

# **ACCESS TO FINANCE AS A CHALLENGE FOR BURGERSFORT SMALL AND MEDIUM-SIZED ENTERPRISES IN TOURISM**

By

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## **Declaration**

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I declare that the above dissertation is my own work and that all sources used and quoted have been indicated and acknowledged by means of complete references.

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I further declare that I have not previously submitted this work and or part of it for examination at Unisa or any other higher education institution and for any other qualification.

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## **Abstracts**

The objective of the study was to assess financial access as a challenge to SMEs in tourism and in rural areas. The focus was on the relationships between financial access and its determinants, such as, information asymmetry, perceived risk, company size, performance and service quality. The research also looked at these determinants from a government support side. The theoretical framework was on government support and rural tourism development, with the focus on theories of motivation in developing rural tourism. These theories explained the development of destinations in quest of what the tourists expect or are to expect from a destination. The research employed a mixed methodology in data collection, analysis and presentation. The study findings show that a positive relationship exists between the variable, service quality, and access to finance as validated by the Pearson Correlation Test. The Regression Model showed that there was a relationship between accesses to finance, size of the business and service quality (using quality of financial statements as a measure for service quality), however, the study did not statistically substantiate the relationship. Further, the study findings failed to prove the direction of the relationship in existence between the variables of perceived risk and access to finance.

Keywords: SMEs, access to finance, South Africa, Burgersfort, perceived risk, company size, performance service quality, information asymmetry, rural tourism, rural development theory, push and pull theory, mixed methodology, multiple regression

## **Kakaretšo**

Maikemišetšo a nyakišišo ye e be e le go sekaseka phihlelelo ya ditšhelete bjalo ka tlhohlo go dikgwebo tše nnyane le tša magareng (diSME) go tša boeti gape ka dinagamagaeng. Nepo ya nyakišišo e be e le go kamano gare ga phihlelelo ya ditšhelete le dilo tše di e laolago, go swana le go se lekalekane ga tshedimošo, kotsi ye e lemogwago, bogolo bja khamphani, boleng bja mošomo le bja tirelo. Gape nyakišišo e sekasekile dilo tše di laolago go tšwa lehlakoreng la thekgo ya mmušo. Foreimiweke ya teori e be e theilwe godimo ga thekgo ya mmušo le tlhabollo ya boeti bja dinagamagaeng, ka nepo go diteori tša tlhohleletšo go hlabolla boeti bja dinagamagaeng. Diteori tše di hlalositše tlhabollo ya mafelo ao a etelwago go arabela seo baeng ba se lebeletšego goba ba swanetšego go se letela go tšwa mafelong ao ba a etelago. Mekgwa ye hlakantšwego e šomišitšwe go kgoboketša datha, tshekatsheko le tlhagišo. Dikutullo tša nyakišišo di laetša gore kamano ye botse e gona gare ga phetogo, boleng bja tirelo, le phihlelelo ya tšhelete, bjalo ka ge e tiišeditšwe ke teko ya tswalano ya Pearson. Mmotlolo wa khuduego o bontšhitše gore go na le kamano gare ga phihlelelo ya tšhelete, bogolo bja kgwebo le boleng bja tirelo (ka go šomiša boleng bja dipego tša tšhelete bjalo ka tekanyo ya boleng bja tirelo). Le ge go le bjalo, nyakišišo ye ga se ya tiišetša tswalano yeo ka dipalopalo. Go feta fao, dikutullo tša nyakišišo di paletšwe ke go hlatsela tsela ya kamano gare ga diphetogo tša kotsi ye e lemogwago le phihlelelo ya ditšhelete.

**Mantšu a bohlokwa:** diSME, phihlelelo ya ditšhelete, Afrika Borwa, Burgersfort, kotsi ye e lemogwago, bogolo bja khamphani, phekamentshe, boleng bja tirelo, go se lekalekane ga tshedimošo, boeti bja dinagamagaeng, teori ya tlhabollo ya dinagamagaeng, teori ya kgorometšo le go goga, mekgwa ye e hlakantšwego, poelomorago ka bontši

## Opsomming

Die doel van hierdie studie was om finansiële toegang as 'n uitdaging vir klein en medium ondernemings (KMO's) in toerisme en in landelike gebiede te assesseer. Die studie het op die verhouding tussen finansiële toegang en die determinante daarvan soos inligtingsongelykheid, waargenome risiko, ondernemingsgrootte, prestasie en diensgehalte gefokus. Die studie het ook hierdie determinante vanuit die perspektief van staatsondersteuning ondersoek. Die teoretiese raamwerk was op staatsondersteuning en landelike toerisme-ontwikkeling gebaseer met 'n fokus op motiveringsteorieë in die ontwikkeling van landelike toerisme. Hierdie teorieë het die ontwikkeling van bestemmings in reaksie op wat toeriste van bestemmings verwag of kan verwag, verduidelik. 'n Gemengde metodologie is gebruik vir die insameling van data en die ontleding en aanbieding daarvan. Die bevindinge van die studie het aangetoon dat daar 'n positiewe verhouding tussen die diensgehalte-veranderlike en toegang tot finansiering bestaan, soos deur die Pearson-korrelasietoets gestaaf. Die regressiemodel het aangedui dat daar 'n verhouding tussen toegang tot finansies, ondernemingsgrootte en diensgehalte (deur die gehalte van finansiële state as 'n maatstaf van diensgehalte te gebruik) is. Die studie het egter nie die verhouding statisties gestaaf nie. Voorts het die studieresultate ook in gebreke gebly om die rigting van die verhouding tussen die veranderlikes van waargenome risiko en toegang tot finansiering te bewys.

**Sleuteltermes:** KMO's, toegang tot finansiering, Suid-Afrika, Burgersfort, waargenome risiko, ondernemingsgrootte, prestasie, diensgehalte, inligtingsongelykheid, landelike toerisme, landelike-ontwikkelingsteorie, stoot-en-trek-teorie, gemengde metodologie, meervoudige regressie

## Acronyms

WTTC	World Travel and Tourism Council
SMEs	Small and Medium-Sized Enterprises
ATF	Access to Finance
PRK	Perceived Risk
INAS	Information Asymmetry
QF	Quality of Financial Statements
PSQ	Performance and Service Quality
GDP	Gross Domestic Product
IDP	Integrated Development Plan
OECD	Organisation for Economic Co-operation and Development
CPI	Consumer Price index
SMS	Short Message Sent
SPSS	Statistical Package for Social Sciences



## Table of Contents

<b>Declaration</b> .....	<b>i</b>
<b>Acknowledgements</b> .....	<b>ii</b>
<b>Abstract</b> .....	<b>iii</b>
<b>Acronyms</b> .....	<b>vi</b>
<b>Table of Contents</b> .....	<b>vii</b>
<b>List of Tables</b> .....	<b>x</b>
<b>List of Figures</b> .....	<b>xii</b>
<b>List of Equations</b> .....	<b>xii</b>
Chapter 1: Introduction .....	1
1.1. Background of the study .....	1
1.1.1. Tourism in South Africa .....	3
1.1.2. Tourism in Limpopo .....	4
1.1.3. Tourism in Sekhukhune District .....	4
1.1.4. Issue of seasonality .....	5
1.1.5. Effects of Natural Disasters (Corona Virus) .....	8
1.2. Motivational Theories of Rural Tourism Development.....	9
1.2.1. Push and Pull Theory .....	9
1.2.2. Plog's Tourist Psychographic Portrait Theory .....	10
1.2.3. Wanderlust-Sunlust Theory .....	10
1.3. Research Gap .....	11
1.4. Problem Statement .....	12
1.5. Research Objectives and Questions .....	13
1.5.1. Research Objective .....	13
1.5.2. Research Questions .....	13
1.6. Purpose of the study .....	15
1.7. Definition of SMES .....	16
1.8. Chapter outline .....	17
1.9. Chapter Summary .....	18
Chapter 2: Literature Review.....	19
2.0. Introduction .....	19
2.1. Theoretical Framework.....	19
2.1.0. Motivational Theories of Rural Tourism development.....	19

2.1.1.	Push and Pull Theory.....	19
2.1.2.	Plog's Tourist Psychographic Portrait Theory .....	21
2.1.3.	Wanderlust-Sunlust Theory .....	23
2.2.	Rural Tourism Development Approaches.....	26
2.2.1.	Core and Peripheral Approaches.....	26
2.2.2.	Consumer Oriented Approach .....	26
2.2.3.	Integrated Rural Tourism Development approach (IRT) .....	27
2.3.	EMPIRICAL STUDY.....	29
2.3.0	Tourism Development and financing.....	29
2.3.1.	Private financing .....	29
2.4.	Access to finance as a Constraint to SMEs.....	32
a.	Voluntary Financial Exclusion.....	32
b.	Involuntary Financial Exclusion .....	32
2.4.1.	Physical Barriers .....	33
2.4.2.	Information Asymmetries .....	34
2.4.3.	High Risk .....	36
2.4.4.	Affordability barriers/ transaction costs .....	37
2.4.5.	Lack of Collateral .....	39
2.4.6.	Lack of Appropriate Products.....	39
2.4.7.	Covid-19 effects on Tourism industry.....	40
2.5.	Government Involvement .....	41
2.6.	Small to Medium Enterprises' access to finance, performance and service quality.....	45
2.7.	Chapter Summary and Conclusion.....	48
Chapter 3: Research Methodology.....		49
3.0	Introduction.....	49
3.1.	Research Design.....	49
3.1.1.	Case study .....	49
3.1.2.	Mixed Methodology .....	50
3.1.3.	Sequential Explanatory Mixed Method Design .....	51
3.2.	Sample.....	51
3.2.	Data.....	52
3.2.1.	Interviews.....	52
3.2.2.	Documents.....	53

3.2.3.	Questionnaires.....	53
3.2.4.	Data Analysis.....	53
3.2.5.	Pearson Correlation Tests.....	55
3.2.6.	Multiple Regression Model.....	55
3.2.7.	Firms' Growth Model.....	56
3.3.	Validity and reliability.....	57
3.3.1.	Validity.....	57
3.3.2.	Reliability.....	58
3.3.3.	Ethics.....	58
3.4.	Chapter Conclusion.....	59
	Chapter 4: Data Analysis and Discussion of Findings.....	60
4.0.	Introduction.....	60
4.1.	Quantitative Data Findings and Analysis.....	60
	Demographic variables.....	60
4.1.1.	Reliability tests.....	63
4.2.	Analysis of Quantitative Variables.....	64
4.2.1.	Quality of Financial Statements (QF).....	64
4.2.2.	Information Asymmetry (INAS).....	65
4.2.3.	Perceived Risk (PRK).....	66
4.2.4.	Access to Finance (ATF).....	67
4.2.5.	Performance Service Quality (PSQ).....	68
4.3.	Quantitative Data Analysis.....	70
4.3.1.	Pearson Correlation Tests.....	70
4.3.2.	Multiple Regression Model.....	73
4.3.3.	Firms Growth Model.....	76
4.3.4.	Summary of Quantitative findings.....	77
4.4.	Qualitative Data.....	78
	Data Presentation.....	78
4.4.1.	Description of Participants.....	78
4.4.2.	Summary of Qualitative Findings.....	79
4.5.	Data Integration.....	82
4.6.	Results Discussion.....	82
4.6.1.	Pull Factors.....	83

4.6.2. Access to finance and Performance Service Quality .....	83
4.6.3. Access to Finance and Information Asymmetry .....	85
4.6.4. Access to Finance and Perceived Risk.....	85
4.6.5. Access to Finance and Company Size .....	86
4.6.6. Access to finance and firm growth .....	87
4.7. Chapter Summary .....	87
Chapter 5: Recommendations and Conclusions .....	89
5.0. Introduction .....	89
5.1. Summary of the Study.....	89
5.2. Recommendations .....	93
5.2.1. Financial management and financial literacy .....	93
5.2.2. Training on Compliance .....	93
5.2.3. Collaboration.....	94
5.3. Contribution of the study.....	94
5.4. Limitations of the study and areas of future research.....	95
5.5. Conclusion.....	96
References.....	97
Appendices .....	120
Annexure 1: Questionnaire for SMEs in Tourism (Appendix A or 1) .....	120
Annexure 2: Interview guide (Appendix 2).....	126
Assumption checks .....	127

## **List of Tables**

Table 1.2 Definition of SMES in Tourism.....	16
Table 3.1 Advantages and Disadvantages of Mixed Methods of Research ... ..	48
Table 4.1 Frequencies of Demographic Values .....	61
Table 4.2 Descriptive Statistics of Employee Numbers.....	62
Table 4.3 Descriptive Statistics of Variables.....	63
Table 4.4 Reliability Statistics .....	64
Table 4.5 Summary –Item Statistics QF.....	64

Table 4.6 Item Statistics QF .....	65
Table 4.7 Reliability Statistics QF.....	65
Table 4.8 Summary –Item Statistics INAS.....	66
Table 4.9 Item Statistics INAS.....	66
Table 4.10 Reliability Statistics PRK .....	67
Table 4.11 Summary –Item Statistics PRK.....	67
Table 4.12 Item Statistics PRK.....	67
Table 4.13 Reliability Statistics ATF.....	68
Table 4.14 Summary –Item Statistics ATF.....	68
Table 4.15 Item Statistics ATF.....	68
Table 4.16 Reliability Statistics PSQ.....	69
Table 4.17 Summary-Item Statistics PSQ.....	69
Table 4.18 Item Summary PSQ.....	69
Table 4.19 Correlation H1.....	71
Table 4.20 Correlation H2.....	72
Table 4.21 Correlation results.....	73
Table 4.22 Model Summary.....	74
Table 4.23 ANOVA.....	75
Table 4.24 Coefficients.....	75
Table 4.25 Firm Growth Model Coefficients.....	76
Table 4.26 Description of Participants .....	78
Table 4.27 Qualitative Textual Evidence .....	79
Table 5.1 Collinearity Diagnostics .....	127
Table 5.2 Residual Statistics .....	127

## List of Figures

Figure 1.1 Impact of Tourism to the South African Economy .....	3
Figure 1.2 Regions in Limpopo tourism .....	4
Figure 2.1 Summary of Push and Pull Factors .....	20
Figure 2.2 Modified Psychographic factors .....	22
Figure 2.3 Wanderlust and Sunlust Theories .....	24
Figure 2.4 Finance Needs along the life of a tourism firm .....	30
Figure 2.5 Relationship between Access to finance, performance and Service quality .....	46
Figure 4.1 Position.....	62
Figure 4.2 Histogram.....	128
Figure 4.3 Scatter Plot .....	128
Figure 4.4 Codes and interpretation .....	129

## List of Equations

Equation 4.1 Pearson Correlation Test .....	70
Equation 4.2 Multiple Regression Model .....	74
Equation 4.3 Firm Growth Model.....	76

## **Chapter 1: Introduction**

### **Introduction**

Access to finance has a critical role in all enterprise operations and performance. The enterprise's ability to obtain and use financial services in the form of credits, payments and risk management services at fair terms is important for SMEs (Giang, Trung, Yoshida, Xuan and Que, 2019). Regardless of size, age and sector in which businesses operate, access to finance influences the survival and sustainability of an enterprise. The empirical point of view supports the studies that confirm that financial obstacles are the main hindrance to the survival and sustainability of firms in countries (Sleuwaegen & Giedhuys, 2002; Beck & Dermiguc-Kunt, 2008).

### **1.1. Background of the study**

On an international level, the value, nature, and extent of tourism has changed positively over the years. This is due to the tourism industry's ability to create tangible economic benefits, such as employment, tax revenues and income (Skanavis & Sakellari, 2011). Furthermore, the tourism industry is one of the largest economic sectors worldwide, as it creates employment and improves exports of a country, thereby generating prosperity across the world, not just in a particular country (WTTC, 2019). The tourism industry allows for income generation through attractions, entertaining, touring, and accommodating tourists. It is also one of the industries with the highest labour intensity at all levels of the provision of goods and services to its customers.

Tourism is both a mechanism and an impact for urban regeneration (Smith, 2007). Urban regeneration is an effort made through programmes initiated by a community or country to try to reverse a decline in the economic and structural state of an area. An example of urban regeneration is the opening of access to the Kimberly big hole and the development of a small museum, for tourists in South Africa, as initially the hole was for diamond mining. Swarbrooke (1999) explained that business tourism is a very attractive type of tourism as an urban redevelopment strategy. This is mostly because tourists visiting tourism establishments spend more on the other services provided, not only on the establishment, but also across the value chain to other local

businesses in the area, which may not be under the tourism industry (South African Tourism, 2007).

Most governments in less developed countries and developing countries emphasise that tourism forms an important part of development strategies and pro-poverty alleviation initiatives (Liu, Dou, Li & Cai, 2020). The tourism industry is commonly viewed as part of a community value chain in rural and less developed communities as it creates a new local export market as tourists spend in other local businesses. The industry brings social and economic development to poor communities. Koo, Kwon, Chung and Kim (2022) supported that because tourists interact with people, tourism is about people and mostly for those communities that make handcrafts and local produce. These communities in turn, tend to benefit from tourists as these tourists spend on local artefacts in which they are interested.

Activities, such as conferencing, training and exhibitions, are among other business tourism activities that bring key business people/ tourists into a town (Butler, 2014). These key business tourists might foster development as they tend to develop an interest in the places they have visited, thereafter investing in that particular area (Butler, 2014). The United Kingdom (UK) city of Birmingham provides a good example of why the UK chose Business tourism as a strategy to improve the city 20 years ago (Swarbrooke, 1999). Recently, it has become a major venue for international events through both the National Exhibition Centre and the National Convention Centre (Swarbrooke, 1999).

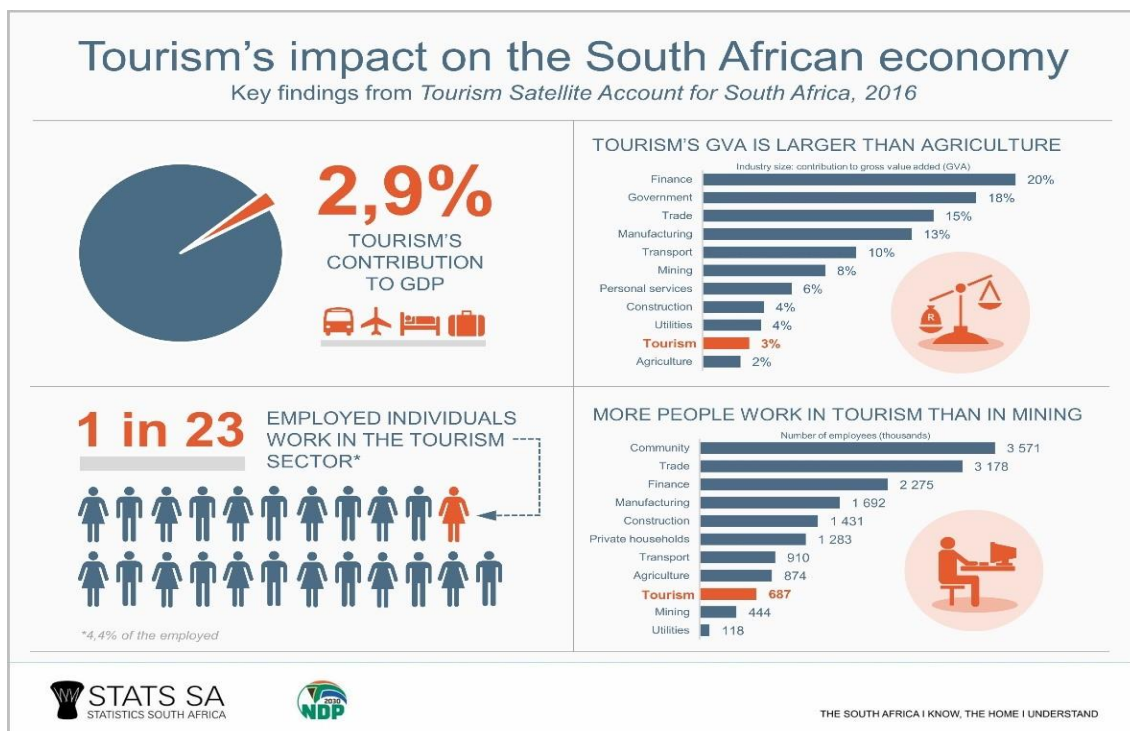
In South Africa, the Albert Luthuli Convention Centre (Durban ICC), which hosts Africa's Indaba South Africa every year in May, is also a good example of business tourism. This initiative allows various investors from all over the world to attend, as well as tourism service providers to meet and display their products. As a result, development of such centres may also be a solution to rural town regeneration (Indaba South Africa, 2019).

Tourism is one of the most vibrant phenomena worldwide. It affects social and economic aspects of the world through income generation, employment and towns and cities regeneration. The industry does not only benefit itself but also other industries across the value chain through offering services, products and clients for other local business in areas where they are situated.



### 1.1.1. Tourism in South Africa

In 2016, the tourism sector contributed 2.9% to the Gross Domestic Product (GDP), which was larger than that of the agricultural industry (Stats SA, 2018), as shown in Figure 1.1 below. The total contribution to employment also increased by 0.6 % from the 3.8 % initially recorded in 2005 (Stats SA, 2018). Although the tourism sector has undergone numerous challenges over the previous years, it has managed to outperform other industries, such as mining, trade and utility sectors, in terms of job creation as shown in Figure 1.1.



**Fig 1.1 Impact of tourism to the South African Economy**

Source: StatsSA (2018)

In 2017, the tourism sector was the fastest growing industry in the country showing the significance of the hospitality sector to the economy (Department of Tourism of the Republic of South Africa Annual Report, 2018). The tourism industry in 2018 contributed 1.5 million jobs (9.2 % of the county's employment) and ZAR 425.8 billion (8.6% of the county's economic activity) to the South African economy (WTTC, 2019). Furthermore, the tourism and hospitality industry is of the utmost importance to economic activity, in parallel with its direct positive contribution on the economy (WTTC, 2019).

### 1.1.2. Tourism in Limpopo

In 2017, 39.4% of tourists visited Gauteng, followed by 18.3% in Limpopo and 16.8% in the Western Cape. The main reason why Gauteng is the most visited province by international tourist arrivals is the OR Tambo Airport, which is in Gauteng (State of Tourism Report, 2017). Regional and International tourists are recorded first at the OR Tambo airport before they can go to their final destinations, making Gauteng the highest visited province. Furthermore, Limpopo was the most visited province by domestic travellers, at a rate of 23.9%, Gauteng was 16.1% and Kwazulu Natal, 13.1% (State of Tourism Report, 2017). Limpopo is divided into five districts strategically located that are Capricorn, Vhembe, Waterberg, Mopani and Sekhukhune. There are 416 documented tourism establishments in the four regions of Limpopo (Nolwando, 2009). The tourism regions are as shown in Fig 1.2 below:-



**FIG 1.2: Regions in Limpopo Tourism (Nolwando, 2019)**

### 1.1.3. Tourism in Sekhukhune District

Sekhukhune district has deliberately chosen to explore the potential of three industries, which are Mining, Agriculture and Tourism (Integrated Development Plan review (IDP), 2018; IDP, 2019). The growth in the mining industry and development of the Sekhukhune district has a positive contribution in the establishment and growth sustainability of the tourism industry.

Tourism is one of the fastest growing sectors in Sekhukhune District. Its growth is at present driven by business visitors, the public and mining industry activities (IDP, 2018; IDP, 2019). These visitors include financial auditors, engineering companies,

researchers and government institutional assessors, among other travellers. Most companies throughout the country also have branches in Sekhukhune, including Burgersfort, which falls under the Sekhukhune district, and they send representatives from their head offices to check on projects, branches or initiatives in the district. Currently, the estimated accommodation is 84 establishments with 2 627 beds in the district (IDP, 2018).

The tourism industry is still at its infancy with low service quality and limited product mix, although it has prospects to diversify the local labour market (IDP, 2019). The IDP (2019) explained that despite the findings made and published for the employment levels by industry, it is difficult to conclude that the data is accurate in terms of the tourism sector. The findings show that the major contributors to GDP and employment in Sekhukhune are mining and related trade industries, however the Sekhukhune district deems the key contributors to their economy to be mining, agriculture and tourism until 2025. Mshenga and Richardson (2013) supported that the tourism industry is more service-oriented and thus offers more employment opportunities, especially to women.

Rural districts are known to have communities with high poverty levels compared to urban areas. The participation of SMEs in the tourism industry can assist in income diversification and poverty eradication (Mshenga & Richardson, 2013). The establishment and survival of SMEs in communities with high levels of poverty helps to reduce the poverty and income inequalities. Government institutions put in place policies, frameworks and initiatives meant to reduce the poverty levels and target the mining, agriculture and tourism sectors in the district. The IDP (2019) explained that there are also municipalities in Sekhukhune District with higher dependency ratios and these will receive more attention concerning poverty mitigation programmes, leading to income generation.

#### **1.1.4. Issue of seasonality**

The tourism industry, like the agribusiness, is known for its seasonality in business. Seasonality is a universal component and a hindrance to the tourism industry in economic terms (Butler, 2014; Alshuqaiqi and Omar, 2019). Trajkov, Biljan and Andreeski (2016) supported that seasonality in tourism is one of the biggest characteristic that pose a challenge for researchers. This is because seasonality

creates a temporary gap in tourism activities and these have economic consequences. These gaps or imbalances can be noted relative to changes in the number of visitors, traffic, and expenditure of the tourists periodically repeated from year to year (Trajkov et al., 2016). The business cycle or patterns for the tourism industry are therefore drawn from year to year with expected similar patterns in certain months of the year in comparison to previous trends.

Seasonality is something that is not easy to control or eliminate (Alshuqaiqi & Omar, 2019). Due to this perspective, it is a major hindrance and a cause for loss of income. There are many ways of avoiding the effects of seasonality on tourism businesses and among them is discounting and price cuts, revamping destinations, which in turn, require funds to facilitate the changes (Butler, 2014). Tourist operators are forced to create other ways of income generation through providing complementary or supplementary services. In order to eliminate or reduce seasonality effects, many operators seek to adopt other strategies for them to be year round service providers (Butler, 2014; Alshuqaiqi & Omar, 2019). Kozak and Martin (2012) recommended that in order to counter the seasonality challenge, an enterprise could offer off-season attractions before and after their peak seasons, while Alshuqaiqi and Omar (2019) recommended that the destinations can create another season and make favourable offers to their tourist to encourage off-season business.

Seasons are extended through offering discounts or price cuts to services and products with the aim of attracting tourists to extend visits or create new visits. Seasonal extensions do not always require facility modifications, for example, offering transport services to willing clients (Chiutsi & Mudzengi, 2017). However, this strategy is believed to have an adverse impact on the peak seasons and the long run of the enterprise as aggressive pricing can damage the destination's overall reputation (Segota & Mihalic, 2018). Although offering price discounts and price cuts provides an opportunity for off-season business, it is not the best way to counter the enterprise's economic challenge due to seasonality. Price changes on the same package offerings, based on the business cycle, can damage business reputation and discourage sales in peak seasons when a destination's price will seem higher and more expensive.

Offering an off-season service is another way of curbing the effects of seasonality and is carried out through a total revamp of the destination in order to be appealing in and

off-season (Alshuqaiqi & Omar, 2019). In this manner, the facility structures must be altered extensively so that a destination can extend product and service lines. This restructuring requires significant investment and promotional activities; a destination will be able to offer services and products, which it was previously not offering (Segota & Mihalic, 2018). All year-round service providers are able to attract and generate income even if it is off-season for the industry.

Large hotels provide a wide range of services and products, which are affected differently by changes in the market environment, that is, conglomerate diversification or supplementary activities (Butler, 2014). The issue of seasonality mostly affects large enterprises in business less in comparison to SMEs, as they are able to provide other products and services all year round. These large enterprises have easier access to finance and the capacity to supply supplementary services and products, compared to the small enterprises. Butler (2014) further supported that businesses in the tourism industry have tried to be all year-round providers of tourism products and services, only a few of them, that are mostly large establishments, such as large hotels, have managed to achieve this. Most SMEs cannot afford to combat seasonality challenges through revamping destinations due to lack of capital.

The Seda report (2016) also confirmed that similarly in South Africa, SMEs are found in those industries that require low capital layout with low start-up cost, giving an example of trade and accommodation, among other service-related sectors. Therefore, creating new seasons through revamping destinations without external financing seems farfetched for these SMEs. The idea of revamping destinations seems attractive and good for reducing the seasonal effects on tourism operators, even when they have the space and capacity to add seasons, lack of investment/capital restricts SMEs from exploiting the initiative. Apart from large hotels and restaurants, airlines are also an exception to the effects of seasonality as they have people travelling all around the world throughout the year for various purposes (Butler, 2014).

The rest of the businesses in tourism, especially SMEs in the industry focusing on accommodation and a few supplementary services, have failed to provide conglomerate and/or supplementary activities (Butler, 2014). The size, location or other internal and external factors of SMEs do not enable them to carry out all year

supplementary activities to supplement their income (Jolliffe & Farnsworth, 2003). In South Africa, internal factors affecting most SMEs are lack of entrepreneurial skills, business acumen, lack of proper planning for business, limited finance access, low cash flows, limited or no market access (Siddo, 2017). Most SME owners focus more on the current operations of the business without proper planning of future activities and the cycle of the industry; combined with low cash flows and difficulties in accessing finance, SMEs are unable to carry out all year supplementary activities.

According to the Seda Report (2016:7), "Limitation to access to finance is very common". Furthermore, due to conservative nature of banks in South Africa, they are not willing to take the risk of financing small businesses at start up but rather at a later stage (Seda Report, 2016). Sedlack, Jovin, Pejanovic, Ciric and Dodic (2016) argued that SMEs constantly suffer from lack of financial means, especially those whose business operations are seasonal. This means that SMEs operating in a seasonal business environment, like tourism, are prone to suffer financial shortages when business is low. The SEDA report (2016) also provides confirmation that the issue of limitation in access to finance is very common in SMEs. South African banks are conservative in nature and are unwilling to distribute resources in SMEs in the earlier stages of development. Lack of finance is also a major cause of SMEs' discontinuance, among other causes of SME failure (Seda, 2016). The issue of business seasonality is directly linked to most of the social and economic challenges faced by SMEs in the tourism industry. As such, planners, policy makers and destination owners need to consider this factor when making development decisions for the destinations.

#### **1.1.5. Effects of Natural Disasters (Corona Virus)**

The declaration of the state of national disaster caused by the Corona virus and social distancing has had adverse effects on most industries, especially that of tourism, with a halt on all tour operations (Khumalo, 2020). The immediate lockdown, although beneficial for the well-being of the country, was believed to have a negative economic impact on, not only the country, but also the businesses, including SMEs in tourism. In China, operations in tourism services came to a halt at the onset of the Corona Virus during the peak season where the industry was expected to generate more income (Hoque, Afrin, Hasanat & Arif, 2020). Similarly, with the announcement of the

lockdown in South Africa, all tourism services and products establishments were closed at a time when most destinations focusing on business tourism were just recovering from the festive season closures. The temporary closure of the tourism industry also affects businesses that rely on the industry for business and other business activities across the value chain.

In surveys carried out in countries, such as Finland, Korea, the United Kingdom, Italy and the United States of America in March 2020, it showed that in Italy, the most affected firms were transport, tourism, fashion and agro-food, with the tourism industry anticipating a decline in customer confidence and the demand to fall by 89.9% (Taylor & Raes, 2020). This is due to the fact that different visitors come from different places across the globe and domestically, the effects of the COVID19 is likely to have long term negative impact in this regard.

## **1.2. Motivational Theories of Rural Tourism Development**

Besides the general demand components that drive rural tourism development, it is important to consider the tourists' motives on tourism products and services (Streimikiene & Bilan, 2015). These theories assume that the consumers' perspectives help to bring to light the main reasons behind the consumer buying of tourism services and products, therefore the decision to develop them. Arowosafe, Akinwotu, Tunde-Ajayi, Omesihim and Osabuohien (2021) supported the fact that motivation is the driving force behind the tourist decision to travel, understanding the theories of motivation can enable destinations to undertake relevant developments to their destinations. The use of the motivational theories can assist destination owners and development planners in knowing the correct development to undertake to boost off-season income. In a study carried out by Yousaf, Amin and Santos (2018) on tourist motivation to travel, they discovered that various businesses in tourism sought to redesign the services they offered and products that they supply in order to tally them to tourists needs.

### **1.2.1. Push and Pull Theory**

The desire for a particular result comes from two forces, which are push or pull (Carvache-Franco, Carvache-Franco, Carvache-Franco & Hernández-Lara, (2020). A push is an internal motive that coerces tourist to seek activities (Lewis & D'Alessandro,

2019). The tourist destination has an indirect impact on push factors, which may be because of the experience offered by the destination; for example, in order to relax, a tourist might opt for a destination that has a relaxation spa. A pull is a force made by the destination and information known to the tourist regarding that destination (Antara & Prameswari, 2018). A destination can create its own initiatives to influence tourists to visit. The push factors are important as they initiate willingness to travel, whereas the pull factors explain the reason for choosing a destination (Khuong & Ha, 2014). Altogether, the reason for a tourist's preference is based on the push–pull forces.

### **1.2.2. Plog's Tourist Psychographic Portrait Theory**

This theory categorises tourists into segments where their characteristics are defined (Streimikiene & Bilan, 2015). It describes the evolution in an establishment because of its popularity (Plog, 1974). However, in order for the evolution to make an establishment popular, there are certain changes that might need to be made that include infrastructure development, adding new attractions in order to attract different segments of tourists (Cruz-Milan, 2017). This theory has been used in major development plans, for example, Atlantic City in New Jersey. The introduction of casinos attracted different segments, transforming it to a famous gambling destination (Cruz-Milan, 2017). Nevertheless, for these developments to be effected, there is a need for finance.

### **1.2.3. Wanderlust-Sunlust Theory**

There are two qualities that influence a tourist's choice of travel; these are wanderlust and sunlust (Gray, 1970). The theories assume that a tourist choice of travel is based on the element of unique experiences. The wanderlust aspect is the motivation to travel to an unfamiliar place to explore, to exchange the known for something exotic, for example, exploring different cultures, museums and/or ruins (Streimikiene & Bilan, 2015). Sunlust is travel based upon the existence of unique things that may not be available locally or at home (Streimikiene & Bilan, 2015). The sun lust travel may be long term in nature, and focuses more on the destination pattern, which is mostly expected to be relaxing, restful or active. Wanderlust is mostly short-term travel meant to be entertaining and features of the destination can be natural or man-made.



In order to develop destinations, tourist motivational theories help industry operators to explore the reasoning behind tourists' travel. It is important to be able to meet and exceed customer needs, provide personalised services and create memorable experiences that lead to repeated and/or off-season sales (Hsu & Huang, 2008). Using these theories, industry stakeholders and business planners are able to perform long-term development plans. The use of Plog's theory, as an example, served as a reference in the development of the Pine Plantation resort in Hilton Head Island, South Carolina and the Brason Project, Missouri (Cruz-Milan, 2017). Motivational theories provide a basis on what type of facilities and/or features are appropriate to appeal to tourists and sales can pick up, even in off-season times (Cruz-Milan, 2017).

In respect to the motivational theories, aligning development on customer motivational theories is an added advantage to destinations as the possibilities of failure is deemed lower than when development is focused on what the destination wants over what customers want. The application and use of theories to practical situations enable the selection of the best strategic plans of action and policies in development and the value creation of tourism products.

### **1.3. Research Gap**

Although there are numerous studies that have been done with the focus on financial access on general SMEs in manufacturing and agriculture industry globally, very few have focused on the tourism sector in the rural districts. Jaafar, Aisha and Mohd (2010) confirmed that there is intensive literature review that comprehends the fact that there is limited research done on SMEs in tourism, let alone relating to access to finance. The tourism industry work is as complementary to other industries. In addition, it brings people from different towns and countries all over the world for different activities for either business or leisure, including potential investors in the economy.

The study was aimed at bridging the gap in research for SMEs in the tourism sector and the challenges relating to finance access. It brings to light the significance of tourism for non-agro based rural districts, as such, funders or lenders should be able to reassess their requirements for providing finance to such establishments. The research supplements the current literature on access to finance for SMEs, specialising in tourism and based in a rural setting.

#### **1.4. Problem Statement**

The central problem that prompted this study was the access to finance challenge for SMEs in tourism, based in rural areas. Access to finance enables SMEs in tourism to operate all year round as the larger enterprises do. Lack of finance poses a challenge to the survival and growth of tourism SMEs. SMEs based in rural areas and in rural tourism have greater shortcomings in comparison to their urban counterparts (Sidido, 2017).

Most SMEs in rural areas have a challenge in obtaining finance for various enterprise survival and growth initiatives. The ability of an SME to access finance has an impact on its potential to grow and survive (Annisius, 2014). There are many factors linked to finance access for SMEs, particularly the SMEs in tourism, especially around seasonality. Butler (2014) supported that seasonality is one of the major causes of the need for finance as well as a hindrance to the access to it. Employees are laid off during the off-season and new hires made in peak season resulting in possible workforce changes. Changing the workforce in relation to seasonality has adverse effects on the performance of the destination. Although the issue of seasonality and the other challenges aligned to it are faced by the entire tourism industry, the extent to which these challenges affect SMEs in rural tourism is greater than any other enterprise in the same sector.

In light of the above, it is essential for destinations to find a way of reducing the impact of seasonality and other problems that result therefrom. Most of these solutions require financial injections that SMEs, especially in rural areas, may not have. Sidido (2017) supported that SMEs in tourism have a major cash flow problem and at times, realise no profit to facilitate changes needed on the destination.

Although other studies, such as Alshuqaiqi and Omar (2019); Lee, Bergin-Seers, Galloway and McMurray (2008) and Annisius (2014) have directly linked the lack of financial access for SMEs in tourism to seasonality, there are scholars who believe that there are other factors that contribute to the severity of the challenge. There are numerous ways of funding businesses in South Africa, ranging from government-subsidised loans, leasing companies, banks and micro finance institutions (Seda, 2016). However, banks and financial institutions are often not willing to associate themselves with the risk of financing such businesses, especially considering the

nature of the seasonal industries (Sedlak et al., 2016). Pandula (2015) also argued that even when the SMES are willing to borrow, most of them fail to meet the requirements for loan access. The study was carried out based on the following objectives.

## **1.5. Research Objectives and Questions**

### **1.5.1. Research Objective**

The major objective of the study is to examine the different options of financing available to SMEs in tourism and how the nature of the business poses as a challenge to accessing funds. The objectives are as follows:

#### **Primary Objectives**

- To determine the relationship between access to finance, growth/performance and service quality of SMEs in tourism in rural areas.
- To examine the relationship between access to finance and factors affecting access to finance
- To identify alternative development efforts and support offered by the government to SMEs in tourism

### **1.5.2. Research Questions**

1. What is the relationship between access to finance, performance and service quality?
2. What is the relationship between access to finance and factors affecting access to finance?
3. What are the development strategies and support offered by the government to SMEs in tourism?

#### **Research Hypothesis**

A healthy financial position and access to finance is critical for SMEs. A company needs finance from start-up, research and development and for operating (Sibanda, Hove-Sibanda & Shava, 2018). It is not an exception for SMEs in tourism as they also require finance throughout the business cycle. The ability to access finance is known

to assist in product innovation that allows for creation of quality services and products (Agenor & Canuto, 2017). In a study on developing countries, Cai and Szeild (2022), the authors argued that there is a direct positive impact and no indirect effect on access to finance and service quality. Corrado (2020) also supported that firms that are unable to access finance face greater challenges with economic integration and product quality. In a study carried out by Sibanda, Hove-Sibanda and Shava (2018) on manufacturing industry SMES in Zimbabwe, they concluded that access to finance had a positive relationship on the performance in financial terms and service quality of a firm. In order to confirm if access to finance has the same impact on tourism service quality the following hypothesis was formulated.

*H1: There is a positive relationship between Access to Finance and Service Quality in Tourism SMEs*

Literature suggests that a relationship exists between access to finance and quality of financial statements, information asymmetry, perceived risk and company size. In a study carried out by Nanyondo et al (2014) on quality of financial statements, access to finance and information asymmetry, the authors argued that availability and quality of financial statements mitigates the challenge of asymmetric information. This is also supported by the Banking Association of South Africa (2020), in a 2019 report, results from the study of challenges faced by financial institutions, the authors noted that weak and missing financial information was a major impediment for SME financing.

In a study carried out by Emawati and Budiasih (2020), the authors concluded that high quality financial statements had a negative impact on information asymmetry and financial access can strengthen the negative influence on the two factors. In their initial argument. The authors also mentioned that relevance of values, timelessness and conservatism of financial information can have a positive influence on access to finance. Based on the above discussion, low quality financial statements, results in high information asymmetry which snow balls to perceived risk (Nanyondo et al, 2014; Ho, Sun, Yang, Li, 2023). A survey carried out by Harelimana (2017) on SMEs in Rwanda with regard to financial access and performance and a positive relationship between two variables was confirmed. However, it was discovered that there was limited financial information as SMEs have poor record keeping skills, researchers

have to use non-financial measures to assess the performance of a firm (Harelimana, 2017; Angyie & Annicet, 2020). As such the following hypothesis was developed

*H2: There is a positive relationship between Access to Finance and perceived risk, information asymmetry, the size of the company and quality of financial statements.*

More attention has been given to the role of SMEs in creating employment among other economic benefits. As the firms are willing to expand a major hindrance for them is access to finance. The importance of finance to a firm's growth and survival and insufficient finance is a hindrance to growth (Fowowe, 2017). In support of this, Rahaman (2011) emphasizes that lack of sufficient access to finance a business' potential for growth is jeopardized. In a study carried out by Fowowe (2017) on African countries, the results showed that insufficient finance inhibit growth and therefore a positive relationship existed between the two variables. The study carried out by Rahaman (2011) also showed that the relationship between access to finance was statistically significant. A study by Bongomin, Ntayi, Munene, and Malinga (2017) also confirms that a positive relationship between access to finance in developing economies. In contrast, a study carried out by Schwidrowsk, Kangoye and Yogo (2020), explains that the impact of access to finance is stronger on manufacturing sector than it is on service sector. Instead of only looking at performance relative to sales growth, other measures, such as employment growth over time, can be used (Harelimana, 2017). This prompted the formulation of the third hypothesis as follows:

*H3: Increased access to finance has an impact on firm growth.*

### **Purpose of the study**

The tourism sector is viewed as one of the fast expanding industries in South Africa. As one of labour intensive industries, it facilitates employment creation, poverty alleviation in local communities, urban regeneration for under-performing towns or rural areas, as illustrated by the city of Birmingham, thus fostering economic growth. With SMEs providing a platform for growth, the tourism industry is not an exception as there are also SMEs venturing into tourism providing various services and products, such as accommodation, restaurants and travel agents, among others. In a bid to be competitive and continue to perform well in a rural district, the need for the SMEs to

develop to meet customer requirements, have all year round revenues and capture not only local but foreign markets, the impeding financial access of SMEs in tourism needs to be addressed.

With the tourism sector viewed as one of the main contributors and significant to the Sekhukhune District economy, there has not been many empirical studies carried out to examine the aspect of access to finance. The research therefore aimed to provide empirical knowledge that might be useful to policy makers, SMEs in tourism and financial institutions, not only for survival and service quality but also for potential development plans. The knowledge will be significant in encouraging the development of the tourism industry towards attaining the Sekhukhune district 2025 goal for poverty alleviation, employment creation and income generation in less developed communities.

#### **1.6. Definition of SMES**

There are different approaches that have been used to define SMEs by various scholars and the schools of thought, with different ideologies regarding Small and Medium Enterprises (Jibrin, Adam, Lukman, Shuaibu and Dahiru, 2017). Different authors have had different meanings for SMEs with some defining them in terms of capital assets, method of production, legal status, while others are using labour intensity and sector (El Madani, 2018). Different authors on SMEs have given numerous definitions. The Bolton Committee (1971) formulated statistical and economic definitions of SMEs. In economic terms, a firm is regarded as small when its market share is relatively small and is managed directly by its owners or part owners in a personalised way and not through a formal organisational structure of management (Bolton Committee, 1971). In statistical terms, a firm is regarded as small through its GDP contribution and export performance (Bolton Committee, 1971).

An SME is defined by the World Bank based on the number of employees, annual sales turnover, having between ten to three hundred employees, with assets valued between USD 100 000 to USD15 000 000 (Berisha & Pula, 2015). The European Commission (2003) defined SMEs as having between fifty to two hundred and fifty employees. Australian and Korean SMEs have between 0 to 199 employees, Turkey and Japanese SMEs have between 0 to two hundred and forty-nine, and New Zealand SMEs have between 0 to 99 employees (Berisha & Pula, 2015).

The Department of Trade and Industry (DTI) has defined SMEs as enterprises that have an annual turnover of up to R50 million (Siddo, 2017). These enterprises can be in the formal or informal sector. A small hotel is a place that provides lodgings with limited service or full service to travellers (Tourism Grading Council of South Africa, 2017). The National Small Business Act (26 of 2003) defined a small business according to standard industrial sector and subsector classification and the Tourism Small Business specialising in catering, accommodation, or other trade as follows:

**Table 1.2. Definition of SMES in tourism (National Small Business Act 26 of 2003)**

Sector in accordance with Standard Industrial Classification	Size of Class	Total equivalent fulltime employees of paid	Total Turnover	Total gross Asset Value Fixed Property
	Medium	200	R 26 m	R 6 m
Catering, Accommodation and other trade	Small	50	R 13 m	R 3 m
	Very small	20	R 3 m	R 0.60 m
	Micro	5	R 0.2 m	R 0.1 m

Source: National Small Business Act 26 of 2003

## **1.7. Chapter outline**

The research was structured as follows:

### **Chapter 1. Introduction**

The chapter provides a background to the issue of access to finance in small businesses in the tourism industry in general. It highlighted the importance of the SMEs in the tourism industry, in South Africa and throughout the world.

### **Chapter 2. Literature Review**

This chapter looks at development theories previously employed in other countries by the government and other development partners to facilitate rural tourism development. It further provides empirical evidence of previous research conducted on the issue of access to finance with relation to other industries apart from tourism.

### **Chapter 3. Research Methodology**

Chapter 3 describes the tools and techniques used in the collection and data analysis of the research.

## **Chapter 4. Data Analysis and Discussion of Findings**

Chapter 4 outlines the research findings, it also shows how data was analysed and the results are discussed in relation to preceding findings from other research.

## **Chapter 5. Recommendations and Conclusions**

Chapter 5 begins by providing the summary of the entire study from the background, literature, methodology, data analysis and finally, what the study recommends.

### **1.8. Chapter Summary**

This section provides the context of the issue of access to finance in SMEs in the travel sector in general. It highlights the importance of the SMEs sector in general and the SMEs in the tourism sector in South Africa and throughout the world.

The study area was narrowed down from the Country, Province, and District to Municipality with the focus on the rural district of Sekhukhune in Limpopo. To better understand the industry, the chapter also highlighted an issue, which is crucial to the tourism industry and has more adverse effects on SMEs than on large corporations. A hinge sight of the research gap in the chapter emphasised that most studies have focused on access to finance mostly in SMEs in manufacturing with fewer focusing on SMEs in tourism. The problem is also explained with objectives, questions and hypotheses of the research clearly outlined.



## **Chapter 2: Literature Review**

### **2.0. Introduction**

Rural tourism is known to have many socio-cultural, environmental, and economic benefits through employment creation, urban regeneration, and poverty alleviation. In comparison to urban tourism, rural tourism is known to have more challenges, such as poor infrastructure development, limited knowledge of the industry, lack of start-up and operating capital, less popularity among travellers, lack of finance and promotion. The tourism industry is an important feature of rural development for the purposes of improving rural livelihoods through employment creation and regeneration. The success of a tourism facility or product is dependent upon the user of the facility (travellers) and all efforts of development need to focus on satisfying the customer (Simkova, 2014). As such in every development strategy, it is crucial to recognise the tourists' needs and force to a particular destination.

### **2.1. Theoretical Framework**

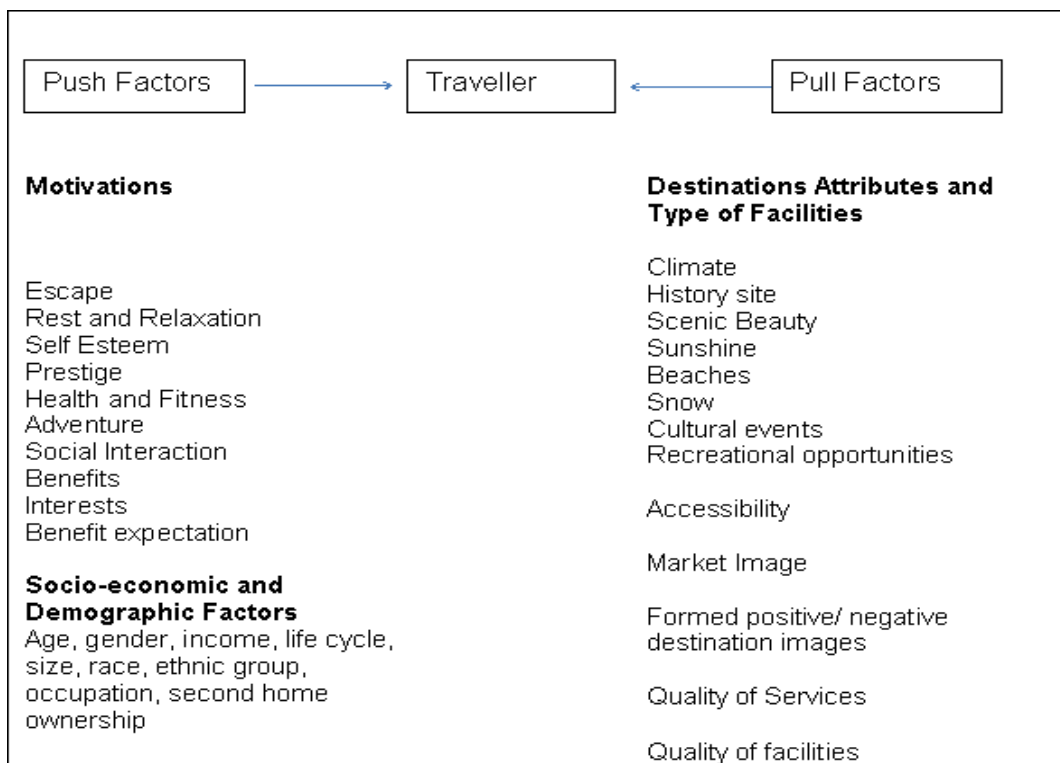
#### **2.1.0. Motivational Theories of Rural Tourism development**

It is possible that by studying tourist motivation in relation to rural tourism, misunderstood concepts and existing knowledge can be enriched to enable rural tourism development (Tang, Wang, Jin & Zhang, 2022). Travel satisfaction is affected by travel motivation and as such, using motivational theories helps to verify if these concepts are feasible for a particular development strategy in relation to tourists needs. It is crucial to evaluate the appropriateness of tourism facilities before any development is done (Simkova, 2014). Kassean and Gassita (2013) also supported the fact that an understanding of the motivational theories enables destinations to explain potential customer satisfaction and potential need for development. There are numerous development concepts that authors and researchers have highlighted to facilitate rural tourism development.

##### **2.1.1. Push and Pull Theory**

There are two forces that drive a tourist to make travel decisions, these are push and pull factors. Push factors are strongly associated with one's internal and emotional aspects, the main characteristics being the need for recognition or need for isolation (Kassean & Gassita, 2013). A pull factor is a drive to the tourist decision to travel which

is associated with the destination's offerings and features of the destination (Antara & Prameswari, 2018). These factors comprise age, income, education, gender, need for relaxation, need for escape, prestige, and a tourist's self-esteem. The external factors of an establishment or destination in relation to its characteristics and its type are what pull tourists to a destination (Giddy, 2018). The destination itself can encourage tourists to visit, when tourists make decisions based on climate, history of the site, scenic surroundings, among other attributes. Figure 2.1 summarises the Push and Pull factors to a traveller's decision.



**Figure: 2.1 Summary of Push and Pull factors**

Source: Tsephe (2015: 37)

From Figure 2.1 above, it is important to observe that the factors that are within the destination's abilities are accessibility, market image, service quality and quality of facilities. These are part of the pull factors that a destination and developments planners can utilise in order to appeal to tourists. The destination's ability to have a positive image and provide quality facilities and services in fulfilling the push factors enables it to attract more travellers and repeated sales.

Push factors and pull factors do not act entirely separately, a tourist is pushed to travel due to personal attributes, but the choice of destination pulls them into making the travel decision (Giddy, 2018). It is essential to recognise that the internal drive for a tourist to make a travel decision influences the choice that they make in selecting a destination based on what it has to offer to satisfy the reason for travel. In this regard, pull factors are a response to push factors (Yuan & Mc Donald, 1990). Pull factors are dependent upon the push factors, where a destination's positive attributes in fulfilling the push factor boosts an individual's travel decision. Tapachai and Waryszak (2000) also supported the notion that positive images are connected to specific consumption values of consumers, thereby prompting travel decisions. In the same way, negative attributes of a destination discourages travellers' decision to go to it.

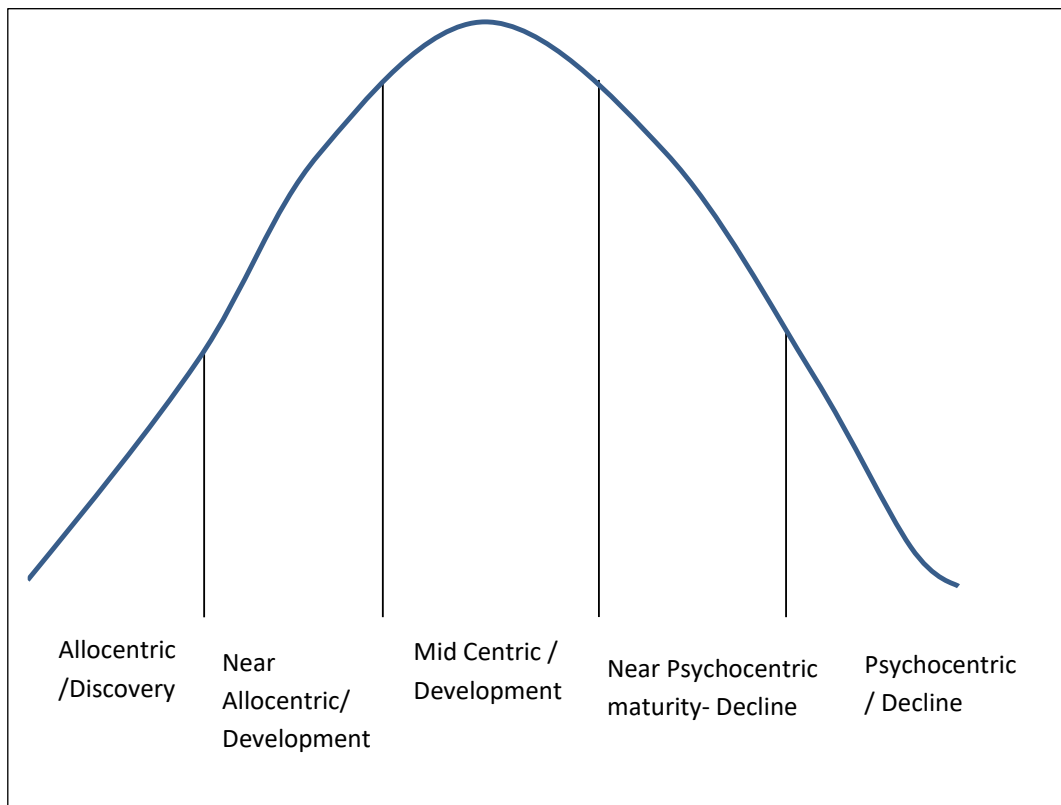
In a study carried out by Prayag and Ryan (2011) on the association between push and pull aspects, they discovered that motives of choosing a destination are often directly linked to the image of the destination (positive attributes). It is crucial to look at what a destination offers as a bundle of services and the expenses associated with it (Gilbert & Terrata, 2001). In support of this, Kotoua and Asiedu-Appiah (2022) mentioned that an amalgamation of tourism services and products as the same brand offers an integrated experience which can pull travellers to a specific destination. Destinations can, on their own, create products and services that can pull tourists to them by offering an assortment of services for the convenience of the tourist.

### **2.1.2. Plog's Tourist Psychographic Portrait Theory**

The Plog's psychographic portrait theory explains the reason why destinations fall and rise in popularity. It clarifies that the reason behind the negative and positive changes in the popularity of destinations is because it appeals to different kinds of travellers with time, and specific patterns of growth and decline can be drawn (Plog, 2001). Within this theory, tourists are classified according to psychographic traits shown on a bell shaped normal distributed curve. This curve varies from the familiarity loving tourists (psychocentric) to unfamiliarity loving tourists (allocentric) (Kaewumpai, 2018).

Figure 2.2 below shows that tourists are classified according to their personality traits along the curve with allocentrics on one end of the curve and psychocentric on the other end. Allocentrics include the travellers feel that the things that happen to them are within their control, they love adventure and taking risks. Psychocentrics are

mainly focused on small problems of daily life; mid-centrics have a balanced combination of allocentrics and psychocentrics. Tourists can lean on one side or the other of the curve. A destination moves through the curve from allocentric to psychocentric, appealing to the various tourist types with time and in its life cycle (Cruz-Milan, 2007).



**Figure: 2.2 Modified Psychographic Types**

Source: Palveka (2013: 44)

When a destination begins, it appeals to the allocentric group due to its unexpected nature and unknown risks; with time, it begins to lose its novelty as more and more people visit (Smith, 2016). This results in the decline of allocentric visitors and increase in the psychocentric tourist, which translate to mass tourism. As a place becomes more crowded, it appeals to a different set of people who are risk averse and prefer going to places commonly known. However, Cruz-Milan (2007) argued that having mass tourism does not translate into high earnings as the psychocentric tourist forms

part of a small market in terms of spending, which results in a decline in sales, prompting price reduction to maintain competition.

These patterns can however, be modified and maintained by development planners, stakeholders, destination owners and decision makers, for example, through infrastructure development (Lepp & Gibson, 2008). Infrastructure development, adding new products and events can create a perceived or real view of newness to a place and reposition it in the market, thereby re-attracting the allocentrics who spend more on tourism products compared to psychocentrics.

Plog's theory might be well known in tourism research, however, Hsu and Huang (2008) argued that this theory gives little understanding of the tourist motivation to travel and in that regard, most researchers criticise it. Mckercher (2005) also argued that even though an allocentric traveller might go to a new destination, they are likely to visit other areas known to them to broaden their experience, making it possible for them to be classified under psychocentric travellers. The occurrence of such events, moving from one side of the graph to the other simultaneously invalidates Plog's theory to some extent.

Although Smith (2016) argues that the theory was developed to focus on American travellers and could not be used in any other country and was only based on adults and not the long list of different age groups, other authors and researchers do not agree with this fact. An example of the use of Plog's theory is the revamp of Calvia in the Balearic Islands, Spain, where they implemented a plan to offset the decline due to massive tourism over-development that included demolishing deteriorated hotel and renovating tourism facilities (Cruz-Milan, 2007). Another example is in Hawaii, where developers and planners followed the theory to refocus their marketing efforts; instead of focusing on the usual golf and sunny beaches, they focused on the heritage and mystic atmosphere (Litvin & Smith, 2016).

### **2.1.3. Wanderlust-Sunlust Theory**

This theory rests on the assumption that there are certain unique experiences that will be gained from a destination. The concepts are based on the fact that destinations can offer travellers unique facilities that are not available in their own homes (Tsephe & Obono, 2013). It is the need to go from a place which one knows and understands

to a place about which the traveller knows nothing. Sunlust focuses on natural resources and wanderlust is fixated on human resources (Seddighi & Theocharous, 2002). In that sense, it differentiates and classifies motivation to travel based on the drive for the travel. Sunlust is about relaxing and resting whereas wanderlust is about exploring and experience people and/or culture (Robinson, Heitman & Dieke, 2010; Huang, 2012). Figure 2.3 shows the various characteristics of travellers, classified based on the two ideologies of Sunlust and Wanderlust theory.

<b>Sunlust</b>	<b>Wanderlust</b>
Resort vacation	Tourist Business
One country visited	Probably multi-country
Traveller seeks domestic Amenities and accommodation	Traveller seeks different culture, institutions and cuisine
Special Natural attributes are necessary for example climate	Special Physical attributes likely to be man-made climate is less important
Travel is a minor consideration after arrival at destination	Travel is important throughout visit
Either relaxing or restful or very active	Neither restful nor sportive
Relatively more domestic travel	Relatively more international travel

**Figure: 2.3 Wanderlust and Sunlust Theory**

Adapted from Gray (1970:14)

Figure 2.3 shows that the wanderlust tourist forms a greater part of the need for international travel, compared to the sunlust traveller where travellers can get the desired experience in their own country. Sunlust travellers are generally appealed to by the nature and the climate (natural characteristics of a destination) and most tourists who fall under this typology are local travellers, whereas man-made features are more appealing than natural attributes of a destination to the wanderlust travellers.

The expansion of the tourism sector has prompted various businesses in the industry to try to identify the most prominent factors that could help in influencing the tourist's motivation to travel (Yousaf, Amin & Santos, 2018). Businesses and destinations try to redesign their products, product mix and services to align and make changes to establishments to make them more appealing to capture the highest motivation to travel for a specific target market. Although there are many theories that motivate

travel, very few have been widely accepted in research (Yousaf et al., 2018). The theories assist a destination in channelling their resources to the right developments and correct quality in a bid to capture tourists. The improvement of rural tourism products and leisure activities is directly linked to psychological attitudes to and perceptions of the area (Mthembu & Mutambara, 2018).

However, there are more than a few factors that motivate a tourist to travel, and these theories limit these factors. Yousaf et al. (2018) and Williams and Balaz (2014) argued that there is no specified way of describing how many motives a traveller has as there are countless possibilities that can be derived from an individual's reason to travel which differs from that of the next individual. Simkova and Holzener (2014) further argued that, in the case of rural tourism, most businesses are small to medium sized, and management is focused on day-to-day business rather than application of these theories to practice. Additionally, although these theories are beneficial for any development plans that establishments in rural tourism have, they often fail in rural tourism development.

Moreover, the motivation of tourists often conflicts with other barriers, which are economical in nature (Simkova & Holzener, 2014). Failure to put these theories into practice is due to many factors, such as differences between thought and reality. Hsu and Huang (2008) emphasised that tourist motivations are subject to bias from both the tourist and tourist researchers, thus basing development on specific typologies found in a research might have futile results. The economic challenge to satisfy a travel motivation does not only affect the tourists but also the establishments as they try to channel services and products towards the tourist's motives for travel. Streimikiene and Bilan (2015) also maintained the view that although these theories have been used in major developments of some destinations, they do not take into consideration numerous factors that are essential for development to take place, which are availability of local resources, macro-economic environment and competition, among other factors. As such, it is important to understand the attributes of the destination before carrying out any development plan as they vary, and they are crucial to the overall development plan.

## **2.2. Rural Tourism Development Approaches**

There is much research that has looked at the rural tourism development approaches over the years and the approaches include Core/ Periphery approaches, consumer-oriented approach and Integrated Rural Development approach among other approaches.

### **2.2.1. Core and Peripheral Approaches**

This approach focuses on developing one facility (core) while trying to improve the performance of the other facilities. Developing a fashionable wanderlust and sunlust resort, ensuring its accessibility (infrastructural development, such as roads, airports and accommodation) and accessibility of other complementary services (banks, hospitals and restaurants) within a densely built destination and environment entails the core aspect of the approach (Cassidy, 2016; Murphy & Anderson, 2005). However, the peripheral areas that are outside the core might be disadvantaged economically as they will also need extensive investment in infrastructure and are not always the focus of development.

Cassidy (2016) and Kauppila (2011) supported the fact that due to their distance from the core destinations, which are viewed as centres of local markets' wealth and economic leakages, peripheral areas are at a greater loss and disadvantage when it comes to economic and infrastructural development. Furthermore, Kauppila (2011) highlighted that for this approach to be effective, there is a need for resorts and surrounding areas to integrate in order to alleviate regional and area differences. The focal point of this approach is improving the core with the view that the perceived development benefits will be shared between the core and the peripheral areas, which is not always the case. The underdevelopment of the peripheral areas is the major drawback of this approach.

### **2.2.2. Consumer Oriented Approach**

The theory of service marketing emphasises that the aim and desired outcome for the consumer is value at every stage of production (Komppula, 2005). The main view of this approach is based on the perception that a great customer/ tourist experience at



a destination is beneficial to the service provider because a happy client provides potential for repurchase and referrals. The desired perceived value (motivation to travel) and the received value are important elements in this approach (Kompola, 2005). The approach suggests that the development of tourism establishments needs to focus on the extent to which development will bring satisfaction to the customer, as suggested by the motivational theories.

In addition, as proposed by the Motivational Theories of Rural Tourism Development, understanding tourist attitudes towards various aspects of a destination is crucial in improving and developing destinations (Tsephe & Obono, 2013). The consumer-oriented approach encourages development planners and destinations to take into consideration what motivates the tourist to travel to destinations before carrying out any development plans. In that sense, it is a market-oriented approach to development.

### **2.2.3. Integrated Rural Tourism Development approach (IRT)**

Jenkins and Oliver (2001), in Saxena, Clark, Oliver and Ilbery (2007), define IRT as linked to economic, cultural and human resources. Rural tourism promotes co-operation, joint ventures, and partnerships, which are key to the core of sustainable development of rural area (Lenao & Saarinen, 2015). In order for development to be carried out and to accomplish its goals, the best conditions require all community stakeholders to participate, thus integration. There is an inter-reliance of various stakeholders which makes the planning for tourism facilities a massive task. There is a need to improve partnerships and networks to better co-ordinate and implement the development plans, which works well in an IRT (Sharpley, 1993).

Integration is done through the creation of networks that allow SMEs and other businesses, in general, to form and create resources together (Saxena & Ilbery, 2008). These networks can be either formal or informal. The networks assist SMEs to search for, obtain and share resources, as well as carry out co-operative action in order to attain mutual benefits (Saxena et al., 2007; Lenao & Saarinen, 2015). SMEs develop a collective mission and vision with the aim of achieving mutual benefits. Furthermore, the integrated approach is known to attract and appeal to inward investors who are intrinsically motivated to increase the local pride. These include the non-governmental

organisation, private investors, municipalities, and other government agencies that are based in that particular area.

Lenao and Saarinen (2015) supported the fact that the emergence of networks and co-operatives create a platform for joint production and development among various stakeholders in both public and private sectors. The IRT is not generally a tool for facilitating extensive co-ordination among actors (network groups) but it outlines the roles and responsibilities involved in implementing and monitoring tourism development strategies, as well as resource management at all levels of development (Saxena et al., 2007; Gao & Wu, 2017). When compared to the other approaches, which are mostly in favour of one discipline or sector, the integrated approach favours the interests and interactions of all actors involved in development.

Networking of various actors in all sectors of the economy enforces sound decision making in the setting up and execution of development strategies. The guiding ideology of the integrated approach is that actors are important and crucial to the development of tourism and the community (Saxena et al., 2007). There are direct economic benefits, such as value addition for all actors, leading to income increases and employment creation for rural areas, complementary marketing approaches that benefit local service and products providers, conservation and regeneration of facilities, which fosters sustainable development for both natural and human made resources.

Development efforts made cannot only be carried out by providing funding to the tourism sector; there are other ways that the government, together with the community, can use in order to improve economic and social development. Apart from networking, the creation of tourist routes and clustering (complementarity) of attractions and activities can be done with the objective of developing rural tourism and the society around it (Oncioiu & Priescu, 2022). Complementarity is the level at which tourism supplies resources that will benefit businesses in the area directly or indirectly (Lenoa & Saarinen, 2015). This can be done by having information accessible offices, user-friendly signage and the creation of various activities to encourage and sustain business. In this way, the tourism establishment will be able to generate its own revenues as the routes become popular and as information is shared. An example of complementarity is the renaming of the ruins 'Domboshaba' in

Botswana in a bid to capitalise from the originality of the name. As a result, it became a means of marketing for most features in the same area, with the name also being taken on by a local establishment and an annual festival showing a uniqueness to the area (Lenoa & Saarinen, 2015).

## **2.3. EMPIRICAL STUDY**

### **2.3.0 Tourism Development and financing**

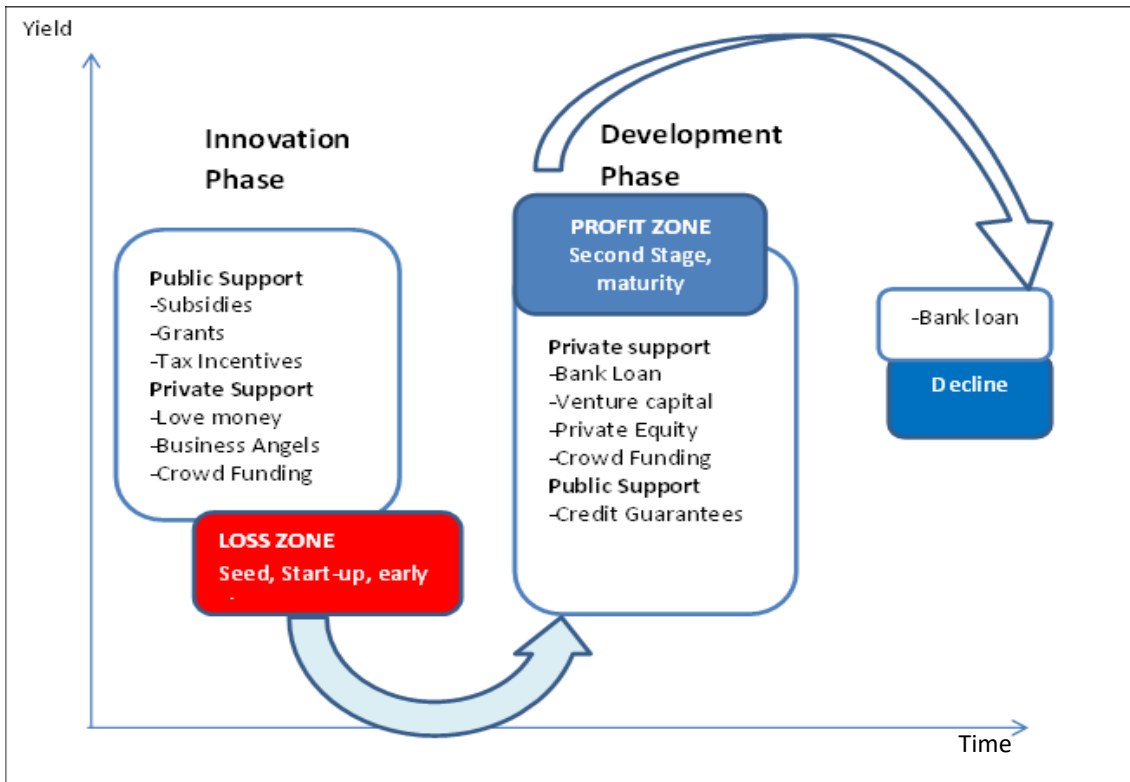
The development strategies that have been committed towards the tourism industry for developing communities to foster sustainability, has varied within the World Bank (Carrillo-Hidalgo & Pulido-Fernández, 2020). The World Bank's role is critical as it lends to and advises governments, thereby empowering the same governments to manipulate development. However, there cannot be sustainable rural tourism development if there is no sustainable business (Badulescu, Guirgui, Istudor & Badulescu, 2015). It is important for a tourism entity to operate as a business in order for sustainable community and tourism development to access funding from financial institutions. In support, Badulescu et al. (2015) suggested that the major motivation towards rural tourism failure is due to the fact that the SMEs in the tourism industry face more challenges in accessing finance, compared to SMEs in other sectors and tourism SMEs in urban areas.

There are two ways of accessing finance for tourism development which are internal financing and external financing. In most developing countries, for SMEs to cover their growth needs, they have to use about 20%-30% of external financing with only 15% for productive investment needs (Dermiguc-Kunt et al., 2008). The financial access challenge is influenced by numerous factors, which vary from environmental issues, supply factors and demand factors.

#### **2.3.1. Private financing**

The business finance growth cycle by Berger and Udell (1998) helps in understanding the forms of financing that are essential to an SME. It explains the importance of a firm's size, age and information availability in analysing the sources of finance available for it. Similarly, the finance needs model by the OECD (2017) supports the

fact that the financing needs of an SME are affected by its size and the level on the growth cycle. At each level of an enterprise's growth, there are certain forms of financing that are available for the business to exploit, putting into consideration the factors that are considered by financiers before funding the businesses. Figure 2.4 shows the different phases that an SME goes through in the growth cycle.



**Figure: 2.4 Finance Needs along the life of a tourism firm**

Source: OECD (2017)

Figure 2.4 above, shows that at the capability of SMEs to be innovative is directly affected by lack of financing. The OECD (2017) further explains that at start up, the SMEs face challenges associated with lack of experience, unproven business models and no established business record. In this regard, SMEs, at this stage, have trouble in accessing external private financing for any development initiatives. SMEs are often not eligible to apply for bank financing at the innovation phase than later, when they are on the Development phase due to higher financing costs and lack of collateral (Berger & Udell, 1998; OECD, 2017). On the other hand, of the tourism SMEs financing cycle, as shown in figure 2.4, some SMEs encounter challenges in quantifying and realising the value of the business. The profit zone phase (development phase) sees the SMEs starting to realise profits, repeated business and

established markets, and to some extent, making them eligible for bank financing. At this stage, there is also a possibility that some firms might fail to mature from the start-up phase leading to decline.

Most SME start-ups are from the owners' funds or borrowed funds from friends and relatives (Cecchetti, 2010). This is because financiers are unwilling to finance small business start-ups due to the high risk. Most small businesses in the tourism industry in Burgersfort have started in a similar way with funds borrowed from family and friends as financial providers are reluctant to offer debt financing at start-up level. Fraser (2005), in Deakins, North, Baldock and Whittam (2008), argues that it is a major problem for most start-up businesses to obtain finance, debt or equity, from financial service providers at the initial stage. It is a major challenge, especially for those who do not have friends and relatives to assist and enough resources for start-up. Research shows that 10% of businesses encountered this challenge at the start-up stage, with 11% of them facing outright rejection, 19% received less than what they desired and 8% felt dispirited to apply due to fear of refusal (Deakins et al., 2008).

The Small Enterprises Development Agency research note (2016) confirmed that South African banks are highly conservative at issuing debt finance for small business start-ups and, are only willing to provide this at the later stage of the SME development. Banks are unlikely to provide start-up debt financing to SMES (Financial Services Regulatory Task Group, 2007). In support of this, the Finscope's SME survey conveyed that SMMES in urban areas, for example, Gauteng tend to have a greater advantage in accessing finance in comparison to those in other provinces, mainly as a result of the rural environment of the provinces (Finmark trust, 2010). Lack of financial access is a major cause of SMEs not taking off in South Africa (Global Economic Monitor Report, 2014).

Access to finance affects the ability of a business to be both innovative and to develop (OECD, 2017). The SMEs in all industries are viewed as innovative and easily adaptive to change, they adapt to new changes and the development of systems faster than large enterprises. The ability of a firm to easily adapt to innovative change enhances the efficiency of SMEs across the industry chain. However, the unavailability of access to funds makes it almost impossible for SMEs in tourism to be innovative and to develop.

The common perspective is that most SME start-ups are financed by the owner, trade credit and angel finance (Cotei & Farhat, 2017). This is because at start-up, most SMEs do not keep much information that would be required when obtaining intermediate external financing. Berger and Udell (1998) further explain that at the earliest stage of development when the business owner is still developing the business or the business product, the owner uses insider finance. At the start-up stage most business owners start developing the business plan and plan the way forward of the business which enables them to access funds from Business Angels (angel finance) (Berger & Udell, 1998).

## **2.4. Access to finance as a Constraint to SMEs**

### **a. Voluntary Financial Exclusion**

There are businesses or households that have no use for financial services, obtaining finances from a financial institution is a major challenge voluntarily (Sambasiva & Bazza, 2017). Thus, voluntary financial exclusion is when a business or household has the means to access financial services and use them, but is reluctant or unwilling to do so. These small businesses use and rely on cash for day-to-day business running, in most cases, some of these enterprises have no promising investment project, and they have financial services access but do not wish to use the financial services (Sambasiva & Bazza, 2017). In light of this, the SMEs that are excluded voluntarily do not constitute a part of those that face challenges in accessing finance as they lack the demand drive to access financing.

### **b. Involuntary Financial Exclusion**

There are involuntarily barred groups who, regardless of their demand for these services, have no access (Dermiguc-Kunt & Klapper, 2012). These include enterprises considered unbankable as they have high lending risks, discrimination against a certain group, informational frameworks and the high price of financial services/product features (Sambasiva & Bazza, 2017). In a study carried out in Ethiopia in 2016, the cost of opening a cheque account, which is mostly used by businesses, was four times more than a savings account (Sambasiva & Bazza, 2017), making it cheaper for business owners to use a personal account for their business rather than opening a business cheque account. In this case, the SMEs are willing to use financial services but are unable to due to the high costs, which translate to involuntary

exclusion. Sambasiva and Bazza (2017), and Demirguc-Kunt and Klapper (2012), further argued that involuntary exclusion might either be due to the lack of information on available products, or the lack of targeted products for a specific niche by financial institutions.

In a study on financing SMEs carried out by Abdesamed and Wahab (2014), the authors mentioned that there are no specific theories that describe how a firm accesses external formal financing. For the purpose of their study, they used four elements, namely, human capital, business strategy, the firm type and information availability relative to access to finance. In another study carried out by Mtisi, Dube and Dube (2017) on agro dealers, it was concluded that record-keeping and infrastructural barriers were among the challenges hindering access. Beck, Dermiguc-Kunt and Maksimovic (2005) supported the fact that SMEs are consistently impacted the most by the lack of collateral, red tape, and high interest rates. Furthermore, a high income, high education level, physical infrastructure, better governance are crucial in the ownership and usage of financial accounts, which are normally limited amongst SMEs even though they help in facilitating access to finance (Fouejieu, Ndoeye & Sydorenko, 2020). From these studies, there are numerous factors that have been discovered as limitations for SMEs' access to finance and these include physical barriers, high risk, information asymmetries, high transaction costs and lack of collateral (Cecchetti, 2010).

#### **2.4.1. Physical Barriers**

This is the physical access to a bank's branches, distance travelled and population relative to density of a branch is a crucial factor affecting access (Sambasiva & Bazza, 2017). Physical barriers are a major hindrance to businesses in rural areas especially small business. This hindrance varies across countries, with low-income countries having fewer branches with high density, relative to population and high-income countries having low density, relative to population (Sambasiva & Baza, 2017).

To curb the physical barrier, new technologies that have played a vital role, such as Automated Teller Machines (ATM) and Electronic Finance (e-finance), have been introduced, increasing accessibility 24 hours a day and reducing the need to visit the traditional bank outlet. In a study carried out by Chen, Gong, Chu and Cao (2018) on

Chinese small and micro business, the introduction and use of new technologies has made a positive change in the access to finance and financial services for small businesses, as well as real economic activity.

A survey carried out in countries like South Africa, Chile, Spain, Austria, Denmark and Greece, shows that customers are able to submit bank loan applications through non-branch outlets, such as over the phone or internet but in countries like Ethiopia, Sierra Leone and Zambia, customers have to travel to the outlet to submit (Dermiguc-Kunt et al., 2008). A study carried out by Beck and Dermiguc-Kunt (2006) on banking services in developing countries, such as South Africa, customers could access financial services over their mobile phones, including loan applications.

Although the African banking system has advanced over the years with various e-banking services available to individuals and businesses, some remote areas are adversely affected by other infrastructural challenges that prevent them from making use of e-banking. In support of this, the Sekhukhune District in the IDP (2018), highlighted the major negative impacts to the area's tourism industry as infrastructural and service delivery constraints, including poor roads, telecommunications, electricity and water supply. These factors negatively affect the accessibility of financial services for personal and business use.

#### **2.4.2. Information Asymmetries**

One of the major problems that individual depositors face is understanding the trustworthiness of potential borrowers (Cecchetti, 2010). The existence of challenges associated with accessing SMEs' information for the initiation stage, gives rise to the unwillingness of financing from financial institutions (Qasim, Rizov & Zhang, 2020). It is a situation where owner-managers have more knowledge about the prospects of the risk their business is facing which lenders might not have (Abdesamed & Wanab, 2014). It requires skill and dedication of time to collect and process potential borrower's information, which most of the individual lenders may not have.

The borrower has enough unrecorded information to convince themselves that they are trustworthy which the lender might not have (Cecchetti, 2010). SMEs are known to have more non-documented transactions and business activity information,



knowledge of which is crucial for lenders to finance the business. The information may be generally known to the business owner or manager and cannot be proven to potential lenders. In order for lenders to get hold of the necessary information, they will incur cost in trying to find the comprehensive information about the borrower, thus information asymmetry (Cecchetti, 2010).

In the structure of financial markets, information has a very important role in ensuring good functionality (Adesamed & Wanab, 2014). When the cost of obtaining this information is too high, lenders become reluctant to invest and the market ceases to function (Cecchetti, 2010). However, although lenders may seek information on borrowers at SME start-up, information is rarely available and seldom transparent (Deakins et al., 2008). In most cases, assets are exclusively associated with the owner and not recorded anywhere, making it difficult to determine which assets belong to the business and which ones belong to the owner (Deakins et al., 2008). Small business owners are mostly reluctant to provide full details regarding their business with the fear that other people might exploit their opportunity (Cecchetti, 2010).

It is essential to note that asymmetry of information poses two possible problems in the flow of money from savers to investors; these problems are adverse selection and moral hazard (Cecchetti, 2010). When lenders are presented with a number of potential borrowers, before the actual lending has been done, they need to be able to differentiate between projects and business/company (adverse selection) and as a result, pricing of products (interest rates) becomes difficult as soaring borrowing costs lead to a high risk portfolio (Cecchetti, 2010).

The second problem arises after the transaction when lenders need to find ways to know whether the funds borrowed were used for the intended purpose (moral hazard) (Cecchetti, 2010). Most SMEs associate their business finances with their personal expenses, which may not be documented in the business records.

Nanyondo, Tauringana, Kamukama and Nkundabanyanga (2014), in a study on financial reporting and information asymmetry, discovered that the availability of financial statements, and the quality thereof, was crucial in accessing finance. Minard (2015) argued that having an internationally recognised certification standard could signal an unobserved firm and reduce information asymmetry. A grading certificate for the tourism industry is an example of an internationally recognised certification.

Asongu and Odhiambo (2018), in their study, emphasised that there is a need for information sharing office to reduce information asymmetry. In 53 African countries, Asongu and Odhiambo (2018) also discovered that the use of Public and/or Private Credit registries and information sharing offices, helped to limit the challenge of asymmetric information and encouraged formal sector financing over informal sector financing.

In a study on tourism SMEs in India, Hussain, Sandhu, El-Gohary and Edwards (2020) discovered that issues of asymmetric information encountered by these SMEs led to high premium charges on external financing. The authors also discovered that the issue of asymmetric information was a result of poor record keeping, together with weak financial systems that led the financial service providers to require adequate collateral. Asymmetric information is a major drawback for SMEs in accessing external finance and for lenders in reaching financing decisions.

#### **2.4.3. High Risk**

The risk perception of SMEs is mostly because banks are unable to ascertain the SMEs cash flows due to the complex nature of the business or the lack of reliable financial information. According to the Global Entrepreneurship Monitor (GEM) in the SEDA (2016) report, the rate of survival for SMEs in developing countries is low in comparison to developed countries. In support of this, most SMEs in South Africa rarely survive beyond their budding phase, only lasting between 3-5 years (Seda report, 2016). Due to this high risk of potential failure, most financial lenders are unwilling to invest in small businesses, especially those in seasonal industries (Sedlak et al., 2016). It is a challenge when it comes to those SMEs engaging in seasonal businesses, such as agriculture and tourism. Butler (2014) confirmed the fact that the issue of seasonality is usually viewed as a hindrance to the economic returns to be obtained from tourism. The high unpredictability of the tourism industry arising from the issues of seasonality, which prompts rapid changes in the industry, makes it a high-risk service or product to financial services providers (Hussain et al., 2020). It also averts the ideal economic benefits that can be obtained if a business in tourism is able to attract tourists throughout the year (Butler, 2014). Unlike most SMEs in other industries, the issue of seasonality contributes more challenges to the tourism industry

in addition to being an SME; as a result, they are prone to challenges relating to lack of access to finance.

Cecchetti (2010) identified three major reasons why lenders are reluctant to fund small businesses as they consider them risky. Those are as follows:

- Most SMEs' information is basic knowledge to the owners and as such, no reliable systems are used to provide information
- SMEs, in rural districts, operate in more uncertain conditions compared to large companies in the same line of business
- At times, SMEs do not have the necessary skills and equipment to show a going-concern motive in their business which will assist in their sustainability when the business environment changes.

In a study of access to finance in Tanzania, it was established that financial institutions were unwilling to give finance to SMEs that are very risky, especially if they are new businesses (Fulgence and Mori, 2009). In a study by Nyanzu and Quidoo (2018), on access to finance on Ghanaian SMEs, they discovered that high risk was among the main constraint in accessing finance for SMEs. Owen, Harrer, Botelho, Anwar and Lodh (2019), in their report on UK SMEs' access to finance, discovered that the type and availability of finance is based on the risk associated with the lender where high-risk firms preferred equity financing to debt. The authors also supported the fact that the type of funding depends upon the risk that the bank is eager to take. From these studies, it is essential to note that the risk level that an SMEs is expected to have and the risk that the financial service provider is willing and able to bear, determines the type of financing at the banks disposal and if they are willing to offer financing to the SMEs.

#### **2.4.4. Affordability barriers/ transaction costs**

Apart from the high-risk profile and information asymmetries, transaction costs also form part of the constraints faced by SMEs in accessing debt financing. Transaction costs imply the costs to administer credit and the cost of risk associated with default on credit repayment (Saito & Villanueva, 1981). Administrative costs are attributed to

processing, delivering and administering credit (Saito & Villanueva, 1981). These costs are passed on to the SMEs as high interest rates, making the cost of debt more expensive for the business to bear. This restricts the SMEs from accessing the funds when they are needed. Transaction costs incurred in dispensation, supervising and implementing small loans, which increase interest charges for borrowers, are the major problem linked to borrowing (Dermiguc-Kunt et al., 2012). The administrative costs are associated with acquiring information about the borrower and are inevitably higher for small-scale businesses compared to when they are dealing with large firms (Cecchetti, 2010).

On the other hand, for most small businesses, the costs associated with opening and maintaining a cheque account varies widely. In countries like Uganda, customers pay 30% of their average GDP per capita for bank charges whereas in Bangladesh, they pay no annual fees (Dermiguc-Kunt et al., 2012). The high minimum balances required to be maintained in a business bank account and costs of maintaining high annual fees form part of the high barriers for a large number of SMEs in developing nations (Dermiguc-Kunt et al., 2012). Most SMEs cannot afford to maintain their business bank accounts and owners will end up using their personal accounts for the enterprise, making it complicated to distinguish income and expenses for the business.

A study done by Beck et al. (2006) measured the affordability of bank loans by looking at the minimum balances that are required for consumers and SMEs' loans, as well as fees for these loans. It was discovered that high minimum loan requirements suggested that banks could not meet the external financing needs of SMEs. When the average minimum GDP per capita was 558%, there were no specifications of minimum requirements for banks in Algeria and Denmark for accessing finance. As for banks in Bangladesh, the minimum requirement was 1000% of GDP per capita and Uganda over 2000% GDP per capita, making it difficult for financial institutions to meet the SMEs financing needs (Beck et al., 2006).

The time taken for a loan to be processed is also an affordability barrier, as at times the SME does not have the required resources to sustain itself until the loan has been processed. In a study carried out by Eruera (2008), the average time that it took to check eligibility in countries like Bangladesh, Philippines, Pakistan was one month, and yet in countries like Denmark and Spain, it only took two days. A study by Warren,

Bolin, Nhantumbo and Jones (2016) on Mozambican SMEs, concluded that the establishment of government incentives, such as Customer Price Index (CPI), helped to provide fiscal and non-fiscal incentives, providing affordable interest rates for SMEs, helped in financing the SMEs activities.

#### **2.4.5. Lack of Collateral**

Although there are numerous aspects limiting the access of finance for SMEs, the issue of collateral and loans with interest is inevitable when SMEs apply for bank loans (Abdesamed & Wahab, 2014). A specific asset that a borrower has pledged to protect the lender's interests in the event of failure to repay is called collateral (Cecchetti, 2010). In a survey carried out by Kung'u (2011) in Kenya, lack of borrowing was linked to lack of assets from the firms. The assets used by the firms belonged to the owners or managers and not to the business and therefore could not be used as collateral.

Banks require full disclosure of the business and/or the owner to ensure that they are compensated in the event that the borrower fails to honour his/ her debt (moral hazard solution) (Foxcroft, Wood, Kew, Herrington & Segal, 2011). Sambasiva and Bazza (2017) discovered that a greater percentage of their sample on loans required collateral and a smaller percentage of only 15.6 percent of the loans offered by financial institutions did not require collateral. In light of this research, it can be concluded that collateral obligation is a real hurdle to small business access to finance (Simbabiva & Bazza, 2017). South African banks have become conservative, calling for longer records of accomplishment and more security, making more start-ups automatically disqualified (GEM report, 2012). In a study carried out by Gangata & Matavire (2013), on challenges facing SMEs in accessing finance, they discovered that lack of collateral and/or a sound business plan was a major hindrance in accessing funding by SMEs.

#### **2.4.6. Lack of Appropriate Products**

Credit risk profiles of some SMEs are known to be too high, as such, banks are only willing to sacrifice a very small percentage of depositors' money in SMEs compared to large-scale businesses (Dermirguc-Kunt et al., 2008). Availability and affordability of credit facilities differ across countries and they can be subject to high fees and long

periods taken to process (Dermirguc-Kunt et al., 2008). In countries like Nepal, an individual can borrow a minimum of 12 times per capita GDP; it takes more than 10 days to start and complete credit card applications in countries like the Philippines and more than 20 days to process individual loan application in Pakistan (Dermirguc-Kunt et al., 2008). The environment in which a business operates also plays a vital role in debt financing. “*A poor Business Environment can inhibit long-term bank financing*” (Dermirguc-Kunt et al., 2010:84).

There are many requirements for accessing formal private sector financing which most SMEs fail to meet and adhere to. This makes it difficult for private sector financial services providers to issue funding to SMEs, especially those that have a high-perceived risk. Government intervention is viewed as essential, especially when financing SMEs is development oriented and perceived to have economic benefits for previously disadvantaged groups, the community and the economy.

#### **2.4.7. Covid-19 effects on Tourism industry**

Covid-19 has resulted in supply chain disruptions and mass production shutdown, resulting in a global negative wave among economic sectors in an unpredictable way (Oruonye & Ahmed, 2020). The tourism sector become a major development hub for most cities and countries (Cetin, 2020). The World Tourism Organisation (2020) stipulated that the industry created 8% of global GDP and 10% of employment, yet was very susceptible to various types of disasters, ranging from natural, economic and political crises. The services and goods produced, mostly in airlines, transport and accommodation are viewed as perishable, as they cannot be stored for future use, meaning a single day missed with no business cannot be reused.

The Covid-19 pandemic is the most severe crisis that the tourism industry has ever gone through even when compared to the financial crisis of 2008 (Cetin, 2020). Initially, for most countries, the effects were expected to be short-lived however they continued as long as eight months and are still on-going. The initial response to Covid-19 was to close borders and restrict domestic, regional and international travels, which are the major income contributors to the industry and directly linked to the tourism industry.

In Sri Lanka, there were no tourists in April 2020 due to the suspension of all passenger flights and ship arrivals (Ranasinghe, Karanarathne, Gamage & Perera, 2021). In Nigeria, cancellations and postponing of events and bookings resulted in the loss of billions and a possible hindrance on the tourism industry to operate as they had prior to the outbreak (Oruonye & Ahmed, 2020). Due to the closure of tourist facilities, the losses to the tourism sector were high in most countries and SMEs in South Africa were not an exception. It is uncertain how long it will take for the tourism industry to recover, as part of the sectors which complement tourism have been restarted in different stages (Nientied & Shutina, 2020).

As much as enterprises are allowed to open during this period, they have to adhere to strict regulations, such as social distancing and sanitising. Business travels have also declined as only essential businesses were allowed to operate, which implied loss of sales and business for tourism related enterprises. Tourism businesses have been forced to adopt new ways of operating, taking into consideration Covid-19 guidelines to enable them to operate safely (Nientied & Shutina, 2020). Adhering to Covid-19 regulations implied an increase in operating costs for the tourism businesses that had registered as essential services and these costs included having a limited number of tourists at a time in order for a business to adhere to social distancing regulations and the costs of disinfecting and sanitising premises.

## **2.5. Government Involvement**

For the rural SMES in tourism to be sustainable, they need to have appropriate revenues and financial resources (Simkova, 2014). There are several government initiatives that allow for the provision of financing for small businesses in both urban and rural areas (Longenecker et al., 2017). Government should guarantee SMEs without collateral to access finance by providing channels to enable the SMEs to access low interest loans (Onyiego, Namusonge & Waiganjo, 2017). Verma and Jain (2018) supported that the government has an important role to carry out in supporting SMEs in tourism; these SMEs should be supported by inputs directly or indirectly linked to funding. Longenecker et al. (2017) also supported the fact that local government plays a pivotal role in financing small businesses, although the nature of funding may differ; most of them are aimed at augmenting other sources of funding.

The authors explain that in South Africa, the programmes that have been put in place are:

- Black Industrial Scheme
- Capital Projects Feasibility Programme
- Export Marketing and Investment Assistance
- Incubation Support Programme
- Isivande Women's Fund
- Sector Specific Assistance Schemes

Tourism Specific Programmes include:

- Tourism Transformation Fund
- Green Tourism Incentive Programme
- Social Responsibility Implementation Programme

Sibanda et al. (2018) suggested that government needs to have loan guarantee schemes that enable small businesses to formalise their activities like financial record keeping when obtaining finance from financial institutions. Onyiego, Namusonge and Waiganjo (2017) supported the fact that governments should guarantee SMEs without collateral by establishing institutions that support SMEs access to finance to solve the problem of accessibility. Guaranteeing SMEs loans eases the access for private financing. The government can also provide channels that allow SMEs to access loans at a very low interest rate. However, not all actions by the government are equally operational and effective, some of them may be counter-productive (Dermirguc-Kunt et al., 2008). Onyiego et al. (2017) further explained that direct interventions by the government require critical evaluation, an aspect often ignored and not taken into consideration. As such, efforts by the government are mostly unsuccessful.

In Scotland, the introduction of computer-based systems of decision making, for example, financial modelling and credit scoring, has given a positive view on financing SMEs as the study suggests that business owners should not be discriminated from



financing based on any particular characteristic (Deakins et al., 2008). Commercial banks are able to provide tailor-made funding for small businesses, in the form of small loans to SMEs, thereby bridging the issue of high-risk profile and collateral (Onyiego et al., 2018). With time, SMEs can be offered an increased amount for larger loans, based on the ability to repay the first small loan given, however, some of the commercial banks often fail to cater for SMEs due to their strict lending policies and conditions (Onyiego et al., 2018).

In European countries, rural tourism development included approaches that were based on government involvement, as well as private sector involvement (Eruera, 2008). The government and private sector involvement in development is essential for most SMEs as they do not only contribute to the financial aspect but also on other aspects such as training. Literature suggests that government development policy approach requires regeneration, horizontal and vertical integration, independence, stewardship, mediation and welfare (MacDonald & Jolliffe, 2003).

In a study conducted by Fleischer and Felsenstein (2000) on the Jewish Agency loan and guarantee scheme during 1993 and 1995, one hundred and forty-five of the participants were SMEs in tourism. The study's aim was to use finance leverage for job generation and entrepreneurial ventures, SMEs in tourism were found to be more cost effective in comparison to other sectors. This showed that any support given to these SMEs could result in significant economic and social returns.

Marketing efforts by SMEs are also believed to increase visitor numbers and investment (Lenao & Sarinen, 2015; Kotoua, Asiedu-Appiah (2022). In Estonia, rural tourism development was limited to type of attractions and the country's size (Taylor & Urwin, 2001). Estonia has two organisations that focus on Rural Tourism development which are Estonian Farmers Union Department of Tourism and Estonian Guesthouse Association. There are five challenges, which are high cost of renovations, short season, infrastructure requirements and marketing difficulties (Eruera, 2008).

The study carried by Liu (1996) on the techniques used by the government in developing rural tourism establishments, discovered that the initiatives had little impact on community linkages, there was no community involvement in the development and planning and the destination design upscale did not match the local situation, thus

there was a high possibility that the development was unsustainable. When development efforts between the government and the community are integrated, it ensures that the development efforts are effective.

Government's initial focus on rural tourism development was to lessen the level of relocation from rural areas to urban areas through local income generation and employment creation (Eruera, 2008). Most of the economically active age group leave rural areas in search of employment and better living conditions, resulting in underdevelopment of rural areas. The government intervention has had a positive impact on sustainable tourism in countries such as Indonesia (Antara & Prameswari, 2018; Wardana, Sukaatmadja, Yasa & Setini, 2020)

In a study carried out by Komyathy (2022) in Santiago, the development of the Santiago de Compostella Pilgrim route had more than two hundred partners participating in chain projects. These routes are beneficial to both the tourism SMEs along the route, as well as other sectors that provide various services and goods as the route tends to create linkages to activities, services and products that tourists could have an interest in. This can only happen if tourists and the community know the routes created. Other countries have also adopted this strategy by creating, co-ordinating and monitoring such projects, for example, the Euro institute of cultural routes, which are, at present, also appearing in countries like Australia with Queensland Heritage trails network and the Africa dream projects in Africa (Eruera, 2008).

In Andalusia Spain, rural tourism co-operatives were created to develop tourism business with a set of legal requirements, and these have existed since the mid-1980s (Eruera, 2008). The government supports these co-operatives as they devote resources towards vocational training and marketing. The major reason that motivated the creation of these co-operatives was to pool resources, gain tax advantages, benefits from funded schemes and employment creation. However, Aktur and Demir (2021) in their study on these co-operatives, discovered that the initiative did not yield any positive results as they lacked proper monitoring and assistance from the government.

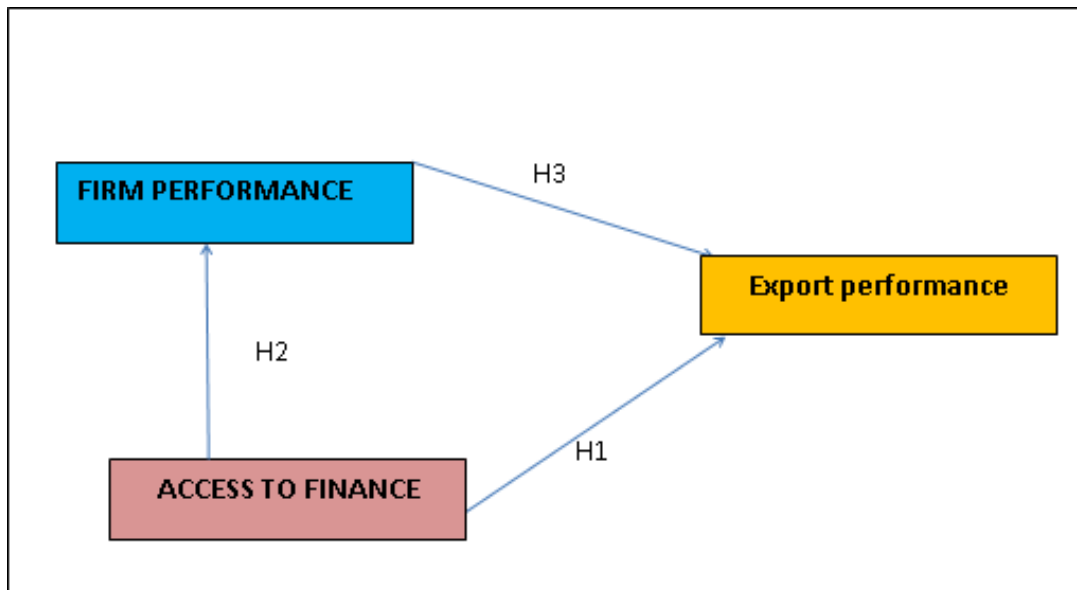
In 1990, the Cyprus Tourism Organisation was created in a bid to extend the socio-economic benefits of tourism through financing, design and completion of projects. The government offered subsidised loan and financial incentives for developing

tourism establishments to create awareness and education for the tourism establishments. However, this initiative did not work due to lack of government support, it was difficult for the establishments to obtain the subsidised loans and the revenue they generated from the tourists was unsatisfactory (Sharpley, 2000). Furthermore, there were discrepancies in the projects' aims and achievement, as well as a need for continuous financing because the cost of initial investment could not be covered by financing returns (Sharpley, 2000). Projects and initiatives need continuous monitoring to ensure that the initial aims of the projects and initiatives are still viable. There are also economic and social changes that may affect the initial aims, thereby making it difficult to achieve the intended goals.

## **2.6. Small to Medium Enterprises' access to finance, performance and service quality**

Financial access has been referred to as one of the most significant factors to promote performance of a business and insufficient finance as a limitation to performance (Turyakira, Kasimu, Turyatunga & Kimuli, 2019). Finance availability is critical to SMEs (Sibanda et al., 2018). In their study of the furniture-manufacturing firm, Sibanda et al. (2018) suggested that firms with better financial health tend to take less time to make decisions compared to those with poor financial health. Emphasis is placed on the fact that no major decision can be made that would benefit the firm without the availability of funding.

Figure 2.5 shows the relationship between access to finance (predictor variable), service quality/performance (mediator variable) and export performance (outcome variable). A firm with access to finance has a capability to provide quality services, to perform better in its business initiative and to capture foreign markets (Sibanda et al., 2018). In a study carried out by Sibanda et al. (2018), there was a positive impact on export behaviour (H1), Access to finance has a positive impact on firm performance (H2) and firm performance has a positive impact on export performance (H3).



**Figure: 2.5 Relationship between access to finance performance and service quality**

Source: Sibanda et al. (2018:5)

The rise in the global market and export performance is progressively regarded as an important aspect of economic performance, for both firms and the business environment (Qasim, Rizov & Zhang, 2020). The globalisation of most industries prompts new business; the tourism industry is not an exception as it also attracts foreign markets in the form of business people or tourists (Gudkov& Dedkova, 2020). Access to global markets has been made easier with the establishment of internet booking sites available for worldwide customers. These sites include, but are not limited to, Expedia, Booking.com and Trivago, where an establishment is able to advertise its business, visually giving foreign customers and locals an opportunity to review the services provided after their stay.

Insufficient access to finance is a constraint to SMEs seeking to venture into foreign markets (Gudkov& Dedkova, 2020; Qasim et al, 2020). Entities in a healthy financial position are able to attract foreign markets and key business travellers to their establishment, which raises its recognition not only locally but world-wide. In South Africa, the Durban Indaba event held annually enables firms to capture foreign markets, but only those that can afford to invest in advertising are able to attend such events (Indaba South Africa, 2019). These types of events are beneficial to most small businesses as they also give wide coverage to local and international customers,

further, boosting the South African economy and African tourism at large (Indaba South Africa, 2019). In an article about Indaba South Africa (2019) on 14 May 2018, 7000 delegates from over 80 countries attended the event.

Riding, Orser, Spencer and Belanger (2010), in Sibanda et al. (2018), explained that SMEs face difficulties in providing concrete plans that are reliant on exports, thus discouraging investors thereby increasing loan application refusal. In a study carried out by Fowowe (2017), on access to finance and performance on African countries enterprises, the author revealed that insufficient finance had a negative effect on the expansion and performance of the enterprises. The author further explained that their ability to overcome the financial constraints and obtain more external financing would be beneficial in solving most of their challenges, apart from service delivery and performance.

In another study by Machirori and Fatoki (2013) on South African SMEs, the authors suggested that networking various stakeholders, including SMEs and financial services providers, enables them to have ease of access to finance. The author also suggested that access to finance is not the only constraint that inhibits performance in SMEs and in the study, they discovered that being part of a co-operative, as suggested by the IRT, performed better than those that were not in any co-operative or network.

In the study on Ghanaian firms on access to finance and performance (Adomako, Danso & Damoah, 2016), the authors concluded that financial literacy was crucial in performance and growth as the firms that had financial literacy performed better than those with no financial literacy. Although some firms may have access to finance, the inability to deploy financial resources is a major constraint. Even if a firm has access to finance but lacks financial literacy, they might fail to efficiently supply/allocate financial resources where needed, for them to perform well, offer quality services and grow (Adomako et al, 2016). In their study on manufacturing SMEs in Zimbabwe, Sibanda et al. (2018) concluded that access to and availability of finance therefore, has a significant role in the performance of SMEs.

## **2.7. Chapter Summary and Conclusion**

In order to develop the tourism and hospitality sector, it is important for the sector or government to select the best model in relation to the intended results/objectives to be achieved. There are various approaches that have been used in the past that proved to be effective in certain areas but failed in other areas. It is essential to define the type of target market before selecting the form of development to undertake.

Tourism, unlike other sectors, is viewed as a risky business due to the seasonal factors which are at times, extremely impacted by external factors, such as natural disasters, economic and social factors. The seasonal factor affects the risk profile of the tourism SMEs making financiers reluctant to fund them. Access to finance for tourism SMEs depends on the attractiveness of the tourism products to financiers and investors, its capacity to plan and manage their financing needs, ability to provide a sound business proposal. Furthermore it is important that, together with these factors, an SME in tourism has the knowledge of the available products and product information available to them. Enterprises require financing to support day-to-day business activities to remain competitive in their respective industry.

The chapter started by highlighting the theories that other development planners have used in order to develop tourist destinations in other countries. There are numerous motivational theories that have been used in the past which focus on aligning development to the target market (tourism). However, due to their orientation to the market, the literature further outlined the weaknesses of the theories as they focus more on the market rather than the means to development (financing) and other external factors.

The chapter also outlined other approaches to rural tourism development that can be used which benefit not only the tourism industry, but also other industries in the same area. It further highlighted the constraints of accessing finance, highlighting studies that have been carried out by other researchers in the field of access to finance. The government and the private sector involvement and the relationship between performance service delivery and access to finance are among other issues that were outlined in this chapter.

## **Chapter 3: Research Methodology**

### **3.0 Introduction**

This chapter outlines the procedure followed in carrying out the research to achieve the objectives outlined in the first chapter. It starts by presenting the research design, sample selection, data collection and analysis as well as how validity and reliability was ensured and finally, the ethical considerations by the researcher throughout the research process.

### **3.1. Research Design**

A research design is the source of the flow of research, which defines the basic methods of collecting evidence, tied to the theories and questions in research (Vogt, Gardner & Haeffele, 2012). It is also a structure that research follows and is considered as the glue that cements all elements of a research project (Akhtar, 2016). The issue of access to finance in SMEs is well-known however, there has been very few studies that have focused on the tourism industry. In designing research, it is important that the researcher recognise the type of evidence that is needed to answer research questions (Akhtar, 2016). The research followed a case study approach.

#### **3.1.1. Case study**

Case studies enable researchers to examine closely the data collected within a precise framework (Zainal, 2007). The descriptive case study approach enabled the researcher to gain insights on the challenges SMEs in tourism face in accessing finance. The case study method gives insights on answering the why and how questions that may arise in research but does not answer the how many and how often questions (Akhtar, 2016; Singh & Sohu, 2015). However, a case study provides a structure for gathering, analysing and combining qualitative and quantitative evidence (Yin, 2003). Further Teegavarapu, Summers and Mocko, (2008) supported the fact that a descriptive case study enables data triangulation as it allows a researcher to use multiple ways of collecting data techniques, such as surveys, observations and questionnaires, in order for the researcher to answer questions of the research, using both qualitative and quantitative data. In studies carried out by Sibanda, Hove-Sibanda

and Shava (2018) on the impact of access to finance, the researchers used the case study method for furniture manufacturing SMEs in Zimbabwe. In studies by Adomako, Danso and Damoah (2016); Fatoki (2021) Gangata and Matavire (2013) and Kungu (2011), the authors also used the case study method of research to address different topics relating to access to finance in SMEs. The case study required the collection of data from different units within the same context (SMEs, government bodies directly linked to SMEs assistance in Burgersfort) and in phases.

### 3.1.2. Mixed Methodology

Integrated method research facilitates data collection, analysis and draws references from both qualitative and quantitative data (Creswell & Plano Clark, 2007). Furthermore, where a theoretical framework or specific ideologies guide the study and not the use of methods alone, mixed methods of study are used (Terrell, 2012; Creswell, 2009). The main ideology of a mixed method of study is that combining the two methods provides a better examination of the study problem than using one approach. Table 3.1 delineate the pros and cons of using mixed methodologies.

**Table 3.1 Advantages and Disadvantages of Mixed Method Research**

Advantages	Disadvantages/Challenges
<ul style="list-style-type: none"> <li>• Collection and analysis of difference data sets (qualitative and quantitative) makes it easy to explain complex and contradictory questionnaire/ survey responses</li> <li>• Design is easily applicable to studies that are done in phases in comparison to single studies</li> <li>• When data is collected in phases and a single data type is collected at a time, a study is straightforward to describe, implement and report; there is no need for a research team.</li> <li>• Using both quantitative and qualitative data analysis and collection makes it more acceptable to both quantitative and qualitative audiences</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of Depth and flexibility when qualitative data is quantified.</li> <li>• Quantifying qualitative data is time consuming and expensive, thus prompting researchers to work under a tight budget or limit interview time.</li> <li>• Researchers may have difficulty selecting sample for the second phase as it sometimes depends on the outcome of the 1<sup>st</sup> Phase and whether the same individuals will serve as participants for both qualitative and quantitative phases</li> <li>• There is a need for the researcher to decide which data to use and which procedures need to be taken to generate data analysis measures (themes, quotes and codes).</li> </ul>

Adapted from: Discoll, Appiah-Yeboah, Salib and Rupert (2007); Creswell (2009).



In a study carried out by Mersha and Ayenew (2018) on financing challenges of smallholder farmers, they used mixed descriptive methods to come up with appropriate conclusions. Sibanda, Hove-Sibanda and Shava (2018) used quantitative methods as the underlying relationship between the variables of accessing finance; performance and export performance were known. In a study carried out by Amadhila and Ikhide (2016) on financing SMEs in Namibia, the researcher used a mixed method of study with qualitative data obtained from primary data collection in order to get the grass root and in-depth understanding of the case and quantitative data collected from secondary data on studies for access to finance. As such, the research followed a sequential explanatory research design where quantitative data was collected first, analysed and designing the qualitative interviews, based on findings from the quantitative data.

### **3.1.3. Sequential Explanatory Mixed Method Design**

Mixed Methodology has four major types, triangulation, explanatory, embedded and exploratory designs (Creswell, 2009). The study followed the sequential explanatory design, qualitative data was collected to explain the quantitative findings and provide information on the support offered by the government. Creswell (2009) suggested that where data is collected in two phases, where the second phase connects to or answers to the first phase, sequential explanatory method is used. The researcher first gathered quantitative data and analysed this using quantitative methods, qualitative data was collected and analysed using qualitative methods and interpreted using quantitative and qualitative methods to address the research questions.

## **3.2. Sample**

The purpose of a sample is to get a percentage of the total population, which can produce accurate information and enables generalisation (Ishak & Bakar, 2013). Non-probabilistic purposive sampling is used when units to be selected are directly linked to research needs (Bryman & Bell, 2015), after the first phase of data collection. In Burgersfort in the Sekhukhune District, there are 80 SMEs in the tourism sectors currently registered with the local municipality (IDP, 2019). These SMEs specialise in accommodation, grouped as Hotels, BnBs, lodges, Guest Houses and tour operator

companies registered with the local municipality. The Limpopo Department of Economic Development Environment and Tourism (LEDET) that assists SMEs and the municipality also formed part of the sample based on availability of information.

### **3.2. Data**

Structured interviews and questionnaires were used in data collection with governments/ municipal bodies that assist SMEs. The researcher drafted a questionnaire, which was centred on the subject area, drawn from the World Bank access to finance survey questionnaire, in order to obtain information focusing on the research (World Bank, 2018; Nanyondo et al., 2014; Wu, 2009).

Primary data was collected from SMEs in Tourism in the Burgersfort area; this was done through sequential methods of data collection techniques which are structured questionnaires issued in stage one and interviews conducted in the second phase. Secondary data was collected from published documents from previous research studies done on access to finance. The secondary data was essential to validate and address questions that the primary data had raised, as well as to interpret the primary data.

#### **3.2.1. Interviews**

Due to the pandemic, the collection of data was carried out using Computer Mediated Communication (CMC). CMC was initially used prior to the year 2000 with very few research institutions accepting it, CMC was only incorporated into data collection by other disciplines between 2000 and 2002 (McCoyd & Kerson, 2016). During this time of Covid-19, it is essential to adhere to lockdown and social distance regulations and as such, the use of non-contact data collection technique is essential (Greeff, 2020). Non-contact data collection methods include, but are not limited to telephonic interviews, video interviews (Zoom, Skype, Teams) and email interviews. These non-contact interviews are less costly, compared to the traditional interview (Greeff, 2020; Golding, 2014). The research was carried out using semi-structured social media interviews.

Interviews enable researchers to give clarity where respondents may not understand, elaborate ideas, explain and perspective (Harris & Brown, 2010). This helps to avoid biased responses from respondents thus ensuring validity of the research.

### **3.2.2. Documents**

Documents include information previously collected but not by the researcher and without the researcher's intervention (Bowen, 2009). The researcher used empirical data from research as a guide in qualitative data analysis through describing and interpreting codes. These documents include advertisements, manuals, agendas, books brochures and journals, among other printed or electronic sources. Previous studies and publications are also a form of data that requires the researcher to rely on descriptions and interpretation of data from previous findings rather than based on raw data (Bowen, 2009). The use of documentation also helps in validating research findings as they provide supplementary data, which may be valuable to the research.

### **3.2.3. Questionnaires**

The researcher used questionnaires because they are a more goal-oriented research tool that can produce generalisable results (Harris & Brown, 2010). The questionnaire was sent on WhatsApp and the short message service (SMS) to the relevant participants. The researcher used Microsoft forms to create and share the questionnaire. It also covered issues of whether the business owners or managers had tried to access finance previously, performance and service delivery, and other information in a bid to understand the constraints to access to finance, as well as to confirm the need for it.

### **3.2.4. Data Analysis**

Mixed data analysis includes the use of mixed methods techniques in analysing data. Mixed data analysis can be phase-based depending on the researcher and research goals (Onwuegbuzie & Combs, 2011). Linking qualitative and quantitative data is achieved by treating each set with data analysis techniques normally used with the type of data (Sandelwoski, 2000). This implies qualitative data needs to be analysed using qualitative data analysis techniques and quantitative data analysed using quantitative techniques. Qualitative data analysis involves various procedures where research moves from data that has been collected, is explained and interpreted in order to have meaningful and symbolic details of the qualitative data (Thorne, 2000).

## **Qualitative data Analysis**

The benefit of utilising email /message interviews is that there is no need for data transcription as responses are in writing. Codes need to be made into categories and themes generated in relation to elements that are necessary to the research (Seers, 2012). Secondary data was used to support the choice of themes generated to justify what has been done and why. Themes need to be developed from literature or research questions to justify the theme (Seers, 2012). Qualitative data was analysed manually through Microsoft words comment. The researcher used in vivo coding to create codes through using direct narrative illustrations by interviewees. Using direct narratives helps in avoiding interpretation errors and thereby facilitating reliability (see Annexure 3 Fig: 4.4 Codes and interpretation). Thematic analysis was employed to create suitable themes that would assist in understanding the data and relating it to the research.

## **Quantitative data analysis**

The use of online questionnaire implies that there is no need for data editing. This is because surveys are returned to the researcher when the participant has completed the survey (Lutabingwa & Auriacombe, 2007). The best, easier and faster way to perform a numerical coding is through the use of a close-ended questionnaire (Lutabingwa & Auriacombe, 2007). Quantitative data was analysed using SPSS software. Descriptive statistics were used to analyse data, that is, frequencies, mean, correlation and Cronbach's Alpha were established for each variable from the data collected.

. The researcher made use of the following analysis techniques:

- Pearson correlation tests
- Multiple regression model
- Firm growth model

*H1: There is a positive relationship between Access to Finance and Service Quality in Tourism SMEs*

### 3.2.5. Pearson Correlation Tests

In analysing the quantitative data, there are various quantitative techniques that researchers can use. In a study by Nanyondo et al. (2014), the authors used Pearson Correlation Tests to examine the relationships between ATF, Size, PRK, INAS and QF. It was also used to establish the linear relationship amid ATF and performance of a business in a study carried out in Kampala Uganda on firm capability and firm performance (Turyakira, Kasimu, Turyatunga & Kimuli, 2019). The main advantage of the Pearson Correlation Test is that it shows the force and direction of the relationship between variables and whether they are connected to each other or not. In this study, the researcher employed the Pearson Correlation Tests to ascertain the direction of the relationship that exists between performance, service quality and access to finance in tourism.

$$r = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum (x_i - \bar{x})^2 \sum (y_i - \bar{y})^2}}$$

Where;

$r$  = correlation coefficient

$x_i$  = a sample's values of the x-variable

$\bar{x}$  = values of the x-variable mean

$y_i$  = values of the y-variable in a model

$\bar{y}$  = mean of the values of the y-variable

Pearson Correlation variables (See Questionnaire section B item B5)

*H2: There is a positive relationship between ATF and PRK, INAS, the size of the company and QF.*

### 3.2.6. Multiple Regression Model

In a study carried out by Nanyondo et al. (2014) on the Ugandan SMEs' access to finance, the multiple regression technique was employed to ascertain the direction of the association of the variables. The variables are perceived risk (PRK), information

asymmetry (INAS), quality of financial statements (QF), and access to finance (ATF), company size and the industry in which the SME operates.

$$ATFI = \beta_0 + \beta_1 QF + \beta_2 INAS + \beta_3 PRK + \beta SIZE + \varepsilon_j$$

Where:

**ATFI** is Access to finance (the ease of obtaining money from banks) measured by the mean rank of the items on questionnaire (See questionnaire section B item B4)

**QF** is the quality of financial statements (understandable and reliable financial statements) measured by the mean rank from the questions on the questionnaire relating to quality of financial statements (see questionnaire Section B item B1)

**INAS** is Information asymmetry (stakeholders need to have and know all the information) measured by the participants' mean range of the questions relating to information asymmetry (see questionnaire Section B item B2)

**PRK** is Perceived Risk (the aspect of viewing SMEs as very risky to lend to, measured by the mean rank from the questionnaire on the questions associated with Risk (see questionnaire Section B item B3)

**Size**, which is the size of the company 1 for medium enterprises and 0 for Small enterprises

$\varepsilon$  Which is the Error term

*H3: Increased access to finance has an impact on Firm growth*

### **3.2.7. Firms' Growth Model**

Financial literacy and access to finance thereof are viewed as key aspects to SMEs performance and growth (Adomako, Danso & Damoah, 2016). There is an undeniable link between the factors influencing growth and the factors influencing performance. Authors, such as Sibanda et al. (2018), viewed growth as one of the objective performance dimensions together with revenues, size and average returns. As it is difficult to assess SMEs; performance using revenue, in a study by Fowowe (2017) on performance and access to finance, the author used a firm growth model to determine performance as a non-financial measure that can be used in place of financial

measures. This method was chosen as the author argued that although financial measures are simple, objective and easy to understand, the information is seldom available. Santos and Brito (2012) argued that these financial measures can also be easily manipulated or be incomplete, giving preference to non-financial measures. Non-financial measures can also be used to complement the financial measures to clearly depict the firm's performance. Number of employees, market share, employees' satisfaction, number of customers and social and environmental performance and revenue growth, revenue per employee, are viewed as some of the non-financial measures used to determine firm performance (Fowowe, 2017).

According to Fowowe (2017), firm growth is deliberated by the difference between the number of permanent employees in current and previous years divided by the period for which the research is intended for, as follows:

$$FG_{it} = \left[ \frac{\ln S_{i,t-n}}{n} \right]$$

Where  $FG_{it}$  is the firm's growth,  $S_{it}$  is the size of the firm denoted by the number of permanent employees and  $n$  is the number of years based on the period under study (see Questionnaire section A). The firm's growth rate obtained will be symmetric around zero, either negative or positive (Fowowe, 2017).

### **3.3. Validity and reliability**

#### **3.3.1. Validity**

Validity is the extent to which a theory or idea is accurately measured (Heale & Twycross, 2015). Reliability can also be used as a measure of validity. Validity is also the degree of accuracy of a research or research instruments used (Drost, 2011). Validity can be ensured by using the correct research instruments from data collection, analysis and interpretation (Heale & Twycross, 2015). The following procedures or measures were taken to ensure validity.

- As the researcher used online tools, the participants were not rushed to finish the questionnaire and were allowed to complete it in their free time during the given time period.

- The questionnaires and interview questions were in simple language, which was easier to understand, allowances were given for phone calls or email explanation of the questionnaire where required.
- The qualitative data collected also assisted in validating the quantitative data.
- To ensure validity, the sample population selected was from the rural district in Limpopo Province and the SMEs that focus on tourism, as entailed by the research.
- The questionnaire was preferably addressed to owner, managers, or financial personnel of SMEs who have detailed information about the SME, thus ensuring that information provided was valid.

### **3.3.2. Reliability**

Reliability is the steadiness of a measure over time (Heale & Twycross, 2015; Drost, 2011). Bryman and Bell (2015) supported that consistency in research tools' administration enables reliability. The interviews that the researcher conducted counter the weaknesses of the questionnaire, as they provide an understanding of the responses given in the questionnaire, based on a third party's perspective. Reliability in research is whether results obtained from the study can be generalised across similar samples or are consistent with the subject in hand (Bryman & Bell, 2015). Only one questionnaire was given to all participants with the same questions and in the same order (standardisation). Participants' anonymity was also ensured to avoid biased responses from participants throughout the research process. The online questionnaire software collected contained no personal information.

### **3.3.3. Ethics**

The subject of ethics in research encompasses the position of values in conducting the research (Bryman & Bell, 2015). In order to guarantee that research is not of any harm to either the respondents or the SMEs in the sample, the researcher ensured anonymity of the respondents and their businesses through the coding of questionnaires and interview sessions. The respondents were not coerced to contribute to the research and respondents' consent was sought before issuing any questionnaire. As the research involved questionnaire distribution and interviews to



human participants, ethical clearance was applied for from the Unisa Research Ethics Committee to ensure that research did not cause harm to participants.

### **3.4. Chapter Conclusion**

The focus of the study was SMEs situated in Burgersfort. Questionnaires were distributed using online means to the 80 SMEs in Tourism. The research was carried out using an embedded mixed method of research in a two-phase method. Mixed Method was chosen because some of the research questions are qualitative in nature and the other questions are quantitative in nature. As supported by the previous research, where some researchers used mixed methods in similar studies and some researchers also used both methods to address similar research questions in other countries and industries. The techniques used in the collection of data was selected after putting into consideration, time, cost, validity and reliability factors.

## **Chapter 4: Data Analysis and Discussion of Findings**

### **4.0. Introduction**

The main objective of the research was to empirically analyse the challenge of access to finance in relation to SMEs in tourism, based in rural areas, using Burgersfort as a case study. Various authors have confirmed the existence of the relationship that exists amid determinants/ variables of access to finance and access thereof. Of these authors, very few have focused on the direction of this relationship, specifically in SMEs in tourism. Previous research has also shown how government support has facilitated/ supported SMEs in accessing finance. The research also sought to shed light on access to government support and other support available to SMEs in tourism.

This chapter shows the results data collected to answer the research questions and to test the hypothesis posed in Chapter one of the study. The results are organised, presented and analysed separately from sub-section 4.1 (Quantitative data) to sub-section 4.5 (Qualitative data).

### **4.1. Quantitative Data Findings and Analysis**

The current section aims to analyse quantitative variables, following an empiricist research paradigm that is based on the view that knowledge can be quantified (Field, 2013). Descriptive and inferential statistics were utilised for data analysis and interpretation in compliance with the research questions and hypotheses. SPSS software was used in analysing the questionnaires. Initially the data was analysed using descriptive statistics; frequencies, mean, correlation and Cronbach's Alpha were established for each variable from the data collected.

#### **Demographic variables**

Table 4.1 shows the demographic variables of the data collected. Hammer (2011) explained that the provision of detailed information about the research sample demographic characteristics are important in that they allow for research information to be inclusive and can be generalised over a specific subject/ group. The research targeted SMEs in the tourism industry operating in accommodation and tours. From an initial sample of 80 SMEs, 55 SMEs responded to the online survey. Of the sample, 37% of the SMEs are guesthouses. 53.7% have been operating between two and six

years, 64.8% are private limited companies and 59% of the sample have an annual turnover between R0-2M.

**Table 4.1: Frequencies of Demographic variables**

		<b>F</b>	<b>%</b>
Tourism category Type of Business	Tour operating	5	9.3%
	Bed and Breakfast	11	20.4%
	Guest House	20	37.0%
	Lodge	16	29.6%
	Hotel	2	3.7%
Number of years in Business Number of Years in operation	Less than 2 years	15	27.8%
	2-6 years	29	53.7%
	7-15 years	10	18.5%
	More than 15 years	0	0.0%
Legal status of Enterprise Registration Type	Sole proprietor	10	18.5%
	Private Limited Company	35	64.8%
	Partnership	7	13.0%
	Corporation	0	0.0%
	Others	2	3.7%
Approximate Annual Turnover Annual turnover	0-2M	32	59.3%
	3-5M	19	35.2%
	6-10M	3	5.6%

### **Position of Respondents**

The research targeted SMEs owners and/or Managers. This is because the managers and the owners would have more information of the business in relation to the questionnaire requirements. Figure 4.1 below shows the positions held by respondents to the survey questionnaire.



**Figure 4.1: Positions of Respondents**

Figure 4.1 show that most of the questionnaire respondents are managers

**Table 4.2 Descriptive Statistics of employee numbers**

	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Sum</b>	<b>Mean</b>	<b>SD</b>	<b>Variance</b>
No of employees (starting)	54	2	55	490	9.07	8.030	64.485
No of employees (current)	54	1	60	697	12.91	9.669	93.482
Valid N (list wise)	54						

Table 4.2 shows that there is increased average number of staff from nine in the start to 12 in the current situation. The more time spent, the more people employed by the enterprise.

**Table 4.3 Descriptive statistics (N=54)**

	Mean	Median	Stdv	Skewness	Kurtosis	Min	Max	Percentiles		
								25	50	75
QF	3.7724	3.8182	.63134	-.757	.695	1.73	4.80	3.3636	3.8182	4.2727
INAS	3.1680	3.2500	.95472	-.229	-1.164	1.10	4.70	2.3000	3.2500	4.0000
PRK	3.8801	4.0000	1.00199	-.852	.189	1.00	5.00	3.2857	4.0000	4.7440
ATFI	2.6617	2.5714	.75639	.110	-.397	1.00	4.17	2.1429	2.5714	3.0714
PSQ	4.5958	4.7418	.59805	-3.977	20.961	1.14	5.00	4.4286	4.7418	5.0000
SOB	.0185	.0000	.13608	7.348	54.000	.00	1.00	.0000	.0000	.0000

Table 4.3 presents the descriptive statistics of the variables, the higher the mean score, the more frequencies exist per variable.

#### 4.1.1. Reliability tests

Validity is defined as "whether an instrument measures what it sets out to measure" (Field, 2013: 12). All respondents needed were included in the sample. A sample bias is likely to happen and avoidable when the rate of non-response is high on survey questions and most of the questions are not responded to (Field, 2013). The researcher took some measures to reduce errors arising from cover, sampling, and non-response measurement during the research design.

Reliability is "whether an instrument can be interpreted consistently across different situations" (Field, 2013: 12). It defines how a research instrument is able to consistently provide the same results. Data was collected from the Online Survey (See Annexure 1: Questionnaire for SMEs in Tourism (Appendix A or 1)).

The researcher used Cronbach's Alpha to measure the dependability and consistency of the research. The Cronbach's alpha is used to measure the level of reliability of the data collection instrument (Creswell, 2010). If a research instrument has a Cronbach's Alpha of 0.6-0.8, it is considered moderate but acceptable (Duad, Khidzir, Ismail & 63

Abdullah, 2018).

Table 4.4, 4.7, 4.10, 4.13, and 4.16 show the analysis of the findings to establish the reliability and validity of the questionnaire for access to finance as a challenge for SMEs in tourism based in rural areas. The items in the research questionnaire illustrate the corrected item total correlation, squared multiple correlation and the Cronbach's Alpha principles that were used to obtain the reliability index of each related aspect.

#### 4.2. Analysis of Quantitative Variables

The section below provides an analysis of access to finance and the variables for access to finance

##### 4.2.1. Quality of Financial Statements (QF)

Literature suggests that there is a negative relationship between QF and ATF, as such, the first variable measured was QF, and reliability were statistics, conducted as shown in Table 4.4, 4.5 and 4.5.

**Table 4.4 Reliability Statistics QF**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.666	.692	11

Table 4.4 shows the reliability statistics measured by the Cronbach's Alpha. The first scale on QF has a good alpha Cronbach reliability,  $\alpha = .666$ .

**Table 4.5 Summary Item Statistics QF**

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.718	3.163	4.306	1.143	1.361	.177	11
Item Variances	1.728	1.111	2.708	1.597	2.437	.262	11

Table 4.5 shows the mean score of the first scale on QF is 3.718.

**Table 4.6 Item-Total Statistics QF**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
QF1	36.59	42.413	.301	.293	.647
QF2	37.59	38.997	.399	.325	.628
QF3	37.37	35.821	.562	.444	.592
QF4	37.47	48.713	-.141	.126	.739
QF5	37.73	40.449	.300	.207	.648
QF6	37.12	38.693	.512	.688	.610
QF7	36.82	39.486	.520	.646	.613
QF8	37.67	40.141	.366	.285	.635
QF9	37.20	40.874	.442	.331	.626
QF10	36.71	42.750	.313	.458	.646
QF11	36.69	44.259	.135	.233	.675

Table 4.6 shows that the related aspect of QF as a determinant of access to finance has a squared multiple correlation value ranging from .293 to .688, the value of corrected item total correlation range from -.141 to .562. The item statistics shows what the Cronbach alpha would be like if some items are deleted or reverse coded.

#### 4.2.2. Information Asymmetry (INAS)

QF and information availability are crucial as they mitigate information availability to and from SMES (Nanyondo et al., 2014). Availability and non-availability of information by the firm is known to also affect access to finance for SMEs. Table 4.7, 4.8 and 4.9 show the reliability statistics in relation to information asymmetry.

**Table 4.7 Reliability Statistics INAS**

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	
		N of Items
.857	.857	10

The second scale on INAS has a very good alpha Cronbach reliability,  $\alpha = .857$ .

**Table 4.8 Summary Item Statistics INAS**

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.204	2.204	3.939	1.735	1.787	.373	10
Item Variances	2.019	1.223	2.952	1.729	2.414	.402	10

The mean score of INAS is 3.20. This means that most respondents are neutral when it comes to the agreement level.

**Table 4.9 Item-Total Statistics INAS**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
INAS1	28.96	69.123	.572	.516	.844
INAS2	29.37	68.029	.642	.584	.837
INAS3	29.02	64.479	.799	.723	.820
INAS4	29.16	67.889	.726	.714	.829
INAS5	29.29	69.875	.713	.614	.831
INAS6	28.20	73.457	.627	.661	.840
INAS7	28.20	76.332	.562	.590	.845
INAS8	28.10	74.427	.655	.676	.839
INAS9	28.22	73.636	.577	.487	.843
INAS10	29.84	90.264	-.143	.311	.895

Table 4.9 shows that the related aspect of Information Asymmetry as a determinant of access to finance has a squared multiple correlation value ranging from .311 to .723, the value of the corrected item total correlation range from -.143 to .799. The item statistics show what the Cronbach alpha would be like if some items are deleted or reverse coded.

#### 4.2.3. Perceived Risk (PRK)

After information asymmetry follows Perceived risk; the theory of perceived risk brings to light certain aspects of SMEs behaviour that plays a crucial role in enabling access to finance. Table 4.10, 4.11 and 4.12 helps to illustrate the statistical survey findings of Perceived risk



**Table 4.10 Reliability Statistics PRK**

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.876	.875	7

The third scale on PRK has a very good alpha Cronbach reliability,  $\alpha = .876$

**Table 4.11 Summary Item Statistics PRK**

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.872	3.646	4.063	.417	1.114	.024	7
Item Variances	1.764	1.336	2.041	.704	1.527	.064	7

The mean score of the PRK is 3.87. This means that most respondents agree with the items.

**Table 4.12 Item-Total Statistics PRK**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PRK1	23.04	37.530	.638	.473	.860
PRK2	23.31	34.347	.783	.766	.840
PRK3	23.27	35.521	.707	.736	.851
PRK4	23.33	36.695	.647	.572	.859
PRK5	23.46	36.168	.735	.630	.847
PRK6	23.17	41.929	.366	.300	.892
PRK7	23.04	37.658	.740	.576	.849

Table 4.12 shows that the related aspect of Perceived Risk as a determinant of access to finance has a squared multiple correlation value ranging from .473 to .766, the value of corrected item total correlation range from .638 to .783. The item statistics show what the Cronbach alpha would be like if some items are deleted or reverse coded.

#### 4.2.4. Access to Finance (ATF)

ATF was also analysed independently just as the other elements of ATF grounded on the survey questionnaire as follows:

**Table 4.13 Reliability Statistics ATF**

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.522	.521	7

The third scale on ATF has a moderate alpha Cronbach reliability,  $\alpha = .522$ .

**Table 4.14 Summary Item Statistics ATF**

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	2.589	1.675	3.950	2.275	2.358	.475	7
Item Variances	2.036	1.199	2.551	1.352	2.127	.170	7

The mean score of the ATF scale is 2.589. This means that most respondents disagree with items.

**Table 4.15 Item-Total Statistics ATF**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
ATFI1	14.18	22.558	.079	.346	.556
ATFI2	15.38	18.087	.380	.265	.424
ATFI3	16.45	22.459	.207	.431	.503
ATFI4	15.75	22.449	.088	.492	.553
ATFI5	15.63	19.061	.350	.364	.442
ATFI6	15.55	19.741	.324	.273	.455
ATFI7	15.83	18.917	.395	.438	.424

Table 4.15 shows that the related aspect Access to Finance has a squared multiple correlation value ranging from .265 to .492, the value of corrected item total correlation range from .079 to .395. The item statistics shows what the Cronbach alpha would be like if some items are deleted or reverse coded.

#### 4.2.5. Performance Service Quality (PSQ)

The final determinant to be analysed was the performance and service quality based on the final section of the survey instrument. Literature suggests that a firm's access to finance is to some extent, linked to the quality of services or the quality of financial statements. Data relating to performance and service quality was analysed as follows:

**Table 4.16 Reliability Statistics PSQ**

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.922	.938	14

The fourth scale on PSQ has an excellent alpha Cronbach reliability,  $\alpha = .922$ .

**Table 4.17 Summary Item Statistics PSQ**

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	4.565	4.071	4.881	.810	1.199	.060	14
Item Variances	.801	.400	1.629	1.229	4.071	.156	14

The mean score of the PSQ scale is 4.56. This indicates that most respondents strongly agree with the items of the scale.

**Table 4.18 Item-Total Statistics PSQ**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PSQ1	59.02	68.999	.827	.931	.914
PSQ2	59.10	69.015	.773	.894	.914
PSQ3	59.24	67.357	.751	.808	.914
PSQ4	59.33	67.154	.784	.794	.913
PSQ5	59.40	66.100	.723	.831	.914
PSQ6	59.57	68.495	.409	.523	.929
PSQ7	59.83	66.142	.497	.362	.926
PSQ8	59.38	66.242	.763	.813	.913
PSQ9	59.36	71.064	.520	.688	.921
PSQ10	59.17	68.435	.714	.734	.915
PSQ11	59.79	66.416	.539	.566	.923
PSQ12	59.17	67.996	.789	.824	.913
PSQ13	59.29	67.282	.719	.836	.915
PSQ14	59.12	67.571	.849	.923	.912

Table 4.18 shows that the related aspect 'Performance and Service Quality' has a squared multiple correlation value ranging from .362 to .931, the value of corrected item total correlation range from .409 to .849. The item statistics shows what the Cronbach alpha would be like if some items are deleted or reverse coded.

### 4.3. Quantitative Data Analysis

The following quantitative data analysis techniques were used:

- Pearson Correlation tests
- Multiple regression Model
- Firm growth model

*H1: There is a positive relationship between Access to Finance and Service Quality in Tourism SMEs*

#### 4.3.1. Pearson Correlation Tests

The researcher used the Pearson Correlation Tests to determine the direction of the connection between performance, service quality and access to finance in tourism.

#### **Equation 4.1 Pearson Correlation Tests**

$$r = \frac{\sum(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum(x_i - \bar{x})^2 \sum(y_i - \bar{y})^2}}$$

Where;

- r = correlation coefficient  
 $x_i$  = values of the x-variable in a sample  
 $\bar{x}$  = mean of the values of the x-variable  
 $y_i$  = values of the y-variable in a sample  
 $\bar{y}$  = mean of the values of the y-variable

Pearson Correlation variables (See Questionnaire section B item B5)

**Table 4.19 Correlations H1**

		<b>Access to finance</b>	<b>Quality of financial statement</b>
Access to finance	Pearson Correlation	1	.159
	Sig. (2-tailed)		.256
	N	53	53
Quality of financial statement	Pearson Correlation	.159	1
	Sig. (2-tailed)	.256	
	N	53	54

Table 4.19 above confirms, supports, and validates the hypothesis that there is a positive correlation between access to finance and service quality,  $r(53) = .159$ ,  $p = .256$ .

*H2: There is a positive relationship between ATF and PRK, INAS, the size of the company and QF.*

**Table 4.20** *Correlations H2*

		Quality of financial statement	Information asymmetry	Perceived risk	Access to finance	Size of the business
Quality of financial statement	Pearson	1	.223	-.210	.159	.050
	Correlation					
	Sig. (2- tailed)		.105	.127	.256	.720
	N	54	54	54	53	54
Information asymmetry	Pearson	.223	1	-.312*	.341*	-.170
	Correlation					
	Sig. (2- tailed)	.105		.022	.013	.220
	N	54	54	54	53	54
Perceived risk	Pearson	-.210	-.312*	1	.102	.017
	Correlation					
	Sig. (2- tailed)	.127	.022		.469	.905
	N	54	54	54	53	54
Access to finance	Pearson	.159	.341*	.102	1	.063
	Correlation					
	Sig. (2- tailed)	.256	.013	.469		.656
	N	53	53	53	53	53
Size of the business	Pearson	.050	-.170	.017	.063	1
	Correlation					
	Sig. (2- tailed)	.720	.220	.905	.656	
	N	54	54	54	53	54

\*. Correlation is substantial at the 0.05 level (2-tailed).

A positive relationship exists between ATF and company Size, INAS and QF. Table 4.20 above confirms that perceived risk variable is negatively correlated with quality of financial statement and information asymmetry,  $r(54) = -.210$ ,  $p > .05$ .

The findings in Table 4.21, point out that there is a noteworthy negative relationship between INAS and PRK ( $r = -.312$ ,  $p < .01$ ), SOB and PSQ, ( $r = -.293$ ,  $p < .01$ ). However, there is a statistically substantial positive correlation of INAS with ATFI, ( $r = .341$ ,  $p < .01$ ) along PSQ and PRK, ( $r = .278$ ,  $p < .01$ ). Field (2013) noted that multicollinearity is a serious problem whenever the correlation coefficient exceeds the threshold level of 0.80. The results herein indicate that of

the correlations that exist between access to finance and the independent variables, none surpasses the threshold of 0.80.

**Table 4.21** *Correlation results*

		QF	INAS	PRK	ATFI	PSQ	SOB
QF	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	54					
INAS	Pearson Correlation	.223	1				
	Sig. (2-tailed)	.105					
	N	54	54				
PRK	Pearson Correlation	-.210	<b>-.312*</b>	1			
	Sig. (2-tailed)	.127	<b>.022</b>				
	N	54	54	54			
ATFI	Pearson Correlation	.159	<b>.341*</b>	.102	1		
	Sig. (2-tailed)	.256	<b>.013</b>	.469			
	N	53	53	53	53	53	
PSQ	Pearson Correlation	.198	-.077	<b>.278*</b>	.138	1	
	Sig. (2-tailed)	.150	.578	<b>.042</b>	.324		
	N	54	54	54	53	54	
SOB	Pearson Correlation	.050	-.170	.017	.063	<b>-.293*</b>	1
	Sig. (2-tailed)	.720	.220	.905	.656	<b>.032</b>	
	N	54	54	54	53	54	54

\*. Correlation is significant at the 0.05 level (2-tailed).

#### 4.3.2. Multiple Regression Model

In a study carried out by Nanyondo et al. (2014) on the Ugandan SMEs, the authors used multiple regression method to determine the association between the

variables.

**Equation 4.2 Multiple Regression Model**

$$ATFI = \beta_0 + \beta_1 QF + \beta_2 INAS + \beta_3 PRK + \beta_4 SIZE + \epsilon_j$$

**ATFI** is Access to finance (the ease of obtaining money from banks) measured by the mean rank of the items on the questionnaire (see questionnaire section B item B4)

**QF** is the quality of financial statements (understandable and reliable financial statements) measured by the mean rank from the questions relating to quality of financial statements (see questionnaire Section B item B1)

**INAS** is Information asymmetry (stakeholders need, have and know all the information) measured by the participants mean range of the questions relating to information asymmetry (see questionnaire Section B item B2)

**PRK** is Perceived Risk (the aspect of viewing SMEs as very risky to lend is measured by the mean rank from the questionnaire on the questions associated with Risk (see questionnaire Section B item B3)

**Size** is the size of the company - 1 for medium enterprises and 0 for Small enterprises

$\epsilon$  is the Error term

Results are shown in the following tables from table 4.22 to table 4.24, they illustrate the overall significance of the model.

**Table 4.22 Model Summary<sup>b</sup>**

Model	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. F Change	Durbin-Watson	
				R Square	F Change	df1	df2			
1	.459 <sup>a</sup>	.210	.144	.69964	.210	3.194	4	48	.021	1.407

a. **Predictors:** (Constant), Size of the business, Perceived risk, QF, INAS

b. **Dependent Variable:** Access to finance



The model summary table provides the R and R square. R is a correlation index. The R-value is .21, which means that a moderate degree of a positive correlation exists among the variables.

**Table 4.23 ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.255	4	1.564	3.194	.021 <sup>b</sup>
	Residual	23.496	48	.490		
	Total	29.751	52			

a. **Dependent Variable:** Access to finance

b. **Predictors:** (Constant), SOB, Perceived risk, QF, INAS

The ANOVA tables shows that the regression model statistically predicts the dependent variable as the p-value, which is represented by the sig. value is .02, which is below .05.

**Table 4.24 Coefficients<sup>a</sup>**

Model		Unstandardised Coefficients		Standardised Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.171	.870		.196	.845		
	Quality of financial statement	.097	.161	.081	.603	.550	.912	1.097
	Information asymmetry	.375	.119	.464	3.165	<b>.003</b>	.765	1.307
	Perceived risk	.233	.109	.300	2.135	<b>.038</b>	.831	1.203
	Size of the business	.760	.723	.138	1.050	.299	.953	1.049

a. Dependent Variable: Access to finance

INAS (37%) and PRK (23%) predict a statistically positive impact on ATF (see table 4.24). The other variables have a positive impact, which is not statistically significant.

*H3: Increased access to finance has an impact on Firm growth*

### 4.3.3. Firms Growth Model

Literature suggests that a firm's ATF cannot only be measured through financial means but also by other non-financial attributes of an organisation. These attributes include, but are not limited to, alteration in the number of employees; change in the size and number of operating locations. The firm's growth model uses the number of employees as the basis to establish the impact of ATF on firm's growth. This is shown in Table 4.25:

**Table 4.25 Firm Growth Model Coefficients<sup>a</sup>**

Model		Unstandardised		Standardised		t	Sig.
		B	Std. Error	Beta	d		
1	(Constant)	3.162	1.871			1.690	.097
	ATFI	-.432	.677	-.089		-.638	.526

a. **Dependent Variable:** Firm growth

According to Fowowe (2017), firm growth is calculated by the difference between the number of permanent employees employed currently and the number of permanent employees in the previous years, divided by the period for which the research is intended, as follows:

#### **Equation 4.3 Firm Growth Model**

$$FG_{it} = \left[ \frac{InS_{i,t-n}}{n} \right]$$

Where  $FG_{it}$  is the firm's growth,  $S_{it}$  is the size of the firm denoted by the number of permanent employees and  $n$  is the number of years based on the period under study (see Questionnaire section A). The firm's growth rate obtained will be symmetric around zero, either negative or positive (Fowowe, 2017).

There is a statistically insignificant negative impact of access to finance and firm growth,  $R = -.432$ ,  $p = .526$ . Therefore, hypothesis number 3 on the fact that increased ATF has an impact on Firm growth is not supported.

#### **4.3.4. Summary of Quantitative findings**

The section above presented the results and analysis of quantitative data collected through a survey questionnaire distributed to SMEs in tourism. Tables were used to present data and display the results of the data analysis from the questionnaire. Most of the respondents were Guesthouses (37%), followed by Lodges (29.6%) with the fewest being Hotels (3.7%). 53.7% of the SMEs have been in operation for two to six years and 27.8% of the respondents have only operated for fewer than two years.

The first aim of the quantitative instrument was to get insights on the issue of ATF and the determinants of ATF. It also facilitated the use of models crucial to determining the direction of the relationship between access to finance, information asymmetry, and quality of financial statements, size of the company, perceived risk, and performance.

The Pearson correlation tests suggested that there was a noteworthy positive relationship between the dependent variable and the independent variables, whereas a negative correlation was shown in respect of INAS, QF and PRK

The Regression Model was used to check if the predictors (INAS, PRK, QF and size of the company) could statistically predict a positive impact on access to finance. The results show that only information asymmetry and perceived risk could statistically predict their impact on access to finance.

The Final Model used was the Firm growth model, which was used to ascertain the direction of the association amid firm growth and access to finance. The researcher used changes in number of employees (*n*) as the measure of firm growth in rural tourism. The model did not support the hypothesis that increased access to finance has an impact on a firm's growth.

Secondly, quantitative data collection and analysis facilitated the development of the qualitative data instrument (semi-structured interviews) with the Government institutions that are working directly with SMEs in tourism. The researcher wanted to get a clear understanding of the findings of the quantitative findings from alternative sources through collecting qualitative data.

#### 4.4. Qualitative Data

In order to analyse the qualitative data, data was collected, recorded, transcribed, organised, and themes were developed, refined and analysed. Qualitative data enables the researcher to access the opinions and positions of respondents, which enables the researcher to understand the meaning that people attach to a phenomenon (Sutton & Austin, 2015). Qualitative data was analysed manually. The researcher used thematic analysis to produce suitable themes in order to understand the data and relate it to the research. Data was collected through voice calls and emails; the researcher transcribed and examined the interview data.

#### Data Presentation

*Objective: to identify alternative development efforts and support offered by the government to SMEs in tourism*

##### 4.4.1. Description of Participants

Table 4.25 below illustrates the description of participants based on participants' characteristics in terms of frequency and dominance percentage. It shows the frequency with the highest percentage and an explanation of the respondents' characteristic. The majority of the respondents were male and the period during which the respondents have worked with SMES is between six to 10 years. Forty percent of the respondents is currently working with local (based in Burgersfort) SMEs only.

**Table 4.26** *Description of Participants*

<b>Variable</b>	<b>Respondent Characteristics</b>	<b>Dominant Characteristics</b>	<b>dominant characteristic %</b>
Gender	Male/Female	Male	60%
Period working with SMES	Below 1 year, 1-5, 6-10, 11-15 over 15 years	6-10 years	40%
Location of operation	Rural/ Urban/ Both	Rural	40%

#### 4.4.2. Summary of Qualitative Findings

**Table 4.27** Qualitative Textual Evidence  
*Summary of respondent's significant statements*

The main impression of the qualitative data was to get an appreciation of the variables of ATF from the support and initiatives offered by the government in order to assist SMEs in tourism. The data was initially supposed to be collected from three government institutions that work with SMEs in tourism, however during the course of the research, the local representative of one of the government institutions that offer support to SMEs in Tourism was not available to participate in the interview.

Question	Common Responses/ Illustrative Narrative	Theme	Reference
A)When asked which Financial and Non-Financial initiatives are offered by your department to support SMEs in Tourism	<p><b>Respondent 1.</b> "As a department we do not directly give finance as we have other entities that deal with that, where businesses apply directly, We only did interventions for funding during Covid for the purpose of Covid"</p> <p><b>Respondent 2.</b> " we do not directly provide money to the SMEs but provide market linkages and exposure to the local businesses"</p> <p><b>Respondent 3.</b> " providing assistance to facilities for marketing"</p> <p><b>Respondent 4.</b> "procurement of meeting and training venues"</p> <p><b>Respondent 5.</b> "Support with transportation to meeting venues"</p> <p><b>Respondent 6.</b> "Covid Relief funding disbursement and startup funding"</p>	<b>Government Support</b>	<p>Government support is in the form of financial assistance, managerial support, incubation guidance programmes and technical innovation ( Ogujiuba ,Olamide, Agholor, Boshoff &amp; Semosa,2022)</p> <p>.. Initiatives by the government focus on productivity development centres (Rankhumise &amp; Masilo, 2018). The responsibility of the government to facilitate SMEs boost through giving discounts, tax rebates, technology backup and encouraging SMEs (Hussain, Marri, Nebhwani &amp; Riaz, 2011)</p>

<p><b>B)</b>When asked about the Non-Financial Initiatives</p>	<p><b>Respondent 1.</b> Workshops , training, exposure to markets Access to marketing platforms like Indaba Meeting Africa, We pay for the exhibition stands and sometimes transport and accommodation for SMEs to be able to showcase their products <b>Respondent 2,3 and 4</b> “Partnering with other government institutions to provide training, and access to training on important aspects of running business” “Establishing a local tourism information centre” <b>Respondent 6</b> “Sourcing training venues and materials. ....Providing exhibition spaces for marketing”</p>		<p>Government support is in the form of financial assistance, incubation guidance, technical innovation, and managerial support programmes ( Ogujiuba, Olamide,Agholor,Boshoff &amp; Semosa,2022) .. Initiatives by the government focus on productivity development centres (Rankhumise &amp; Masilo, 2018). The responsibility of the government is to facilitate SMEs boost through giving discounts, tax rebates, technology backup and encouraging SMEs (Hussain, Marri, Nebhwani &amp; Riaz, 2011)</p>
<p><b>C)</b>When asked about the challenges faced with regards to applications made by the SMEs</p>	<p><b>Respondent 1.</b> Most of the black owned entities had problems in terms of compliance -Most businesses were registered with CIPC Most of them were not compliant with SARS. -For most government support you need to be in good standing with SARS. -A few of them did not have business registration certificates -Not all required documents were available -In completing the questionnaires, some of the information was missing because they did not understand what the questionnaire required. (Language barrier) We try to help them understand what was required and give them a period to fix their paper work with relevant bodies <b>Respondent 3.</b> “ Not SARS registered and non-compliant with SARS” “ SMEs expect quick ways of obtaining funding and do not follow the requirements of the funding” <b>Respondent 4.</b> “ Funding is sometimes restricted to certain municipalities and not all municipalities/districts” “Poor knowledge of their own product” <b>Respondent 6.</b></p>	<p><b>Information Asymmetry</b></p>	<p>When approaching providers of finance, SMEs often face challenges, information is neither costless nor perfect, incomplete information is a form of information asymmetry (Lean &amp; Tucker, 2001)</p> <p>There is a significant presence of information asymmetry between businesses and the government which is however not commonly considered by existing literature (Liu, Xu &amp; Wang, 2021)</p>

	<p>“Most SMEs are not known to their local municipalities because they did not register with the municipalities</p>		
<p>When asked about their opinion on whether Tourism SMEs are active in initiatives meant for them</p>	<p><b>Respondent 1.</b> Most of them expect the government to do things that they are supposed to do, for example, the government pays for the exhibition, and they want the government to exhibit for them. There is room for them to understand that the government is giving them an injection.</p> <p><b>Respondent 2.</b> “Limited participation on most of the initiatives”</p> <p><b>Respondent 4 and 6.</b> “If initiatives are non-financial SMEs are semi-active and very active in financial initiatives”</p>	<p><b>Lack of Participation</b></p>	<p>Support might be there, but SMEs may fail to participate in initiatives meant for them (Damoah, Ashie &amp; Kekesi, 2017)</p> <p>Sometimes lack of participation is due to negative perception of the owner, usefulness of training, limited ATF, lack of credit, competition and poor record keeping ( Damoah et al., 2017)</p>
	<p><b>Respondent 1.</b>Service standards need to be maintained so that people when they have a good experience, they will comeback</p> <p><b>Respondent 4.</b> Poor Knowledge of their products and they are unable to improve it to meet the markets requirements</p>	<p><b>Service quality</b></p>	<p>Supply of quality service to customers creates competitive advantage such as increase in customer loyalty, supply differentiation, reduce marketing costs (Poor, Poor &amp; Darkhanen, 2013).</p> <p>Service quality improves customer satisfaction, market share, and attracts profit (Aftab &amp; Sarwar, 2016)</p>

The section above presented qualitative data collected through semi-structured interviews. The main aim of collecting qualitative data was to obtain the description of the variables of access to finance from a government support perspective, as well as to shed light on government support. Literature suggests that the government can assist SMEs to access to finance, therefore the research intended to shed light on the

type of support offered by sector specific government institutions in the framework of this study.

Interviews were conducted through various methods due to limited time, availability of participants and this included WhatsApp messaging, recorded telephonic interview and audio recordings. Data was then transcribed, themes developed based on the responses given. References from previous published documents by various researchers were used in order to provide clear description of responses to themes attached to give meaning to the narrative given.

#### **4.5. Data Integration**

Data integration is the course of merging data emanating from different sources to present a fused understanding of the data (Lenzerini, 2002; Ahamed & Ramkumar, 2016). Qualitative data was collected after quantitative data collection and analysis. Where qualitative data is collected to build upon quantitative data, explanatory sequential designs are used (Ivankova, Creswell & Stick, 2006). The quantitative data analysed provided a guide to the questions formulated in the qualitative interviews for government institutions.

The results of both the quantitative and qualitative data was integrated during the results discussion in section 4.6, as stipulated by Ivankova et al. (2006). The authors integrated the quantitative and qualitative data during the discussion of outcomes in their study. Using the qualitative data collected from the interviews, the researcher was able to corroborate the quantitative data results to the qualitative data results as shown in the results discussion section.

#### **4.6. Results Discussion**

The following section explains the results from the research, as well as provides a discussion of the results from the study in relation to previously researched work from



various researchers on different industries' studies in the same aspect of access to finance for SMEs.

#### **4.6.1. Pull Factors**

According to Ijara (2020), the service profit chain phenomenon is of the opinion that profitability/ QF of an enterprise is the result of customer satisfaction. Baggio and Baggio (2013) also supported that it is well known that providing great experience from the customer point of view is important in growth and performance. Service Quality and Facilities Quality are, according to the Push and Pull theory, a great destination attribute that pulls more tourists towards a destination. Prayag and Ryan (2011) and Tsephe (2015), in their studies, discovered that reasons for choosing an establishment could be attributed to the quality of services offered.

According to **Respondent 1**, "Service standards need to be maintained so that people when they have a good experience they will come back" this implies that in order for SMEs to get repeat business they need to not only provide quality service but sustain it. Furthermore, **Respondent 4** in item C of table 4.27 concerning service quality commented that some SMEs have inadequate knowledge of their product and as a result, are unable to meet the market requirements. Primarily, the owner creates knowledge of a place/service before it is extended to the buyers (Macdonald & Sharp, 2002). Failure of the business owners to present their product to the market reduces their chance of reaching out to the various markets available to them and achieving customer satisfaction. The provision of quality services and products has a positive impact on business profitability, as suggested by Aftab and Sarwar (2016).

**Respondent 1 and 4** emphasised the importance of service quality and ensuring that the owners maintain service standards as it advocates for return customers and creation of loyalty. The more the business has customers, the more likely their financial performance improves.

#### **4.6.2. Access to finance and Performance Service Quality**

Study findings validates the proposition that a positive relationship exists between ATF and Service Quality. ATF enhances performance with the QF used as a measure

of performance in Tourism SMEs in rural areas. This resonates with the research on Ugandan SMEs by Turyakira et al. (2019) where the authors concluded that improved access to finance tends to improve the quality of financial statements and that enterprise performance and access are positively correlated. The findings also echo the findings by Koc and Bilge (2021), in the study of perceived risk, as the author's results implied that financiers are dependent on hard financial information on performance in making finance decisions. The odds-on enterprises who made a profit to accessing finance being 2.782 higher than those that made losses.

Furthermore Sibanda, Hove–Sibanda and Shava (2018), in their research on access to finance on Zimbabwean Manufacturing SMEs, also with a path coefficient of 0.276, validated the proposition that positive relationship exists between performance and access to finance. Rajamani, Akbar, Sabramani and Nirmal (2022), in their study of Indian SMEs, also discovered the same concept that there is a positive significant effect of access to finance on performance. In their study, Agyeman, Quarshie and Bonn (2021), concluded that access to finance has a significant impact on performance.

**Respondent 1** explained *“Service standards need to be maintained so that people when they have a good experience they will come back”*

As advocated by the pull theories of rural development, the main aim of government support is assisting in ensuring that the service quality of the destination appeals to tourist and tourists are aware of the destinations.

**Respondent 1, 2 and 6** in table 4.27, item A, explained that they assist SMES with workshops, training, exposure to markets, access to marketing platforms and exhibitions to create destination and tourism products awareness. A destination can only appeal to customers if they are aware of it.

Baggio and Baggio (2013) and Rankhumise and Masilo (2018) supported this view as they clarified that SMEs in tourism and SMEs, in general, have often been described as part of an information asymmetric industry where the market and its stakeholders are unable to fully access most of the information regarding the products and services offered. Thus, market linkages are important in eliminating asymmetric information.

### **4.6.3. Access to Finance and Information Asymmetry**

The Regression Analysis and Pearson Correlation results show that there is a positive relationship between access to finance and INAS. This corresponds to the findings by Qu, Wongchoti, Wu and Chen (2018), in the study of Chinese SMEs, who purported that asymmetry information and access to finance have a significantly positive relationship. The authors further elucidated that debt levels in Chinese firms generally decrease with high information asymmetry. Nanyondo et al. (2014) further explain that the positive relationship on these two variables imply that when INAS is high, financial access is low. It is valid to conclude that information asymmetry has a statistically positive impact on ATF.

**Respondent 1 and 3** in table 4.27, item C add that, for most government support rendered to SMEs, the SMEs need to be compliant with CIPC and SARS or other mandatory boards. The respondent further enlightened that most enterprises were non-compliant, and they had to give them a grace period to be compliant before proceeding with their applications. **Respondent 4 and 6** in table 4.27, item C, further explained that SMEs are often unregistered with their local municipalities and this, at times, excludes them from some of the initiatives for their local areas.

Baggio and Baggio (2013) explained that lack of information about the business also reduces its eligibility to gain funding from financial institutions and the government. This implies that government may be willing to incentivise SMEs, however they also have requirements that the SMEs need to meet for them to obtain these incentives.

Liu, Xu and Wang (2021) explained that information asymmetry affects funding and government support. Government related schemes, like financial services credit facilities, also require certain information from SMEs, which may sometimes not be available. This may be due to the low quality of information about the business which raises the possibility of moral hazard (Lui, Xu & Wang, 2021; Rafailov, 2017).

### **4.6.4. Access to Finance and Perceived Risk**

Rankhumise and Rugimbana (2010) commented that SMEs have challenges accessing finance because they are generally perceived as high risk clients. Koc and Bilge (2021) explained that perceived risk is not the same for manufacturing SMEs

as it might be for service related industries. The results of this study do not second this view of Rankhumise and Rugimbana (2010) as the results show that a negative relationship existed between INAS, quality QF and PQ. Nanyondo et al. (2014), in their study, also supported the results of this study as the authors established that PSQ is an insignificant predictor of access. Jain and Raman (2022) also supported that there is inadequate confirmation of the relationship between PRK and digital finance adoption, which facilitates access to finance.

The results also infer that whenever there is high QF, high-perceived risk and/or INAS, there will be a low ATF. Nanyondo et al. (2014) reinforced the findings of this research as the authors explain that the negative relationship between these variables, means that when the variables of PSQ and QF are high, access is low, with the interface between QF and PRK being negative.

This study's results also confirm Phan (2018) study of Veitnam Entrepreneuers where the author explained the reason why perceived risk is negatively correlated to QF and INAS. The researcher explained that perceived risk is indeed a psychological variable, which is based on a predictor that varies from person to person and cannot be significant to measure to INAS and QF. The author further explained that there was no direct relationship between perceived risk and access to finance

#### **4.6.5. Access to Finance and Company Size**

The study proves that a positive relationship exists between company size and ATF which resonates with studies carried out by Kira (2015), as well as Jordaan and Coetze (2021) who also confirmed the hypothesis, as the authors argued that the relationship is influenced by business' economic scale. It settles on the opinion that SMEs have a lower chance of access to finance. However, the research results also correspond with research outcomes from Koc and Bilge (2021) who settled on the fact that company size is not significantly related to ATF for SMEs. The author further enlightened that only issues such as business reputation (service quality) and capital increased with the exclusion of firm size which affects access to finance. Having long-term relationships with financial service providers helps a firm in accessing finance and they will have a track record.

#### **4.6.6. Access to finance and firm growth**

Access to finance and financial literacy are seen as key aspects to SMEs performance and growth (Adomako, Danso & Damoah, 2016). Santos and Brito (2012) also supported the fact that these financial measures can be easily manipulated or be incomplete, giving preference to non-financial measures. Non-financial measures can be used to complement the financial measures to clearly depict the firm's performance. Number of employees, revenue growth, revenue per employee, market share, employees' satisfaction, number of customers and social and environmental performance are some of the non-financial measures used to determine firm performance (Fowowe, 2017). Santos and Brito (2012), Adomako et al. (2016) alleged that there is an undeniable link between the factors influencing growth and the factors influencing performance. This assumption may have applied to other industries based on the authors' research.

The descriptive statistics show that there is a significant increase in the number of employees based on the amount of time a firm has been operating. The study could not corroborate the relationship using the descriptive statistics. This may be because the tourism industry is labour intensive such that the number of people may change even when the business size (number of rooms) is still the same. It is difficult to measure performance of SMEs using revenue; in a study by Fowowe (2017) on access to finance and performance, the author used the firm growth model to determine performance as a non-financial measure that can be used in place of financial measures.

The relationship between ATF and growth of the firm using the number of employees, based on the results of the firm growth model, cannot be significantly proven in respect to SMEs in tourism.

#### **4.7. Chapter Summary**

The chapter ran different tests, including the following: reliability tests, assumption checks for parametric tests, linear regression, and hypothesis testing. The first hypothesis stated Service Quality in Tourism SMEs has a positive connection to

Access. The second hypothesis showed that there was a positive relationship between Access to Finance and QF, INAS, PRK and Size of the company. The third hypothesis accepted the fact that increased access to finance has an impact on Firm growth. The independent variables used were QF, INAS, PRK and Size. The dependent variable was ATFI. The Chapter also showed the qualitative data results from two government institutions that work with SMEs in tourism locally, and how themes were developed using existing literature. It further explained how both qualitative data and quantitative data were unified in the research.

The chapter also showed the discussion of the results from the empirical evidence collected and related it to the findings from previous published research. Emphasis was placed on the pull factor theory, which suggests that the support offered to SMEs for the purposes of rural tourism development is aligned to the customer/ demand side factors.

The study validated the hypothesis of the existence of a positive relationship between finance access and service quality. The findings of the research confirmed the findings in research on Zimbabwean Manufacturing firms and Indian SMEs by Sibanda et al. (2018), the researchers concluded that there was a positive relationship between the two variables.

The Regression Analysis and Pearson Correlation also validated the hypothesis that there is a positive relationship between Access to Finance and QF, INAS, PRK and company size, prompting that lack of information does not affect financial institutions only, but also affects the government in its development efforts towards SMEs. The interview findings also supported the quantitative findings in this regard.

Although the findings suggest that there was a positive relationship between the dependent variable and independent variables of INAS and company size, PRK could not be validated, as the findings could not be statistically proven.

## Chapter 5: Recommendations and Conclusions

### 5.0. Introduction

A presentation of the major conclusions of the research and the results to answer the questions and hypotheses in Chapter 1 are shown in this chapter. It also presents the recommendations, contributions that the study has made, the study's limitations and areas that may need further research.

### 5.1. Summary of the Study

There are various studies on the problem of access to finance, however very limited studies have focused on the issue of access to finance for tourism SMEs in rural areas. The first chapter provided a highlight of the issue of access to finance relating to tourism SMEs. It pointed out the importance of SMEs in tourism concerning income generation, employment and other economic benefits derived from these SMEs in South Africa. Although the tourism industry has positive economic benefits to non-agro rural areas at large, the industry is prone to seasonality challenges (Butler, 2014; Alshuqaiqi & Omar, 2019). Motivational development theories were developed in order to align development while assisting SMEs in creating year-round demand. The chapter further showed the rural tourism development theories used by government and private sectors in other countries. The study sought to answer the questions:

- What is the relationship between access to finance, performance and service quality?
- What is the relationship between access to finance and factors affecting access to finance?
- What are the development strategies and support offered by the government to SMEs in tourism?

The research also sought to test the following hypotheses:

*H1: There is a positive relationship between Access to Finance and Service Quality in Tourism SMEs*

*H2: There is a positive relationship between Access to Finance and perceived risk, information asymmetry, the size of the company and quality of financial statements.*

### *H3: Increased access to finance has an impact on Firm growth*

The theoretical framework focused on the rural tourism development theories of motivation used by development partners and the government in developing rural tourism. Motivational theories explained how the destinations are developed in pursuit of what the tourists expect or should expect from a destination. These include Push and pull theory (Giddy, 2018), Plog's psychographic theory (Plog, 2001), Sunlust and Wanderlust theory (Gray, 1970), as well as the development approaches, such as Core and Peripheral approach (Murphy & Anderson, 2005), Customer oriented approach (Komppula, 2005) and Intergrated Rural Tourism Development Approach (Sharpley, 1993).

Literature suggested that there are numerous variables that can prevent SMEs from accessing finance and support and these included information asymmetry, high risk, lack of collateral, transaction costs and the quality of services. Further, the government can assist SMEs to ensure that the challenge of access to finance is addressed. This support can be in the form of financing or incubation, as suggested by literature.

The research followed a case study method and used a sequential explanatory mixed method design, where quantitative data was collected using a structured questionnaire to verify the hypotheses of the study. Electronic questionnaires were distributed to SMEs in tourism in and around Burgersfort. Qualitative interviews were carried out with government institutions, drawing inferences from the questionnaire and feedback from the SMEs. The analysed quantitative data provided a guide to the qualitative interview questions. Although the results were presented separately both findings for quantitative and qualitative data were integrated during the results discussion. Building qualitative interview questions from quantitative findings also enabled data integration. The results discussion also enabled data to be integrated as the findings from the qualitative data explained the findings from the quantitative data analysis.

The study findings displayed a positive connection between ATF and service quality, as validated by the Pearson Correlation Test. The Regression Model showed a connection that linked access to finance; size of the business and service quality



(using quality of financial statements as a measure for service quality) however, the relationship was not statistically substantiated. The interview data with the government institutions highlighted the prominence of services quality to access to finance. This also supports the ideologies of the pull factor theories where rural tourism development is focused on the pull factor, support is given to destinations in order to draw tourists to the establishment, based on what that establishment offers.

The main challenge that the study emphasised was the issue of access to finance for tourism SMEs in rural areas and the following variables were derived from both the literature and the data collected.

- Information Asymmetry
- Quality of Services
- Company Size

The principle of the pull factor theory explains that a customer can only go to an establishment of which they are aware, rather than the one of which they are not aware. The study findings showed that the industry is characterised by asymmetric information between the suppliers and the customers, market linkages offered by the government are supposed to bridge the gap concerning lack of destination information between the two parties.

While literature suggests that the government should facilitate loan guarantee schemes for SMEs (Sibanda et al., 2018; Onyiego, Namusonge & Waiganjo, 2017) to ensure access to finance, the research findings show that support offered by the government also has its own requirements with SMEs often non-compliant with the basic regulatory frameworks for an operational business. This implies that before advocating for government loan guarantee schemes, the SMEs need to be made compliant with the business requirements to ensure sustainability and responsibility. This was supported by Dermirguc-Kunt et al. (2008), as they explained that without critical evaluation of the government interventions, such as loan guarantee schemes, the interventions can be counter-productive and therefore, do more harm than good to the SMEs involved.

The results of both the Pearson Correlation tests and the Regression Model show that there is a positive relationship between access to finance and information asymmetry. This implies that when INAS is high, access becomes low. This fact is common among financial institutions, however, it has often been overlooked when it comes to government institutional support. In the tourism industry, the basic requirements for a business are CIPC registration, SARS registration and compliance, registration with the CSD, registration with the local municipality, the tourism grading council, as well as registration with a local tourism association.

Based on the interview findings, some of the SMEs were not registered with their local Municipalities, CIPC and SARS. Due to this fact, most SMEs end up being left out of government initiatives and support. Some SMEs may fail to obtain important information about available funding and support because their existence is not known within their local tourism associations and/or municipality, which automatically excludes them due to lack of information on available support that could be accessible to them as SMEs. Furthermore, in completing the required documents, the government institutions also encountered challenges of incomplete information. The challenge of incomplete information is, based on the findings, anticipated to be a result of language barriers and the non-existence of information to some SMEs.

The results revealed a positive correlation between Access to Finance and QF, INAS, and company size when it comes to SMEs in tourism. In addition, there is a negative relationship between INAS, QF and PRK, implying that when Perceived risk is high, the other variables are low. When an enterprise has low quality financial statements, perceived risk is high, and when an enterprise has low quality financial statements information asymmetry is high. The study findings failed to statistically prove the direction of the connection linking access to finance and PRK.

The study used the number of employees as the non-financial measure for access to finance in the firm growth model, although there were some changes with the number of employees over time. This is because tourism is a labour-intensive industry and employee statistics may change, but size of the enterprise may remain the same (number of rooms). This advocates that either that employee statistics are an

insignificant measure of size in tourism sector, or the model cannot be used as a measure for size of a travel business.

Most of the studies did not look at or provide an explanation on the aspect of information asymmetry from the government support perspective. The study findings, based on interviews conducted with the government institutions, showed asymmetric information as a major challenge for SMEs to receive government support.

## **5.2. Recommendations**

Considering the importance of SMEs in alleviating poverty, employment creation and facilitating community and economic development, the research focused on the support offered to SMEs by tourism-specific government institutions to develop SMEs and facilitate access to finance. Training should not only focus on market linkages but should also focus on other aspects of the enterprise. The researcher recommends the following:

### **5.2.1. Financial management and financial literacy**

Financial management and financial literacy training should also form part of the annual training conducted with tourism SMEs. This training will improve the owner/managers' skills in interpreting financial information, placing measures and actions that will increase their chances of gaining access to finance. Also, the knowledge of financial management will sensitise the SMEs on the importance of record-keeping which reduces the challenge of information asymmetry from both the government support perspective and the financial institutions perspective.

### **5.2.2. Training on Compliance**

The interview findings show that during the time of Covid-19 funds disbursement, most SMEs were non-compliant, as they were not registered with CIPC, SARS or with their local municipalities. When conducting training, emphasis should also be made on ensuring that SMEs are aware of the importance of registering with the relevant institutions and maintaining the registration (compliance) as this affects prospective

support from the government and prospective access to finance if the business is unknown.

### **5.2.3. Collaboration**

Considering the fact that SMEs help in addressing various economic issues, the challenge of access to finance should not only be left to the government to address; but the non-governmental organisations and private sector should play a role in alleviating the challenge. The government, financial institutions and non-governmental organisations need to collaborate on programmes that train SMEs on financial markets knowledge, especially on debt and equity financing. This should include areas, such as types of financing available, lending requirements, financial management and literacy programmes and how SMEs can operate to put them in a better position to qualify for debt and equity financing.

Programme evaluations need to be carried out after every programme to assess whether the current training is yielding the expected results and if the future programmes are effective for the particular SMEs or have been effective and in order to know and identify the areas for further programmes.

SMEs need to leverage the agencies that offer free basic marketing linkages. They should leverage opportunities for training when offered to them as part of skill development programmes. SMEs need to also attend training or educate themselves on the variety of sources of finance at their disposal. Maintaining proper record keeping and ensuring compliance as this aid the SMEs in increasing their chances of getting finance and support from the government/ private sector.

SMES need to be aware that educational support is equally as important as financial support. Through attending training, the SMEs can get crucial information that will make them better equipped in operations and they will be up-to-date with all initiatives that are industry specific.

### **5.3. Contribution of the study**

The research provides evidence connecting the elements of ATF. It looks at the current support offered to SMEs in tourism, based in a rural area. The study

complements existing literature on access to finance for SMEs and knowledge in the tourism industry.

The study provides knowledge to SME owners who may not have been aware of the weaknesses that their enterprises have that inhibit them from accessing finance from financial institutions and government support. It highlights the importance of financial statements and availability of information. Furthermore, the research study highlights the significance of compliance so that SMEs can benefit from government support. Understanding that the unavailability of information, financial statements and not being compliant creates obstacles to access to finance, will encourage SMEs to ensure that their financial data is kept up-to-date.

Through being aware that SMEs face challenges in accessing finance and being compliant, government agencies may formulate programmes and/or strategies to ease SMEs' access to finance and ensure that SMEs are informed of the support that is at their disposal and what is required.

#### **5.4. Limitations of the study and areas of future research**

There are some limitations to the study that are present but do not nullify the study findings. Research was limited to SMEs in tourism and based in Burgersfort. The implication is that the study is therefore limited to tourism small enterprises in rural areas. Most of the SMEs in Burgersfort are not registered in any database but are operational as such these SMEs were involuntarily excluded from the research.

The study was also only limited to access to finance from a support side and did not include the financial institutions. Further research needs to look at financial access for SMEs in tourism, based in rural areas, from the financiers' perspective as there may also be support that financial institutions offer to rural tourism SMES.

The study did not look at the challenge of financial access for tourism SMEs in urban areas and therefore, further research needs to replicate this study in that regard. Also, a comparative study between rural tourism SMEs and urban tourism SMEs to determine whether the challenges can be generalised between urban tourism SMEs and rural tourism SMEs should be undertaken.

## **5.5. Conclusion**

The study provided observed indication of the challenge of access to finance for SMEs in rural tourism. The chapter presented the study's recommendations, restrictions, contributions and areas for further exploration supported by both previous study findings and findings from this study.

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## Appendices

### **Annexure 1: Questionnaire for SMEs in Tourism (Appendix A or 1)**

My name is Moreblessing Rufa Ngoma and I am doing research for my M.Com. degree in Business Management at the University of South Africa. The title of my research is *Challenges faced by SMEs in accessing Finance in SMEs in Tourism in Rural Districts in South Africa*. In order to collect data, I am looking for approval to carry out the research in your organisation. Kindly note that the information collected will be confidential and only used for academic purposes.

1. I have been notified about the research objective

- I agree to take part in the survey
- I do not wish to participate

2. What is your position at the enterprise?

3. In which Tourism category does your business fall ?

- Tour Operating
- Bed and Breakfast
- Guest House
- Lodge
- Hotel

4. In what year did this establishment begin operations?

- <2 years
- 2-6 years
- 7-15 years
- >15years

5. How many temporary and permanent employees did you have when the enterprise started?

6. How many temporary and permanent employees do you have now?

7.What is the enterprise's current legal status?

- Sole Proprietor
- Private limited company
- Partnership
- Corporation
- 

8.What is the Estimated Yearly Turnover?

- 0-2m
- 3-5M
- 6-10M

Section B

Please show your view on the below statements by marking the suitable answer (Adapted from : Nanyondo et al., 2014)

On a scale of 1-5 with

1.Strongly disagree 2. Disagree 3. Not Sure 4. Agree 5. Strongly agree

9. Quality of financial statements

1.Strongly disagree 2. Disagree 3. Not Sure 4. Agree 5. Strongly agree

	Option 1	Option 2	Option 3	Option 4	Option 5
Financial information is recorded right away	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Audits are done frequently	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Before making Financial Decisions you discuss with bookkeeper	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accounting system is used	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Option 1	Option 2	Option 3	Option 4	Option 5
Management is open to personnel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business objective guides management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Management offers sufficient accountability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accountants act independently	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accurate disclosure is done	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial information is detailed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
An authorised person signs financial statements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**.Information asymmetry/ Availability of Information**

**1.Strongly disagree 2. Disagree 3. Not Sure 4. Agree 5. Strongly agree**

	Option 1	Option 2	Option 3	Option 4	Option 5
The business obtains suitable information on bank loan portfolios	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The business has access to other financial institutions for information on availability of loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Businesses are informed by the bank on changes in interest rates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loan servicing information is always available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
All details of collateral are available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



	Option	Option	Option	Option	Option
	1	2	3	4	5
Financial information is accurate and banks have access to it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The business safeguards the reliability in financial statements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial information is clear and brief	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Enterprise is aware of bank requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banks insufficient information has made the business lose opportunities for investment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**11. Perceived Risk of Enterprise**

**1. Strongly disagree 2. Disagree 3. Not Sure 4. Agree 5. Strongly agree**

	Option	Option	Option	Option	Option
	1	2	3	4	5
The business fears that cash flows may not be as predicted	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The fear that credit terms may be changed without notice by the bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enterprise fears that market trends may change and they will not be able to service the loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The enterprise has insufficient collateral which it fears it may be claimed by the bank in case of failure to pay	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bank's intentions to finance enterprise is uncertain	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Option Option Option Option Option

1 2 3 4 5

The business prefers using equity to debt

Investment expenditure expectations are uncertain

**12. Access to finance Frequency of acquisition**

**1. Strongly disagree 2. Disagree 3. Not Sure 4. Agree 5. Strongly agree**

Option Option Option Option Option

1 2 3 4 5

There is too much unnecessary bureaucracy to acquire a loan which the enterprise should not go through

The business has been accessing finance from one bank because of a sound relationship built

The enterprise keeps on switching from one bank to the other due to problems of loan servicing

The enterprise is not able to access finance as many times despite improvement in financial statements

The enterprise can access finance with or without properly presented financial statements

The enterprise has not received any finance from the bank through formal procedures despite the availability of concise financial statements

OptionOptionOptionOptionOption

1 2 3 4 5

The enterprise acquires finance  
without necessarily presenting  
financial statements

**Performance and Service Quality ( Adapted from:Wu, 2009)**

13.How important are the below to the enterprise? 1 not important and 5 very important

Option Option Option Option Option

1 2 3 4 5

Effectively manage people and  
resources

Swiftly respond to customer  
needs

Understanding of technological  
trends

Flexible to adapt to changes

Availability of capital

Managerial experience

Separation of business and  
personal costs

Expertise in marketing:  
customer service

Low cost of service provision

Understanding and learning  
about customers

Provision of new products to  
market

Growth in sales

Employee satisfaction

	Option 1	Option 2	Option 3	Option 4	Option 5
Customer satisfaction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## **Annexure 2: Interview guide (Appendix 2)**

### **Government Questionnaire**

1. In your own point of view what are important elements that affect tourism SMEs performance?
2. What initiatives have been put in place to enable ease of financial access for Tourism SMEs?
3. What other non-financial initiatives are available for SMEs in tourism?
4. In your opinion, are SMEs in tourism active in the initiatives which are meant for all SMEs, regardless of sector?
5. In your opinion, are SMEs in Tourism active in initiatives meant for SMEs in Tourism?

## Assumption checks

**Table 5.1** *Collinearity Diagnostics<sup>a</sup>*

Model	Dimension	Eigenvalue	Condition Index	(Constant)	Variance Proportions				
					Quality of financial statement	Information asymmetry	Perceived risk	Size of the business	
1	1	3.889	1.000	.00	.00	.00	.00	.00	
	2	.981	1.991	.00	.00	.00	.00	.94	
	3	.094	6.438	.00	.00	.30	.26	.02	
	4	.027	11.923	.01	.50	.56	.28	.04	
	5	.009	20.978	.99	.50	.14	.46	.00	

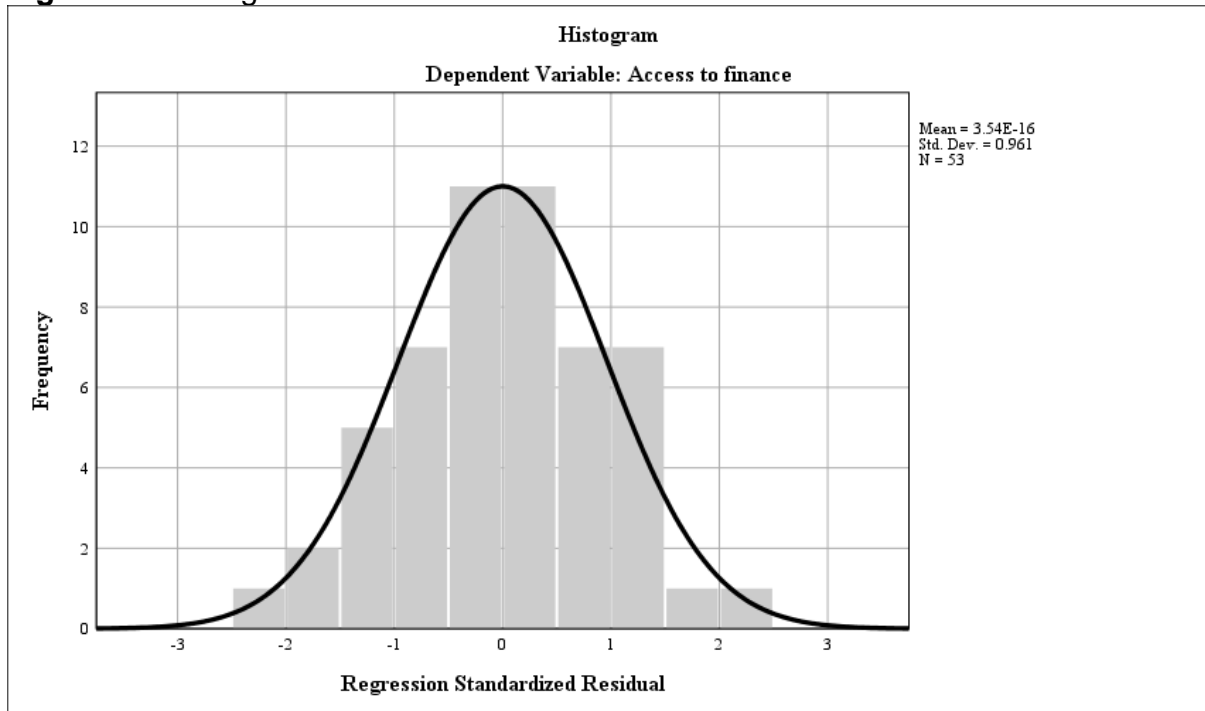
a. Dependent Variable: Access to finance

**Table 5.2** *Residuals Statistics<sup>a</sup>*

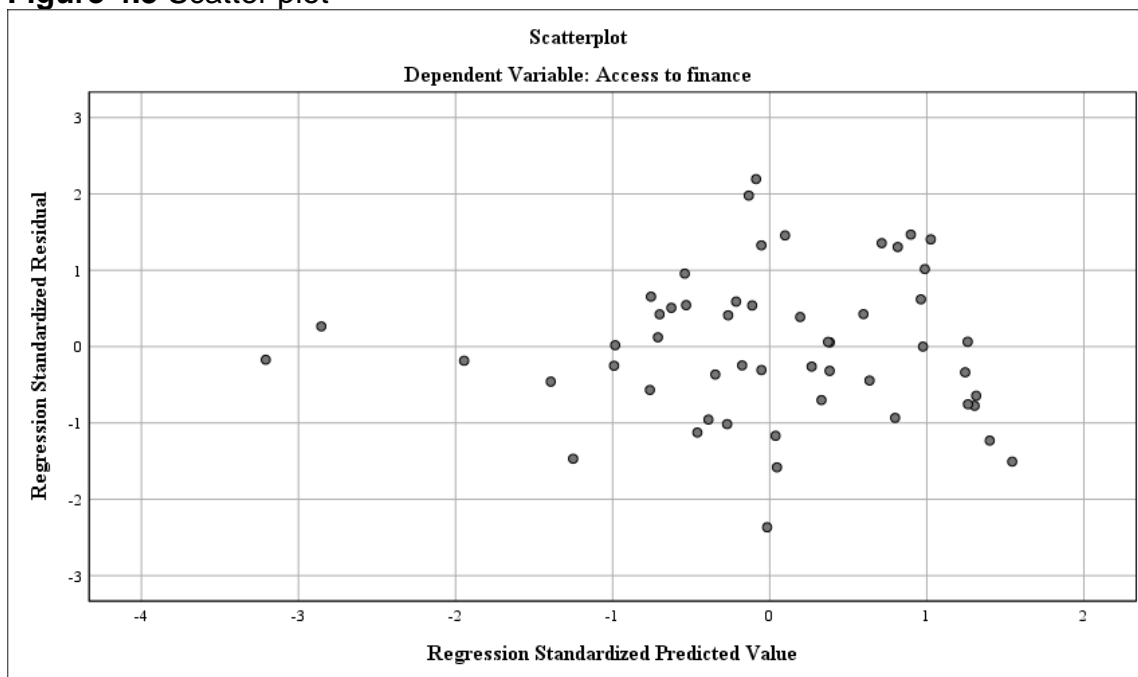
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.5489	3.1971	2.6617	.34682	53
Residual	-1.65594	1.53519	.00000	.67220	53
Std. Predicted Value	-3.209	1.544	.000	1.000	53
Std. Residual	-2.367	2.194	.000	.961	53

a. Dependent Variable: Access to finance

**Figure 4.2 Histogram**



**Figure 4.3 Scatter plot**



**Fig: 4.4 Codes and interpretation**

Assigned code	code number	Theme	Interpretation/description
facilitate	1	Government Support	Government support is in the form of financial assistance, incubation guidance, managerial support programs and technical innovation (Olamide,Agholor,Boshoff & Semosa,2022)
Intervene	1		
assist	1		
provide	1		
comply	2	Information Asymmetry	When approaching providers of finance, SMEs often face challenges, information is neither costless nor perfect, incomplete information is a form of information asymmetry (Lean & Tucker, 2001)
information	2		
documents	2		
paper work	2		
involved	3	Lack of Participation	Support might be there, but SMEs may fail to participate in initiatives meant for them (Damoah, Ashie & Kekesi, 2017)
participate	3		
work with	3		
service	4	Service quality	Supply of quality service to customers creates competitive advantage such as increase in customer loyalty, supply differentiation, reduce marketing costs (Poor, Poor & Darkhanen, 2013).
standards	4		
market	4		
customers	4		



# LIMPOPO

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF  
ECONOMIC DEVELOPMENT, ENVIRONMENT & TOURISM

Ref : 13/1 9 March 2021  
ENQ : Edwell Matukane  
Tel : (015) 293 8334  
Email : matukanepe@ledet.gov.za

To : Moreblessing Ngoma

**Re: PERMISSION TO CONDUCT STUDY ON GOVERNMENT SUPPORT TOURISM SMES IN THE PROVINCE**

Your letter dated the 4<sup>th</sup> March 2021 is acknowledge, please note the advent of covid 19 had a negative impact on the smooth operation of the department and out directorate in Particular. Planned programs could not be executed as anticipated due the effect of the pandemic, based on a number of data collected we had a preview of the impact therefore mitigating factor were activated to the tourism industry including SMEs

We further acknowledge your request for assistance with research work for the purpose of your studies, the tourism office accept in principle your request with nitty-gritties to be dealt with within the scope of your field of study and our directorate strategic area of operations

Kindly contact Mr Edwell Matukane for further assistance in this regard

[matukanepe@ledet.gov.za](mailto:matukanepe@ledet.gov.za) 082 809 8934

Moses Ngobeni – Director Tourism

HEAD OFFICE

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University of South  
Africa  
Pretoria

Dear Sir/Madam

Enq : Mr Chris Ramoshaba  
Tel : (015) 293 3737 / 082 566 4102  
Date : 08 March 2021

LIMPOPO TOURISM AGENCY  
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**RE: PERMISSION TO CONDUCT STUDY: ACCESS TO FINANCE AS A CHALLENGE FOR SMES  
IN TOURISM.**

Receipt of your letter requesting to conduct research for your Master's Degree with University of South Africa (UNISA) dated the 4<sup>th</sup> March 2021 bears reference.

This serves to confirm that Limpopo Tourism Agency (LTA) grants you permission to conduct your research under the heading "Access to finance as a challenge for SMEs in Tourism".

Permission is granted under the following conditions:

1. You will have access to reports in relation to SMMEs in Tourism and acknowledge them.
2. You will identify and approach employees individually to interview them at their own time.
3. You will have access to LTA office in Burgersfort for any assistance in respect of the research.
4. You are requested to provide a hard copy of the final approved study to LTA.

Yours Sincerely

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Mr. T.P. Maleka  
Acting Chief Executive Officer  
Limpopo Tourism Agency