociological background.

Dorin and Alexandru (2014) argue that Schumpeter and von Hayek theories suffer limitations owing to the lack of practicality on their view of entrepreneurship. Dorin and Alexandru (2014) however credits Schumpeter and von Hayek theories for their contribution towards the development of the concept of entrepreneurship. In the case of Burt's and Drucker's theoretical presentation, Dorin and Alexandru (2014) find satisfaction on how they practically present the entrepreneurial process and opportunity being at the centre of the argument.

The traditional entrepreneurship theories provide limited understanding of entrepreneurship because they give fragmented understanding. According to Anderson and Ronteau (2017), economic view of entrepreneurship will only give economist silo view of an entrepreneur. Anderson *at al.* (2012) argues that stand alone economist view of entrepreneurship lacks the explanation on how the entrepreneur is socially embedded. Entrepreneurship is not devoid of social context (Osorio *et al.,* 2015). The entrepreneur as an individual belongs to a society that influences their lifestyle and personalities.

Different role players such as government and private sector need to do more to support the entrepreneurial ecosystem to encourage risk taking and innovation. Emerging market economies have conditions forcing citizens into entrepreneurship (Fitch & Myers, 2000; García-Cabrera & Gracia Garcia-Soto, 2008). South Africa has more necessity-driven entrepreneurs operating in the informal sector. It is the opportunity-driven entrepreneurship that results in growth and employment creation. South Africa needs to improve in both encouraging new entrepreneurial entrants and provide support to existing entrepreneurs to sustain their ventures.

The capital structure theories are in the main irrelevant to SMEs. Saarani and Shahadan (2013) argue the irrelevance of the Modigliani and Miller (1958) theory because of the assumptions of the absence of agency and information asymmetric related costs. The TOT argues that firms balance the marginal cost of debt against the marginal benefit of tax and the bankruptcy risk costs. SMEs largely enjoy tax benefits. Therefore, the TOT is irrelevant to SMEs. The POT posits that firms prioritise internal financing ahead of external finance options to minimise information asymmetric related costs (Popescu & Visinescu, 2009). An assumption is made in the POT that a business follows hierarchy, which include self-financing, non-risky debt issuance, risky debt issuance and equity issuance considered as a last resort. Entrepreneurs prefer to enjoy decision making control over their enterprises (Rao *et al.,* 2021); equity financing therefore is largely not an option. Angel investors bring a wealth of expertise and provide mentorship given the fact that they were entrepreneurs themselves (Kerr *et al.,* 2010). Angel investors who bring equity may be an option, but the South African SME community is yet to embrace it. There is a need for new technology based alternative funding models.

2.9 CONCLUSION

The multi-disciplinary isolated view of entrepreneurship cannot achieve a wholeness view of the concept (Anderson *et al.,* 2012). The multi-disciplinary isolated view of entrepreneurship must be appreciated for the diversity of views of the same concept. Despite having been the focus of research in both academia and social science for decades, the concept of entrepreneurship is yet to have convergence of views from different researchers. The emergence of resource-based, opportunity-based, practical, and sociological entrepreneurship theoretical discussions have enriched the concept of entrepreneurship.

The entrepreneur and SME sector are yet to be understood by policy makers and institutions delivering support programmes. Opportunity-based entrepreneurship must be understood in relation to resource-based entrepreneurship. Firms need resources to pursue identified opportunities. Opportunity-based entrepreneurship is associated with certain level of risks which the external finance providers need to assess. There is a need for government finance support programmes which serve to provide guarantees and mitigation against risk exposure to financial institutions lending to SMEs. Tax benefits and other incentives will encourage financial institutions to consider entrepreneurs and SMEs. Finance opportunities exist for financial institutions in the "informal" SME sector which is currently not being served.

CHAPTER 3: EMPIRICAL LITERATURE REVIEW

3.1 INTRODUCTION

This chapter reviews empirical literature on entrepreneurship and SME. The chapter presents recorded performance of SMEs in the context of the market conditions dominated by large enterprises. The government support in supporting the growth of SMEs and making developmental funding options is also presented. Finally, the chapter zoom into the current SME funding models with a view of identifying limitations within them. A new conceptual framework is proposed in the end.

3.2 THE ARCHETYPES OF ENTREPRENEURSHIP

There are four archetypes of entrepreneurship, namely, high-tech, external trigger, mother ship and local hero models (SiMODISA, 2015). The examples of high-tech entrepreneurship model are Silicon Valley, Route 128 in Boston (both in the US), and Cambridge in the UK. According to SiMODISA (2015), possession of certain skills motivates individuals to start businesses and enter the market because of external events. Entrepreneurs start their businesses in line with their wealth of skills and expertise. The local hero model of entrepreneurship is characterised by the emergence of entrepreneurs who are inspired by a local successful entrepreneur. Black communities in South Africa lack role models (ED, 2015). The current government policy and incentives such as B-BBEE do not go far enough to encourage corporations to invest or incubate corporate employees to transiting from corporate office (SiMODISA, 2015, MISTRA, 2020).

3.3 CONSTRAINTS FACED BY ENTREPRENEURS

Omer *et al.* (2015) identified five different types of constraints on SME growth in South Africa, which are high competition, insufficient government support, regulatory framework, the financing gap and corruption. Swartz *et al.* (2019) confirmed the constraints faced by SMEs in South Africa to be inadequate structural support, expensive broadband, high trading costs, access to skilled workforce, unsupportive regulatory framework, unreliable electricity (Swartz *et al.,* 2019). Different researchers argue differently in their interpretation of the effects of constraints faced by entrepreneurs. There are researchers who look at constraints negatively while others see the opportunities present themselves.

Van Burg *et al.* (2012) argue that constraints can be considered as opportunities fostering innovation and risk taking. In the same lens, Goldenberg *et al.* (2001) and Moreau and Dahl (2005), in their psychological theory perspective view constraints as catalysts for innovation. Support for the psychological view came from the work of Van Burg *et al.* (2012) which presented that SMEs having limited resources work more creatively in generating earnings from any emerging opportunity. Innovation is a means for survival for SMEs working in resource constraint environment (Dolmans *et al.,* 2013; Cunha *et al.,* 2014). Lack of access to external funding cannot be classified as a catalyst for innovation.

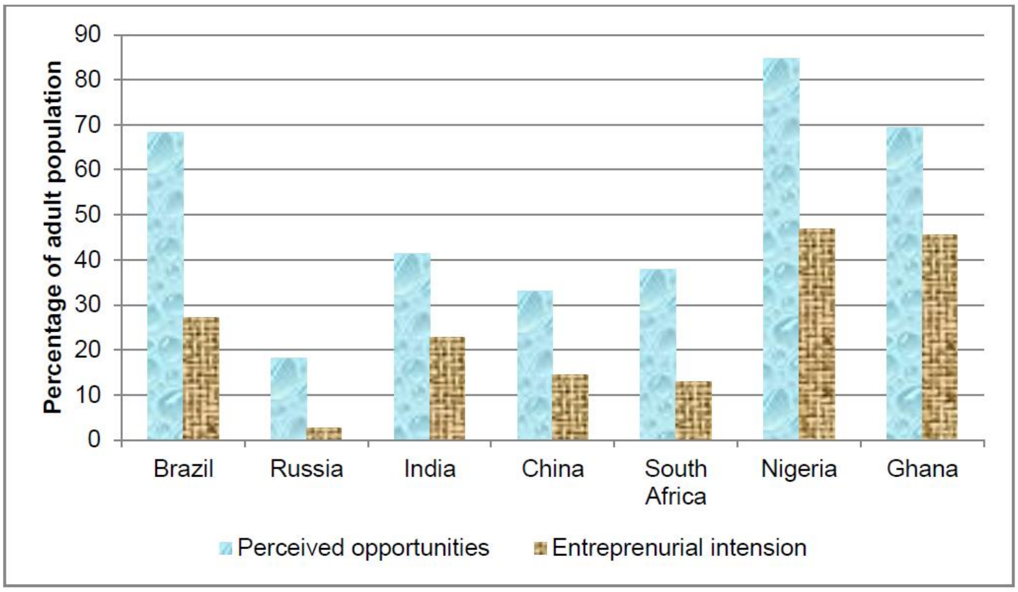
However, empirical evidence associates lack of growth in the SME sector to lack of access to resources (Storey, 1994; Beck, 2013). According to Berger and Udell (2006), lack of resources does not only negatively affect performance and growth of a small firm; it also limits the expansion capacity. It is difficult for SMEs to attract skilled and innovative human capital required to propel the enterprise forward (Chittithaworn *et al.,* 2011). Enterprises that cannot access government support and supportive regulations are limited in their growth (Omer *et al.,* 2015). A significant number of SMEs cite lack of access to finance as a reason they discontinue their businesses (GEM, 2017).

3.4 ENTREPRENEURSHIP IN SOUTH AFRICA

Entrepreneurial activity in South Africa is very low compared to similar economies in the world (GEM, 2017). New entrepreneurial entrants are also low as measured by the TEA rate. According to GEM (2017), the TEA rate recorded in the African continent is double the TEA rate recorded in South Africa. According to IGI Global (2018), TEA is calculated as the number of people involved in business start-ups from the country’s active working age population. South Africa has low level of participation in entrepreneurship as indicated in the pool of entrepreneurs accounting for 12% compared to 27% in similar economies (ED, 2015). Consequently, reduced levels of entrepreneurial participation negatively affect the economic growth and development in South Africa.

Perceptions of entrepreneurial opportunities are low in South Africa. Figure 4 compares South Africa against the Brazil, Russia, India, China, South Africa (BRICS) nations (GEM, 2011).

FIGURE 4 : PERCEIVED ENTREPRENEURIAL OPPORTUNITIES



SOURCE (GLOBAL ENTREPRENEURSHIP MONITOR, 2011)

Entrepreneurship in South Africa is largely dominated by informal entrepreneurs. About 69% SMEs are in the informal sector while 28% are in the formal sector (BER, 2016). The formal sector SMEs are likely to employ others as compared to those operating in the informal sector. In the main, formalised entrepreneurial activities are opportunity driven. The low levels of both the perceived opportunities and entrepreneurial intensions may explain why the country has less opportunity-driven entrepreneurial activities. More than half of SMEs operated in the formal sector are white-owned even though, in general, the overall percentage of white-owned SMEs is 20%. White-owned businesses in South Africa record higher entrepreneurial activity than other races (Bowmaker-Falconer & Herrington, 2020). The majority of black-owned SMEs are predominately informal, and necessity driven. High levels of unemployment and the legacies of repressive apartheid policies could be contributory factors towards high prevalence of necessity-driven entrepreneurial practice in black communities.

The South African government has established institutions and policy framework to promote entrepreneurship in the country. DSBD has a mandate to provide policy leadership and direction to all other national departments that play a role in contributing towards the development of SMEs and cooperatives. However, a separate department, the Department of Cooperative Governance and Traditional Affairs (COGTA) not DSBD has the mandate to directly engage the municipalities in their operations including the SME support functions. This is a major gap given the fact that the only closest arm of government to the people is the municipality. Therefore, DSBD should have a way of influencing the strategies and operations of sections of the municipalities responsible for small business development and SME support.

The turnover of SMEs in South Africa is larger compared to larger enterprises. During the third quarter of 2017, the nominal turnover of SMEs increased by nearly 4% year on year and the average nominal turnover for a large enterprise was reported to be 1.8% (SEDA, 2017). The government's interventions are aimed at achieving high employment creation through the SMEs (NPC, 2011). According to NPC (2011), South African government envisages to create about 90% of 11 million jobs through the SMEs sector by the year 2030. The table below shows how South Africa's entrepreneurial framework conditions are compared to the averages measured elsewhere within the GEM research scope.

TABLE 2 : ENTREPRENEURSHIP FRAMEWORK CONDITIONS

Entrepreneurial framework conditions	South Africa 2019	GEM average 2019
Financial environment and support	4.0	4.5
Concrete government policies related to entrepreneurship	3.5	4.3
Government policies: taxes and bureaucracy	2.7	4.0
Government entrepreneurship programmes	3.1	4.4

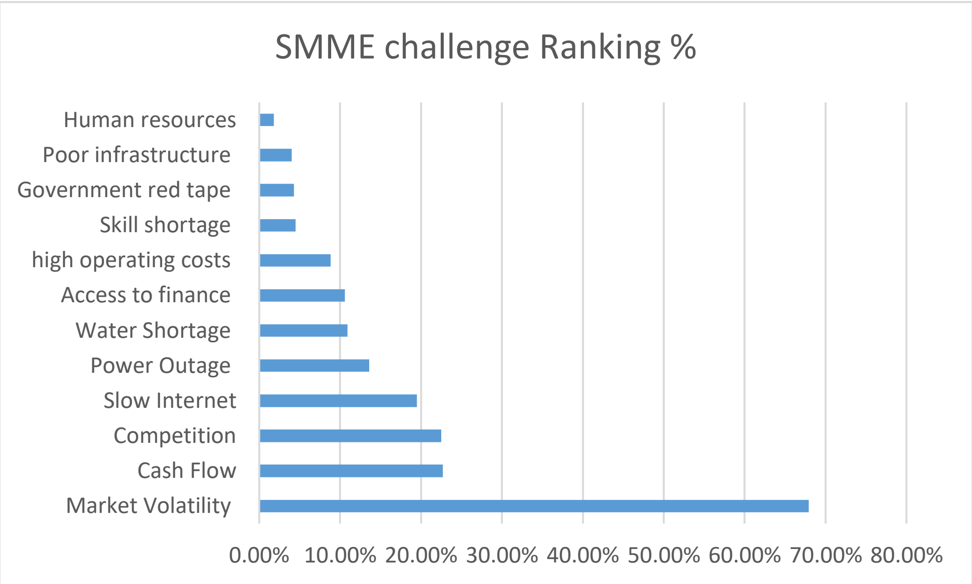
Source compiled by the author from Bowmaker-Falconer and Herrington (2020).

It is evident in Table 2 above that South Africa's framework conditions are not measuring up with the GEM averages.

3.5 CONSTRAINTS FACED BY SMEs IN SOUTH AFRICA

It appears that different researchers arrive at the same challenges and factors negatively impacting SME sustainability and growth. SAB Foundation and Allen Gray Orbis Foundation (2017) found that the factors holding the South African entrepreneurial ecosystem include limited access to finance, access to markets, skills, education, networks, and culture. According to Bowmaker-Falconer and Herrington (2020), SMEs in South Africa further constraints such as unsupportive government regulation evident in rigid labour market conditions and bureaucratic government processes. According to Swartz et al. (2019), entrepreneurs have limited access to adequate structural support, broadband costs are high, and unreliable electricity supply (Swartz *et al.,* 2019). **Error! Reference source not found.** Figure 5 highlights the challenges faced by SMEs in South Africa.

FIGURE 5 : SME CHALLENGES RANKING



SOURCE: XERO (2017)

3.5.1 Human Capital

The South African SME sector has skills deficit (SiMODiSA, 2015). Skills deficit is a continental problem in that SMEs in Africa face challenges of lack of talent and human capital skills (Fal, 2013). Only seven (7) per cent of universities in the sub-Saharan Africa have dedicated entrepreneurship development centres (Fal, 2013). Rwigema *et al.* (2012) highlight problem solving skills, self-confidence, and internal locus of control as other entrepreneurial success behaviours that the individual entrepreneur must have. The development of entrepreneurial skills requires a culture shift in Africa (Fal, 2013).

Rwigema *et al.* (2012) highlighted the shortage of "problem solving" skills. Entrepreneurs are confronted with the challenge of solving problems as they build their teams and grow the business. Research conducted in some countries from South America, Asia and Africa by Ayyagari *et al*. (2011) deduced that the education level of the SME owner or manager has a direct relationship with the success of the SME. The human capital theory postulates that acquired knowledge and skills (education) raise the value of a person's human capital (Furia *et al.,* 2010), thereby increasing their income potential and productivity.

3.5.2 Lack of Access to the Market and Competitive Market Environment

Access to market is one of the SME major constraints in South Africa (SAB Foundation and Allen Gray Orbis Foundation, 2017; SiMODiSA, 2015). Market openness will improve South Africa's entrepreneurial activity (Bowmaker-Falconer & Herrington, 2020). According to Dlova (2017), some of the products and services produced and offered by SMEs are substandard; hence they do not meet the regulations requirements, and hence they fail to reach the market. SMEs need government and regulatory support in order to compete fairly in the market. In China, the government facilitated market access through financial support programmes and policies aimed at promoting import/export of credit, insurance services as well as investing in foreign markets (Lui, 2008).

The persisting poor local economic conditions make it difficult for the SME sector in South Africa (SiMODiSA, 2015). Local economic factors have been blamed for weak SME sustainability rate in South Africa (W&RSETA, 2016). Market volatility negatively affects the SMEs through goods demand fluctuation. Market volatility further leads to inconsistent cash flow mounting pressure on smaller enterprises (DSBD, 2017). The SMEs in South Africa were more badly impacted by the impact of COVID-19 lockdown between 2020 and 2021 compared to large enterprises.

Entrepreneurs sometimes fail because of lack of opportunities. The South African policy is to spend 30 per cent of its procurement budget on local businesses (National Treasury, 2017). The government further commit to pay for the work done by SMEs within 30 days of receiving the invoice in order to address cash flow challenges (National Treasury, 2017). Private sector businesses are encouraged to support SMEs through the B-BBEE policy which is aimed at redressing the inequalities created during the apartheid period. The B-

BBEE has point scoring system which allocates points to firms for spending percentage of their profit after tax on local small businesses, particularly the black owned SMEs. SMEs also identify opportunities from the social circles (Dorin and Alexandru, 2014).

Opportunities are searched and identified through different methods and one of them include social networking platforms. Some networking association in the tourism industry requires affiliation and monthly subscription which is costly for other SMEs (Adinolfi *et al.,* 2018). According to Adinolfi *et al.,* (2018), some entrepreneurs see no value in attending conferences with the aim of identifying opportunities because international buyers mainly deal with large local enterprises and not SMEs. With specific to the tourism Indaba conference, large businesses pre-arrange meetings with the buyers and SMEs do not get any opportunity at all (Adinolfi *et al.,* 2018).

3.5.3 Infrastructure

According to DSBD (2017), South African SMEs have challenges in accessing better infrastructure. Infrastructures include land, storage place, communication, transport and utilities (BER, 2016). SMEs find it difficult to access physical space for business operations because rental rates are too expensive (FinMark, 2010). When compared to the rest of the African continent, the support infrastructure in South Africa is much better (SAB Foundation and Allen Gray Orbis Foundation, 2017). South Africa's best infrastructure is concentrated in regions of high economic activities such as Johannesburg, Cape Town, and Durban, hence the majority of rural areas still have limited or no access. Reliable access to communication infrastructure is an enabler for entrepreneurs to create new opportunities (Acs *et al.,* 2008).

3.5.4 Policy and Regulatory Framework in South Africa

The first democratic South African administration recognised the need to support SME development through the RDP (1994) policy which had in it sections spelling the government aims of achieving the country's economic growth, employment creation and income distribution (Dlova, 2017). It was in the White Paper on National Strategy for Development and Promotion of Small Business in South Africa that the actual role of state in developing the SME sector was detailed. The White Paper spelled out the government's intentions to work towards creating a SME friendly environment and to promote information accessibility, making finance accessible, improve market conditions and procurement opportunities. The White Paper paved the way for the National Small Business Act N0. 106 of 1996.

The White Paper had its shortcomings despite having been the foundation for the National Small Business Act N0. 106 of 1996. The negatives from the White Paper include:

- **i)** Having supply-driven approach and neglecting the market needs;
- **ii)** Ill-capacitated government institutions discharged with the responsible to link stakeholders and the institutionalised environment (Mthimkhulu, 2015);
- **iii)** The regulatory environment did not fit the mandate given to the government run institutions (Rogerson, 2004), and
- **iv)** The White Paper failed to take into cognizant the existing economic structure in the country as well as the required skills levels.

Compliance to the regulations is time consuming and costly (Koshal, 2017). In particular, the SMEs find compliance to the South African tax system to be burdensome (BER, 2016). Simplification of processes must ensure that SMEs can achieve compliance effortlessly (Bowmaker-Falconer & Herrington, 2020). The VAT system has no considerations for SMEs. According to DTI (2004), SMEs are also expected to make VAT payments upon issuing of the invoice and not when the payment is received. The South African government introduced tax regulation as way of helping small businesses and to avoid further job loses (Agwa-Ejon and Mbohwa, 2015). SMEs raise the challenge of not easily obtaining tax clearance certificates on time (TIPS, 2017). On taxes and bureaucracy, South Africa's entrepreneurial framework conditions were rated 2.7 in 2019 against the GEM average of 4.0 (Bowmaker-Falconer & Herrington, 2020). The government has since created a B-BBEE declaration form that entrepreneurs can complete and take to any police station for certification.

Government regulatory institutions are characterised by red tape, delay in the issuing of licenses and permits, uncoordinated government departments functions, unresponsive and less effective systems and entrepreneurs are required to complete lengthy paperwork (BER, 2016). The legislative framework is unsupportive, South Africa was globally ranked 101 out of 141 (Bowmaker-Falconer & Herrington, 2020). According to SiMODiSA (2015), regulatory framework as impediments to entrepreneur success. Entrepreneurs in South Africa have also singled labour laws as being unsupportive to small businesses (Koshal, 2017).

According to SAB Foundation and Allen Gray Orbis Foundation (2017), the regulatory framework must change in South Africa to encourage more alternative funding models such as crowdfunding, angel investors and others. According to OECD (2018), the changes in government policy instruments must aim to promote and improve SME finance through:

- The modification of the credit guarantee schemes to address the needs of their beneficiaries, criteria used and risk management;
- The introduction of more equity-type instruments and other alternative funding models to reduce SME dependence on debt finance;
- Improving the regulatory framework to stimulate crowd funding activities. There is a need to eliminate legal uncertainties, the promotion as well as the protection of peer- to- peer lending; and
- Access to human capital and skills.

Government should facilitate cost-effective operating premises for SMEs (DSBD, 2017). The Chinese government make grants available to private institutions providing loans to SMEs (Ojeka, 2011). According to Ojeka (2011), tax incentives are also extended to the venture capitalists for investing in SMEs. According to Finfind (2017), banks are able to serve SME market with success, thanks to innovatively targeted strategies. Some of the strategies include collateral free lending methods coupled with value-added products through which the banks aimed to achieve alternative income generation streams (Finfind, 2017).

3.5.5 Corruption

Corruption is defined as “the abuse of entrusted power for private gain” (Transparency International, 2008). SMEs are negatively affected by the scourge of corruption in South Africa (Dlova, 2017). Corrupt activities are reported to be present in both the public and private sectors (Transparency International, 2008). Fatoki (2014) argues that corruption increases business operational costs, reduces sales volumes and is anti-competitive.

3.5.6 Access to Funding

South Africa has diverse sources of business funding channels which include both public and private institutions. According to Finfind (2017), there are 148 funders offering different financing products in South Africa. DSBD (2017) found that almost all SMEs in South Africa, irrespective of their size and category, experience challenges in accessing finance and capital. Access to external finance is measured by the proportion of the firm's working capital funded by external finance providers (Regasa *et al.,* 2017).

Findfind (2017) found that on average, the SME loan or funding requested amount is R250 000 and below. About 87% of start-ups are self-funded, eight (8) percent funded by family members and friends, two (2) % funded by angel investors, two (2) % funded through bank loans, and one (1) % funded through development financing institutions (Finfind, 2017). Finscope (2010) found that only one (1) % of SMEs are able to access formal financing and 87 % are unable to access finance. Fatoki and Odeyemi (2010) found that about 75 % of small firms' loan applications are declined by the banks. SMEs are declined funding by the banks because of having a poor credit history, no business track record, lack of collateral and limited owner's contribution (SEFA, 2017).

Other factors contributing towards SMEs finance application rejection include lack of financial literacy, substandard crafted business plan, poor managerial skills and other external factors (Dumbu & Chidamoyo 2012). Although accessing finance is not the only obstacle experienced by the South African SMEs, it is the main serious constrain negatively affecting the growth of SMEs (W&RSETA, 2016). Lack of access to external financing is more of a constraint to SMEs than larger owing to information asymmetries (Stiglitz and Weiss, 1981).

According to Finfind (2017), the obstacles to finance faced by SMEs and entrepreneurs are owing to lack or limited knowledge about the application process and products, inability to produce financial statements, poor understanding of the market environment, inadequate business models, lack of access to markets, poor crafted business plans, lack of credit history, bad credit history, lack of collateral and high search costs. Banks require collateral (Beck, 2013) and proof of creditworthiness (OECD, 2015; Rao *et al.,* 2021) during the loan application. Young firms and start-ups without collateral or unproven business model report access to finance as a constrain (OECD, 2018). Entrepreneurs and SMEs also face high transactional costs from the banks because of information asymmetry problems if and when they qualify for bank financing (Beck, 2013; Erdogan, 2019).

The SME funders use the traditional scoring models which are developed to best suite medium and large businesses (Finfind, 2017). The banks are not designed to deal with small-amount loans and this exacerbates small businesses' challenges since their loans are generally small (Agwa-Ejon and Mbohwa, 2015). The banks have one approach to handling all financial applications and therefore, SMEs are expected to meet the collateral and traditional requirements set out for larger enterprises (Finfind, 2017). According to Finfind (2017), the commercial costs still incur costs for processing substandard financing application submitted by SMEs.

Domeher *et al.* (2016) found the process of accessing external finance from the private bank to be too stringent for start-ups. According to Domeher *et al.* (2016), the process itself is bureaucratic and is characterised by red tape and lengthy procedures. SAB Foundation and Allen Gray Orbis Foundation (2017) also describe the South African regulatory framework as inefficient and to be work against the entrepreneurial ecosystem. According to SiMODiSA (2015), some of the components in South African entrepreneurship ecosystem such as regulatory framework, resources, market access and cultural entrepreneurship spirit requires attention and to be strengthened.

The process of obtaining external finance as "impossible" given the fact that the banks have classified the SMEs as non-low risk category clients (Ramlee & Berma, 2013; Fal, 2017). According to Fal (2013), FNB leadership cite the private bank risk rewards structure as the reason private banks are reluctant to fund SMEs. It is estimated that nine out of ten ventures fail after five years in South Africa, and therefore, the banks consider lending to the SMEs riskier because the lending money comes from customer deposits (Fal, 2017). Six South African private banks hold 90% of the assets (Finfind, 2017).

In order for funders to determine bankability of the SME requesting finance, documents such as business plan, project plan, income statement, cash flow statement, outstanding debtors, existing contract with customers, recent annual financial statement, bank statement and Value Added Tax (VAT) statement are required (Finfind, 2017). The other documents required include enterprise registration and tax clearance certificates, lease or mortgage agreement, owner's Identity Document (ID) document copy, shareholder agreements if any, proof of address or any regulatory accreditations.

Existing empirical data provide evidence linking a firm's access to external finance and incremental growth (Ayyagari *et al.,* 2010; Girma and Vencappa, 2015). Without access to external finance, a firm's growth is limited to its internal funds (Carpenter and Petersen, 2002). It is in the developing countries that are characterised by weak financial regulations where funding is given to politically connect businesses with low profitability link between firm's growth and access to external finance (Regasa *et al.,* 2017).

Shortage of equity capital discourages the establishment of new businesses (Koshal, 2017). The empirical evidence points to access to finance as the main obstacle to the growth of small businesses (Beck *et al.,* 2008). Lack of access to capital is not only listed as a constrained, but it is also cited to be an impediment for growth (DBSD, 2017). Majority of entrepreneurs from previously disadvantaged communities still experience exclusion in terms of accessing resources owing to their communities being underserved (SAB Foundation and Allen Gray Orbis Foundation, 2017). South African entrepreneurs cite that it is easier for the banks to increase the entrepreneurs' credit card credit as opposed to funding a project submitted on behalf of the enterprise (Fal, 2013). DSBD (2017) identifies having inconsistent cash flow and increase of operating costs as the topmost challenges faced by SMEs. The inconsistent cash flow challenges threaten the business sustainability and limits its ability to pursue new opportunities.

Entrepreneurs resort to sourcing funds from retained earnings, loan association, family, friends, and credit cards (Koshal, 2017). According to Njiro *et al.* (2010), SMEs use other sources of funding such as own savings, friends and family and government institutions. Most start-ups in South Africa are self-funded (Findfind, 2017). Lack of access to external funding for SMEs is a huge impediment to economic growth in South Africa (DSBD, 2017).

3.6 THE SME FUNDING GAP

Existing empirical evidence in the literature suggests that the financing gap negatively impact the growth and expansion potential of SMEs (Beck & Demirguc-Kunt, 2006; Hutchinson & Xavier, 2006; Mahadea & Pillay, 2008; Robson & Bennett, 2000). Financing gap exists because the majority of SMEs fail to access financing from both private and public financing institutions. According to Omer (2016), SMEs also fail to access external financing as a result of mismatches between demand and supply. The existence of information asymmetry contributes immensely towards to existence of the financing gap (Berger & Udell, 1998).

Finfind (2017) found that the funding gap in the South African SME sector is estimated to be between R86 billion to R346 billion. The funding gap estimation provided by Finfind (2017) is also confirmed by Visser (2019). Visser (2019) asserts that a study conducted by SA SME fund found the credit gap for South African SMEs to be between R86bn to R346bn. An opportunity therefore exists for funders who are able to develop innovative lending models and risk assessment designed to address the challenges. According to Finfind (2017), the formal financing institutions only approve and provide financing to only 1% of SMEs in South Africa.

The main argument for the finance gap on the side of the lending institutions is the existence of information asymmetry (Berger & Udell, 1998). Information asymmetry arises in a situation where the seller of a product has an advantage of knowing more about the quality of the product being sold over the prospective buyer (Ojah, 2010). The banks assume there is a vital information about the enterprise that is only known by the entrepreneur and they are unable to certainly evaluate the risk exposure when lending money to SMEs. The banks mitigate against information asymmetry by imposing collateral requirements or high interest rates (Tucker and Lean, 2003). Imposing of collateral requirements systematically exclude SMEs with growth potential (Omer, 2016).

Access to sufficient external finance is not only vital for the survival of the firm but critical for its growth (Gill & Biger, 2012). The resource-based theory likens finance to SMEs as oil for growth (Owusu *et al.,* 2017). Newly established SMEs have no retained earnings to be used for business funding, hence the funding gap impacts heavily on newly and youth owned enterprises. Entrepreneurs also source funding from informal finance providers (Beck *et al.,* 2004).

Lack of access to external funding is a serious constraint to entrepreneurs and small, medium, and enterprises enterprise (SMEs) in South Africa and all over the world (GEM, 2017). The impact of the existing financing gap is more severe to youth entrepreneurs who are significantly undercapitalised (Green, 2013). Youth entrepreneurs from poor background have no source of funding from family and are declined funding from the banks because of lack of collateral.

3.7 FUNDING SOURCES

This section deals with the funding models and instruments available to the SMEs and entrepreneurs in South Africa. Funding models considered for this discussion are not exhaustive of all available models but are selected according to their relevance to the study at hand.

3.7.1 Internal Funding Sources

According to OECD (2014), the main sources of finance for SMEs are family, friends, and founder. Findfind (2017) found that eight per cent of SMEs are funded by family, friends, and own personal savings. OECD (2014) refers to family, friends, and founder as the 3Fs. According to OECD (2014), using 3Fs funding is both optional and mandatory. Sometimes entrepreneurs choose to avoid the banks or use the 3Fs funds because they have been denied funding by the banks. Njiro *et al.,* (2010) also noted the practice by SMEs where funding is sourced from own personal savings, friends, and family. Within the internal finance sources, Owusu *et al.* (2017) also identified the firm's retained earnings.

From the study conducted by Seed Academy (2016) on 1 423 entrepreneurs, it was found that 85 per cent of entrepreneurs are self-funded. Furthermore, Seed Academy (2016) found that entrepreneurs funded by the private banks constituted 2 per cent while Development Finance Institutions fund only 2% as well. Lack of SME sustainability is linked to limited access to external funding (W&RSETA, 2016). Firms tends to grow slower without access to external sources of finance (Carpenter and Petersen, 2002). According to Adair and Adaskou (2015), firms avoid external form of finance if an option exists to use internal funds. Moreover, equity financing is avoided whenever the opportunity of debt financing exists. The Trade-Off Theory (TOT) posits that firms choose their financial structure makeup in a way of trading the benefits of taxation with bankruptcy costs when debt is acquired and the aim is to achieve the optimal debt ratio (Adair & Adaskou, 2015).

3.7.2 External Funding Sources

The external sources of finance comprise all available funding options which exist outside the enterprise. All external funding models exclude own funding, retained earnings and funding from family and friends. The next sections discuss external funding models to the SMEs and entrepreneurs.

3.7.2.1 Banks

Private banks are the most common source of external financing and are regarded as the traditional way of providing external financing for many SMEs (OECD, 2015; Rao *et al.,* 2021). The banks decline to fund SMEs because of their poor credit history, lack of business track record, having no collateral and limited owner's contribution (SEFA, 2017). Banks are stringent because they need to be responsible lenders (W&RSETA, 2016). Moreover, banks consider SMEs to be "high risk" (Ramlee & Berma, 2013). Commercial banks and other private institutions providing business finance are traditionally risk averse and it is only the enterprises that are categorised as low risk that they grant finance to (Bamata, 2018).

Lending to the SMEs is associated with high transaction costs and yield low profits for the banks (Ramlee & Berma, 2013). SMEs describe the process of applying for funding from the banks as "impossible" (Watkins, 2012). Banks often request for audited financial statements from SMEs which is expensive for small businesses (Visser, 2019). Entrepreneur's skills barriers are visible in the quality of required supporting documents such as business plan and the way the applicants complete the finance application forms (OECD, 2014). According to OECD (2014), the common skills barriers that entrepreneurs have are financial literacy, business planning and management.

According to Fal (2013), FNB leadership cite the private bank risk rewards structure as the reason private banks are reluctant to fund SMEs. Credit rationing, high transactional costs and information asymmetries disadvantages entrepreneurs and SMEs from obtaining funding from the banks. W&RSETA (2016) argues that the government must improve the awareness programmes about their support services offerings, mentorship opportunities in order to close the skills gap. Government also need to provide guarantees to financial service providing loans to SMEs (W&RSETA, 2016).

Credit Rationing

The banking institutions impose credit rationing on SME applications, hence less applications success rate. According to Stiglitz and Weiss (1981), credit rationing entails a decision by the financial credit provider to deny offering the requested amount to the applicant even if the applicant is willing to accept imposed higher interest rates. In credit rationing, either the lender will offer smaller amount than requested or the loan application is declined completely (Storey, 1994). According to Dlova (2017), credit rationing is influenced by information asymmetries, lack of collateral, fixed transactional costs, risk profile and many other factors.

Collateral

SMEs are also denied finance by the banks owing to lack of collateral (Beck, 2013; SEFA, 2017). According to Beck and Cull, (2014), 9 per cent of firms in Africa view collateral as an impediment compared to 4 per cent outside Africa. Fatoki (2014) found that the South African banking institutions include collateral as one of the key requirements. Disadvantaged groups lack both own financial resources and collateral, hence lack of finance is a common obstacle (OECD, 2014). According to OECD, (2018), young enterprises lacking both collateral and business history are reported to be financially constrained. The South African government established SEFA as a non-collateral funding options for SMEs.

Fixed Transaction Cost

Entrepreneurs and SMEs face high transactional costs from the banks because of information asymmetry problems (Beck, 2013; Erdogan, 2019). During the loan application, banks incur costs when collecting information about the applicant, processing of the application and performing activities associated with agreement monitoring (Maziku, 2012; Ghosh *et al.,* 1999). According to Beck (2013), transactional costs remain the same irrespective of the loan amount. Transactional lending is cost effective for larger banks considering the economies of scale which imply over return on larger technological investments (Beck, 2013). Credit guarantee schemes lead to the reduction of both lending costs and risk associated with the enterprise (Finfind, 2017).

Information Asymmetry

Information asymmetry is one of the leading factors to SMEs experiencing financial constraints (Beck, 2013). According to Ojah (2010), information asymmetry arises in a situation where the seller of a product has an advantage of knowing more about the quality of the product being sold over the prospective buyer. It is when one side between the lender and the borrower possess more and/or advanced information than the other party (Stiglitz and Weiss, 1981). According Jensen and Meckling (1976), Agency theory assumes that there is potential existence of conflicts between the shareholders and business managers who are referred to as agents' leads to agency cost of equity.

The POT was developed in light of the information asymmetry (Myers and Majluf, 1984). According to POT, internal financing is preferred ahead of external financing to avoid high cost of debt associated with information asymmetries. The POT is not applicable to SMEs without internal financial resources. Alternatively, SMEs can reduce information asymmetries by providing audited financial statements, business plans and other important documents including project feasibility reports (Dlova, 2017). SMEs cite lack of skills and high costs as the reason they do not have required supporting documents. Non-financial support services provided by SEDA include helping SMEs to develop their business plans.

In addressing the agency asymmetric challenges, Cornelli and Yosha (2003) believe there should be close monitoring as well as the right by the investors to influence decisions within small businesses. According to Cornelli and Yosha (2003), such close involvement will bring about good governance, eliminate potential risks and increase small business's chances of accessing capital. Close monitoring activities may however increase the transaction costs because the banks will have to recover the money from the clients. Technology offers opportunities to have less costly monitoring systems in place.

3.7.2.2 Microcredit

The objective of microfinance is to complement the commercial banks, tackling market and cultural barriers (OECD, 2014). According to EMN (2010), the microfinance sector is still largely depended on government funding to cover operational costs. Microfinance offers higher interest rates and the loan amount is relatively small. The advantage of using microfinance is that the entrepreneur can build credit history in the process. There is no empirical evidence suggesting that SMEs funded by microfinance grow faster compared to firms financed by formal financial institutions (Makina *et al.,* 2015). Lack of access to microfinance means entrepreneurs and SMEs have no platform to build credit profiles (OECD, 2014).

3.7.2.3 Factoring

Factoring is defined as the discounting of account receivables (Beck & Cull, 2014). Accounts receivable are purchased without considering the information about the “borrower” but emphasis is on the information about the obligor (Klapper, 2006). The purchaser takes the responsibility to collect the repayments. Sound legal and regulatory framework is required to support the successful implementation of both the leasing and factoring methods (Beck & Cull, 2014). The Chinese factoring industry is of great service to the SME sector (Ping, 2018). According to Ping (2018), the improvement of receivables financing infrastructure and that of supply chain finance leads to the commercial factoring industry to the stage of standardised development.

3.7.2.4 Angel Investor

The angel investors are associated with high growth entrepreneurship (OECD, 2014). According to Kerr *et al*. (2010), angel investors are rich individuals, former entrepreneurs and they establish semi-formal associations or networks through which they invite entrepreneurs to pitch business ideas and plans. During the pitch sessions, entrepreneurs who attract high interests and more votes increase their chances of accessing funding. Angel investors perform scrutiny on short-listed business ideas and offer hands-on business support and functions.

Angel funded enterprises tend to survive for at least four consecutive years without applying for external funding and in terms of performance, angel funded businesses tend to realise between 30 per cent to 50 percent improvement. According to Sudeck *et al.* (2008), entrepreneurs are required to submit business plan or executive summary for their application to be considered for screening process. Applications meeting the requirements are then invited for presentations and evaluation by the team of angel investors.

3.7.2.5 Venture Capitalist

Venture capitalist entails existing private firms that make equity investments into other firms with high promising prospects of growth (Berger & Udell, 2006). In China, the venture capitalist investment institution is gaining more confidence following the normalisation of the IPO (Ping, 2018). The venture capitalists are advantageous to the SMEs in that they reduce enterprise growth time significantly (Ping, 2018). According to Ping (2018), the primary focus of the venture capitalists is to explore cooperation with enterprises in a way that will enable them to identify more opportunities for value creation and exponential growth of SMEs.

According to Leroy (2012), venture capitalists are not yet available to every corner of South Africa. The high levels of entrepreneurial risk contribute to lack of growth of the venture capitalist market in South Africa (SAB Foundation and Allen Gray Orbis Foundation, 2017). In China, the venture capitalist investment institution is gaining more confidence following the normalisation of the IPO (Ping, 2018). According to Ping (2018), the venture capitalists are advantageous to the SMEs in that they reduce enterprise growth time significantly.

3.7.2.6 Equity

Equity financing is associated with the investment of capital by the investor in exchange of equity (shareholding) and the contract does not impose loan repayment date (Daskalakis *et al.,* 2013). According to Rungani and Potgieter (2018), it is the lack of external equity that creates more dependency on debt financing. Equity financing is not preferred by entrepreneurs given their desire to have full control and ownership of their enterprises (Carpenter and Petersen, 2002; Rao *et al.,* 2021). There are similarities between the equity crowdfunding and business angel investor. The crowdfunding equity option has less local business advisory component.

3.7.2.7 Crowdfunding

New financing mechanisms have emerged closing the gap between lenders and funders (OECD, 2014). Some of the new funding mechanisms such as crowdfunding and peer-to-peer are technology enabled. Crowdfunding is usually offered via the internet platform. This is cheaper source of funding because the process itself has fewer overhead costs such as office rentals and human resources. The application is less vigorous because basement is computer-based. Crowdfunding lending option offers low interest rates to the borrower while the investor realises more interest rates than what a bank savings account offers (OECD, 2014). Government needs to bring more regulations and policies to remove legal uncertainties, improve investor protection and promotion of peer-to-peer lending in order to stimulate crowd funding activities (OECD, 2018).

3.7.2.8 Asset-Based Lending

SMEs and entrepreneurs have the option of using the asset-based lending as a way of avoiding high lending and transactional costs resulting from information asymmetric problems. According to Berger and Udell (2006), SMEs underlying assets are acceptable as collateral in asset-based lending. Acceptable underlying assets include accounts receivable, equipment and inventory. The credit standing of a firm is given less consideration in the asset-based finance where the value of a specific asset is a major part of the finance structure (OECD, 2018). The lending terms associated with asset-based financing are flexible compared to collateral traditional lending (OECD, 2015). The credit standing of a firm is given less consideration in the asset-based finance where the value of a specific asset is a major part of the finance structure (OECD, 2018).

Intangible Assets

SMEs can use intangible assets as collateral but there are still challenges inhibiting SMEs from leveraging this value in obtaining debt funding (OECD, 2018). According to OECD (2018), intangible assets are non-monetary assets without physical presence. Some of the examples of intangible assets include computer software, brand equity, patents and copyrights.

The current challenges with intangible assets include asset valuation, issues with redeployment, absence, and illiquidity of secondary markets, obtaining effective security over the assets, high transaction costs, insufficient corporate reporting, and insufficient bank understanding (OECD, 2018). Some of the initiatives aimed at addressing the challenges raised earlier include the establishment of special schemes with mandates to “ring-fence” funds for investments in intangible assets, investigating better ways of achieving valuations and reduction of transaction costs and the provision of training to the financial industry role players (OECD, 2018).

3.7.2.9 Government Financing Agencies

The government funding instruments include credit guarantee schemes, soft loans, grants and venture capital (Ramlee & Berma, 2013). Government introduced various institutions and instruments to close the market failure gap (OECD, 2014). Grants and soft loans are some of the instruments that the governments introduce to help excluded groups (OECD, 2014). Grants and income subsidies are monies transferred from the grantor to the grantee (OECD, 2014). Government make soft loans available to cater for entrepreneurs who would otherwise not be funded by the banks (OECD, 2014). Women and the youth are likely to be targeted by the public-funded institutions (OECD, 2014).

Credit Guarantees Schemes (CGS)

Loan guarantees are made available to overcome barriers such as information asymmetries, lack of collateral and high-risk profile (OECD, 2014). Government provides funding for credit guarantee schemes to leverage the private sector resources through banks participation. According to OECD (2014), existing credit guarantee schemes include public schemes, public-private and private schemes. The public schemes use government agencies and both public agencies and private institutions get involved in the public-private credit schemes. Credit guarantees schemes only account for 0.03% of South Africa's GDP and this is the true reflection of how the market has not embraced the option. Compared to other countries, SA uptake of credit guarantee scheme is very low (Finfind, 2017). According to OECD (2014), the credit scheme reduces the interest rates in Italy.

The role of the government is only to set the regulatory framework in the private schemes' models (OECD, 2018). The final lending decision is left with the private banking institution because they take between 10 to 20 per cent risk exposures when funding decision is taken (OECD, 2014). This model eliminates the abuse by the politically connected. Credit guarantee schemes lead to the reduction of both lending costs and risk associated with the enterprise (Finfind, 2017). According to Finfind (2017), the credit guarantee schemes have not encouraged the private funders to have risk appetite for SMEs. However, SMEs are not aware of the scheme and the other challenge is to identify the funders who participate government credit guarantee schemes.

Khula Finance Limited

The South African government established Khula Finance Limited in 1996 in accordance with the 1995 White Paper objectives. Khula Finance Limited was primarily set up to assist SMEs with the financial support. From 1997 to 2002, Khula Finance Limited was unsuccessful owing to large write-offs. The write-offs were owing to failing of microfinance institutions to which Khula Finance Limited was extending the wholesale finance to (Bauman, 2004; Christen and Pearce, 2004). The microfinance industry at the time was largely unregulated. Bauman (2004) found that microfinance institutions failed because they had high staff complements majority which were unskilled. The South African Microfinance Apex Fund (SAMAF) was established in accidence with the objectives of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises of 2005.

Firstly, SAMAF was to provide wholesale finance to microfinance institutions working along Khula Finance Limited. Secondly, SAMAF was given the mandate to regulate the microfinance industry in South Africa. Khula Enterprise Finance offers various financial services including credit indemnity, direct finance, join ventures and franchising opportunities. Business loans are offered by the commercial banks while Khula Enterprise play a facilitation role.

Small Enterprise Finance Agency (SEFA) and National Youth Development Agency (NYDA)

SEFA was born out of a merger between the South African Micro-Finance Apex Fund (SAMAF) and Khula Enterprise Finance Limited and its responsibility is to fund small enterprises up to R3 million (Dlova, 2017). SMEs can access SEFA services through the nine offices distributed throughout the whole country (SEFA, 2013). SEFA closes the gap through the waiver of the collateral requirements and extend credit to entrepreneurs with adverse credit record where steps to rectify negative records is evident (SEFA, 2017).

While SEFA provide funding, SEDA is responsible for support services such as mentorship, skills development, and other non-financial support programmes (Adinolfi *et al.,* 2018). According to SA Parliament (2016), SEFA lacks impact on the ground in terms of money deployment. Funding provided by government is not enough (SEFA, 2017). The young people aged between 15 and 35 years are catered by NYDA which promotes the formation of new businesses as well as financing existing businesses owned by the youth.

3.7.3 Alternative Funding Models

Alternative funding options are emerging and technologically influenced funding models developed to compete and/or complement the traditional funding models discussed above.

3.7.3.1 Technology Enabled Funding Model

Fundrr is a South African private financial institution providing funding for both entrepreneurs and SMEs. According to Visser (2019), Fundrr has significantly reduced both the application and assessment period through the introduction of an automated credit model. Through the use of technology, it only takes eight minutes to submit an application. Fundrr is able to process an application within 24 hours because in their automated model, they are able to analyse close to 100 data points and get a business profile. SMEs are required to submit their company's six months bank statement, trade references, and also the social media handles (Visser, 2019).

Fundrr is not the only digital lender operating in South Africa. There are more than 800 digital SME lenders currently developing models that are able to lend to SMEs using big data, other channels and credit models (Finfind, 2017). According to Ping (2018), the Chinese government changed the regulatory framework to issue licenses for online microloan. As a result of the licenses issued, the banking sector was transformed and innovatively embraced the internet to improve lending efficiency and increase the coverage (Ping, 2018). According to Ping (2018), financial technology is represented by cloud computing, big data, artificial intelligence, and block chain.

3.8 CONCEPTUAL MODELS

The conceptual framework presents a logical view of the integrated elements of the whole process and enable us to explain the existing relationships (Owusu *et al.,* 2017)

3.8.1 Existing Knowledge on SME Funding

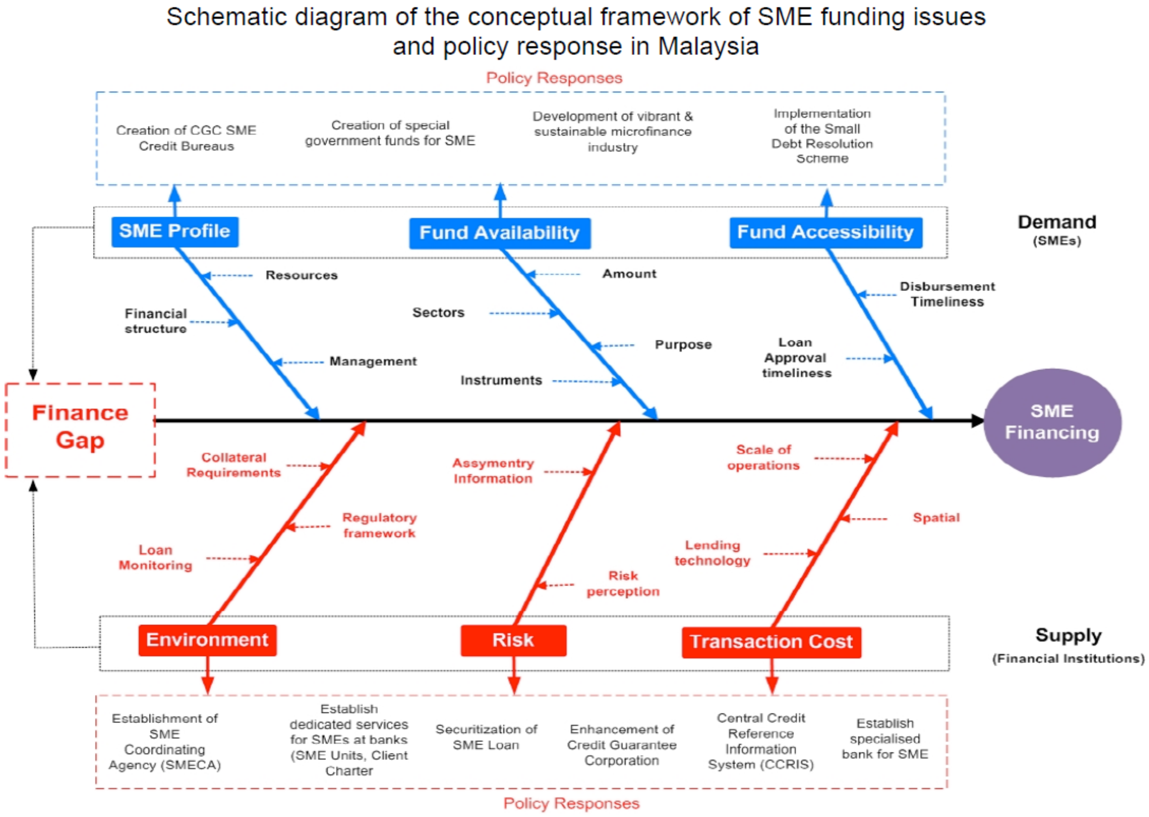
The most common and regarded as a traditional way of providing external financing for many SMEs and entrepreneurs is by means of the private/commercial banks and is mostly reliant on debt to support the initiatives associated with start-ups, cash flow and required investment (OECD, 2015). OECD (2013) identified the wealthy private investors as another optional source of funding particularly when the banking sector is weaker. The private investors invest their personal money in start-ups for exchange of equity and they are sometimes called wealthy investors, informal investors or business angels and they normally know something about the entrepreneurs, or the industry, or both (Gartner & Barker, 2010).

3.8.2 Existing Conceptual Models for SME Funding

Different conceptual frameworks have been proposed to close the existing funding gap. Figure 6 proposed by Ramlee and Berma (2013). Ramlee and Berma (2013) identified the need for policy interventions required for addressing both the demand and supply side of financing participation. Closing the gap from the demand side requires the introduction of policies through which the government will implement credit guarantee schemes, special funds, and microfinance industry and debt resolution schemes. On the supply side, Ramlee and Berma (2013) call for the establishment of SME supporting agencies, specialised dedicated service at the banks, and securitization of loans, credit guarantee institutions, central credit reference system and specialised banks for SMEs.

Ramlee and Berma (2013) model places policy at the centre of the framework. The credit guarantee bureaus deal directly with SME profile related elements while the policy addressing funding availability addressed by the policy calling for the implementation of government funding agency. Ramlee and Berma (2013) also call for a policy to deal with debt resolution, hence improve funding accessibility. Policies responding to the supply side deals with transactional costs, risks, and the environment through the establishment of agencies, SME dedicated agencies at the banks, and banks for SMEs (Ramlee & Berma, 2013).

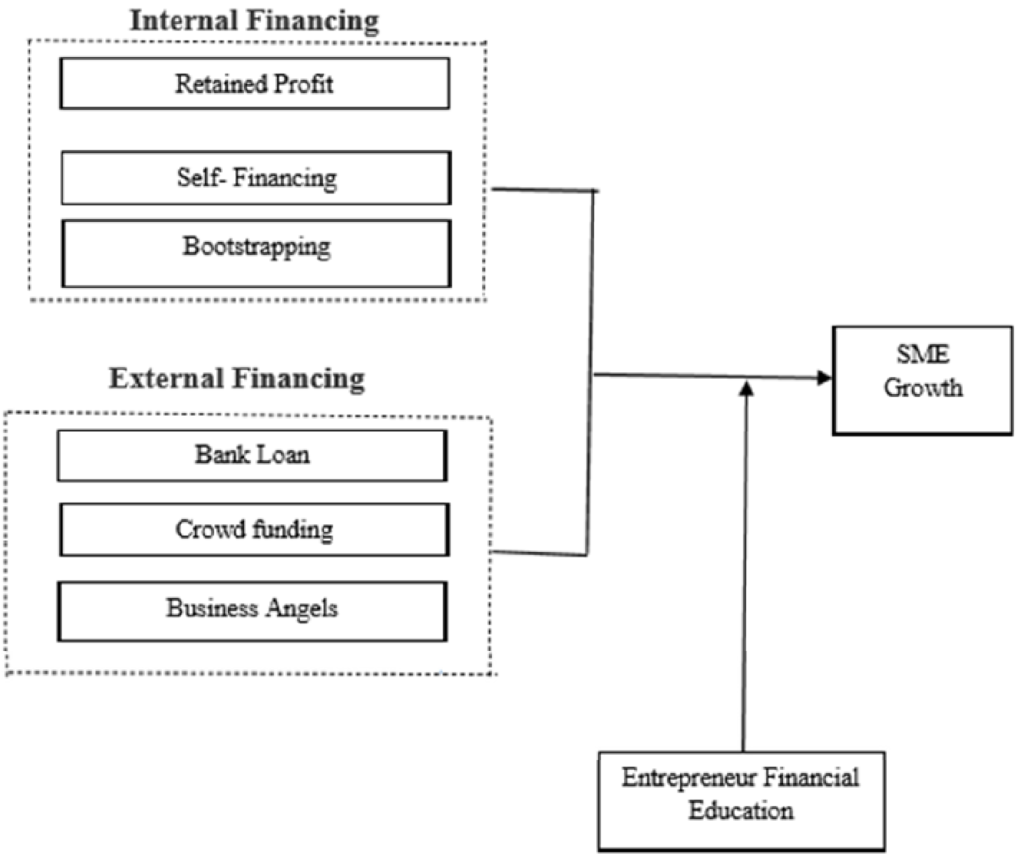
FIGURE 6 : CONCEPTUAL FRAMEWORK FOR SME FUNDING IN MALAYSIA



SOURCE: RAMLEE AND BERMA (2013)

In Figure 7, Owusu *et al.* (2017) link SME growth to internal and external financing sources as well as the entrepreneur education. Within the internal finance sources, Owusu *et al.* (2017) identify retained profits, self-funding, and bootstrapping. The external financing sources are banks, crowd funding and business angels. The Owusu *et al.* (2017) conceptual model does not include the government funding such as grants, credit guarantees and soft loans.

FIGURE 7 : GHANA SME FUNDING CONCEPTUAL FRAMEWORK



SOURCE: (OWUSU *ET AL.*, 2017)

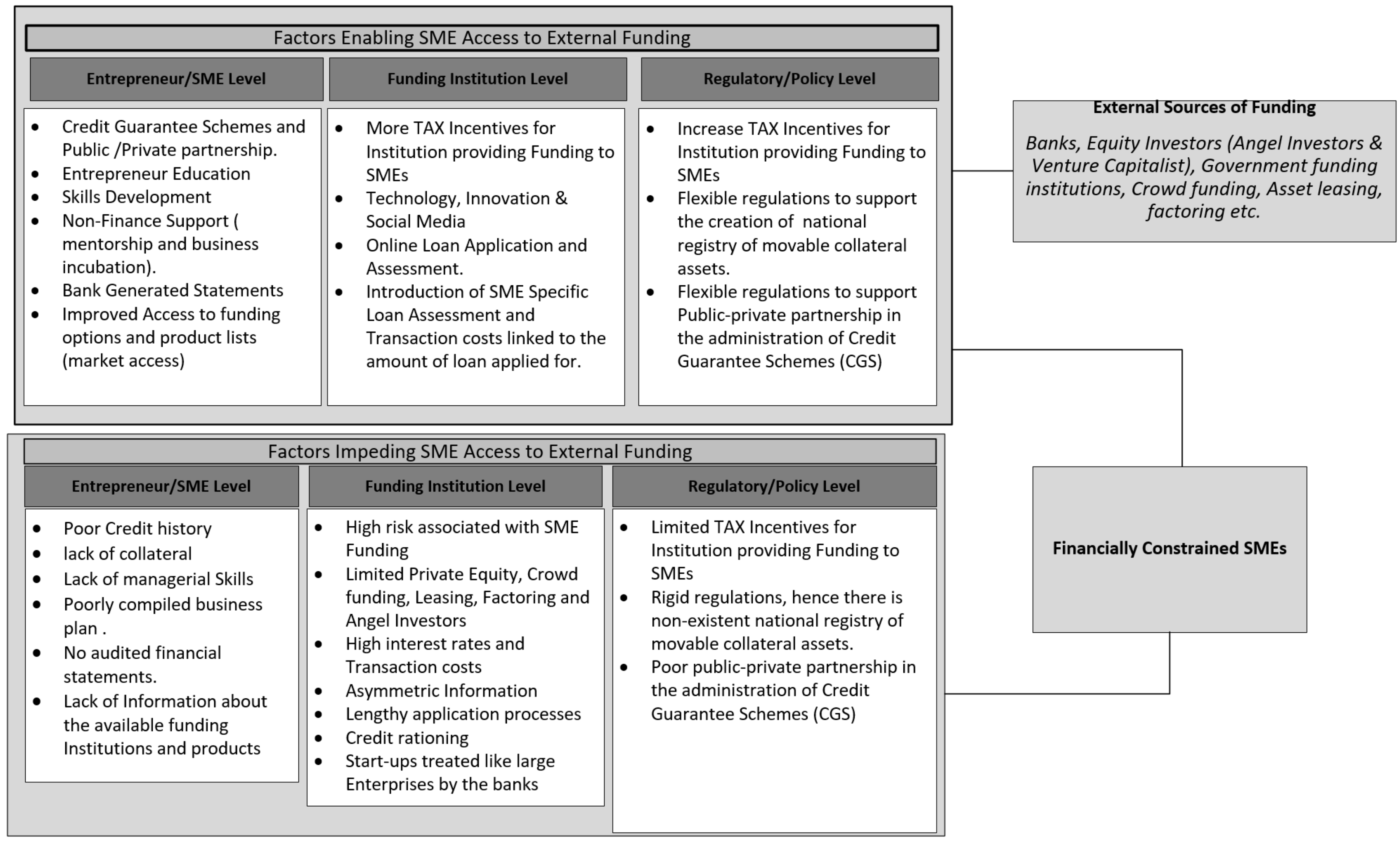
3.8.3 PROPOSED CONCEPTUAL FRAMEWORK

Figure 8 illustrates how this study propose the models through which the funding can be reduced.

Proposed Conceptual Framework Notes

The proposed conceptual model depicted in the figure below represent the conceptualisation of the theory in relation to the research problem. The model has two main sections, factors enabling SME access to external funding and the factors impeding SME access to external funding. Each of the two main sections /factors has sub-sections representing the entrepreneur/SME, institutional and regulatory levels.

FIGURE 8 : PROPOSED CONCEPTUAL FRAMEWORK



Source: Author's illustration

The factors impeding SME funding on the entrepreneur/SME level include poor credit history, lack of collateral, lack of managerial skills, poorly compiled business plan, failure to meet the submission of audited financial statement, lack of access to available funding options and instruments. At the funding institutions level, factors impeding SME funding include high-risk associated with SME funding, limited private equity and other funding options beyond the traditional commercial banks, high interest and transactional costs, information asymmetric challenges, lengthy application processes, credit rationing and the loan assessment processes that are designed for large enterprises. The policy and regulatory factors include limited tax incentives for SME funding institutions, poor public and private partnerships and unsupportive regulations. The factors enabling SME funding are presented as the solutions to the factors impeding SME funding.

3.9 SUMMARY

The individual personal goals and lifestyle choices to some extend influences entrepreneurial choices (Osorio *et al.,* 2015). Empirical literature research work has found that personal traits are influential on one's decision to engage in entrepreneurship (Arko-Achemfour and Dzansi, 2016). The individual personal traits determine the person's behaviour. Inherent personal traits are therefore the basis upon which individual entrepreneurs differ from one another.

It is the entrepreneurial activities that lead to the destruction of the existing (equilibrium) economic status (Rocha, 2012). Entrepreneurs in the developing countries cannot be called innovators because they rarely produce new goods, products or services. Drucker (1985) describes the process in developing nations as "creative imitation". South Africa as a developing nation falls within the "creative imitation" category but it must be treated as an exceptional case. South Africa produced innovative successful entrepreneurs such as Mark Shuttleworth (Thawte and Ubuntu Linux), Herman Mashaba (Black Like Me) and many others. The current reports on the performance and sustainability of South African entrepreneurial activities and SMEs is unimpressive.

South Africa records 88% and 44% failure rate of cooperatives and SMEs respectively (RSA Parliament, 2016). During 2019, the SME business discontinuity rate was reported at 4.9% which is higher compared to 3.5% for established enterprises (Bowmaker-Falconer & Herrington, 2020). The TEA rate measuring newly entrants in entrepreneurship is also very low (GEM, 2017). Constraints affecting SMEs in South Africa include high competition, insufficient government support, regulatory framework, the financing gap, and corruption (Omer *et al.,* 2015). A significant number of SMEs cite lack of access to finance as a reason they discontinue their businesses (GEM, 2017). SMEs are declined funding by the banks because of having a poor credit history, no business track record, lack of collateral, and limited owner's contribution (SEFA, 2017).

Transactional costs and information asymmetries are some of the reasons leading to SMEs experiencing financial constraints (Beck, 2013). Lending institutions such as banks perceive SMEs to be riskier and risk assessment mechanism that is reliant on assets owned by a small firm is disadvantageous (Beck, 2013). Entrepreneurship is differentiated from the traditional business practice by being innovative, proactive, and risk-taking while the traditional businesses are risk-averse, non-innovative and reactive (Urban, 2011).

Lending institutions such as banks perceive SMEs to be riskier and risk assessment mechanism that is reliant on assets owned by a small firm is disadvantageous (Beck, 2013). SMEs and large firms are different and therefore subjecting them to the same assessment process is unfair. SMEs are declined funding by the banks because of having a poor credit history, no business track record, lack of collateral and limited owner's contribution (SEFA, 2017). There is a need for government to increase support for the SME sector given its potential to employment creation and economic growth contribution.

According to Visser (2019), Fundrr has significantly reduced both the application and assessment period through the introduction of an automated credit model. Reviewed literature has practical examples of alternative funding models which have successfully yielded results elsewhere in the world. The CYBD link entrepreneur funding and the provision of non-financial support such as mentorship, management, and financial skills (Ndirangu & Terer, 2016). There is a need for better private-public partnership between the banks and state bank, developmental funding institutions and microfinance institutions in South Africa.

3.10 CONCLUSION

More work must be done in South Africa to encourage formalisation of informal SMEs as well as promoting the practice of opportunity driven entrepreneurship. Necessity-driven entrepreneurship practice cannot achieve nine million jobs that South Africa envisage to create through the SME sector by 2030. The South African economy is not creating enough jobs to absorb high number of youths, particularly the graduates. Unemployed black graduates venturing into entrepreneurship require external financial and non-financial support to succeed. The banks decline SME funding applications for various reasons. Finfind (2017) found that the funding gap in the South African SME sector is estimated to be between R86 billion to R346 billion. The current funding models have failed to deliver much-awaited financial support for struggling SME industry in South Africa. The new technology inspired funding models which deliver both operational and cost efficiencies must be investigated and implemented in a fashion that leverages private-public partnership.

Lending institutions such as banks perceive SMEs to be riskier and risk assessment mechanism that is reliant on assets owned by a small firm is disadvantageous (Beck, 2013). SMEs and large firms are different and therefore subjecting them to the same assessment process is unfair. The lack of capital structure theories explaining the capital structure and the financial behaviour of SMEs could also be the problem. There is a need for theories and funding models that are applicable to entrepreneurship and SMEs.

CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

The main objective for this study was to conceptualise a new funding model aimed at easing access to external funding for SMEs. In order to achieve the objectives set out in chapter one, a thorough understanding on the deficiencies and ineffectiveness associated with the current SME funding models in South Africa has been gained first. The research design and associated processes were carefully designed to enhance the success of this project. This chapter provides detailed discussions on the philosophical, strategic, and technical makeup of the entire research project. Research objectives and research questions are the anchor of this study and therefore influence the selection of every approach or technique associated with the research.

This research adopted the pragmatist philosophy and methodologically, it used mixed methods approach, leaning more towards qualitative (QUAL -> quan). The theory building approach for the study is abductive, mixing both inductive and deductive. Informed by the nature of data required to answer the research questions, the study was designed to be a qualitative in its character and in-depth interviews were conducted to collect data. Quantitative data was used for findings validation by means of questionnaire.

4.2 METHODOLOGY

Research methodology is defined as the systemic approach adopted by the researcher to execute and achieve set objectives (Creswell, 2009). Methodology includes a system of beliefs and philosophical assumptions which has more influence in how the research questions are understood and underpin the choice of research methods (Melnikovas, 2018). According to Saunders *et al.* (2016), research methodology includes philosophies, approaches, strategies, choices, time horizons, techniques, and procedures.

4.3 RESEARCH PHILOSOPHY

Research philosophy is defined as a system of beliefs and assumptions influencing the researcher during the knowledge development process (Saunders *et al.,* 2016). Furthermore, research philosophy guides the researcher in selecting the approach, strategy, data collection techniques and procedures followed to answer the research questions (Omotayo & Kulatunga, 2015). There are five major philosophies in the fields of business and management, namely, positivism, critical realism, interpretivism, post-modernism and pragmatism (Saunders *et al.,* 2016). Research philosophies are associated with assumptions and continua. The discussion of the main philosophies will be preceded by the section of assumptions and continua. A brief discussion on the rationale for the philosophy selected for this study is also provided.

4.3.1 Philosophical Assumptions

According to Saunders *et al.* (2016), the assumptions made during the knowledge development journey could be about human knowledge (epistemology), the realities encountered (ontology) and the way the researcher's values (axiology) influences the process. The research assumptions have influence on how the researcher understands the research question, and also how he/she interprets the findings.

4.3.1.1 *Ontology assumptions*

Ontology is concerned with the nature of reality (Saunders *et al.,* 2016). The aspects of ontology are objectivism and positivism. Objectivism posits that social entities exist in their nature without interference of social actors. Conversely, subjectivism views the social phenomena as a product of social actors' perceptions and their actions (Saunders *et al.,* 2007). According to Remenyi *et al.* (1998), the way to understand reality is to study details about it. Objectivism views the organisational culture as something that the organisation "has" (Smircich, 1983), while in subjectivism view, culture is a product of social enactment.

The ontological assumption of this study is that stringent measures imposed during business loan application by the funders are justifiable because they protect the investor's capital. The current funding models are biased and discriminative against SMEs because they were designed to serve large enterprises. Therefore, balanced, and objective funding models can emerge out of a broad stakeholder and representative engagement process (multiple realities).

4.3.1.2 *Epistemology assumptions*

Epistemology is concerned about what is perceived to be acceptable, legitimate, and valid knowledge (Saunders *et al.,* 2016). Melnikovas (2018) presents epistemology as the nature and sources of knowledge. Epistemological philosophy can be objective or subjective (Saunders *et al.,* 2016). Objectivism maintains a view that assume social reality to be external to human beings while subjectivism believes in people's opinions when it comes to the meaning about reality (Saunders *et al.,* 2016). In terms of research findings, objectivism is associated with making law-like generalisations while subjectivism deal with specifics (Bryman, 2012; Saunders *et al.,* 2016). Human experiences and their opinions constitute acceptable and legitimate knowledge. Interviews are qualified instruments to collect data about people's experiences and opinions. Survey instruments are suitable to data aimed at validating applicability of the proposed models.

4.3.1.3 *Axiological assumptions*

The focus of axiology is to study the judgements about the "value" (Saunders *et al.,* 2007). According to Heron (1996), all human actions are guided by our values. The research topic selection process cannot be separated from our own values (Saunders *et al.,* 2007). Niglas (2010) asserts that the research philosophies are scattered along a multidimensional set of continua between two extremes, namely, objectivism, and subjectivism. It is assumed that people's values will influence their responses (value bound) during data collection. The sound scientific methods and processes applied in this research has ensured objectivity and ethical consideration prevented biasness.

4.3.2 Research Philosophy

This section provides a discussion on the five major research philosophies which are positivism, critical realism, interpretivism, post modernism and pragmatism. Pragmatism philosophy has been preferred to guide the study.

4.3.2.1 *Positivism*

In the positivist approach, the researcher is independent, does not affect and is not affected by the research subject matter (Remenyi *et al.,* 1998). Saunders *et al.* (2007) argue that the positivist approach is characterised by the complete freedom from the inclusion of the researcher's values in the process. Positivist research is more suitable in cases where data to be considered is quantified, structured, and measurable (Saunders & Tosey, 2013). Positivism is associated with quantitative research method using surveys to collect data (Holden & Lynch, 2004). Positivism is used in situations where causes and effects of relationships are subject of the study (Sahay, 2016).

According to Sahay (2016), positivism philosophy is applied in research involving highly structured quantitative data. Saunders et al. (2016) assert that positivism works with observable social reality to produce law-like generalisations. The positivist researcher employs quantitative research with the objective of understanding the world as it "really" is (Schutt, 2019).

4.3.2.2 *Critical realism*

Realism theories argue that reality exists independently from human minds' interference (Saunders & Tosey, 2013). There are two types of realism, namely, direct, and critical realism (Saunders *et al.,* 2007). Direct realism suggests that what is seen what there is while critical realism argues that what we experience are sensations and images of the actual social reality. According to Bhaskar (1989), the researcher can gain understanding of the social world by studying social structures that give rise to the phenomena.

The critical realist researcher find interest in studying what is experienced immediately, the structures and the relationship that lies beneath (Saunders and Tosey, 2013). According to Saunders *et al.* (2016), critical realism views reality as external, independent, and not directly accessible through human knowledge and observations. Critical realists embrace epistemological relativism. According to Bhaskar (1989), epistemological relativism views the source of knowledge as historic and that social facts are man-made as opposed to independently existing. The axiological assumption of critical realism posits that human knowledge is influenced by social conditioning and therefore, the researcher needs to be aware and minimise the influence of inherent values (Saunders *et al.,* 2016).

4.3.2.3 *Interpretivism*

Interpretivism philosophy entails conducting research on people rather than objects (Sunders and Tosey, 2013). Interpretivism studies the social phenomenon in their natural environment (Sahay, 2016). Interpretivism differentiates humans from physical phenomena because humans have the ability to create meaning (Saunders *et al.,* 2016). Interpretivism advocates that researchers must seek to understand human beings' differences as social actors (Saunders *et al.,* 2007). Human beings interpret other people's social roles in accordance with the meaning that is assumed about their roles (Saunders *et al.,* 2007). Interpretivism philosophy is applied where subjective meaning is derived as opposed to law-like generalisation (Sahay, 2016).

According to Saunders *et al*. (2016), the focus of interpretivism is on multiple interpretation, meaning-making, richness, and complexity. Interpretivism philosophy is associated with qualitative data collected from small sample through in-depth investigations (Sunders & Tosey, 2013; Sahay, 2016). interpretivism philosophy applies qualitative analysis (Sahay, 2016). On the axiological assumptions, interpretivism philosophy brings in the values and beliefs of the researcher into the process (Saunders *et al.,* 2016). The focus of "interpretivist" researcher is to understand the meanings people attach to their experiences (Schutt, 2019).

4.3.2.4 *Postmodernism*

Postmodernism philosophy is a critique of both the positivist and objectivism philosophies. According to Saunders *et al.* (2016), postmodernism challenges the acceptable ways of thinking, advocate for marginalised views through placing more emphasis on the power of language and power relations. According to Saunders *et al.* (2016), postmodernism concedes that language selectively emphasises and promotes other aspects while supressing and marginalising some of the aspects it claims to describe. Postmodernism tries to uncover and question the power relations that give rise to the prevailing realities (Calás and Smircich, 1997).

4.3.2.5 *Pragmatism*

Pragmatist philosophical view places the research question at the centre and argues that it is possible to work with both positivism and interpretivism (Saunders *et al.,* 2007; Kelly and Cordeiro, 2020). Pragmatism became a bridge for both qualitative and quantitative methods (mixed methods) to meet in one research project. Pragmatist researchers believe that there is no single viewpoint that can give an entire picture and that many practical realities exist (Saunders & Tosey, 2013). More importantly, pragmatists recognise that there many ways of interpreting the world and therefore, no single point of view is able to capture all possible existing realities (Saunders *et al.,* 2009). Variety of data collection techniques and analysis methods are used in the pragmatism approach because it is believed that no single viewpoint can give the complete entire picture (Sahay, 2016).

Saunders *et al.* (2016) argues that pragmatism is the research philosophy that gives the understanding of the process of knowledge development. Accordingly, pragmatism philosophy has been carefully chosen for this research. The choice of pragmatism is informed by the fact that this philosophy is best suited in finding answers to problems in the natural or real-life environment. The problem being solved in this research is a real-world problem. It is envisaged that the research outcome will contribute to the body of knowledge, and also influence policy making to accelerate SME funding in South Africa.

4.3.2.6 *Rationale for the Philosophical Choice for the Study*

The adopted philosophy creates lenses through which the researcher views the world (Saunders *et al.,* 2007). Incorporated within the research philosophy are the assumptions which underpin the strategy (Saunders *et al.,* 2007). Ontologically, subjectivism was adopted in this study. Subjectivism views the social phenomena as a product of social actors' perceptions and their actions (Saunders *et al.,* 2007). This study believes knowledge can be developed through literature review and conducting in-depth interviews. Role players or social players in the SME funding space have different views regarding the failure and success factors.

Pragmatism influenced research, the idea of asking specific questions to certain groups of respondents (SME-owners/entrepreneurs, funding institutions, SME-support institutions, policy makers and academia) as intended to unearth experience-based responses. Pragmatism paradigm permits the way of targeting diverse experiences of different respondents based on their different levels (Kelly and Cordeiro, 2020). Axiologically, this study accepted the influence of people's values. Already, literature review has discovered that banks perceive SMEs to be risky and entrepreneurs believe banks have less interest in funding SMEs. Qualitative research as social enquiry focuses on people's interpretation of their own experiences on their unique personal level (Holloway and Wheeler, 2002). Pragmatism is also associated with guiding a research that seeks to provide a public good thereby by improving practice and policy while remaining true to the quality-driven rigours of academic research (Kelly and Cordeiro, 2020).

4.4 RESEARCH APPROACH

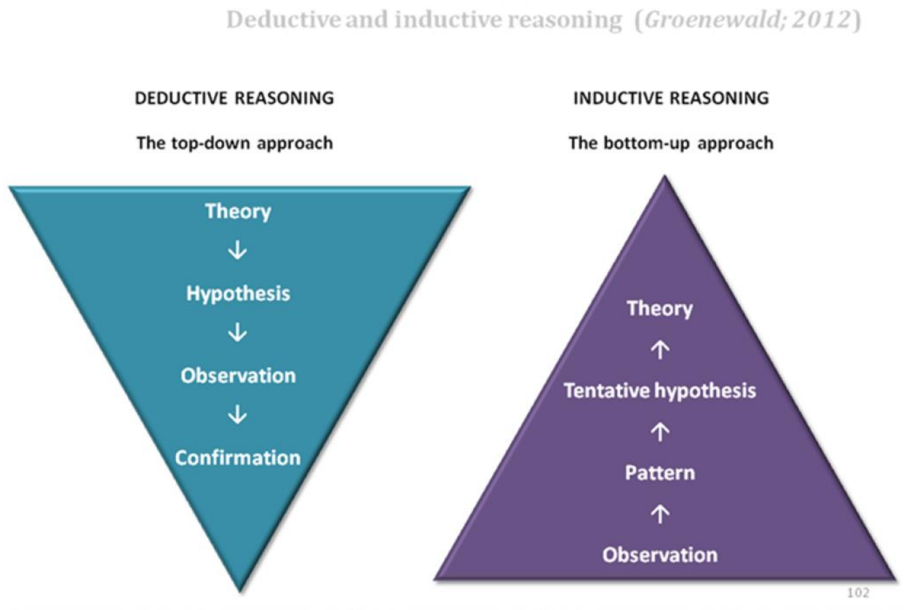
Easterby-Smith *et al.* (2012) lists the following reasons for making a correct research approach for theory development: it informs the decision on the research design, the selection of research strategies and methodological choices and lastly, adapting the research to cater for constraints. Saunders *et al.* (2016) distinguish between three research approaches, namely, deductive, inductive and abduction. The three research approaches are discussed in the subsequent sections.

4.4.1 Deductive Approach

According to Melnikovas (2018), deductive approach is usually used for theory testing and that in its logic, reasoning moves from general rule to law-like generalisation. A deductive research begins with formal theory which informs the formulation of the hypothesis about the potential relationship between the variables, and then perform statistical tests to accept or reject the hypothesis (Schutt, 2019). According Saunders *et al.* (2016), deductive approach involves theory development which is then rigorously tested through a series of propositions. Deductive approach is associated with positivism philosophy (Saunders *et al.,* 2007). Deductive approach best fits the natural setting where a phenomenon or occurrences are predicted and therefore controllable (Collis and Hussey, 2003).

Robson (2002) lists five sequential steps of deductive approach, namely, deducing a hypothesis, expressing the hypothesis operationally, testing the operational hypothesis, examining the specific outcomes of the operational, enquiry and modifying the theory.
According to Robson (2002), hypothesis testing is based on the theory. Figure 9 indicates the top-down approach associated with the deduction process. According to Saunders *et al.* (2016), deductive approach is credited for the ability to explain causal relationship between concepts and variables. Furthermore, a deductive approach has characteristics of having the ability to use measurable facts and generalising deductions. By default, a social researcher is deductive approach oriented (Salmona *et al.,* 2015).

FIGURE 9: DEDUCTIVE VS INDUCTION REASONING



4.4.2 Inductive Approach

An inductive approach is associated with theory building (Melnikovas, 2018). Data about the phenomenon are collected and explored first, and the theory is formulated (Saunders *et al.,* 2009). An Inductive researcher carries out observations about empirical reality and relations amongst the variables, and then induce explanatory framework (Schutt, 2019). According to Saunders *et al. (*2016), theory follows data in the inductive approach. Melnikovas (2018) posits that the inductive approach begins with phenomenon observation and then form a ground for a general rule formation. The social science research gave rise to the emergence of inductive approach which is concerned with the need to study how humans interpret their social world (Saunders *et al.,* 2016).

The inductive approach criticises rigidness in the methodological nature of the deductive approach. Despite having the ability to propose new theories, the highly structured nature of the deductive approach research design impose serious limitations (Sanders *et al.,* 2016). Salmona *et al.* (2015) stress that inductive inquiry is an ingredient of qualitative study. According to Sanders *et al.* (2016), inductive approach is associated with a small number of samples in qualitative research and it pays particular focus on the context within which the phenomenon being studied is located.

4.4.3 Abductive Approach

The abductive approach combines both deductive and inductive approaches (Suddaby, 2006). The abductive approach uses newly collected data to test the theories. The deductive and inductive approaches are different, and the abduction approach integrates or incorporates elements from both deductive and inductive approaches.

4.4.4 Rationale for the Research Approach Selection

Right choice of research approach is important for the success of the study. The selected research approach for this study is abductive. In this case study, capital structure theories and existing funding models have been reviewed in the literature review sections. Already, there are existing theories with which the new theory to be developed in this research work must challenge, appreciate or complement. Shifting between deductive and inductive supports exploration and documentation of meaning being constructed (Salmona *et al.,* 2015). During the course of this study, such theories were tested (quantitative method has been used to verify the findings) and therefore, abductive approach was the best fit for project.

4.5 METHODOLOGICAL CHOICE

The available research methodological choices are quantitative, qualitative, and mixed methods research designs. Research methods are distinguishable by the data types they associate with each one of them. According to Saunders *et al.* (2016), numeric data is associated with quantitative research while non-numeric data is associated with qualitative research. Mixed methods combine both numerical and non-numerical data. This section provides a detailed discussion on these research methods. In the end, justification for selecting mixed methods as the methodological choice for this study is provided.

4.5.1 Quantitative Research

4.5.1.1 *Quantitative methods*

The term quantitative methods refers to various types of research (Bryman, 1988). Quantitative research methodology is associated with numerical data collection and is used to explain the social phenomena (Bryman, 2008; Saunders *et al.,* 2016). Bryman (2012) characterise quantitative method with quantification of data and output. The social world is knowable through quantification of its characteristics (Schutt, 2019). Data collection is standardised in the quantitative research (Sanders *et al.,* 2016). According to Rasinger (2013), the types of questions being answered by the quantitative research would start with “how many? how much? to what extent?”.

Quantitative studies use larger sample compared to qualitative methods. Quantitative studies use larger sample compared to qualitative methods. Research strategies supporting and associated with structured studies are experiments and surveys. Saunders *et al.* (2016) link the quantitative research with both experimental and survey strategies. The conclusions drawn from the sample in the quantitative research are generalised to a whole population (Saunders *et al.,* 2016). Quantitative methods fail to extract deeper underlying meanings and explanations (Raham, 2016). Statistical software packages are used to analyse data collected through surveys.

4.5.1.2 *Research philosophy associated with quantitative research*

Research philosophy associated with quantitative research is positivism. Positivism works with structured and measurable data (Saunders and Tosey, 2013). Positivism is used in situations where causes and effects of relationships are subject of the study (Sahay, 2016). The positivist researcher employs quantitative research techniques to gain understanding about the world as it “really” is (Schutt, 2019). According to Saunders *et al.* (2016), positivism works with observable social reality to produce law-like generalisations. The theory development approach linked with the quantitative research is deductive (Saunders *et al.,* 2016). Quantitative research may be incorporated into the inductive approach.

Data collection techniques used in the quantitative research include questionnaire, structured observation, and others. Questionnaire data collection technique is used in order to ensure generalisability of the findings (Sanders *et al.,* 2016). The case where a single data collection technique is applied in the quantitative research, the research is called mono method quantitative study. According to Saunders *et al.* (2016), multi-method quantitative study is when multiple data collection techniques are used (questionnaire and structured observation). Statistical procedures are used to analyse data in the quantitative research.

4.5.2 Qualitative Research

4.5.2.1 *Qualitative methods*

Strauss and Corbin (1990) referred to qualitative research as any study that arrives at its findings without applying any statistical procedures or quantification. Qualitative research is used when the aim is to understand the meaning individuals constructed out of their social world and the experiences they have in the world (Merriam, 1998). Further, qualitative research focus on observations, perceptions, emotions, behavioural and other experiences at personal or organisational (social, culture, between national). The interest of qualitative studies is in events, non-standardised text, images, subjective meaning (Flick, 2014). The qualitative researcher observes, interprets, study, and describes individual or collective behavior to draw meanings (Denzin, 1989). Qualitative research method demands high level of ethical conduct since data collection process sometimes involves direct interaction with human beings (Mir, 2018). Researchers uphold ethical standards and use signed "informed consent" forms to manage confidentiality matters with participants when collecting and analysing data as well as when reporting the findings.

Data collection used in qualitative studies include in-depth interviews, focus groups with individuals (Saunders *et al.,* 2016). Marshall *et al*. (2013) associates qualitative studies with a smaller sample between 20 to 30, and it takes longer. Raham (2016) posits that the use of small sample limits the results reliability and generalizability. The intention of qualitative studies is to understand people's experiences and meanings, generalizability is therefore not the objective. Qualitative research is based on the view that reality is a product of the interaction between individuals and their social space (Merriam, 1998).

4.5.2.2 *Research philosophy associated with qualitative research*

Research philosophy associated with quantitative research is interpretive (Denzin and Lincoln, 2011). According to Saunders and Tosey (2013), interpretivism philosophy entails conducting research on people rather than objects. Interpretivism studies the social phenomenon in their natural environment (Sahay, 2016). According to Saunders *et al.* (2016), subjective and socially contracted meanings about the phenomena are at the centre of what the qualitative researcher wants to grasp. Realism and pragmatist philosophies may also be used in qualitative research.

Approach to theory development in the qualitative research is inductive (Saunders *et al.,* 2016). Melnikovas (2018) associates inductive approach with theory building. There are also practical cases where abductive theory development approach was used in qualitative research (Saunders *et al.,* 2016). Non-standardised data collection techniques are used in the qualitative study. Qualitative study uses non-numeric data collected via observations and interviews (Bryman, 2008). A qualitative study where a single technique of collecting data is used is called mono method qualitative study. Multi-method qualitative study is when more than one method of collecting data is used (Saunders *et al.,* 2016).

4.5.3 Mixed Methods

Mixed methods research combines both quantitative and qualitative research in terms of data collection techniques and analysis procedures applied (Saunders *et al.,* 2016). According to Nastasi *et al.* (2010), mixed methods research can be chosen in order to explore perceptions. Selecting pragmatism philosophy can influence the researcher to opt for mixed methods research (Saunders *et al.,* 2016). The theory development approach in the mixed methods research could be deductive, inductive or abductive.

The research conducted under the mix of quantitative and qualitative methods at every single stage of the research is referred to as the fully integrated mixed methods research design (Saunders *et al.,* 2016). In cases where quantitative and qualitative methods are used only at one stage, the approach is called partially integrated mixed methods research (Nastasi *et al.,* 2010; Teddlie and Tashakkori, 2009, 2011). According to Saunders *et al.* (2016), qualitative data can be quantitised and quantitative data can be qualitised. Data are quantitised by counting and statistically analysing frequencies of specific events in qualitative data. Quantitative data is qualitised by turning frequencies into text. There are situations whereby one research method supports the other, and it is called embedded mixed methods (Creswell *et al.,* 2011).

4.5.3.1 *Mixed-methods Combinations*

A research study that either employs qualitative or quantitative method is called monomethod (Azorín and Cameron, 2010). Research methods designed to use more than one method (qualitative or quantitative) in a single project is called mixed methods (Greene *et al*., 1989). Mixed-methods studies combines numerical and non-numerical techniques in both data collection and analysis stages of a single research project (Plano Clark, 2005). The research community has observed arguments questioning the compatibility of two methods (qualitative and quantitative) which are said to be different epistemologically (Howe, 1988). Many scholars support the use of both the quantitative and qualitative methods in a single study that adopts a pragmatism philosophy Cherryholmes (1992). Mixed-methods approach is recommended for complex phenomena that either qualitative or quantitative approach would assist in adequately understanding the research problem (Creswell and Plano Clark, 2007). Research methods triangulation enhances validity (Azorín and Cameron, 2010).

The mixed methods provide for designs where data is collected simultaneously or parallel or alternatively collecting data in phases sequential (Azorín and Cameron, 2010). Morse (1991) proposed a system of representing combinations within the mixed methods. The capital letters (QUAN, QUAL) represent the dominant while lowercase lettered denotes the complementary (quan, qual). Further, the use of "+" in between the methods shows the methods are used concurrently while "→" denotes a sequential design (Morse, 991).

There are four (4) clusters and nine (9) possible types of mixed methods designs which are represented in the table below.

TABLE 3 : MIXED METHODS COMBINATIONS

Mixed-Methods Combination	Complementary Method Design	Mixed-Methods Representation
I	Equivalent status/simultaneous design	QUAL+QUAN
II	Equivalent status/sequential designs	QUAL→QUAN; QUAN→QUAL
III	Dominant/simultaneous designs	QUAL+quan; QUAN+qual
IV	Dominant/sequential designs	qual→QUAN; QUAL→quan; quan→QUAL; QUAN→qual

Source: Author's illustration

4.5.4 Rationale for the Methodological Choice

Sequential mixed methods research design was adopted for this study. Mixed methods research design leads to richer data collection compared to mono methods design (Saunders *et al.*, 2016). The methodological choice considered for this study is exploratory – qualitative - quantitative methods. The qualitative method is the initial and domination methodological choice. One method can be used to initiate and lead the research while the other method is used as a follow-up (Saunders *et al.,* 2016). Qualitative method (in-depth interviews) has been used for the initial phase data collection and analysis. The second phase used the survey questionnaire and statistical analysis for both data collection and analysis respectively.

The investigation of the new funding model involved the design of in-depth interviews questions in order to ground the findings in people's views. The same views were validated through the questionnaire. The sequential approach is well represented in Table 4.

TABLE 4 : SEQUENTIAL MIXED METHODS (AUTHOR'S WORK)

Stage No.	Activity	Objective	Data Source
Stage 1 (Qualitative)	In-depth interviews	Unearth people's experiences and the meaning they make on their uniq personal Level about their social world (Holloway & Wheeler, 2002).	Bankers, Government funding agencies, SME Funding Policy consultants, Entrepreneurs & SME owners
Stage 2 (Quantitative)	Questionnaire administration	Ascertain nature of effect, establish study credibility and ensure generalisability of the findings (Saunders *et al.,* 2016).	Bankers, Government funding agencies, SME Funding Policy consultants, Entrepreneurs & SME owners

Source: Author's illustration

4.5.5 Exploratory Studies

Exploratory studies are characterised by research questions beginning with 'what' or 'how'. According to Saunders *et al.* (2016), exploratory research asks open questions which will prompt the respondents to provide explanation of what is happening around the topic being studies. Data collected in the exploratory research empower the researcher to gain understanding of an issue, the problem or the phenomenon. Data collection in the exploratory research can include literature review, interviewing experts in the field of study, focus groups interview and in-depth interview (unstructured) with individuals (Saunders *et al.,* 2016).

Exploratory research is flexible and adaptable to change whenever the researcher has new insights or new data being discovered. Qualitative method supports the exploration of people's behaviour, experiences, perspective, and feelings where the intention is to understand the elements (Holloway and Wheeler, 2002). Exploration is part of the qualitative study. According to Salmona *et al.* (2015), meaning construction through qualitative study affords the researcher flexibility to inductively conduct the exploration, discover and to search deep understanding.

4.5.6 Explanatory Studies

Explanatory studies are conducted to establish a causal relationship between variables (Saunders *et al.,* 2016). Emphasis is invested in thoroughly studying the identified problem or the situation before any relationship between the variables can be explained. Research questions in the explanatory studies are likely to begin or include 'why' or 'how'. Explanatory study can be conducted using quantitative or qualitative research. According to Saunders *et al.* (2016), statistical test such as correlation can be conducted in explanatory studies or qualitative data can be collected to explain the customer behaviour.

4.5.7 Rationale for the Research Purpose

The purpose of this study was explorative in nature. The main aim of this study was to discover or explore new ways of modelling new funding options for SMEs. Full understanding of the current problem has been established through the literature review conducted in chapter two. According to Saunders *et al.* (2016), data collection in the exploratory research can include literature review, interviewing experts in the field of study, focus groups interview and in-depth interview (unstructured) with individuals (Saunders *et al.,* 2016). The in-depth unstructured interviews have been conducted to explore new better ways in which funding models can be modelled. Although quantitative method has been used to support the qualitative method, the research purpose remains explorative. Quantitative techniques have only been used to validate the applicability of what has been explored through the qualitative approach.

4.6 RESEARCH STRATEGY

Saunders *et al.* (2016) define research strategy as a plan of action to achieve a goal. Bryman (2008) describes research strategy as "a general orientation to the conduct of research study". According to Denzin and Lincoln (2011), research strategy links philosophy and selected tools to collect and analyse data. The research strategy choice is influenced by defined research questions and objectives, philosophical approach, and the knowledge on the field of the study possessed by the researcher as well as the availability of time and resources (Saunders, 2009). Some of the widely accepted and used research strategies include the following: experiment, action, grounded theory, survey, ethnography, and case study.

4.6.1 Grounded Theory

The grounded theory is defined as the data derived theory developed from systematically collected data analysed through a research process (Strauss & Corbin, 1990). Glaser and Strauss (1967) describe the grounded theory as an approach to theory development which is rooted in data as opposed to empirical testing of theory. The grounded theory uses the participants' views to theoretically describe the process, action, or interactions (Creswell, 2009). Grounded theory method is flexible, and it does not follow a rigid prescribed process (Saunders *et al.,* 2016). According to Saunders *et al.* (2016), the researcher analyses the data collected from the first interview before another interview is conducted. People's views, beliefs and assumptions are supported in the grounded theory (Charmaz, 2006).

The two basic principles of the grounded theory are discovering new methods of understanding social processes and interactions and discovering a new data driven theory based on possibility basic patters of life (Glaser and Strauss, 1967). *Codes* and *categories* are used during data analysis process in grounded theory strategy (Saunders *et al.,* 2016). A code is a single word, a phrase or an abbreviation. Constructivism approach is adopted following the assumption that people construct their own social realities and the researcher make own interpretations (Saunders *et al.,* 2016).

4.6.2 Survey

The survey strategy is popular and common in business and management research (Saunders *et al.,* 2016). According to Saunders *et al.* (2016), the survey research strategy is used to find answers to questions such as 'what', 'where', 'how much', and 'how many'. Survey strategy is more fitting in the explanatory and descriptive research. Standardised data collection techniques are used to collect data from sizable population in the most economical way. Descriptive and inferential statistical methods are used to analyse the quantitatively collected data. According to Saunders *et al.* (2016), survey strategy can be used to explain or suggest possible reasons for existing relationships between the dependent and independent variables as well as modelling of these relationships.

The findings of the survey research strategy can be generalised when the probability sampling method is used (Saunders *et al.,* 2016). Questionnaires are administered to a sample of participants representing the whole population.

4.7 TECHNIQUES AND PROCEDURES

This section covers the techniques and procedures selected for the study.

4.7.1 Data Collection Techniques

Data collection techniques selected for this study were informed by the types of data required to answer the research questions. The primary data collection technique used in this study were in-depth interviews. Stake (1995) recommends collecting data through observation, interview, and document review in when conducting qualitative case study research. Mohajan (2018) describes the researcher as the main research instrument for data collection and analysis in qualitative study.

Research interview is described as the purposeful interactive conversation between two or more people whereby the interviewer (researcher) asks unambiguous questions which are responded to by a willing participant (Saunders *et al.,* 2016). Qualitative research method demands high level of ethical conduct since data collection process sometimes involves direct interaction with human beings (Mir, 2018). In this study, the informed consent" forms were signed by both the researcher and the respondents. The interview process leads to social construction of data which is co-produced as the views of the participant are listened to and interpreted by the researcher who later subjects the collected data into analysis (Heyl, 2005). Rubin and Rubin (1995) refer to qualitative interview as the art of hearing data. Semi-structured and in-depth interviews were used in this study.

Semi-structured and in-depth interviews are different from structured interviews. Structured interviews make use of rigid pre-set questionnaire which are handed to the participants for completion (Saunders *et al.,* 2016). Structured interviews are mostly used for quantitative studies. Although the semi-structured interview has a set of questions, the interviewer has flexibility to omit some questions depending on the flow of the conversation (Saunders *et al.,* 2016). Interview recorded or collected data were transcribed in preparation for further processing. The survey technique was subsequently used to validate the output of the qualitative leg of the research.

4.7.2 Data Analysis

Data analysis is a process of searching recognising emerging themes, key ideas or units of meaning and material acquired from data. Data analysis involves making attempts to address the study's initial proposition by conducting data (quantitative and qualitative evidence) examination, categorising, tabulating, and testing (Yin, 2002). In Stake (1995)'s view, data analysis is "to give meaning to first impressions and also to the final compilations". According to Merriam (1998), data analysis is the process of making sense of the data. Different methods of qualitative data exist but thematic analysis has been used in this study. The researcher was heavily involved in the qualitative data analysis process (Yauch and Steudel, 2003; Creswell, 2014).

4.7.2.1 *Thematic Data Analysis*

Thematic analysis is referred to as the foundational method for qualitative analysis (Braun & Clarke, 2006). The thematic analysis approach searches for themes and patterns within the collected data. According to Saunders *et al.* (2016), thematic analysis involves getting familiar with research data, coding of data, identification of meaning and relationships, refining of themes and testing of propositions. Well-grounded conclusions can only be drawn after the collected data has been used to vigorously test the propositions and alternative explanations sought to explain the negative case occurrence (Saunders *et al.,* 2016). Negative cases are the opposite view of data driven explanations. Coding template is a hierarchical list of codes and themes used as a central tool during the analysis process. Grounded theory analysis method was integrated into the process.

Grounded theory uses inductive approach by developing data driven codes as opposed to existing theory driven priory codes (Saunders *et al.,* 2016). Procedurally, grounded theory is prescriptive by setting sets of tenets or elements to be followed. The emphasis in grounded theory is to derive meaning from the activities, subjects and settings being studied (Saunders *et al.,* 2016). Merriam (1998) recommends data collection and analysis in qualitative research must be done simultaneously to achieve parsimonious and illuminating. According to Merriam (1998), data analysed simultaneously during the collection process is both parsimonious and illuminating.

4.7.2.2 *Coding*

Coding is a research analytical tool that enables data to be fractured, integrated, and conceptualized to build-up theory (Strauss and Corbin, 1998). Coding is a versatile and valuable tool to form categories in which data having similar meanings are grouped (Saunders *et al.,* 2016). Qualitative data analysis becomes complicated as a result of large volumes of data gathered (Clifford, 1997). It is therefore important to create codes. The goal of coding is not to count repeating things but to "fracture" data being collected (Strauss, 1987). According to Saunders *et al.* (2016), a code is a single word, a phrase or an abbreviation. A coded extract or a unit of data can be a number of words, a sentence, few sentences, a whole paragraph, visual sentences or any textual data associated with one code (Saunders *et al.,* 2016). The coding process in this research was mainly influenced by the desire to answer the research questions.

The coding process in this study was influenced by the grounded approach. The intention was to adopt the coding technique that is associated with grounded theory. Theory development process in grounded theory is rooted in data (Glaser and Strauss, 1967). Saunders *et al.* (2015) compare between grounded theories coding processes of Charmaz (2006) and Strauss and Corbin (1998). Charmaz (2006) asserts that grounded theory involves initial coding and focused coding. According to Strauss and Corbin (1998), the coding process involves open coding, axial coding, and selective coding.

During the initial coding or open coding stage, data are disaggregated into conceptual units that are carefully labelled (Saunders *et al.,* 2016). According to Saunders *et al.* (2016), a comparison between the many codes is done to create categories of related groupings. The focus coding follows the initial coding or open coding stage. According to Charmaz (2006), focus coding involves deciding on which codes are useful for the development of the analytic and explanatory focus on already coded data. Focused codes are created from initial codes (important) that have been re-coded into smaller codes (Saunders *et al.,* 2016). Axial coding process involves searching for relationships between data categories following the open coding process (Saunders *et al.,* 2016). Identified relationships between the categories are re-arranged into hierarchies' form with sub-categories depicted underneath. In contrast, selective coding involves the identification of the central or core category which is related to other categories with the objective of integrating the research and development of ground theory (Corbin and Strauss, 2008; Strauss and Corbin, 1998). Exploratory factor analysis was applied on quantitative (Likert-scale) data. Open coding was used in this study.

4.7.2.3 *Themes*

A coding process is followed by the process of searching for themes. A theme is a group of related codes with significance relatedness to the research question (Saunders *et al.,* 2016). Themes are created from data summaries of transcripts, documents, notes and other recorded self-memos or notebook entries. Themes can also be referred to as analytic categories (Saunders *et al.,* 2016). Testable propositions will emerge from existing relationships between the themes. The validity of well-grounded conclusions is tested by its ability to withstand the alternative explanations and the nature of negative cases. Negative cases are the opposite view of data-driven explanations (Saunders *et al.,* 2016).

4.8 RESEARCH POPULATION

Population is defined as a group of units, items or people being considered for a specific study (Saunders *et al.,* 2007). This investigation considered entrepreneurs (SMEs), policy analysts, government officials, private equity investors, banking lending officials and researchers in the field of enterprise funding as the study population. Entrepreneurs (SMEs owners) are end-users of funding SME funding models, government policy makers make policies and regulatory framework impacting the funding providers such as private banking institutions, angel investors and other sources of funding. In-depth interviews were conducted to gain understanding and experiences of these social agents. While this study data collection is confined within the context and the borders of South Africa, international best practice has been considered in the literature review and the analysis sections.

4.9 SAMPLING METHODOLOGY

A sample is defined as “a subset of elements from a population” (Aaker *et al.,* 2001). Collecting data from every member of the group is called census (Saunders *et al.,* 2016). According to Saunders *et al.* (2016), a sampling technique enables data to be collected only from a sub-population as opposed from getting data from every member of the group (population). The benefit of having samples include reduced amount of data to be collected and processed, shortened research period and being able to complete the study with limited resources.

A sampling method can either be probability or non-probability sampling. A full population database must exist before a probability sampling method is selected (Saunders *et al.,* 2007). Alternatively, non-probability method can be used (Saunders *et al.,* 2016). In this study, it was not possible to access a database of all SMEs and therefore, non-probability sampling was appropriate. The selection of non-probability purposive sampling was also motivated by the fact that representativeness was not essential. The entrepreneurs, policy makers, investors, banking lending officials and researchers in the field of enterprise funding were sampled in a non-probability method to participate in the study. Merriam (1998) associates case study strategy with "purposive or purposeful sampling" which is done ahead of data collection. Leedy and Ormrod (2013) argues that the challenges associated with the study population must be well understood and constraints identified before a sample size determined.

A sample of 30 participants comprising of senior government policy makers from the relevant departments and SOEs, banking officials, academics, entrepreneurs, and professionals in the SME sector were considered for interviews. Qualitative research data collection process requires limited numbers of respondents (Yauch and Steudel, 2003; Creswell, 2014). Purposive sampling technique was applied on the quantitative data collection. About 250 questionnaires were electronically administrated to the SME entrepreneurs and non-entrepreneurs' participants such as the officials of government, SOEs, banking officials, academics, and professionals. Although the survey participation target was 250, the electronic survey was distributed to more potential participants.

4.10 RELIABILITY AND VALIDITY

The quality of research in natural science and social sciences is dependent on the reliability and validity of the research process. The two scientific canons of inquiry are reliability and validity (Saunders *et al.,* 2016). This section provides definitions of both reliability and validity and explain how this research carefully select appropriate instruments and methods and professionalism conduct to guarantee the quality of the output.

4.10.1 Reliability

Reliability is defined as being confident and certain that the same research results can be arrived at repeatedly when the same instruments are used to study the same population repeatedly (Easterby-Smith *et al.,* 2002). According to Saunders *et al.* (2016), reliability refers to replication and consistency. Reliability assures the credibility of the findings from the study and if the results will stand up to the closet analysis (Easterby-Smith *et al.,* 2002). Reliability has both internal and external elements.

The internal elements of reliability refer to actions and conduct aimed at ensuring consistency during the study (Saunders *et al.,* 2016). According to Saunders *et al.* (2016), another way of achieving internal consistency is through using more than one researcher during the data collection and analysis. This is done to evaluate the extent to which they agree about the data and the analysis method. Internal reliability can also be achieved by writing memos on how to code, analyse and interpret data (Saunders *et al.,* 2016). The external reliability element talks to data collection techniques and analytic procedure and how they can produce consistent results if they were to be repeated (Saunders *et al.,* 2016).

The selection of the in-depth semi structured interviews and the administration of survey questionnaires successfully assisted in the realisation of the objectives of this study. Data collection instruments design processes were informed by both research questions and objectives. Although this research work was conducted by one researcher, the researcher was always accountable to the research supervisor. The research methodology in general and data collection instruments and analytic procedure had been vetted by panel of experts during a colloquium.

Two pilot studies were conducted to test the data collection instruments. The first pilot project was done prior the qualitative data collection and accordingly, the second pilot project was done ahead of the survey questionnaire administration. A pilot study is referred to as a mini-version of a full-scale study and is conducted in preparation of the complete study. A pilot study/test can also be a pre-testing of research or a way of refining data collection instruments (Saunders *et al.,* 2016). During each pilot study, five participants were selected, and their responses were carefully studied to determine the suitability of the data collection instruments. In both occasions, a reviewed data instruments were further scrutinised by the research supervisor before the final approval was granted.

4.10.2 Validity

Validity refers to the correctness of instruments employed in the research process, accuracy during data analysis and generalisability of the findings (Kent, 2007; Saunders *et al.,* 2016). It refers to the appropriateness that any research work being conducted to gain respect and its trustworthiness not being doubted (Nowell *et al.,* 2017). Validity has both internal and external elements. According to Saunders *et al.* (2016), the internal validity can be demonstrated through a causal relationship between two variables. Some of the threats to internal validity include past or recent events, testing, and instruments.

Past or recent events such as recalling of a vehicle for safety consideration can influence the participant's opinion (Saunders *et al.,* 2016). Participants being asked about their work environment may be biased if they can be told that the results will alter their work environment and change of research instruments during the study may threaten the validity of the research work. External validity is concerned about the generalisability of the findings (Saunders *et al.,* 2016). According to Yin (2003), case study design is aimed at ensuring research validity. Yin (2003) validity testing methodology as depicted in Table 5 was followed in this study.

TABLE 5 : CASE STUDY FOUR DESIGN TEST (YIN, 2003)

Test	*Case study tactic used in the research*
Construct validity	*Use of multiple sources of evidence* *Review of draft case study reports by key informants*
Internal validity	*Pattern-matching* *Explanation building*
External validity	*Use of replication logic*
Reliability	*Use case study protocol* *Develop case study database*

4.10.2.1 *Internal and external validity of the research design*

Internal validity is about guaranteeing consistency throughout the entire study (Saunders *et al.,* 2016). Although one researcher was involved in the data collection process, reporting meetings between the researcher and the supervisor were constantly held for research design and strategy implementation/review purposes. Conversely, external validity refers to whether similar findings would be arrived at if another researcher was to use same data collection instruments and analytical tools (Saunders *et al.,* 2016). The pilot studies were incorporated into the research process to test the suitability of the data collection instruments. The research design and strategy of this project were aligned with the research questions and objectives.

4.10.2.2 *Validity and Reliability of data gathering instrument*

Validity of research instruments can be assessed through pilot testing (Saunders *et al.,* 2016). The pilot studies were incorporated into the research process to test the suitability of the data collection instruments. At the end of the pilot test, assessments on the following were done:

- How long it takes to complete the questionnaire or an interview;
- Clarity of instructions;
- The existence of ambiguity in the list of questions; and
- In the case of interviews, the participants were asked if there is any major topic omitted.

Amendments, whenever any were required, were made accordingly.

Reliability refers to replication and consistency (Saunders *et al.,* 2016).

4.10.2.3 *Trustworthiness and authenticity*

Trustworthiness and authenticity in this study has been achieved through ensuring high level of consideration on credibility, dependability, transferability, and authenticity.

4.10.3 Credibility

Credibility is achieved by ensuring that the participant's responses are captured and represented correctly (Guba and Lincoln, 1989; Lincoln and Guba, 1985). In order to guarantee credibility, the researcher:

- Allowed the participants to freely express themselves in the best way they could.
- Asked follow-up questions to clarify responses and interpretations.
- Recorded interview sessions with the participant's permission.

4.10.4 Dependability

Concerns about dependability in a research using semi-structured interviews could come as a result of lack of standardisation in the semi-structured interview questions (Saunders *et al.,* 2016). The researcher was the one actively involved in conducting the semi-structured interviews where the questions which were standardised. Influenced by the pragmatism paradigm, specific questions were used to target diverse experiences of different respondents based on their different categories (Kelly and Cordeiro, 2020). All forms of bias were avoided and prevented. The issue of bias affects the interview dependability (Saunders *et al.,* 2016).

4.10.5 Conformability

The semi-structured interview questions were aligned with the main research questions to guarantee objectivity.

4.10.6 Transferability

Transferability refers to the extent to which the findings of the study is applicable to other settings (Saunders *et al.,* 2016). It was not the intention of this study to produce findings that could be generalised, this study focused on black-owned SMEs.

4.10.7 Authenticity

As a measure of ensuring authenticity, the researcher ensured fairness in the design and asking of interview questions. Participants were given enough time to go through the questions and the researcher sought to find out if the question were well understood before a response was given. Representing fairness by representing all views guarantees authenticity (Guba and Lincoln, 1989; Lincoln and Guba, 1985).

4.11 ETHICAL CONSIDERATIONS

Ethics are morals of the standards that an individual or group has about what is right and wrong, good, and evil (Velasquez, 2012). Researchers have the ethical obligations to minimise the misrepresentation and misunderstanding the views of participants during data collection (Stake, 1995). Interviews sessions were recorded. The recordings were used for the transcription and analysis purposes. The research was fully guided by the Unisa's ethical research standard. The granting of an ethical clearance certificate had been secured prior the data collection process. Right conduct is considered to be actions taken under the guidance of principles and morals. The researcher was guided and complied with the principles stipulated in Unisa's ethical clearance certificate during the research process.

4.12 SUMMARY

Research methodology is defined as the systemic approach adopted by the researcher to execute and achieve set objectives (Creswell, 2009). There are five major philosophies which are positivism, critical realism, interpretivism, post modernism and pragmatism. Positivism is associated quantitative research (Holden & Lynch, 2004), critical realism views reality as external, independent and not directly accessible through human knowledge and observations (Saunders *et al.,* 2016), and interpretivism philosophy entails conducting research on people rather than objects (Saunders & Tosey, 2013). Postmodernism philosophy is critiqued for both adoption of the positivist and objectivism philosophies and pragmatist researchers believe that there is no single viewpoint that can give an entire picture and that many practical realities exist (Saunders & Tosey, 2013).

Deductive approach is usually used for theory testing (Melnikovas, 2018). Inductive approach is theory building and abductive approach combines both deductive and inductive approaches (Suddaby, 2006). Research methodological choices can either be quantitative, qualitative, and mixed methods. Quantitative research mainly deals with statistical surveys, while qualitative research deal with observations and interviews where social meaning and experiences are at the centre of the research objectives. Qualitative research is more complex compared to quantitative research because it deals with human mind and actions (Mohajan, 2018). Different strategies applicable in both qualitative and quantitative research exist.

Experiment and survey research strategies are associated with quantitative method. Archival, case study and ethnography strategies can be used in a mixed methods approach. The grounded theory and narrative strategies are associated with qualitative studies. A sample of 30 participants were targeted and thematic analysis method used to analyse the interview collected data. A subsequent quantitative study was incorporated as a way of validating the findings of the conclusions of the qualitative section of the research. The results presentation chapter provide more details on the phased approach mixed methods process followed in this research projected.

4.13 CONCLUSION

This chapter has discussed research philosophy, approach, design, strategy, and the techniques used to collect and analyse data with the aim of achieving the research objectives. Pragmatist philosophy was preferred for theory building in this is study. abductive approach was the best suited theory building in this study. In the inductive theory building approach, data about the phenomenon were collected and explored first, and the theory is building follows (Saunders *et al.,* 2009). The chapter also discussed research strategies, design, and data collection techniques. Purposive sampling was used to collect data using unstructured in-depth interviews and questionnaire techniques. The thematic data analysis method perfectly guided the interview collected data analysis.

CHAPTER 5: PRESENTATION OF RESULTS (QUALITATIVE - PHASE).

5.1 INTRODUCTION

This chapter presents the results of the interview sessions. An interview schedule was designed based on the list of 30 participants identified for the semi-structured interview questions. The interview questions were literature grounded, aligned with the research questions, research objectives, and lastly, targeted specific groups (entrepreneurs, representatives of the funding institutions, SME non- financing supporting institutions, specialists in business financing and academia).

The interview respondents reflected and imposed their practical knowledge on the theoretical conceptual framework constructs. The data collection exercise provided an opportunity for the testing of the relevance and the validity of theoretical constructs in relation to the South African context and the maturity level of the SME funding practice. The research results are presented according to the themes which emerged from the data. The thematic presentation of the results is in line with the data analysis method selected for this study – thematic analysis.

5.2 DATA COLLECTION

This study used data collected through interviews. The semi-structured interview questions were designed. The interview questions emerged from both the main research questions and the literature reviewed. The literature review process delivered a theoretical conceptual framework, a representation of the theoretical construct requiring testing. The study was designed to conduct 30 interviews with the selected participants. The sampling was non-probability where organisations such as the DSBD, Transnet, SEFA, IDC, GEP and one private bank were requested to identify information rich respondents most likely to provide useful practice-based knowledge to assist the research. Only SEFA forwarded to the researcher, both the list of officials and entrepreneurs.

The sample of 30 interviews was based on the recommendations by Marshall *et al.* (2013) for a sample size of between 20 to 30 for grounded theory development studies. Although the population of SMEs in South Africa is in millions, only those SMEs with experience of applying for funding would make valuable input. As depicted in the table below, 24 interviews were achieved for this study. The 24 participation represents 80% participation rate which is acceptable. There was no need to pursue the 100 % target since no new meaning was emerging from the data and the remaining six (6) sampled participants could not avail themselves for interviews. There were no new meanings emerging from the participants responses after the 60% participation level was reached. The saturation level had been reached. Table 6 provides a statistical representation of participating groups.

TABLE 6 : PHASE 1 PARTICIPATION STATISTICS

Participating Group	Number of Interview Participants	%
Entrepreneurs/SME Owners	6	*25%*
DFIs	7	*29%*
Private Funding Institutions	4	*17%*
Government and SOEs	6	*25%*
Academia	1	*4%*
TOTAL	24	*100%*

Source: Author's own work

The interview questions were designed in such a way that different groups were asked specific questions relating to their environment. Prior to conducting interviews, authorisation was requested and subsequently granted by the institutions which include one government department of South Africa, one SOE, one commercial bank, one private equity firm, two DFIs. The participating institutions nominated participants who were contacted by the researcher for scheduling of interview sessions. A sample of entrepreneurs/ SME owners was sourced from SEFA.

This study having adopted a snow balling sampling method, the participants were asked to recommend other knowledgeable participants who were subsequently contacted by the researcher. The interviews were largely held virtually, only one face-to-face meeting was held where COVID-19 regulations were observed. Two respondents preferred to make written responses to the questions and further availed themselves for follow-up questions.

5.3 METHOD OF ANALYSIS

The data analysis for this study as discussed in chapter four (4), research methodology is thematic analysis. The collection and analysis of data happened in parallel and therefore, the presentation of the results is based on the themes emerging from the data. The thematic analysis approach enabled this study to search for themes and patterns within the data collected from the interviews. This section of the research being a qualitative approach, the analysis method has been most appropriate given that thematic analysis is also referred to as the foundational method for qualitative analysis (Braun & Clarke, 2006). The researcher had multiple opportunities to familiarise himself with the data during the data collection, transcribing and reviewing stages of the research project. Having been familiar with the research data, the creation of codes as well as the identifying the meaning and relationships emerging from the data became easier. In total, 391 codes were created. Microsoft Excel software was used for the processing of the codes. All the related codes were grouped together to form multiple categories. Furthermore, related categories were merged to create the themes which were refined and tested of propositions.

The testing of propositions was informed by the need to draw well-grounded conclusions (Saunders *et al.,* 2016). Although the interview data came from different categories of the respondents, similarities in the codes emerging from their responses aligned. Eventually, five themes emerged as reflected in Table 7.

TABLE 7 : THEMES EMERGING FROM THE DATA (INTERVIEWS)

Reasons for SME loan rejection	Factors Impeding SME Funding	Factors Impeding SME Success	Factors Enabling SME Funding	Factors Enabling SME Success
• *Funder's requirements not met* • *Poor Business Case* • *High-Risk Proposition*	• *Application Process Challenges* • *Entrepreneurial Skills Deficiency* • *Low level of Equity Investors participation* • *Political Influence* • *Government Agency internal Governance, Delegation and Capacity Challenges* • *Unsupportive Regulatory Framework*	• *Lack of access to entrepreneurship/SME value chain support systems* • *High dominance of Survivalist entrepreneurial practice* • *Unsupportive Regulatory Framework* • *Entrepreneurial Skills Deficiency* • *Lack of or poorly formalised collaborative and partnership programs aimed at supporting SMEs* • *Entrepreneurial Skills Deficiency* • *High dominance of Survivalist entrepreneurial practice*	• *Compelling Business Case* • *Improved access to entrepreneurship/SME value chain support systems* • *Post-Funding Monitoring and Support Services* • *Flexible and Accessible Application Process* • *Blended Finance Programme* • *Entrepreneurial Skills and Competency* • *Improved Government Agency internal Governance, Decentralised Approval Delegation and Skills Capacity* • *Entrepreneurial Skills* • *Dedicated SME banks and alternative funding* • *Contract Management* • *Formalised collaborative and partnership programs aimed at supporting SMEs* • *Supportive Regulatory Framework* • *Effective Communication*	• *Improved access to entrepreneurship/SME value chain support systems* • *Entrepreneurial Skills and Competency* • *Formalised collaborative and partnership programs aimed at supporting SMEs* • *Flexible and Accessible Application Process* • *Compelling Business Case (Bankable business plan)* • *Blended Finance Programs* • *Improved Government Agency internal Governance, Decentralised Approval Delegation and Skills Capacity* • *Contract Management* • *Supportive Policy and Regulatory Framework* • *Dedicated SME banks and alternative funding*

Source: Author's own work

5.4 DATA PRESENTATION

5.4.1 Theme 1: Reasons Why SME Funding Applications Are Declined

This study has concerned itself about the lack of considerable success and the contribution of SMEs in the South African economy in relation to the contribution to GDP growth and job creation. The sustainability of SMEs in South Africa has been the focus of attention from both the government and non-governmental stakeholders including but not limited to the SMEs themselves, the research community, the private sector, and the society at large. Among others, the lack of access to external finance has been highlighted as the major contributor to challenges of lack of sustainability and growth of SMEs. Some studies that have found that the existence of the funding GAP is not a result of lack or limited supply of funds, but the inability of SMEs to meet qualifying criteria as set by the suppliers of funds. The reasons SMEs are declined funding can be categorised as the failure to meet the requirements, poor business case (non-bankable business plan) and high-risk proposition.

5.4.1.1 *Funder's Requirements Not Met*

The suppliers of external finance for businesses set out the requirements that must be met by potential applicants ahead of any loan approval. The requirements include the completion of an application form which collects important information about the business and specific details about the loan being applied. Furthermore, there are critical supporting documents such as business registration, taxation, business plan and financial audit documents that are also required. The data collected in this research reveal that SMEs fail to meet the financier's requirements when it comes to supplying all the required documents. In some cases, the submitted documents are poorly compiled or appears to have been copied from someone's business documents. SMEs use the services of external service providers for the compilation of documents such as the business. In some instances, the compilers of the business plan document fail to change the particulars of the previous client on the document being prepared for another SME. Such errors are detected by the funding institutions. The SME-owners lack skills to compile documents on their own and they further lack skills to internalise the content of their business case document, hence they are able to articulate what the document is all about.

Furthermore, the SMEs are characterised by lack or poor record keeping, lack of financial resources (to commission external professional consulting service providers), lack of awareness and the understanding of the requirements and it has been reported that some (entrepreneurs) put less or no effort when the application is submitted to a government-funded agency such as SEFA. One respondent claimed that most SME-owners possess only 20% of the knowledge required for entrepreneurial success. The legacies of poor educational system are blamed for lack of business and managerial skills as observed among most entrepreneurs. It is being said that the poor educational system aimed to prepare students only for corporate world and not for business. The dominance of survivalist informal entrepreneurial practice in South Africa is also being cited as a reason SMEs have no or poor business record keeping skills. Even in the case where the SME-owner has budget to appoint a professional consulting firm to provide financial audit services or compile a business plan, there are no internally kept financial and business records to be used as supporting evidence.

According to some interview respondents from the government funding agencies, some applications are received with missing critical information such as the loan amount being requested, copies of ID of the business owner (s) and copies of business registration documents. Applications submitted with missing critical information at the commercial banks fail to meet the minimum requirements to warrant any further attention. In contrast, the investment officers at the government-funded agencies have the responsibility to chase after the applicant (s) to collect requirement information. All submitted applications are given the same level of attention, the approval or disapproval decision is only granted by the delegated centralised committee. The SMEs sometimes fail to meet the requirements because the business case submitted is not compelling and therefore regarded as non-bankable business plan.

5.4.1.2 *Poor Business Case*

The suppliers of external funding require that the SMEs submit a business plan whenever the business loan is submitted. It is expected that the applicant (SME) will compile a business plan that extensively forward compelling reasons the funders must invest in their business. The SMEs fail to attract external funders because they fail to demonstrate in their business plan that they have market access for their products and services. The proof of market access acceptable to the funding institutions include valid signed contracts with the clients, sales volumes for products and revenue generated over the period.

A respondent from a large commercial financial institution in South Africa indicated that the proof of market access is a very important criterion. The large commercial financial institution provided funding worth about R6 million to a group of medical doctors who had submitted a funding application in which there was a clear demonstrated market access. The group of doctors jointly registered a business that would become a supplier of pharmaceutical products. The formation of this company was informed by the observations made by the group of doctors on the racial representation of the management of the pharmaceutical suppliers from which they sourced their products. The need for transformation was the main reason the group of doctors created their company and this company needed funding for the warehouse facility. In their case, they did not meet all requirements that are technical in nature, but the funding was granted because they could demonstrate that each individual doctor would be a client (market).

In the case of new business ideas, the external funding providers expect the applicant to demonstrate commercial viability of their business ideas. The business case submitted by the SME-owner must clearly indicate how the conceived business idea will be converted into a commercial and profitable business. Furthermore, the applicant must indicate financial projections and how they will service the business loan. The funder also wants to be convinced that the business has the ability to deliver and recover in the case of a loss. If the applicant has no ability to recover, then that becomes very risky. Hence a proven business track record is required to demonstrate recoverability. Recoverability is also demonstrated through the presentation of collateral. SMEs fail to meet the collateral requirement; hence they are declined funding or approved funding with high interest rates.

5.4.1.3 *High-Risk Proposition*

The suppliers of external funding regard the SMEs as high-risk asset class. One of the questions posed to respondents was:

The majority of black owned SMEs are declined funding by the banks because of the following reasons:

- lack of collateral;
- no creditworthiness;
- no previous business history; and
- SMEs generally being regarded too risky to finance.

Please indicate if you agree with the reasons above and indicate if you there are more.

Many of the respondents agreed with the reasons mentioned in the question above except for the lack of collateral. The government funding agencies are not collateral based financiers; hence collateral is not regarded as the reason for funding decline. Collateral is however accepted and used as surety for the purpose of reducing the capital risk exposure; hence it leads to interest rate reduction. In most cases, the respondents added and emphasised the lack of market access as the key indicator whether an application will be successful or otherwise.

Furthermore, the majority of respondents agreed that funders generally view SMEs as being too risky to finance, hence they (SMEs) fail to secure external funding. The risk proposition level for SMEs that are black-owned is further exacerbated by the lack of experience, access to successful entrepreneurs or businessperson in their immediate family, community, social and business networks. The opportunities to have access to business mentorship at no costs are very limited. The black-owned SMEs are likely to have the “key man risk”. This is the risk associated with having a business that is dependent and reliant to one key person. No one else in the business is capacitated and empowered to operate the business in the absence of the “key man”. SME loan applications are sometimes declined because of skills deficiency within the SME management and technical structure.

Both private and public funding institutions do not outrightly reject SME loan applications with potential profitable business plans. Instead, they recommend and request that SEFA/SEDA provide grants to secure enablement support services. The enablement services include skills development (training), business incubation, mentorship and other specific support services required to support an SME to a bankable state. Most of these incubators are located urban areas and townships (SA Parliament, 2022). The government credit guarantee schemes also play a key role in providing collateral and surety while the private financier provides capital. The use of CGS has the potential to unlock the balance sheets of the commercial funding institutions (SA Parliament, 2022). In the absence any support programmes, SME loan applications are declined on the bases of high-risk proposition.

Other contributory factors to high-risk proposition include that fact that the majority of SMEs have only debt as an option for external funding and that they have less recoverability capacity. Recoverability refers to the lender's ability to trade the borrower's collateral in order to recoup the outstanding debt (Okurut *et al.,* 2011). One respondent from a developmental funding institution highlighted the reliance on debt funding as a key risk contributor. The respondent indicated that no business could survive while depending on debt financing entirely; SMEs need to attract equity funding options. Two respondents from equity financing institutions indicated that SME class in South Africa is not attractive for equity investors. The equity investors are attracted to SMEs deals ranging from R20 million to R30 million. SMEs in South Africa on average, ask for R250 000 when they submit the loan applications. Again, SMEs have more work that requires the involvement of equity investors and less returns.

5.4.2 Theme 2: Factors Impeding SME Funding (Constraints)

This theme comprises of the factors that largely decrease the SME's likelihood of external funding accessibility. The previous theme only presented the reasons why the SMEs are declined funding – the reasons provided by the funding institutions for not granting approval whenever a loan application is submitted. The interview respondents highlighted the factors impeding SME funding success as being the application process, internal governmental agency governance, capacity, and delegation, political, investor and regulatory challenges. Effectively, the discussion on these factors address the fourth research objective, that is, to examine SMEs and entrepreneurship funding models with respect to how the models can address the funding GAP in South Africa.

5.4.2.1 *Entrepreneurial Skills Deficiency*

The entrepreneurial skills deficiency factor has been confirmed by both the entrepreneurs and non-entrepreneur respondents. The respondents attribute skills deficiency to both the educational system that has no entrepreneurial content and the generalised training programmes currently being given by the government-funded institutions. One respondent said, "The educational system prepares us for the corporate world (employment) not for entrepreneurship". Therefore, the school syllabus must include the content that equip people for business and entrepreneurial success.

There are SME-owners who lack critical business management skills and no one in their team has skills such as accounting. Some SME-owners do not even know the number of employees currently employed in their businesses; hence they cannot respond with certainty to questions seeking to know the amount of money the business spend on salaries per month. This is the evidence of lack record keeping activities within SMEs. Most SMEs lack and need financial literacy training. It has been reported that even fundable SMEs fail to secure external funding because they lack the skills to translate the knowledge and activities about their business into a business plan.

The respondents have also reported that the entrepreneurs also lack business research skills. The option to outsource market research work is not available for most entrepreneurs and SME-owners owing to high costs associated with this type of work. Respondents reported that the SMEs do not have the budgets required for the market research activities. The success prospects of businesses with strategies that are not backed by any market research are limited. This is evident in the statement of one SME-owner respondent who experienced business failure because of diversifying his business by entering a sector that he did not know very well about. In his view, the presence of market research reports in the sector would have prevented the business failure.

The skills gap is closed by skills development such as training or through having access to mentorship, coaching, or business incubation support structures. The entrepreneurs with no access at no cost to business mentors and skills transfer (in financial management) opportunities are likely to fall into a trap of mixing business and family or personal affairs. The entrepreneurs must have the highest level of discipline, strong cultural and value system that support entrepreneurial success. One respondent said, “In the absence of financial skills, entrepreneurs spend the business income financing the personal lifestyle rather than investing into the business”. The available government and business support services lack impact on the ground.

5.4.2.2 *Application Process Challenges*

The interview respondents were unanimous in labelling application processes at the private banks as quick, short, and responsive. However, the respondents described the application process at the government-funded agencies as characterised by lengthy, complicated, and non-flexibility. The private banks have matured systems and processes, making it possible for application assessment outcomes to be made known to the applicant within days. It must however be noted that the respondents identified and highlighted the lack of developmental (mind-set) approach within the commercial bank’s application and assessment processes. The private banks have in place, a set of rules – that if the loan application does not achieve a set score at the pre-approval stage, the application is rejected outrightly without making any effort to understand on how best can the intervention measures be established to improve the likelihood of success.

The commercial bank carefully assesses every loan they approve to cover the interest of their stakeholders (such as the employees), the shareholders and the customers whose deposits are being invested. In contrast, the application and assessment processes employed by the government-owned agencies is described as lengthy, complicated, and non-flexible. This is reflected in the interview respondent views, “The current assessment process is very rigorous, and it takes longer. The impact has not been considerable. Some competitors can turn around the applications in three days. The current processes make it difficult to reduce the turnaround times. Despite taking long and approved by committees, the government institution’s non-collateral based approved applicants have default rate compared to the commercial bank’s approved SMEs.

All SME loan applications submitted to the government-funded agencies follow a similar assessment process regardless of the size of the loan amount requested; hence it takes longer for the approval decision to be made. The similar effort level given to each application is the same. The loan application assessment process includes the due diligence regardless of the quantum of the loan. The application form is very cumbersome. Another respondent did not see anything wrong with the current application process. This is evident in his statement “the rigorous nature of the process is purposefully as a way of sifting the weeds from the wheat.” He further said, “serious applicants will go through the laborious process of filling a 20-page application form.” Other respondents from the government-funded agencies had different views. They found the assessment process to be lacking the required level of responsiveness.

The process within the government funding agencies also caters for the purchase order-based funding applications. The process however has no consideration of the validity period of the purchase order since it can take much longer than 30 days. The validity period of the purchase order is mostly 30 days. The process also complicates things for the SMEs by requiring a business plan to support a loan application that is single transactional based (purchase order). The SME-owners see the requirement of a business plan in a purchase order-based loan application as being unnecessary.

Upon receiving the purchase order-based loan application request, the government funding agencies or the Developmental Funding Institutions (DFI's) initiate the verification process that involves conducting physically site visits to the customer of the SME (services requester) and the supplier of goods or input material and equipment (supplier). The verification process is conducted without any sense of urgency. According to one SME-owner (respondent), there was a case whereby a SOE had issued two purchase orders to his business and both of them had to be verified. The official responsible for the verification process refused and insisted that two separate site visits must be conducted instead of arranging two appointments simultaneously. Furthermore, the verification of purchase orders issued by the state of organs follows the same verification employed for the private entities. The respondents strongly feel that the turnaround time for purchase order funding application should be 30 days and even far less for purchase orders issued by the Organs of State. The process has high level of trust deficiency.

Furthermore, some SME-owners (respondents) described the application process as "difficult" because they were required to submit many supporting documents which delayed the whole funding process. The process also requires the applicants to submit the copy of the audited financial statements. The SMEs view the requirement of an audited financial statement as a difficult hurdle to overcome. Any business financials are considered more credible when certified by independent auditors and therefore, SMEs must have budget to afford such costly services. Without looking at the cost associated with getting the audited financial statements done, the SMEs should consider the benefits and the value that is being unlocked in the process – one respondent in academia said.

Evident in the respondent's data is the lack of internalised developmental mind-set character in the application process and organisation's behaviour. The government funding agencies have in their staff complement, the employees who were recruited from the private banks. It appears that the employee orientation in place has less focus in facilitating a mental and paradigm shift for the (new recruits from the private sector) to embrace a developmental mind-set approach. The attitudes and actions of government funding institutions must embrace developmental mind-set without being reckless in lending decision making.

5.4.2.3 *Government Agency Internal Governance, Delegation and Capacity Challenges*

The government funding agencies have no pre-approval systems in place and therefore, every submitted application must be assessed. The applications are lodged at the local/regional offices. The regional offices only serve the purposes of being a point of contact, receiving and processing the applications. The applications are sent through for approval at the centralised committee. The application assessment process is not fully technologically automated; it is a manual process which is labour intensive. According to one respondent, the office receives on average 15 applications per week which is strenuous on the limited (human) resources. The capacity challenges are direct causes of lack of compliance to internal policies stipulating turnaround times within government and public SME supporting entities.

According to one respondent from the public sector SME supporting entity, capacity constraints undermined the success of the Black Business Supplier Development Programme (BBSDP). The implementation of the BBSDP was in such a way that network facilitators were mandated to identify the black entrepreneurs/SME-owners' participants. The identification of applicants and uploading their applications online was never a problem. The volume of work uploaded on the system overwhelmed the limited available consultants and no considerable success was achieved in the BBSDP initiative. The internal capacity challenges even undermined the technology enabled programme.

The capacity challenges are further exacerbated by the slow absorption of technological systems within the operations of the government funded agencies. The majority of respondents who are officials of the government, its SME supporting agencies and the entrepreneurs suggest the introduction of similar technological systems used by commercial banks. The bank-like technological systems will improve accessibility by allowing applicants to upload applications without having to travel to the nearest agency office, check the completeness of information and documents captured and uploaded by the applicant as well as affording the applicants the opportunity to track progress of their applications online. The applications submitted online will eliminate cases whereby applications are submitted with missing critical information such as the loan amount applied for.

Furthermore, the respondents are of the view that the use of technology will freeze more time for the internal application processing capacity. Moreover, the staff will be able to focus on the basic work without spending more time answering phone calls and responding to emails providing the information that the applicants can simply log in and track online. The respondents emphasised the need to keep the walk-in and human interactive loan application submission process. Many of the potential applicants still do not have access to technology infrastructure owing to network unavailability, technology enabled gadgets and the cost of data.

The respondents feel strong that the DFIs regional offices should be given approval mandate for small amounts such as R250 000 or less. Furthermore, applications requesting R250 000 and less should not have 30 odd pager report but only five pages. Empowering the regional offices with the approval delegation for loans requesting R250 000 and below has the benefit of improving the turnaround times. The commercial banks do delegate the approval powers to the regional bank management. The decision to take approval powers from the regional structures at government agencies is informed by lack of trust.

The composition of the committees that assess the SME loan applications has been questions by some respondents, “Very few members of the approval committee have experience of running businesses.” The interview data has also revealed that capacity within the government DFIs is weakened by the fact that the consultants, investment officers and other key role players have not been entrepreneurs or operated businesses before. It has also been identified in the interview data that the government-funded institutions lack research capacity.

The research capacity deficiency was noted by one SME-owner respondent who was previously granted funding by the DFI. The respondent had submitted two business loan applications, one to a DFI and the other to a privately owned institution. The non-DFI institution requested 50% collateral while the DFI granted 100% funding without requiring any collateral. The respondent later discovered through difficulties experienced in the business operations performance why the other institution required 50% collateral. In his view, SMEs have limited capacity to conduct research about certain industries and the government funding agencies should be in a better position to conduct research or record successes and/or failures of the SMEs they fund as lessons learned. The respondent is of the view that he did not have to learn through experience while the government funding institution has the capacity similar to the other institution that requested 50% collateral as a condition for funding.

Lastly, the respondents suggested for the creation of a central database for SME credit scoring. The database will have information similar to what the individual credit bureau listing has. The central database must further record transactions and SMEs who lost money before. Statistics about SME performance in different industries. There is currently no database recording SME credit history.

5.4.2.4 *Political Influence and Corruption*

The government and its agencies are by default not totally free from indirect political influence. The institutions are influenced by the policies and strategies endorsed by the electorate and implemented by the agencies. The respondents have highlighted the negative influence of politics and politicians in the government-funded agencies. The public officials holding political offices such as the government department minister, the mayor or local councillor sometimes communicate to the communities and the SMEs about the programmes implemented by institutions such as SEDA, NYDA, GEP, and SEFA. The mandate and programmes offered by SME supporting institutions funded by government are not objectively communicated when the communicator is a person holding a political office.

The government agencies implement programmes that are purely designed to achieve political objectives by focusing on the quantities of people participating at the expense of the quality and the impact of such programmes. The need to achieve targets that are good for political publicity is evident in the generalised less impactful training programmes and the financial assistance given through the township and rural assistance programme that assist small businesses with the amounts that are far less that what is required. For example, the Spaza shops are assisted with R7000 and bakery business R10 000. Even though the government funding agency convert 50% of the funding to be a grant, the amount is too small to make an impact. Some of the governmental officials whose' responsibility is to engage the communities on these programmes have reported how the members of the community were angered by the less impactful assistance amounts.

The political office bearers in their engagements with the communities, communicate the mandate of the agencies in a way that creates the "sense of entitlements" on the side of the potential applicants. The data revealed that some applicants are quick to threaten the official handling the application with the action to escalate the matter to the CEO when it is requested for them to provide the information and documents that they may not have to support their application. The respondents further indicate that the same applicant would not request to see the bank manager when they are requested to provide similar information by the private bank's consultant. SME loan applicants find it easy to accept the loan rejection from the private bank as compared to the government-funded institution. One respondent indicated that, in Nigeria, the similar entitlement behaviour has been observed and it is called "the share of the national cake" by members of the community. The people with the sense of entitlement are less likely to repay the money borrowed from the DFIs, hence threaten the institution's sustainability.

The political influence has negative impact on the implementation of the programmes intended to assist SMEs. Some respondents indicated that some corrupt officials ask for a share before the funding decision is made. The corruption is also blamed for lack of transparency and accountability in the fund that was announced by government as the allocation to assist SMEs following the impact of the COVID-19 regulations. The SMEs were negatively impacted by the regulations of COVID-19 during which there were no or limited economic activities.

5.4.2.5 *Low Level of Equity Investors*

Debt and equity are the most common funding options for businesses. SMEs in general have weak internal funding resources; hence they are compelled to seek external funding. The cheapest option being debt option, SMEs fail to meet requirements as previously discussed. The second available option is equity. The interview data reveal that the SMEs should have a mix of debt and equity in order to survive, reliance on debt funding option alone is unhealthy for a business. Nevertheless, the reality is that the private equity options are less available for the South African SMEs and entrepreneurs.

According to the respondents in the private equity funding space, there are no incentives for private equity funding on the South African SME asset class. One respondent reported that the current SMEs loan amounts are quite small (R200 000 - R2 million). In his view, the private equity investors are looking at the higher equity stakes like R20 million to R30 million. High equity stakes have less management time as compared to small stakes. The SMEs are reluctant to give away equity; they want to have control of their business. For the SMEs, the equity option is expensive, and they need more than what the banks are offering them. Another respondent suggested that the government should reduce the SME cost structure by exempting tax payment for SMEs meeting certain turnover requirements (brackets). Incentivising equity funders by offering TAX further deductions is not an option since the equity funders are already enjoying such benefits.

5.4.3 Theme 3: Factors Impeding SME Success (SME Success Constraints)

This section presents a summary of related data codes that have been grouped as factors impeding SME success. The sub-themes are the lack of access to entrepreneurship/SME value chain support system, high dominance of survivalist entrepreneurial practice, entrepreneurial skills deficiency, lack or poorly formalised collaborative and partnership programmes and the unsupportive policy and regulatory environment.

5.4.3.1 *Lack of Access to Entrepreneurship/SME Value Chain Support Systems*

The South African entrepreneurs and SME-owners sometimes fail not because of lack of entrepreneurial and business ideas, but the lack of access to entrepreneurship/SME value chain support system, some respondents said. The entrepreneurial or SME value chain system refers to all structural and social support systems that play supportive roles to SMEs. Included in the value chain is the family, community and societal support, governmental and legislative support as well as access to economic opportunities. Through the support structures created in the nine provinces of South Africa, entrepreneurs must easily access advisory, networking, funding, licensing and registration and access to market opportunities.

The interview collected data revealed that the lack of access to economic opportunities as well as limited business exposure do limit entrepreneurial success chances. Some entrepreneurs lack innovation because they have not been exposed enough to business and economic activities. One interview respondent who operate a gas filling station business used his personal experience to describe black aspirant entrepreneurs struggle to access help and support. The respondent was searching for a willing businessperson who would offer him a practical learning opportunity. The respondent was volunteering his services for free in exchange for access to practical business management experience. The respondent experienced several rejections until he met an old black business owner who was willing to offer him the opportunity to learn.

He worked for two years without receiving any salary, thanks to a supportive family that was there for him. Family support is vital for the entrepreneurial success. The family support is part of the broader social support structure.

The respondents have cited access to social and business networks as a very important factor for entrepreneurial success. It starts with the people in the immediate family. The respondents with the experience of working in the commercial banks illustrated the importance of a family support by recalling some cases they witnessed at work. According to the respondents, the young entrepreneurs in the white community would easily have their business loan application granted because they would use their parent's assets as surety. Furthermore, the respondents cited examples whereby the support of the father or an uncle with farming business experience would demonstrate access to support structure for a young White entrepreneur. The external finance providers have confidence to fund someone who has access to support structure. The Black-owned SMEs have less likelihood to be privileged with access to social and business networks. Most SMEs heavily rely on government support programmes.

Government support programmes include those that are implemented the government departments, municipalities, and agencies such as SEDA, SEFA, NYDA and SOEs. The private sector also has programmes that are initiated for the purpose of supporting SMEs and implemented in compliance of B-BBEE policy. Such programmes include the Enterprise Supplier Development (ESD) which provides skills development for SMEs. The respondents indicated that the ESD programmes are working, but it is still not enough. The respondents have criticised the ESD programmes offerings since the participating SMEs only receive generalised training that is not linked to procurement opportunities. Some respondents have indicated that the programmes implemented by both the private and public sector organisations lack formalisation and they are not well coordinated. Corruption, red tape, and lack of capacity to effectively implement SME supporting policies and programmes have been cited by respondents as major SME success disabling factors.

5.4.3.2 *High Dominance of Survivalist Entrepreneurs Practice*

The South African SME sector is dominated by a high number of informal businesses. The informal businesses are not registered; hence they do not qualify to access government support and funding opportunities. The registered SMEs are significantly dominated by survivalist businesses. This is evident in the respondent's comment, “More are not entrepreneurs but survivalist”. The SMEs categorised as survivalist exist only for the purpose of generating income for the owner to survive. One respondent reported that SMEs fail in South Africa because of lack of innovation, the existing SMEs copy and replicate innovations from overseas. The survivalist character of entrepreneurship is also evident in the lack of record keeping in most SMEs. The character of formal business operation is lacking. The failure to have record keeping in place in most SMEs is evidence for lack of internally formalised operations.

Respondents working at the government funding agencies report that SME-owners even fail to respond to provide business management documents and reports about the business operations. There is currently no benefit for informal businesses to register and get formalised in South Africa. The burden of compliance as a formalised business is too high. The SMEs also purposefully run informal businesses for the purpose of avoiding paying TAX. The survivalist SME character is also evident in the entrepreneur’s behaviour of spending the business money on cars and their personal lifestyle (SMEs owners do not invest the money back into the business). The financial management training has been recommended to mitigate against SME finances misuse.

5.4.3.3 *Entrepreneurial Skills Deficiency*

The entrepreneurial skills deficiency has been confirmed by both the entrepreneurs and non-entrepreneur respondents. The respondents attribute skills deficiency to both the educational system that has no entrepreneurial content and the generalised training programmes currently being given by the government funded institutions. One respondent said, “The educational system prepares us for the corporate world (employment) not for entrepreneurship”. The school syllabus must include the content that people for business and entrepreneurial success.

There are SME-owners who lack critical business management skills and no one in their team has skills such as accounting. Some SME-owners do not even know the number of employees currently employed in their businesses; hence they cannot respond with certainty to questions seeking to know the amount of money the business spend on salaries per month. This is the evidence of lack record keeping activities within SMEs. Most SMEs lack and need financial literacy training. It has been reported that even fundable SMEs fail to secure external funding because they lack the skills to translate the knowledge and activities about their business into a business plan.

The respondents have also reported that the entrepreneurs also lack business research skills. The option to outsource market research work is not available for most entrepreneurs and SME-owners owing to high costs associated with this type of work. Respondents reported that the SMEs do not have the budgets required for the market research activities. The success prospects of businesses with strategies that are not backed by any market research are limited. This is evident in the statement of one SME-owner respondent who experienced business failure because of diversifying his business by entering a sector that he did not know very well about. In his view, the presence of market research reports in the sector would have prevented the business failure.

The skills gap is closed by skills development such as training or through having access to mentorship, coaching, or business incubation support structures. The entrepreneurs with no access at no cost to business mentors and skills transfer (in financial management) opportunities are likely to fall into a trap of mixing business and family or personal affairs. Entrepreneurs must have the highest level of discipline, and strong cultural and value system that supports entrepreneurial success. One respondent said, "In the absence of financial skills, entrepreneurs spend the business income financing the personal lifestyle rather than investing into the business". The available government and business support services lack impact on the ground.

5.4.3.4 *Lack of or Poorly Formalised Collaborative and Partnership Programmes Aimed at Supporting SMEs*

The lack or poor coordination of SME support services between the public and private sector robs the SMEs of the opportunity to grow and succeed. The respondents reported that the implementation of joint SME supporting programmes by both the private and public sector organisations fail to make impact because of lack of cooperation or poorly formalised. It has also been repeatedly said that the implementation of the programmes appears to be done as a way of acting in compliance to various policies, and not in the spirit of the objectives of the policies themselves. The implementation of ESD programmes and other B-BBEE programmes has been mentioned as some of the programmes that are implemented for the sake of acting in compliance.

Through SEFA, the government offers the Credit Guarantee Scheme (CGS) as a way of partnering with the commercial banks to provide surety for the qualifying SMEs that have risk elements that can be mitigated through collateral. The respondents blame it on the lack of benefits for the commercial banks and poor implementation on the side of government as some of the reasons why the CGS has not largely succeeded. One specific respondent from the SOE entity blamed the lack of success on the private-public partnership on the bureaucracy and centralised approval delegation of authority within the government and its entities. The respondent further pointed out that it takes time for an approval to be granted within government because of the central approving officer has to be chased around to sign. In contrast, the processes at the commercial banks are lean and fast, hence there is a misalignment and failure of SME support programmes when approval is required from both the private and public participating institutions. Another private-public collaborative programme failed because it was not properly formalised.

The lack of implementation capacity is captured in the respondent's comment, "Policy intentions are very positive. However, implementation is always the issue". The SOEs sometimes have requirements in the procurement events that the winning bidder must subcontract some of the work to black-owned SME for the purpose of skills transferring and empowerment. The lack of capacity within the SOEs and the government hinders the measures to enforce compliance to the subcontracting obligations. In some cases, the winning bidder will announce one SME as the subcontracting partner and later replace them with another SME of their choice. Furthermore, there is no proper monitoring that ensures that the SME subcontracted partner is being capacitated or they are just benefiting financially without gaining any skills. Skills transfer will enable the SME to be the main supplier of services one day.

5.4.3.5 *Unsupportive Policy and Regulatory Framework*

The evidence supporting the respondent's views on the existing policies and legislations that are unsupportive to the SMEs include PFMA requirements that impede B-BBEE promotion during state procurement processes, minimum wage requirements and others. With the PFMA, the government seeks to regulate financial management in the public sector and promote accountability. Section 51 (a) (iii) requires an accounting authority of a public entity to maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive, and cost-effective. This provision is viewed by the respondents as being against the spirit of B-BBEE Act. The BBBEE policy promotes the empowerment black-owned businesses and the economic transformation.

The Preferential Procurement Policy Framework Act (PPPFA) does not allow for setting aside opportunities and targeting previously disadvantaged groups such as Black-owned, youth-owned, or women-owned SMEs. Not only does the PFMA provide lack flexibility for SOEs and Organs of State to ringfence work for SMEs, but it does also not allow for awarding of additional points for SMEs. The SMEs are not as competitive as the large enterprises, hence fail to win the bids. Standing Committee on Appropriations meeting held on 16 September 2022 in also recorded a call for legislative reform and flexibility in the Municipal Financial Management Act (MFMA) and the PFMA in order to benefit the SMEs (SA Parliament, 2022).

The big companies have an advantage when it comes to pricing of the goods because they have existing customer-supplier relations with the suppliers of the goods and they buy both in bulk and cheaper. SMEs are disadvantaged because price is a key factor in the tender process. The respondents view the South African Labour laws as being unsupportive to the SMEs. It is being highlighted that the minimum wage and the fact that there is no flexibility for SMEs to hire and fire employees. The SME-owner respondent argued that there are times when the business cashflow cannot support the salary bill, and during such times, there should be flexibility for the SME to reduce the staff competent.

Another respondent indicated that the issue of legislation and the determinations is a challenge because it is a centralised thing. It becomes a challenge when one does not afford, and the other farm nearby affords. The Act is sectoral and covers all within the sector. With SMEs, there has not been a process to exempt others where compliance is not possible. This should be a research area to check how can we implement it in this space.

Lastly, the tax compliance for SMEs is a challenge and costly. The SMEs fail to attract external funding owing to high cost structure that is exacerbating by taxation. The current taxation laws only exempt tax payment for certain turnover which is low. The compliance costs for the SMEs that benefit from the current tax incentive schemes are high. One respondent is of the view that SMEs with the revenue up to R100m should get tax incentives. The requirement to file for Companies and Intellectual Property Commission (CIPC) returns on yearly basis is also seen as compliance burden for the SMEs. The respondents are of the view that SMEs in their first five years of registration or within a certain turnover should not have to go through the burden of complying with tax and CIPC policies. The requirement for submitting an audited financial statement should be removed for SMEs.

5.4.4 Theme 4: Factors Enabling SME Success

This theme covers the key supportive and critical SME success factors that are, namely, improved access to entrepreneurship and SME value chain support structures, competent entrepreneurs, formalised partnerships between private and public role players, flexible and accessible business loan application processes, compelling business case documents, blended funding programmes, efficient and capacitated government agencies, better contract conditions, dedicated SME banking services, and alternative funding options and effective communication on the side of the agencies.

5.4.4.1 *Improved Access to Entrepreneurship/SME Value Chain Support Systems*

The respondents reported that there is a need for a well-structured accessible SME/entrepreneurial support ecosystem. The entrepreneurs and SME-owners must at no cost, gain access to support services. This must be made possible through the creation of entrepreneurship structures in the nine provinces of South Africa. The entrepreneurs, more specially at the initial start-up stages, must have access to advisory and other supportive services. The entrepreneurial value chain system must cover the product development stages support, access to funding, access to market, mentorship, and incubation, help with licensing and registration of products, training, networking, and other support services. Currently, the SME-owners and more especially from Black communities, lack access to such support services.

The business incubation programme must provide infrastructure support such as access to office space, broadband, accounting services and other support services. Access to technology is not only a problem for SMEs. One respondent said, “We are still fighting the issue of data costs in South Africa. If data costs and infrastructure are still issues for the general public, they are issues too for the SMEs”. in highlighting the importance of access to technology, the respondent further said in a study of countries that are growing fast, having technology infrastructure and accessibility was highlighted as one of the biggest indicators. The support programmes must assist SMEs with the ability to do permitting and registration of product, licensing and anything that has reliance on public support services. The SMEs must also be assisted with access to market, getting their products listed in the main retail businesses.

The family support has been highlighted as one of the key success factors. The respondents made comparisons between the entrepreneurs in the white and black communities. The entrepreneurs in the white communities are likely to have access to a family member that has business experience and who is supportive. Another respondent, the SME-owner, indicated that he had to volunteer and work for two years without an income as a way of getting the practical knowledge about the business and the industry before starting his business. During such a period, it was his family that provided support. Outside the family, entrepreneurs can enjoy support through social and business networks.

Such networks provide support system for entrepreneurs to rely on should they run into troubles. It is the views of the respondents that government can assist SMEs by creating networking opportunities through conferences and other means. The newly established SMEs will learn from others how they overcame obstacles. The social and business networks will also become the information sharing platform – raising awareness about available opportunities.

5.4.4.2 *Entrepreneurial Skills and Competency*

The entrepreneurial skills deficiency in South Africa has been emphasised by the respondents as a major disadvantage on the side of the struggling SME owners. It has also been said that in order for the SMEs to succeed, the skills proficiency level must be improved. Some of the SMEs gave credit to the training they received as having positively contributed to their successes in business thus far. One specific respondent was grateful that he attended a Project Management training organised by one of the SOEs. In his view, "the training was very nice and specific." While other respondents dismissed the level of education and the possession of formal educational qualifications as a critical entrepreneurial success factor, education has been credited for the advantages it gives to entrepreneurs. The findings revealed that the investment officers at the DFIs show bias towards educated SME-owners when interacting with loan applicants. It has been said that it is easier to deal with educated entrepreneurs because they are responsive whenever supporting documents and other critical information get requested. The educated entrepreneurs come with the basic knowledge to grasp concepts during the training sessions and they can take virtual training and manage better.

In a case of one SME-owner who experienced business failure owing to low level of education and business skills was shared by a respondent. The SME-owner with no education and low entrepreneurial skills was granted funding to acquire a restaurant franchise business. During of the site visit monitoring and evaluation discussions, the post-investment officer asked for the financials from the franchisee. In responding to the request, she [SME-owner] indicated that the finance reports were not important to her in managing the business. She indicated that her focus is on the stock inventory and if the stock was getting finished on daily basis, the business was doing well. Unfortunately, the business closed because it was not profitable despite the inventory stock getting finished. The SME-owner did not know about the theft activities happening in the business. It was later discovered that some of the staff were selling the stock at the nearest taxi rank.

Some of the skills and competencies highlighted by the respondents as key for SMEs include bookkeeping, record keeping, financial management, technical, general operations, reporting and market research. It has been said that SMEs take record keeping lightly. The educational system has been blamed for the poor SMEs/entrepreneurial skills. The respondents believe skills development can close the skills deficiency gap. It is also supported that the training intervention programmes offered to entrepreneurs must not be general but specific depending on the need. The administration of a psychometric test aimed not at qualifying or disqualifying entrepreneurs but identifying skills and knowledge gaps should be implemented. The results of an individual psychometric test must assist in identifying recommended tailor-made training intervention measures. The respondents recommended the administration of training programmes that are linked to procurement opportunities.

The current training programmes are generic. Therefore, sector specific training programmes are required. The sector specific training programmes will empower the SME-owners with the knowledge such as the profit margins and preferable cheaper suppliers in specific industries, said one respondent. Skills development programmes currently being provided by both the private and public sector institutions lack impact either because they are generalised, or they are not formally collaborated.

5.4.4.3 *Formalised Collaborative and Partnership Programmes Aimed at Supporting SMEs*

While government implement programmes and policies to support the SMEs for the purpose of achieving economic transformation, economic growth and employment creation, the full participation of the private sector is critical for the realisation of these objectives. The interview respondents recommended improvement in collaborative programmes such as the CGS, ESD, skills development, SME market access, skills development, business incubation and other support services.

The respondents cited some of the previous and existing programmes as examples of how the partnership between private and public sector entities can benefit the SMEs. These programmes include the SME-connect, BBSP and the CGS. The SME-connect was a collaborated programme between big private enterprises (retail businesses) with enterprise development programmes. The SMEs requiring support and the private businesses participating in the business worked together in a collaboration to help the SMEs secure business contracts and improve cash flow position, hence reduce the risk profile position. Through its business support section, the government provided the technical support. The BBSDP was a partnership forged between government and a private bank. The private bank partnered with the government through its Corporate Social Investment (CSI) programme. In the partnership, the participating private bank would carefully assess the SME loan applications received through the normal small business loan channel. Moreover, SME loan applications with potential and yet having risk elements that can be mitigated by technical interventions were referred to government's technical support for assistance.

The partnership with the training institutions are also critical for skills development. Currently, the government has partnerships with TVET colleges. Another respondent highlighted specifically the need for business school education that focuses on small businesses. The current business schools in Africa have their focus only on large corporations as opposed to small businesses. It is the view of the respondents that if more of similar collaborative programmes can be formalised, the SME sector will benefit greatly.

5.4.4.4 *Flexible and Accessible Application Process*

The respondents believe that a flexible and accessible SME funding application process can be achieved through policy changes, process redesign and delegation of approval to regional and provincial structures well as through the entrenchment of technological solutions and systems. The data collected from the interviews exposed programme failures where technology was viewed as a solution and processes being neglected. The technology plays a role of being the enabler of the solution being implemented through the introduction of sound processes. When asked about the administration of psychometric test for entrepreneurs to assess their entrepreneurial skills, most of the respondents only supported the idea only if it is intended to identify skills gaps that tailor-made intervention programmes will be made available to close. The administration of the psychometric test as a qualifying criterion was seen as one of the rules that can hinder success for SMEs. Flexible processes and accommodative rules are linked with the developmental and transformative mind-set.

One practical case of flexibility in assessing the SME applications has been narrated by a respondent from a private financial service provider in South Africa. A group of medical doctors submitted a funding application form that did not meet all technical requirements but had proof of market accessibility. The group of doctors applied for funding for a warehouse that would store pharmaceutical products. Furthermore, the group of doctors' application did not meet the technical requirements when the facility was subjected to the required standards. It was because of the developmental mind-set on the side of the investment officer and the applied flexibility of rules that the funding was made available and all technical requirements were met later.

The flexible processes must ease the requirements for the audited financial statements for the SMEs, this requirement is seen as unreasonable. Flexibility is also suggested for the development of SME support programmes. The respondents want to see the tailor-made solutions that are sector specific and focused rather than general. Flexibility in the application assessment process will make way for the blended finance programme whereby the approval of SME loans are paired with a grant which will enable the SME-owner and the team to access skills development, mentorship and business incubation opportunities, hence improve the capacity to run a successful business and pay-back the borrowed capital with interests. The respondents also suggested flexibility in the requirements such as the payment of upfront and the initiation fees.

The improved accessibility enabled by the technology that allows the clients to submit applications online must be complemented by the physical accessibility of offices whereby walk-in and face-to-face interaction with people without technology access and those who would do so out of their personal preference. Improved accessibility also means inclusiveness whereby traditional informal businesses will have a path to access government support. Some SMEs are formalised in terms of meeting the registration requirements, but the owners and the operators of the business lack the knowledge and skills to compile supporting documents required during the SME loan application. More importantly, the processes within the funding institutions must allow for certain officials to have interactive processes including but not limited to interviews in order to collect required information for the compilation of a business case to qualify for a business loan.

Similarly, the private banks that have been described by the interview respondents as having quick and strict processes must embrace flexibility to accommodate government bureaucratic processes for the successful implementation of the partnership programmes. The successful implementation of blended finance and collaborative programmes need the support of the private banks. The review of the approval delegation of authority as recommended by the respondents within the government agencies will improve the turnaround times and hence result in seamless process with the private banks. Lastly, flexible and responsive processes must eliminate SME funding institution whereby a funding application for a purchase order has a verification process that goes over 30 days (while the purchase order is valid for 30 days) and that government issued purchase orders follow the same process as those that have been issued by unknown private entities.

5.4.4.5 *Compelling Business Case (Bankable – Business Plan)*

The type of SME success that the government envisages to see must have job creation, economic growth, and transformation contributions. The dominance of survivalist entrepreneurial activities has since failed to have any positive results, instead, it has enabled the status-quo to remain unchanged. The respondents have stressed the need to have SMEs that are opportunity-driven, and such character must be evident in the compiled business case documents that are submitted for SME funding. The business case must demonstrate a business concept (idea) profitable, product and service that is commercial viability. The entrepreneur must further demonstrate that they have the market access to sell their products and services, they have the capacity to deliver to their customers. The opportunities identified in the market must be quantified in terms of the projected sales and revenue that will sustain the business and pay back the borrowed capital. The internal SME capacity refers to business knowledge, technical skills, and strong capacitated delivery team. In most cases, the character of a risky SME has the key person risk. This type of risk arises because the SME is dependent on one key person who owns and runs the affairs of the business. When the key person is sick or unavailable, there is nobody in the business that can lead the business.

The compelling business case proves to the potential funder that the risks associated with the business are well studied and mitigated. The availability of the government backed CGS provides an assurance of recoverability to the funders. “Recoverability is based on collateral if things do not go well - there is a fall-back position”, said one respondent. According to the respondents, the suppliers of external funding expect the entrepreneurs to proficiently articulate their business plan. In stressing this point, some respondents said, “it is about betting the jockey than the horse”.

5.4.4.6 *Blended SME Funding Programmes*

The blended finance is seen by the respondents as an enabler for external funding access. In the blended finance model, the granting of external finance to SMEs is coupled with non-finance support programmes. The grant portion of the allocated funding is for the purpose of supporting the SME to access support programmes that will mitigate against the identified SME inherent or project specific risks. Support programmes include training, market research and other key intervention measures. Again, the administration of psychometric test has been recommended for the purpose of identifying critical areas requiring tailor made intervention programmes. The improved administration of the government backed CGS that provide security for the lender (private bank) is part of the blended finance.

Effectively, concerning but not major risks associated with the loan applying business must not outrightly disqualify the business, instead, a case specific blending of risk mitigation, and support services must be created and recommended for funding through a grant. A certain level of determination aimed at promoting and supporting entrepreneurship must be embraced. The case of the application submitted by a group of medical doctors is a practical evidence to support the developmental mind-set approach to SME funding. The identification of risks must not be for the purpose of disqualifying the businesses but also to answer questions such as, “how can this business be supported as a way to mitigate against the identified risks?”.

5.4.4.7 *Improved Government Agency Internal Governance, Decentralised Approval Delegation and Skills Capacity*

The respondents have highlighted areas of improvement on the side of the government SME supporting agencies. The areas where change is required include competency and skills of the approving committee, giving the approval mandate to the regional offices, shortening of processes and requirements, technology as well as stakeholder engagements. The executive committee members at these institutions must possess the skills, knowledge and experience in business operations and management. The business competency and developmental mind-set is required also for the key staff members handling loan applications and implementing various SME supporting programmes. Moreover, there must be formalised employee orientation programmes that seek to entrench developmental mind-set in the new recruits joining SME supporting government agencies. The delegation of approval powers must be reviewed in line with the need to improve turnaround times and operational efficiency, hence granting loan approval mandate to the regional offices.

The regional offices of NYDA, SEFA and IDC must be empowered with the delegation to assess and approve SME loans amounts of R250 000 and less as when the criteria are met. Instead of the centralised committees reviewing the small loan applications for approval, the central committees should rather demand accountability from the regional committees on the approved cases. The respondents also suggested that the post-investment function which is currently performed by the national office should have presence in the regional/provincial offices.

Another aspect of the capacity within the government SME supporting agencies is the technological capabilities. The respondents believe that the agencies such as SEFA and IDC should implement the “Bank-like systems”. The systems used in the private banks have benefits such as improved accessibility, pre-approvals, better account monitoring and that the banks can share information systematically about their clients among themselves. Currently, SEFA and IDC cannot monitor the client’s bank accounts on 24-hours bases just like the private banks do. It takes the post-investment offices to request and receive copies of the bank accounts to monitor the client’s bank account.

The government agencies must improve their market research capabilities – knowing better about the dynamics of the industries or sectors they fund the SMEs compete in. The respondents also suggested better communication capabilities and strategies for the government funding agencies. Better communication will improve awareness among the potential applicants and SMEs about the funding options and to close the gap that allows the politicians to misinform the public about the offerings made by the government SME supporting institutions.

5.4.4.8 *Better Contract Terms and Conditions*

The respondents have used examples discussed next to argue how better contract terms, conditions and undertakings can contribute to SME success. The data have revealed that the government funding agencies currently have one generalised contact terms. The contractual terms are not specific to the terms of a specific borrower. The review of contract's terms and conditions must allow for specific conditions for a specific case given the uniqueness and circumstances. Better contracts will achieve improvements in the following areas:

- The sharing of banking account information for monitoring between the DFI institutions and the private banks with whom the borrower is banking with. Cases whereby the DFI institutions arranged for a borrower's online bank account view options were tried. The respondents raise some serious violation of personal or private information.
- To create a bank savings account that automatically transfer a certain percentage of a monthly income as savings to achieve the following:
    i. Demonstrate financial discipline.
    ii. Use the savings as collateral. The collateral to work as surety on the current debt and future funding applications.
    iii. Reduce the SME risk profile depending on the behaviour and show of financial discipline.
- Use contracts to empower government and SOEs in monitoring compliance to subcontracting and skills transfer programmes which come as part of government procurement.
- To promote the implementation of Cession option whereby the lender debits the client's bank account to recover the capital whenever the payment is made. The contract can be in such a way that the client of the SME also signs the contract to commit to paying the SME through one bank account and use a specific reference number that the private bank will use when debiting the client's account.

5.4.4.9 *Supportive Policy and Regulatory Framework*

South Africa needs a supportive policy and regulatory framework that is oriented towards supporting the SMEs. The need for a supportive policy and regulatory framework as the respondents highlighted, is based on the observations and experiences encountered by the SME-owners and other respondents. It has been reported in this chapter that the misalignment between the B-BBEE and PFMA work against the SMEs. The government and the SOEs cannot ringfence procurement opportunities for SMEs that have trained through the Enterprise Supplier Development programmes owing to the need to show fairness when tenders are advertised in the open market.

Furthermore, the respondents highlighted the need for regulatory and policy changes in areas that the SMEs have reported problems and challenges. Table 8 presents a summary of proposed policy and regulatory changes.

TABLE 8 : PROPOSED POLICY & REGULATORY CHANGES

Policy/ Regulatory Area	Compliance Challenges	Proposed Changes
TAX	Tax compliance is costly for SMEs and therefore increases the SME cost structure. SMEs fail to attract funders due to a high cost structure.	TAX exemption for SMEs in their first five years of registration and while the yearly turnover is less than R5 million.
TAX	Tax incentive bracket is not broad enough.	SMEs with the turnover of R100 million should qualify for TAX incentives.
CIPC and SARS Annual returns	The requirement for SMEs to file Returns with both SARS and CIPC is a double effort and unnecessary	SMEs should be exempted from filing returns during the first five years of registration and while the yearly turnover is less than R5 million.
Government commitment pay SMES in 30 Days.	The government has failed to meet this commitment and as a result, SMEs cashflow negatively affected.	A new system should be introduced to record all submitted invoices that the government fail to pay within 30 days for the purpose of monitoring, escalation and compensating the affected SMEs. SMEs failing to receive payment within 30 days should start earning interests.
SME Policy	Lack of a common definition for Small businesses in South Africa.	One legal definition of SMEs must be adopted.
SME Policy	The acronym for small businesses as defined by the international community is Micro, Small, and Medium Enterprises (MSME) while in South Africa, Small and Medium Enterprises (SME) is used.	South Africa should align with the international community on Micro, Small, and Medium Enterprises (MSME)

Labour Laws	The SMEs do not have the flexibility to hire and fire staff members as when the need arises. Compliance with the national minimum wage is a challen for SMEs in different sectors.	The introduction of processes To allow SMEs to request Exemption from compliance to certain laws when there are compelling business reasons.

Source: Author's own work

The tax holidays or exemptions for SMEs making income within turnover bracket or in their first five years of registration as a formal business. The government and the SOEs continue to fail to comply with the government policy to pay SMEs within 30 days after the invoice has been submitted. To foster compliance and improve monitoring and evaluation throughout the government, the current database or system housed by Treasury, the ESD, must be used to record all Request for Proposal (RFP) and Request for Quotation (RFQ) when issued by the government and SOEs. The recording and publishing of RFP and RFQ within the Treasure ESD database will facilitate the process of verification by organisations such as SEFA, IDC, and the private funding institutions. Furthermore, the system will now allow for updating when the SME has submitted the invoice, and all required supporting documents have been signed off. The evidence in the system to the effect that the invoice and all supporting documents have been submitted should form the basis for government to account on all SME submitted invoices that have not been paid within 30 days.

All invoices that remain unpaid after 30 days while all documents supporting the invoices have been acknowledged as signed off should earn interest. Every month that the invoice remains unpaid must earn a certain percentage in interest. Interests that the government and the SOEs pay for failure to comply with the 30-days SME payment policy must be recorded for audit purposes so that the officials account for wasteful expenditure.

5.4.4.10 *Dedicated SME Banks And Alternative Funding*

The South African DFIs can learn from the successes from countries such as China, Taiwan, and India. The model of cooperatives works much better in India. The key to the model's success is the key role played by the community-owned cooperative bank. The bank has better understanding of the cooperatives; hence it is able the support the model. Another view is that the government must rather invest more support on the alternative SME funders such as Fintech's. It is being said that the alternative funding options work contrary to the way the private banks work. The private banks pay less attention to the SMEs because they are categorised as too risky. The information asymmetric challenges contribute to low levels of SME low approvals by the banks.

The alternative funding providers are small, flexible, and close to the SMEs; hence they have a better understanding of the SME operations compared to the banks. One specific respondent described the treatment of the SMEs by the banks as if the SMEs are a “step-child”. Again, the banks take one size fits all view on business loan applications. The SMEs are different from the large enterprises. The Fintech’s have the ability to look more into the SME business and understand the operations and how they do the mark-ups.

5.5 SUMMARY

This chapter presented the results of the qualitative phase of this study (in-depth interviews). Although the identified sample was 30, the number of participants reached by during the interview process is 24, which represent 80% participation rate which is acceptable. There was no need to pursue the 100 % target since no new meaning emerged from the data and the remaining six (6) sampled participants could not avail themselves for interviews. The data presented have been categorised into themes, namely, reasons for SME funding decline, factors impeding SME funding, factors impeding SME success and factors enabling SME success. Data analysis happened in parallel with the data collection process, hence this chapter presented the study results in themes.

Thematic data analysis has been used in this research. The provided reasons for SME loan applications decline are failure to meet the funder’s requirements, non-bankable business case and the high-risk proposition. The SME funding constrains include entrepreneurial skills deficiency, the loan application process related challenges, government agency internal governance and capacity challenges, political influence corruption and low level of equity investor participation. The factors impeding SME success are lack of access to entrepreneurship/SME value chain support system, high dominance of survivalist entrepreneurial practice, entrepreneurial skills deficiency, lack or poorly formalised collaborative and partnership programmes and the unsupportive policy and regulatory environment.

SME success factors that are, namely, improved access to entrepreneurship and SME value chain support structures, competent entrepreneurs, formalised partnerships between private and public role players, flexible and accessible business loan application processes, compelling business case documents, blended funding programmes, efficient and capacitated government agencies, better contract conditions, dedicated SME banking services and alternative funding options and effective communication on the side of the agencies.

5.6 CONCLUSION

This chapter reported on the qualitative research results. The data for this study was collected through the in-depth interviews. The research questions emerged from both the main research questions and the extensive literature review. Thematic data analysis used to identify emerging patters from the data and eventually, four themes emerged after a series of repetitive activities of data familiarisation. The results presented in this chapter will be further analysed and discussed in the next chapter.

CHAPTER 6: DATA ANALYSIS (QUALITATIVE PHASE)

6.1 INTRODUCTION

The qualitative research results of the study were presented in Chapter 5. The chapter presented the factors that work for and against entrepreneurship and SMEs in South Africa. In this chapter, some of the key research objectives include the analysis on the explored the reasons for the failure of black entrepreneurs in South Africa, the factors that enable SME funding for Black-owned enterprises, and the South African policy and legislative framework in respect to how they are supporting or limiting entrepreneurship.

In order for the objectives raised above to be met, the analysis provided in this chapter is focused on using literature empirical evidence and data emerging from the interviews to answering these main research questions:

- What are the causes of failure associated with SMEs owned by black graduate entrepreneurs in South Africa?
- What are the factors that enable SMEs funding for enterprises owned by black graduates in South Africa?
- How can SME funding models be developed to address the financial constraints experienced by entrepreneurs and SMEs owned by black graduates in South Africa?
- What are the regulatory factors that will hinder the adoption and implementation of a new SMEs financing model in South Africa?

6.2 SME BUSINESS LOAN APPLICATION

This section provides the analysis on the reasons for SME loan decline as discussed on section 5.4.1.

6.2.1 Reasons Why SME Funding Applications Are Declined

This study has categorised the reasons for SME funding decline into failure to meet the funder’s requirements, poor business case or non-bankable business plan and high-risk proposition. This section provides detailed discussion on these findings in relation to the literature.

6.2.1.1 *Funding Requirements*

Some of the requirements that the SMEs fail to meet when submitting business loan applications include collateral requirements, audited financial statements, bankable business plan and insufficient cashflow. These findings are consistent with Fatoki (2014) who found that the commercial banks in South African include collateral as one of the key requirements. SEFA closes the gap through the waiver of the collateral requirements and extend credit to entrepreneurs with adverse credit record where steps to rectify negative records is evident (SEFA, 2017). The SMEs still pay high interest rates for being risky. Failure to meet collateral requirement does not only result in funding application decline (Beck, 2013; SEFA, 2017), but it also leads to financial constraints (OECD, 2018). Furthermore, the South African government has established the CGS which mitigates against the SME failure to meet the collateral requirement. The implementation of CGS has been hampered by complicated application process, lack of implementation capacity and poor formalisation of partnerships between public and private sector participants. Disadvantaged groups lack both own financial resources and collateral, hence lack of finance is a common obstacle (OECD, 2014). Black people in South Africa are categorised as previously disadvantaged.

The requirement of audited financial statements confirms the findings of Visser (2019). Visser (2019) found that the banks often request for audited financial statements from SMEs which is expensive for small businesses. While this requirement is justified by the need to have credible and authentic financial statements, the call for the scrapping of this requirement is well understood. Meeting the requirement of audited statements is costly (Visser 2019). To meet the requirement of establishing creditworthiness (OECD, 2015; Rao et al., 2021) during the loan application, credit checks system can be established. Omer (2016) recognises that SMEs in their initial stages experience negative cashflow their inability to access external funding may threaten their sustainability. SME loans declined for lack of positive cashflow can be justified. Lenders want to guarantee return on investment for their shareholders. The requirement of bankable business plan will be discussed in the next section.

6.2.1.2 *Business Case*

This study in section has found that SMEs loan applications are rejected because their inability to demonstrate that their business concept, product, or services they offer are commercial viability, proof of market access as well as the capacity to deliver. The findings have also shown that lack of innovation work against the SMEs. There is correlation between the firm's level of innovativeness and bank finance accessibility (Erdogan, 2019). Some researchers have previously found that factors contributing towards SMEs finance application rejection include lack of financial literacy, substandard crafted business plan, poor managerial skills, and other external factors (Dumbu & Chidamoyo, 2012; Finfind, 2017).

The substandard (non-bankable) crafted business plan is likely going to fail to demonstrate a compelling bankable and commercial business undertaking. Furthermore, it is unlikely that such a business plan will demonstrate market access either by signed contract or record of sales and revenue. The return on investment projects could be too low in Africa (Beck and Cull, 2014); hence the funders may decline to fund the business. The SMEs challenges of market access are well documented in the literature. Mutoko *and* Kapunda (2017) listed the challenges that threaten survival of SMEs including lack of access to markets, lack of business acumen, poor or no recordkeeping on business performance, poor quality products and lack of competitiveness. The SMEs may submit the substandard business plan documents owing to the costs associated with getting professional external service providers. One SME-owner said he was charged R10 000 for a business plan.

According to Dlova (2017), meeting the requirement of business plan submission and other important documents including project feasibility reports support the SME in mitigating against the information asymmetric challenges. Lack of skills and knowledge to compile bankable business plans has been highlighted in this study. SEDA provides free services to assist SMEs with the development of a business plan. Still, the business plan gets rejected. The respondents have in the main indicated their support for a common business plan template to be adopted in South Africa. The DSBD is seen as the central entity to rally all stakeholders to adopt one standardised business plan to be accepted by both private and public institutions.

6.2.1.3 *High-Risk Profile*

The data collected in this research have confirmed that SMEs are declined funding because their high-risk profile. The study confirmed the assertion of Ramlee and Berma (2013) that the banks consider SMEs to be “high risk”. Bamata (2018) also argues that the commercial banks and other private institutions providing business finance are traditionally risk averse and it is only the enterprises that are categorised as low risk that they grant finance. The sources of risk character on the SMEs are in their lack of creditworthiness (OECD, 2015), being young, lacking both collateral and business history (OECD, 2018; Agwa-Ejon & Mbohwa, 2015). This research has found that the funding institutions prefer dealings with well established businesses given that they are well established with systems in place. Lending to SMEs during their infancy period is considered riskier (Rao *et al.,* 2021). The SMEs that are predominately owned by black people lack record keeping functions and the funding institution’s officials struggle to get supporting information, reports and documents whenever requested.

The consequences of high loan application decline discourage SMEs from making future applications. The high loan application decline rate of SMEs is also the reason other entrepreneurs are discouraged from seeking funding from the banks (Agwa-Ejon & Mbohwa, 2015). The high-risk character can be sourced both from the business and the owner. According to Mutoko *and* Kapunda (2017) factors that influence bank’s funding decision can be entrepreneurial and firm characteristics. Okurut *et al.* (2011) showed that the experience of the owner increases the likelihood of a bank lending to an SMEs as compared to management with less experience. Most SMEs do not offer attractive investment opportunities and lack the necessary corporate governance to secure investors rights, they typically struggle to secure equity finance (Venturelli & Gualandri, 2009), leading to a financing gap for such firms.

The SMEs respond too quickly to systematic risks. The deterioration of the country’s macroeconomic situation creates a crisis which is felt the most by the SMEs’ sustainability (Hu and Wang, 2016). In South Africa, it has been reported that it was the SMEs that were affected the most economically by the protests and unrests that took place mostly in Kwa-Zulu-Natal and Gauteng provinces following the imprisonment of the former president, Jacob Zuma. Apart from the administration of the CGS, some of the risk mitigation factors include the effective implementation of SME support programmes, Enterprise Supplier Development, approval of loans that are coupled with support services (blended finance) and tailor-made training services.

While this section only discussed the reasons for SME funding decline, the next section provides a comprehensive discussion on the factors disabling SME funding. These are the factors that causes SME funding constraints

6.3 FACTORS IMPEDING SME FUNDING

The SME funding constrains are caused by factors that can be categorised as demand side, supplier side as well as policy and regulatory. The reasons why SMEs fail to meet the funder's requirements have their causes rooted in both the demand and the supplier sides. While the SMEs fail to submit the required supporting documents, it has also been highlighted that the requirements themselves are too stringent for SMEs as the supplier of funders design their application processes to cater for large enterprises as well. High-risk profile must also be addressed from both the demand and supply sides. Similarly, both the demand and supply sides have failed to implement mitigating factors since these causes of decline have long been known.

6.3.1 Demand Side

The demand side refers to the SME and entrepreneur factors, behaviour, and experience.

6.3.1.1 *Application Process Challenges*

This study has found that the SME loan application process established by the DFIs (SEFA and IDC) is lengthy, complicated, and non-flexible. The commercial banks' application process is highly responsive but too strict, hence SMEs with potential get rejected. The finding characterising the government's process as lengthy and complicated is in line with Domeher *et al.* (2016). According to Domeher *et al.* (2016), the process itself is bureaucratic and is characterised by red tape and lengthy procedures. The respondents from the DFIs highlighted that it was deliberate to have such stringent process given the need to ensure accountability and prevent corruption. Nevertheless, it must be noted that the cost of such lengthy process is borne by the struggling SMEs.

Another cause of delay is the centralised approval powers. In cases when the SMEs have an urgent deal and the funding application is accompanied by the purchase order, the DFIs processes are too long and sometimes go beyond the purchase order 30 days validity period. The respondents (SME-owners) appeal that there should be a purchase order process dedicated to government and SOEs requites. Such an appeal is justifiable and feasible given that the South African Treasury has a Central Supplier Database (CSD) system that advertises all government tenders. The purchase order verification must be done online to shorten the process. The government bureaucratic character further affects the SMEs cashflow and leads to business closure when the government itself fail to pay the SME suppliers within 30 days. The proposal to foster compliance on the side of government is that a system to record and escalate all unpaid invoices after 30 days of submission must be created. All unpaid invoices must earn interests while they remain unpaid.

The commercial banks are strict and yet given the approval delegation to the regional structures. The study has characterised the private banks as too stringent. Domeher, Abdulai and Yeboah (2016) also characterised the private banks as too stringent for start-ups. Furthermore, Watkins (2012) went to an extent of describing the process of obtaining external finance "impossible" given the fact that the banks have classified the SMEs as non-low risk category clients.

6.3.1.2 *Entrepreneurial Skills Deficiency*

South Africa has a low level of entrepreneurial skills in general. Some of the contributing factors to low entrepreneurial skills include poor education, high dominance of survivalist entrepreneurial practice, generalised training programmes and in Black communities, lack of access to role models and mentors. This research has found that SMEs lack skills such as technical, business management, recordkeeping, market research, marketing, and general operations. Research also revealed skills deficit in South Africa's SME space (SiMODiSA, 2015; SAB Foundation, 2017). Similar findings have been previously noted and said to undermine the development of SMEs. These include lack of managerial skills (W&RSETA, 2016), financial literacy, business planning and management (OECD, 2014).

Skills deficiency does not only disadvantage SMEs during the funding application process, but it also impedes growth prospects. With access to external finance, the SMEs can develop their human capital and skilled employees are needed for production demands (Omer, 2016). According to Omer (2016), the need for skilled employees is high for SMEs compared to larger firms. Entrepreneurial skills differentiate opportunity-driven entrepreneurs from survivalist (necessity-driven entrepreneurs).

During the interviews, some respondents brought practical cases where SMEs were borrowed money and the owner mixed the business finances with those of the personal/family affairs. Previous research has also found the internal SME operations to be weak, without any standardised processes in relation to financial management (Hu and Wang, 2016). The interview respondents raised specifically the funding of flashy lifestyles by SME-owners upon receiving funding from the DFIs.

The respondents associated the lack of skills with the poor education, lack of business exposure and generalised training programmes. According to Turton and Herrington (2012), South African public education system is classified as amongst the worst in the world, far worse even than peer developing countries. Despite the government huge budget allocation which is said to be the highest in the world, the South African public education system fails to yield good results (Bowmaker-Falconer & Herrington, 2020). It is being argued that skills development can close the skills gap. The human capital theory postulates that acquired knowledge and skills (education) raise the value of a person’s human capital, thereby increasing their income potential and productivity (Furia *et al.,* 2010). The respondents proposed the pairing of loan approval with enablement services funded as grants (blended services). The grant portion will raise the business to a bankable level through training, incubation, mentorship, and sourcing of expertise team members.

W&RSETA (2016) believes that the government must improve the awareness programmes about their support services offerings, mentorship opportunities in order to close the skills gap. This study has also found that the training programmes are too general and need to be specialised. The administration of psychometric test with the intention of identifying skills deficiency and further assist in developing tailor-made training programmes. SME-owners with tertiary qualifications are said to be having advantage when it comes to training. The introduction of virtual online training will cater for the SME-owners with access to technology and by so doing, more people will receive training at less costs compared to in-contact classroom sessions. The high skills deficiency within the SME space is also blamed on the high dominance of survivalist entrepreneurs.

6.3.1.3 *Survivalist*

The majority of SMEs fail to meet the funding requirements owing to risk related, weak internal operations characterised by non-record keeping and they are necessity-driven (survivalist) without being formalised. This finding is in line with the BER (2016). BER (2016) found that South Africa has 69% informal businesses against 28% formalised. Survivalist entrepreneurs are necessity driven. Babatunde and Qaim (2009) differentiate between necessity-driven and opportunity-driven entrepreneurs. The opportunity-driven entrepreneurs use social capability skills to scan through the market environment in order to identify new business opportunity (Babatunde and Qaim, 2009). Necessity-driven entrepreneurs are classified as informal because they operate outside the economic mainstream which is referred to as the informal sector (Gurtoo & William, 2009). Emerging market economies have conditions forcing citizens into entrepreneurship (Fitch & Myers, 2000; García-Cabrera & Gracia Garcia-Soto, 2008). Low economic growth and high unemployment rate are some of the conditions forcing people into necessity-driven entrepreneurship. South Africa is classified as an emerging economy and has high unemployment rate.

The respondents' view on why SMEs remain informal include lack of incentives to formalise and also that the SME-owners want to avoid tax payment. Tax avoidance reason for remaining formal is consistent with Beck and Cull (2014). Scholtz and Gravenorst (2018) recommended that the government provide tax incentives that benefit SME sector. The reasons for remaining informal include lack of information, time consuming and lengthy processes of registration, obligation to pay taxes, and lack of benefits associated with formalising (registration). Non-registered businesses are to some extent excluded from SME supporting benefits. The provision of incentives and the necessary regulatory changes will encourage formalization of SMEs (Scholtz and Gravenorst, 2018). If the dominant practice is not associated with acquiring skills to seek business opportunities, it can be expected that the prevailing culture in the South African SME sector will struggle with entrepreneurial skills.

Consequently, low entrepreneurial skills level and survivalist behaviour on the side of SMEs result in high-risk profile. This character leads to high-risk profile of the SME and information asymmetric challenges lead to credit rationing, and consequently, high decline of SME loan applications. Skills development, mentorship, incubation, and other business support functions are deemed as practical mitigation strategies for the demand-side factors impeding SME funding.

6.3.2 Supplier Side

The SME funding supplier side comprises government funding institutions and the private banks, and private equity funders.

6.3.2.1 *Application Process Challenges*

This study has found that the application processes at both the private banks and the DFIs have elements that disadvantage the SMEs. The respondents have stated that the private banks are strict and mostly impose the collateral requirement. This finding is consistent with Agwa-Ejon and Mbohwa (2015). The model through which the banks provide loans to SMEs is not suitably designed to deal with small loans and this exacerbates small businesses challenges since their loans are generally small (Agwa-Ejon & Mbohwa, 2015). SMEs view the process of applying for funding from the banks as bureaucratic and "impossible" (Watkins, 2012). The SME funders use the traditional scoring models which are developed to best suite medium and large businesses (Finfind, 2017).

The banks have one approach to handling all financial applications and therefore, SMEs are expected to meet the collateral and traditional requirements set out for larger enterprises (Finfind, 2017). Unlike the DFIs, the commercial banks prioritise profits and therefore, loan repayment is part of the main criteria. Collateral requirement is required to mitigate against the risk of default and bankruptcy. Effective collaboration between the private banks and the administrators of the CGS can facilitate the mitigation against failure by the SMEs in meeting this requirement. The interview respondents have also highlighted the complicated process associated with CGS application at DFI level.

The South African government fiscal position does warrant the call for collaboration with the commercial banks insofar as SME funding is concerned (SA Parliament, 2022). The application process challenges at the government funded institutions are caused by factors such as agency internal governance, approval delegation and capacity, political influence, and corruption. Discussion on these factors follows in the next sections.

6.3.2.2 *Government Agency Internal Governance, Delegation and Capacity Challenges*

The challenges within the government-funded agencies identified in this study include lengthy, complicated and non-flexible business loan application process, lack of governmental agency regional approval mandate, agency internal operational challenges, technology systems and application. The internal operational capacity challenges also include skills and competencies of staff, executives, and the composition of the loan approval committees. The finding on the lack of capacity within government funding agencies is consistent with Parliament's findings (SA Parliament, 2016). Bowmaker-Falconer and Herrington (2020) found that upskilling of personnel within government SME support organisation is required. On the bureaucratic character, Domeher *et al.* (2016) found that the process itself is bureaucratic and is characterised by red tape and lengthy procedures.

The lengthy process is exacerbated by lack of loan approval mandate at the regional level. The loan approval powers have been centralised and delegated to the approving committee. This practice is different from the processes employed by the private banks. In the private banks, the regional structures have the mandate to approve the loans. Furthermore, the loan applications requesting the average SME loan amount of R250 000 also follows a similar process and get to be evaluated by the central committee. This research's data indicate a disapproval by the respondents on this practice.

It is being suggested that the requirements and the approval process of small loans be simplified. A five (5) pager motivation should be adopted and that the loan approval should be delegated to the regional level. The delegation of approval powers to the regional level must be made with serious considerations and conditions. For an example, one SME must only have one loan approved at the regional level in one year – the subsequent applications must be approved at the central committee. Such conditions will prevent a situation whereby people working within the system can submit multiple applications requesting small amounts to prevent scrutiny at the central committee.

The government-funded institutions also lack technology capacity. The respondents have highlighted the need to have "bank-like" technological systems to facilitate pre-approval scoring, online application submission and progress tracking and to monitor the borrower's accounts. The lengthy application process is also caused by the manual system dominated processes. The fact that every lodged application is evaluated equally means that the 85% rejected cases only serves to delay the potential cases. If the pre-approval system were in place, the volume of work requiring further processing would be reduced. The capacity levels will be improved further owing to the reduced number of telephonic calls and walk-ins since enquiries on lodged application status can be tracked online.

The capacity challenges in post-investment stages include in-contact with the borrower and visits conducted from time to time and the monitoring of the borrower's bank account. The agencies need to have the post-investment monitoring capacity at the regional level as opposed to housing the function at the head office. Currently, the visits to the borrower and the monitoring of the bank account happens after a while. The improvement of technology capacity within the agencies will bring efficiencies. The information asymmetric for the agencies is high as compared to the private banks. The private banks have 24-hour access to the borrower's bank account number while the agencies do not have. The new processes within the agencies, new contractual terms with the borrower and partnership with the private banks will allow the agencies to better monitor the borrower's bank account and act promptly if necessary.

Having capacitated and qualified staff, executives and committees' members is vital for the functioning of the agencies. It is both objective and progressive to have loan approval committee members and staff who are qualified and in possession of business management experience. Such will ensure that those who are supposed to approve loans and implement programmes have full appreciation of the challenges faced by the SMEs. The need for improving the new staff members orientation programmes is valid. The key staff members such as investment officer who previously worked for private banks require paradigm shift when they join the DFIs. The developmental mind-set orientation programmes are required.

6.3.2.3 *Political Influence and Corruption*

This study has found that the government agencies are influenced by politics. Firstly, the political influence comes from the nature of governance and administration of the agencies since the agencies themselves are established by politically led institutions. The office of the president and the different ministerial department providing oversight over the agencies. This type of political influence only impacts the appointment of the boards and the executive as well as the adoption of programmes administered by the agencies. A recent adopted programme on township businesses has significantly reduced the amount of money allocated for each business in order to increase the number of beneficiaries. The higher the number of beneficiaries, the better for political reporting on the number of beneficiaries. Unfortunately, the impact of the support itself on businesses is low.

The undue political influence that the respondents condemned is the one that breeds and push corruption. Some officials demand bribes. Corruption allegations also came from lack of transparency and accountability from government and the agencies administering COVID-19 SME disaster relief funds. Corruption findings in government-funded agency was also found by Mishi (2018). According to Mishi (2018), the Old Mutual Kurera/Ukondla Youth Empowerment Fund was established in Zimbabwe to cater for youth businesses. The fund was characterised by corruption elements, mismanagement and high payment default which led to the suspension in 2014. Chawafambira (2014) found that the funds were distributed to politically connected youth who were aligned to the ruling Zanu-PF, hence the high payment default. SMEs in South Africa are constrained because of corruption (Omer *et al.,* 2015). Collaboration and partnerships between public and private sector role players are seen as the mitigation against corruption. The private sector with its own matured credible loan assessment systems can assess the applications and the government can disburse the funds thereafter.

6.3.2.4 *Policy and Regulatory Framework*

On the supplier of SME funding, this study has found that government regulations contribute to funding constraints. South Africa does not have enough equity funding options and there is less support for alternative funding options for SMEs. SAB Foundation and Allen Gray Orbis Foundation (2017) also described the South African regulatory framework as inefficient and to be working against the entrepreneurial ecosystem. According to SiMODiSA (2015), some of the components in South African entrepreneurship ecosystem such as regulatory framework, resources, market access and cultural entrepreneurship spirit requires attention and to be strengthened. Government needs to bring more regulations and policies to remove legal uncertainties, improve investor protection and promotion of peer-to-peer lending more and equity-type instruments as well as other alternative funding (OECD, 2018).

6.3.2.5 *Low Level of Equity Investors*

This study has found that equity funding options are less available for SMEs in South Africa. This finding is consistent with Beck and Cull (2014). Beck and Cull (2014) posits that the whole African continent has few equity finances instruments and vehicles available (Beck and Cull, 2014). The respondents have however highlighted the benefits of equity finance such as the reduction of risk profile and not having to honour the monthly repayment obligation upon receiving funding irrespective of the cashflow availability.

The respondents raised the reluctance of SME-owners in giving the business's stake and control away in the event of receiving equity funding. According to Adair and Adaskou (2015), firms avoid external form of finance if an option exists to use internal funds. Moreover, equity financing is avoided whenever the opportunity of debt financing exists. Equity financing is considered costly because issuing of new equity decreases the firm value due to "Lemon Premium "(Siljander, 2018). Mostafa and Boregowda (2014) argue that SMEs having more growth opportunities should prefer debt financing ahead of equity. The survey results of a study conducted during 2019 shows the private lender funding (including crowdfunding) option receiving the lowest score (3.3 which is lower than 3.9 awarded to government subsidies) amongst other sources of funding in South Africa (Bowmaker-Falconer & Herrington, 2020). Rungani and Potgieter (2018) posits that venture capital option is not accessible to newly established SMEs.

Researchers found that SMEs have trouble in accessing finance resulting in slow growth and development (Beck & Demirguc-Kunt, 2006; Beck, 2007; Klonowski, 2012). Lack of business growth threaten sustainability and success. Other success disabling factors beyond the lack of access to external funding are discussed in the next section.

6.4 FACTORS IMPEDING SME SUCCESS (CONSTRAINTS)

This section addresses the first main research objective; that is, to explore the reasons for black SME-owned failure in South Africa. The high percentage of SMEs failure rate warrants an investigation into what the causes of poor performance and failure are (Rungani and Potgieter, 2018). The data collected in this study revealed that the constraints experienced by Black-owned SMEs fail in South Africa are lack of access to entrepreneurship/SME value chain support systems, high dominance of survivalist entrepreneurial practice, skills and competency deficiency, lack of or poorly formalised collaborative and partnerships and unsupportive policy regulatory framework. Lack of or limited and costly finance is a major success disabling factor for SMEs.

6.4.1 Lack of Access to Entrepreneurship/SME Value Chain Support Systems

The respondents reported that there is a need for a well-structured accessible SME/Entrepreneurial support ecosystem. The structural support system must provide business support services such as advisory, incubation, mentorship, product development support, funding, access to market, accounting, access to technology, office space and other support services. The family support structure, social and business networks are also regarded as key support systems. Currently, these support services are not easily accessible to the majority of entrepreneurs. The SME support interventions in South Africa lack emphasis enablement interventions that directly improve success and sustainability (Pergelova & Angulo-Ruiz, 2014).

Previous research work conducted on the South Africa's SME environment made similar findings. Lack of access as a major constrain for SME growth has already been extensively discussed. Omer *et al.* (2015) has found that the small business support provided by the government to be insufficient. W&RSETA (2016) also noted the need for the government to speed-up the mentorship services. According to Saberi and Hamdan (2019), business incubation is implanted in the Gulf Cooperation Council (GCC) countries to offer opportunities to entrepreneurs with new business ideas requiring support to turn them into profitable projects. The non-finance support services such as mentorship and coaching programmes are critical for the reduction of moral hazards (Mishi, 2018).

South Africa is a developing country with limited budget allocation for SMEs – the participation of the private sector in the provision of entrepreneurial/SME value chain support structures. Currently, the private enterprises in compliance with the B-BBEE policy requirements, implement Enterprise Development Programmes (ESD). Programmes offered through the ESD include training and other support services. Not much impact has been made through such programmes. The government's ability to enforce compliance in policies and regulations aimed at promoting SMEs and transformation has been identified as an area of improvement. The market environment is highly competitive for SMEs, hence more support is required. Within the government and the organs of state open tender procurement events, SMEs still have to face the competition from well-established firms. The SMEs do not have access to services such as advisory, mentorship, experimental training at non-cost or low-cost basis.

6.4.2 High Dominance of Survivalist Entrepreneurial Practice

The South African SME sector is highly dominated by survivalist entrepreneurs who make up about 69% of SMEs (BER, 2016). Emerging market economies have conditions forcing citizens into entrepreneurship (Fitch & Myers, 2000; García-Cabrera & Gracia

Garcia-Soto, 2008). South Africa is an emerging market economy. It can be argued that people become entrepreneurs as a result of “push” or “pull” factors. According to Saberi and Hamdan (2019), push factors include unemployment, disagreement with management, “misfit” in companies and lack of alternative career choices. Survivalist entrepreneurs have been pushed by high unemployment rate. The SME success prospects would be better if it were the opportunity-driven entrepreneurs that are in the majority.

Opportunity-based (entrepreneurship) theory argues against Schumpeterian presentation of entrepreneurs as catalysts. According to Drucker (1985), an entrepreneur always searches for change, responds to it and exploits it as an opportunity. The opportunity-based approach includes resourcefulness (Simpeh, 2011).

6.4.3 Entrepreneurial Skills Deficiency

This research has found that the level of entrepreneurial skills is low in South Africa. Specifically, key skills such as technical, business management, recordkeeping, market research, marketing, and general operations requires interventions. Similar entrepreneurial skills deficiencies have been previously found by previous research work (Adendorff *et al.,* 2013). The work conducted by OECD (2014) found the common skills barriers that entrepreneurs have being financial literacy, business planning and management. Brière *et al.* (2014) found identified skills requirements for the South African entrepreneurs in human resources, financial and social capital.

Omer (2016) posits that finance is required to develop human capital and skilled employees needed for production demands in SMEs. Having skilled resources is more compelling for SMEs as compared to larger firms (Omer, 2016). The lack of skills seems to be directly related to limited access to financial resources.

Internal SME operations are characterised as weak, non-standardised in relation to financial management (Hu and Wang, 2016). The interview respondent highlighted examples of entrepreneurs funding their lavish personal lifestyles with business resources. Entrepreneurs with skills and expertise gain trust when applying for funding and or bidding for jobs. Business track record builds compelling business case and demonstrate the capacity to deliver. Furthermore, the skills capacity reduces the high-risk profile status. The country’s public education quality and generalised training programmes are also blamed for skills level deficiency. According to Turton and Herrington (2012), the South African public education system is classified as the worst in the world, far worse even than peer developing countries. It is being argued that skills development can close the skills gap.

The human capital theory postulates that acquired knowledge and skills (education) raise the value of a person's human capital, thereby increasing their income potential and productivity (Furia *et al.,* 2010). The human capital theory postulates that skills are gained because of investment in education and exposure to practical work experience (Becker, 1964). Entrepreneurial skills play a vital role in the success of any business venture (Brière *et al.*, 2014). South Africa's poor educational system is classified as the worst in the world (Turton & Herrington 2012). Skill is the proficiency in performance of a task as a result of investment in education and experience, and can be improved by training, practice and development (Furia *et al.,* 2010).

6.4.4 Lack of or Poorly Formalised Collaborative and Partnership Programmes Aimed at Supporting SMEs

The SME support programmes implemented by the SEDA and other government entities lack alignment and coordination. This is evident in the past and current less impactful programmes such as CGS, ESD, SME market access, skills development, business incubation and other support services. The respondents highlighted some key successes achieved through some of these programmes to emphasise the value of collaborations and partnerships. The government as the active role player in addressing market failures has the responsibility to play the leading role in addressing the problem. The government departments offering SME support programmes do not have a view of what the other entities are doing. This study has found that there is no database recording SMEs participating and benefiting from government supported programmes. It is therefore possible that one SME can benefit from a similar programme offered by different entities.

In the main, the government supported programmes seek to promote SME participation, build skills and capacity, improved access to market in the forms of product listing and create procurement opportunities. The approval processes between the private and public sector are not aligned. Collaborated partnerships are undermined by bureaucratic processes within government and SOEs.

6.5 FACTORS ENABLING SME FUNDING

This section provides the discussion on factors enabling SME funding. The third main research question of this study is to identify the factors that enable SME funding of businesses owned by black entrepreneurs. The factors enabling SME funding are improved access to entrepreneurship and SME value chain support system (structures), improved entrepreneurship skills proficiency, formalised public-private collaborative partnerships, bankable business case, flexible and accessible loan application process, improved internal government and agency governance and capacity, effective communication, blended finance model, contract management, post-investment monitoring and support, dedicated SME banks and supportive policy and regulation framework.

6.5.1 Improved Access to Entrepreneurship/SME Value Chain Support Systems

This study has revealed that most black entrepreneurs have low entrepreneurial skills, lack direct access to role models, social and business networks, financial support, and opportunities. Right skills build required capacity to reduce high-risk profile when seeking funding. Direct access to social and business networks provides opportunities for information sharing that increase awareness level about the funding options and the means to build compelling business case. The financial support provides a necessary muscle to acquire and build skills capacity, outsource the production of business plan and audited financial statements required to support any loan application. Furthermore, the SME value chain support structure provides market access such as product listing, referrals, office space and technology infrastructure.

Both public and private sector role players such as banks and enterprises have a role in entrepreneurship value chain support system. Pickernell *et al.* (2013) put emphasis on governmental support in the provision of services such as skills development, advisory services and subsidies. There is a need for more emphases on the success and sustainability impact-oriented SME support interventions in South Africa (Pergelova & Angulo-Ruiz, 2014). The entrepreneurs, more specially in start-up stages, need access to entrepreneurship value chain system for support-related needs. The current support interventions by both private and private sector do not meet the needs of SMEs (Rungani and Potgieter, 2018).

A value chain refers to the ‘entire input-output process that brings a product or service from initial conception into a consumer’s hands’ (Adinolfi *et al.* 2018). The SMEs need support that make available help services from a start-up stage to growth and sustainable stages. Researchers emphasise government support for entrepreneurship, be it through subsidies, skills development, and advisory services (Pickernell *et al.,* 2013) or less restrictive policies (Michael and Pearce, 2009). The findings of this study are consistent with the previous research work. According to Saberi and Hamdan (2019), business incubation is implanted in the GCC countries to offer opportunities to entrepreneurs with new business ideas requiring support in order to turn them into profitable projects. Saberi and Hamdan (2019) acknowledge the role of networking in that it facilitates knowledge sharing and increase one’s business opportunities. According to Swedberg (2002), entrepreneurial opportunities can be found within a person’s social networks. DSBD (2017) acknowledged the role the government should play in facilitating cost effective office premises for SMEs.

The establishment of effective support structures will assist the SMEs to gain competitiveness, gain market access and meet the funder’s requirements.

6.5.2 Entrepreneurial Skills and Competency

The SME loan application assessment process requires that the SMEs demonstrate the capacity to deliver services and products as well as managing the resources. The interview respondents used the analogy “it is betting on the jockey than the horse” just to emphasise the importance of skills possessed by the entrepreneur. The right skills build capacity to deliver on the projects or operations which will result in profits required to repay the borrowed money. It has been found that the SMEs lack of managerial skills (Brière *et al.*, 2014), financial literacy, business planning and management (OECD, 2014). Similar findings have been previously noted and said to undermine the development of SMEs.

Internal SME operations are characterised as weak, non-standardised in relation to financial management (Hu and Wang, 2016). The weakness in financial management and discipline is associated with the use of business finances on personal affairs. The interview respondents raised specifically the funding of flashy lifestyles by SME-owners upon receiving funding from the DFIs. This behaviour leads to high-risk profile of the SME and information asymmetric challenges. The provision of non-financial support services and effective post-investment monitoring services mitigate against the risk associated with low skills levels. According to the Canadian Youth Business Foundation (2010), the provision of non-financial support such as mentorship, management and financial skills increased the repayment rate to 94 % in the youth owned businesses.

6.5.3 Formalised Collaborative and Partnership Programmes Aimed at Supporting SMEs

This research has highlighted the importance of having effective, formalised, collaborative and partnerships in support for SMEs. Partnerships and collaboration among private and public entities are vital for the development and advancement of SMEs (Bowmaker-Falconer & Herrington, 2020. The implementation of the CGS and referral programmes requires full participation from both public and private entities. The lack of alignment of objectives in the processes are exposed through the approval delays and even less participation from other partners. CGS lead to the reduction of both lending costs and risk associated with the enterprise (Finfind, 2017). According to Finfind (2017), CGS only account for 0.03% of South Africa's GDP and this is the true reflection of how the market has not embraced the option. An improvement is this respect is speedily needed. The CGS must be designed to address the needs of their beneficiaries (OECD, 2018). The data collected for this study reveal that the administration of the CGS in South Africa is complicated.

The market access partnerships which facilitate product listing for SME are critical for both business success and unlocking of the access to external funding. The lack of access to market is one of the reasons some of the business case documents submitted by SMEs are said to be un-bankable. The proposed blended finance programme is reliant on the effective partnerships between the providers of funding, opportunities, and support programmes. While government allocates budget for business incubation and mentorship programmes, it is the private companies in the private sector that has the expertise and capacity to provide such services to SMEs. A well-coordinated, collaborated formalised partnerships are vital for the development and success of SMEs.

6.5.4 Compelling Business Case

This study has found that some of the loan applications submitted by SMEs are rejected owing to the inability to demonstrate that their business concept, product, or services they offer are commercial viability, proof of market access as well as the capacity to deliver. According to Mutambatsere and Schellekens (2020), investors will allow a project to proceed when it is deemed bankable at a reasonable cost of financing. The data have also shown that lack of innovation work against the SMEs. The firm's ability to demonstrate innovativeness improve the chances of accessing bank finance (Erdogan, 2019). Some researchers have previously found that factors contributing towards SMEs finance application rejection include lack of financial literacy, substandard crafted business plan, poor managerial skills, and other external factors (Dumbu & Chidamoyo, 2012; Finfind, 2017).

The return on investment "projects" are relatively low in Africa (Beck and Cull 2014); hence the funders may decline to fund the business. The SMEs challenges of market access are well recorded in the literature. Mutoko *and* Kapunda (2017) listed the challenges that threaten survival of SMEs including lack of access to markets, lack of business acumen, poor or no recordkeeping on business performance, poor quality products and lack of competitiveness. The SMEs may submit the substandard business plan documents owing to the costs associated with getting professional external service providers. One SME-owner said he was charged R10 000 for a business plan.

According to Dlova (2017), meeting the requirement of business plan submission and other important documents including project feasibility reports support the SME in mitigating against the information asymmetric challenges. Lack of skills and knowledge to compile bankable business plans has been highlighted by this study. SEDA provides free services to assist SMEs with the development of a business plan. Still, the business plan gets rejected. The respondents have in the main indicated their support for a common business plan template to be adopted in South Africa. The DSBD is seen as the central entity to rally all stakeholders to adopt one standardised business plan to be accepted by both private and public institutions

6.5.5 Flexible and Accessible Application Process

This study has found that the SME loan application process established by the DFIs is lengthy, complicated, and non-flexible. The commercial bank's application process is highly responsive but too strict; hence SMEs with potential get rejected. The finding characterising the government's process as lengthy and complicated is in line with Domeher *et al.* (2016). According to Domeher *et al.,* (2016), the process itself is bureaucratic and is characterised by red tape and lengthy procedures. The respondents from the DFIs highlighted that it was deliberate to have such stringent process given the need to ensure accountability and prevent corruption. It must be noted that the cost of such lengthy process is borne by the struggling SMEs.

Another cause of delay is the centralised approval powers. In cases when the SMEs have an urgent deal and the funding application is accompanied by the purchase order, the DFIs processes are too long and sometimes go beyond the purchase order 30 days validity period. The respondents (SME-owners) appeal that there should be a purchase order process dedicated to government and SOEs requites. Such an appeal is justifiable and feasible given that the South African Treasury has a CSD system that advertises all government tenders. The purchase order verification must be done online to shorten the process. The government bureaucratic character further affects the SMEs cashflow and leads to business closure when the government itself fails to pay the SME suppliers within 30 days. The proposal to foster compliance on the side of government is that a system to record and escalate all unpaid invoices after 30 days of submission must be created. All unpaid invoices must earn interests while they remain unpaid.

The commercial banks are strict and yet gave the approval delegation to the regional structures. The respondents' views about the private banks on the SME loan applications is that they are too stringent. Domeher *et al*. (2016) also characterised the private banks as too stringent for start-ups. Watkins (2012) further described the process of obtaining external finance as "impossible" given the fact that the banks have classified the SMEs as non-low risk category clients. More SMEs can access external funding from the banks if the banks themselves can be flexible in their assessment processes, and also in collaborating with government's administrators of CGS.

6.5.6 Improved Government Agency Internal Governance, Decentralised Approval Delegation and Skills Capacity

The challenges within the government-funded agencies identified in this study include lengthy, complicated, and non-flexible business loan application process, lack of governmental agency regional approval mandate, agency internal operational challenges, technology systems and application. The internal operational capacity challenges also include skills and competencies of staff, executives, and the composition of the loan approval committees. The finding on the lack of capacity within government funding agencies is consistent with Parliament findings (SA Parliament, 2016). On the bureaucratic character, Domeher *et al.,* (2016) found that the process itself is bureaucratic and is characterised by red tape and lengthy procedures.

The lengthy process is exacerbated by lack of loan approval mandate at the regional level. The loan approval powers have been centralised and delegated to the approving committee. This practice is different from the processes employed by the private banks.

In the operations of private banks, the regional structures have the mandate to approve the loans. Furthermore, the DFIs employ the same process when processing a loan application requesting an amount of R250 000 as it were for a larger amount. A five (5) pager motivation should be adopted and that the loan approval should be decentralised to the regional level. The delegation of approval powers to the regional level must be made with serious considerations and conditions. For an example, one SME must only have one loan approved at the regional level in one year – the subsequent applications must be approved at the central committee. Such conditions will prevent a situation whereby people working within the system can submit multiple applications requesting small amounts to prevent scrutiny at the central committee.

The government-funded institutions (DFIs) also lack technology capacity. The respondents have highlighted the need to have bank-like technological systems to facilitate pre-approval scoring, online application submission and progress tracking and to monitor the borrower's accounts. Technology can be used to facilitate real-time monitoring post the loan approval and granting (Hu and Wang, 2016). Lengthy application process is also caused by the manual system dominated processes. The fact that every lodged application is evaluated equally means that the 85% rejected cases only serves to delay the potential cases. If the pre-approval system were in place, the volume of work requiring further processing would be reduced. The capacity levels will be improved further owing to the reduced number of telephonic calls and walk-ins since enquiries on lodged application status can be tracked online.

The capacity challenges in post-investment stages include in-contact with the borrower and visits conducted from time-to-time and the monitoring of the borrower's bank account. The agencies need to have the post-investment monitoring capacity at the regional level as opposed to housing the function at the head office. Currently, the visits to the borrower and the monitoring of the bank account happens after a while. The improvement of technology capacity within the agencies will bring efficiencies. The information asymmetric for the agencies is high when compared to the private banks. The private banks have 24-hour access to the borrower's bank account number while the agencies do not have. The new processes within the agencies, new contractual terms with the borrower and partnership with the private banks will allow the agencies to better monitor the borrower's bank account and act promptly if necessary.

Having capacitated and qualified staff, executives and committees' members is vital for the functioning of the agencies. It is both objective and progressive to have loan approval committee members and staff who are qualified and in possession of business management experience. Such will ensure that those who are supposed to approve loans and implement programmes have full appreciation of the challenges faced by the SMEs. The need for improving the new staff members orientation programmes is valid. The key staff members such as investment officer who previously worked for private banks requires paradigm shift when they join the DFIs. The developmental mind-set orientation programmes are required.

6.5.7 Effective Communication

Better and effective communication is required on the side of the DFIs and the government. This will address the identified problems such as lack of awareness on the side of the entrepreneurs, politically interfered communicated offerings, and the clarification of the application requirements. Effective communication also means technology can be used to accept, process, and validate applications online. The tracking and communicating of the progress and outcome can be communicated online and electronically in a way of reducing both the walk-ins and telephonic traffic. Lastly, the technologically enabled communication must deliver the client account transactions, verify purchase orders issued by the organs of state and improve operational efficiencies.

6.5.8 Blended Finance Programmes

Blended finance means the approval of SME loan application is coupled with a grant portion that unlocks access to non-finance support services. SMEs are regarded to be too risky and some of the effective ways of reducing the risk is through skills development, business incubation, access to mentorship, and acquisition of certain skills required to build required capacity levels. The implementation of blended finance is possible through the partnerships between public and private sector role players. According to Mishi (2018), non-finance support services such as mentorship and coaching programmes are critical for the reduction of moral hazards. According to OECD (2014), the government makes soft loans available to cater for entrepreneurs who would otherwise not be funded by the banks.

Blended finance further calls for fast-tracking and improvement of public-private partnerships in the administering of CGS and other collaborative programmes. The

SMEs that the banks would otherwise not fund will now be recommended for further assistance in the blended finance. The government will be responsible for granting funding which will cater for the enablement part which the private bank would have identified. This process will leverage the private banks' participation in the development and transformation of the South African small business sector.

6.5.9 Contract Management

This study has found that the government-funded agencies struggle to monitor the client's bank accounts. As such, information asymmetric challenges remain high for SMEs. There are previous reported cases whereby entrepreneurs abused the loaned amount by financing their personal flashy lifestyles. Some of the previous proposed and piloted ways of addressing the problem include an arrangement made for the official from a DFI to be granted "view-only" access on the client online banking account profile (to log on and monitor the accounts). The lack of contracts permitting such practices and the potential breach of legislations protecting the rights of individuals have not assisted the situation. In order for the DFIs to improve the monitoring of the client's accounts, better contracts signed by SME concerned, private bank and the DFI are required. The bank-like systems that give the DFIs a 24/7 access to the client's banking account is the best solution in addressing information asymmetric challenges. Better contracts signed by the client to grant the private bank the permission for the DFI to access banking information is critical.

One respondent from a DFI institution highlighted that there is currently one contract template used when finance is granted. The terms and conditions are not specific to a specific deal being signed. Another proposal that is only possible through better contracts is the innovation around mitigating against lack of collateral. Flexible contract can be entered into between the supplier of funds and the borrower whereby a certain amount will be saved on monthly basis to achieve the following:

- Demonstrate financial discipline.
- The ability to save to build collateral.
- Business profitability.
- Reduce interest rate in proportion to the locked current savings amount which becomes collateral. The saved amount will be soft locked and only accessible through request.

A good lender-borrower relationship can be a solution for information asymmetry (Mutoko & Kapunda, 2017). According to Mutoko *and* Kapunda (2017), retained earnings or internal financing of the firm can influence credit rationing by the financier. Better governance can help enforce financial contracts for SMEs, which facilitates their access to finance (Rojas-Suarez and Amado, 2014). Contracts can be designed to present incentives which will encourage clients (borrowers) to make available critical information about the initial set of transactions as a way of mitigating against information asymmetric challenges (Mutambatsere and Schellekens, 2020).

6.5.10 Post-Funding Monitoring and Support Services

The most-funding monitoring services monitor the business activities of the SME that has borrowed money through business premises visit, interviews, and reports submission. The lack of post-investment monitoring keeps the information asymmetric high and, in the past, the clients did not use the borrowed money for the purpose indicated during the application and the lender did not know until it was too late. Furthermore, post-investment monitoring builds a relationship between the borrower and the lender. According to Berger and Udell (1995), long relationships between a financial institution, or even a specific loan officer, and the borrower can help overcome problems of information asymmetry and therefore risk. The benefits of effective post-investment monitoring include being able to detect early and assist when the business encounter challenges as well as improving trust levels between the borrower and the lender.

6.5.11 Dedicated SME Banks and Alternative Funding

The model through which the banks provide loans to SMEs is not suitably designed to deal with small loans and this exacerbates small businesses challenges since their loans are generally small (Agwa-Ejon & Mbohwa, 2015). The SME funders use the traditional scoring models which are developed to best suite medium and large businesses (Finfind, 2017). This study has found that the alternative funding providers such as Fin-Techs pay specific focus in understanding the business of SMEs. However, this is contrary to the private banks whose systems are designed for traditional large enterprises.

One respondent made an example of the Indian corporative bank which serves the corporative. The corporative bank has full understanding of the corporative and therefore, it serves the industry better. It has also been suggested that the alternative funding institutions serving the SMEs must be incentivised further by tax breaks and grants. The Chinese government make grants available to private institutions providing loans to SMEs (Ojeka, 2011). According to Ojeka (2011), tax incentives are also extended to the venture capitalists for investing in SMEs. Alternative funding options such as Angel investors brings a wealth of expertise and provide mentorship because they were entrepreneurs themselves (Kerr *et al.,* 2010).

6.5.12 Supportive Regulatory Framework

It has been proposed in this study that the reduction of SME high-risk profile can also be achieved through effective SME cost structure. This calls for making SMEs an attractive asset class through the reduction of other policy or regulatory imposed costs. Akanbi *et al.* (2016) recognise the effect of macroeconomic policy in Nigeria on SMEs financing and growth. It is the government's responsibility to bring more regulations and policies to remove legal uncertainties, improve investor protection and promotion of peer-to-peer lending more and equity-type instruments as well as other alternative funding (OECD, 2018). Supportive policies and regulations have a role in improving SME funding.

Although the SMEs enjoy tax benefits, the threshold level can be improved. Furthermore, the cost of compliance with the tax system makes the SME cost structure non-attractive to the suppliers of funding. Further tax breaks are being proposed. Naicker and Rajaram (2018) also recommended a reform in tax policies to benefit the SME sector and subsequently for the achievement of sustainable growth and other SME objectives. SMEs can be exempted from paying tax, complying with CIPC submissions for the first five years or as long as their annual turnover is within a certain level. These proposals are only possible through the enactment of supportive policy and regulations.
About 72% of the participant in a study conducted by Naicker and Rajaram (2018) considered the regulations imposed by SARS to be inflexible and to be a major challenge for SMEs.

Regulatory reform can bring fundamental changes and strengthening the market environment (finance) (IFC, 2013). This was supported by the development of the property law enabling the creation of electronic registry database (pledging assets) for movable assets. Lenders were trained on how to use the system to base their credit decisions. Finally, Love *et al.* (2016) found that the introduction of collateral registries for movable assets can increase the likelihood of firms having access to bank financing by 10 percentage points, while also reducing lending rates and increasing loan maturities.

6.6 FACTORS ENABLING SME SUCCESS

This section provides analysis on the factors identified by the respondents as the enablers for SME success. These factors are informed by the data collected during this study, careful analysis (collected in this study) which confirmed the consistency between the data and other researchers' findings on the subject. The South African SME sector, particularly black-owned, needs improved access to external finance.

Presently, majority of SMEs fail to access external funding largely owing to their inability to meet the requirements, non-compelling business case and high-risk profile. The root causes of these failures include poor entrepreneurial skills, lack of access to market, lack or low budget for training, lack of access to support services, and highly competitive marketplace. The mitigation actions against these challenges include the establishment of entrepreneurial value chain support structures in each of the nine provinces in South Africa, improved internal governance and capacity within the government funding agencies, supportive policy and regulatory framework and the increased presence of the alternative funding options such as private equity. The four factors enabling SME success are access to external finance, improved access to entrepreneurship/SME value chain ecosystem, formalised collaborative and partnerships, and the supportive policy and regulatory framework.

6.6.1 Access to External Finance

Data carefully considered in this study have demonstrated the difficulties experienced by SMEs when seeking external finance. Both private and public funding institutions have shortcomings limiting accessibility. The high interest rates coupled with short-term loan repayment causes the burden, hence SMEs experience financing difficulties (Hu and Wang, 2016). For an example, the requirements imposed by the private banks are too stringent (Domeher *et al.,* 2016), and lack flexibility. The banks regard SMEs to be too risky because of information asymmetry, lack or poor creditworthiness, lack of business track record and the inability to produce audited financial statements (Erdogan, 2019). The commercial banks consider lending to SMEs as riskier (Ramlee & Berma, 2013; Fal, 2017; Rao *et al.,* 2021). Presentation of hard financial evidence such as financial statement is preferred by the banks (Erdogan, 2019).

This study proposes that the requirement for the submission of the audited financial statement be scrapped off for SMEs. The reasons for scrapping of the submission of audited statements include the costs and that alternative means through which the assessment of the SME's financials exist. Innovative ways can be used to analyse the three-six months bank statement to assess creditworthiness. The bank does not ask for audited financial statement when individual clients apply for a vehicle, home or personal loan. The credit checks are performed against the credit bureau database. The same method can be applied for small loans that are equal or less than an average property (home) or vehicle price. On average, the SMEs apply for a loan of R250 000. In South Africa, the banks finance vehicle and house purchase of amounts far more than R250 000.

The government-funded institutions struggle with internal operational and capacity challenges. The capacity constraints exacerbated by lack of regional office approval complicate and prolong the approval process. Bureaucracy and poorly coordinated programmes complicate and frustrate the implementation of CGS and other SME enablement programmes. Blended finance programmes and alternative funding options such as equity finance are required to improve access to funding. The SMEs need to gain access to support services in order to be bankable and capable to successfully run profitable businesses that can repay loans.

6.6.2 Improved Access to Entrepreneurship/SME Value Chain Support Systems

The shortcomings identified as reasons why SME loan applications are declined can be done through providing support services to the entrepreneurs. In order for the services to be accessible to as many aspiring entrepreneurs, South Africa must establish SME support structures in all nine provinces. Bowmaker-Falconer and Herrington (2020) also found that South Africa need to create accessibility to support services in urban, rural and township areas. Through the support structure, the entrepreneurs must have access to advisory services, mentorship, business incubation, assistance with product licensing, product listing, referrals, office space and technology infrastructure financial support provides a necessary muscle to acquire and build skills capacity, outsource the production of business plan and audited financial statements required to support any loan application. The SA government is considering making legislative amendments to allow the issuing of business licenses for cannabis to happen at the municipality level (SA Parliament, 2022).

Entrepreneurs must gain access to social and business networks. Both government and private sector role players such as banks and enterprises have a role in entrepreneurship value chain support system. The government must forge partnership with private companies in support of the entrepreneur value chain support structure.

Researchers emphasise government support of entrepreneurship, be it through subsidies, skills development, advice services (Pickernell *et al.,* 2013) or less restrictive policies (Michael and Pearce, 2009). According to Saberi and Hamdan (2019), business incubation is implanted in the GCC countries to offer opportunities to entrepreneurs with new business ideas requiring support in order to turn them into profitable projects.

6.6.3 Formalised Collaborative and Partnership Programmes Aimed at Supporting SMEs

The South African government must leverage the participation of the private sector in supporting the SME sector. There are policy and legislative requirements that compel the private sector companies to implement SME supporting programmes such as ESD, subcontracting, business incubation and procurement opportunities. The commercial banks and the providers of alternative funding options are also in the private sector. The implementation of CGS happen between the public and the private sector. Product listing for SMEs in the retail supermarkets is in the private sector. The government must establish contracts to officialise partnerships.

The government’s efforts to increase the market access for SMEs need the participation of private sector. The proposed blended finance programme is reliant on the effective partnerships between the providers of funding, opportunities, and support programmes. While government allocates budget for business incubation and mentorship programmes, it is the private companies in the private sector that has the expertise and capacity to provide such services to SMEs.

6.6.4 Supportive Policy and Regulatory Framework

This study has provided specific policy and regulations that are regarded as unsupportive to the SME funding, sustainability, and growth. The changes that are deemed necessary and warranted to support a thriving SME sector have been discussed. These include the alignment between PFMA and B-BBEE, tax exemption for SMEs and funding institutions providing financing to SMEs, labour laws that must be flexible for SMEs as well as the policy changes that are deemed necessary to attract new SME funding options such as Venture and Angel investors, crowdfunding and the introduction of intangible asset registries. The intangible assets registered in the central database can be recognised as collateral.

On labour laws, TIPS (2017) found 19% found the following regulations as burdensome: Issues with labour regulations included problems relating to bargaining councils, the Commission for Conciliation, Medication and Arbitration (CCMA), Workman's Compensation and so on. The state is against the dual labour market and therefore promotes more participatory and collaborative relationship between the employer (SME-owners) and the employees (TIPS, 2017). Entrepreneurs in South Africa have also singled labour laws being unsupportive to small businesses (Koshal, 2017).

Previous studies found general policies to be among other influencers in stimulating entrepreneurship and the role it plays in country's economic growth (Saberi and Hamdan, 2019). The alignment between PFMA and B-BBEE requirements will improve SMEs competitiveness during the government and other organs of state procurement opportunities and promote a supplier development that is linked to access to market access. The cost of compliance to VAT and tax are high for SMEs. Compliance to the regulations is time consuming and costly (Koshal, 2017).

In compliance with the Skills Development Act, SMEs with a salary bill of R 500 000 and more pay 1% as skills levy. According to TIPS (2017), only 37 % of the skills levy paying SMEs that can access the benefits. Owing to lack of capacity, SMEs fail to meet the requirements when submitting training funds claims at their respective Sector Education and Training Authorities (SETAs). Furthermore, SETAs impose certain requirements aimed at ensuring that workers receiving training obtain skills that are transferable and can support certification. The training courses meeting such requirement have minimum requirements that may be high and secondly, the time required for the workers to complete the course may be much more than what a small business may afford (to have someone in training). The granting of further tax exemption for SMEs will significantly reduce their cost structure. The practice of using tax holidays and tax rebates as incentives to attract private investment are known in agricultural sustainable development (Havemann *et al.,* 2020).

According to TIPS (2017), there are cases where VAT claims are not paid on time and therefore, SMEs cashflow is negatively impacted. The delay in VAT repayment are caused by audit processes. Furthermore, the tax regimes focusing on SMEs have imperfections. Any further reduction on the SME tax obligations will improve profitability and thereby attract investors. According to Rungani and Potgieter (2018), government can assist the SMEs through the reduction of taxation or taxation exemption within the first three years of commencement; statistics indicate that most SMEs fail within their first three years.

A small business in South Africa could at most comply with about eleven taxes (Naicker and Rajaram, 2018). The eleven taxes are namely, income tax, capital gains tax, provisional tax, dividends tax, value added tax, employees-tax, employment related levies, customs and excise duties, transfer duty, donations tax and stamp duty. Tax compliance is a costly exercise. Govender (2008) defined the tax compliance costs as all costs incurred by the business in satisfying all prescribed requirements set by the regulations. The South African Revenue Service (SARS) issues a certificate of compliance (good standing) to a firm upon successful filing of returns. The non-complaint firms may not be able to meet the requirement set by the providers of external funding, participate in government tenders, and could also miss out on the opportunities to be listed as in the corporates supplier database without a tax compliant certificate issued by SARS (Naicker and Rajaram, 2018).

In the study conducted by Naicker and Rajaram (2018), 53% of 85 respondents considered the preparation and submission of tax returns as a challenge. About 57.6% of respondents believe the time wasted on handling tax compliance matters could be better spent on business related matters. The respondents overwhelming (81.2%) rated the requirement to timeous make payment of monies to SARS as a challenge. The respondents (72%) further rated the inflexible regulations imposed by SARS as a major challenge for SMEs. In rating the tax related costs incurred by SMEs, the most disproportionate cost to achieve tax compliance is the hourly rate time spent by the founder, followed by cost of outsourcing tax services to external consultants, and lastly, the time spent by key employees (Naicker and Rajaram (2018).

6.7 SUMMARY

This chapter has provided a comprehensive the analysis on the interview-based data presented in the previous chapter. The analysis approach was based on making cross reference between the results and the findings of previous studies in the literature. Moreover, the outcome of the analysis has been used as a base for the quantitative study phase conducted in this study.

What are the causes of failure associated with SMEs owned by black graduate entrepreneurs in South Africa?

This study has discovered that the causes of failure associated with the SMEs in South Africa are, namely, lack of access to entrepreneurship/SME value chain support systems, high dominance of survivalist entrepreneurial practice, skills and competency deficiency, lack of or poorly formalised collaborative and partnerships and unsupportive policy regulatory framework. Lack of or limited and costly finance is a major success disabling factor for SMEs. The programmes implemented by the government have not yet had any significant impact on the ground.

What are the factors that enable SMEs funding for enterprises owned by black graduates in South Africa?

The factors enabling SME funding are improved access to entrepreneurship and SME value chain support system (structures), improved entrepreneurship skills proficiency, formalised public-private collaborative partnerships, bankable business case, flexible and accessible loan application process, improved internal government and agency governance and capacity, effective communication, blended finance model, contract management, post-investment monitoring and support, dedicated SME banks and supportive policy and regulation framework.

How can SME funding models be developed to address the financial constraints experienced by entrepreneurs and SMEs owned by black graduates in South Africa?

This study has found that the development of SME funding models and instruments should be cognizant of the South African context and adopt a developmental approach. The application of the rules should be flexible and not outrightly disqualify applications on technical and risk basis when a bankable or commercially viable concept exists. Risk reduction and mitigation factors such as training and skills development, mentorship and incubation have been proposed.

What are the regulatory factors that will hinder the adoption and implementation of a new SMEs financing model in South Africa?

The regulatory instruments such as labour and Tax laws are considered indirectly hindering the adoption and implementation of better SME funding models. High costs associated with tax compliance and the need for SMEs to pay salaries determined as the minimum wage renders them (SMEs) unattractive investment asst class. Necessary changes are recommended within the regulatory environment in order for the new funding models to be adopted. Further, the regulatory universe must support the participation of alternative funding options such as Venture and Angel investors, crowdfunding, and the introduction of intangible asset registries. The intangible assets registered in the central database can be recognised as collateral.

6.8 CONCUSION

This chapter has provided full analysis of the study's data collected via in-depth interviews. The analysis has enabled the study to address key research objectives of finding the reasons for the failure of black entrepreneurs in South Africa, the factors that enable SME funding of owned by black entrepreneurs and the review of South African policy and legislative framework in respect to how to supporting or limiting entrepreneurship.

CHAPTER 7: DATA ANALYSIS (QUANTITATIVE PHASE)

7.1 INTRODUCTION

The quantitative phase of this study was necessitated by the need to validate the findings of the qualitative phase. The phenomenon being addressed by this study involves various stakeholders; hence the need for a mixed-methods approach. The survey questionnaire emerged from the findings of the qualitative part of this research. Furthermore, the survey questionnaire tested the theoretical constructs depicted in the theoretical framework emerging from the literature review.

7.2 PARTICIPATION REPORT

This study targeted 250 survey responses given the potential participation population of around 700. Gill *et al.* (2010) recommend a sample size of 248 for a population of 700 based on Desired Accuracy with Confidence Level of 95%. The survey distribution method (electronic) reduced the population significantly since only participants with access to email and internet could be reached. SEFA and GEP selectively distributed the survey questionnaire of the entrepreneurs were not sampled in the recent surveys as a way of avoiding participation fatigue.

TABLE 9 : SURVEY PARTICIPATION SUMMARY

Participation Category (Survey)	No. of Participants	Percentage (%)
Entrepreneur/SME-Owner	**123**	***77%***
Work for a government funding institution (SEFA, IDC, NEF)	**9**	***6%***
Work for a Private Funding Institution (Banks & Private Equity)	**6**	***4%***
Academia, Consultant and related	**9**	***6%***
Work for Government, SEDA, SOE or any other institution providing non-financial support to SMEs	**13**	***8%***
TOTAL	**160**	100%

Source: Author's own work

7.3 THE FACTORS ENABLING SME FUNDING

The qualitative phase of this study conducted in-depth interview questions to gain knowledge from the sampled participants on what factors were deemed to be enabling the SMEs and entrepreneurship in South Africa. The thematic data analysis was applied on the data collected. The survey questionnaire instruments were designed to measure the acceptance, applicability, and validity of the findings of the qualitative study. This was achieved through the broadening of the participation sample from 30 to 250.

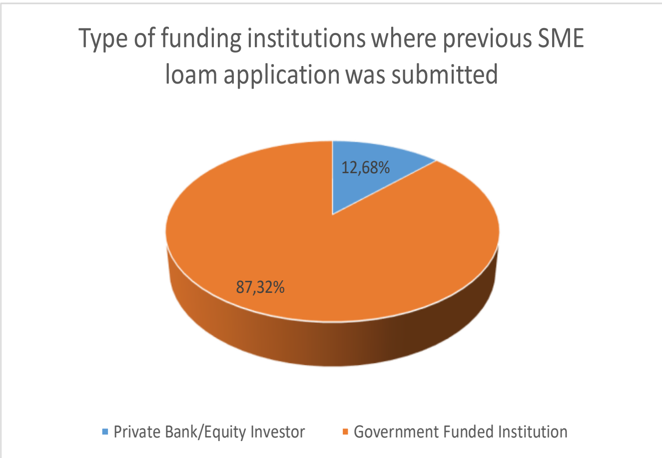
7.3.1 SME LOAN APPLICATION

7.3.1.1 *SME Loan Application Experience*

In total, 123 SME-owner or entrepreneurs participated in this research. About 57% (71 of 123) have previously applied for funding before. The remaining 42% (52 of 123) have not applied for any SME loan before.

Within the SMEs with previous loan application experience, 63% had applied for R250 000 and more while 36% applied for R250 000 and less. The previous research has found the average SME loan amount to be R250 000. Many SME loans were submitted with the government funding institutions or DFIs. Figure 10 presents both the numbers and the graph. More SME applications have been submitted to the public funding institutions (87%) compared to those submitted to the private funding institutions (13%).

FIGURE 10 : TYPE OF FUNDING INSTITUTIONS



7.3.1.2 *SME Loan Application Process*

The result of the qualitative phase of this study found the SME loan application at the public funding institutions to be lengthy, complicated, and non-flexible. This section presents the results testing the “lengthy” element of the finding. In testing the element, the entrepreneurs were asked to indicate the period it took before their loan application outcomes were communicated.

In Table 10, the numbers represent a picture that confirms that indeed it takes longer for the SME loan application to be assessed by the public funding institutions. Table 10 shows that only SME loan application and processed and finalised within one month. The bulk of the applications (42%) are processed and finalised after four (4) months and more. The private banks finalise 55% of SME loan applications within one (1) week.

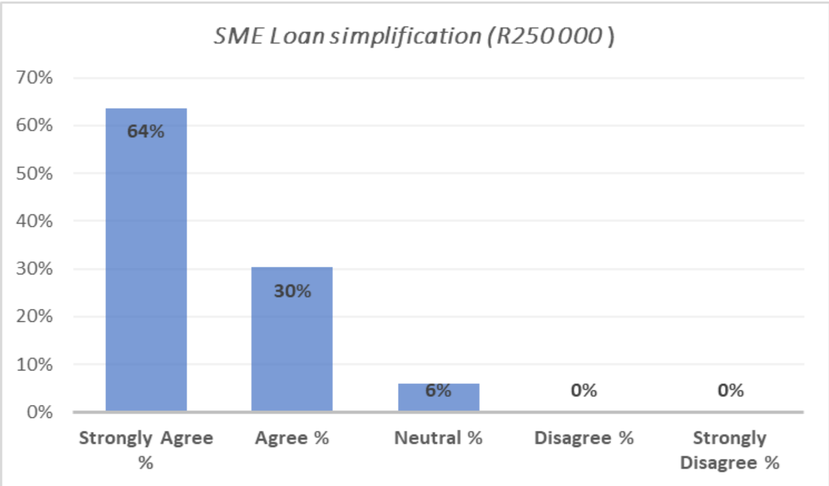
TABLE 10 : THE TIME IT TAKES PUBLIC FUNDING INSTITUTIONS TO PROCESS A LOAN APPLICATION (%)

SME Loan Processing Time	No. of Outcomes	Percentage
One Month	8	13%
Two Months	16	26%
Three Months	12	19%
Four Months and more	26	42%
TOTAL	***62***	***100%***

Source: Author's own work

During the in-depth interview phase, respondents proposed that SME loan applications submitted to request R250 000 and less should be simplified. The simplification of the application process must result in the reduction of the paperwork compilation (10 pager) and granting of approval delegation powers to the regional offices. On the reduction of paperwork compilation, the statement presented was: SMEs loan application for R250 000 and less should be simplified. The paperwork supporting the application must be reduced to ten (10) pages? In Figure 11, the results of the survey indicate overwhelming support for the simplification of the application process for small loans. About 64% strongly agree, 30% agree and 6% are neutral.

FIGURE 11: SURVEY RESULTS – SIMPLIFICATION OF THE SME LOAN APPLICATION



The survey results reflected in Figure 12 support for the removal of the requirement to submit the audited financial statement.

FIGURE 12 : SURVEY RESULTS ON THE AUDITED FINANCIAL STATEMENT REQUIREMENT 1

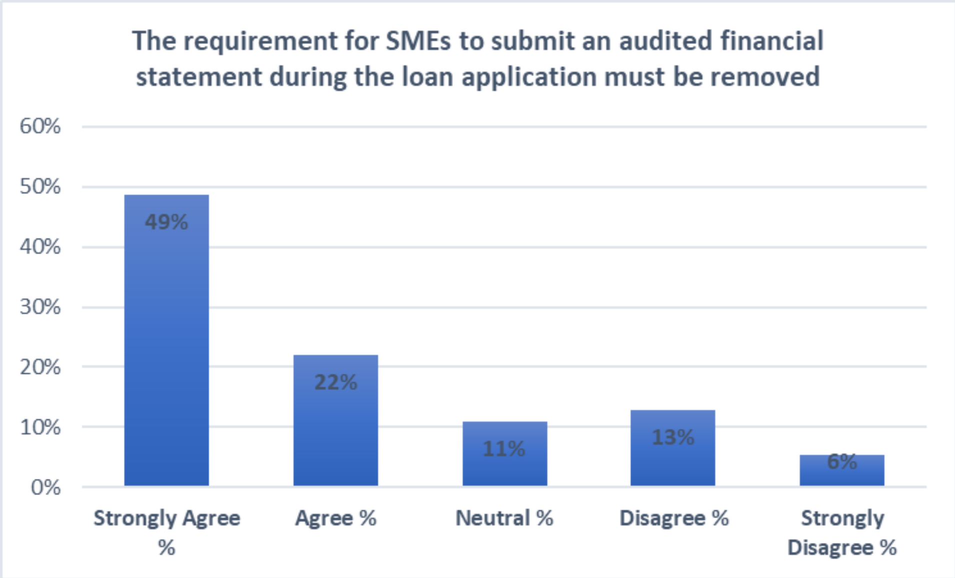
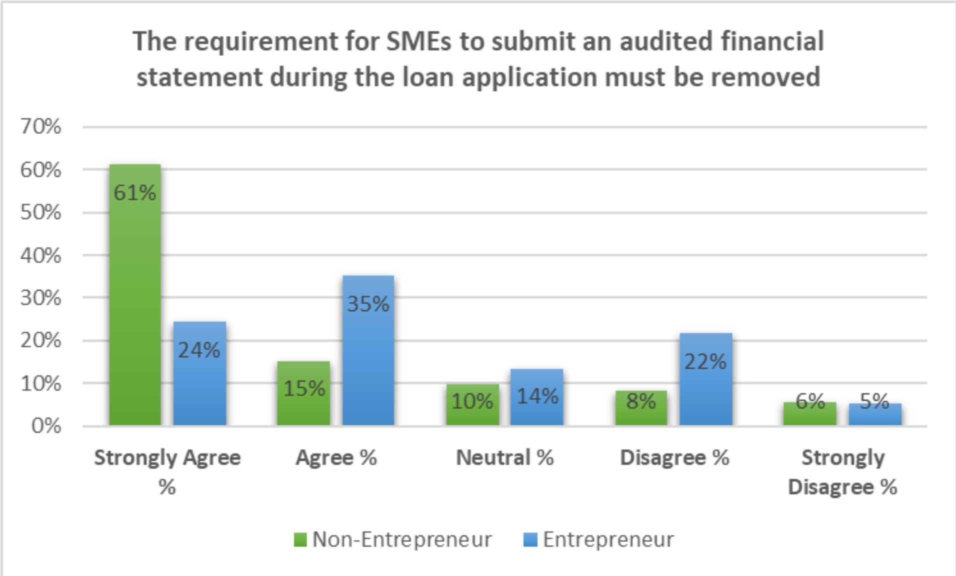


Figure 13 shows the survey responses from the entrepreneur and non-entrepreneur's perspectives.

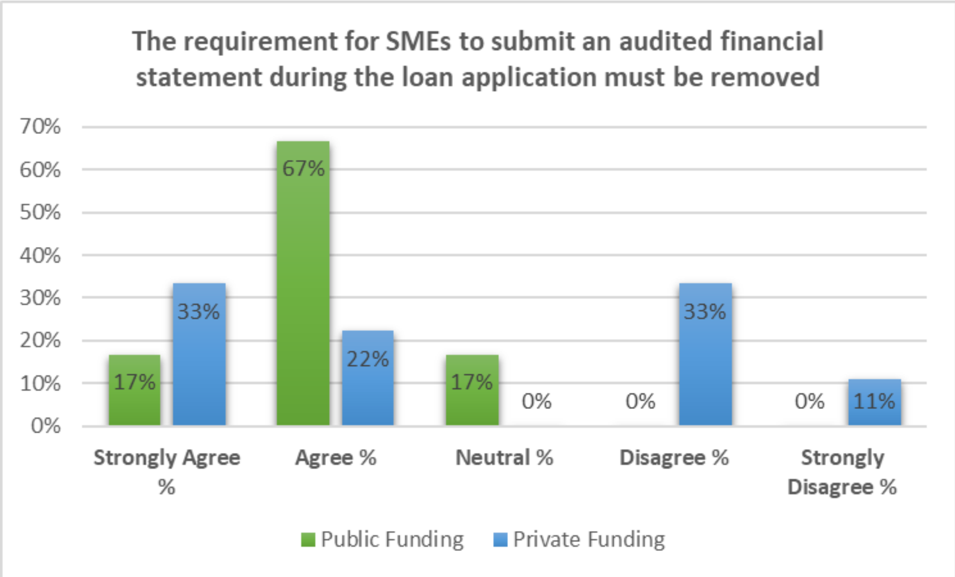
FIGURE 13 : SURVEY RESULTS ON THE AUDITED FINANCIAL STATEMENT REQUIREMENT 2



Survey report reflecting entrepreneurs and non-entrepreneurs

The entrepreneurs appear to be more in support of the call for the removal of the requirement as depicted by the survey results presented in the next graph. About 61% of the entrepreneurs strongly agree while 24% of the non-entrepreneurs responded with "strongly disagree". Although the non-entrepreneurs have 24% response rate on disagree, most of their responses are in support of the finding to remove the requirement for SMEs to submit an audited financial statement during the business loan application. Figure 14 below represents the views of the participants representing the public and private funding institutions. Although both groups support the removal of the requirement to submit the audited financial statements, the group representing public funding institutions is 84% agreeable than 55% from the private funding institutions.

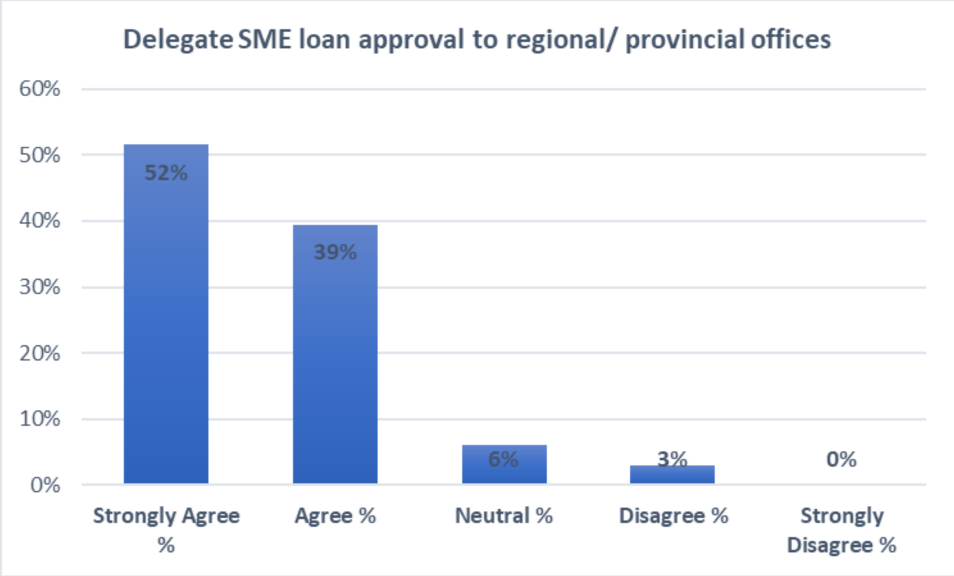
FIGURE 14 : SURVEY RESULTS ON THE AUDITED FINANCIAL STATEMENT REQUIREMENT 3



Survey report reflecting public vs private participants

The proposal of granting approval delegation to regional/provincial offices for SME loans amounting to R250 000 and less has been supported. The survey responses are represented in Figure 15. About 52% of the participants strongly agree with the finding. Also, in agreement are 39% survey respondents. In the neutral, there are 6% the other 3% is for those who disagree with the finding. This finding is therefore overwhelmingly validated.

FIGURE 15 : SME LOAN REGIONAL APPROVAL DELEGATION



7.3.1.3 *SME Loan Application Requirements*

The results of the qualitative phase indicated that among others, SMEs get their loan applications declined because of failing to meet the funder's requirements. One of the requirements is that of submitting an audited financial statement. The respondents further expressed their support for this requirement to be removed since other innovative ways which do not require SMEs to incur costs in the process are available for the funders to make objective assessments. The validity and applicability of this finding was tested during the quantitative phase questionnaire administration. The analysis of the survey results in Figure 14 shows how non-entrepreneurs and entrepreneurs' participants have responded to support the finding.

The comon business plan

Most of the respondents strongly agreed with the removal of the requirement of submitting an audited financial statement (51.8%), agree (30.6%), neutral (9%), disagree (8%) and strongly disagree (3%). Another requirement that SMEs regard as costly and yet required by the suppliers of funds is that of a business plan. The interview data revealed that SMEs in South Africa have low entrepreneurial skills. As such, SMEs submit un-bankable business plans which fail to meet the funder's requirements. The respondents recommended that there be a common business plan template which will be universally accepted by all funding institutions and other stakeholders supporting the SMEs in South Africa. The statement in Figure 16 was presented to the survey participants and they were asked to select from the Likert scale their preference. The majority of the respondents agreed with the adoption of a common business plan template (strongly agree 51% and agree 30%).

FIGURE 16 : SURVEY RESULTS ON THE INTRODUCTION OF A COMMON BUSINESS PLAN 1

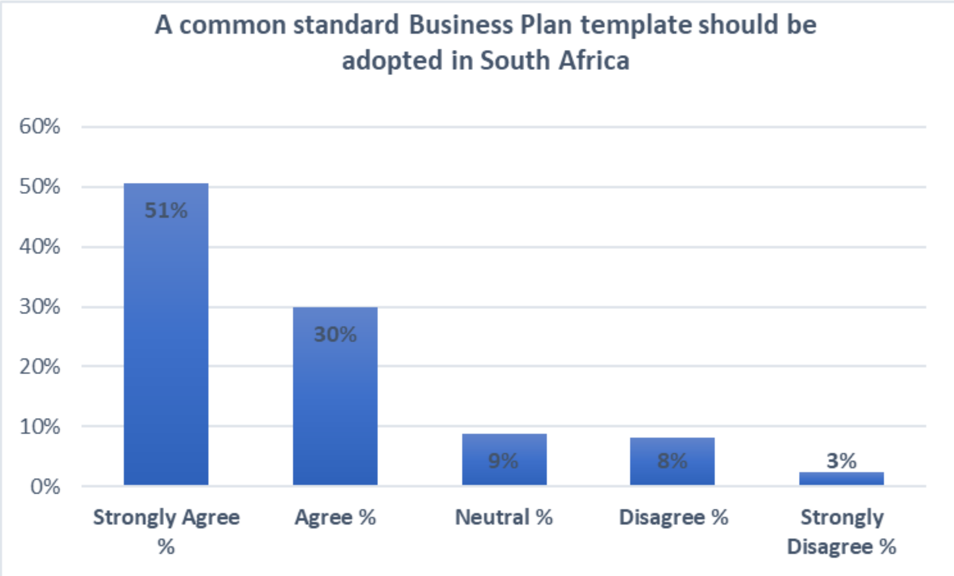
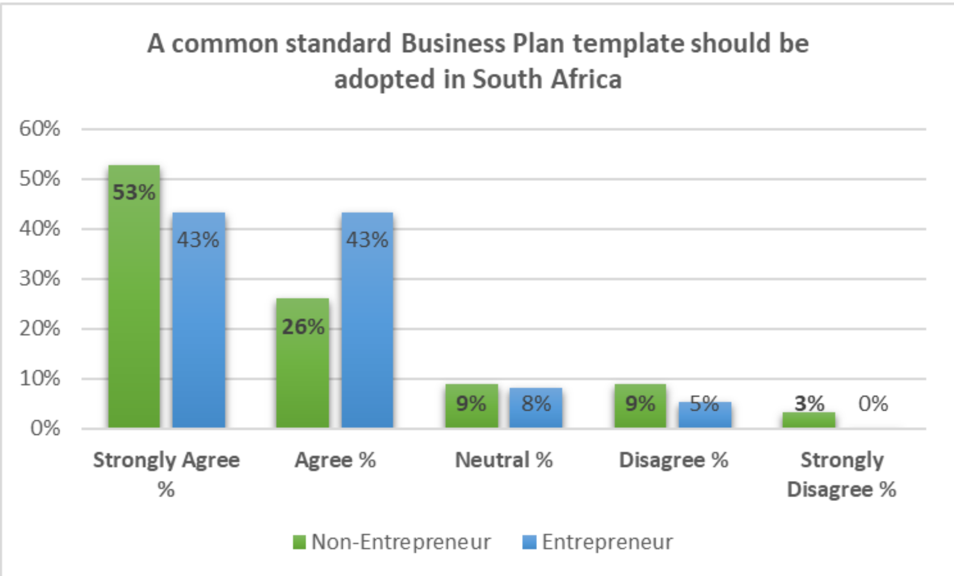


Figure 17 presents the findings in terms of how both the non-entrepreneurs and entrepreneurs.

FIGURE 17 : SURVEY RESULTS ON THE INTRODUCTION OF A COMMON BUSINESS PLAN 2

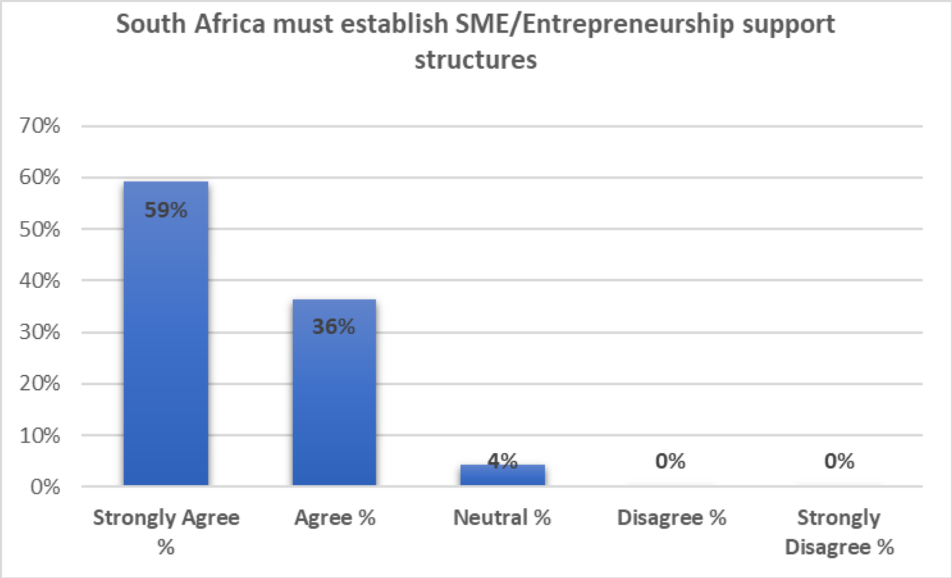


The responses from both the non-entrepreneurs and the entrepreneurs are more strongly in both the “strongly agree” and the “agree” categories. Interestingly, the non-entrepreneurs have given 53% for strongly agree and 26% for agree categories, hence presenting 79% approval for the finding. The entrepreneurs have given 43% support for bong strongly agree and agree categories. The conclusion can be made that there is an alignment between the non-entrepreneurs and entrepreneurs regarding this finding.

7.3.2 Improved Access to Entrepreneurship and SME Value Chain Support System (Structures).

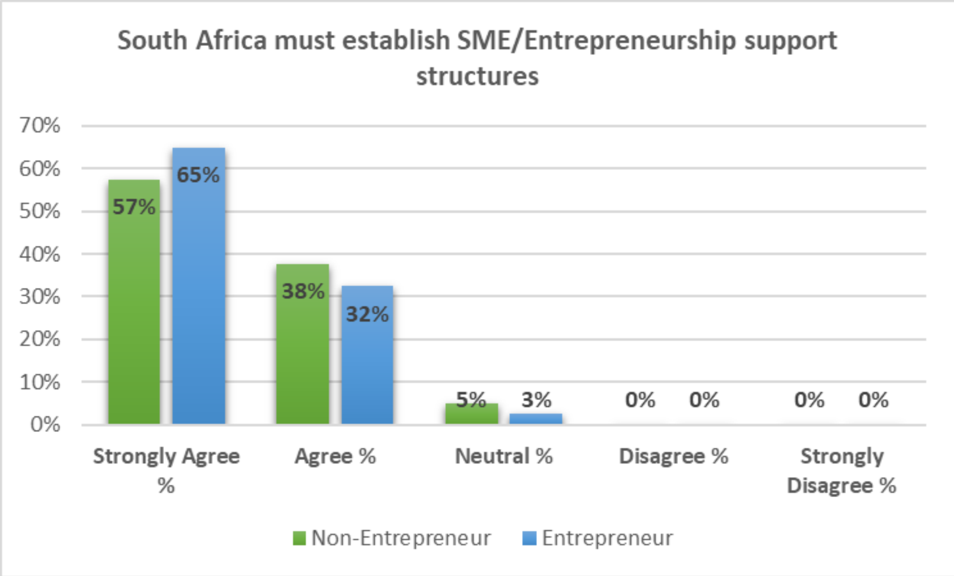
The qualitative phase of this research has found the need for improved access to entrepreneurship/value chain support system (structures) to be vital for both access to external funding and entrepreneurial success. The finding was presented as a statement for survey respondents and the question was asked if they support or not.

FIGURE 18 : SOUTH AFRICA MUST ESTABLISH SME/ENTREPRENEURSHIP SUPPORT STRUCTURES 1



In Figure 18, the survey results indicate support of 95 % for the finding. The 95% comprises 59% strongly agree and 36 % agree responses. Only 4 % respondents were neutral. Figure 19 shows a higher percentage of “agree”, 65% from entrepreneurs’ participants. The non-entrepreneur’s responses of 57% is lower than that of the entrepreneurs. This can signal loss of trust on structural support provided by government on the side of the entrepreneurs.

FIGURE 19 : SOUTH AFRICA MUST ESTABLISH SME/ENTREPRENEURSHIP SUPPORT STRUCTURES 2



The introduction of SME/entrepreneurship support structures in the nine provinces is intended to provide access to advisory services, mentorship, business incubation, assistance with product licensing, product listing, referrals, office space and technology infrastructure. The financial support provides a necessary muscle to acquire and build skills capacity, outsource the production of business plan, and audited financial statements required to support any loan application. The entrepreneurs must gain access to social and business networks.

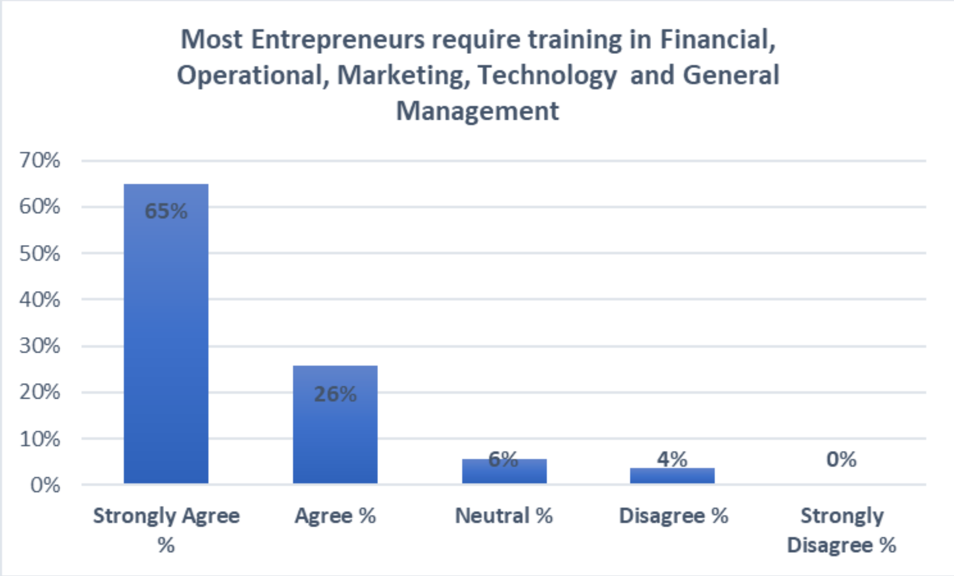
7.3.3 Entrepreneurship Skills proficiency

This section deals with the findings of the qualitative phase of this research in respect to whether they are valid and, also whether the proposed improvement strategy has a chance of bringing about any improvements.

7.3.3.1 *Entrepreneurial Skills Level*

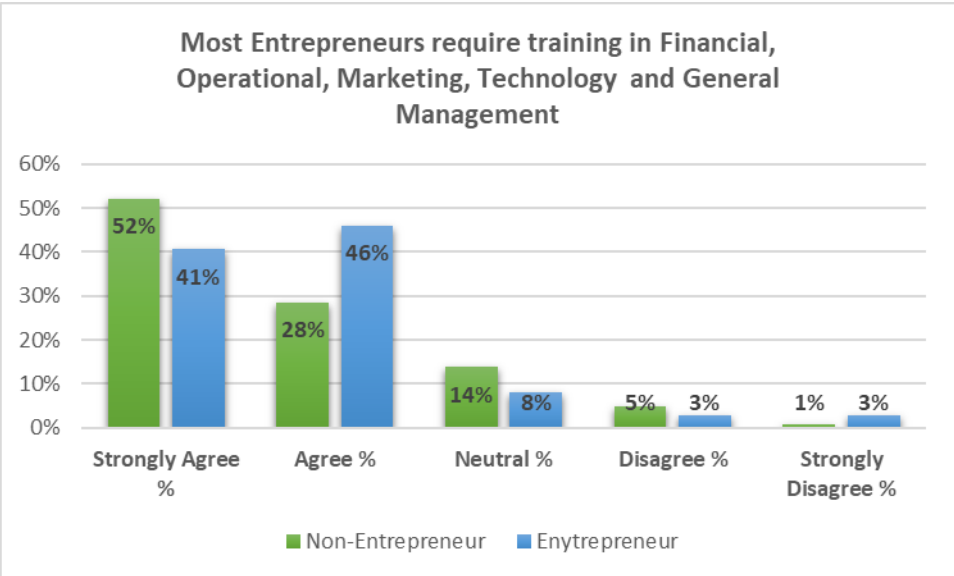
The qualitative phase of the study revealed that the majority of SMEs or entrepreneurs in South Africa have low entrepreneurial skills level. Skills deficit in South Africa's SME space has also been found by (SiMODiSA, 2015; SAB Foundation, 2017). The survey respondents were asked to confirm or reject the statement in Figure 20.

FIGURE 20 : SURVEY RESULTS ON ENTREPRENEURIAL SKILLS DEFICIENCY 1



The results presented in the Figure 20 confirms both the findings of the qualitative phase or this research and those done by other researchers previously. About 65% respondents strongly agree, 26% agree, 6% neutral while only 4% disagreed with the statement. The percentage of the responses in the agreement are overwhelmingly high and this finding is confirmed and validated. In Figure 21, it is evident that the entrepreneurs themselves strongly agree with the finding on entrepreneurial skills deficiency. The highest percentage of entrepreneur's responses is 46% which is in the agree followed by 41% for strongly agree category. The entrepreneurs themselves admit and agrees with the skills deficiency finding.

FIGURE 21 : SURVEY RESULTS ON ENTREPRENEURIAL SKILLS DEFICIENCY 2

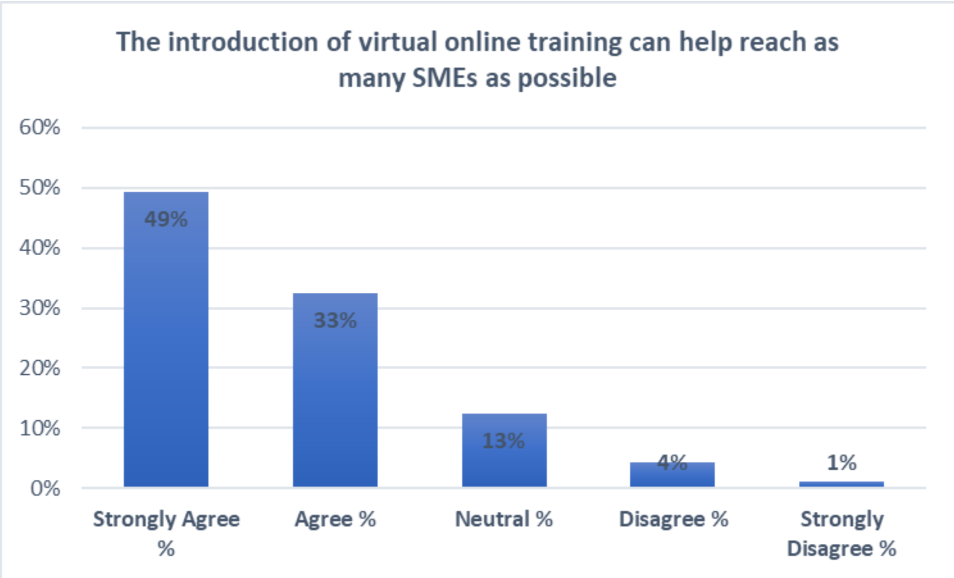


The finding further strengthens the call for fast-tracking the implementation of entrepreneurial skills development programmes. The online virtual training options which is cost-effective, has the potential to improve accessibility and to target a larger population.

7.3.3.2 *Virtual Training*

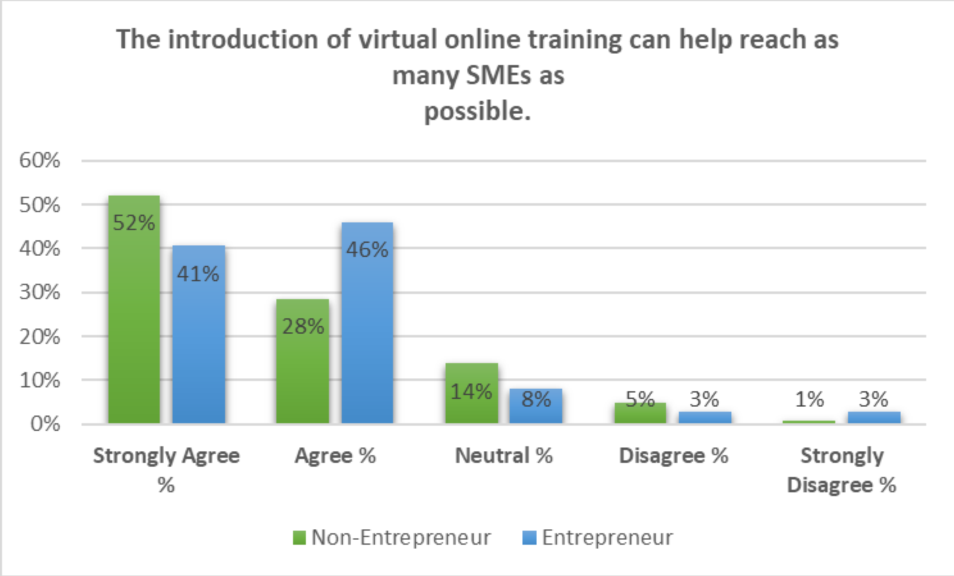
The causes of the low entrepreneurial skills level have been discussed in this research. The introduction of online virtual training platform has been proposed by this study. The intention is to roll-out training to as many entrepreneurs as possible without being limited by the number of people who can be accommodated in a conference or training hall. The responses in Figure 22 can be summarised as strongly agree (49%), agree (33%), neutral (13%), disagree (4%) and disagree (1%).

FIGURE 22 : SURVEY RESULTS - THE INTRODUCTION OF VIRTUAL ONLINE TRAINING 1



In Figure 23, the graph depicts the alignment of responses between the non-entrepreneurs and the entrepreneurs when considering that both groups lean to the left (strongly agree and agree).

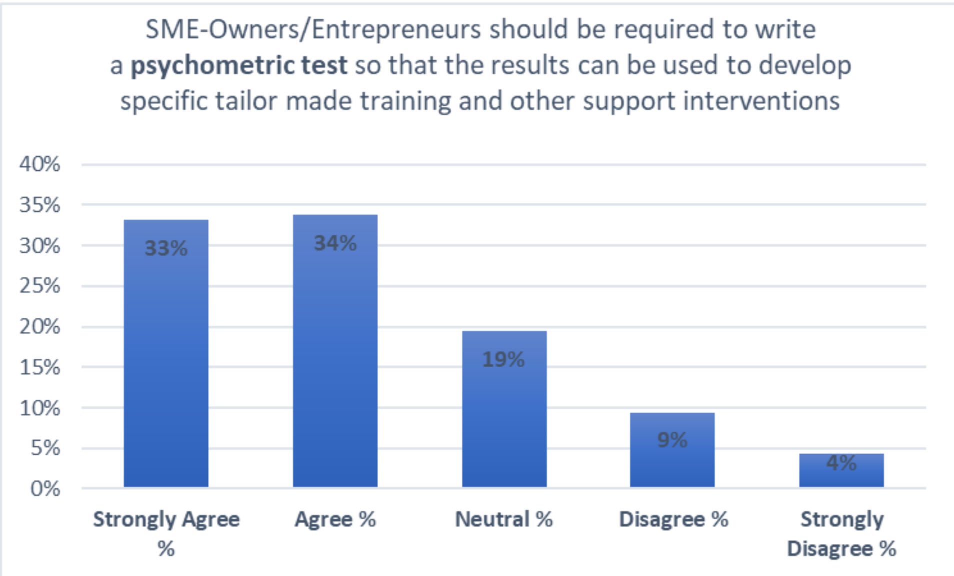
FIGURE 23 : SURVEY RESULTS - THE INTRODUCTION OF VIRTUAL ONLINE TRAINING 2



7.3.3.3 *Tailor-Made Training Intervention Measures*

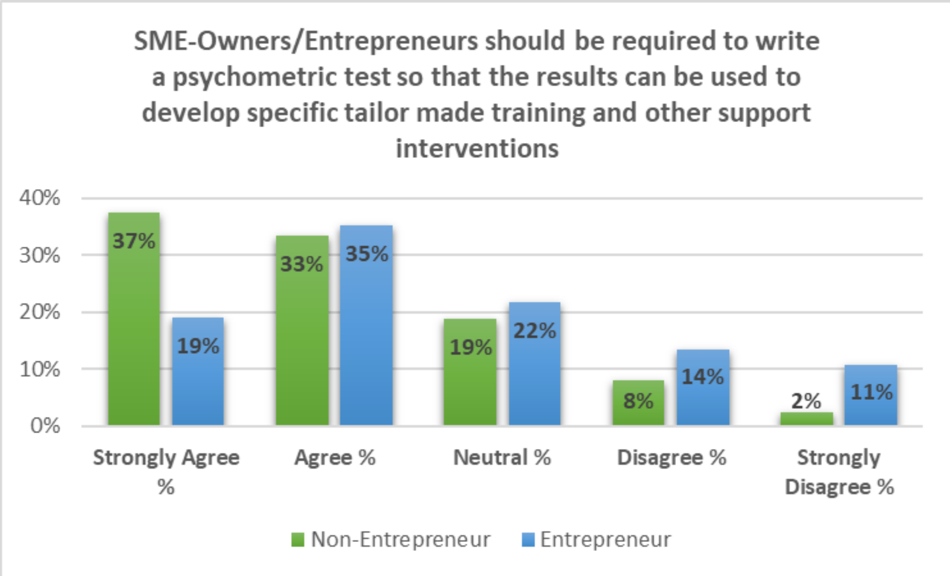
In order to improve the entrepreneurial skills and caused by poor education and generalised training programmes, the previous chapter of this study recommended a tailor-made skills intervention mechanism. The respondents were asked to indicate their view on the question of introducing the psychometric testing for the purpose of determining individualised training requirements. The survey results in Figure 24 indicate the highest responses 34% (agree) followed by 33% (strongly agree). Although the responses showing disapproval (disagree and strongly disagree) are much lower, it is concerning that the percentage of neutral responses is 19%.

FIGURE 24 : SURVEY RESULTS - PSYCHOMETRIC TEST 1



Further analysis on the results shows (Figure 25) that the neutral responses for both non-entrepreneurs and entrepreneurs are 19% and 22% respectively. The bulk of responses for both participating groups are aligned to strongly agree and agree.

FIGURE 25 : SURVEY RESULTS - PSYCHOMETRIC TEST 2

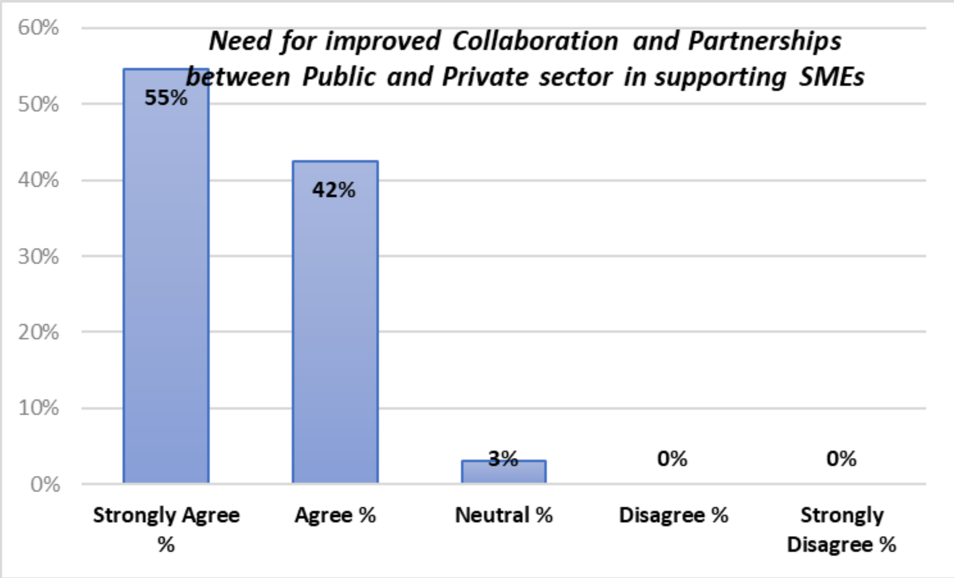


It is not surprising that most of the non-entrepreneur participants did not overwhelmingly select strongly agree response on this finding. It was indicated during the interview sessions that some form of psychometric testing may disadvantage the entrepreneurs and add to more strict rules. The question was however clear that the test results will be used for the purpose of identifying areas requiring tailor-made interventions. The provision of enabling interventions such as skills development, business incubation, mentorship and others requires a full collaboration between the public and private sector institutions.

7.3.4 Formalised Public-Private Partnerships and Collaboration

The formalised collaborative and partnerships improved SME support initiatives and programmes in so many ways. Firstly, it allows government to leverage the private sector participation. Secondly, the inter-governmental programmes get aligned. The benefits include private sector participation in programmes such as business incubation, SME market access, training and CGS implementation. This recommendation was well supported by the survey (Figure 26) respondents (55 % strongly agree, 42 % agree while 3 % are neutral).

FIGURE 26 : SURVEY RESULTS –NEED FOR BETTER PARTNERSHIP BETWEEN PUBLIC & PRIVATE SECTOR



The interview participants have highlighted the need for more improvement in government and its agencies with respect to decision-making, responsiveness and building capacity.

7.3.5 Improved Internal Government and Agency Governance and Capacity

This study has found weak capacity and lack of regional/provincial loan approval delegation as some of the causes of lengthy loan approval processes in the government-funded financing agencies. This section provides the survey results on the recommendation that the regional or provincial offices be granted loan approval delegation for requests of R250 000 and less, and the introduction of bank-like information technology systems.

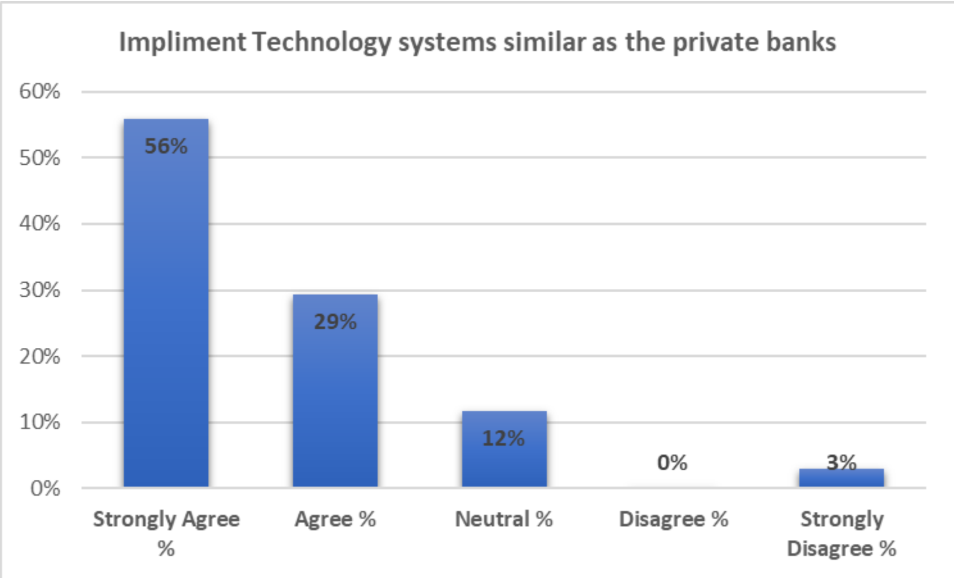
7.3.5.1 *Regional Approval Mandate*

The results of the survey indicate a strong support for granting of regional or provincial delegation powers with respect to approving SME loans asking for R250 000 and less. As depicted in Figure 11, about 52 % strongly agree and 39 % agrees with the recommendation. The survey respondents with neutral views are 6 % and those in disagreement are 3%. Based on the survey results, this finding is therefore validated and accepted.

7.3.5.2 *Information Technology Capacity*

Some of the reasons attributed to the private bank's quick responses on making decisions on the submitted loan applications include the information technology capacity. The public funding institutions do not have matured "bank-like systems". The advantages of the "bank-like" systems include the ability to accept loan applications online, filter submitted applications (pre-approvals), allow the applicants to monitor the applications and track progress online and for the funding institution to monitor the client's bank account timeously (24/7) just like the private banks do. The results in the Figure 27 shows strong support for the implementation of "bank-like" information technology systems in the public funding institutions. About 56% respondents strongly agree, 29% agree and 12 % are neutral.

FIGURE 27 : SURVEY RESULTS - NEED FOR BANK-LIKE IT SYSTEMS IN DFI'S INSTITUTIONS

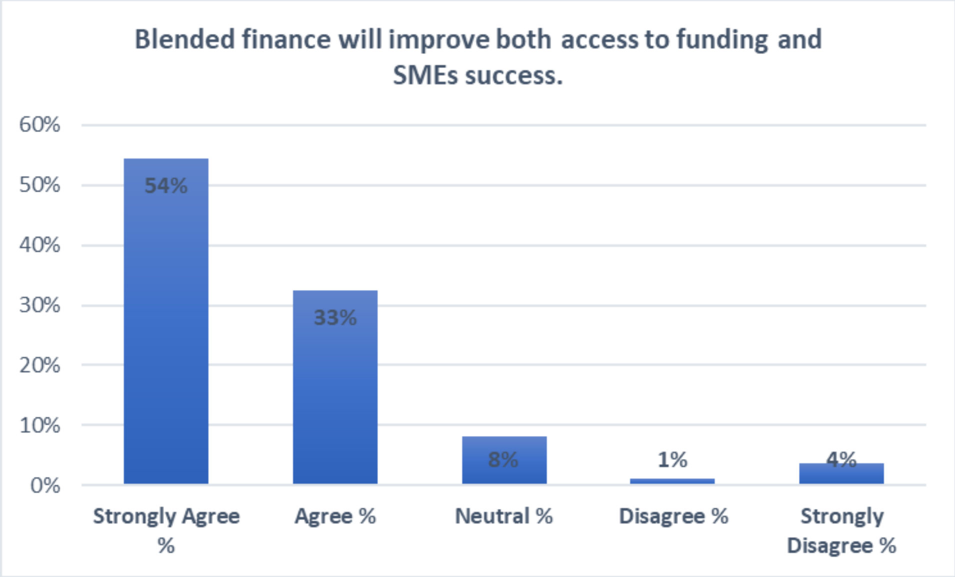


It can be argued that having more sophisticated bank-like IT systems in developmental funding institutions will enable and support more collaboration between DFIs and private funding institutions. The blended finance model as proposed by this study will be enabled by seamless sharing of data between DFIs and private funding institutions.

7.3.6 The SME Blended Funding Model

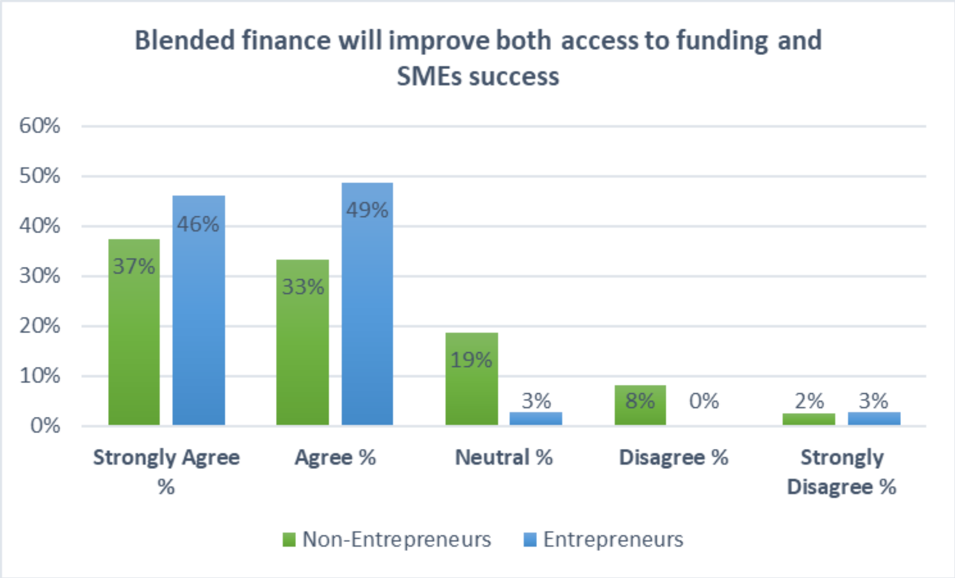
Blended finance means the approval of SME loan application is coupled with a grant portion that unlocks access to non-finance support services. The survey participants were asked to whether they would strongly agree, agree, neutral, disagree or strongly disagree with the blended finance model as a way of increasing SME access to funding and success chances.

FIGURE 28 : SURVEY RESULTS - BLENDED SME FUNDING MODEL 1



The results represented in the Figure 28 indicate an overwhelming approval for the blended finance model. About 54% of the respondents strongly agree with the model. In addition, 33% agrees with the idea that the model will increase access to external funding, and, also improve success chances for SMEs. The neutral views were 8 % disagreeing views only 1% while 4% strongly disagreed. in Figure 29, the entrepreneurs (46%) selected strongly agree and 49 % selecting agree. It is interesting that non-entrepreneurs' responses are largely distributed between strongly agree and agree categories (46% and 49% respectively).

FIGURE 29 : SURVEY RESULTS - BLENDED SME FUNDING MODEL 2

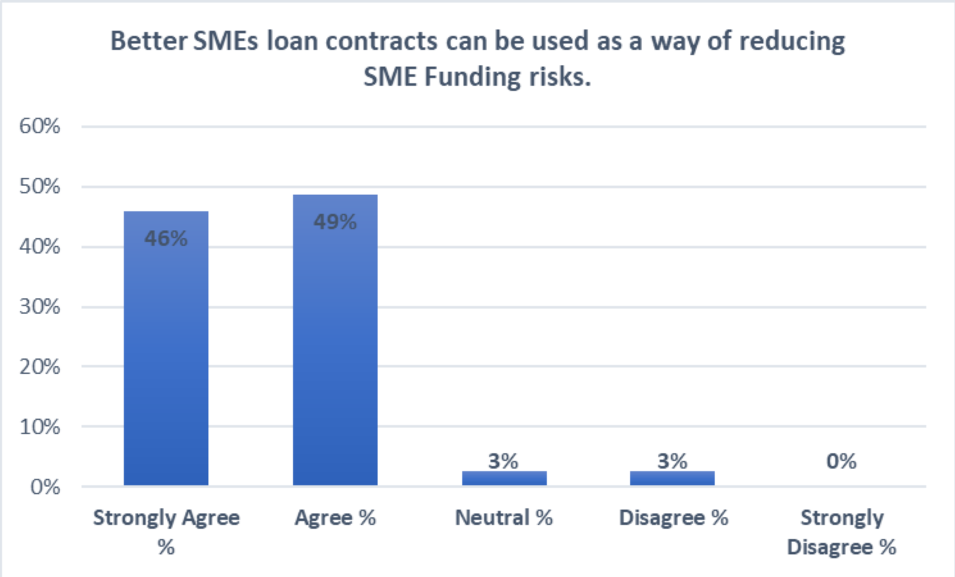


The blended SME support model is dependent on the effective collaboration of various participants (public funding institutions, private finding institutions, the entrepreneur/SME, training providers, business incubation participants, mentors, and others) and therefore, better contract management is more vital.

7.3.7 Contract Management

The qualitative phase of this report found that the lack of proper contracts and the ability to enforce them (on the side of government) impaired SME success. The use of contracts is seen as a mitigation strategy against a risk associated with SMEs' finance management. Therefore, cession contracts will be used where such risk is highly prevalent.

FIGURE 30 : SURVEY RESULTS - SME FUNDING RISK REDUCTION THROUGH BETTER CONTRACTS



The results of the survey on the above (Figure 30) question are as follows: Strongly agree (46.4%), agree (49%), neutral (3%), disagree (3%) and strongly disagree (0%). This finding is therefore supported and validated.

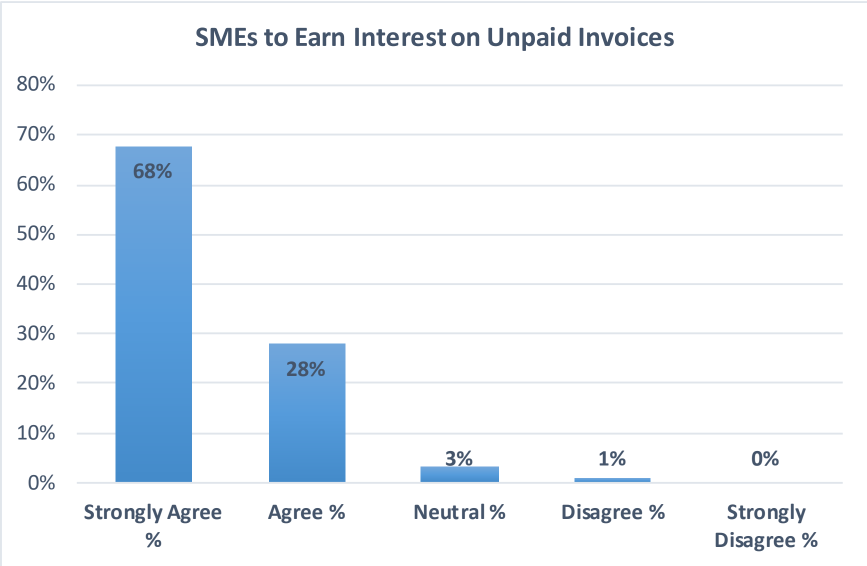
7.3.8 Supportive Policy and Regulation Framework

The findings on the policy and regulatory framework measured and validated through the survey instrument relate to government's failure to honour its obligation to pay local suppliers within 30-days, tax compliance and the supportiveness of the laws on the SMEs.

7.3.8.1 *Payment of SME invoices within 30 days*

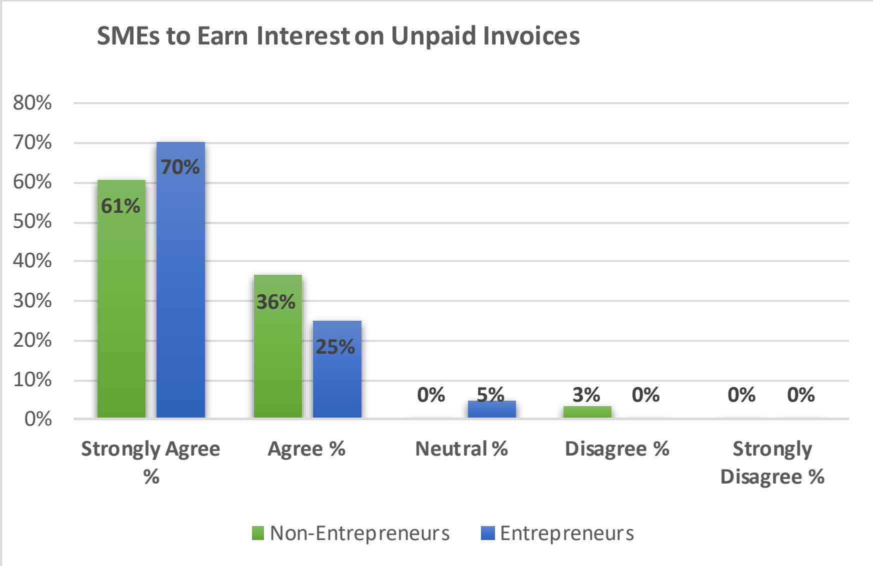
The in-depth interview revealed that the SMEs were negatively affected by government's inability to pay invoices within 30-days as per the prescripts of the policies. The consequences of non-compliance to the policy are dire for SMEs and the government is not directly affected. The proposal is for the government to face the penalty for non-compliance to 30-day invoice payment by way of paying interests on the money owed. In some cases, SMEs borrow money from the lenders and while wait for government to pay invoices for the work done, the lenders of external funding charge interest, as a result, the initial projected profit for the SME on the project diminishes. Figure 31 shows the results indicating huge support for the proposal for government to start paying interest on lay invoice payment.

FIGURE 31 : SURVEY RESULTS - SMES TO EARN INTEREST ON UNPAID INVOICES 1



The survey results indicate 69% strongly agreement on the proposal. In addition, 28% respondents agree with the proposal. The neutral views are only 3%. Furthermore, analysts on the survey responses depicted in Figure 32 shows an alignment between the non-entrepreneurs and the entrepreneur responses. The payment of invoices within 30 days is still a challenge for the government, calls were made during the Standing Committee on Appropriations meeting during September 2022 for accountability through consequence management (SA Parliament, 2022).

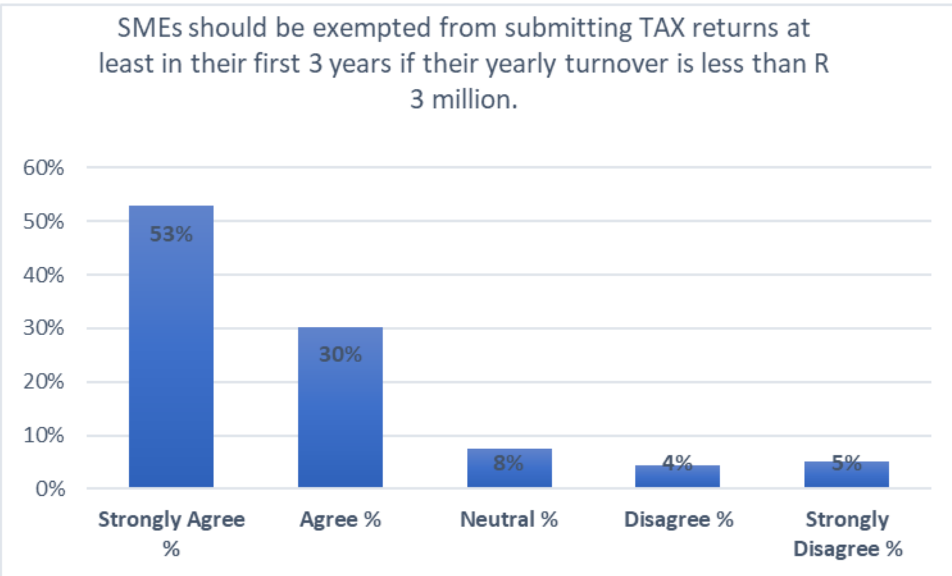
FIGURE 32 : SURVEY RESULTS – SMES TO EARN INTEREST ON UNPAID INVOICES 2



7.3.8.2 *Tax Exemption*

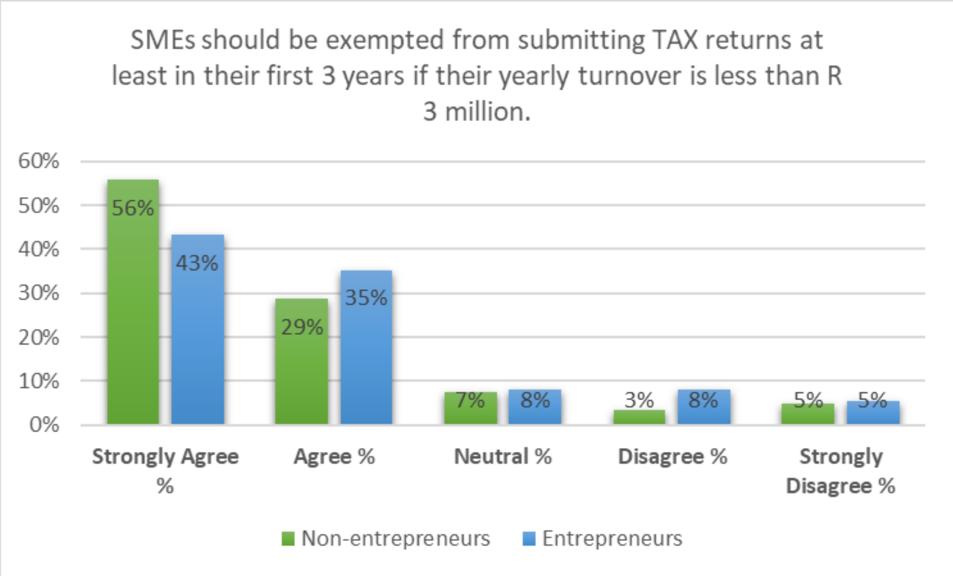
The introduction of policies offering tax holidays or exemption on the SMEs meeting certain set requirements such as having R3 million annual turnover have been proposed. It is within the first three years that most SMEs fail and therefore, the reduction of compliance to tax submission over the period is seen as a strategy to improve sustainability and attract external funding. With the reduced cost of compliance, the SMEs asset structure can improve profitability. The survey respondents were presented with the following statement and requested to respond.

FIGURE 33 : SURVEY RESPONSES - TAX EXEMPTION FOR SMES 1



About 53% of responses indicated strongly agree for the finding (Figure 33). The second highest category in responses is the agree section which received 30%. The responses in the “strongly agree and agree” categories combined is 83%.

FIGURE 34 : SURVEY RESPONSES - TAX EXEMPTION FOR SMES 2

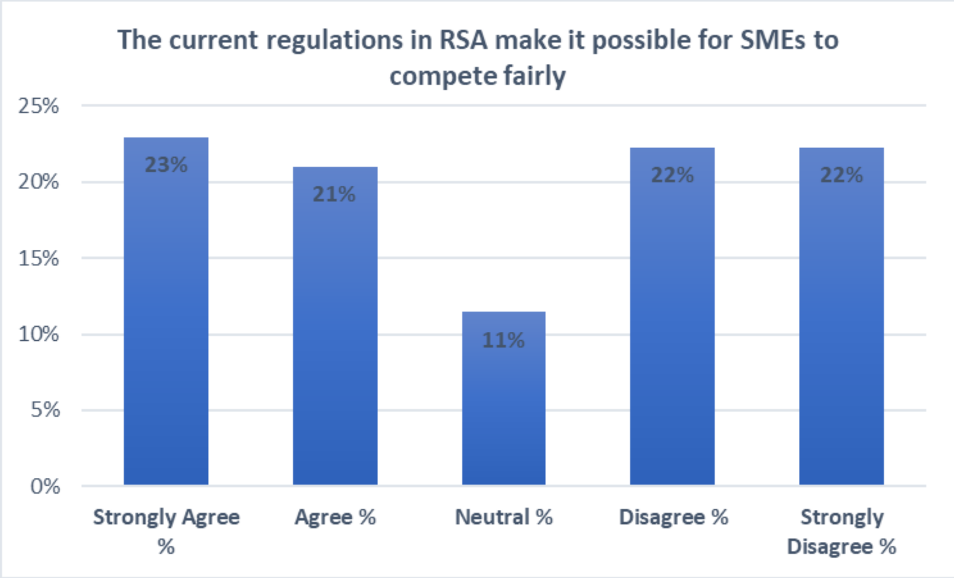


The survey participants responses on the preceding statement clearly show overwhelming support for the tax exemption finding (Figure 34). Although both the non-entrepreneurs and the entrepreneurs support the finding, the highest responses on “strongly agree” category is from the entrepreneurs (56%). Tax exemption is one of the policies and regulatory changes proposed in this research.

7.3.8.3 *South Africa’s Policy and Regulatory Framework Fairness*

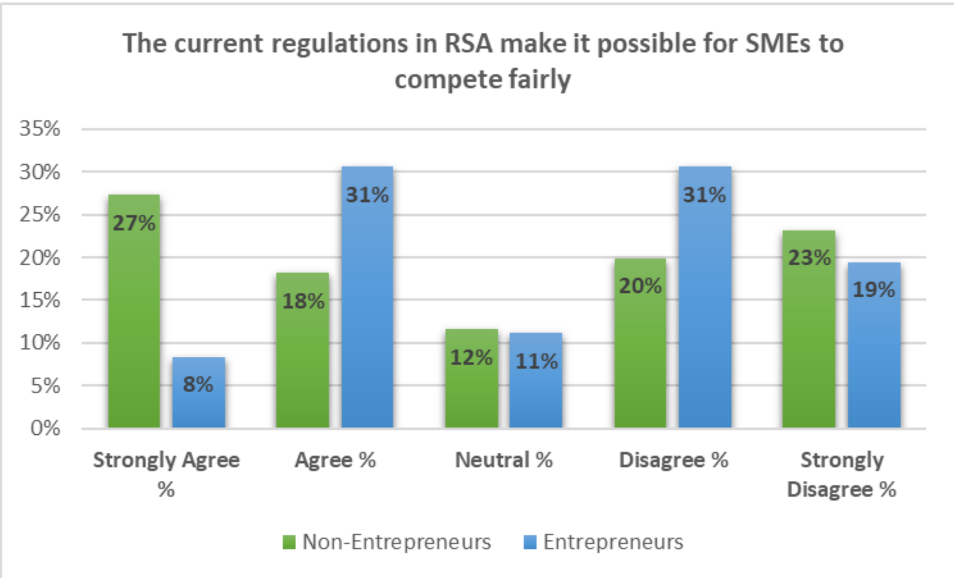
The survey respondent’s views on the fairness of the laws in South Africa are represented in Figure 35.

FIGURE 35 : SURVEY RESULTS ON POLICY AND REGULATORY FRAMEWORK 1



The findings on this item revealed as follows: strongly agree (23%), agree (21%), neutral (11%), disagree (22%) and strongly disagree (22%). There is no overwhelming supported view based on the data. It can therefore be concluded that more friendly regulations are needed to support the SME growth. Interestingly, further analysis on the results (Figure 36) shows divided responses from both the non-entrepreneurs and the entrepreneurs. This research therefore cannot conclude with certainty and approve the finding on the South African policy and regulatory policy environment being supportive to the SMEs.

FIGURE 36 : SURVEY RESULTS ON POLICY AND REGULATORY FRAMEWORK 2



7.4 SUMMARY

The findings revealed that about 63% of the SMEs apply for loans at the value of R250 000 and less. The simplification for the loan application process and requirements for this category of loans will benefit a huge number of applications. About 87% of SME loans are submitted to the public-funded institutions as opposed to the private banks. The proposed loan application and assessment changes are to be made at the public funded institutions. Such changes have the potential to improve access to funding and shorten the period it takes for the loan approval to be granted. Currently, the bulk of the applications (42%) are processed and finalised after four months and more. The private banks finalise 55% of SME loan applications within one week.

The paperwork supporting the application must be reduced to ten pages. About 64% strongly agree, 30% agree and 6% are neutral. Most of the respondents strongly agreed with the removal of the requirement of submitting an audited financial statement (49%), agree (22%), neutral (11%), disagree (13%) and strongly disagree (6%). The majority of the respondents agrees with the adoption of a common business plan template (strongly agree 51% and agree 30%).

The idea of establishing entrepreneur/SME support structures in the provinces has been widely supported. The survey results indicate support of 95.9 % for the finding. The support structures are to make available and accessible, advisory services, mentorship, business incubation, assistance with product licensing, product listing, referrals, office space and technology infrastructure. The financial support provides a necessary muscle to acquire and build skills capacity. The entrepreneurial skills proficiency needs serious improvements.

The establishment of entrepreneur/SME support structures and the provision of services to the entrepreneurs requires both the public and private support. Blended finance model has been recommended for the enablement of SME funding in South Africa. Blended finance model requires better collaboration and alignment of processes between public and private participation. The research has recommended improvement in public and private partnerships. The use of better contracts has found support from more than 90% responses (Strongly agree 46% and agree 49%). Better contracts empower public financial institutions to improve client account monitoring, reduce information asymmetric challenges and for the government to enforce compliance to subcontracting and skills development for SMEs. statistical analysis confirmed the correlation of the SME funding and success enabling factors. Finally, the policy and regulatory framework has the role in improving market competition conditions for SMEs. The questions around tax holidays for SMEs in their initial stages of registration needs further investigation. A localised implementation of minimum wage law should be considered to enable SMEs where possible to comply or seek condonation.

7.5 CONCLUSION

This chapter presented the results of the quantitative phase of this study. The quantitative phase administered survey questionnaire which were responded to by 160 participants, making it 64% participation response rate which is good and acceptable. The survey results confirmed overwhelmingly the results of the qualitative results in all measures except for legal and tax where the responses were spread across. The survey results confirmed the support for the blended model building elements (training, support structures and regulatory changes) which are the enablers of SME funding and success.

CHAPTER 8: PROPOSED FUNDING MODEL

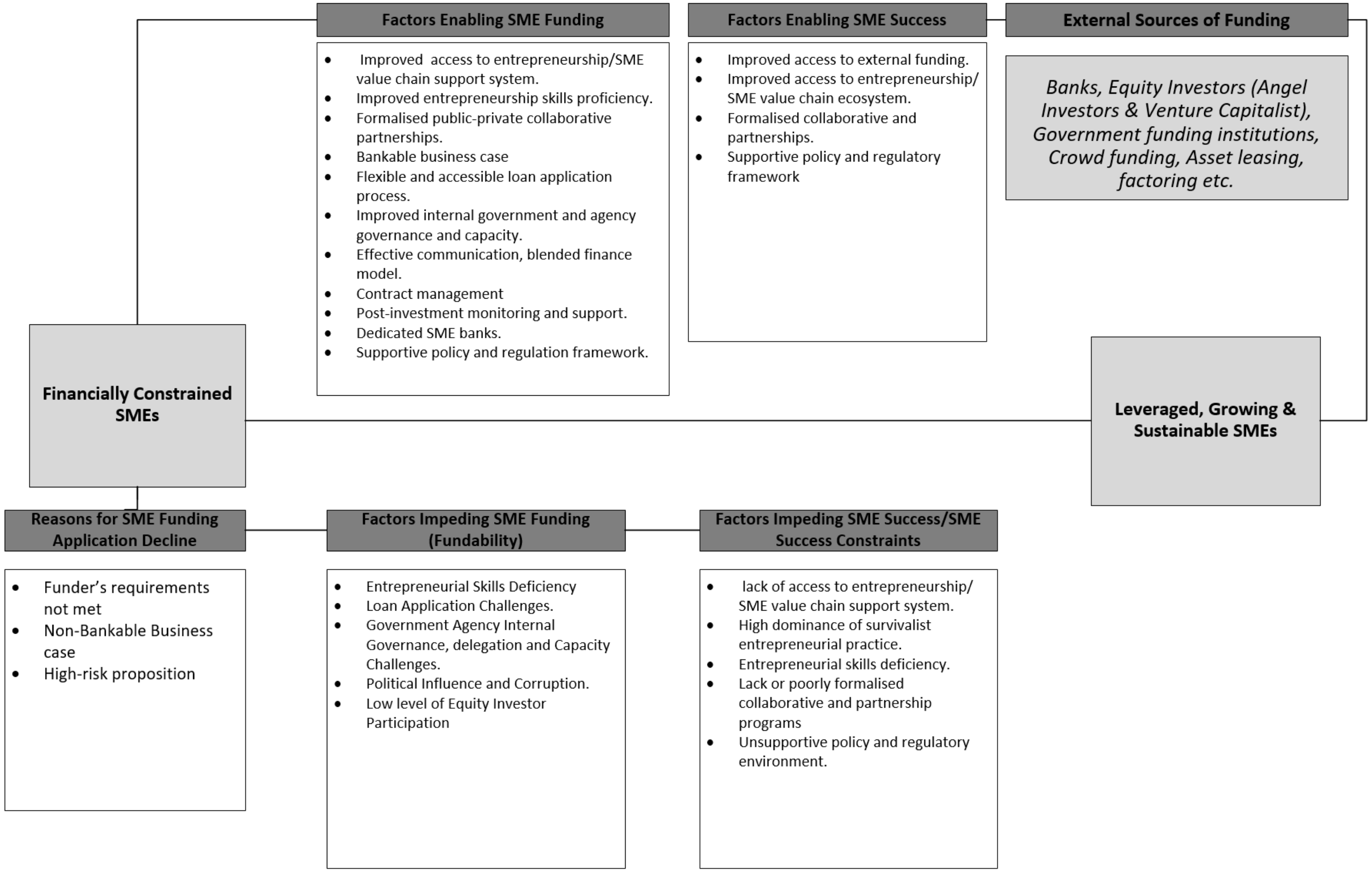
8.1 INTRODUCTION

This chapter presents both the final SME funding framework as well as the SME blended funding model. The results of both qualitative and quantitative data collection and analysis processes have shaped the elements of both the framework and the model.

8.2 FINAL CONCEPTUAL FRAMEWORK

Figure 37 represents the final conceptual framework adopted in this study. The constructs represented in the initial proposed framework covered in Figure 8 have been tested; hence the final framework represent what this study has confirmed. The previous chapter used graphs to present the survey results demonstrating how the conceptual model's interconnecting relationships were validated. In Figure 8, lack of collateral was resented as a factor impeding SME funding. The results of this study have found that it is misleading to present lack of collateral as an impediment. A poor business funding application with collateral remains "un-fundable". Collateral availability increases recoverability and reduces interest rate. High interest rates are charged for unsecured funding approved transactions.

FIGURE 37 : FINAL CONCEPTUAL FRAMEWORK



Source: Author's illustration

8.3 BLENDED SME FUNDING MODEL

Blended finance is used for the achievement of developmental goals through a combination private and public funding (ODI, 2019). The participation of privately owned funds in sustainable development related objectives within the developing countries enticed through the injection of development finance (OECD, 2018). In blended finance, development instruments such as guarantees and grants can be used for the roles of risk mitigation and technical support respectively (Havemann *et al.,* 2020). According to Havemann *et al.* (2020), the value-add of blended finance instruments include changed risk-return perception for commercial funding supplier and the provision of grants alongside the loan to enable the entrepreneur to access technical assistance help; hence increase chances of success.

Blended finance is not a new concept, it has been practiced since 1919. According to Convergence (2019), blended finance has resulted in growth for Asia than sub-Saharan African region. According to Havemann *et al.* (2020), in the main, blended finance transactions use a combination of concessional debt or equity, funding for technical assistance, guarantees, and grants. Blended finance helps where public funding is limited (Havemann *et al.,* 2020). According to SEFA (2017), SME funding provided by government in South Africa is not enough and the newly established DSBD only gets 4% of the country's annual budget.

ODI (2019) identified three pillars of blended finance, namely, the use of concessionary capital provided by public funding, using concessionary capital to attract commercial risk-return oriented funding and achieving measurable developmental objectives. According to OECD (2018), blended finance model is used for the closing the funding GAP. The existence of the SME funding GAP in South Africa has been confirmed by previous research work (Visser, 2019). The lack of access to external funding as experienced by SMEs impede South Africa's developmental goals such as economic transformation, employment creation and even economic growth. The use of blended finance in closing the SME funding GAP is consistent with the pillars identified by ODI (2019).

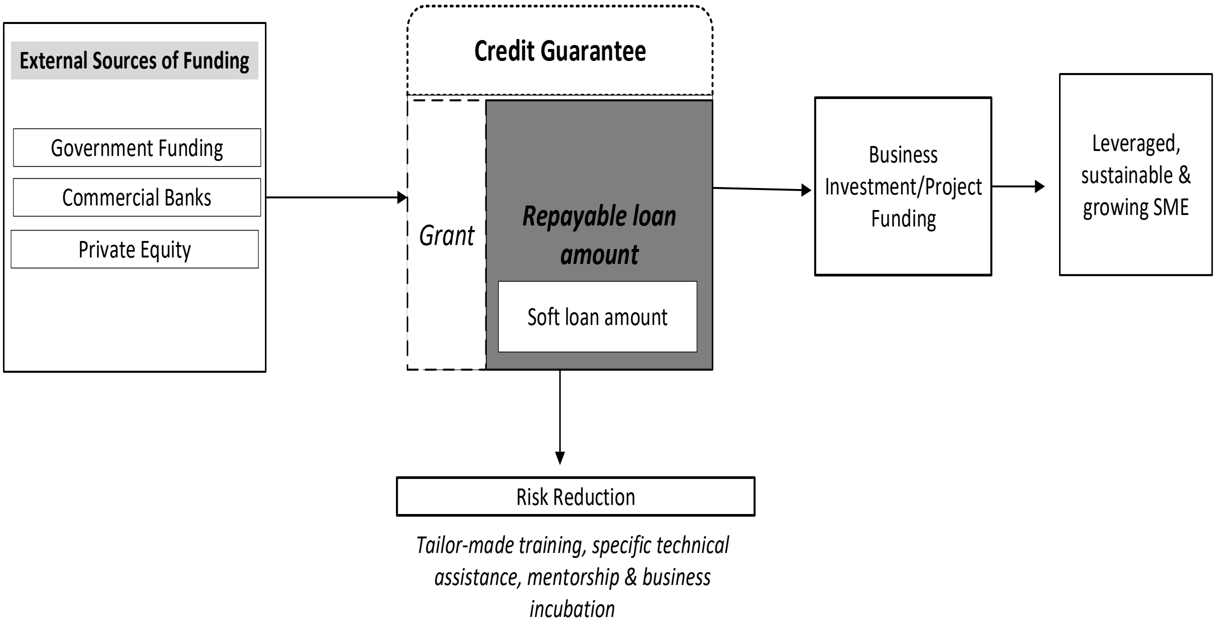
Currently, the South African SME community funding options include both public and private funding instruments. These funding options take the forms of debt, guarantees and grants. Private funding institutions have their CSI initiatives where developmental goals precede profit-making objectives. Concessionary capital can also come from private funding (Havemann *et al.,* 2020). Furthermore, the government has introduced the CGS which encourages private funding of SMEs that would otherwise not qualify for debt owing to inherent risks.

There are three conditions that must be met to justify the use of blended finance model, namely, concessionally, additionality and development rationale (Mutambatsere and Schellekens, 2020). The concessional condition is met when there are justifiable behavioural or participation constraints in the market. In the case of South Africa's SMEs environment, constraints and impediments to external funding have been confirmed (SAB Foundation and Allen Gray Orbis Foundation, 2017). Furthermore, the reasons SME loan applications are declined point to existing behavioural and participating rational justifying the need for a blended finance approach to close the funding gap. The behavioural change required from both the lenders and the borrowers include, credit rationing, continuing with loan assessment mechanisms which are designed for large businesses and holding a perception that views SMEs as risky. On the SMEs side, lack of financial and technical management skills requires intervention in the form of technical assistance.

The additionality aspect of the conditions refers to whether there will be any other offerings beyond what the market offers. South African SMEs face challenges of bias because the finance institutions prefer to deal with larger institutions and that SMEs are deemed risky. The additionality condition will be met since the grant portion of the funding allocation will be used to address the high-risk profile through mentorship, business incubation and skills development programmes. The government must not only assist SMEs with financial components only through loans but must cover the training and networking opportunities (Rungani and Potgieter, 2018).

The SME blended model is depicted in the Figure 38. In the model, the repayable loan amount is being approved along with a grant and/ or credit guarantee as well as a soft loan. The grant is a non-repayable funding provided to enable business concept/project to a bankable state, the provision of tailor made training and technical assistance. Furthermore, the grant is used to enable access to advisory services, mentorship, and business incubation. The government funding instruments include credit guarantee schemes and grants (Ramlee & Berma, 2013). The repayable loan is provided by both private and public funding institutions.

FIGURE 38 : BLENDED SME FUNDING MODEL

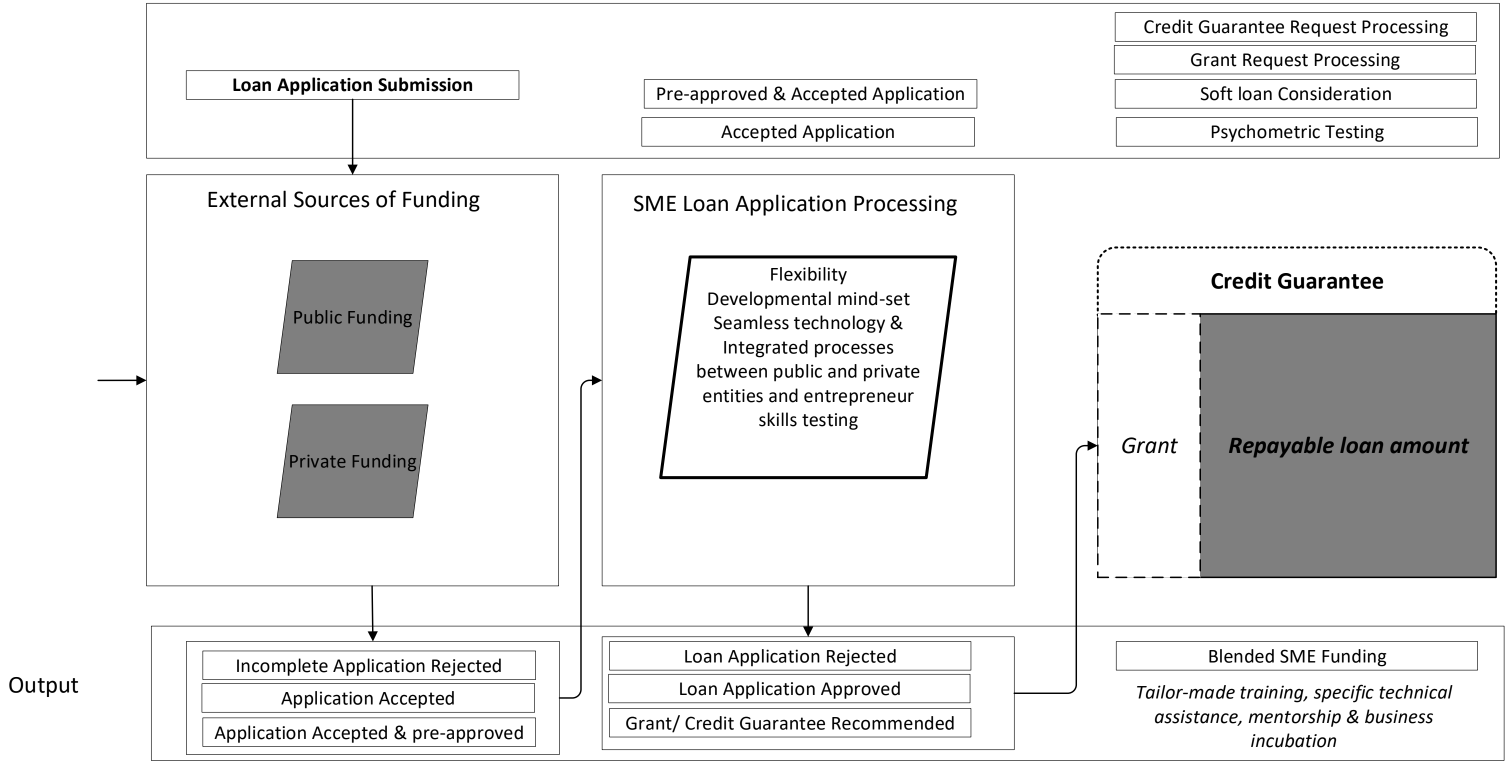


Source: (Baloyi & Khanyile, 2022)

The proposed blended SME funding model adequately addresses problems such as the moral hazards and risk in general. The grant facility will enable SMEs to access support services. Credit rationing will be reduced, instead, the funding institutions will be developmental in their approach by first recommending technical assistance programmes before the SME loan application is declined. Stiglitz and Weiss (1981) coined this phenomenon as credit rationing, which leads credit institutions to manipulate the interest rates. Guarantees are requirements where financing is more risky and they minimise agency costs and motivate more banks to issue out loans (Adair & Adaskou, 2015). The provision of a guarantee to such a scheme could help SMEs in the case of lack of collateral (Beck, 2013). The agency costs add constraints and difficulties for entrepreneurs to access and service loans from the banks.

The proposed blended SME funding model has direct implications that are both practical and theoretical. Theoretically, the model offers explanations on how the interaction of independent variables (policy and regulatory framework, market conditions, training and funding options) and dependent (SME-fundability, SME risk level, SME success and entrepreneurial skills proficiency) variables affect both the supply and the demand sides of funding. Practically, the model provides measures that lead to risk reduction and increased SME fundability. The process workflow in Figure 39 demonstrate how the blended SME funding model relates to the SME loan application process.

FIGURE 39 : BLENDED SME FUNDING MODEL PROCESS WORKFLOW



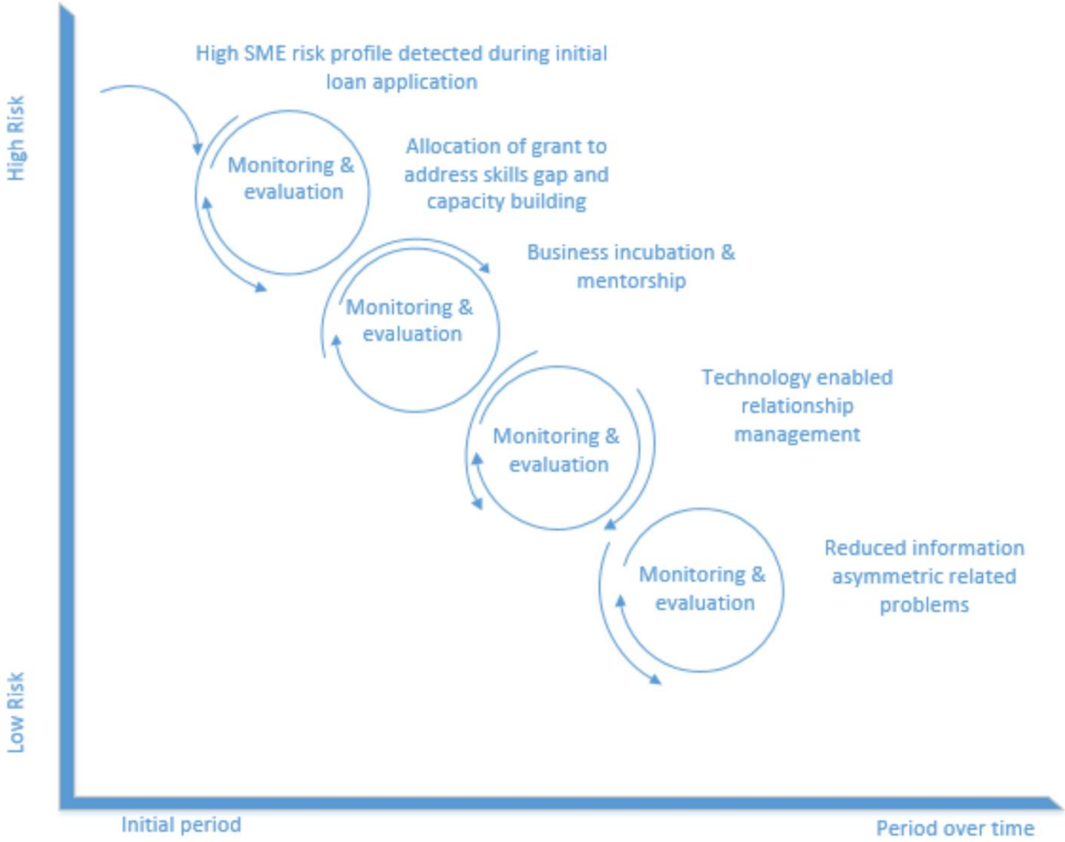
Source: Author's own work

8.3.1 Risk reduction and Mitigation

The risk associated with entrepreneurial practice must be accepted as an ever-present fact of life. Bearing risk and acting in uncertainty characterise entrepreneurs (Cantillon, 1931). Entrepreneurs are the agents of the economic system (Cantillon, 1931), innovators and risk takers (Schumpeter, 1934) and are creative destructors (Schumpeter, 1949). An entrepreneur performs three tasks which are change initiation through innovativeness, adapt to change and the assumption of consequences of uncertainty inherent in the business operations (Knight, 1971). Again, entrepreneurs develop the appetite to pursue new opportunities that are different from their initial core business (Leitch *et al.,* 2010; Fisher, 2012). The commercial banks consider lending to SMEs as riskier (Ramlee & Berma, 2013; Fal, 2017).

This study proposes the iteration process of mitigating and managing the SME funding related risk. As depicted in Figure 40, the risk associated with SME funding is very high in the beginning of the funding process. The high-risk proposition result from information asymmetric problems, low entrepreneurial skills proficiency, lack or unreliable previous business history and others.

FIGURE 40 : SME FUNDING RISK REDUCTION AND MITIGATION PROCESS



Source (Baloyi & Khanyile, 2022)

The risk is reduced over time. The elements proposed in the blended funding model such as the integration of grants, credit guarantee, soft loan and debt are seen as risk reduction mechanisms. Ongoing monitoring is seen as an effective strategy to mitigate against the risk explained by the effectuation theory. The effectuation theory posits that entrepreneurs develop the appetite to pursue new opportunities that are different from their initial core business (Leitch *et al*., 2010; Fisher, 2012).

8.3.2 Increase SME Fundability

Three measures to increase SME fundability proposed in this study, namely; improve retained earnings through tax compliance exemption during the early stages, improve cashflow situation through market access facilitation and using forcing government to comply to the 30-day payment of SME invoices. The payment of SME invoices within 30 days will ensure that the SMEs maintain a strong cashflow position which will attract external funding. The introduction of tax holidays for SMEs in their first three years will reduce compliance burden and make the SME an attractive investment class.

8.4 SUMMARY

Improved collaboration and partnership between public and private SME stakeholders have the potential to close the SME funding GAP. The final conceptual framework demonstrates the linkages between factors impeding SME funding and the reasons given by the funding institutions for declining SME loan applications. Furthermore, the SME funding constrains also impede enterprise growth and sustainability. The blended SME funding model development is rooted in both the enabling and impeding factors of SME funding. In addition, the fundamental structural support structures must be in place to ensure the success of the model. Key to the success of the model is the policy and regulatory certainty required to encourage private sector participation.

The model address risk-return and lack of collateral issues through the provision of grant and improved implementation of the CGS. The ability to provide collateral improves the SME's chances of gaining access to external funding (Rao *et al.,* 2021). The entrepreneur is part of the loan application assessment when the provision of technical assistance services are considered. The entrepreneur must sit for a psychometric test so that the results are used to tailor make specific training and support services. Consequently, the model delivers risk reduction mitigation strategies and increased SME fundability status.

8.5 CONCLUSION

The blended SME funding model proposed in this chapter presents an opportunity unlock access to external funding for entrepreneurs. The reduction or elimination of requirements such as collateral and audited financial statements offers better opportunities for SMEs, particularly black-owned to access funding. The provision of grant funding will encourage private funding institutions to consider SME loan applications that would otherwise not make it beyond pre-approval stages.

CHAPTER 9: SUMMARY, CONCLUSION, AND RECOMMENDATIONS OF THE STUDY.

9.1 INTRODUCTION

The background of this study outlined in section 1.2 highlighted the policy and legislative instruments introduced by the South African government for the development of the entrepreneurship since the early 1990s. The performance indicators of the South African SME sector have been highlighted, especially, the TEA, sustainability, employment creation and contribution to economic (GDP) growth. The objectives of this study have been stated in section 1.6. The purpose of this chapter is to draw conclusions by discussing the findings in relation to the objectives of the study.

9.2 CONCLUSIONS ON THE RESEARCH OBJECTIVES

9.2.1.1 *Reasons for the Failure of Black Entrepreneurs in South Africa*

This study's first objective was to explore the reasons for the failure of black entrepreneurs in South Africa. The literature review conducted in this study in chapter two, also included the review of entrepreneurship in South African and constraints faced by SMEs in sections 3.4 and 3.5 respectively. SAB Foundation and Allen Gray Orbis Foundation (2017) found that the factors holding the South African entrepreneurial ecosystem include limited access to finance, access to markets, skills, education, networks, and culture.

These impediments were used to ground the in-depth interview questions for data collection phase one (1). Data analysis conducted on interview collected data revealed the reasons for black-owned SME failure as being lack of access to entrepreneurship/SME value chain support system, high dominance of survivalist entrepreneurial practice, entrepreneurial skills deficiency, lack or poorly formalised collaborative and partnership programmes and the unsupportive policy and regulatory environment. This study has found the factors enabling SME success as, namely, access to external finance, improved access to entrepreneurship/SME value chain ecosystem, formalised collaborative and partnerships, and the supportive policy and regulatory framework. A survey questionnaire was designed and administered to ascertain the adoption level of these (success enablement) factors. The survey results presented in section 7 confirmed high level of acceptance.

9.2.1.2 *Factors that Enable SME Funding*

The second objective of this study was to identify the factors that enable SME funding of business owned by black entrepreneurs. The factors enabling SME funding are improved access to entrepreneurship and SME value chain support system (structures); improved entrepreneurship skills proficiency; formalised public-private collaborative partnerships; bankable business case; flexible and accessible loan application process; improved internal government and agency governance and capacity; effective communication; blended finance model; contract management; post-investment monitoring and support; dedicated SME banks and supportive policy and regulation framework.

These factors have been considered in the development of the proposed blended SME funding model. Key stakeholders in the entrepreneurship ecosystem space such as government, financing institutions, entrepreneurs, law makers and private enterprises have a role to play in order to address the existing SME funding gap. Each of these factors has been fully discussed in section 7.3 .

9.2.1.3 *Addressing the Funding Gap*

The third objective of this study was to examine SMEs and entrepreneurship funding models with respect to how the models can address the funding gap in South Africa. During the literature review chapter, sections 3.5.6, 2.7, 3.7, 3.7.3 and 3.8.2 discussed access to funding theory, the capital structure theories, SME funding sources, alternative funding models, and finally, the existing conceptual models for SME funding. This research has also reviewed the international practice on the SME funding practice. The literature gained in the sections listed above formed the bases for the development of the theoretical constructs tested during both the qualitative and quantitative phases of this research. The final data analysis produced both the factors that impediments and enablers of SME funding.

The factors impeding SME funding highlighted the elements within the current funding models that must be carefully addressed in the new funding models. On the demand (entrepreneur) side, the factors impeding funding application (accessibility), entrepreneurial skills deficiency, and high-risk proposition character resulting from survivalist entrepreneurial practice were discussed. On the funding supplier side, lengthy, complicated, and non-flexible loan application assessment processes and low level of private equity investor participation have been highlighted as SME funding impediments.

Factors enabling SME funding present solutions to the impediments highlighted above. The blended SME funding model proposed in this study recognises the need for addressing the risk-return concerns from the funding institutions through the improvement of public-private partnership in the implementation of CGS, provision of grants and tax exemption. The approval of SME loans with a portion of a grant will unlock access to technical and other required support services for SMEs, hence reduce risk proposition level. The technical assistance, training and other intervention paid for by the grant portion of the loan amount will be offered on a tailor-made basis. The entrepreneur will be assessed through a psychometric testing to determine individualised requirements.

9.2.1.4 *Analysis of Policy and Legislative Framework in South Africa*

The fourth and final objective of this study was to analyse the South African policy and legislative framework supporting or limiting entrepreneurship. Section 3.5.4 reviewed SME impacting literature on regulatory and legislative framework in South Africa. Literature revealed that compliance to the regulations is time consuming and costly (Koshal, 2017). In particular, the SMEs find compliance to the South African tax system to be burdensome (TIPS, 2017; BER, 2016). The VAT system has no considerations for SMEs. According to DTI (2004), SMEs are also expected to make VAT payments upon issuing of the invoice and not when the payment is received. SMEs raise the challenge of not easily obtaining tax clearance certificates on time (TIPS, 2017). The government has since created a B-BBEE declaration form that entrepreneurs can complete and take to any police station for certification.

Government regulatory institutions are characterised by red tape, delay in the issuing of licenses and permits, uncoordinated government departments functions, unresponsive and less effective systems and entrepreneurs are required to complete lengthy paperwork (BER, 2016). One of the most recent red tape cases reported in the South African Parliament is in relation to the issuing of the cannabis business licensing (SA Parliament, 2022). South Africa has a rigid unsupportive legislative framework (Bowmaker-Falconer & Herrington, 2020. According to SiMODiSA (2015), regulatory framework as impediments to entrepreneur success. Entrepreneurs in South Africa have also singled labour laws being unsupportive to small businesses (Koshal, 2017).

These include the alignment between PFMA and B-BBEE, tax exemption for SMEs and funding institutions providing financing to SMEs, labour laws that must be flexible for SMEs as well as the policy changes that are deemed necessary to attract new SME funding options such as Venture and Angel investors, crowdfunding and the introduction of intangible asset registries. The intangible assets registered in the central database can be recognised as collateral. Any further reduction on the SME tax obligations will improve profitability and thereby attract investors. According to Rungani and Potgieter (2018), government can assist the SMEs through the reduction of taxation or taxation exemption within the first three years of commencement; statistics indicate that most SMEs fail within their first three years.

9.3 CONCLUSIONS ON THE THEORETICAL (LITERATURE) REVIEW

The multi-disciplinary isolated view of entrepreneurship cannot achieve a wholeness view of the concept (Anderson *et al.,* 2012). The multi-disciplinary isolated view of entrepreneurship must be appreciated for the diversity of views of the same concept. Despite having been the focus of research in both academia and social science for decades, the concept of entrepreneurship is yet to have convergence of views from different researchers. The Social Enterprise School theory views an entrepreneurship as a “social enterprise” initiative (Bula, 2012). It is the enterprise’s contribution to social programmes and problems whereby earned income is spent to help the community that informs this theoretical view. South Africa has recognised the “social enterprise” character of entrepreneurship in placing the demand of creation of 11 million jobs through SMEs by 2030 as stated in the NDP.

Entrepreneurs are innovation and social agents. Although entrepreneurship may produce profits, entrepreneurs as social and economic leaders are fulfilled by being of good service to the society and being inventors (Schumpeter, 1999). Schumpeterian theory is of the view that it is the actions of entrepreneurs which moves the market conditions from equilibrium to disequilibrium state (Bula, 2012). The South African racialised economy can be transformed through empowering and developing entrepreneurship from the previously disadvantaged communities. The black entrepreneurs will require access to resources and practical business and technical opportunities to be successful. Schultz (1975) theory finds connectedness between entrepreneurship and disequilibria (Bula, 2012). Schultz (1975) argues that entrepreneurship exists in all aspects of life and that success in entrepreneurship is determined by one's ability to coordinate and reallocate resources. Entrepreneurs are differentiated according to their ability to deal with disequilibrium, thereby reallocating resources to achieve greater satisfaction (Bula, 2012). Better allocation of resources can be achieved through experimenting process which can involve trial and error.

The trial and error process involves risk. Mises (1949) describes risk as imperfect knowledge which is measurable and can be calculated in the form of probability. If risk can be calculated, the mitigation strategies against such risk can be developed. Instead of calculating the SME inherent risk for the purpose of justifying for SME application decline, the funding institutions must invest in developing risk mitigation so that the instruments such as grants, soft-loans and guarantees can be appropriately deployed to fund the intervention programmes. The risk character in entrepreneurial practice must be accepted as a "birth mark"; it cannot be wished away. The characteristics of an entrepreneur include opportunity obsession and creativity (Ardent Executive, 2008). Entrepreneurs are risks takers, more technical, they are dreamers and they love what they do (Drucker, 1998).

The capital structure theories are in the main irrelevant to SMEs. Saarani and Shahadan (2013) lament the irrelevance of the Modigliani and Miller's (1958) theory because of the assumptions of the absence of agency and information asymmetric related costs. The TOT argues that firms balance the marginal cost of debt against the marginal benefit of tax and the bankruptcy risk costs. SMEs largely enjoy tax benefits. Therefore, the TOT theory is irrelevant to SMEs. The POT posits that firms prioritise internal financing ahead of external finance options to minimise information asymmetric related costs (Popescu & Visinescu, 2009). An assumption is made in the POT that a business follows hierarchy, which includes self-financing, non-risky debt issuance, risky debt issuance and equity issuance considered as a last resort. Entrepreneurs prefer to enjoy decision-making control over their enterprises (Rao *et al.,* 2021), equity financing therefore is largely not an option. Angel investors bring a wealth of expertise and provide mentorship given the fact that they were entrepreneurs themselves (Kerr *et al.,* 2010). Angel investors who brings equity may be an option, but the South African SME community is yet to embrace it. There is a need for new technology based alternative funding models. Emerging funding options such as equity investors and Fin-techs are better positioned to understand the needs of SMEs compared to large commercial banks.

9.4 CONTRIBUTION TO THE BODY OF KNOWLEDGE

Although this study was commissioned to address a practical real-life problem, that is, the lack of access to external funding as experienced by SMEs, its findings are both practical and theoretical. An extensive literature review has been conducted to understand both the concepts of entrepreneurship and the capital structure theoretically. The theoretical constructs and concepts emerging from the extensive literature review were summarised through the conceptual framework. The development of data collection instruments (in-depth interview questions) was grounded on the theoretical framework. The final conceptual framework presented in Figure 37, Blended SME funding model in Figure 38 and the SME funding risk reduction graph in Figure 40 all present the theoretical contributions. The findings in relation to the operations within the funding institutions, recommendations presented in the next paragraph and others represent the findings related to practice (practical).

9.5 RECOMMENDATIONS

9.5.1 The Role of Government in SME support

It is recommended that the government introduces policy and regulatory instruments necessary to support SME fundability. These include exempting SMEs from paying tax in their first three years of commencement or within a certain annual turnover limit. Statistics indicate that most SMEs fail within their first three years. Tax exemption will reduce SME compliance costs, hence make them attractive as investment asset to the private funders/investors. More entrepreneurial support is recommended to cover even the rural provinces. The SME support structures must be established in all nine provinces. Through the support structure, entrepreneurs must have access to advisory services, mentorship, business incubation, assistance with product licensing, product listing, referrals, office space and technology infrastructure financial support provides a necessary muscle to acquire and build skills capacity, outsource the production of business plan and audited financial statements required to support any loan application.

The government has a role in closing the entrepreneurial skills GAP. The entrepreneurial skills related subjects must be included in the school curriculum. The educational system itself needs serious improvement. The respondents associated the lack of skills with the poor education, lack of business exposure, and generalised training programmes. According to Turton and Herrington (2012), the South African public education system is classified as the worst in the world, far worse even than peer developing countries. It is being argued that skills development can close the skills gap. The human capital theory postulates that acquired knowledge and skills (education) raise the value of a person's human capital, thereby increasing their income potential and productivity (Furia *et al.,* 2010).

The SMEs are negatively affected by government's inability to pay invoices within 30-days as per the prescripts of the policies. The consequences of non-compliance to the policy are dire for SMEs and the government is not directly affected. Government's late payment of invoices negatively affect the SMEs (Bowmaker-Falconer & Herrington, 2020). The proposal is for the government to face the penalty of paying for non-compliance to 30-day invoice payment by way of paying interests on the money owed. In some cases, SMEs borrow money from the lenders and while waiting for government to pay invoices for the work done, the lenders of external funding charge interest. As a result, the initial projected profit for the SME on the project diminishes. The government or any other institutions must create a system to record all SME invoices submitted to government and its agencies but not paid within 30-days.

9.5.2 Government Funding Institutions

The public funding institutions such as SEFA and others must be well resourced and capacitated. In their internal processes, the institutions require professionalism and reduction of inefficiencies in order to dedicate the bulk of allocated budget to SME funding related costs. The regional and provincial offices must be granted to approve funding applications where the requested loan amount does not exceed R250 000 (or any amount determined by the institutions). The skills of the executives and investment officers in government funding agencies must match those that are found in the private funding institutions. Direct political influence over institutions such SEFA, SEDA, GEP and NYDA should be limited only to the broader mandate and strategic direction rather than influencing operational programmes.

The institutions must invest in bank-like information technology systems. The bank-like technological systems will improve accessibility by allowing applicants to upload applications without having to travel to the nearest agency office, check the completeness of information and documents captured and uploaded by the applicant as well as affording the applicants the opportunity to track progress of their applications online. The applications submitted online will eliminate cases whereby applications are submitted with missing critical information such as the loan amount applied for. Furthermore, the respondents are of the view that the use of technology will freeze more time for the internal application processing capacity. The staff will be able to focus on the basic work without spending more time answering phone calls and responding to emails providing the information that the applicants can simply log in and track online. The technology must empower the public-funded institutions to monitor the client's bank account on 24-hour basis.

Most importantly, developmental mind-set must be prioritised in the employee induction programmes. This is to ensure that employees recruited from private funding institution experience paradigm shift and embrace developmental approach when reviewing funding applications.

9.5.3 Research and Academia

The value of skills and knowledge has been emphasised in this study. The development of Africa-based SME business school education programmes has been recommended. Business school education is expensive and mostly, has a large enterprise inspired training content. The human capital theory postulates that acquired knowledge and skills (education) raise the value of a person's human capital, thereby increasing their income potential and productivity (Furia *et al.,* 2010). Skills can be acquired through investment in education and by being exposed to practical work experience (Becker 1964; Unger & Udell, 2011).

Further research is required in determining the appropriate percentage of the loan that must be provided as a grant in the SME blended finance model. Although different cases will be adjudicated differently, an average and viable grant percentage should be determined to ensure objectivity and profitability of the project. A similar study conducted only on entrepreneurs with private banking long application history should be considered. The study should innovatively design a methodology that encourages the banks to volunteer both the consultants (receiving and awarding SME loan applications) and SME participants freely without confidentiality risks. The respondent's views on PFMA as unsupportive to SMEs could not be fully confirmed by the analysis conducted in this study. It is recommended that the future studies investigate the view further.

9.5.4 Private Funding Institutions

It is recommended that the private banks adopt a developmental and flexible approach when assessing SME loan applications. Currently, banks perceive SMEs to be riskier and risk assessment mechanism that is reliant on assets owned by a small firm is disadvantageous. The practical flexible approach to SME lending demonstrated by the case of group of medical doctors recorded in section 5.4.1.2 is a shining example. The successful granting of funding could have not been possible if the investment officer who handled the application followed the rules without adopting any flexibility in the process. In their application, the doctors demonstrated market access for their products, hence other technical requirements not met did not affect the granting of the loan.

The emerging SME funding role players such as Fin-techs need to collaborate and create a central database for SME credit scoring. The database will have information similar to what the individual credit bureau listing has. The central database must further record transactions and flag SMEs who lost money before. The SME credit history recording database must produce statistics about SME performance in different industries. There is currently no database recording SME specific credit history in South Africa. Improved collaborative programmes between private and public lending institutions are required for the successful implementation of blended SME funding model.

BIBLIOGRAPHY

Aaker, D.A, Kumar, V, Day, G. (2001). *Marketing Research*. 7th edition, John Wiley & Sons, Inc., New York, USA

Acs, Z. J., Desai, S.,& Hessels, J. (2008). Entrepreneurship, economic development and institutions. *Small Business Economics*, 31(3), 219-234.

Adair, P. & Adaskou, M. (2015). Trade-off- theory vs pecking order theory and the determinants of corporate leverage: Evidence from a panel data analysis upon French SMSs (2002 – 2010), Faculty of Economics and Management, University Paris-Est Creteil (UPEC), France.

Adendorff, C., Emuze, F. & Vilakazi, E., (2013). 'Evaluating the skills of emerging entrepreneurs in a developing economy', *International Journal of Social Entrepreneurship and Innovation* 2(3), 240–252. https://doi.org/10.1504/IJSEI.2013.057019

Adinolfi, M.C, Jacobs, M., & Tichaawa, T.N. (2018) Unpacking Factors Limiting and Promoting Black-owned SMMEs to Participate Actively Within the Tourism Value Chain in South Africa. *Africa Insight* Vol 48(3) – December 2018

Adu-Gyamfi, R., Kuada, J. & Asongu, S., 2018. An integrative framework for entrepreneurship research in Africa. African Governance and Development Institute WP/18/025.

Agwa-Ejon, J., & Mbohwa, C. (2015). Financial Challenges faced by SMMEs in Gauteng South Africa, University of Johannesburg.

Akanbi, B., Akin, O. & Sodiq, A. (2016) Analysis of Small and Medium Scale Enterprises (SMEs) Financing and Economic Growth: Which Way for Nigeria. *European Journal of Business and Management*. Vol.8, No.16, 2016

Alvarez, S., & Busenitz, L. (2001), "The entrepreneurship of resource based theory", *Journal of Management*, 27,755-775.

Anderson, A. & Ronteau, S. (2017) "Towards an entrepreneurial theory of practice; emerging ideas for emerging economies", *Journal of Entrepreneurship in Emerging Economies*, Vol. 9 Issue: 2, pp.110-120, https://doi.org/10.1108/JEEE-12-2016-0054

Anderson, A.R., 2011. The university's role in developing Chinese entrepreneurship. *Journal of Chinese Entrepreneurship*.

Anderson, A.R., Dodd, S.D. and Jack, S.L., 2012. Entrepreneurship as connecting: some implications for theorising and practice. *Management Decision*.

Ang, J.S. (1991). 'Small Business Uniqueness and the Theory of Financial Management', *Journal of Small Business Finance*

Ardent Executive, 2008, 'What is an Entrepreneur and how do I become one?' http://www.ardentexec.co.nz/Entrepreneur.html (accessed 29 May 2018).

Arko-Achemfuor, A. and Dzansi, D.Y., 2016. Understanding entrepreneurship in the South African context: insights from entrepreneurial risk attitudes of four major ethnic groups. *African Journal of Science, Technology, Innovation and Development*, *8*(2), pp.146-154.

Atreya, C. 2010, 'Small Business Blog from Atlantic Canada', http://www.atlanticcanadabusinessblog.com/index.php/2007/06/17/strategy/small-business-risk management-strategy/.

Ayyagari, M., Demirgüç-Kunt, A. and Maksimovic, V., 2011. Small vs. young firms across the world: contribution to employment, job creation, and growth. *World Bank Policy Research Working Paper*, (5631).

Ayyagari, M., Demirguç-Kunt, A., & Maksimovic, V. (2008). How important are financing constraints? *The World Bank Economic Review*, *22*(3), pp.483-516.

Ayyagari, M., Demirgüç-Kunt, A., & Maksimovic, V. (2010). Formal versus Informal finance: Evidence from China. Review of Financial Studies, 23(8), 3048-3097. http://dx.doi.org/10.1093/Rfs/Hhq030

Babatunde, R.O., & Qaim, M. (2009). Patterns of income diversification in rural Nigeria: determinants and impacts. *Quarterly Journal of International Agriculture*, 48(4), 305–320.

Bamata, N.H., (2018). A framework to improve access to external finance by Small and Medium Enterprise start-ups (Doctoral dissertation).

Baloyi, F. and Khanyile, M.B., 2022. Innovative mechanisms to improve access to funding for the black-owned small and medium enterprises in South Africa. *The Southern African Journal of Entrepreneurship and Small Business Management*, *14*(1), p.14.

Bauman, T. (2004). Pro-poor microcredit in South Africa: cost-efficiency and productivity of South African pro-poor microfinance institutions. *Development Southern Africa*, 21(5), 785-798.

Beck, T & Cull, R. (2014). Small- and Medium-Sized Enterprises Finance in Africa *Global Economy and Development Program*, *16*.

Beck, T. (2007). *Financing constraints of SMEs in developing countries: Evidence, determinants and solutions*. Washington, DC: The World Bank.

Beck, T. (2012). Lessons from the literature and the recent crisis. Accessed [2018-04-16]. [Online available at: https://pdfs.semanticscholar.org/10da/04fd7c447e210a36c094483595cf53dc2e3f.pdf

Beck, T., & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking & Finance*

Beck, T., 2013. Bank financing for SMEs–lessons from the literature. *National institute economic review*, *225*, pp.R23-R38.

Beck, T., 2016, November. Financial Inclusion–Measuring progress and progress in measuring. In *This paper was written for the Fourth IMF Statistical Forum "Lifting the Small Boats: Statistics for Inclusive Growth. Cass Business School, City, University of London, CEPR, and CESifo*.

Beck, T., Demirguc-Kunt, A., & Levine, R. (2005). SMEs, growth, and poverty (No. w11224). National Bureau of Economic Research.

Beck, T., Demirguc-Kunt, A., & Maksimovic, V. (2008). Financing patterns around the world: Are small firms different? *Journal of Financial Economics*, 89(3), 467–487.

Beck, T., Samuel Munzele Maimbo, Issa Faye and Thouraya Triki. (2011). *Financing Africa: Through the Crisis and Beyond*. Washington DC.

Beck, T., Senbet, L. and Simbanegavi, W., 2015. Financial inclusion and innovation in Africa: An overview. *Journal of African Economies*, *24*(suppl_1), pp.i3-i11.

Beck, Thorsten, Asli Demirguc-Kunt, and Vojislav Maksimovic. 2004. "Bank Competition and Access to Finance: International Evidence." *Journal of Money, Credit, and Banking* 36: 627-648.

Becker, G.S. (1964). *Human capital: A theoretical and empirical analysis, with special reference to education*. New York, National. Bureau of Economic Research.

Berger, A. N. & Udell, G. F. (2006). A more complete conceptual framework for SME finance. *Journal of Banking and Finance*

Berger, A.N. and Udell, G.F., 1995. Relationship lending and lines of credit in small firm finance. *Journal of business*, pp.351-381.

Berger, A.N. and Udell, G.F., 1998. The economics of small business finance: The roles of private equity and debt markets in the financial growth cycle. *Journal of banking & finance*, *22*(6-8), pp.613-673.

Bhaskar, R. (1989), *Reclaiming Reality: A Critical Introduction to Contemporary Philosophy*. London: Verso.

Bird, B.J., 1989. Entrepreneurial behavior. Scott Foresman & Company.

Bowmaker-Falconer, A. and Herrington, M., 2020. Igniting start-ups for economic growth and social change. *Global Entrepreneurship Monitor South Africa (GEM SA) 2019/2020 report*.

Börner, K., Boyack, K.W., Milojević, S. and Morris, S., 2012. An introduction to modeling science: Basic model types, key definitions, and a general framework for the comparison of process models. In *Models of science dynamics* (pp. 3-22). Springer, Berlin, Heidelberg.

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3, 77–101. https://doi.org/10.1191/1478088706qp063oa.

Brealey, R.A., Myers, S.C., & Allen, F. 2011. *Principles of Corporate Finance*. Tenth Edition. New York, NY, McGraw-Hill Companies, Inc.

Brière, S., Tremblay, M. & Daou, A., 2014. Entrepreneurship in South Africa: Looking beyond funding. *Development and Learning in Organizations*.

Brixiová, Z., Ncube, M. and Bicaba, Z., 2015. Skills and youth entrepreneurship in Africa: Analysis with evidence from Swaziland. *World Development*, *67*, pp.11-26.

Brown, C. & Thornton, M., 2013. How entrepreneurship theory created economics. *Quarterly Journal of Austrian Economics*,16(4).

Bryman, A. (2008) *Social research methods*, 4th edition, Oxford, Oxford University Press.

Bryman, A. (2012). *Social research methods*. New York: Oxford University Press.

Bula, H.O., (2012). Evolution and Theories of Entrepreneurship: A Critical Review on the Kenyan Perspective, *International Journal of Business and Commerce* Vol. 1, No.11: Jul 2012[81-96]

Bureau of Economic Research (BER) (2016) The Small, Medium and Micro Enterprise sector of South Africa

Burt, R. (1995) Structural Holes, Cambridge, MA.: Harvard University Press

Bygrave, W.D. (2009), 'The Entrepreneurial Process'. In: Bygrave, W.D. and Zacharakis, A. (eds.) *The Portable MBA in Entrepreneurship*, 4th ed., Hoboken, NJ: John Wiley & Sons, Inc. http://media.wiley.com/product_data/excerpt/43/04712715/0471271543.pdf

Bylund, P.L. and Manish, G.P., 2016, September. The Mises-Knight Theory of Uncertainty and Its Implications for Entrepreneurship, Equilibrium, and the Theory of the Firm. In *Including a Symposium on Albert O. Hirschman*. Emerald Group Publishing Limited.

C.A. 2008, 'Small business risk management strategy', http://www.atlanticcanadabusinessblog.com/index.php/2007/06/17/strategy/small-business-risk management-strategy/

Calás, M. & Smircich, L. (1997) *Postmodern management Theory*. Aldershot: Ashgate/Dartmouth.

Cantillon, R. (1931) *Essai sur la nature du commerce en general*, edited and translated by H. Higgs, London: Macmillan

Carpenter, R.E. & Petersen, B.C., 2002. Is the growth of small firms constrained by internal finance? *Review of Economics and Statistics*, 84(2), pp. 298-309.

Carree, M., A. van Stel, R. Thurik, and S. Wennekers. (2002). "Economic Development and Business Ownership: An Analysis Using Data of 23 OECD Countries in the Period 1976–1996." *Small Business Economics* 19 (3): 271–90.

Carree, M.A. & Thurik, A.R., 2010. *The impact of entrepreneurship on economic growth. In Handbook of entrepreneurship research* (pp. 557-594). Springer, New York, NY

Charmaz, K. 2006. *Constructing grounded theory: a practical guide through qualitative analysis,* London: Sage.

Chen, M., H., & Yang, Y., J. (2009). Typology and performance of new ventures in Taiwan. *International Journal of Entrepreneurial Behavior & Research*, 15(5), 398–414. doi:10.1108/13552550910982997

Chen, L., Jung, C & Chen, S. (2011). *How Pecking-Order Theory Explain Capital Structure*. Christian University, Taiwan

Cherryholmes, C. (1992) "Notes on Pragmatism and Scientific Realism", *Educational Researcher*, Vol. 21, pp. 13-17.

Chepurenko, A., 2015. Entrepreneurship theory: new challenges and future prospects. Форсайт, 9(2 (eng)). *Journal of Social Sciences* 5(2), 403–416. http://dx.doi.org/10.5901/mjss.2014.v5n2p403

Chimucheka, T., (2014). 'Entrepreneurship education in South Africa', *Mediterranean Journal of Social Sciences* 5(2), 403–416. http://dx.doi.org/10.5901/mjss.2014. v5n2p403

Chittithaworn, C. Islam, M.A, Keawchana, T. & Muhd Yusuf, D, H. (2011). Factors affecting business success of small and medium enterprises (SMEs) in Thailand. *Asian Social Science*, 7(5), 180–190.

Christen, R.P. & Pearce, D. 2004. Lessons learnt from Nkwe Enterprise Finance. *Development Southern Africa*, 21(5), 815-830.

Cibangu, K. S. (2012). Qualitative Research: The Toolkit of Theories in the Social Sciences. In Asuncion Lopez-Varela (Ed.). *Theoretical and Methodological Approaches to Social Sciences and Knowledge Management*, pp. 95–126. InTech.

Clifford, C. (1997). *Qualitative Research Methodology in Nursing and Healthcare*. Open Learning Foundation/Churchill Livingstone, Edinburgh.

Coghlan, D. (2011) 'Action Research: Exploring perspectives on a philosophy of practical knowing', *The Academy of Management Annals*, Vol. 5, No. 1, pp. 53-87.

Cohen, M. & Manion, L. 1997. *Research methods in education*. London: Routledge.

Convergence. 2019. The State of Blended Finance 2019. Available at: https://assets.ctfassets.net/4cgqlwde6qy0/58T9bhxExlNh2RilxWxSNe/ba56fa36c81349640179779ddd68cc99/Convergence_-_The_State_of_Blended_Finance_2019.pdf. [Accessed 12 October 2020.]

Collis, J. & Hussey, R. (2003) *Business Research: A Practical Guide for Undergraduate and Postgraduate Students* (2nd edn), Basingstoke, Palgrave Macmillan.

Corbin, J. & Strauss, A., 2008. Strategies for qualitative data analysis. Basics of Qualitative Research. *Techniques and procedures for developing grounded theory*, 3.

Corbin, J.M. and Strauss, A., 1990. Grounded theory research: Procedures, canons, and evaluative criteria. *Qualitative sociology*, *13*(1), pp.3-21.

Creswell, J. (2009). *Research design: Qualitative, quantitative, and mixed method approaches.* Thousand Oaks, CA: Sage Publications.

Cornelli, F. & Yosha, O., 2003. Stage financing and the role of convertible securities. *The Review of Economic Studies*, 70(1), pp.1-32.

Creswell, J. W. (2003). *Research design: Qualitative, quantitative, and mixed methods approaches* (2nd edn.). Thousand Oaks, CA: Sage.

Creswell, J. W. (2014). *Qualitative Inquiry & Research Design: Choosing among Five Approaches* (4th Ed.). Thousand Oaks, CA: SAGE.

Creswell, J.W., Klassen, A.C., Plano Clark, V.L. & Smith, K.C., 2011. Best practices for mixed methods research in the health sciences. Bethesda (Maryland): National Institutes of Health, 2013, pp.541-545.

Cruikshank, J.L., 2005. *Shaping the waves: a history of entrepreneurship at Harvard Business School*. Harvard Business Press.

Cunha, M.P.E., Rego, A., Oliveira, P., Rosado, P., & Habib, N. (2014). Product innovation in resource-poor environments: Three research streams. *Journal of Product Innovation Management*, *31*(2), pp.202-210.

Daskalakis, N., Jarvis, R., & Schizas, E. (2013). Financing practices and preferences for micro and small firms. *Journal of Small Business and Enterprise Development*, 20(1), 80-101

Demirgüç-Kunt, A. & Levine, R. (2008). Finance and economic opportunity. Policy Research Working Paper 4468. Washington DC: The World Bank.

Denzin NK & Lincoln YS (2005) Introduction: The discipline and practice of qualitative research. In: NK Denzin and YS Lincoln (eds), *The SAGE Handbook of Qualitative Inquiry.* 3rd ed. Thousand Oaks, CA: SAGE, pp. 1–32.

Denzin, N.K. & Lincoln, Y.S. eds., 2011. The Sage handbook of qualitative research. sage.

Denzin, N. K. (1989). *Interpretive interactionism*. Newbury Park, CA: Sage.

Dlova, K., R (2017). Small, Micro and Medium Enterprises Access to Credit in The Eastern Cape, South Africa

Dolmans, S. A., Burg, E. V., Reymen, I. M., and Romme, A. G. L. (2013). Dynamics of Resource Slack and Constraints: Resource Positions in Action (in press). Forthcoming in Organization Studies: 1-62.

Domeher, D., Abdulai, R. & Yeboah, E., 2016. Secure property right as a determinant of SME's access to formal credit in Ghana: dynamics between Micro-finance Institutions and Universal Banks. *Journal of Property Research*, 33(2), pp.162-188.

Dorin, C. & Alexandru, G.S., 2014. Dinamics of the entrepreneurship concept. Literature review. *The Annals of the University of Oradea*, 23(1), pp.443-451.

Drucker, P. F. (1985) *Innovation and Entrepreneurship*, New York: Harper & Row

Drucker, P.F. 2012, *Innovation and Entrepreneurship*, London: Routledge.

Drucker, P.F., 1998. The discipline of innovation. *Harvard business review*, *76*(6), pp.149-157.

DSBD (2017). Department of Small Business Development, 2016/17 Annual Review Small Business and Cooperatives in South Africa

DSBD (2021). Department of Small Business Development, About us. Available at: http://www.dsbd.gov.za/about-us Accessed [2021-06-23].

DTI (2004) Review of ten years of small business support in South Africa 1994–2004. DTI, Pretoria.

Dumbu, E. & Chidamoyo, P., 2012, 'Managerial deficiencies in the small and medium enterprises (SMEs) in the craft industry: An empirical evidence of SMEs at Great Zimbabwe in Chief Mugabe's area', *Journal of Business and Management* 4(10), 201.

Easterby-Smith, M., Thorpe, R. & Lowe, A. (2002). *Management Research: An Introduction* (2nd edn), London, Sage.

ED, R. (2015). Why SA still lacks black entrepreneurs, Yes, Apartheid IS to blame. Accessed [2017-10-17]. [Online available at: http://www.smesouthafrica.co.za/Yes-Apartheid-IS-to-blame/

The Entrepreneurial Dialogues (2010). State of Entrepreneurship in South Africa. Accessed [2010-06-23]. [Online available at: http://sablenetwork.com/pdf/The%20Entrepreneurial%20Dialogues%20-%20State%20of%20Entrepreneurship%20in%20South%20Africa.pdf

European Microfinance Network (EMN) (2010). *Overview of the Microcredit Sector in the European Union,* Working Paper N.6, Fundacion Nantik Lum.

Fal, M. (2013). Accelerating Entrepreneurship in Africa. *Innovations: Technology, Governance, Globalization*, 8, ¾, pp. 149–168.

Fatoki, O. & Asah, F., 2011, 'The impact of firm and entrepreneurial characteristics on access to debt finance by SMEs in King Williams' Town, South Africa', *International Journal of Business and Management* 6(8),170–179. https://doi.org/10.5539/ijbm.v6n8p170.

Fatoki, O. & Odeyemi, A., 2010. Which new small and medium enterprises in South Africa have access to bank credit? *International Journal of Business and Management*, *5*(10), p.128.

Fatoki, O., 2014. The entrepreneurial intention of undergraduate students in South Africa: The influences of entrepreneurship education and previous work experience. *Mediterranean Journal of Social Sciences*, *5*(7), p.294.

Feige, E.L., 1997. Underground activity and institutional change: Productive, protective and predatory behavior in transition economies. *Transforming Post-Communist Political Economies Nelson, Tilly and Walker (eds), National Academy Press, Washington, DC*.

Feldman, M.S. & Orlikowski, W.J., (2011) Theorizing practice and practicing theory. *Organization Science*, 22(5), pp.1240-1253.

Financial Services Regulatory Task Group. (2007). SMEs' Access to Finance in South Africa: A Supply-Side Regulatory Review.

Finfind (2017). Inaugural South African SMME Access to finance report. Accessed 2018-12-17]. [Online available at:https://www.accesstofinancereport.co.za/pdf/SA-SMME-Access-to-Finance-Report-2017-FINAL-VERSION-FOR-RELEASE-on-10-July-2018.pdf

FinMark Trust (2008). Baker, T and RE Nelson (2005). Creating something from nothing: Resource construction through entrepreneurial bricolage. *Administrative Science Quarterly*, 50(3), 329–366.

Finscope. (2010). *Finscope South Africa Small Business Survey 2010*. Pretoria: FinMark Trust South Africa.

Fisher, A., & Donaldson, G. (1962). Corporate Debt Capacity: A Study of Corporate Debt Policy and the Determination of Corporate Debt Capacity. *The Journal of Finance*, *17*(3), 554. http://dx.doi.org/10.2307/2977084

Fisher, G., 2012. Effectuation, causation, and bricolage: A behavioral comparison of emerging theories in entrepreneurship research. *Entrepreneurship Theory and Practice*, 36(5), pp.1019-1051.

Fitch, C. A., & Myers, S. L., J. (2000). Testing the Survivalist Entrepreneurship Model. *Social Science Quarterly*, 81(4), 985–991. Retrieved from https://ssrn.com/abstract=1513136

Friederich, C. (2017). Entrepreneurship education can help jobless, https://www.iol.co.za/business-report/entrepreneurs/entrepreneurship-education-can-help-jobless-8167129

Flick, U. (2014). *An introduction to qualitative research* (5th ed.). London: Sage Publications Ltd.

Furia, D., Castagna, A., Mattoscio, N. and Scamuffa, D., 2010. Education and labour market in the age of globalisation: some evidence for EU-27. *Procedia-Social and Behavioral Sciences*, *9*, pp.1140-1144.

Gammelgaard, B. (2017). Editorial: the qualitative case study. *The International Journal of Logistics Management* Vol. 28 No. 4, 2017 pp. 910-913.

García-Cabrera, A.M. and García-Soto, M.G., 2008. Cultural differences and entrepreneurial behaviour: an intra-country cross-cultural analysis in Cape Verde. *Entrepreneurship and Regional Development*, 20(5), pp.451-483.

Gartner, W. B. and Baker, T. (2010) "A Plausible History and Exploration of Stevenson's Definition of Entrepreneurship," *Frontiers of Entrepreneurship Research*: Vol. 30: Iss. 4, Article 2. Available at: http://digitalknowledge.babson.edu/fer/vol30/iss4/2

Ghosh, P., Mookhererjee, D, and Ray, D. (1999). *Credit Rationing in Developing Countries: An Overview of the Theory. A Reader in Development Economics*. London: Blackwell.

Gill, A. & Biger, N., (2012). Barriers to small business growth in Canada. *Journal of Small Business and Enterprise Development.*

Gippel J (2015). The masters of finance: Ideas from the field. *Australian Journal of Management* 40: 557–561.

Girma, S. and Vencappa, D., 2015. Financing sources and firm level productivity growth: evidence from Indian manufacturing. *Journal of Productivity Analysis*, 44(3), pp.283-292.

Gitman, L. J., Beaumont Smith, M., Hall, J., Lowies, B., Marx, J., Strydom, B., & van der Merwe, A. (2014). *Principles of Managerial Finance: Global and South African Perspectives* (1st edition ed.). Cape Town: Pearson Education South Africa.

Glaser, B. G., & Strauss, A. (1967). *The Discovery of Grounded Theory: Strategies for Qualitative Research*. New York, NY, Aldine De Groyter.

Global Entrepreneurship Monitor (GEM). (2017). South Africa Report 2016/2017

Global Entrepreneurship Monitor (GEM). 2011. High-impact entrepreneurship global report. [Online] Available: http://www.gemconsortium.org/docs/download/295. Accessed: 16 Mar 2019.

Goldenberg, J, Lehmann, D.R. & Mazursky, D. (2001). The idea itself and the circumstances of its emergence as predictors of new product success. *Management Science*, 47(1), 69–84.

Govender, R. (2008). Formal SMME tax compliance survey report, s.l.: United States Agency for International Development (USAID).

Green, F. (2013). Youth Entrepreneurship, A background paper for the OECD Centre for Entrepreneurship, SMEs and Local Development

Greene, J., Caracelli, V. and Graham W. (1989) "Toward a Conceptual Framework for Mixed-Method Evaluation Designs", *Educational Evaluation and Policy Analysis*, Vol. 11, pp 255-274.

Guba, E. G., & Lincoln, Y. (1989). *Fourth generation evaluation*. Newbury Park, CA: Sage.

Gurtoo, A. and Williams, C.C., 2009. Entrepreneurship and the informal sector: some lessons from India. *The International Journal of Entrepreneurship and Innovation*, 10(1), pp.55-62.

Gustavsen, B. (2008). Action Research, Practical Challenges and the Formation of Theory. *Action Research*, 6(4), 421–437.

Gwija, S. A. (2014). Challenges and prospects of youth entrepreneurship in Khayelitsha, Western Cape. Zhurnal Eksperimental'noi i Teoreticheskoi Fiziki. Cape Peninsula University of Technology. Retrieved from http://scholar.google.com/scholar?hl=en&btnG=Search&q=intitle:No+Title#0

Gwija, S. A., Eresia-Eke, C., & Iwu, C. G. (2014). Assessing the impact of support structures and initiatives to youth entrepreneurship development in a selected Township in the Western Cape Province of South Africa. *Mediterranean Journal of Social Sciences*, 5(1), 61–68. http://doi.org/10.5901/mjss.2014.v5n1p61

Hackett, S. M., Dilts, D. M. (2004). A real options-driven theory of business incubation. *The Journal of Technology Transfer*, 29 (1), 41-54.

Hair, J.F, Black, W.C, Babin, B.J, & Anderson, R, F. (2009). *Multivariate Data Analysis: A Global Perspective*. Upper Saddle River: Prentice Hall, 7th Ed edition.

Havemann, T., Negra, F. & Werneck, F. (2020) Blended finance for agriculture: exploring the constraints and possibilities of combining financial instruments for sustainable transitions, *Agriculture and Human Values* (2020) 37:1281–1292 https://doi.org/10.1007/s10460-020-10131-8

Heale, R. & Forbes, D. (2013) Understanding triangulation in research. *Evidence-based Nursing*, *16*(4), pp.98-98.

Hebert, R.F. & Link, A.N. (1989) In Search of the Meaning of Entrepreneurship*. Small Business Economics*, Vol. 1, pp. 39-49.

Hébert, R.F. & Link, A.N., 2006. The entrepreneur as innovator. *The Journal of Technology Transfer*, 31(5), pp.589-597.

Herbert, R. and Link, A.N., 1988. The Entrepreneur: Mainstream Views and Radical Critiques Praeger. *New York*.

Heron, J. (1996) Co-*operative inquiry: Research into the Human Condition*. London: Sage.

Heyl, B.S. (2005). 'Ethnographic interviewing '. In P. Atkinson, A. Coffey, S . Delamont, J. Lofland and L. Lofland (eds) *Handbook of Ethnography*. Thousands Oaks, CA: Sage, pp. 369-383.

Hoffmann, R. (2017) Small and Medium Enterprises (SMEs) in China [online] https://ecovisbeijing.com/investment/smes-china/ (accessed 11 July 2018).

Holden, M. T., & Lynch, P. (2004). *Choosing the Appropriate Methodology Understanding Research Philosophy.* Waterford Institute of Technology, Waterford.

Holloway, I. and Wheeler, S. 2002. *Qualitative research in nursing.* Oxford, UK: Blackwell Science.

Holmes, S. & Kent, P., (1991). 'An Empirical Analysis of the Financial Structure of Small and Large Australian Manufacturing Enterprises', *Journal of Small Business Finance*, 1 (2), 141-154.

Howe, K.R. (1988) Against the quantitative-qualitative incompatibility thesis or dogmas diehard. Educational Researcher. 17(8), 10 (1988). doi: 10.2307/1175845

HSRC. (2018). The state of the economy: City of Johannesburg. Accessed [2018-10-03]. [Online available at:
http://www.hsrc.ac.za/en/review/hsrc-review-january-2015/state-of-economy-city-of-jhb

Hu, Y. and Wang, F. (2016) Research on Financing Model of the Chinese SMEs in Supply Chain Finance. *International Journal of Economics, Finance and Management Sciences*, 2016; 4(5): 235-240

Hughes, M., Irland, R. D., & Morgan, R. E. (2007). Stimulating dynamic value: Social entrepreneurial orientation and business incubation as a pathway to competitiveness success. *Long Range Planning*, 40 (2), 154 – 177.

Hutchinson, J. & Xavier, A., 2006. Comparing the impact of credit constraints on the growth of SMEs in a transition country with an established market economy. *Small Business Economics*, 27(2-3), pp.169-179.

IFC (2013). IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction. IFC, Washington, DC.

IGI Global (2018). What is Total Early-Stage Entrepreneurial Activity (TEA) rate? Accessed [5 December 2018]. [Online available at: https://www.igi-global.com/dictionary/entrepreneurship-and-national-culture/47105

Ipek Erdogan, A., 2019. Determinants of perceived bank financing accessibility for SMEs: evidence from an emerging market. *Economic research-Ekonomska istraživanja*, *32*(1), pp.690-716.

Isenburg, D. (2011). 'Introducing the Entrepreneurial Ecosystem: Four Defining Characteristics', accessed 5 Jane 2018). [Online available at: http://www.forbes.com/sites/danisenberg/2011/05/25/introducing-the-entrepreneurship-ecosystemfour-Defining-characteristics/

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.

Kariv, D. (2011). *Entrepreneurship: An International Introduction*. New York: Routledge.

Kelley, D., Singer, S. & Herrington, M., 2015. 2016 global report. GEM Global Entrepreneurship Monitor, Babson College, Universidad del Desarrollo, Universiti Tun Abdul Razak, Tecnológico de Monterrey, International Council for Small Business (ICSB), Wellesley, MA.

Kent, R. 2007. *Marketing research: approaches, methods, and applications in Europe*. London: Thomson Learning

Kerr, W.R., Lerner, J. & Schoar, A., 2010. The consequences of entrepreneurial finance: a regression discontinuity analysis (No. w15831). National Bureau of Economic Research.

Kganyago, L. (2018). Statement of the monetary policy Committee. Accessed [2018-07-19]. [Online available at: https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/8671/MPC%20Statement_19%20July%202018%20.pdf

Klapper, L. (2006). The Role of "Reverse Factoring" in Supplier Financing of Small and Medium Sized Enterprises. *Journal of Banking and Finance* 30, 3111-30.

Klonowski, D. (2012). Liquidity gaps in financing the SME sector in an emerging market-evidence from Poland. *International Journal of Gender and Entrepreneurship*, 7(3), 335–355.

Knight, F.H., 1921. Risk Uncertainty and Profit,(re-issued by the University of Chicago Press, Chicago 1971). *Haughton Mifflin Co, Chicago*.

Knight, R.M., 1985. The financing of small high-technology firms in Canada. *Journal of Small Business & Entrepreneurship*, 3(1), pp.5-17.

Koshal, J. (2017). Entrepreneurship: Unlocking Africa's Riches, Chandaria School of Business, United States International University—Africa, Nairobi, Kenya.

Kraus, A., & Litzenberger, R. H. (1973). A state-preference model of optimal financial leverage. *Journal of Finance*, 28(4), 911–922.

Kumar, S & Rao, P. (2015). A conceptual framework for identifying financing preferences of SMEs, Department of Management Studies, Malaviya National Institute of Technology, Jaipur, India

Laisi, T. (2016). Pecking Order Theory in a Bank-Cantered Lending Environment – Evidence from north European Economies, University of VAASA

Leedy, P.D. and Ormrod, J.E. 2010. *Practical research, planning and design*. Upper Saddle River, NJ: Pearson.

Leedy, P.D. and Ormrod, J.E., 2013. Practical research: Planning and design . Boston, MA: Merrill.

Leinyuy, L, L. (2012). Theory and Practice of Funding Models The case of Cameroon, University of OSLO

Leroy, M. T. (2012). The impact of networking on access to finance and performance of SMES in the buffalo city municipality, Eastern Cape, South Africa. Master thesis: University of Fort Hare. South Africa.

Liedeman, R., Charman, A., Piper, L. & Petersen, L., 2013. Why are foreign-run spaza shops more successful? The rapidly changing spaza sector in South Africa. Sustainable Livelihoods Foundation.

Lincoln, Y., & Guba, E. G. (1985). *Naturalistic inquiry*. Newbury Park, CA: Sage

Lovemore, F.C.H., and Brummer, L.M. 2009, *The ABC of Financial Management*. 2nd ed., Pretoria: Van Schaik.

Lu, X., 2008. China's Development Model: An Alternative Strategy for Technological Catch-Up.

Mahadea, D. & Pillay, M.K. (2008). Environmental conditions for SMME Development in a South African Province. *SAJEMS NS* 11 (4).

Makina, D., Fanta, A.B., Mutsonziwa, K., Khumalo, J. and Maposa, O., 2015. Financial access and SME size in South Africa. *Occasional Paper*, pp.001-2015.

Marshall, A. 1964. Principles of Economics (9th ed.). London: Macmillan and Co.

Marshall, B., Cardon, P., Poddar, A. and Fontenot, R., 2013. Does sample size matter in qualitative research?: A review of qualitative interviews in IS research. *Journal of computer information systems*, *54*(1), pp.11-22.

Mason, M. (2010) Sample Size and Saturation in PhD Studies Using Qualitative Interviews, *Forum: Qualitative Social Research*, Volume 11, No. 3, Art. 8

Matalamäki, M.J., 2017. Effectuation, an emerging theory of entrepreneurship–towards a mature stage of the development. *Journal of Small Business and Enterprise Development*.

Maxwell, J. A. (1996). *Qualitative research design: An interactive approach*. Thousand Oaks, CA: Sage Publications.

Maziku, M. (2012). Credit Rationing for Small and Medium Scale Enterprises in Commercial Bank Loan Market. Research on Poverty Alleviation's 17th Annual Research Workshop. White sands Hotel, Dar as Salam, Tanzania.

Melnikovas, A. (2018). Towards an Explicit Research Methodology: Adapting Research Onion Model for Futures Studies. *Journal of Futures Studies*, December 2018, 23(2): 29–44

Menger, C. [1871] (2007), Principles of Economics (J. Dingwall and B. F. Hoselitz Trans.), Auburn, AL: Mises Institute.

Merriam, S. B. (1998). *Qualitative research and case study applications in education*. San Francisco, CA: Jossey-Bass Publishers.

Michael, S.C. and Pearce, J.A., 2009. The need for innovation as a rationale for government involvement in entrepreneurship. *Entrepreneurship and Regional Development,* 21(3), pp.285-302.

Mir, R., 2018. Embracing qualitative research: an act of strategic essentialism. *Qualitative Research in Organizations and Management: An International Journal*.

Mises. L. von. (1949). *Human Action—A Treatise on Economics*. London: W. Hodge.

Mishi, S., 2018. Small businesses start-up finance in African developing economies: supply side challenges. *Africa Growth Agenda*,15(3), pp.16-20.

Modigliani, F. & Miller, M.H. (1958). The cost of capital, corporation finance and the theory of investment. *Am. Econ. Rev*., 48(3): 261-297

Modigliani, F. & Miller, M.H. (1963). Corporate income taxes and the cost of capital: a correction. *Am. Econ. Rev*., 53: 433-443.

Mohajan, H. (2018) Qualitative Research Methodology in Social Sciences and Related Subjects. *Journal of Economic Development, Environment and People*, Vol-7, Issue 01, 2018, pp. 23-48

Moore, M.G., 1991. Distance education theory.

Molina Azorín,J, M and Cameron, R. "The Application of Mixed Methods in Organisational Research: A Literature Review" *The Electronic Journal of Business Research Methods Volume 8 Issue 2 2010 (pp.95-105), available online at* www.ejbrm.com

Moreau, C. P. & Dahl, D. W. (2005). Designing the solution : The impact of constraints on consumers creativity. *Journal of Consumer Research*: 32 (1):13-22.

Morgan, G. & Smircich, L. (1980), “The case for qualitative research”, *Academy of Management Review*, Vol. 5 No. 4, pp. 491-500.

Morris, M.H., Kuratko, D.F., & Covin, J.G. 2010, *Corporate Entrepreneurship and Innovation: Entrepreneurial Development Within Organizations*. Chatham: Cengage Learning

Mostafa, H. T., & Boregowda, S. (2014). A Brief Review of Capital Structure Theories. *Research Journal of Recent Sciences*, 3(10), 113–118.

Moustakas, C.E.1994. *Phenomenological research methods*. Thousand Oaks, CA: Sage.

Mthimkhulu, A. M. (2015). Small enterprise development in South Africa: an exploration of the constraints and job creation potential, Stellenbosch University, South Africa

Murphy, J.P, Liao, J & Welsch, P.H. (2006), “A Conceptual history of entrepreneurial thought”. *Journal of Management History*, 12, 9-24.

Mutambatsere, E. and Schellekens, P. (2020) THE WHY AND HOW OF BLENDED FINANCE, Recommendations to Strengthen the Rationale for and Efficient Use of Concessional Resources in Development Finance Institutions’ (DFI) Operations

Mutoko, W.R. & Kapunda, S.M., 2017, ‘Factors influencing small, medium and micro-sized enterprises’ borrowing from banks: The case of the Botswana manufacturing sector’, *Acta Commercii* 17(1), a426. https://doi.org/10.4102/ ac.v17i1.426

Myers, S. C., & Majluf, N. S. (1984). Corporate financing & investment decision when firms have information investors do not have. *Journal of Financial Economics*, 13(2), 187–221.

Myers, S.C. (2001). Capital Structure. *The Journal of Economic Perspectives, 15 (2): 81-102.*

Naicker, Y., & Rajaram, R., (2018) Factors that Influence Tax Compliance of SMEs in South Africa, ACTA UNIVERSITATIS DANUBIUS, Vol. 10, no. 2/2018 https://core.ac.uk/download/pdf/229466389.pdf

Nastasi, B.K., Hitchcock, J.H. and Brown, L.M., 2010. An inclusive framework for conceptualizing mixed methods design typologies: Moving toward fully integrated synergistic research models. Handbook of mixed methods in social & behavioral research, 2, pp.305-338.

National Planning Commission (NPC). 2011. National Development Plan: vision for 2030. [Online] Available: http://www.npconline.co.za. Accessed: 30 July 2018.

National Treasury (2017). Media Statement: Revised Preferential Procurement Regulations, 2017. Pretoria: National Treasury.

Ndirangu, A.W. and Terer, C.K., 2016. Determinants of repayment of youth enterprise development fund loans in Ol kalou constituency, Kenya.

Nguyen & Ramachandran, N. (2006). Capital Structure in Small and Medium sized Enterprises: The Case of Vietnam. *Asian Economic Bulletin*: 23 (2): 192-211.

Nheta, D.S., Shambare, R., Sigauke, C. & Tshipala, N., 2020, 'Entrepreneurship gaps framework model: An early-stage business diagnostic tool'. *Southern African Journal of Entrepreneurship and Small Business Management* 12(1), a297. https://doi.org/10.4102/ sajesbm.v12i1.297

Nhlapo, T.S (2008). Black economic Empowerment Funding Efficiency: South African Perspective.

Niglas, K. (2010) 'The multidimensional model of research methodology: An integrated set of continua', un A. Tashakkori and C. Teddlie (eds) *The Sage Handbook of Mixed Methods in Social and Behavioural Research*. Thousand Oaks, CA: Sage,pp.215-36

Njiro, E., Mazwai, T. & Urban, B., 2010, January. A situational analysis of small businesses and enterprises in the townships of the Gauteng province of South Africa. Presented at the *First International Conference held at Soweto Campus* (Vol. 27, p. 28).

North, D., Baldock, R. & Ekanem, I. (2010). Is there a debt finance gap relating to Scottish SMEs? A demand side perspective. *Venture Capital*, 12(3), 173-192.

Nowell, L.S., Norris, J.M., White, D.E. and Moules, N.J., 2017. Thematic analysis: Striving to meet the trustworthiness criteria. *International journal of qualitative methods, 16(1),* p.1609406917733847.

ODI. 2019. Blended finance in the poorest countries — The need for a better approach. https://www.odi.org/sites/odi.org.uk/fles/resource-documents/12666.pdf .Accessed 10 Oct 2021

OECD (2004). SME Statistics: Towards a more systematic statistical measurement of SME behaviour. Promoting Entrepreneurship and Innovative SMEs in a Global Economy, Istanbul, Turkey 3–5 June, Organisation for Economic Co-operation and Development, Paris

OECD (2010). Entrepreneurship and Migrants. Report by the OECD Working Party on SMEs and Entrepreneurship.

OECD (2015). Economic Surveys: South Africa

OECD (2017). *OECD Economic Surveys: South Africa*, Paris OECD Publishing.

OECD. 2018. Making Blended Finance Work for the Sustainable Development Goals, OECD Publishing, Paris. https://read.oecdilibrary.org/development/making-blended-finance-work-forthe-sustainable-development-goals_9789264288768-en#page3 . Accessed 10 October 2020.

Ojah, K. (2010). Possible Effective Financing Models for Entrepreneurship in South Africa: Guides from Microfinance and Venture Capital Finance. *The African Finance Journal*: 12 (1): 1–26.

Ojeka, S., 2011. Tax policy and the growth of SMEs: Implications for the Nigerian economy. *Research Journal of Finance and Accounting*, 2(2).

Okurut, F.N., Olalekan, Y. & Mangadi, K., 2011, 'Credit rationing and SME development in Botswana: Implications for economic diversification'. *Botswana Journal of Economics* 8(12), 62–85.

Omarjee, L. (2018). Funding holding back women in the energy sector – Radebe. Accessed [2018-09-20]. [Online available at: https://www.fin24.com/Economy/funding-holding-back-women-in-the-energy-sector-radebe-20180820

Omer, N., Van Burg, E., Peters, R.M., Visser, K. (2015). Internationalization as a "Work-around" Strategy: How going abroad can help SMES overcome local constraints *Journal of Developmental Entrepreneurship*, *20*(02), p.1550011.

Omer, N.A.E., 2016. The moderating effect of microfinance on the financial constraints to SMME growth in South Africa (Doctoral dissertation, University of the Western Cape).

Omotayo, T & Kulatunga, U. (2015) The research methodology for the development of a kaizen costing frame-work suitable for indigenous construction firms in Lagos, Nigeria. School of the Built Environment, University of Salford, Manchester, M5 4UW, UK.

Osorio, A.E., Ozkazanc-Pan, B. and Donnelly, P.F., 2015. An entrepreneurial context for the theory of the firm: Exploring assumptions and consequences. *New England Journal of Entrepreneurship*.

Ospina, S. (2004). *Qualitative Research. Encyclopaedia of Leadership*. Robert F. Wagner Graduate School of Public Service New York University, SAGE Publications, London, Thousand Oaks CA, New Delhi. www.sagepublications.com / http://wagner.nyu.edu/leadership/publications/files/Qualitative_Research.pdf

Owusu,J., Mohd Osman M. H. B.O, Ismail, M, B., & Latif, A.A.B (2017) A Conceptual Framework for Financing SME Growth in Ghana. *European Journal of Business and Management*, Vol.9, No.19, 2017

Padachi, K., Narasimhan, M. S., Durbarry, R., & Howorth, C. (2008). An Analysis of Working Capital Structure and Financing Pattern of Mauritian Small Manufacturing Firms. *ICFAI Journal of Applied Finance*

Patton M.Q. (2002) *Qualitative Research & Evaluation Methods*. 3rd ed. Thousand Oaks, CA: SAGE.

Pena, I. (2004). Business incubation centres and new firm growth in the Busque country. *Small Business Economics*, 22 (3-4), 223-236.

Penfold. E. (2016). Create Entrepreneurs Instead of Tenderpreneurs. Accessed [2018-05-22]. [Online available at: file:///C:/Users/0042737/Downloads/ASRI-Short-Papers_Erica-Penfold-Create-Entrepreneurs-Instead-of-Tenderpreneurs%20(1).pdf

Pergelova, A. and Angulo-Ruiz, F., 2014. The impact of government financial support on the performance of new firms: the role of competitive advantage as an intermediate outcome. *Entrepreneurship & Regional Development*, 26(9-10), pp.663-705.

Peters, L., Rice, M., & Sundararajan, M. (2004). The role of incubators in the entrepreneurial process. *The Journal of Technology Transfer*, 29 (1), 83-91.

Petersen, M. A., & Rajan, R. G. (2002). Does distance still matter? The information revolution in small business lending. *Journal of Finance*, 57(6), 2533–2570.

Pickernell, D., Senyard, J., Jones, P., Packham, G. & Ramsey, E., 2013. New and young firms: Entrepreneurship policy and the role of government–evidence from the Federation of Small Businesses survey. *Journal of Small Business and Enterprise Development*.

Ping, S.J. (2018). China MSME Finance Report 2017 (Compact Edition). *Beijing: Mintai Institute of Finance and Banking, Central University of Finance and Economics.*

Pitso, R (2017). A degree and deep desire to work isn't always enough in South Africa. (Accessed 2018-07-18).[Online available at: https://www.businesslive.co.za/bd/national/education/2017-03-11-a-degree-and-deep-desire-to-work-isnt-always-enough-in-sa/

Plano Clark, V.L. (2005) *Cross-disciplinary Analysis of the Use of Mixed Methods in Physics Education Research, Counseling Psychology, and Primary Care.* Doctoral dissertation, University of Nebraska-Lincoln.

Popescu & Visinescu, (2009). - Myers, S.C. (2001). Capital Structure. *The Journal of Economic Perspectives*, 15 (2): 81-102.

Rahman (2016) The Advantages and Disadvantages of Using Qualitative and Quantitative Approaches and Methods in Language "Testing and Assessment" Research: A Literature Review

Ramlee, S. & Berma, B., 2013. Financing gap in Malaysian small-medium enterprises: A supply-side perspective. *South African Journal of Economic and Management Sciences*, 16(5), pp.115-126.

Rao, P., Kumar, S., Chavan, M. and Lim, W.M., 2021. A systematic literature review on SME financing: Trends and future directions. *Journal of Small Business Management*, pp.1-31.

Regasa, D., Fielding, D. and Roberts, H., (2017). Access to financing and firm growth: Evidence from Ethiopia.

Rasinger, S. M. (2013). *Quantitative research in linguistics: An introduction*. A & C Black.

Rehn, A. & Taalas, S., 2004. Crime and assumptions in entrepreneurship. Narrative and Discursive Approaches in Entrepreneurship, Edward Elgar, Cheltenham, pp.144-159.

Remenyi, D. S. J., Swartz, E., Money, A., & Williams, B. (1998). *Doing Research in Business and Management: An Introduction to Process and Method*. SAGE Publications, London.

Ruef, M., Aldrich, H. E., & Carter, N. M. 2003. The structure of founding teams: Homophily, strong ties, and isolation among U.S. entrepreneurs. American Sociological Review, 68(2): 195–222.

Ricardo, D. (1817). *On the Principles of Political Economy and Taxation*. London: John Murray.

Robson, C. (2002). *Real World Research - A Resource for Social Scientists and Practitioner-Researchers* (second ed.). Malden: Blackwell Publishing.

Robson, P. J. A. P. and Bennett, R. R. J. (2000). SME growth: the relationship with business advice and external collaboration. *Small Business Economics*: 15: 193-208.

Rocha, V.C., 2012. The entrepreneur in economic theory: from an invisible man toward a new research field. *Porto: University of Porto*.

Rogerson, C. M. (2004). The impact of South African government's SMME programmes L a ten-year review (1994 – 2003). *Development South Africa*, 21 (5), 784

Rojas-Suárez, L. and Amado, M., (2014) 'Understanding Latin America's Financial Inclusion Gap', Working Paper 367, May 2014 role of finance in the business environment. *The World Bank Economic Review*, 22(3), 483–516.

Rubin, H. J., & Rubin, I. S. (1995). *Qualitative interviewing: The art of hearing data*. Thousand Oaks, CA: Sage Publications.

Rungani, E, C., and Potgiter, M (2018) The impact of financial support on the success of small, medium and micro enterprises in the Eastern Cape Province. *Acta Commercii - Independent Research Journal in the Management Sciences* ISSN: (Online) 1684-1999, (Print) 2413-1903

Rusu, S., Isac, F., curenteanu, R & Csorba, L (2012) Entrepreneurship and entrepreneur: A review of literature concepts. *African Journal of Business Management* Vol. 6(10), pp. 3570-3575, 14

Rwigema, H., B. Urban and R. Venter. 2012. Entrepreneurship theory in practice. 2nd Edition. Cape Town : Oxford University Press, South Africa

SA Parliament (2016). Small Enterprise Finance Agency (SEFA) on its 2016-2020 Corporate Plan. Accessed [2019-05-20].Online available at: https://pmg.org.za/committee-meeting/22235/

SA Parliament (2018). R1, 5 billion private sector support of small businesses: Department on its involvement. Accessed [2020-07-01]. Online available at : https://pmg.org.za/committee-meeting/25931/

SA Parliament (2022). Impact of government's support interventions to businesses: PBO & DSBD briefings; with Minister. Accessed [2022-10-17]. [Online available at: https://pmg.org.za/committee-meeting/35573/

Saarani, A.N. and Shahadan, F., 2013. The determinant of capital structure of SMEs in Malaysia: evidence from enterprise 50 (E50) SMEs. Asian Social Science, 9(6), p.64

SAB Foundation and Allen Gray Orbis (2017) The Entrepreneurial Ecosystem of South Africa: A Strategy for Global Leadership 2017

Saberi, M. and Hamdan, A., (2019). The moderating role of governmental support in the relationship between entrepreneurship and economic growth: A study on the GCC countries. *Journal of Entrepreneurship in Emerging Economies.*

Sahay, G. (2016). From the Dean's Desk: Peeling Saunders's research Onion. *Shodh Gyaan* Vol. 3, Issue 2, 2016 pp. 02-04

Salami, K.A. & Iddirisu, M., 2011. An assessment of the static trade-off theory of capital structure using Ghana stock market data. *Journal of Management Policy and Practice*, 12(6), pp.81-89.

Salmona, M., Kaczyniks, D., & Smith, T. (2015). Qualitative theory in finance: Theory into practice, *Australian Journal of Management*, 2015, Vol. 40(3) 403–413

SARS (2018). Companies, Trusts and Small Business Corporations (SBC). Accessed [2018-07-17]. [Online available at: http://www.sars.gov.za/Tax-Rates/Income-Tax/Pages/Companies-Trusts-and-Small-Business-Corporations.aspx

Saunders, M & Tosey, P. (2013). The Layers of Research Design WINTER 21012/2013 - RAPPORT

Saunders, M., Lewis, P. & Thornhill, A. (2009) *Research methods for business students*, 5th ed.,Harlow, Pearson Education.

Saunders, M., Lewis, P., & Thornhill, A. (2016). *Research Methods for Business Students*. England: Pearson Education Limited.

Saunders, M., Lewis, P.H.I.L.I.P. and Thornhill, A.D.R.I.A.N., 2007. *Research methods*. Business Students 4th edition Pearson Education Limited, England.

Say, J.B. (1803). Traité D'économie Politique, ou Simple Exposition de la Manière Dont se Forment, se Distribuent, et se Composent les Richesses, A.A. Renouard, Paris

Scholtz, A., and Gravenorst, C., (2018). The tax compliance burden for small and medium-term enterprises (SMEs). Accessed online [2022-02-05]. Available at: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/tax/AntheaScholtz_ClaudiaGravenorst_The_tax_compliance_burden_for_small_and_medium_term_enterprises.pdf

Schultz, T.W., 1975. The value of the ability to deal with disequilibria. *Journal of economic literature*, *13*(3), pp.827-846.

Schutt, R.K., 2019. Quantitative methods. *The Wiley Blackwell Companion to Sociology*, pp.39-56.

Schumpeter, J.A. (1934). *The Theory of Economic Development*. Cambridge, MA: Harvard University Press

Schumpeter, J.A., 1949. Science and ideology. *American Economic Review*, 39(2), pp.345-359.

SEDA (2017). SMME Quarterly Update 3rd Quarter 2017, February 2018, Small Enterprise Development Agency

SEDA. 2013. *Annual report, Small Enterprise Development Agency.* [Online] Available: www.seda.co.za. Accessed: 10 May 2018.

Seed Academy (2016) Start-up survey results

Senyard, J., Baker, T., Steffens, P. and Davidsson, P., 2014. Bricolage as a path to innovativeness for resource-constrained new firms. *Journal of Product Innovation Management*, 31(2), pp.211-230.

Sheriff, M. and Muffatto, M., 2014. Reviewing existing policies for unleashing and fostering entrepreneurship in selected African countries. Journal of Developmental Entrepreneurship, 19(03), p.1450016.

Siljander, R. (2018) Capital Structure Theory and Determinants With Reference To Finnish Smes, Olun Yliopisto University of OULU.

SIMODISA. (2015). Accelerating the growth of SMEs in South Africa. The Top 25 constraints inhibiting the development of effectively functioning entrepreneurial ecosystems in South Africa.

Simon, M., 2011. Assumptions, limitations and delimitations.

Simpeh, K.N. (2011). Entrepreneurship theories and Empirical research: A Summary Review of the Literature,. *European Journal of Business and Management*, ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)

Smircich, L., 1983. Concepts of culture and organizational analysis. *Administrative Science Quarterly*, pp.339-358.

Smith, A. (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations*. London: Methuen Publishers

Smith, L. (1978). An evolving logic of participant observation, educational ethnography, and other case studies. In L. Shulman (Ed.), *Review of researching education* (pp. 316-377). Itasca, IL: F. E. Peacock.

Smuts, M. (1986). The Growth of Black Business in South Africa (In: Smollan, R. ed., 1986. *Black Advancement in the South African Economy*. McMillian Press London/ Printpak Books, Cape Town, South Africa).

Snyder, C. (2012). A Case Study of a Case Study: Analysis of a Robust Qualitative Research Methodology. *The Qualitative Report*, 17(13), 1-21. Retrieved from http://nsuworks.nova.edu/tqr/vol17/iss13/2

Stake, R. E. (1995). *The art of case study research*. Thousand Oaks, CA: SAGE Publications.

Stats SA (2021). Quarterly Labour Force Survey - Quarter 2: 2021. Accessed (2021-11-17). [Online available at:http://www.statssa.gov.za/publications/P0211/P02112ndQuarter2021.pdf

Stevenson, H. and Gumpert, D., 1985. The heart of entrepreneurship.

Stevenson, H.H & Jarillo J.C. (1990), "A Paradigm of Entrepreneurship: Entrepreneurial Management". *Strategic Management Journal*, 11, 17-27.

Stiglitz, J. E. & Weiss, A. (1981). Credit rationing in markets with imperfect information. *The American Economic Review*: 71 (3): 393-410.

Storey, D. J. (1994). *Understanding the Small Business Sector*. Cengage Learning EMEA.

Strauss, A. & Corbin, J., 1998. *Basics of qualitative research techniques* (pp. 1-312). Thousand oaks, CA: Sage publications.

Strauss, A. L. (1987). *Qualitative analysis for social scientists*. New York, NY: Cambridge University Press.

Strauss, A. L., & Corbin, J. M. (1990). *Basics of qualitative research* (Vol. 15). Newbury Park, CA: Sage.

Suddaby, R. (2006) 'From the editors: What grounded theory is not', *Academy of Management Journal*, Vol.49, No. 4, pp.663-42.

Swartz, E.M., Amatucci, F.M. and Marks, J.T., 2019. Contextual embeddedness as a framework: The case of entrepreneurship in South Africa. *Journal of Developmental Entrepreneurship*, *24*(03), p.1950018.

Swedberg, R., (2002). The economic sociology of capitalism: Weber and Schumpeter. *Journal of Classical Sociology*, 2(3), pp.227-255.

Tashakkori, A. and Teddlie, C. (1998). *Mixed Methodology: Combining Qualitative and Quantitative Approaches*. Thousand Oaks, CA, Sage.

Tashakkori, A. and Teddlie, C., 2009. Integrating qualitative and quantitative approaches to research. The SAGE handbook of applied social research methods, 2, pp.283-317.

Tashakkori, A., & Creswell, J. (2007). Editorial: Exploring the nature of research questions in mixed-methods research. *Journal of Mixed Methods Research*, 1, 207-211.

Teddlie, C. & Tashakkori, A., 2011. Mixed methods research. *The Sage handbook of qualitative research*, 4, pp.285-300.

Teddlie, C., & Yu, F. (2007). Mixed methods sampling: A typology with examples. *Journal of Mixed Methods Research*, 1(1), 77-100.

Timm, S. (2011). How South Africa can Boost Support to small Business: lessons from Brazil and India. Accessed [2018-09-12]. [Online available at: http://.tips.org.za/files/india_brazil_2001_edit_s_timm.pdf

TIPS (2017) Regulatory Burdens on Small Business: Options for Improvement

Transparency International, 2008. *Global corruption report 2008: Corruption in the water sector*. Cambridge University Press.

Tucker,J and Lean, J. (2003) Small firm finance and public policy *J. Small Bus. Enterp. Dev*., 10 (1) (2003), pp. 50-61

Turton, N., & Herrington, M. (2012). Global entrepreneurship monitor. Cape Town: The UCT Centre for Innovation and Entrepreneurship.

Urban, B. (2011). *The Entrepreneurial Mindset*: Book 2, 1st ed., Johannesburg: Heinemann.

VAN AARDT I. 2016. Ed. Principle of entrepreneurship and small business management. 2nd edition. Southern Africa: Oxford University Press.

Van Aken, J.E. (2005) 'Management research as design science: articulating the research Products of Mode 2 knowledge production in management'. *British Journal of Management*, vol. 16, No. 1, pp. 19-36.

Van Burg, E., Podoynitsyna, K., Beck, L., & Lommelen, T. (2012). Directive Deficiencies: How Resource Constraints Direct Opportunity Identification in SMEs. *Journal of Product Innovation Management* 29 (6): 1000-1011.

Van Scheers, L., 2012. Marketing related challenges of small and medium enterprises (SMEs) in developing African countries: The South African challenge. *The Journal of Accounting and Management*, *8*(1).

Velasquez, M.G. (2012) *Business Ethics: Concepts and Cases*, 7th Edition, New Jersey: Prentice Hall.

Visser, A., 2019. SME funding remains elusive. *finweek,* 2019(12), pp.48-49.

W&RSETA.(2016). Wholesale and Trade Opportunities. Retrieved from http://www.wrseta.org.za/inner.aspx?section=2&page=235

Wagenvoort, R. (2003). Are finance constraints hindering the growth of SMEs in Europe? *EIB Papers*, 8(2), 23–50.

Watkins, J.A., 2012. A literature review of small and medium enterprises (SME) risk management practices in South Africa. *African journal of business management*, *6*(21), pp.6324-6330.

Wedawatta, G.S.D., Ingirige, M, J, B., & Amaratunga, R, D, G. (2011) Case study as a research strategy: Investigating extreme weather resilience of construction SMEs in the UK, available at: http://usir.salford.ac.uk/18250/

Weiss HB and Greene JC (1992) An empowerment partnership for family support and education programs and evaluations. *Family Science Review* 5: 145–163.

Welman, C., Kruger, F., & Mitchell, B. 2005. *Research methodology*. 3rd ed. Cape Town: Oxford University Press.

Welman, J.C. & Kruger, S.J. (2001). *Research methodology*. Cape Town: Oxford University Press.

Woldie, A., Mwitta, J. I., & Saidimu, J. (2012). Challenges of microfinance accessibility by SMEs in Tanzania. *Thunderberd International Business Review*, 54(4), 567–579.

Wu, J., Song, J., & Zeng, C. (2008). An empirical evidence of small business financing in China. *Management Research News*, 31(12), 959–975.

XERO (2017). The state of South African Small Businesses in 2017. Accessed [2018-05-06]. [Online available at: https://www.xero.com/za/campaigns/state-of-small-business/

Welman, J.C. & Kruger, S.J. (2001). *Research methodology*. Cape Town: Oxford University Press.

Yap, C (2018). Financing Options for SMEs

Yauch, C. A., & Steudel, H. J. (2003). Complementary Use of Qualitative and Quantitative Cultural Assessment Methods. *Organizational Research Methods*, 6(4), 465–481.

Yazan, B. (2015). Three approaches to case study methods in education: Yin, Merriam, and Stake. *The Qualitative Report, 20*(2), 134-152. Retrieved from http://www.nova.edu/ssss/QR/QR20/2/yazan1.pdf

Yin, R. K. (2002). *Case study research: Design and methods*. Thousand Oaks, CA: SAGE Publications.

Yin, R. K. (2003) *Case study research: Design and methods.* 3rd edition, London, SAGE Publications.

Zacharia, A., Erikson, T., & George, B. (2010). Conflict between the VC and entrepreneur: entrepreneur's perspective. *Venture Capital*, 12 (2), 109-126.

APPENDICES

11.1 Authorisation letter

Date 10 November 2020

Dear

SUBJECT: REQUEST FOR PERMISSION TO CONDUCT ACADEMIC RESEARCH

(The organisation name) has been identified as one of the key stakeholders and an important participant in the research titled: ***The Case study on funding models for the black graduate Entrepreneurs in South Africa***. The researcher (Foster Baloyi) is a Doctoral student the University of South Africa under supervision of Dr Moss Khanyile. The researcher and not any other organisation or institution initiated the study. The University of South Africa Ethical Review Committee will only approve the study after carefully looking into the plan for data collection, analysis as well as authorization letters from identified potential participating institutions.

It is therefore required that I get official permission letter from your organization confirming that I will be allowed to interview representatives of DSBD asking questions which will inform the development of the new SME funding models. Another special request will be for DSBD to indicate if it will be possible to make available list of the SMEs that have been recently assisted so that they too can voluntarily participate in the research process. **Please note that the research will not discuss any personal or confidential information.**

Please nominate officials from your organization who will participate in this important research project. Consent forms will be signed with the participating individuals in order to guarantee safety their confidential information.

Thank you,

Foster Baloyi – Researcher (student no: 64059340)
64059340@mylife.unisa.ac.za
Ms Tumelo Seopa
Unisa SBL DBL Programme Coordinator
011 652 0210
tseopa@unisa.ac.za

11.2 Informed consent for participation in an academic research project

CASE STUDY ON SME FUNDING MODELS FOR THE BLACK GRADUATE ENTREPRENEURS IN SOUTH AFRICA

Dear Participant

You are herewith invited to participate in an academic research study conducted by Foster Baloyi a student in the Doctor of Business Leadership at UNISA's Graduate School of Business Leadership (SBL).

The purpose of the study is to investigate new SME funding models for the black graduate entrepreneurs in South Africa.

All your answers will be treated as confidential, and you will not be identified in any of the research reports emanating from this research.

Your participation in this study is very important to us. You may however choose not to participate and you may also withdraw from the study at any time without any negative consequences.

This interview session will be guided by the semi-structured questions and please answer the questions in the best way possible with honesty. This should not take more than 45 minutes of your time.

The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.

Please contact my supervisor, Dr Moses Khanyile (mosesk@sun.ac.za) if you have any questions or comments regarding the study. Please sign below to indicate your willingness to participate in the study.

Yours sincerely

____

Foster Baloyi

I, _____________________________________ herewith give my consent to participate in the study. I have read the letter and understand my rights with regard to participating in the research.

____________________________ ____________________

Respondent's signature **Date**

11.3 Interview Questions _entrepreneurs/SME Owners

a) The majority of black owned SMEs are declined funding by the banks because of the following reasons:
    - lack of collateral,
    - no creditworthiness,
    - no previous business history
    - SMEs generally being regarded too risky to finance

   What would you recommend as the possible changes to the whole SME business loan application, assessment, contracting and monitoring period?

b) Would you sit for a psychometric test administered by the funding institution as a way of determining your risk level?

c) As an entrepreneur/SME owner, what can you do to make information about your business [business decisions and financial performance] more accessible to the funding institution? [SMEs are said to be too risky and less predictable compared to large enterprises, hence funding institutions want transparency]

In a case where the business funding has been granted by a government agency [SEFA, NYDA or IDC] , would accept it if the agency post investment official is given a view-only access to your business account online profile for monitoring?

d) What are the challenges associated with accessing financing options such as:
    - Equity partners?
    - Angel investors?
    - Leasing?
    - Factoring?

e) To what extend do you think the funding institutions provide detailed guidelines steps on how to complete the business loan application form and supporting documents required? – Summary of available products, amounts, criteria, process and supporting documents needed.

f) What are the most required support services deemed useful for SME success and growth? [Training, Mentorship, Access to Market information, etc.]
g) How effective are current support programmes run by both government and private institutions?
h) To what extent does the current loan application process [model] consider the SME owner/entrepreneur education level?
a) What are some of the anti-business governmental regulations, policies and laws that are difficult and costly (money & time) to comply with?

What changes would you recommend in order to correct the situation?

b) How can the complexity in the TAX (VAT) system be simplified to ease the burden of compliance for SMEs?
c) SMEs fall behind on VAT and PAYE commitments, any simplification requirements?
d) How can the policy and regulatory framework impacting SMEs environment be improved to:
   - Incentivise the banks to invest in software applications that can generate free (softcopies) financial statements for SMEs and paperless application?
   - Encourage or incentivise [tax breaks] alternative funding providers such as Equity funding, crowdfunding, factoring angel investor, leasing etc.?

- Public-private partnership in the administration of Credit Guarantee Schemes (CGS)?

e) In the main, accepted collateral is mainly land and physical buildings, are there considerations within the South African policy making space to implement policies which will allow for the recognition and recording of movable forms of assets and intellectual property [patents] as collateral?

f) How can the policy instruments be developed and implemented to reduce transactional costs for SMEs?

11.4 Interview Questions – Funding Institutions

i) The majority of black owned SMEs are declined funding by the banks because of the following reasons:
   - lack of collateral,
   - no creditworthiness,
   - no previous business history
   - SMEs generally being regarded too risky to finance

   What would you recommend as possible changes to the whole loan application, assessment, contracting and during the contract period?
   [What has SEFA establish to remedy the situation?]

j) Transactional costs for SMEs which usually borrow small amounts [R250 000 on average] compared to large enterprises:
   - How could the use of Technology lead to both transactional and administrative costs?
   - Information asymmetric (the bank's inability to fully know or predict the SMEs decision making) challenges are sometimes cited as reasons leading to high transactional costs for SMES, are there some considerations that could be establish including but not limited to the use of technology to address the challenge?
   - The use of technology could lead to dynamic monitoring of liquidity on the side of SMEs and the reduction of relationship banking costs, has the bank considered such technological initiatives?

k) How can the use of technology during the loan application and/or post-funding stage lead to cost effective relationship banking?

[To what level does SEFA loan application process use technology to promote accessibility and efficiencies?]

l) Has the SEFA considered the introduction of online funding/loan application and assessment process to improve (efficiencies) turnaround times and reduce transaction costs?

m) Is there any consideration for the introduction of technology (Big Data & social media) to mitigate asymmetric information problems? [Will the bank consider monitoring the social handles of SME owners/Entrepreneurs?]

n) What can the entrepreneur/SME owner do to make information about the business [business decisions and financial performance] more accessible to the funding organizations?

o) Does the SEFA have a loan application assessment tool separate from the one used to assess applications submitted by larger enterprises?

p) To what extent does the current loan application process [model] consider the SME owner/entrepreneur educational/skills level?

q) Does the loan application process include a Psychometric test?

r) The loan application is considered complex and complicated, what are the elements deemed unnecessary and less significant?

s) The implementation of Credit Guarantee Schemes (CGS) by governments aims at mitigating the lack of collateral:
   - What are the current successes and challenges recorded since the implementation of the Credit Guarantee Schemes in South Africa?
   - What are the current observed shortcomings that would warrant changes in order to achieve effectiveness and efficiencies?

- To what extent does the current public-private partnership in the administration of CGS prevent political influences and yet support transformational objectives [supporting the focus groups such as youth, blacks and women]?

t) How can access to information on the available funding instruments and requirements be improved?
u) Does the bank provide a summary of available products, amounts, criteria, process and supporting documents needed? How often does the information pack get updated?
v) How will you rate the level of details in the guidelines/manuals [steps] on how to complete the business loan application form at the bank?
w) What are the current and planned support services deemed useful for SME success and growth? [Training, Mentorship, Access to Market information, etc.]
x) Will the SEFA consider flexible loan contractual terms to credit SMEs by reducing the interest rates whenever additional information about the business performance is constantly made available (uploading on the bank portal) and when the financial situation (cash flow) improves?
y) Is there any considerations for the introduction of online post funding support programmes as training and information sharing?
z) How effective are the current support programmes run by both government and the bank? [Does the bank if the loan applicant has previously received any non-financial support such as mentioned above?]
aa) In the main, accepted collateral is mainly land and physical buildings, are there considerations within the South African policy making space to implement policies which will allow for the recognition and recording of movable forms of assets and intellectual property [patents] as collateral?
bb) How can the policy instruments be developed and implemented to reduce transactional costs for SMEs?
cc) Would the bank consider entering into special loan contracts with the SME-Owner/Entrepreneurs such as:
    - The SME-Owner/Entrepreneurs nominate the account into which the loan amount must be paid into [this could apply in cases whereby SME-Owner/Entrepreneurs won a tender, the bank can be sure that the money will not be diverted to risky investments].
    - The bank debit is loaned money when the SME-Owner/Entrepreneurs receive payment from government/State Owned Entity.

11.5 Interview Questions - Policy makers

a) What are some of the anti-business governmental regulations, policies and laws that the SMEs and other entities have reported to the Department of Small Business Development (DSBD) impediments and increase the cost of doing business as they are costly (money & time) to comply with?
b) How can the complexity in the TAX (VAT) system be simplified to ease the burden of compliance to SMEs?
c) What changes would you recommend in order to correct the situation (unsupportive regulatory policies)?
d) SMEs fall behind on VAT and PAYE commitments, are there any simplification proposals being made?
e) How can the policy and regulatory framework impacting SMEs environment be improved to:
    - Incentivise the banks to invest in software applications that can generate free (softcopies) financial statements for SMEs and paperless application?
    - Encourage or incentivise [tax breaks] alternative funding providers such as Equity funding, crowdfunding, factoring angel investor, leasing etc.?

- Introduce pre-approval systems within SEFA, IDC and other institutions in order to eliminate bulk of the applications which fail to meet the basic criteria (turnaround times would improve).
- Changing the mandate of SEFA, IDC and other institutions to empower the regional offices to approve loans applications not exceeding R250 000?
- Public-private partnership in the administration of Credit Guarantee Schemes (CGS)?

f) The government-funded institutions providing loans and funding to the SMEs lack impact due to their operational models and prolonged approval processes, what is being done to correct the situation?

g) In the main, accepted collateral is mainly land and physical buildings, are there considerations within the South African policy making space to implement policies which will allow for the recognition and recording of movable forms of assets and intellectual property [patents] as collateral?

h) How can the policy instruments be developed and implemented to reduce transactional costs for SMEs?

i) In order to improve the quality of documentation submitted as supporting documents during the loan application, will it be recommended that SARS consider including costs incurred on the production of financial statements, auditing and business plans as tax deductible? (Bank accounts must be submitted to support the claim of such expenditure)

11.6 Survey Questionnaire

Small and Medium Enterprises (SMEs) Funding in South Africa.

The research seeks to investigate the ways to improve Small and Medium Enterprise (SMEs) funding models for Entrepreneurs in South Africa.

* Required

1. What is **your role** in the Small and Medium Enterprises (SMEs) sector? *

- ◯ Entrepreneur/SME-Owner
- ◯ Work for a Private Funding Institution (Banks & Private Equity)
- ◯ Work for a government funding institution (SEFA, IDC, NEF)
- ◯ Work for Government, SEDA, SOE or any other institution providing non-financial support to SMEs
- ◯ Academia, Consultant and related.

2. Have you **applied** for a small business loan before? *

◯ Yes

◯ No

3. My small business loan application was for : *

☐ R 250 000 and less.

☐ R 250 000 and more.

4. Select the type of institution where you applied for a small business loan before. *

- ◯ Private Bank/Equity Investor
- ◯ Government Funded Institution (SEFA, IDC, NEF or others)

5. The outcome of my SME loan application was given within : *

- ◯ One Month
- ◯ Two Months
- ◯ Three Months
- ◯ Four Months and more

6. The outcome of my SME loan application was given within : *

- ◯ One Week
- ◯ Two Weeks
- ◯ Three Weeks
- ◯ Four Weeks

7. SMEs loan application for R250 000 and less should be simplified. The paper work supporting the application must be reduced to ten (10) pages. *

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	◯	◯	◯	◯	◯

8. Collaboration and partnerships between public and private sector role players need improvement. Improved partnerships will improve the success in Credit Guarantee Schemes (CGS) and SMEs market access. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

9. SME loan approval powers should be **delegated to the regional offices** to approve loans for R250 000 and less. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

10. SEFA, IDC, NEF and other non-banking institutions must have technology systems similar as the private banks in order to conduct "pre-approvals " and client bank account monitoring. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

11. Better SMEs loan contracts can be used as a way of reducing SME Funding risks. The applicants without collateral can sign for cession of payments and even to have mandatory monthly savings (debited to a soft locked account)to build collateral (security). *

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Select your answer	○	○	○	○	○

12. SMEs find it difficult to meet the requirement of submitting an audited financial statement during the loan application, this requirement should be removed because it is costly for SMEs. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

13. Blended Finance is structuring a loan with a grant portion that helps with non-finance support such as access to training, mentorship, business incubation, market research and other support services. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Blended finance will improve both access to funding and SMEs success.	○	○	○	○	○

14. Most Entrepreneurs require training in Financial, Operational, Marketing, Technology and General Management. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

15. SME-Owners/Entrepreneurs should be required to write a **psychometric test** so that the results can be used to develop specific tailor made training and other support interventions (**the results should not be used to disqualify applicants**). *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

16. The introduction of **virtual online training** can help reach as many SMEs as possible. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

17. A common standard ***Business Plan*** template should be adopted in South Africa. The adopted template must be accepted by key stakeholders such as the Banks, SEFA, IDC, NEF and Others. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

18. In order to improve Entrepreneurship and SME success in South Africa, support structures must be established in the provinces for the provision of advisory services, mentorship, business incubation, networking,and market access purposes. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Yes, this will help Entrepreneurs and SME success?	○	○	○	○	○

19. Some Government department and entities fail to pay SMEs within 30-days. Every invoice paid after 30-days must earn interests. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

20. The current laws and regulations in South Africa make it possible for SMEs to compete fairly with large established businesses (including in government tenders) *

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Select your answer	○	○	○	○	○

21. SMEs should be exempted from submitting TAX returns at least in their first 3 years if their yearly turnover is less than R 3 million. *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Select your answer	○	○	○	○	○

11.7 Language editing certificate

EDITING AND PROOFREADING CERTIFICATE

7542 Galangal Street

Lotus Gardens

Pretoria

0008

08 January 2022

TO WHOM IT MAY CONCERN

This certificate serves to confirm that I have language edited the F Baloyi's thesis entitled, **"BLENDED FINANCE MODEL: AN OPTION TO CLOSE SMALL AND MEDIUM ENTERPRISES (SMEs) FUNDING GAP IN SOUTH AFRICA."**

I found the work easy and intriguing to read. Much of my editing basically dealt with obstructionist technical aspects of language, which could have otherwise compromised smooth reading as well as the sense of the information being conveyed. I hope that the work will be found to be of an acceptable standard. I am a member of Professional Editors' Guild.

Hereunder are my contact details:

Jack Chokwe (Mr)

Contact numbers: 072 214 5489

jackchokwe@gmail.com

Professional EDITORS Guild

Jack Chokwe
Associate Member

Membership number: CHO001
Membership year: March 2021 to February 2022

076 471 6881
012 429 3327
jackchokwe@gmail.com
www.academicproeditor.com

www.editors.org.za