Understanding Small Business Growth in South Africa using an Integrated Framework

by

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ABSTRACT

In South Africa, many small businesses need help to grow. In developed countries, small businesses do not have growth hurdles, mainly due to the understanding of the importance of growing small businesses. Unlike in developed countries, in South Africa, the growth of small businesses from an integrated public and private sector context need to be better understood. The reviewed literature showed that existing frameworks, especially with regards to the finance gap and resource theories, are generally sector-specific or not directly applicable to emerging countries. In this research, we postulate a simple yet practical integrated framework for understanding the growth of South African small businesses. A novel mixed methodology was employed to understand the intricacies underlying small business growth holistically. A non-probability cross-sectional small business sample covering the economically important provinces in South Africa, together with thematic analyses, was used to gauge the state of small businesses qualitatively. A secondary bank database was quantitatively analysed to provide insight into the nature and type of relationships between small businesses and financial institutions. The results revealed that, in theory, product markets and human capital are the fundamental keys to understanding small business growth in the integrated framework. Knowledge of how best to access product markets from a small business perspective and an optimal product-market support system from the institutional perspective are found to be the main contributors to business survival. The understanding of human capital through the integrated funding framework is heuristically argued to enable funders to choose businesses with a higher likelihood of releasing innovative products and improve the likelihood of the business contributing more to the market returns. The research showed that understanding small business growth through the integrated framework provides a cornerstone on which private and public entities can interact to improve small business growth. In order to strengthen the integrated framework, the research can be extended more longitudinally over several economic business cycles, and the joint correlation of the framework keys on business growth can be studied.

Keywords: Business growth, Integrated framework, Human capital, Product markets

DECLARATION

I Tungamirai Tambandini (Student No:48862746), declare that this dissertation entitled: **"Understanding Small Business Growth in South Africa using an Integrated Framework"** is my own work solely prepared as a requirement for the degree of Doctor of Business Leadership (DBL) at UNISA and that all the sources that I have used have been duly acknowledged by means of complete references.

Signature: __   __

Date: _____24/02/2024_____

ACKNOWLEDGEMENTS

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ACRONYMS

4IR: Fourth Industrial Revolution

IAS: International Accounting Standards which were replaced in 2001 by IFRS

IFRS: International Financial Reporting Standards

RMSEA: Root Mean Square Error of Approximation

SEDA: Small Enterprise Development Agency

CHAPTER 1: PROBLEM SETTING

1.1 Introduction

Governments in most developing countries have tried to promote growth of their SMEs through finance, training and other support initiatives, but the results have generally been poor. This has been the experience with SMEs in South Africa, Brazil and India amongst other emerging economies. The vision and entrepreneurial ambitions to nurture economic growth through sustainable small business development in South Africa remain a pipe dream. Researchers have put forward the gross underestimation of the role of SMEs in the economy by policy makers as the main reason for poor economic and social development (Freeman, 2015, Balogun, Nazeem & Agumba, 2016; Matekenya & Moyo, 2022).

Traditionally, the formal South African (SA) sector does not show interest in SMEs because of the potential high credit risks, high costs and low returns. In more developed countries like the United States and Europe, the SMEs interest from the formal sector is much more noticeable and significant. Even though it could be argued that the developed countries have more risk capital, it can also be argued that their economies are growing faster because of their noticeable interest in growing their SMEs (Jeppesen, 2005; Vuuren & Alemayehu, 2018).

In South Africa, financial institutions like banks claim that inadequate collateral and insufficient historical credit information are major constraints to their financial and non-financial support to SMEs (Serame, 2019; Madzimure & Abrahams, 2022). This poses a significant challenge to South Africa and is probably the main reason why there is not enough small business to fuel economic growth. In this study, financial support refers to any form of monetary resources extended to SMEs while non-financial support refers to any provision to SMEs in the form of business advisory services, consultations and training.

Governments are usually keen to promote support to SMEs (Freeman, 2015). The interest from the state is expressed at a planning level and is typically subject to implementation. Consequently, not much is done from the government side to improve the interest in SMEs, and the banks sadly do not do more. In this study, when we refer to the government or public sector, it is from the perspective of state-owned enterprises (like SEDA). The researcher looks at the profile of SMEs in South Africa, with the aim of adopting an integrated framework that will hopefully enhance the growth of SMEs.

Studies by Ncube and Zondo (2022) and Bushe (2019) stressed the significance of SMEs to the growth of the economy globally. The researchers noted that SMEs play a paramount role as far as industrialisation, economic growth and development are concerned. Apart from creating employment opportunities, the SMEs increase per capita income and output and generally promote effective utilisation of resources that ultimately leads to economic growth. The post-apartheid South African government is confronted with a plethora of social problems, mainly unemployment and abject poverty, thus the promotion of SMEs is considered a panacea. In fact, for this very same reason the disapproval of SME funding and other support measures by SA financial institutions, due only to the absence of good credit history, can therefore be deemed to be unreasonable and perhaps naïve.

An optimal support system is crucial for small businesses to survive, grow and compete in the product markets (Bruns, 2004; van Staden, 2022). This could be in the form of advisory services, adequate funding, and other support initiatives. Therefore, interventions to assist SMEs should be properly structured in such a way that the government, banks and large businesses should be able to easily assess the financial and non-financial needs of the SMEs (Madzimure & Abrahams, 2022; Mutambara, 2022). Ezennia and Mutambara (2022) noted that government intervention is not always optimal, as they mainly focused on statistics like SMEs failure rates, the shortage of entrepreneurial culture and business skills. On the other hand, it should also be noted that various government agencies have developed and implemented some SMEs support programmes within South Africa, albeit in a bid to support government policy (Mqaba, 2015; van Staden, 2022).

Owino (2012) concurred with Bruns (2004) and Zondi (2017) on the need for supporting SMEs but lamented that there has been limited provision of funding and other non-financial services to the SME sector by banks and the government. For instance, one of the state-owned banks appeared not to be fulfilling its mandate of ensuring that agricultural sector SMEs are adequately funded (Land bank report, 2017). Table 1.1 below shows that (during the year 2015/2016), approximately R2-billion credit applications were received by the state-owned enterprise but only R1-billion was approved. This indicates that 50% of the applications were declined probably due mainly to stringent credit appraisal processes. This is but one example of the potential difficulties SMEs experience in their quest in trying to get finance to effectively scale up and grow their businesses. In general, where the finance is provided, the SMEs receive

the lowest amounts of financing from the banks (Atieno, 2001; World Bank, 2014; Gebremichael, 2015; Lose & Mapuranga, 2022).

Table 1. 1: Retail credit statistics – year to date – March 2016

ZAR VALUE AS AT MARCH 2016;

MONTH	APPROVED	DECLINED	REFER BACK	REFER TO CRMC	TOTALS
30/04/2015	102,643,057	12,011,820	62,045,715	0	**176,700,592**
31/05/2015	107,961,414	52,900,000	20,701,053	7,804,675	**189,367,142**
30/06/2015	86,371,293	30,512,904	16,093,810	7,200,000	**140,178,007**
31/07/2015	102,004,066	8,575,581	37,484,916	10,245,100	**158,309,663**
31/08/2015	86,226,025	62,259,355	13,462,647	9,900,000	**171,848,027**
30/09/2015	89,378,383	30,495,518	40,204,637	0	**160,078,538**
31/10/2015	155,264,322	53,275,596	31,481,864	26,000,000	**266,021,782**
31/11/2015	140,783,044	10,009,501	20,107,344	0	**170,899,889**
31/12/2015	109,032,597	38,953,120	19,117,717	0	**167,103,434**
31/01/2016	61,201,756	28,517,100	33,002,065	10,000,000	**132,720,921**
29/02/2016	53,759,609	25,599,500		31,543,500	**110,902,609**
31/03/2016	44,644,078	67,469,692	22,829,176	13,500,000	**148,442,946**
Totals	**1,139,269,644**	**420,579,687**	**316,530,944**	**116,193,275**	**1,992,573,550**

Even though the bank approved more funding applications in line with the growth in the available funding growth (See figure 1.1), this is not a guarantee that on absolute terms more funding is granted to (credit-worthy, healthy risk) funding applicants.
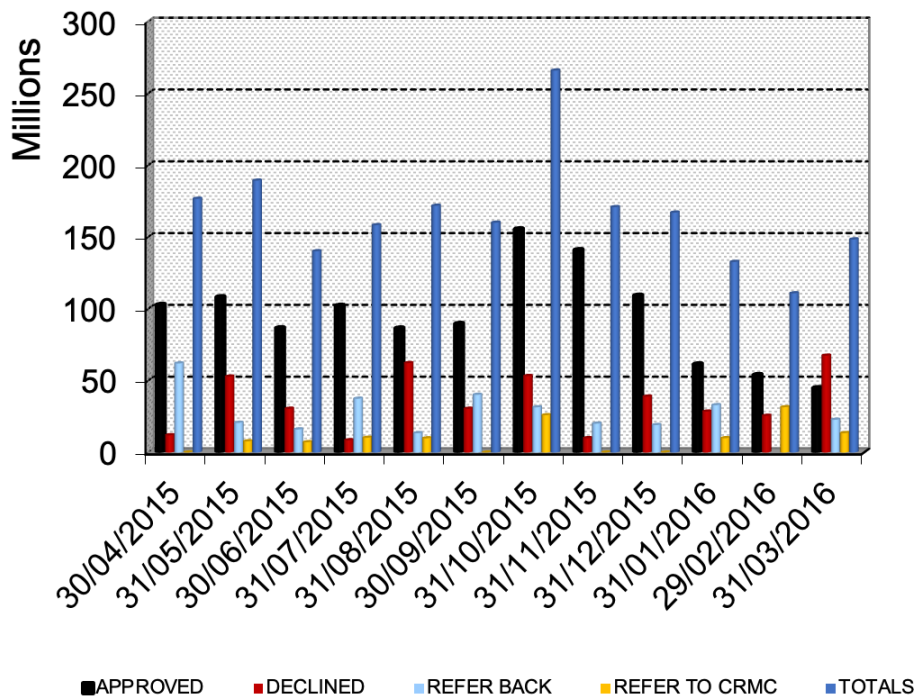
Figure 1. 1: Retail credit statistics – year to date – March 2016

 (Source: Land bank report, 2017)

Small and medium enterprises, mainly borrow to finance working capital needs. The borrowing is made possible through the intermediary role of banks which generally channel financial resources from savers to lenders. The problems of moral hazard, information asymmetry and adverse selection continue to impact negatively on productive credit granting. Age, marital status, the number of dependents, interest rates, and location of the SMEs owner amongst other factors have an effect on the likelihood of default (Lodha, 2011; Suryanto, 2015). Such interdependent variables may make it non-trivial for financial institutions to differentiate a good borrower from a bad one. This can only be done through a critical appraisal system that identifies all expected risks and that results in granting more credit to the right (a reasonably lower credit risk) borrower. It is therefore important to note that financial institutions like banks do have a critical role to play in mitigating the SMEs failure problem.

Research has revealed that South Africa have a very high SMEs failure rate (Bvuma & Marnewick, 2020; Ezennia & Mutambara, 2022; Ncube & Zondo, 2022). According to the Global Entrepreneurship Monitor Report (2022), the business failure rate in South Africa increased from 4.9% in 2019 to 13.9% in 2021. This clearly indicates that start-up businesses

have a high failure. In addition to inadequate funding by banks, the report indicated that SMEs lack management skills due to low levels of education and training (Bushe, 2019; Matekenya, 2022; Kuhlase, 2022). This could be one of the reasons for the low SME survival rate, posing a major concern for the government. However, as highlighted by Fatoki (2014), if properly nurtured the SMEs sector could undoubtedly provide several opportunities for economic growth.

1.2 Background of study

The support for SMEs growth continues to pose significant challenges in the South African economy. Consequently, by providing support to SMEs (both financial and non-financial) the government and financial service sector can significantly impact the South African economy, stimulate growth and eradicate poverty (SARB, 2015; Mboweni, 2022). In fact, the role of the SME sector in economic development, income generation and job creation has been recognized worldwide (Balogun et al., 2016). Unfortunately, governments in most developing countries have struggled for a long time to help in the development of SMEs through training, financing and other initiatives, and the results have generally been poor. In some cases (e.g. construction industry), governments failed to create industrial organizations that could take advantage of collective efficiency (Balogun et al., 2016; Lose & Mapuranga, 2022). Sadly, this appeared to be the norm with SMEs in South Africa.

The blame can be apportioned to policy makers who have failed to champion the cause for SMEs by underestimating their contribution in the economic development of the country (Balogun et al., 2016). As noted by the National Credit Regulator (NCR), SMEs in South Africa today account for nearly 50% of the gross domestic product, and close to 60% of the working class are found working in SMEs, or the informal sectors. However, government policy pertaining to SMEs may not bear fruit as the sector continues to receive inadequate support that do not justify their importance in the economy.

Policy makers have not been adept in keeping pace with the changes in the global economy. Furthermore, there have been a lot of changes in the economic environment which has resulted in changes in the manner that banks and other financial institutions provide financial and non-financial support to SMEs (Fatoki & Van Aardt Smit, 2011; Suryanto, 2015). Such changes in the business environment have adversely affected banks' profit margins as the degree of credit

risk exposure deepens (Berger, Frame & Miller, 2005; Gebremichael, 2015; Lose & Mapuranga, 2022).

The development of SMEs has become a topical issue in policy debates, and many economies and governments embraced it to promote economic growth (Feeney & Riding, 1997; Vuuren & Alemayehu, 2018). It should, however, be noted that economic growth and job creation could be sustained if national entrepreneurial aspirations are promoted, which might be both a means and an end to the transition to a market economy and the creation of an entrepreneurial culture in South Africa (Stiglitz & Weiss, 1981; Mckelvie, Brattstrom & Wennberg, 2017; van Staden, 2022). It can be envisaged that the promotion of entrepreneurs will transform the SMEs sector into a growth engine; ideally suited to address key development challenges of poverty, unemployment and income inequality hampering prospective overall economic growth in South Africa (Tustin, 2011; Vuuren & Alemayehu, 2018).

Access to finance has been noted as a major deterrent to development and growth of SMEs, especially in the emerging economies where banks are hesitant to provide long-term financial support to SMEs (Tambunan, 2009; World Bank, 2014; Fatoki, 2014; Kachlami & Yazdanfar, 2016; Lose & Mapuranga, 2022; Aminkeng, Huaming, Mukete & Mwalupaso, 2024). The SA government's 'National Development Plan' (NDP) prioritizes support for SMEs, but this has not helped since banks generally view SMEs as high-risk borrowers and are hesitant to offer them long-term loans. In addition, banks find it difficult to get accurate and reliable information (e.g. collateral) in terms of classifying high-, low-risk and potential SMEs. In the event where banks offer credit to SMEs they usually charge significantly higher interest rates[1] than large enterprises to offset perceived high-risk associated with the SMEs. This significant interest rate can at times be so high that it is difficult to overlook the possibility these exorbitant financial institutional lending rates do contribute to the failure of SMEs.

Consequently, most SMEs with the potential to become established and grow into large businesses, fail. A closer look at the business failure rate in South Africa that increased from 4.9% in 2019 to 13.9% in 2021, revealed that unlike the other emerging economies such as China, Brazil and India, South Africa has the highest SME failure rate (Global Entrepreneurship Monitor (GEM) report, 2022; Matekenya, 2022). This high SMEs failure rate

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[1] Bankers usually call this the credit risk premium

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needs to be addressed. The GEM report (2022) attributed the SMEs failure in South Africa to lack of access to funding and product markets. Mboweni (2022) contends that the challenges experienced by SMEs in South Africa causing them to fail emanates from their low levels of business research and development, poor infrastructure, burdensome laws, regulations and policies, high crime rate and lack of access to product markets. The Global Entrepreneurship Monitor Report (2022) further noted that SMEs in South Africa struggle due to ineffective management that emanates from poor education and lack of skills on the part of SMEs owner/managers and employees.

Dladla and Mutambara (2022) concur that the ineffective administration of SMEs in South Africa poses a significant challenge as it results the failure of the small enterprises in the country. Most researches have shown that SMEs owner/managers often have inadequate knowledge on important aspects that would make their business grow and remain sustainable (Zeebaree & Siron, 2017; Bushe, 2019; Bvuma & Marnewick, 2020). For instance, most SMEs owner/managers do not have knowledge of the data sources regarding domestic and international markets for their products. Therefore, it could be envisaged that developing a framework might be necessary to spearhead SMEs growth in South Africa. Especially, in the light of the National Development Plan's (NDP) aspiration to generate 90% more employment growth opportunities by 2030.

Kuhlase (2022), argues that the inability to effectively manage competitive environments by SMEs owner/managers, lack of managerial skills, over-expansion and ineffective working capital management, amongst others, impedes the growth of SMEs. In addition, most of the SMEs in South Africa perform dismally because they get into businesses without having done due diligence regarding the market and regulatory requirements, nor having understanding of the business dynamics. Moreover, negatively growing SMEs are characterised by the lack of knowledge of business dynamics and a lack of business skills and expertise. According to Ezennia and Mutambara (2022), most SMEs owner/managers do not have the requisite skills and education and as such require some form of training to operate their businesses. Consequently, most SMEs that are operated by entrepreneurs without the necessary skills and expertise fail to grow or just grow negatively (or backwards) and sadly some even cease to exist in the first or second year of operation.

South Africa lags behind other BRICS emerging economies, in particular India, Brazil and China in growing its SMEs. This is probably why its economy has not been expanding as most SMEs are folding (Business Environment Specialists, 2009; Zeebaree & Siron, 2017; Dladla & Mutambara, 2018). This could lead to a clarion call for the government to continuously stimulate the SMEs sector in a bid to ensure survival and growth of the sector. According to Mthabela (2015), over the years the South African government has increased its support to develop and grow the SMEs sector; however, the government's effort has not been able to bear much fruit as most of the SMEs still fail to grow into sustainable businesses. Hence the need to design an integrated framework to better understand and foster SMEs growth and sustainability.

1.3 Theoretical framework

The theoretical framework of this study is underpinned by the finance gap theory and the resource dependency theory. These and other theories which will further be explored and analysed in the literature review section in chapter 2.

1.3.1 Finance gap theory

As postulated by Bolton (1971), SMEs face two challenges; the components-knowledge gap and the supply gap. The researcher postulates that those SMEs do not have adequate knowledge about available external sources of finance and once the sources are determined, satisfying the loan requirements from the external financier becomes a nightmare. In addition, lenders probably do not understand the operations of SMEs (Bolton, 1971). The researcher further proposes that SMEs should strive to raise capital through personal savings, friends, and family members. But the reality of the matter is that SMEs operating costs exceed both their available venture capital and sales value and as a result fail to maintain the business leading to eventual collapse (Chimucheka & Mandipaka, 2015). As asserted by many researchers, there exists a "financing gap" for SMEs but there is no commonly agreed definition of this gap. The term is basically used to mean that a sizeable share of economically significant SMEs cannot obtain financing from banks, capital markets or other suppliers of finance (OECD, 2017; Lose & Mapuranga, 2022). Furthermore, it is often alleged that many entrepreneurs or SMEs that do not currently have access to finance would have the capability to use those funds productively if they were available; but due to structural characteristics, the formal financial system does not cater to such entities.

1.3.2 Resource dependency theory

Closely affiliated to the finance gap theory is the resource dependency theory propounded by Pfeffer & Salancik (1978). The theory establishes the relationship between a firm and a set of stakeholders in the business environment and due to the economic problem of scarcity; the ability of the SMEs to access resources from other stakeholders in the business environment is of paramount importance. The theory further argues that scarcity pressurise SMEs to come up with innovations that use alternative resources. According to Dunn (2008), the survival of SMEs depends on their ability to acquire, properly use and retain resources from the external business environment. As the theory suggests, there is real need for firms to reduce or increase their level of dependency from external stakeholders through alliances and joint ventures (Castellanos, Olivos, Flores & Sánchez-Partida, 2018). Guo and Acar (2005) interpreted the theory as suggesting that SMEs also need to focus on both indirect and direct foreign markets to reduce exposure to home markets. In some cases, the home market tends to be undesirable due to high production costs and market saturation.

1.4 The need for an integrated growth framework

Governments in emerging economies are confronted with the major challenge of improving the standard of living of the poor majority by reducing the poverty levels (Fin Mark, 2003; Arinaitwe & Mwesigwa, 2015; Bushe, 2019). Therefore, public entities in emerging economies view SMEs as an important conduit to wealth distribution. It is no surprise, that SMEs are now regarded by some academics as the life blood of any economy (Arinaitwe & Mwesigwa, 2015; Matekenya & Moyo, 2022). Nevertheless, SMEs are at the forefront of the governments' effort to promote innovation and increased productivity. Their simple and agile structures enable them to quickly adapt to the ever-changing customer needs and economic conditions, sometimes developing into large businesses or fail within the initial years of starting (Altman & Sabato, 2005; Berisha & Pula, 2015; Kuhlase, 2022).

SMEs are widely defined in terms of their characteristics which include; the number of employees, the size of capital investment, the location, the turnover, management style and the market share. However, the nature of these characteristics is determined by country context, especially, the number of employees and size of investment in capital accumulation (Kasekende & Opondo, 2003; Berisha & Pula, 2015). Small-scale enterprises for developing

countries, like South Africa would generally mean enterprises with less than 50 workers and medium size enterprises would usually mean those that have 50-99 workers.

The contribution by the SMEs sector in the emerging countries in terms of generating employment, creating wealth and income puts it in a strategic position on their economic growth and development agenda (Sarapaivanich, 2003; Berg & Fuchs, 2013; Vuuren & Alemayehu, 2018). In more developed economies, the arguments favouring the development of SMEs have been propounded in terms of their being more innovative and constituting a seedbed for the development of new firms. Therefore, it is likely to be hard if not impossible for sustainable development and employment to be achieved without SMEs. In South Africa, SMEs are increasingly becoming primary vehicles for the income generation and creation of employment through self-employment, thus alleviating poverty. With a well-developed and fully understood SMEs sector there can be a continuous and constant supply of skills, new ideas, and innovation that may give rise to perfect competition and efficiency in the economy (Kasekende & Opondo, 2003; Berg & Fuchs, 2013; Booysens, 2011; Bvuma & Marnewick, 2020).

It should however, be noted that optimally allocated financial and non-financial support is crucial for SMEs to grow and compete on the product market (Bruns, 2004; Vuuren & Alemayehu, 2018). In terms of financial support SMEs usually have equity and debt as primary sources of external finance (Barton & Matthews, 1989; Dong & Men, 2014). The focus is mainly on external debt financing in the form of debt finance, which is the most common source for small business (McKinsey & Company, 2005; Gebremichael, 2015) though very limited, especially in developing countries (Demirguc-Kunt, 2006; Dong & Men, 2014; Lose & Mapuranga, 2022). Consequently, many SMEs are forced to rely on banks as a source of external financing, unlike large firms which have access to different sources of financing. Their predicament is that banks are generally not willing to extend financial support to them due to high levels of transaction costs and credit risk.

Literature reveals that the availability of finance and non-finance support to SMEs in Europe and Asia highly facilitated their rapid development (Gilla & Lassalle, 1994; Arinaitwe & Mwesigwa, 2015; Vuuren & Alemayehu, 2018). After managing to solve problems of funding and other support measures to SMEs, emerging countries like Indonesia, India, China and even Burma were reported to have recorded considerable progress. In Africa in general, financial

and non-financial support to SMEs is rather scant. It is therefore not surprising to note that many SA SMEs do not use credit, or if they do, they continue to borrow from informal market lenders who charge extremely high or exorbitant interest rates (Adams, 1984). In fact, Lose and Mapuranga (2022) postulate that only a small fraction of SMEs in many African countries has received formal loans (World Bank, 2014; Gebremichael, 2015; Ncube & Zondo, 2022). Schiffer and Weder (2001) show that of all the obstacles they face in doing business, access to financing was found to be the main problem as compared to large firms (Lose & Mapuranga, 2022; Aminkeng *et al.*, 2024).

As noted by the Fin Mark Trust (2006), SMEs in South Africa hardly make use of suppliers' credit and only 2% of new SMEs are able to access bank loans. In most cases rejected new SMEs applications for bank credit amount to 75% (Foxcroft, 2002; Lose & Mapuranga, 2022). These statistics show the startling reality of SME support problems bedevilling the health of emerging economies. Hence the need for in-depth research aimed at boosting SMEs support by providers of external finance, banks and government. Therefore, it can be envisaged that if access to finance, product markets and other critical success factors to SMEs are understood from an integrated perspective, it could assist in boosting the role of SMEs in creating jobs, diversifying economies and supporting growth.

1.5 Problem Statement

SMEs have the potential to grow into large businesses, and contribute meaningfully to economic growth, irrespective of the varied and numerous challenges they face. South Africa historically experienced an alarming SMEs failure rate ranging between 70% and 80 % (Eeden et al., 2003; Brink, Cant & Ligthelm, 2003; World Bank, 2014; Gebremichael, 2015; Ncube & Zondo, 2022). Bushe (2019), states that 40% of new businesses in South Africa do not make it in their first year of operation, 60% fail within their second year and 90% are forsaken within their first 10 years of establishment. The number of business incubators has grown significantly in the past five to ten years, but interestingly the SMEs failure rate remains persistently high (Herrington & Coduras, 2019; Lose & Kapondoro, 2020; Msimango-Galawe & Hlatshwayo, 2021).

The global competitive index that includes GDP growth and SME financing (but not human capital) shows an interesting deteriorating trend (See figure 1.2). The negative trend in the competitiveness of South Africa relative to peer countries comes at the same time that the

contribution of SMEs to the South African economy appears to be falling (Productivity SA, 2019).
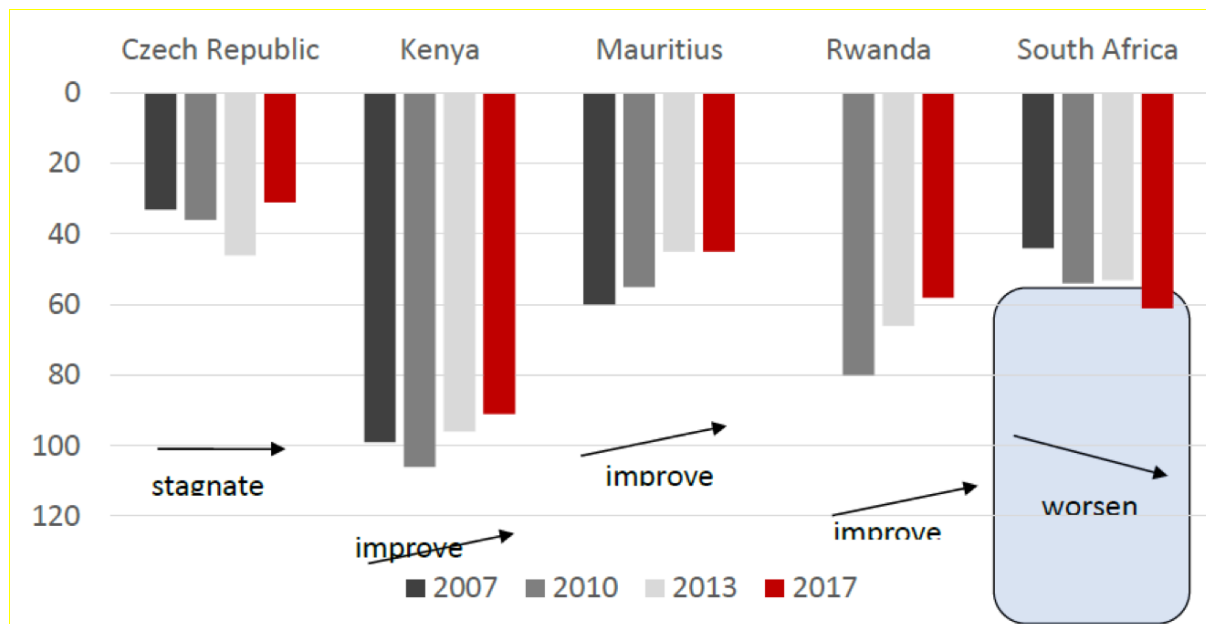
Figure 1. 2: Low economic growth and falling contributions of SMEs

Source: Adapted from World Economic Forum report (2019)

Small business growth frameworks are used to help support SMEs growth but are generally specific and not applicable to other developing countries due to different circumstances (Eei et al., 2012; Fitzgerald et al., 1991; Hanks et al., 1993). For example;

- Malaysian SMEs innovation-based development framework (SME Corp Malaysia report, 2017) may not be applicable to other developing countries due to different financial and economic circumstances underpinning their framework.
- The Results Determinant Framework (RDF) of Fitzgerald et al. (1991) is biased towards the business service sector and cannot easily be successfully applied to any other sector (not to mention another country).
- The business excellence model - European Foundation for Quality Management (2003). It is difficult and maybe impossible to measure some of their dimensions in an emerging market context (Neely et al., 2001). This is because developed market frameworks are generally not directly applicable to emerging markets, due to significantly different liquidity and other market depth differences.

The fact that the literature surveyed revealed that a simple, yet practical integrated conceptual framework for growing SA small business is not present, prompted research into a framework for understanding, describing and explaining how SA small businesses can contribute more to growth through better integrating with the public and private entities.

This study therefore seeks to shed light onto the key factors, principles, and pillars of a framework that may strengthen the relationship between financial institutions, government and SMEs in SA with the aim of improving SMEs growth.

As explained in section 1.2, SMEs play a paramount role in fostering economic development, especially in emerging economies, but accessing the much-needed help for their developmental and expansion requirements has always been the greatest challenge. The government, banks and large businesses perceive SMEs as risky borrowers due mainly to their informational opacity and high risk of failure.

In South Africa, there has been a severe mismatch between government investment in SMEs and the success rate of the SMEs. Governmental effort in ensuring the development of the SMEs sector has not produced meaningful results as the SMEs success rate continues to dwindle, which is a cause for concern. Therefore, there is a need to develop a support framework that would serve as one of the solutions to bridge the gap and necessitate the growth of SMEs. What needs to be done is to understand and explain the existing determinants or factors that support those SMEs that may have failed to access support under the existing frameworks.

Evidence abounds in the literature on the need for a SMEs support framework, which serves as a testimony that South Africa still lags behind the other emerging economies in terms of the level of entrepreneurship. In fact, the literature surveyed revealed that both the public and private sector need to come up with new ways of promoting entrepreneurship (Rogerson, 2017; van Staden, 2022; Madzimure & Abrahams, 2022).

However, the support given to SMEs should be done in a systematic way which requires some form of restructuring on the part of the SMEs as well as ensuring an enabling business environment that guarantees the success of the businesses. In addition, the government should create business support infrastructure and an efficient regulatory environment that would

promote the growth of SMEs. The underlying problem, as first alluded to in section 1.4 is the following:

There is a need for a framework that aims to address SMEs growth challenges and help bring a win-win situation where both government, banks and SMEs survival is taken into account in order to put the South African economy on a growth trajectory.

1.6 Motivation for study

The SMEs sector in South Africa has not received the much-needed support for a long time. While the potential opportunity of this large and growing SME sector is appealing, the higher risks and costs associated with funding this sector remain a deterrent for institutions (Booysens, 2011; Fatoki, 2014; Lose & Mapuranga, 2022). South African banks appear to struggle to serve SMEs as they treat business as a single market, and as such apply traditional lending methods that use collateral and traditional financing scorecards as a one-size-fits-all approach (Bureau of Economic Research, 2016). This approach is likely to be detrimental as it is prejudicial for the majority of SMEs (Fatoki, 2014; Ncube & Zondo, 2022).

Therefore, the SME sector has remained largely an untapped market opportunity for innovative financiers capable of developing new ways of supporting and addressing the challenges of this complex and expanding sector (Fin find report, 2017). The SMEs credit gap in South Africa ranges from R86 billion to R346 billion (Fin find report, 2017). Therefore, there is a need for the researcher to come up with a framework that could possibly resolve the perennial problem of access to finance by SMEs, amongst other growth challenges.

The support to SMEs is considered complex as it entails a number of diverse factors. The SME sector is a highly segmented market, varied in terms of geographic location, size of business and industry categorization (Booysens, 2011; Kachlami & Yazdanfar, 2016; Ezennia & Mutambara, 2022). For instance, the stage of growth of the SME impacts significantly on the perceived risk of lending. It is important to note that startups are the most affected in terms of securing adequate support in the formal business market (Fatoki, 2014). The high demand for SME funding seems attractive to funders but it appears to be mainly made up of startups that struggle to meet the credit risk requirements and that in turn dampens the investors' risk appetite (Ebiringa, 2011; Lose & Mapuranga, 2022). In this case only a few innovative, early-stage SMEs may qualify for financing and other forms of non-financial support from banks.

This opens the opportunity for new, innovative SMEs (albeit the minority) to utilize their support models to service the other less innovative SME sector.

SMEs financial and non-financial support in South Africa is relatively low compared to similar economies, with little growth witnessed in the last few years (Beck, Demirguc-Kunt & Martinez Peria, 2008b; Vuuren & Alemayehu, 2018). This is not the case with corporate support which has increased during the past five years. In terms of financial support, the commercial bank surveys by Berg and Fuchs (2013) in five Sub-Saharan African countries, reveals that the share of SME lending in the overall loan portfolios of banks varies between five and 20 percent. The survey data was collected from Kenya, Nigeria, Rwanda, South Africa, and Tanzania, to better understand their involvement with SMEs. It was noted that banks in Kenya, Rwanda, and even in Tanzania seem to be more involved with SMEs than banks in South Africa with a paltry 8% involvement (Table 1.2). This may be due to factors such as the structure and size of the economy and the extent of government borrowing, the degree of innovation in the financial sectors, and the state of the financial sector infrastructure and enabling environment (Berg & Fuchs, 2013; Lose & Mapuranga, 2022). This provides some basis to design a framework that supports SMEs growth.

Table 1. 2: Africa Bank involvement with SMEs

	Kenya	Nigeria	Rwanda	South Africa	Tanzania
SME's share of total bank lending	17.4%	5.0%	17.0%	8.0%	14.0%
Contribution of SMEs to banks' net income	20.5%	11.0%	20.0%	15.0%	16.0%
Percentage of revenues derived from Credit	68.0%	22.4%	71.0%	27.0%	73.0%
Deposit and Account management	12.7%	53.2%	11.4%	50.0%	12.0%
Other transactions and fee-based services	19.3%	24.4%	17.6%	23.0%	15.0%

Source: SME finance surveys. Data from Doing Business (2013).

South Africa has well-organized and regulated consumer credit record data which should make it easier for lenders to provide credit to individuals (Bureau of Economic Research, 2016). However, with business credit data, the case is different. There is a need to address the lack of an inclusive SME database that can be used to effectively assess the business risk.

1.7 Research Questions

The purpose of this study could be achieved by addressing the following research questions:

1. To what extent are banks and government involved in supporting SMEs.

2. What are the critical success factors in the growing of SMEs?

3. What are the main drivers of struggling small businesses?

4. What is the scope of a better or more integrated framework, considering the structures that are currently in place to support SMEs?

1.8 Research Aim and Objectives

Considering the growth challenges faced by SMEs in emerging economies, the following aim and objectives are envisaged.

1.8.1 Aim of Study

The main purpose of the study is to propose an integrated framework that can be used to better understand, and hopefully help improve, the growth of SMEs.

1.8.2 Specific Objectives

The specific objectives of the study are:

- To establish the extent to which banks and the government are involved in the support of SMEs.

- To determine the critical success factors in growing SMEs.

- To determine the main drivers of struggling small businesses.

- To determine the scope of a better or more integrated framework taking into account the structures currently in place for supporting SMEs

1.9 Rationale behind the Study

The study seeks to research an integrated framework that may be used to understand and hopefully help improve the growth of SMEs. Such a framework could make it easier for the government, private sector banks and other financial institutions to evaluate SMEs as objectively and efficiently as possible and provide the appropriate support. As noted earlier, SMEs need to be supported both financially and non-financially by banks, government and other stakeholders. This framework would improve SMEs access to finance, product markets, business knowledge and skills, thereby enhancing the development of entrepreneurial activity in any national economy. This would ultimately result in overall economic growth. The developed framework may not only be important for other emerging economies, interested in leveraging their SMEs for growth, but could also serve as a significant yet original contribution to the body of Finance and Economics knowledge at the UNISA School of Business Leadership.

1.9.1 Benefits of the Study

The development of a framework to better understand the growth of SMEs would not only benefit the SMEs , the participating banks, governments or the society at large in the emerging economies, but could contribute immensely to the body of knowledge at the UNISA School of Business leadership.

The other expected benefits are:

1) A systematic framework for SMEs that could provide guidance to SMEs owner/managers on how to better position their business to contribute meaningfully to economic growth.

2) Improved financial and non-financial support that better gears the SMEs for growing their businesses

3) A possible increased innovation in the provision of services to SMEs. For instance, financial institutions could design customized loan packages and other structured products for SMEs.

4) A possible surge in the way SMEs access, use and are assisted by technology.

5) A healthy increase in competition (or market) for small businesses financing in the financial services sector could be imminent.

6) The development of good policies that recognize the importance of small businesses and give incentives to encourage their growth.

1.10 Scope of the Study

Generally, SMEs in emerging economies are confronted with less developed financial services and poor distribution of capital that hinders the availability of major resources (Hitt et al., 2001; World Bank, 2014; Vuuren & Alemayehu, 2018). South Africa as an emerging economy provided adequate context for research. Given the intricacies and complexities around understanding the SME drivers underpinning economic growth, this research used a mixed methodology. A quantitative enquiry (SMEs survey) was conducted first followed by the qualitative enquiry (SMEs interviews) that was purposefully sampled. SMEs over the Gauteng, North-West and Kwazulu-Natal provinces were purposefully sampled and surveyed. The survey feedback was quantitatively analysed to establish the significance and degree to which

the data collected could be used for growth inference. The feedback was used to conduct interviews that were deployed to understand and contextualize the small business growth factors qualitatively. Secondary financial institutional data was quantitatively used to uncover and understand the relationship between financial institutions and growing SMEs.

Research has revealed that most of the Sub-Saharan African countries have large numbers of SMEs relative to the size of the economy, even though most of these are informal. In order to generalize and safely extend the proposed integrated framework, the study focused on SMEs larger than micro-companies that are part of the South African formal economy. The government entities were not physically surveyed in order to steer clear of any bureaucracy or governance issues that could adversely affect the small business inference. Moreover, the ones that are either indirectly involved with SMEs or are run relatively independently from the government (like the National treasury) were also considered to be out of scope. However, literature from government entities dealing with SMEs such as SEDA was readily available and carefully appraised. Not surveying government entities had the advantage that it allowed for analysis that was relatively free from political bias. In addition, the integrated framework was therefore expected to be based on credible facts rather than internal organizational noise associated with some public entities.

1.11 Study Limitations

Collecting information from owner/managers of SMEs on obtaining support, were subject to the following limitations:

- Time and resources were major constraints that hindered the researcher from thoroughly exploring all the aspects of research. For example, including other (albeit economically minor provinces – e.g. Eastern Cape)

- Obtaining accurate information from both financial institutions and SMEs was difficult considering that they might have wanted to maintain institutional confidentiality.

- The data collection process in some cases took longer than expected due to delayed responses. This limitation was mitigated since the researcher used the waiting time to study more literature and to prepare to contextualize the results.

- Some respondents could not respond to the questionnaire on time. Fortunately, these respondents were in the minority and were purposefully not selected for interviews.

Therefore, it was important for the researcher to mitigate these limiting factors as far as possible that might jeopardise the confidence in the results of the research. This was done by establishing good rapport and entering into ethical codes of conduct with the respondents to adhere to the tenets of information confidentiality. It was also important to assure respondents that the subsequent analysis of the gathered information was going to be done in aggregate to avoid linking the results to any participants, and that the research findings would be available any participant at the request.

1.12 Thought Leadership

The development of a suitable framework or a thinking regime which can be used by SMEs, banks and government in a developing country may be a reality through this study. The framework will guide the government, banks and private sector towards supporting SMEs on one hand and on the other hand encourage SMEs to review and plan for the future and thus survive for a longer time. Such survival is critical, especially in emerging economies where a large number of people are employed by SMEs (Asah *et al.*, 2015; Vuuren & Alemayehu, 2018). Indigenization, BBEE and other empowerment policies adopted by many developing countries has resulted in a surge in start-up businesses. Therefore, this framework or paradigm can be essential in ensuring survival of the SMEs.

The credit appraisal systems applied by banks in lending to SMEs could be greatly enhanced by the theoretical contribution of the thought leadership underpinning small business growth. Studies on SMEs in South Africa has been minuscule. The majority of research touches on the framework or thought leadership of the provision of financial and non-financial support to grow SMEs. The commonality of these studies is that they were done on developed financial markets (Altman & Sabato 2005; Saurina & Trucharte, 2004; Asah *et al.*, 2015; Isaga *et al*., 2015; Mboweni, 2022). There has been little, if any, in-depth research found into why SMEs in emerging economies continue to fail. This study seeks to address that knowledge gap. The study will also aim to provide a holistic view of the techniques used by banks and the government to support SMEs. It could also help explore the reasons why the government, banks and other stakeholders would prefer some techniques of appraisal over others. Furthermore,

the study may assist banks and the government in their endeavours to come up with efficient methods of supporting SMEs and to be more proactive in anticipating and mitigating growth challenges. The study may be of value to researchers and those in academia as a basis for future empirical and conceptual small business growth research. The study could also provide pertinent information to policy makers who include lead agencies, government and other players in the SMEs for policy making and planning.

1.12.1 Resilience of South African banks

South African banks have borne the brunt of criticism for a long time due to their possible failure to adequately address the SMEs credit problem. Most banks have now come on board and those that have been extending credit to SMEs, albeit on a lower scale, have shown greater resilience in the face of a challenging South African business environment. The traditional banks known for financing SMEs and offering other non-financial services include FNB, ABSA, and Standard bank, Nedbank, Capitec and Investec. These are the major South African banks with a widely diversified capital base and are well able to absorb the SME risks and constraints (outlined in section 2.6).

The analysis of this research hinges on the argument that a discrepancy exists between the prevalent conventional view in academic and policy circles and how banks are in practice interacting with SMEs. In fact, the arguments, first articulated by Berger and Udell (2006), have been corroborated by the evidence which specifically portrays a different pattern of bank involvement with SMEs. The effect of which is that all banks cater for both SMEs and large businesses and multiple-service banks enjoy economies of scale in offering a wide range of products and services on a large scale, through the use of new technologies, business models and risk management systems (Torre, Peria & Schmukler, 2012; Bvuma & Marnewick, 2022).

Lending is regarded as just one part of a larger overall package that banks provide to SMEs. Banks find SMEs profitable through offering an array of services that places cross-selling at the heart of the banks' SME business strategy. In effect, banks now provide an array of fee-based, non-lending products and financial services for SMEs. The increased availability of these products and services, has rendered the institutional environment relevant to credit contract writing and to enforcement being less of a constraint (Torre, Pería & Schmukler, 2012; Kuhlase, 2022).

If the banks developed and warehouse such a wide variety of small business products, why are small businesses still struggling?

1.13 Preliminary Methodology

The study was conducted in four parts. The first part involved a thorough and detailed literature review including the examination of the critical success factors which influence the growth of SMEs. The information assisted in making comparisons with information gathered from surveys and interviews in a bid to generate new knowledge.

The second phase underscored the importance of the data collected in the study. The study followed a sequential explanatory research design with the aim of developing a framework to understand and hopefully improve the growth of SMEs. The study allowed for improvement and the researcher could change position as new data and insights would emerge (Robson 2002; Saunders, Lewis & Thornhill, 2016).

A survey and semi-structured interviews were used to collect data from SMEs. The researcher sought permission to use SMEs databases from SEDA in Gauteng, Madibeng local Municipality in North West province and iLembe District Municipality in KZN. The information obtained from the databases was used to identify the 100 SMEs in Pretoria, Brits and Ballito respectively, from which consent was sought for their participation. In order to minimize operational costs, it was prudent to seek consent at the time when questionnaires were distributed. Those SMEs not willing to take part in the study were excluded. The survey purposively covered Pretoria, Brits and Ballito. The reason for such selection was that Pretoria (Gauteng) is predominantly urban while Brits (North West) and Ballito (KZN) have more rural areas. This selection provided a relatively diverse geographical scope for making national references.

The survey focused on all identified operating SMEs in the three provinces. Questionnaires were also administered to owner/managers of SMEs to solicit information on their growth aspirations and relationship with government and banks. The questionnaires were directed to owners or managers in the accounts/finance departments of the SMEs since they were considered more experienced and knowledgeable on the operations of the SMEs. The analysis and synthesis of data from banks and SMEs surveys was done using SPSS.

The third part of the study (Chapters 4 and 5) integrated the findings from literature, quantitative and qualitative analyses. The framework was presented in the final part of the study in chapter 6.

1.14 Organization of Study

This research is organised into six chapters:

Chapter 1: Introduction

Chapter one contains the introduction of the study, the background of the study, the purpose of the study, theoretical framework, the need for a framework, the problem statement, motivation for study, the research questions, the research aim and objectives, the rationale of the study, expected benefits of the study, scope of the study, limitations of the study, the contribution of study and methodology.

Chapter 2: Literature review

Chapter two provides a thorough and extensive analysis of the literature available on growth of SMEs. The section explores and examines why SMEs growth is a challenge to the government and banks. This could be achieved by unravelling conditions necessary for growth of SMEs and the definition of SMEs. Theories guiding this study were examined as well as the strengths and weaknesses of the common SMEs growth models or frameworks. The chapter concludes by discussing the critical success factors to SME growth.

Chapter 3: Methodology

The chapter focuses on the research design chosen and its justification. The population and sampling techniques, research instruments, the data collection and analysis procedure are addressed. The statistical analysis tools used are also indicated in this chapter.

Chapter 4: Quantitative data analysis

Data collected from the surveys done in the first part of the study is summarized and analysed in this chapter. Secondary research data from a bank survey is also analysed in this chapter. The findings are presented in the form of figures and tables. The analysis of data is done using SPSS version 20.

Chapter 5: Qualitative data analysis

Data collected from the interviews is summarized and analysed in this chapter. The findings are presented in the form of figures and tables.

Chapter 6: Conclusion and outlook

This chapter examines and discusses the findings thereby addressing the research problem. The result of the study in the form of a framework for understanding SMEs growth is laid out in this chapter. This chapter also provides a summary of major findings, draws conclusions and proposes recommendations as well as highlighting opportunities for future research.

1.15 Research Outputs

During the research the student was involved in the following output:

1. Joseph, A.D., & Tambandini, T. (2022). Towards a framework for growing small businesses in Africa. South African Journal of Business Management, 53(1), a3225. https://doi.org/10.4102/ sajbm.v53i1.3225
2. Performed a rigorous review and provided valuable insights in the six months preparatory stages leading up to the publication of the paper in an UNISA management accredited journal.

2: LITERATURE REVIEW

2.1 Introduction

The first chapter provided a synopsis of the study, highlighting the problem statement, research questions, research objectives, scope of the study and the research methodology applied. The chapter also articulated the value of SMEs in an economy and problems bedevilling the SMEs sector. The rationale of the study, benefits and limitations of the study, and a preliminary literature review as well as an outline of the contribution of the study to thought leadership were presented. As a baseline, the literature review tentatively touched on the conditions necessary for SMEs growth, the definition of SMEs, theories underpinning this study, analysis of current frameworks on SMEs growth, characteristics of SMEs, arguments for and against SMEs, key contributions of SMEs to economic growth and development and constraints to SMEs development. Subsequently, the literature review touched on the role of banks in supporting SMEs and the critical success factors to SMEs growth.

Suffice to say, the availability of financial and non-financial support is key to the success and growth of any business venture irrespective of its size. As highlighted earlier, few research articles have touched on frameworks for the supporting and growing of emerging market SMEs. What abounds in the literature is research on the financing and support of large enterprises and this cannot be equated to SMEs. It should also be noted that SMEs are unique with authentic characteristics that differentiate them completely from their large organisational counterparts. Most of the research done on SMEs support was done in the developed countries (Beck *et al*. 2005; Beck, Demirgüç-Kunt & Pería, 2008; Gibson & Van der Vaart, 2008; Tonge 2001; Abor & Quartey, 2010; Machado, 2016; Madzimure & Abrahams, 2022).

For a long time, the global economy has experienced considerable growth and development including that of South Africa due to the growth of SMEs (see e.g. Figure 2-2). Therefore, there is need for a paradigm shift in policy aimed at addressing SMEs challenges. There is no doubt amongst researchers and policy makers that SMEs have become the drivers of economic growth in any country. Their argument hinges on the well-established role SMEs play in creating job opportunities, their innovative nature as well as their significant contribution to the growth of an economy (Berg & Fuchs, 2013; Vuuren & Alemayehu, 2018; Dladla & Mutambara, 2022). Hence, the reason for consensus among researchers about the need to put in place progressive policies that will maximize the potential of the SME sector.

However, some policymakers and practitioners do not subscribe to the notion that SMEs have great potential to steer economic growth. They argue that the high failure rate that characterises SMEs renders them unreliable in terms of their contribution to the economy (Beck, Kunt & Levine 2005; Matekenya, 2022). Basically, there is inadequate evidence to give credence to the fact that SMEs significantly contribute to economic growth and this has resulted in lack of confidence in SMEs by some policy makers and researchers (Gibson & Van der Vaart 2008; Nickolas, 2019). This shows that there are two camps, those that believe in the potential of the SMEs and those that are sceptical. The following section focuses on the conditions necessary for the growth of SMEs.

2.2 Conditions necessary for the growth of SMEs

Fatás and Mihov (2017), proposed four conditions as necessary for the growth of SMEs within the country namely: innovation, initial conditions, investment and institutions. The conditions are depicted in Figure 2.1 below:
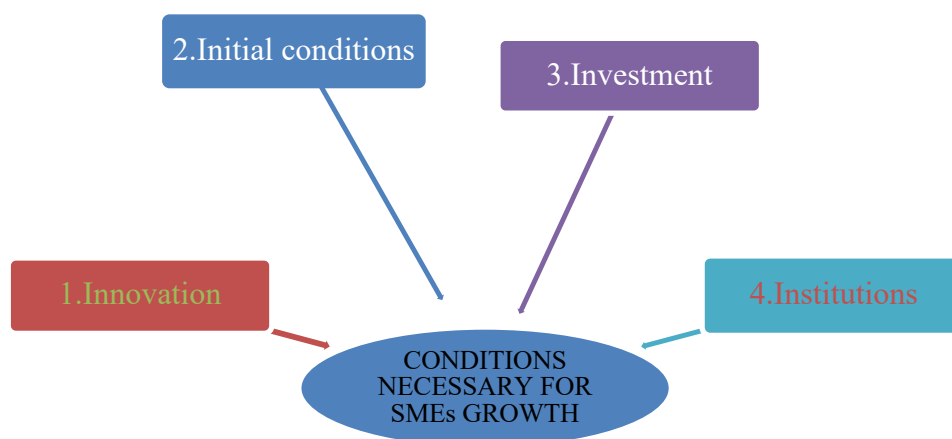
Figure 2 1: Building block factors affecting SMEs growth

Source: Fatás and Mihov (2017)

2.2.1 Innovation

According to McGuirk et al., (2015), innovation refers to the adoption of new ideas and application of new knowledge at a commercial level. Innovation has been acknowledged as a critical factor of business growth and productivity (Cosenz & Bivona, 2020). It is established

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in the literature that incentives to innovate – such as the respect of intellectual property rights – promotes the productivity growth in the country (Fatás & Mihov, 2017). The growth witnessed in the developed countries has been attributed to the availability of incentives to innovate. OECD economies have benefited a lot from innovations developed by commercial banks in servicing SMEs (UNCTAD, 2017). These innovations have not yet reached most developing economies due to infrastructure and capacity building constraints. Some of the innovations are;

- Prudent application of latest information technologies that reduces the cost of lending;
- Simplifying the lending process through streamlining the organisation;
- Developing products tailor-made to meet SME needs;

The recent launching of a university innovation fund in South Africa has been widely hailed. The fund is open to any of SA's universities, initially; University of Cape Town (UCT) and Stellenbosch University are the first beneficiaries (Moneyweb, 2019; Lose & Mapuranga, 2022). It should be noted that such a project is not new, what has been a major drawback previously was lack of capital. It must be said that university innovation offices are not new, but what limited them was access to ready capital. In 2018 Stellenbosch was the leading university in the registration of patents, followed by UCT (Gordhan, 2019).

Innovation capability is viewed as a key attribute in determining the success and survival of an enterprise (Baregheh, Rowley & Sambrook, 2009; Bulak *et al.*, 2016). It plays a critical role in ensuring enterprise growth and survival through competitive advantage (Al-Ansari, Pervan & Xu, 2013; Ncube & Zondo, 2022). Most studies have revealed that there is direct relationship between SMEs' growth and the extent of innovation (Keskin, 2006; Forsman & Temel, 2011; Kotey, 2014; Kuhlase, 2022). Freel (2000) argued that there is no correlation between SME growth and the level of innovation. He contended that new technologies must not be seen as solutions but rather be viewed as entities that exert pressure over users impacting on them differently in different social contexts. Notwithstanding the benefits of innovation regarding economic growth, it is critical to consider the social realities in which new technologies will be used and appreciate the social dynamics they may exacerbate such as inequality.

According to McGuirk et al., (2015) innovation production of a business *I* depends on the human capital and other three factors;

$$I = \alpha_1 C + \alpha_2 D + \alpha_3 R + \alpha_4 HC + \mu$$

with

α_1 the sensitivity to company specific attributes C that may affect their innovation,

α_2 the sensitivity to employee specific demographics, D

α_3 the sensitivity to the regional location of the company, R

α_4 the sensitivity to the human capital, HC and

μ the idiosyncratic term capturing the innovation variance not explained by the equation above

Diebolt and Hippe (2019) confirmed the linear dependency of the innovation production on the human capital (see equation above) using European regional data in an ordinary least squares regression. Their study revealed that human capital is in fact the driving force of innovation development in business.

Are all businesses with more human capital more innovative? Using Irish market data McGuirk et al., (2015) tested the hypothesis that small businesses who employ managers with innovative human capital are more likely to innovate. Significant deviations between company size and determinants of company-wide innovation were observed, contrary to the general claim that as the firm matures, human resource and innovation strategies increase in importance (OECD, 2016). McGuirk et al., (2015) did however find evidence that human capital is more valuable to smaller business (i.e., less than 50 employees).

Unconventionally, McGuirk et al., (2015) found that managers with higher levels of education do not necessarily contribute significantly to innovation production. This agrees with a German market study in which it was found that educated small business employees are not necessarily positively related to firms' probability to innovate (Schneider et al., 2012). These findings echo the fact that know-how is a critical factor of innovation production. Skills are not just about a qualification, but a way of problem solving and innovation.

What could this possibly mean for the growth of small businesses? Human capital is important for innovation production which in turn drive company financial returns and consequently investment returns. This is true, even though an increase in human capital in business do not

necessarily scale linearly with more educated employees. However, smaller businesses (less than 50 employees – see the annexure D) do have a significant likelihood of producing more innovation with more innovative human capital investment. So, if an investment in human capital (via labour growth) can be said to yield a positive financial return, then an investment in the innovation productivity (via human capital education) can be said to yield a stable positive financial return – especially in smaller businesses.

This study sought to propose a framework that could help policymakers to develop governance systems that are more responsive and adaptable to changing technologies in a bid to promote growth of SMEs that may ultimately result in overall economic growth.

An interesting phenomenon in the context of a growth framework element was found in the context of a Seta study done by Stiehler-Mulder and Mehlape (2021). Their study revealed that the retail businesses are not focused enough on technology and innovation (Jakuwosi, 2023). Even though the study showed that the larger retail businesses are not ready for a disruption in technology, inferring that the smaller retail business will even be further from ready is not implausible. See the pie chart on the readiness of retailers for the fourth industrial revolution (4IR) in figure 2.2.

Readiness of retailers for the fourth industrial revolution

- Have not explored 4IR.
- Are in the awareness stage
- Are at the experimental and proof of concept stage
- Are aligning their systems and integrating 4IR technologies into certain areas.
- Are at the scale-up and transformation stage
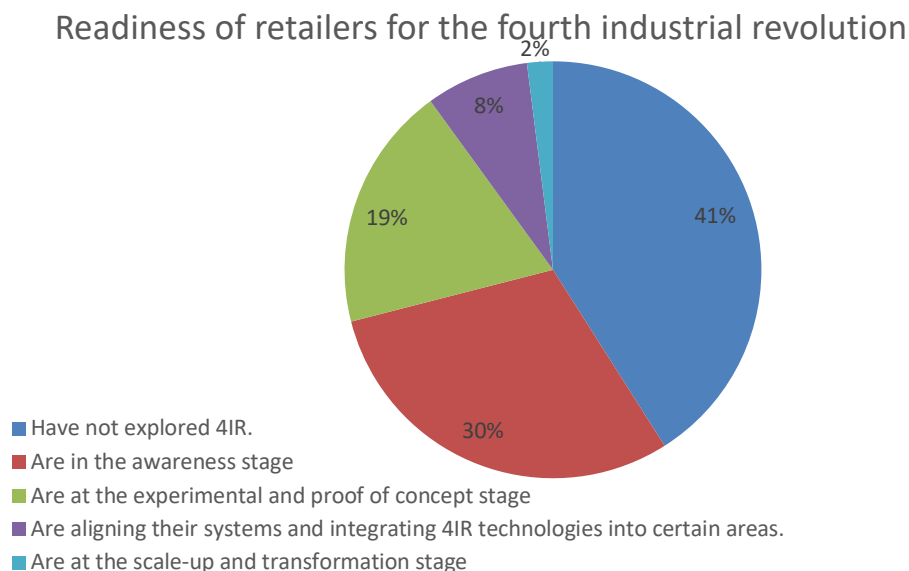
Figure 2 2: Retailers' preparedness to take up innovation and technology

Source: Own illustration based on (Stiehler-Mulder & Mehlape, 2021)

Figure 2.2 above depicts that 41% of the retailers have not explored 4IR yet while 30% are in the awareness stage, which means that they are researching 4IR in order to understand its benefits and limitations. Nineteen percent are at the experimental and proof of concept stage: they are researching, creating, and applying use-cases to test environments and 8% are aligning their systems and integrating 4IR technologies into certain areas. The study further shows that only 2% of the respondents are at the scale-up and transformation stage, such that they are working on pilot projects and deploying emerging technologies across their entire business. If the larger retailers are not ready for a technological disruption, smaller retail businesses are likely to be even further from being ready to embrace innovation and technology.

2.2.2 Initial conditions

According to Fatás and Mihov (2017), the level of development of a country gives an indication of how fast that country could grow economically. The researchers believe that initial conditions provide the potential for 'catching up'. For instance, a poor country with untapped resources has higher possibilities for copying and importing knowledge from developed countries leading to higher growth rate (African Development Bank, 2018). The fast-extensive growth will occur up to a certain point and start slowing down and only start to pick up if driven by innovation (ECD, 2017). The same sentiments are echoed by Hyun and Nanak (2004) who demonstrated that the trade-off between growth and inequality could best be described in terms of initial conditions of development and inequality in the country. The two researchers established that where there is a low initial level of economic growth that will lead to a subsequent increase in economic growth provided it does not result in an increase in inequality. More importantly, the researchers agreed that because of the declining nature of growth elasticity, economic growth with no change in inequality results in welfare improvement at an increasing rate. Global credit rating agencies play a critical role in assessing the conditions prevailing in an economy that has a bearing on economic growth.

These rating agencies assess the country's institutions, the credit risk of specific debt securities and the borrowing entities. In the bond market, a rating agency provides an independent evaluation of the creditworthiness of debt securities issued by governments and corporations. The South African government (Treasury) has engaged S&P's, Moody's, and Fitch over the past five years. South Africa is now in the junk status. In an interview by Adri Senekal de Wet

(2017), the former minister of Finance, Melusi Gigaba highlighted the following as the impact of an adverse rating by the rating agencies:

- SOCs financial flexibility will be severely constrained resulting in failure to honour existing debts.
- An increase in the cost of borrowing for the government and state-owned companies (SOCs). This would result in investors charging high-risk premiums on borrowings by government and SOCs. Thus, more money will go towards debt servicing at the expense of infrastructure spending.
- The government's budget will focus more on debt servicing at the expense of critical spending on health, infrastructure, education, social security services and housing, amongst others.
- Potential investors will shy away from investing (e.g. equities, bonds and foreign direct investments) in South Africa due to perceived high risk.
- The depreciation of the rand, will cause imports to become expensive, causing the prices of food and fuel to go up.
- The purchasing power of money deteriorates, thereby negatively affecting disposable incomes and the cost of necessities such as groceries, transport, and school fees would be out of reach for the majority of citizens.

In their previous rating, the rating agencies clearly pointed out that there is an urgent need for South Africa to address low economic growth and challenges of unemployment, poverty, and income inequality and skill shortages. Therefore, it should be noted that rating agencies could either positively or negatively affect the creditworthiness of a country.

2.2.3 Investment

Generally, investment can be viewed as buying equipment, building factories, improving education and healthcare, etc. As noted by Woodruff and Seidel (2019), improvements and increased investments in physical capital such as roadways, machinery and factories will reduce the cost and increase the efficiency of economic output. It should be noted that factories and equipment that are more modern and well-maintained are more productive than physical labour (Woodruff & Seidel, 2019). Apart from having physical investment, businesses should strive to invest in human capital, efficiency and technology which are increasingly becoming

important. Pettinger (2019) views investment as a component of aggregate demand that influences the rate of growth and the productive capacity of the economy. The importance of human capital in representing the entire wealth of an economy has long been part of financial economics, beginning with Roll's (1977) seminal work. In his work he focused in on the disagreement that the entire wealth of an economy is represented by the market portfolio. Roll (1977) claims that human capital, as an intangible asset with all the other assets in the economy, should be used to measure aggregate wealth. According to Diebolt and Hippe (2019), human capital only more recently emerged as a key factor for economic growth.

Palacious-Huerta (2003) and Lustig et. al., (2013) both agree empirically that human capital, *HC* is an integral part of the aggregate wealth of an economy. In fact, the ability of forecasting asset returns in an economy, increases when the non-tradable *HC* variable is considered (Bottazzi et. al., 1996; Shiller, 1995). Even though the *HC* is proxied by the growth rate of per capita labour income[2] (Jagannathan, et. al., 1998; Roy and Shijn, 2018), the impact of human capital on market return is not obvious or straightforward to understand. To obtain a theoretical appreciation of the dependency of the *HC* on the market return it is imperative that the market portfolio model be considered.

The Fama and French (1993) linear factor model postulates that the expected market return r on a portfolio;

$$r = R_f + \beta\left(R_m - R_f\right) + b_s SMB + b_v HML + \alpha \ldots \ldots (1)$$

with

R_f the risk-free rate. Proxied by the 91-day South African Treasury bill (Fatoki, 2014).
R_m is the market return. In South Africa this is the return on the FTSE/JSE Top40 index
SMB is the size effect. The historic excess returns of small over large cap stocks
HML is the value effect. It is defined as the high (book-to-market) minus the low (book-to-market) excess return stocks.

The coefficients β, b_s, b_v and α define the market beta, sensitivity of the portfolio return to the small vs big cap stock returns, sensitivity of the portfolio return to the value over growth stocks, and the idiosyncratic (unexplained) risks not captured by the model, respectively.

Even though equation (1) is a good first step into theoretically explaining the return variation, unfortunately it has not fared well empirically. In fact, the equation;

$$r = R_f + \beta\left(R_m - R_f\right) + b_s SMB + b_v HML + b_h LBR + \alpha \ldots.. (2)$$

With an extra term to equation (1); the human capital sensitivity, b_h to the labour growth, LBR, equation (2) has had much better empirical success.

Moreover, Jagannathan, et. al., (1998) and Roy and Shijin (2018) argue that a model similar to that in equation (2) better captures the expected portfolio returns. In fact, Jagannathan, et. al., (1998) tested an expression like equation (2) on the Japanese financial market and economic data and found that the extra labour-growth factor explains the cross section of average returns, rather well. Roy and Shijin (2018) empirically tested, on United States of America data, the impact of including the labour-growth factor in a six-factor model similar to equation (2). The labour-growth factor was found to be statistically significant in the model, and its inclusion resulted in empirically explaining the return variation with success.

There is therefore empirical recorded evidence that including the human capital (in terms of labour growth income) linearly (as in equation (2)) into an expected market portfolio return estimator is essential to fully explaining the returns.

What could the human capital market return dependency possibly mean for the growth of businesses? Business that has strong labour growth expectation, aspirations to growth in the Machado (2016) sense, have a much higher likelihood to contribute meaningfully towards the market returns. Moreover, business with strong labour growth expectations should possess good scalability plans. Conversely, a business with good plans of scaling will have reasonably sound labour growth expectations and be in a much better position to contribute positively to the stability of the financial market returns.

2.2.4 Institutions

The stability of institutions in a country plays a crucial role in driving investment. Countries with institutions that provide conditions conducive to business creation attract high investment rates and higher growth rates (Fatás & Mihov, 2017).

As noted by World Economic Forum (2019), institutions refer to a long list of factors that when combined determine the level of risk and return in a particular economic setup. The best way to ensure sound macroeconomic policies and political stability is to build institutions that create incentives for stability (OECD, 2017). Below are examples of institutions that constitute the environment of doing business:

- Legal institutions – focus on transparency, application of the rule of law and property rights etc.
- Political institutions – instils confidence in government policies and decision making.
- Social norms – have an influence on how income disparities will be resolved and possibly affecting policy variables such as social grants and tax rates.
- Economic institutions (e.g. independent Central bank) – focus on regulation, taxation, customs duties and procedures.
- Culture – attitudes to work, entrepreneurial spirit, risk taking behaviour, etc.

It should be noted that the environment for doing business plays a very important role as far as SMEs growth is concerned. As opposed to developing countries, developed economies have institutions of high quality as evidenced by the availability of robust policies that support reforms and economic growth (World Economic Forum, 2019). This has enabled these developed countries to continuously sustain their economic growth levels as it is easier for start-ups and SMEs to grow. Therefore, governments across nations are called upon to set up the right environments for businesses to thrive. Once this happens, individuals and firms will start investing more and growth will pick up. The following section now focuses on the definitions of SMEs.

2.3 Definition of SMEs

The definition of SMEs is different across countries, regional economic groupings, various industries and sectors of the economy (Berisha & Pula, 2015; Matekenya & Moyo, 2022) resulting in policy inconsistences in the design, implementation, coordination and evaluation

of SMEs (Gibson &Van der Vaart, 2008). According to the authors, there are many varied SME definitions such that a small business in one economy is sometimes described and viewed differently in another. In some cases, it may be considered a medium sized business or even a large one. In addition, the absence of a uniform SME definition makes the work of international development agencies in providing credit, finance and other forms of assistance non-trivial and sometimes even impossible (Asasen & Chuangcham 2003; Lose & Mapuranga, 2022; Nsom, 2023).

Different SMEs definitions have come from different countries, regional economic blocks and international multilateral institutions using the number of employees, total net assets, sales and investment levels (Ayyagari *et al.,* 2011; Bvuma & Marnewick, 2020). The authors focused on SMEs contribution to generating employment in 99 countries. Table 2.1 depicts the different criteria applied by the chosen countries in defining SMEs.

Table 2. 1: Criteria for defining SMEs in selected countries

Countries	Maximum number of employees	Maximum Sales (USD)	Maximum Loan Size (USD)
Bangladesh	150	-	-
Botswana	100	698 301	-
Kuwait	-	-	868 703
South Africa	**200**	**588 235**	-
Canada	499	43 700 000	4 374 069
Morocco	-	6 205 707	124 114
United Kingdom	250	35 500 000	-
Taiwan, China	200	2 420 099	-
Zambia	50	49 543	-

Source: Ardic *et al.* (2011)

The Bolton Committee of 1971 proposed a definition of SMEs that was agreed upon by European countries (Tonge 2001; Abor & Quartey, 2010; van Staden, 2022). The definition considers both the 'economic' and 'statistical' aspects. A business that has a relatively small market share and is run by owners in a personalized way is an SME as per economic definition. According to the statistical definition, there are basically three conditions that should be satisfied for a business to qualify as small. Firstly, it should qualify regarding its contribution to employment, GDP, innovation and exports. Secondly, the trend in the small businesses' economic contribution over time. Thirdly, SMEs in different countries are compared. Below in Table 2.2, the SME definitions are shown.

Table 2. 2: SMEs in the EU region

Sector	Definition
Retailing	Turnover of £50 000 or less
Construction	25 employees or less
Mining & quarrying	25 employees or less
Services	Turnover of £50 000 or less
Motor trades	Turnover of £100 000 or less
Wholesale trades	Turnover of £200 000 or less
Road transport	Five vehicles or less
Miscellaneous	Turnover of £50 000 or less
Manufacturing	200 employees or less
Catering	All excluding multiples and brewery-managed houses

Source: Adapted from Gibson & Van der Vaart (2008)

As shown in Table 2.2, the definitions of SMEs vary according to different sectors. The European Union uses different criteria to determine the smallness of a business in different sectors. As depicted in table 2.2, mining, quarrying and manufacturing sectors use the number of employees to determine the smallness of the business while the catering sector focuses on ownership and the services sector sales turnover. Transport businesses looks at the tangible assets such as number of vehicles (Tonge, 2001). The definition of SMEs may be based on the geographical region in which they are found (Serger & Hansson, 2004; Mbuya, 2022). The authors contend that different regions use the abovementioned parameters differently to classify SMEs.

The definitions adopted by different multilateral institutions (Gibson & Van der Vaart, 2008). See Table 2.3 below.

Table 2. 3: SME definitions used by multilateral institutions

Institution	Maximum No. of Employees	Max Revenues or Turn over($)	Maximum Assets ($)
ADB	50	(none)	(none)
WB	300	15000 000	15000 000
MIF – IADB	100	3000 000	(none)
Asian Development Bank	No official definition. Uses only definitions of individual national governments		
UNDP	200	(none)	(none)

Source: Gibson and Van der Vaart (2008)

Table 2.3 depicts glaring disparities in defining SMEs by the United Nations Development Programme (UNDP), the World Bank, and Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IADB). According to the World Bank's definition, SMEs are three times larger than the largest SME in terms of assets and turnover considering the MIF definition. The World Bank considers an SME as one with fulltime employees not exceeding three hundred, a maximum asset value of US$ 1.5 million and an annual turnover of US$1.5 million, while the MIF definition classifies an SMEs as a business with an annual sales of USD 300 000 and employing one hundred fulltime employees. The UNDP defines an SME as one with a maximum of two hundred employees without taking into account assets and annual

turnover. This clearly shows that there is no agreement amongst multinational institutions on what constitutes an SME.

Different geographically and economically diverse countries have their official SMEs definitions (Gibson & Van der Vaart, 2008). The different countries are ranked and listed according to their average gross national income per capita (PC-GNI), and the maximum employment of an SME as depicted in Table 2.4.

Table 2. 4: Official SMEs definitions of different countries

Country by PC – GNI	Maximum No. of Employees
Switzerland	250
Australia	200
Norway	100
Pakistan	50
Belarus	250
Egypt	50
Thailand	200
Peru	200
Moldova	250
Bangladesh	100
Malawi	50
Nicaragua	100
Vietnam	300
Ghana	100
Tanzania	20
Morocco	200
Brazil	100
South Africa	200

Source: Gibson and Van der Vaart (2008)

As shown on Table 2.4, it follows that what may be considered a medium or large business in an emerging economy may be a small business in a developed economy (Gibson &Van der Vaart, 2008; Mejri & Zouaoui, 2020). For example, SMEs in Vietnam are three times the size of the largest SME in Norway. This lack of consensus on what constitutes an SME further complicates the SME discourse, resulting in misapplication of resources (Gibson & Van der Vaart, 2008; Ncube & Zondo, 2022). Therefore, there is need for harmonization of SME

definitions for policy makers to accurately monitor and formulate consistent developed and developing economy policies (Ardic *et al.,* 2011; Kuhlase, 2022).

The most widely used framework in South Africa considers SMEs as any business with at most 200 employees, where between 50 and 200 are deemed medium sized and fewer than fifty workers are small. The SME are managed by the owners who oversee the day-to-day functions of the business with an annual turnover of R5 million. According to the National Small Business Amendment Act (29 of 2004) SMEs are classified according to sector or sub-sector to which they belong. The table below shows these classifications from sector to sector.

Table 2. 5: SME classifications in South Africa

Sector or sub-sector in accordance with the Standard Industrial Classification	Size or Class	Total full-time equivalent of paid employees Less than:	Total annual Turnover Less than:	Total gross Asset value (fixed property excluded) Less than:
Mining and quarrying	Medium	200	R300.00 m	R18.00 m
	Small	50	R7.50 m	R4.50 m
	Very small	20	R3.00 m	R1.80 m
	Micro	5	R0.15 m	R0.10 m
Agriculture	Medium	100	R4.00 m	R4.00 m
	Small	50	R2.00 m	R2.00 m
	Very small	10	R0.40 m	R0.40 m
	Micro	5	R0.15 m	R0.10 m
Manufacturing	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R3.75 m
	Very small	20	R4.00 m	R1.50 m
	Micro	5	R0.15 m	R0.10 m
Construction	Medium	200	R20.00 m	R4.00 m
	Small	50	R5.00 m	R1.00 m
	Very small	20	R2.00 m	R0.40 m
	Micro	5	R0.15 m	R0.10 m
Electricity, gas and water	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R3.75 m
	Very small	20	R4.00 m	R1.50 m
	Micro	5	R0.15 m	R0.10 m

Wholesale trade, commercial agents and allied services	Medium	100	R50.00 m	R8.00 m
	Small	10	R25.00 m	R4.00 m
	Very small	20	R5.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m
Retail and motor trade and repair services	Medium	100	R30.00 m	R5.00 m
	Small	50	R15.00 m	R2.50 m
	Very small	10	R3.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m
Catering, accommodation and other trade	Medium	100	R10.00 m	R8.00 m
	Small	50	R5.00 m	R4.00 m
	Very small	10	R1.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m
Finance and business services	Medium	100	R20.00 m	R4.00 m
	Small	50	R10.00 m	R2.00 m
	Very small	10	R2.00 m	R0.40 m
	Micro	5	R0.15 m	R0.10 m
Transport, storage and communications	Medium	100	R20.00 m	R5.00 m
	Small	50	R10.00 m	R2.50 m
	Very small	10	R2.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m
Community, social and personal services	Medium	100	R10.00 m	R5.00 m
	Small	50	R5.00 m	R2.50 m
	Very small	10	R1.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m

Source: National Small Business Amendment Act (29 of 2004)

The disparities in SMEs definitions discussed above portray variations and conflict among official definitions in different countries. International donor organizations have their own definitions which are greatly different from official national definitions. Such disparities may hamper development and execution of SME policy, leading to poor allocation of resources. Therefore, there is need for a universal, coherent SME definition by major multinational institutions for uniformity, proper formulation and execution of policies of the sector.

2.4 Theories underpinning this study

The theoretical framework of this study is underpinned on the modern growth theory and four other theories namely: the organizational theory, the finance gap theory, the resource dependency theory and stakeholder theory as depicted in figure 2.3 below:
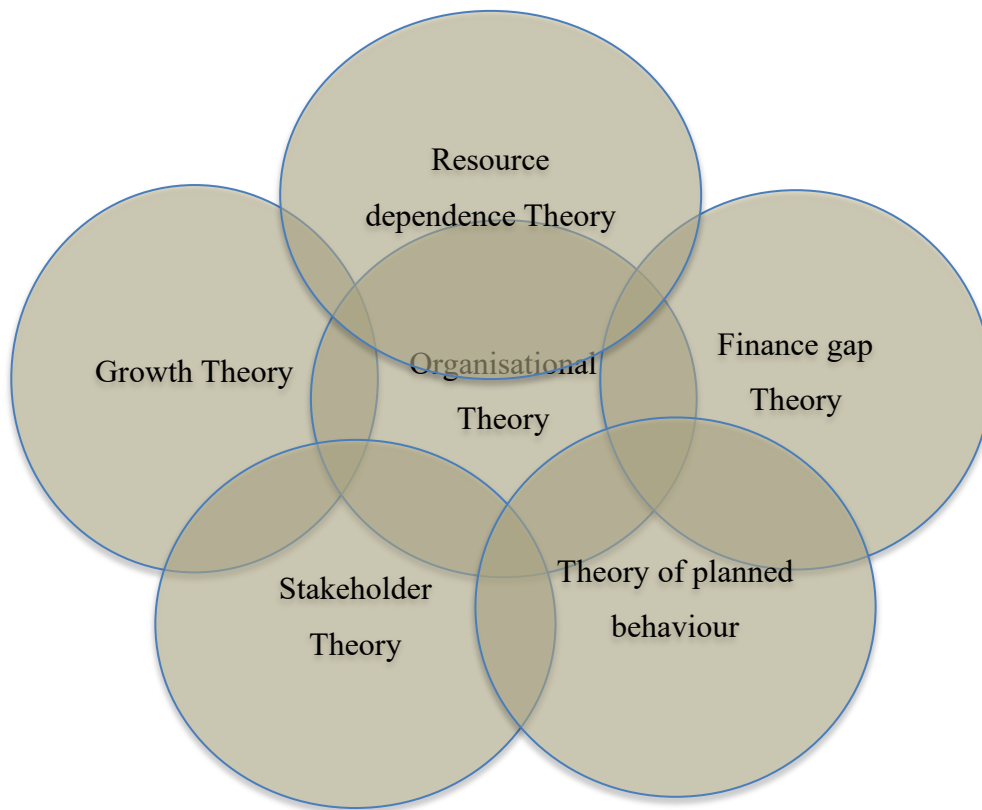
Figure 2 3: Theories underpinning the study

Source: Own source

Henri (2004) argued that it is more appropriate to use more than one theory, since a single theory may not capture the phenomenon under review. Therefore, the five theories may help the researcher in coming up with an integrated framework for the growth of SMEs in South Africa. Each of the five theories is explained in the next sections.

2.4.1 Modern growth theory

Historically, theories on economic growth have witnessed a paradigm shift. The earliest of the classical Ricardian ideas assumed economic growth to be synonymous with population growth. However, according to Dasgupta (2010), the theoretical foundation of the modern-day growth theory was laid down during the early half of the twentieth century. The modern growth theory is an important subject as a part of economic theory. It introduces the literature on growth and inequality and examines Charles Jones' views on growth economics. Charles Jones developed the theory of endogenous technological change, in which the search for new ideas by profit-maximizing entrepreneurs and researchers is at the heart of economic growth. Dasgupta (2010), modern growth theory examines key economic issues ranging from long-run growth to taxation policies for growth, growth and infrastructure and human capital formation. It should be noted that these economic issues highlighted in the growth theory are pertinent to the growth of the South African economy. As indicated in section 2.9, SMEs are confronted with a litany of constraints that retard their growth and development. Therefore, the financial and non-financial support and promotion of the growth of SMEs can be viewed as a panacea to the twin challenges of poverty and unemployment in South Africa.

The government has done little in terms of propping up growth in this sector, now viewed worldwide as the engine for economic growth. Banks and other credit providers have always been sceptical about financing SMEs due to their risky nature. Recently, the venture capital industry of South Africa has shown considerable interest in the SMEs sector despite being undercapitalized (money web, 2019). The government agencies involved in this sector have failed in their task of catalysing a vibrant start-up and SME culture in SA. Two new venture capital funds were launched in South Africa recently. The use of venture capital funds is one way in which the growth of SMEs can be propped up. Countries like Israel, Taiwan, and South Korea [and areas like] Silicon Valley are a success story due to SMEs support through venture capital industry (Money web, 2019). The researcher is of the view that it is not too late for South Africa to start the process of expanding the venture capital industry amongst other measures mentioned in section 2.11 in a bid to support the ever-increasing capital needs of the SMEs sector, and thereby steering economic growth. Therefore, it can be argued that the modern growth theory is relevant to the South African context and is compatible with the aspirations of it being a well-developed country following a sustainable growth pattern. The theory provides a framework for understanding how innovation, human capital, and supportive

institutions contribute to overall economic growth. SMEs, being dynamic and flexible, align with this framework as they often drive innovation, develop human capital, and benefit from growth-enhancing policies.

However, it has been recognized that some small firms are at variance with the growth aspirations of many as they might not aspire to grow in the very early stages of their firm's life (Hanks et al., 1993). Such decisions are made by owner-managers to restrict growth in a bid to avoid risk, uncertainty and many other problems associated with a large number of employees, sourcing investment capital, penetrating new markets and developing new products (McMahon, 1998). It is therefore important to note that only a few SMEs experience sustainable growth after start-up and become large enterprises.

In the light of modern growth theory, an integrated framework is expected to spearhead the sustainable growth of SMEs as enunciated in the modern growth theory. Furthermore, the understanding that comes with developing an integrated framework for growing small businesses, is paramount to establishing the robustness in addressing key components important for long term economic growth.

2.4.2 The organizational theory

This is an important theory that looks at an organisation being made up of individuals working together for a common purpose (McAuley, Duberley & Johnson, 2007). For instance, an SME is viewed as an organisation that comprises employees, managers and the owners who work together motivated by the desire to expand and make profit. The organizational theory focuses on understanding how organizations should function and be managed by considering their functions, structure, behaviour and performance (Pugh, 1984). The organizational theory is also premised on organizational behaviour, i.e., members' behaviour in organizational settings (Donaldson, 1996).

The assertion by the organizational theory that everyone in the organisation has a common goal is criticized (Donaldson, 1996; McAuley *et al.*, 2007). It should be noted however, that in an organisation setup, members may have goals that are at variance with organizational objectives (Pugh, 1984). McAuley *et al.* (2007) further argues that such conflicting goals reflect the different members' interests and needs. However, in considering SMEs, such a challenge may not occur as they are normally owner-managed with a small structure that makes it easy for the

employees to work together for a common objective. Lastly, the organizational theory is criticized for negating the influence of the external environment to the organization (McAuley *et al.*, 2007).

2.4.3 Finance gap theory

Bolton (1971), postulates that SMEs face two challenges; the supply gap and components-knowledge gap. The researcher points out that SMEs do not have adequate knowledge about available external sources of finance and once the sources are determined, satisfying the loan requirements from the external financier becomes a nightmare. In addition,, lenders do not understand the operations of SMEs (Bolton, 1971). The researcher further proposes that SMEs should strive to raise capital through personal savings, friends, and family members. But the reality of the matter is that SMEs operating costs exceed both their venture capital and sales value and as a result fail to maintain the business leading to eventual collapse (Chimucheka & Mandipaka, 2015). As asserted by many researchers, there exists a "financing gap" for SMEs but there is no commonly agreed definition of this gap. The term is basically used to mean that a sizeable share of economically significant SMEs cannot obtain financing from banks, capital markets or other suppliers of finance (OECD, 2017). Furthermore, it is often alleged that i) many entrepreneurs or SMEs that do not currently have access to finance would have the capability to use those funds productively if they were available; ii) but due to structural characteristics, the formal financial system does not provide finance to such entities.

2.4.4 Resource dependency theory

Closely affiliated to the finance gap theory is the resource dependency theory propounded by Pfeffer & Salancik (1978). The theory establishes the relationship between a firm and a set of stakeholders in the business environment and due to the economic problem of scarcity; the ability of the SMEs to access resources from other stakeholders in the business environment is of paramount importance. The theory further argues that scarcity pressurises SMEs to come up with new innovations that use alternative resources. According to Dunn (2008), the survival of SMEs depends on their ability to acquire, properly use and retain resources from the external business environment. As the theory suggests, there is real need for firms to determine and adjust their level of dependency from external stakeholders through alliances and joint ventures (Castellanos, Olivos, Flores & Sánchez-Partida, 2018). Guo and Acar (2005) interpreted the theory suggesting that SMEs also need to focus on both indirect and direct foreign markets to

minimize exposure to home market risks. In some cases, the home market tends to be less appealing due to high production costs and market saturation.

2.4.5 Stakeholder theory

The stakeholder theory proposes that a business should take into account the interests of all stakeholders (Freeman, 1984). Such groups include shareholders, employees, trade unions, government, customers, suppliers, communities and credit providers (Staughton & Johnston, 2005; Miles, 2012). As noted by Miles (2012), the definition of stakeholders is still hazy as there is no consensus on the exact meaning. However, literature emphasizes on the need for SMEs to have interdependent relationships with all stakeholders (Freeman, 2010; Yu, 2011; Hutchinson *et al.,* 2015). An integrated framework whose foundation is rooted in the stakeholder theory may result in the fulfilment of the interests of the SME's stakeholders thereby enhancing the growth of the SME. Therefore, the stakeholder theory may form the basis of the outcome of this study i.e., an innovative framework.

2.4.6 Theory of planned behaviour

The theory of planned behaviour was propounded by Ajzen (1991). The rationale behind this theory is that behaviour can be predicted with high accuracy based the attitudes and intentions towards certain actions. Therefore, with regard to entrepreneurs with intentions to grow their businesses, achievement of firm growth could be explained by their intentions for growth ((Hermans et al., 2012). Furthermore, in this theory, intentions have a central role:

> *"Intentions are assumed to capture the motivational factors that influence a behaviour; they are indications of how hard people are willing to try, of how much of an effort they are planning to exert in order to perform the behaviour. As a general rule, the stronger the intention to engage in a behaviour, the more likely should be its performance" (Ajzen, 1991, p. 181).*

This theory as noted by Hermans et al. (2012) is more appropriate for ambitious entrepreneurship, as growing a business requires commitment and sacrifice. In fact, it has been observed that entrepreneurs running new businesses have growth aspirations for their businesses.

The Theory of Planned Behaviour, assumes that a link between the growth intentions of the business owner, perception of behavioural control and actual firm growth exists. When this link becomes strong, growth behaviour occurs (i.e. firm growth).

2.5 A review of existing frameworks for SMEs growth

Literature reveals that a number of researches have been conducted on SMEs performance and growth. This section provides a summary of the existing frameworks and how they have contributed to the subject on SMEs growth for the period 1990 to 2016. It should be noted that there are many frameworks for SMEs growth but literature reveals that only a few of them have had a practical and effective impact.

Table 2.6 below depicts some SMEs growth frameworks. The researcher only focuses on frameworks which apply to SMEs. It should be noted that frameworks originally developed for large enterprises lay the basis from which most of the available frameworks for SMEs growth are derived (Taticchi *et al*, 2010). The table below highlights the strengths and weaknesses of the frameworks. Since the aim of this study is to develop an integrated framework for SMEs growth it is also important for the researcher to consider features that can be adopted from the existing frameworks.

Table 2. 6: Summary of frameworks for SMEs growth

Framework	Strengths	Weaknesses	Features to consider for current study
Stages of growth model(Hanks et al.,1993)	• Represents SME growth as a series of stages of development in the life-cycle of an enterprise. • The model is empirically based. • Provides guidance to managers of small enterprises in how to manage growth	• Due to the lack of longitudinal data, causality between the factors could not be comprehensively tested. • The estimated length of the time the organizations will stay in a phase is not mentioned	• Incorporate the growth phases of SMEs into the integrated framework.
Malaysian SMEs development framework (SME Corp Malaysia report, 2017)	• Focused on the following areas: innovation and technology, access to financing, market	• The framework may not be applicable to other developing countries due to	• Integration of business licensing and registration.

	access, human capital, legal and regulatory environment, and infrastructure	different circumstances.	• Developing a technology commercialization platform
	• Created a single registration point through interfacing of the current National business registration system.		• Emphasis on exports
			• Developing a catalyst programme that enhances SMEs growth
	• Established a national network of privately managed platform to promote innovative ideas from proof of concept to the commercialization.		• Inclusive innovation.
	• Provided early-stage financing through the establishment of investment companies to invest in potential SMEs in the form of debt, equity or a hybrid of both.		
	• Offer customized assistance to new exporters and SMEs venturing into new markets. Export-ready SMEs can avail to comprehensive assistance.		
	• Created home-grown champions through a targeted approach with support in the area of financing, market access and human capital development.		
	• Empower the bottom 40% of the income group to leverage on innovation through the transformation of rural community through handholding approach		

Results Determinant Framework (RDF) - Fitzgerald *et al.* (1991)	• Applies to services economic sector; • External and internal factors are the main focus area; • Also looks at financial and non-financial factors; • Measures business cycle indicators. But focuses mainly on lagging and leading indicators of business growth;	• The framework does not give examples of leading and lagging indicators • It is too broad and difficult to implement;	• Identification of SMEs growth indicators ; • Taking into account both financial and non-financial Business performance and growth; • Identification of critical success factors for SMEs growth;
The service-profit chain - Heskett, Jones, Loveman, Sasser, and Schlesinger (1994)	• Ideal for the services economic sector; • Focuses on the front office personnel and clients; • Relationship between profitability, customer loyalty, employee, satisfaction; and productivity is shown by way of cause-effect	• There are no implementation guidelines (Taticchi & Balachandran, 2008).	• For retail SMEs emphasis can be placed on front office employees and clients; • Attempts to show a cause-effect relationship between financial and non-financial measures.
The business excellence model - European Foundation for Quality Management (2003)	• Emphasizes on the five enablers of performance improvement, i.e., resources, leadership, people management, policy and strategy and processes (Neely, 2007); • The performance results take into account impact on society, people satisfaction, business growth and customer satisfaction; • Other stakeholders that include employees, customers, community, partners, suppliers, and	• Competitors are not included the in-stakeholder group; • It is difficult to measure some of their dimensions.	• Takes into account the SMEs critical success factors such as availability of resources, owner/manager commitment, employee commitment and efficient business processes; • Takes into account the SMEs' stakeholders; • Non-financial and financial variables are considered.

	government are considered.		
The action-profit linkage model - Epstein and Westbrook (2001)	• Considers endogenous factors that affects overall company profitability and growth; • Considers measurement of critical success of business success and profit; • Focuses on identification of causal links between success factors of profitability and growth; • Focuses on the core functions of the business: delivered product/service, economic impact, company actions and customer actions.	• No proper implementation guideline; • The efficacy of the model has not been tested.	• Identification of costs and revenue generating activities; • Focuses on critical success factors; • Determining the relationships between critical success factors
The performance, development, growth benchmarking system - St-Pierre and Delisle (2006	• The focus is on SMEs; • Considers business growth and performance exclusively from a benchmarking perspective.	• Mainly concerned with benchmarking at the expense of other factors that influence enterprise growth.	• Business growth and performance is benchmarked with internally and externally set yardstick.
Integrated framework for SME Performance Measurement and Management Design - (Taticchi et al., 2008)	• Key business processes, activities, and critical success factors are identified. • Suggests for benchmarking of business growth and performance with that of competitors. • Provides implementation guidelines review of the system	• What constitutes the five sub-systems is not clearly spelt out making it difficult to design the framework.	• Retail sector SMEs growth success factors • Key indicators for business performance and growth.

| Computer-based performance measurement in SMEs - (Kueng *et al.*, 2000 | • Focuses on both financial and non-financial support measures.

• This is a ready to use SMEs computer software package.

• Can be tailor made to meet specific needs of each SME. | • Most SMEs may find it difficult to get up-to-date information technology infrastructure due to the high costs involved. | • Proposal of an integrated framework which makes use of simple technology. .

• Takes into account financial and non-financial support measures.

• Custom made to meet the specific needs of SMEs. |

It should be noted that the integrated framework proposed in this study sought to circumvent the weaknesses highlighted in the table above and strive to capitalize on the identified strengths.

In addition to the weaknesses highlighted above, the current SME growth frameworks lack theoretical explicitness and give scant information on business growth from SMEs to large businesses. The shifts from small business to large businesses as shown in the models are at best implied. This study therefore seeks to address that gap by proposing an integrated framework that can benefit SMEs by transforming them into viable, successful and sustainable businesses leading to economic growth. The framework will take into account critical success factors that will allow SMEs to have access to finance, build up production capability, have access to best practice in all aspects of business (technology, management, product development, manufacturing processes, etc.) and have indirect access to the global market. The proposed framework will be available to be used by SMEs managers, policymakers in government, banks and other stakeholders. However, having a good framework in place and receiving the necessary support does not guarantee success or growth for the SMEs. It is important for the SMEs managers to put in place good organizational structures and human resource development programs. Thus, the growth of SMEs should be seen as a process hinged on their competencies.

2.6 Characteristics of SMEs

According to Vinberg (2006), SMEs share similar characteristics with large enterprises in terms of organizational and behavioural attributes. However, as compared to large enterprises, SMEs:

- can easily adapt to dynamic market conditions due to their flexibility
- have poor recruitment strategies, mostly employing unskilled and inexperienced personnel.

- do not effectively utilize business plans
- owner/managers lack management skills
- depend on short- to medium-term plans.
- are slow in their uptake of technology and often fail to seize opportunities due to lack of lack technological expertise.
- are reluctant to interact and share business information with other businesses
- do not invest much on information technology
- rely more on internal relations, as well as relationships between management and customers
- lack networking skills
- show a strong drive for independence

According to Kuhlase (2022), innovation, evolution and environmental uncertainty are the three distinguishing features that differentiate SMEs from large enterprises. With regard to innovation, SMEs seem to take the lead compared to larger firms. This could be due to their size and flexible structures. However, Acs *et al., (*1999) argues that the contribution of SMEs innovations to productivity lags behind that of larger firms because the larger firms usually have more resources to adopt and implement them. As noted by Ezennia and Mutambara (2022), SMEs are prone to environmental uncertainty due to inadequate resources, failure to quickly adapt to changing environments and poor planning for the changes. Therefore, it can be argued that the SMEs sector is a unique sector requiring unique policies to steer their growth, yet policy makers are at a crossroads about whether to prioritise SMEs more than large enterprises.

2.7 The arguments for and against pro-SMEs policies

The development of SMEs has become a topical issue in policy debates, and many economies and governments are seized with it to promote economic growth (Feeney & Riding, 1997; Vuuren & Alemayehu, 2018). Now, policy makers and practitioners seem to have shifted their focus from large enterprises to SMEs as the backbone of economies contributing more to economic growth and job creation. It can be envisaged that the promotion of SMEs sector will transform the sector into a growth engine; ideally suited to address key development challenges of poverty, unemployment and income inequality that is hampering prospective overall economic growth in South Africa (Tustin, 2011; Morlai, 2019; Dladla & Mutambara, 2022).

That is why there is so much advocacy from academics and policy makers calling for intervention policy measures to promote SMEs growth (Eeden, Viviers & Venter, 2003; Mahadea & Pillay, 2008; Vuuren & Alemayehu, 2018).

Many opposing views have emerged questioning the capability of SMEs to be the panacea for the problems of job creation, poverty alleviation and slow economic growth. Such opposing views have resulted in an ongoing, complex and unresolved debate. A lot of diversified theories debating the role of SMEs have emerged (Luetkenhorst, 2004; Bushe, 2019).

There is no substantial data to support the view that SMEs boost the economy more than large enterprises because they are efficient (Beck, Kunt & Levine, 2005; Madzimure & Abrahams, 2022). A study by Beck et al., (2005), involving a sample of 45 developed and developing countries, revealed that there is no satisfactory evidence of the existence of direct relationship between SME contribution and economic growth.

Furthermore, there are critics opposed to policies advocating for the support given to SMEs by governments and international donor agencies (Beck *et al.,* 2005). Their argument is based on the fact that SMEs are not labour intensive and therefore would not make sense to invest too much in the sector. Chandra, Moorty, Nganou, Rajaratnam and Schaefer (2001), in their study of constraints facing South African SMEs, revealed an aggregate of 7% job loss in SMEs between 1997 and 1999 (Žampa, 2016; Dladla & Mutambara, 2022). Therefore, the ability of SMEs to create and sustain jobs and incomes in the long run becomes questionable (Chandra *et al*., 2001; Hallberg, 2015). Mueller, Van Stel and Storey (2008) shared the same sentiments. In their study on the role of SMEs in Scotland and Wales, an inverse correlation between SME formation and employment creation was revealed, in fact, Mueller, Van Stel and Storey (2008), using a smoothed lag structure, suggested that new business formation creates employment in the first five years of formation and the negative effect creeps in thereafter.

In addition to that, sceptics of SMEs further argue that due to their stability and ability to offer good quality jobs, large businesses reduce poverty more efficiently than SMEs. The argument is supported by Dladla and Mutambara (2022), who noted that unlike large businesses, SMEs jobs are less efficient, less secure and lowly remunerated. Therefore, the ability of SMEs to pay employees' salaries above the poverty datum line becomes questionable. However, according to the author, SMEs can be helpful in alleviating poverty but the quality of

employment is poor. Several employees work for SMEs, because of lack of other job alternatives (Reinecke, 2002; Dladla & Mutambara, 2022).

Another compelling argument against supporting SMEs financially points out that, SMEs that are given more financial support tend to become more inefficient (Žampa, 2016; Hallberg, 2015; Mboweni, 2022). The SMEs are financially supported by the government credit access at low or zero interest rates, tax concessions, free land accessibility, priority in government tenders, technical and managerial support. Such support is highest when the SMEs are at starter level and gradually declines when they show growth in order to discourage dependency. However, it has been noted that the fundamental objective of increasing SMEs access to finances through directed and subsidized credit programs has not been achieved (World Bank, 2014; Gebremichael, 2015; Lose & Mapuranga, 2022) as subsidies to SMEs retard the development of sustainable financial institutions and often engender a "non-compliance culture" among SMEs (Beck *et al.,*2005). It should also be noted that credit subsidies discourage firms from using non-credit forms of financing thereby creating distortions in the financial markets (Hallberg, 2015; Žampa, 2016; Lose & Mapuranga, 2022).

The sceptics' contention is that financial resources should be used by governments to create an enabling business environment rather than to promote SMEs. Therefore, the policy makers should seek to address problems affecting businesses in general, which include effective contract regulations, barriers to entry and exit, as well as a friendly regulatory environment. The GEM report (2022) revealed that attitudes toward starting a business in South Africa are not very favourable. South Africans ranked lower in terms of their perception of good opportunities of business, as well as their own capabilities compared to other sub-Saharan nations.The Black Umbrella organisation has a programme aimed at fostering entrepreneurship as a desirable economic route, and nurturing SMEs in the critical first three years of their existence through the provision of nationwide incubators (Matekenya, 2022; van Staden, 2022). There is mutual co-operation between the government, civil society and the private sector to ensure that the correct resources, skills development, mentoring and access to markets are in place to support the development of SMEs at all levels. Through the Department of Trade and Industry (DTI) the Government also has an Incubation Support Programme (ISP). The smaller businesses under incubation are linked to established businesses thereby increasing the economic opportunities that arise through enterprise development. Through commitment and hard work, successful SMEs eventually graduate from the programme to become independent

and viable businesses. As noted by Maye (2013), the desired effects of the business incubators have not come to fruition. The number of business incubators has drastically increased over the past five years to ten years, however, this has not been matched with a corresponding increase in the growth and survival of SMEs as their failure rate remains persistently high (Lose & Kapondoro, 2020; Herrington & Coduras, 2019).But it is worth noting that the programme is a good initiative, though it is still operated in a haphazard manner, calling on the government and other stakeholders to put more investment in the programme (Maye, 2013; Gem, 2013, Hallberg, 2015; Ezennia & Mutambara, 2022).

The high SMEs failure rate posed significant challenges amongst the Chinese enterprises (Poutziouris, Wang &Chan, 2002), thus raising questions on the rationale of pro-SME policies. The authors argued that most SMEs operate in the services sector with limited impact infrastructure growth and an uplift of the competitiveness of the economy. This is the same scenario with South African Economy. As revealed by Productivity SA (2019), the South African economy declined in terms of global competitiveness from its previous ranking in 2018 with major challenges for 2019 cited as:

- Low economic growth and falling contributions of SMEs
- High and increasing unemployment, especially youth unemployment
- Failure of state-owned enterprises and uncovering of corruption

Figure 2.4 below shows that SA's relative position has worsened and scores have deteriorated over the last few years and that trend seem to be continuing. Kenya, Rwanda, Mauritius and other countries are placing us under pressure as they are catching up in terms of competitiveness (WEF report, 2019).
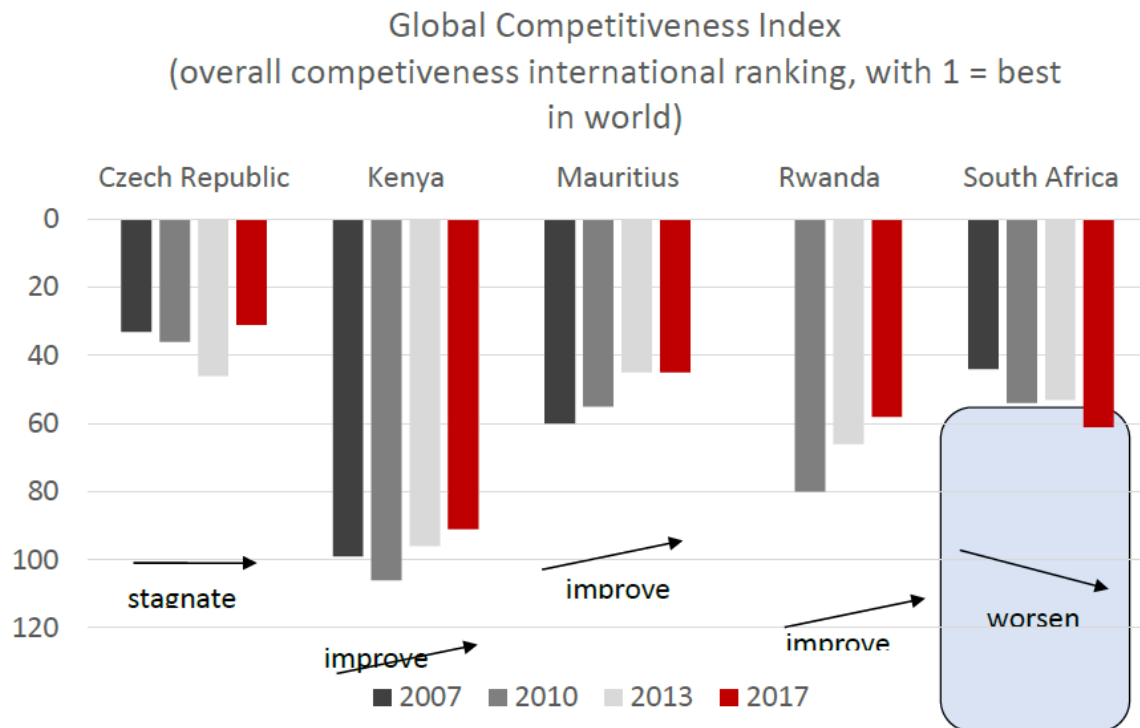
Figure 2 4: Overall competitiveness international ranking

Source: Adapted from WEF report (2019)

It is the responsibility of the government to implement a strategy for improving competitiveness of the economy by supporting both large businesses and SMEs through training, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkage promotion (Unctad, 2017). Regarding failure of SMEs, the sceptics further argued that the absence of barriers in the SMEs sector markets make long-term planning by policy makers difficult and the determination of their long-term contribution to the economy becomes even more difficult.

Proponents of pro-SME policy believe that SMEs engender competition and an entrepreneurial spirit, resulting in improved efficiency, innovation, and ultimately growth in productivity (Moreau, 2010; Berg & Fuchs, 2013; Matekenya, 2022). They also believe that given the necessary support by governments and other development agencies, SMEs can contribute more to economic growth and development. They also believe that SMEs are labour-intensive, therefore subsidizing them, results in a positive effect to the economy and future employment prospects.

A study about SMEs in Malaysia pointed to a very good picture about SMEs sector's contribution to economic development and growth and its role in the rapid industrial expansion of the Malaysian economy (Muhammad, Char, Yasoa & Hassan, 2010; Malaysian SMEs development framework, 2017). This view has been shared by many researchers including Dladla and Mutambara (2022) who contended that SMEs immensely contribute to employment, innovation and export income generation on a global scale. SMEs are also considered as seedbeds for future large businesses and stimulate both domestic and global competition.

Kuhlase (2022) posits that SMEs can be viewed as agents of structural change, whose support result in a reduction in marginalization and income disparities and resultantly economic development. Dladla and Mutambara (2022) concur that SMEs play a major role in economies, as it is the source of income for survival by low-income households. Therefore, there is need to develop a vibrant SMEs in order to achieve national economic growth and development.

2.8 Key contributions of SMEs to the economy

There are many contrasting views concerning SMEs dynamic contribution to economies worldwide. SMEs contribute significantly in terms of alleviating poverty as they generate employment (Vuuren & Alemayehu, 2018). Therefore, addressing the challenges SMEs face will unleash their great potential in enhancing productivity and competitiveness in the economy (Kurokawa, Tembo & Te Velde, 2008; Vuuren & Alemayehu, 2018). Zhao (2010) argues in favour of SMEs' ability to generate exports earnings in agreement with Moreau (2010) and Subramanian, Mathirajan & Krishanaswamy (2010) who believe in SMEs' role in innovation and entrepreneurship. Dladla and Mutambara (2022) believe that SMEs play a paramount role in addressing the socio-economic challenges of unemployment low economic growth and lack of entrepreneurship. Dladla and Mutambara (2022) further contend that in emerging economies SMEs contribute approximately 70% of GDP and 95% of total employment, while they contribute about 60% of GDP and over 70% of total employment in low-income countries.

The following section discusses the SMEs' contribution to the main economic fundamentals highlighted above: employment, Gross Domestic Product (GDP), innovation, exports and others.

2.8.1 The role of SMEs in employment creation

Several researchers provided evidence that SMEs have the potential to create jobs in the economies of different countries. In South Africa, for example SMEs contributes 40% to employment (Owusu-Ampomah, 2010; World Bank; 2014; Dladla & Mutambara, 2022). This has been supported by Kongolo (2010) who, despite lamenting the lack of financial and non-financial support to SMEs, maintains the SMEs sector plays a paramount role in the economy. Even in other countries such as China, New Zealand and USA (Kongolo, 2010; Vuuren & Alemayehu, 2018) the contribution of SMEs in creating employment is well articulated.

Kongolo (2010) further revealed that the secret behind other developing countries like China's rapid economic development is its robust SMEs sector. Interestingly, the author also lays bare how SMEs have boosted economies like the New Zealand and USA. For instance, in the US economy, the SMEs absorb half of the workforce. In New Zealand, the SMEs sector accounts for 96% of all enterprises. The SMEs sector is a major player in the economic transformation of the country as recognized by the New Zealand government (Kongolo, 2010; Freeman, 2015; Bvuma & Marnewick, 2020). Economies worldwide have been severely affected by COVID-19. For instance, the youth unemployment rate has risen to unprecedented levels. As shown on figure below, the South African youth unemployment rate has reached an alarming level of 63% being the highest in the world.
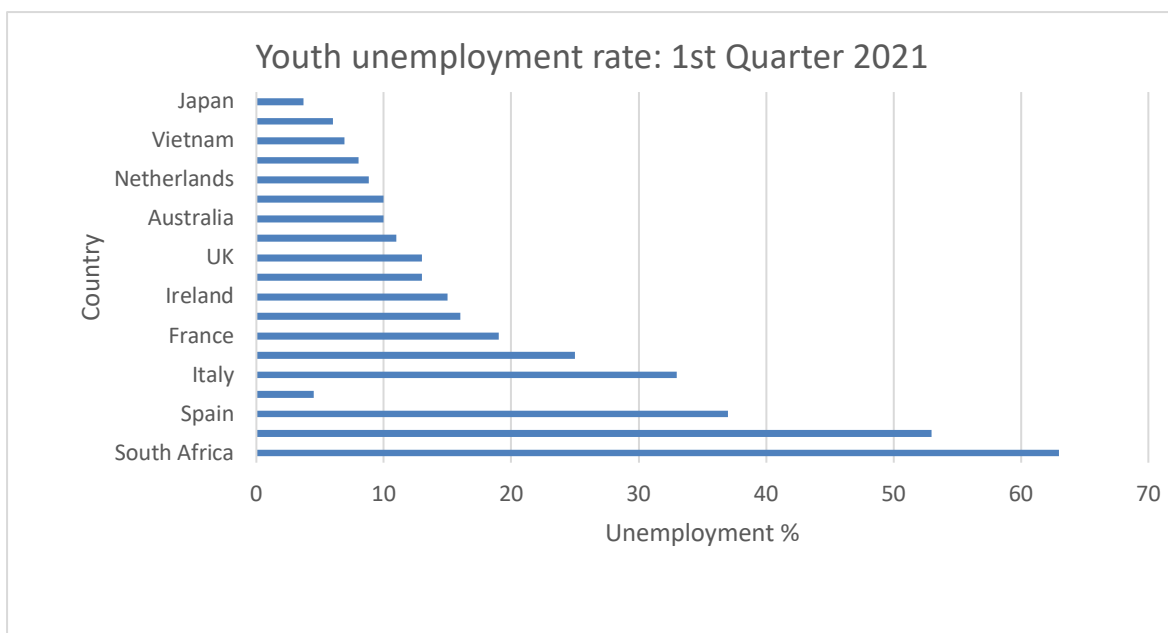
Figure 2 5: Youth unemployment rate (Source: OECD, 2021)

The South African government seeks to considerably reduce youth unemployment by undertaking concerted effort in promoting the growth and sustainability of SMEs.

2.8.2 SMEs and productivity contribution

SMEs boost the productive capacity of various countries as evidenced by research done in those countries. One such study was done by Eei *et al* (2012) which revealed a steady increase in Malaysian SMEs' contribution to the total GDP over the past 10 years. The SMEs in Ghana and South Africa (SA), make a huge contribution to the countries' GDP through manufacturing goods and service provision (Abor & Quartey, 2010; World Bank, 2014; Freeman, 2015; Bvuma & Marnewick, 2020). The author further reveals that SMEs in SA contribute between 52%and 57% of the GDP while those in Ghana contribute about 70% of the country's GDP. Such percentages bear testimony to the importance of SMEs in an economy.

2.8.3 SME role in innovation and entrepreneurship

Entrepreneurship is now at the core of the development of any nation. Despite having limited contribution to research and development, as shown in previous research, SMEs are at the core of innovative activities and can easily adapt existing products to their customers' needs (Harvie, 2004; Hashi & Krasniqi, 2011; Ajilore & Fatunbi, 2018), especially in young and concentrated industries such as digital technologies (Luetkenhorst, 2004). In related research done by Subrahmanya *et al.,* (2010) in India, innovators witnessed considerably higher growth rates compared to non-innovators in areas such as investment, employment and sales turnover (O'Dwyer, Gilmore & Carson, 2009; Leavy, 2010; Ajilore & Fatunbi, 2018, Cosenz & Bivona, 2020). Therefore, the study proved that there is a direct relationship between innovation and firm growth.

2.8.4 SMEs and export contribution

For a long time, SMEs have been known for their important role in boosting export revenues of a country. A paper presented by the OECD (2015), supports the idea that SMEs considerable revenues through exports. The paper further revealed that African countries are still lagging behind East Asian economies in terms of exports of manufactured goods. Asian SMEs contribute about 35% in direct exports and 50% in indirect exports. This clearly shows that Asian SMEs have an international flair as they significantly contribute to export revenues. It is important for governments to come up with export promotion policies earmarked for SMEs

(OECD, 2015; Mboweni, 2022). This will help them build a strong capital base (Ishengoma & Kappel, 2008; Matekenya, 2022) and modern plant and machinery. As a result, product quality would be enhanced as well as showing improvement in capacity utilization.

2.9 Constraints to SMEs growth

The arguments above paint a good picture on the contribution of SMEs to job creation, productivity, innovation, entrepreneurship and export earnings in SA and other developing countries. It is envisaged that given the necessary support, SMEs can grow into large businesses irrespective of the varied and numerous challenges they face. South Africa historically experienced an alarming SMEs failure rate ranging between 70 and 80% (Eeden *et* al. 2003; Brink, Cant & Ligthelm, 2003; World Bank, 2014; Gebremichael, 2015; Ncube & Zondo, 2022). The table below gives summary of the constraints facing SMEs in SA and other developing countries.

Table 2. 7: Summary of constraints facing SMEs

HUMAN RESOURCES PROBLEMS	FINANCIAL PROBLEMS
Failure to attract and recruit qualified employees Inadequate staff training Low productivity Poor staff planning Poor labour laws Lack of information to access suitable staff	High capital requirements. Inefficient and complicated tax systems Shortage of initial investment capital Failure to come up business plans and financial statements Limited access to working capital Lack of knowledge on in accounting, bookkeeping and general management Financial indiscipline
MANAGEMENT SKILLS PROBLEMS	**POLICY, REGULATIONS AND LAWS CONSTRAINTS**
Poor education Unwillingness to learn and share Lack of commitment Failure to keep pace with changes in the business environment Lack of appreciation of management fundamentals Inadequate training and lack of management experience Lack of management consulting and business advisory services Failure to come up with business plans and lack of knowledge in strategic planning **MARKETING PROBLEMS** Poor product and service quality Poor facilities for proper handling, packaging and storage of products Failure to come up with realistic and good marketing strategies Stifling competition from international global business players Poor marketing research skills Failure to formulate and execute marketing and strategic marketing plans Local currency not competitive Poor business location	Too many registration requirements to start a business Restrictive and prohibitive laws High rates corruption and crime SME policy matters not well coordinated and communicated between government departments Weak support institutions

Failure to penetrate both domestic and international markets Exchange rate volatility	
PRODUCTION AND TECHNOLOGY PROBLEMS Lack of quality control systems Low ICT adoption rate Failure to keep abreast with new technology and equipment Compromised product quality Lack of technical and consulting services Productive inefficiency Inadequate ICT knowledge Lack of production plans	**INFRASTRUCTURE CONSTRAINTS** High costs of transport and communication Inadequate provision of public infrastructure and services Poor state of transport and communication networks

Source: Adapted from Abor & Quartey (2010)

The problems highlighted in table 2.7 above can be regarded as the risks underlying SME funding or stimulating growth. It can be envisaged that understanding the risks well will result in one getting closer to managing it (Mutezo, 2013; IOSCO, 2014; Ezennia & Mutambara, 2022). Therefore, a good understanding of the underlying SME risks (critical success factors) by banks, SMEs, government and other stakeholders are one key mitigating factor.

2.10 The extent to which banks are involved in supporting SMEs

Many studies have revealed that SMEs face more financial hardships than large firms and, their failure to secure external debt poses a major impediment to firm growth, especially in developing countries (Brink, Cant & Ligthelm, 2003; Mengistae et al., 2010; Fatoki & Van Aardt Smit, 2011; World Bank, 2014; Chimucheka & Mandipaka, 2015; Gebremichael, 2015; Lose & Mapuranga, 2022). In most countries, SMEs turn to the commercial banking sector for external finance. Banks have a widely diversified capital base and are well able to absorb the SME risks and constraints (shown in table 2.7). It is important, therefore, for the commercial banking sector to develop more viable and sustainable means of extending credit to the SME sector.

The reality is that banks and other financial institutions are not currently interested in servicing SMEs. They cite opaqueness as a major obstacle to SME financing. Consequently, an SME application takes longer than other business loans (around twice as many days). The lengthened turnaround financial approval may be due to poor quality data provided by the applicant forcing the credit management teams to relax their terms and conditions. However, even after adjusting the models for the data insufficiency the application becomes too subjective that it is often deemed not be reliable.

From another perspective, opaqueness in the literature means that it is difficult to ascertain if the business has the capacity to repay the loan. However, as solution banks now do relationship lending which relies primarily on ''soft" information gathered by the loan officer through continuous, personalized, direct contacts with SMEs, their owners and managers, and the local community in which they operate (NCR, 2011; Ezennia & Mutambara, 2022).

The analysis in this research further argues that a discrepancy exists between theory in academic and policy discourses and how banks are practically dealing with SMEs. The evidence presented points to a different pattern of bank involvement with SMEs, which confirms what Berger and Udell (2006) first articulated where all banks cater for both SMEs and large businesses and multiple-service banks enjoy economies of scale. The economies of scale arise from the fact that the banks now offer a wide range of products and services on a large scale. This is made possible through the use of new technologies, risk management systems, and business models (Torre, Peria & Schmukler, 2012; Bushe, 2019).

In particular, contrary to the notion that banks do not have interest in financing SMEs, the paper reveals that most banks indeed find it profitable to serve SMEs, given that margins in other banking markets narrow due to intensified competition. In most OECD countries, banks perceive SMEs as an attractive line of business and have developed effective monitoring systems. In a survey conducted by the World Bank, it was noted that most banks agree that there are good prospects of success in their involvement with SMEs, but there are more disagreements regarding the obstacles to SME financing. In developed countries, 45% of banks view competition as the highest obstacle in this segment. On the other hand, 39% of banks in developing countries consider the macroeconomic environment as the top obstacle impeding their growth in the SME segment (Beck, Demirgüç-Kunt & Pería, 2008; Baporikar, Nambira & Gomxos, 2016; Mbuya, 2022). Therefore, there is need to improve the South African macro-

environment in order to foster a healthy SME bank relationship. A valid distinguisher of the OECD banks includes investing in credit scoring models and other sophisticated techniques to discriminate between high- and low-risk borrowers in overcoming the information asymmetry problem (OECD, 2015; Lose & Mapuranga, 2022; Aminkeng *et al*, 2024).

Banks have greater incentives to incur the switching costs needed to pursue new business in the SMEs market as large corporations gain access to local and international capital markets. Therefore, SMEs come out as a strategic sector for most banks. Berger and Udell (2006), argue that it is important for banks to engage in relationship lending by applying different transactional technologies that facilitate arms-length lending to SME financing.

Lending is regarded as just one part of a larger overall package that banks provide to SMEs. Banks find SMEs profitable through a combination of services; and this places cross-selling at the heart of the banks' SME business strategy. In effect, banks have developed a wide range of fee-based, non-lending products and financial services for SMEs. To the extent that these products and services gain importance, the institutional environment relevant to credit contract writing and enforcement becomes less of a constraint (Torre, Pería & Schmukler, 2010; Lose & Mapuranga, 2022).

2.11 The success factors for growing SMEs

With reference to the SME colloquium held in Sandton, South Africa, on 22 October 2014, the Minister of SMME, Lindiwe Zulu made it clear that, 'getting South Africa onto a high-growth trajectory demands that we fundamentally change our game plan and place small businesses and co-operatives at the centre of our war against poverty, inequality and unemployment'.

The Minister further emphasised that government views the development of SMEs as the panacea for sustainable social development since they cater mainly for the needs of poor households and most importantly are incubators for emerging businesses and seedbeds for indigenous entrepreneurship.

The following areas as summarised below were highlighted at the SME colloquium as critical for the growth and success of SMEs in South Africa (Baporikar, Nambira & Gomxos, 2016; Keil, 2021; Matekenya & Moyo, 2022; Yahaya & Nadrajah, 2023):
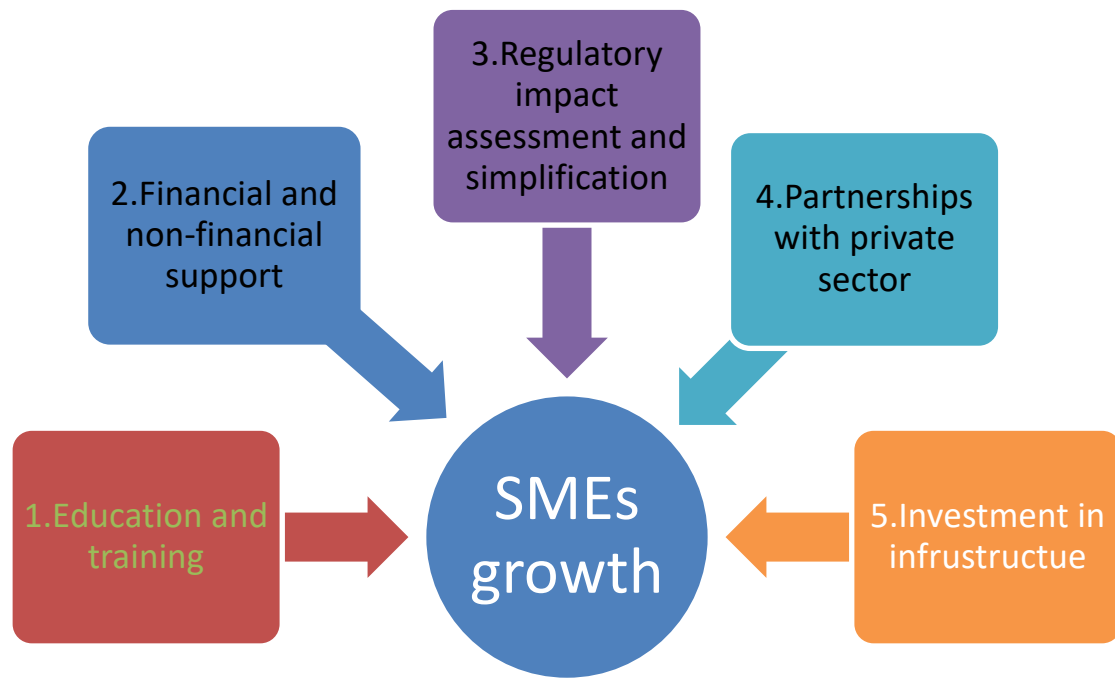
Figure 2 6: Key factors enhancing the growth of SMEs

Source: (Own illustration based on (Meier 1993, Asasen *et al.* 2003; Luetkenhorst, 2004; Bari *et al.* 2005; Leano, 2006; Baporikar, Nambira & Gomxos, 2016; Matekenya & Moyo, 2022).

2.11.1 Education and training

The World Economic Forum (WEF) placed South Africa 137th out of 139 countries for the overall quality of its education system (WEF report, 2016). This is a clear testimony that the government is not doing enough to prepare the youth and alleviate the unemployment scourge bedevilling the country. In South Africa, the effective implementation of entrepreneurship education in schools is hindered by, among other factors, lack of adequate resources and poorly trained teachers (Isaacs, Visser, Friedrich and Brijlal, 2007; Bushe, 2019; Mbuya, 2022).

The 2023 Matric pass rate was 82.9% but the stark reality is that the 'true' pass rate is much lower than the 82.9% the department announced. If one looks at what constitutes a 'pass' the picture is even more despairing. There has been heavy criticism of the department of basic education from different quarters of the South African society calling for the pass rate at matric to be raised to 50% because of the high level of university dropouts. Therefore, there is need for the basic education system to be streamlined to be in line with the demands of both industry and tertiary requirements. There must be strong linkages between South African FET colleges, universities and industry, thereby promoting entrepreneurship as a viable career option.

Research has shown that entrepreneurship education and training play a significant role in the growth and survival of enterprises. In addition, the human capital theory supports that the productive capacity of the individual can be enhanced through investment in education and training (Njoroge & Gathungu, 2013; Zeebaree & Siron, 2017). The spirit of entrepreneurship should be inculcated within the education system at all levels. It can be argued that investing in education is one of the cornerstones of kick-starting growth.

As noted by Bushe (2019), the major impediment to economic growth in developing economies is their lack of educated entrepreneurs who are able to mobilise and coordinate production inputs. This follows that credit providers could lend and possibly lose their money to uneducated entrepreneurs who lack managerial expertise. Therefore, one can argue that it is not the lack of capital that is a challenge but lack of knowledge, ability, and entrepreneurship skills.

However, it should be noted that most countries do have national strategies in place to foster financial literacy, but sadly only few have a specific focus on SMEs, despite the fact that this segment's financial literacy needs exceed those of the general population (OECD, 2015; Lose & Mapuranga, 2022). Portugal has taken a step further to address the financial education needs of SMEs in a comprehensive manner under its "National Plan for Financial Education."

In 2017 the London Stock Exchange Group in Italy launched the ELITE programme that offered training, tutoring and direct access to the financial community to help growth-oriented SMEs access the capital market.

2.11.2 Financial and non-financial support

Non-financial support could be achieved through facilitating market access and recruiting more actors into the incubation programmes. The role of the government will therefore be to facilitate:

- Access to finance and incentives accessible to SME;
- Incubation programmes for SMEs;
- Linking SMEs to mainstream formal markets and providing support for SMEs to become competitive

Small business incubation programmes play a paramount role in supporting the successful development of entrepreneurship through an array of support services. These support services are known to provide a nurturing environment conducive for the development of a sound product concept; business skills, training on the appropriate use of technology, and enabling access to finance and markets. It has been proven that successful completion of a business incubation program enhances the likelihood of survival, growth and sustainability of the start-up company (Msimango-Galawe & Hlatshwayo, 2021).

Financial support could be through borrowing from credit providers, informal sector funding tools, other funding networks in partnership with banks and private sector partners and through tax incentives. Market access for their products and services is key to the survival of SMEs. As observed by Robb and Fairlie (2008), lack of capital cannot be attributed to SMEs failure as mere access to financial resources is not a guarantee for success. There are many other conditions the SME should satisfy in order to be successful. These include effective and efficient utilization of resources. SMEs with adequate financial resources tend to abuse them. Although local SMEs had better access to financial resources than SMEs owned by foreigners, foreign-owned SMEs in South Africa outperformed local SMEs (Masocha & Charamba, 2014; Lose & Mapuranga, 2022).

Hence the need for a framework that focuses on the totality of all the variables ranging from lack of finance, viability of the business, entrepreneurial abilities of the owner/managers and use of modern management techniques to enhance SMEs growth and survival (Ramukumba, 2014; Peter *et al.*, 2018).

2.11.3 Regulatory impact assessment and simplification

This should be done in all spheres of government. Reduction of regulatory constraints through bureaucracy reduction roll-out programmes. Such regulatory simplification should be a continuous process for relevant departments, in all three spheres of government.

Jitmaneeroj (2016), noted that SMEs need to conform to regulatory authorities' requirements in order for them to succeed in their business endeavours. The regulatory authorities' departments include local authorities, tax administrators, standards boards, environmental management agencies and monitoring boards. Failure to comply with regulatory requirements may result in SMEs facing stiff penalties that would lead to their closure (Mavhiki, Mapetere,

& Nyamwanza, 2014). Therefore, it is of paramount importance for SMEs to strictly adhere to regulatory provisions to ensure continued operations and long-term success. Entrepreneurs should get assistance in all aspects of business such as management, marketing, accounting, preparing business proposals and understanding new legislation.

It should be noted that for the regulations to be effective their effect must strike a balance between financial stability and the opening of new financing channels for SMEs. In other words, the regulatory framework should act as a key enabler in the development of financial instruments for SMEs. For instance, efficient insolvency procedures and strong right enforcement mechanisms should be put in place to engender confidence by a broad range of investors in SME markets. Policy makers face serious challenges in designing an effective regulation framework that adequately caters for financial stability, investor protection and the opening of new financing channels for SMEs, given the rapid changes in the business environment emanating from technological changes. Unlike most of the emerging economies, the European Union provides a legal framework promoting the use of innovative and disruptive solutions for banking and payment services (European Commission, 2015). Lack of access to finance by SMEs has been cited as a serious impediment to economic growth. However, it should be noted that expanding access to financial services to SMEs at a rapid pace without adequate controls, financial literacy and awareness (Weidmann, 2017) might pose a risk for systemic financial stability and of over-indebtedness for the SMEs.

2.11.4 Encourage partnerships with the private sector

Partnerships with the private sector will help SMEs to learn and take advantage of B-BBEE-based procurement opportunities and other business support services. The private sector could voluntarily support and nurture emerging SMEs through existing company-level enterprise development programmes (Msimango-Galawe & Hlatshwayo, 2021). There is need for synergy across different areas for SMEs to thrive, grow, and create jobs in South Africa. In addition, the institutions created to support SME development should have a cohesive and integrated approach across all three spheres of government, stakeholders, and role players across various institutions.

2.11.5 Adequate infrastructure

Infrastructure plays a critical role in the development of businesses within the economy. The lack of an efficient infrastructural system can be a major impediment to SMEs growth and development (Bari *et al.* 2005). In countries where the cost of doing business is high, for example, the competitiveness of SMEs is greatly compromised through the high costs of power, and transport and exorbitant licence fees. For instance, the inefficient Nigerian transport infrastructure affects marketing of agricultural products during the rainy season due to inaccessible roads (Ugwu, 2009; Kuhlase, 2022). South Africa is also experiencing communication problems due to the high cost of data. Accessing the internet is a challenge for small, upcoming businesses because of limited financial resources.

Recent research establishes that infrastructure improvements provide a conducive environment that enhances productivity, attracts private sector investment and stimulates domestic and international trade (Gurara et al., 2018). In addition, the extant literature reveals that the availability of essential infrastructure services such as access to a reliable supply of energy, water and sanitation, road networks, digital connectivity, and health and education facilities play a paramount role in promoting inclusive economic growth and reducing poverty. However, it should be noted that such benefits of infrastructure investment cannot be realized if investment efficiency is low due to mismanagement of resources, poor project selection and corruption. Therefore, it is important to take into account the risks involved when making the case for increased investment in infrastructure.

2.12 Knowledge gaps

The extensive literature review has identified the following knowledge gaps:

Researchers have not yet agreed on the modest growth framework specifically for SMEs.

- Not even a single framework reviewed above seems to propose innovative measures for SMEs growth in the retail sector.
- There seem to be limited literature that clearly talks about the importance of fostering a relationship between banks, government and SMEs.

2.13 Chapter Summary

This chapter explored the various definitions of SMEs as it applies to different organizations and across national boundaries. Theories underpinning this study were discussed in this chapter as well as an analysis of existing frameworks on SMEs growth and performance. Characteristics of SMEs, their contribution to economic development, constraints hindering their development and the critical success factors for SMEs growth were outlined and discussed in the chapter.

The analysis of SMEs definitions in the chapter reveals that there is no common and universally acceptable definition of SMEs, which vary according to different countries and institutions as per their own standards and measures. Most countries use the number of people employed by the SME as a standard definition of SMEs, but there is a problem with this definition because the various official sources use different cut-off points. The South African definition of SMEs was also discussed.

The chapter also highlighted the significance of SMEs to national economies worldwide and more specifically to the South African economy. It was noted that SMEs play a critical role in the economic growth and development of a nation with respect to job creation opportunities and hence has become the mainstay of the global economy. The contribution of SMEs to productivity, GDP growth and household livelihoods was also discussed. The discussion revealed that SMEs are now the engines propelling innovation in technology, human capital, equitable development, exports and growth in public revenues.

The chapter also highlights the various SMEs growth constraints that limit their competitiveness, thus impeding their survival and success. The constraints are responsible for the high failure rates and poor growth of SMEs in developing countries. The following are the examples of constraints to SMEs growth; limited access to finance, inefficient tax regimes, high costs of doing business, cumbersome licensing and registration procedures, poor infrastructure, lack of management and technical skills, and corruption.

It is also important to note that, there is no one-size-fits-all approach to spruce up the growth of SMEs as highlighted in the chapter. The role of government is very crucial in steering up the growth of the SMEs sector using a cocktail of measures. Quite a number of critical success factors were highlighted which include but are not limited to availability of working capital,

improved infrastructure, experienced and well-trained SME staff, absence of trade barriers and ease of doing business locally, regionally and globally. Government policies should, therefore, focus on providing SMEs with an enabling business environment that will foster their survival and growth as it would be easy to do business. Such provision of an enabling environment would entail trade liberalization, infrastructure development, a simplification of the regulatory environment and facilitating clusters and networks. These intervention strategies provide an impetus for SMEs to sustainably grow and expand globally, thus contributing to the economic prosperity of nations. The ensuing chapter provides the research methodology followed in this study.

CHAPTER 3: METHODOLOGY

3.1 Introduction

The previous chapter involved the extensive literature review on the importance of SMEs to the South African economy and the world at large. It was reiterated that SMEs do indeed play a critical role in the economic growth and development of a nation. The chapter also highlighted the various constraints to SMEs growth. The literature touched on some of the existing frameworks for SMEs growth. This chapter focusses mainly on presenting the research procedure in the context of the pertinent research questions and objectives of the study. As part of the procedure, all the steps and action necessary for collecting, capturing, processing and analysing data without compromising its validity and reliability, were outlined in line with the research approach and philosophy guiding the research. Therefore, the chapter begins by postulating the aim of the study in section 3.2 followed by research methodology in section 3.3. Tests for reliability and validity are covered in section 3.4 while section 3.5 deals with ethical considerations. Lastly, section 3.6 presents the chapter summary.

3.2 Aim of the research

The study sought to propose an integrated framework that could be used to better understand, and hopefully help improve, the growth of SMEs. By approaching the growth of SMEs from an integrated framework, the various constraints bedevilling the SMEs, government and financial sectors could be better understood, relaxed and possibly resolved. An integrated growth framework approach could enable lending institutions to build, over the longer term, (amongst other interesting, structured products) a well performing and a profitable SMEs loan portfolio despite the challenges of opacity and lack of trading history which currently characterizes the emerging market SME sector.

To facilitate the thought leadership on the growth framework, the study sought to have a holistic understanding of the involvement of banks and government in supporting SMEs. This involved reviewing the credit appraisal process by banks as well as analysing the role of government in SMEs development. Recently, there have been a lot of changes in the financial services sector mainly due to regulatory and technological advancement. The study also sought to explore the factors that impact credit extension to SMEs by banks and other financial institutions in the light of the regulatory and technological advancements. The researcher postulates that banks

should develop and implement more robust SME credit scoring and assessment methodologies, which should continuously be reviewed and updated to curb insider lending. In this light, the researcher intended to come up with a framework that is effective in ensuring sustainable support to SMEs. Moreover, this study sought to find ways of establishing stronger networks with the ultimate goal of improving the relationship between banks, government and SMEs. This relationship is vital for the sustained economic growth and development of any country. It should also be noted that such relationships may lead to increased competition among SME credit providers that could be beneficial to all parties concerned and the economy at large. In fact, several researchers have shown that lending to SMEs in developed economies is profitable and gives a competitive advantage to financial institutions that deal with them (Berger, 2006).

The identification of the success factors for SMEs growth is central to this study because the framework that is derived hinges on these factors. Therefore, it was pertinent for the researcher to be able to determine the extent to which the identified success factors were likely to influence the survival and growth of the SMEs. The study was partly exploratory in nature and as such came up with a framework that could not be conclusive but laid the groundwork for an improved framework through research. As noted by Robson (2002); Saunders, Lewis and Thornhill (2016), for an exploratory study, the researcher should be able to make adjustments in the face of new data since there is room for further improvement.

3.3 Research methodology

Primarily, this study sought to propose an integrated framework that could be used to better understand, and hopefully help improve, the growth of SMEs. In order to achieve this, the researcher undertook various steps and procedures that could help unravel the complexities of small business growth. In this regard, the researcher was guided by the research onion of Saunders, Lewis and Thornhill (2016), depicted in figure 3.1.
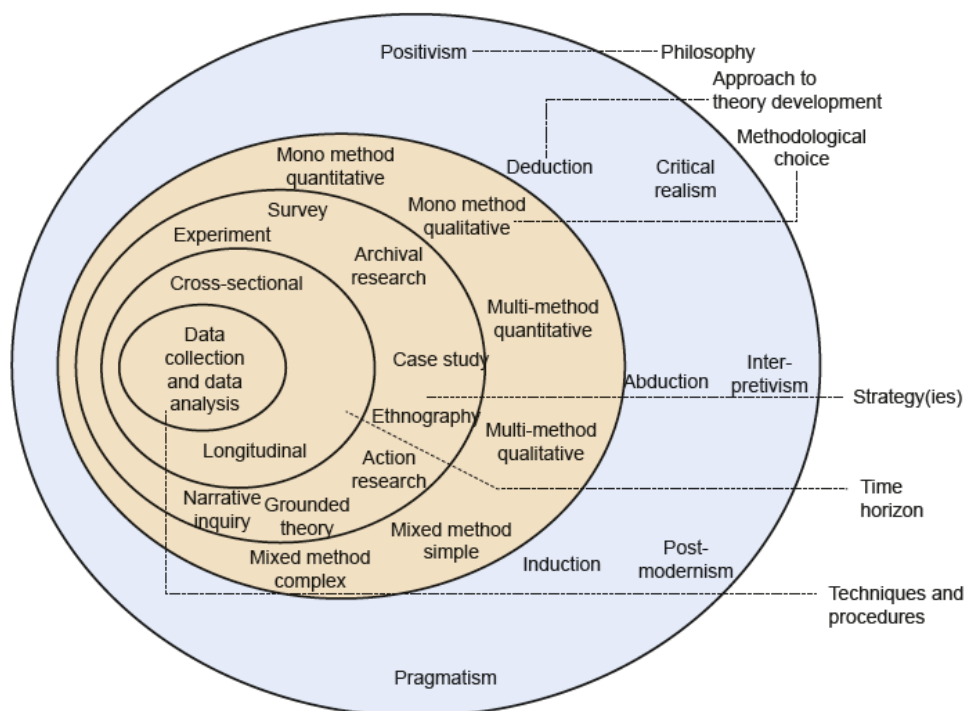
Figure 3. 1: The research onion

Source: Saunders, Lewis & Thornhill (2009)

3.3.1 The research philosophy

Adopting the appropriate research paradigm is of paramount importance in any research activity. The choice of a particular paradigm results in the research being carried out in a different way (TerreBlanche & Durrheim, 1999; Hatch & Cunliffe, 2006; Kivunja & Kuyin, 2017). As noted by Creswell (2018), the same phenomena (e.g. growth) observed from different philosophical angles may result in different kinds of knowledge being obtained.

Kuhn defines a research paradigm as: "closely packed interrelated concepts, ideas, variables and problems attached with analogous methodological approaches and tools…" According to him, a set of assumptions, values and beliefs held by a community of researchers regarding how research is conducted defines a research paradigm (Suppe, 1977). Therefore, it follows that a research paradigm encompasses the structure, pattern, various steps as well as the framework of scientific and academic ideas, values and assumptions (Saunders, Lewis & Thornhill, 2016; Olsen, Lodwick & Dunlop, 1992).

This study was based on the pragmatism research paradigm whose philosophical foundations embrace plurality of methods (Maxwell, 2011), aimed at the consequences of research and on the research questions rather than on the methods (Creswell & Clark, 2014; Morgan, 2014a; Kaushik & Walsh, 2019).

3.3.1.1 Arguments in favour of Pragmatism Philosophy

The proponents of the pragmatism philosophy assert that this research paradigm and methodological approach is best suited for the research problem under investigation (Tashakkori & Teddlie, 1998, Creswell, 2018). Pragmatism should be viewed not only as a philosophical foundation but as a lens that provides practical ways for addressing real world problems (Biesta, 2010). It has come out as a method of inquiry mostly favoured by practically minded researchers (Creswell & Clark 2014). According to Hothersall (2019), pragmatists view an inquiry as effective if it achieves its intended purpose.

Unlike positivistic researchers, who believe that observation and reason are the best means of understanding human behaviour which can be construed objectively without the influence of the observer (Hwang, 1996; Hatch & Cunliffe, 2006), interpretivists consider the social world as born out of the expectations, experiences and memories of the individuals involved (Crotty, 1998). According to pragmatists, the acquisition of knowledge should be viewed as a continuum rather than two opposing extremes of objectivity and subjectivity (Goles & Hirschheim, 2000; Creswell & Poth, 2018). Pragmatism rejects to be bound by the extremes of objectivity and subjectivity that goes with positivism and constructivism respectively (Biesta 2010; Creswell & Clark 2014). Therefore, pragmatism is neither positivism nor interpretivism, but is located in between the continuum in terms of mode of inquiry. As indicated earlier, positivism goes with quantitative approaches and deductive reasoning, whilst constructivism supports qualitative methods and inductive reasoning. Pragmatism enables abductive reasoning which allows for movements between deduction and induction. As noted by Feilzer (2010) and Kaushik and Walsh (2019), this makes pragmatism more appropriate in this study because it accepts the two extremes of positivism and constructivism and provides a more balanced and reflective approach to the research design. The pragmatism philosophy enables the researcher to choose the most appropriate research design and methodology to deal with the research question (Morgan, 2007; Goldkuhl, 2012; Creswell, 2018, Kaushik &Walsh, 2019).

According to Dewey's theory of social enquiry, pragmatists first identify genuine problems in social contexts and then define them before initiating some enquiry to address them. Dewey's theory further reinforces that research problems can only be classified as genuine and warrant enquiry if they are found in social contexts. According to the theory, enquiries should be natural, situational, and grounded in problems and such enquiries should interrogate both theory and practice and be subject to evaluation. Unlike other enquiries that do not provide for a clear understanding of the problem before choosing a methodology, Dewey's theory maintains that once the research problem is identified, it should be investigated from various angles depending on the purpose or objective of the enquiry (Leavy, 2017; Kaushik & Walsh, 2019).

3.3.1.2 Criticism of Pragmatism philosophy

Pragmatism emphasises the identification of a research problem within a social context which poses practical challenges. According to Thompson (1997), such a stance limits the researcher's ability to see and analyse structural social problems. For instance, in a social setup, hegemonic power structures may not be considered as posing any challenges and worthy of inquiry by someone who benefits from being aligned to the dominant social group (Thompson, 1997).

Pragmatism seems to pose some methodological issues, especially if there are different layers of the research problem (Feilzer, 2010). The best strategy would be to be more practical and reasonable in the method of enquiry by using multiple research methods, measures, and perspectives (Patton, 2002; Leavy, 2017). Therefore, the underlying assumption is that pragmatists do not strictly adhere to a particular method but rather have leeway to use other methods (Kaushik &Walsh, 2019; Robson, 2002; Greene & Caracelli, 2003; Teddlie & Tashakkori, 2009). This entails the use of a variety of methods such as intermixing of interviewing, observation, and document analysis to address the research questions. It is important to note that in many studies intermixing of qualitative and quantitative data is done to deal with the research question (Patton, 2002). Therefore, it follows that the researcher can make use of any methodological tool available with the potential to address the research question (Creswell, 2018; Mark, Lewis &Thornhill, 2016; Tashakkori & Teddlie 1998).

As noted above, pragmatists believe that the best and most effective method is that which produces desired results, be it a single method, a mix of methods or multiple methods

(Tashakkori & Teddlie, 2008; Creswell, 2014). This study sought to employ mixed-method. The question was, does pragmatism philosophy support mixed-method research? Biesta (2010), disputes the notion that pragmatism offers a philosophical foundation for mixed-methods research, but believes that realism best suits many aspects of mixed-methods research (Maxwell & Mittapalli, 2010; Mark, Lewis & Thornhill,2016). It could be argued that when applying mixed-methods, researchers should properly engage all paradigms throughout the enquiry (Greene, 2007). However, others contend that applying the most appropriate research method to address the research question, investigate a phenomenon, or test a theory should be the bottom line (Feilzer, 2010). Pragmatism should not be viewed as requiring a particular method or mixing of methods and not necessarily excluding other methods.

However, the consensus of researchers is in favour of a pragmatic stance for carrying out mixed-method research, with 13 different authors supporting this (Teddlie & Tashakkori, 2003; Mark, Lewis &Thornhill, 2016). Researchers argue that pragmatism as a paradigm is more inclined to the requirements of the mixed-methods research. As a philosophical foundation, pragmatism is generally believed to provide a sound basis for social science research, and in particular mixed-methods research (Morgan, 2014). Another argument in support of pragmatism is that it offers great significance to the research question in terms of mixing quantitative and qualitative research which makes research feasible and desirable (Bryman, 2007; Erzberger & Kelle, 2003; Teddlie & Tashakkori, 2003; Creswell,2018). Hence, this study adopted the pragmatism paradigm to support the mixed research method that was applied for developing a framework for growing small businesses.

3.3.2 Research approach

This study followed the abductive approach. The development of the framework for understanding small business growth required some movement back and forth between deductive reasoning and inductive reasoning taking into account the literature and empirical findings available on the existing SMEs growth frameworks. As noted by Gay and Weaver (2011), this approach was plausible in this regard because in abductive reasoning a theory is built on the basis of available facts gathered from both qualitative and quantitative data. Such approach therefore required prudence in the collection of all necessary data needed for building a theory (Creswell & Plano Clark, 2014). However, it should be noted that, despite the

framework to be developed not being a theory in itself, the same abductive approach applicable to building a theory was applied in this study to craft a framework applicable to SMEs growth.

3.3.3 Research Strategy

The research encompassed secondary data analysis, a survey and interviews. The survey sought to solicit data to have insights into the operations of SMEs and gauge the involvement of financial institutions in supporting SMEs. The survey helped to establish the status quo, in a bid to acquire new knowledge and view the business growth phenomena in a new light, especially if there was no information about the problem (Robson, 2002; Leavy, 2017; Creswell & Poth, 2018). The survey collected data from SMEs owner/managers using questionnaires. In this case the survey provided a baseline study as it was conducted to establish the status quo with respect to SMEs in the provinces representing the South African economy.

The semi-structured interviews were done after the survey. The semi-structured interviews could be considered as some benchmarking, since the information gathered from the questionnaires were verified using the semi-structured interview. The target group for semi-structured interviews was the owner/managers of the SMEs. The semi-structured interviews were descriptive in order for the researcher to obtain an accurate and clear profile of the respondents and what needed to be thematically studied (Saunders et *al.,* 2016).

The semi-structured interviews with owner/managers sought to contextualise the framework by understanding how it could be used to influence the survival and growth of SMEs. Such interviews could be used as a basis to theoretically validate the integrated framework. The theoretical validation was carried out by purposively selecting successful SMEs in the first category and struggling SMEs in the second category. In each case, the researcher sought to establish the extent to which the success factors identified in the literature review would have impacted them and how the proposed framework could influence their survival and growth. This study was cross-sectional in nature as it focused on the growth of SMEs at a particular point in time, thus making it possible for a timeous completion of the study.

3.3.4 Research design

A methodology is chosen because it is able to address the research phenomenon (Creswell, 2018). This study adopted a mixed-method research (MMR) design based on pragmatism philosophy that integrates both qualitative and quantitative research methods (Mansourian &

Maddan, 2007; Leavy, 2017; Creswell & Poth, 2018). The study followed an explanatory sequential approach, i.e., it started with quantitative inquiry giving results that were explained using the qualitative design. The MMR is used where the growth research problem cannot be addressed fully by one methodology. The other reasons for adopting the MMR are:

- MMR accommodates diversity and addresses complex problems, like SME growth that are multifaceted.

- MMR helps one to understand the methodology more comprehensively

- MMR accommodates the voiceless. There is no need to quarrel over philosophical foundations of positivism and interpretivism. This is very important especially because small businesses, due to knowledge asymmetry, are not always as informed as the financial institutions and government with regards to economic growth.

- MMR creates knowledge that is balanced as it brings together both qualitative and quantitative studies as opposed to the extremes of positivism and interpretivism.

- Integrating both qualitative and quantitative data may give superior results and is therefore a good choice for small business growth research.

However, it should be noted that the use of MMR is not without criticisms. In academia, there is no clarity on the definition of MMR and its benefits. Proponents of the incompatibility thesis argue that qualitative and quantitative methods are based on different paradigm assumptions and hence cannot be easily combined. Also, it could be difficult for one researcher to have skills to carry out both qualitative and quantitative studies especially if the research design is concurrent. In addition to that MMR designs are relatively expensive. It has been noted that MMR privileges post-positivism at the expense of interpretivism since qualitative research tends to be subordinate to quantitative research in many MMR studies. Derwin (2008) rejects the whole idea of bilingualism because most MMRs tend to have a quantitative bias.

It should be noted that separately, the quantitative research generally speaks to where, who, how many, how much questions and correlation between variables whilst qualitative research provides answers of why and how fundamental questions (Saunders et al, 2016).

The quantitative method emanates from the survey and feeds the results into the qualitative method phase. In other words, this mixed method followed a sequential explanatory design (Creswell, Plano Clark, Gutmann, & Hanson, 2003; Saunders et al., 2016). That means two distinct phases were followed, beginning with the quantitative method phase followed by the

qualitative method phase. The quantitative method was appropriate as it provided a numerical perspective to SMEs growth by quantifying the experience of SMEs owner/managers making it suitable for statistical analysis (Tavakol & Zeinaloo, 2004; Sedmark & Longhurst, 2010; Bacon-Shone, 2020). It was also appropriate in that it enabled the researcher to test and confirm hypotheses as well as generalizing results to a larger population (Johnson & Onweuegbuzie, 2004; Schiffman & Kanuk, 2009; Leavy, 2017). The results from the quantitative survey were explained using the qualitative study. The qualitative study offered an in-depth description of the phenomenon under study (Creswell, 2014; Sedmark & Longhurst, 2010; Creswell & Poth, 2018) especially because it also captured the researcher's meaningful personal experiences.

The study was conducted in four parts. The first part involved an extensive and thorough review of documents and literature, this includes examining and establishing the success factors which influence support to SMEs by banks and government and the resultant business performance of SMEs. The information assisted in making comparisons with information gathered from surveys and interviews in a bid to generate new knowledge.

The second phase underscored the importance of data in the study. The study sought to understand the extent to which banks and the government were involved with SMEs support. Such a study allowed for improvement and the researcher would be flexible enough to shift positions as new data and insights emerged (Saunders, Lewis & Thornhill, 2016). The owner/managers in the sampled SMEs were interviewed. A non-probability sampling method was used. This involved coming up with a purposive sample of 100 respondents[3] at the 90% confidence level selected from the total population of 290 SMEs.

The survey covered Pretoria (Gauteng) and the other provinces of South Africa. The reason for such selection was that Gauteng is the economic hub of Africa. Furthermore, the other provinces are predominantly urban, e.g. Brits (North West) and Ballito (KZN) have more rural areas. This provided a wide and diversified scope for making of national inferences. The survey focused on SMEs registered with the economic agencies that granted permission letters.

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[3] A sample size of 100 given a population size (N) of 290 correspond to about a 91% confidence (implied z) with a 7% margin of error (e) and a 50% standard deviation (p). The sample sizes were determined using the formulae Hoy (2010); $Sample\ size = \dfrac{\frac{z^2 p(1-p)}{e^2}}{1+(\frac{z^2 p(1-p)}{e^2 N})}$

Questionnaires were administered to owners/managers of SMEs to help solicit information on their credit history, external debt and relationship with banks and the government. The questionnaires were directed to the owners/managers of the SMEs since they were considered more experienced and knowledgeable on the operations and growth of the SMEs. The analysis and synthesis of research data from banks and SMEs surveys were done using SPSS.

The third part of the study aimed to postulate a framework that sought to strengthen the relationship among banks, government and SMEs thereby enhancing SMEs growth. This stage is based on the literature review, empirical study carried out, and data analyses inference in part two. The third part of the study (Chapters 4 and 5) integrated the findings from literature, quantitative analysis and qualitative analysis. The framework was presented in the final part of the study in chapter 6.

3.3.5 Techniques and procedures

The techniques and procedures of the study are outline below:

3.3.5.1 Population

Securing a comprehensive data base of all the formal SMEs operating in South Africa could be a mammoth task. The target population was therefore drawn from the identifiable active formal SMEs registered with the economic agents who had granted permission and whose owner/managers were willing to participate in the study. See table 3.1 below:

Table 3. 1: Current number of registered SMEs operating within a radius of 2km of Pretoria, Brits and Ballito

Name of city	Economic Agent	No. of registered SMEs (2022)
Pretoria	SEDA	115
Brits	Madibeng Municipality	78
Ballito	iLembe District Municipality	97
Total		290

As shown in table 3.1 above, the target population of this study is 290 registered SMEs in the three research areas. To optimize the data collection process, the researcher obtained consent to analyse potentially useful data collected by reputable institutions. (See for example Appendix B.) The re-use of data is to augment the process of identification of the SMEs

operating within a radius of about two kilometres of the CBDs of Pretoria, Brits (see Annexure B) and Ballito due to their higher level of commercial activities (compared to those operating in other areas). It should also be noted that these SMEs offer services to customers from suburbs of the city, farms and rural areas. SMEs in Brits service a greater number of customers from farms and rural areas than Pretoria because the North West is predominantly rural. It is interesting to note that including some rural areas in the economic-heavy Gauteng, data could be a way to diversify and remove or minimize the geographical bias in the results. For example, if only Gauteng was sampled, the results are likely to be skewed towards the economic hub of South Africa. Since the other provinces are less active economically, the Gauteng-based analyses cannot necessarily be used for statistical inference or to generalize across the other provinces. In fact, by including the other less economically active provinces in the data population from which inference will be conducted, is therefore well diversified in terms of urban and rural small businesses.

3.3.5.2 Sampling

Pretoria (Gauteng), Brits (North West) and Ballito (KZN) provinces of South Africa were purposively selected. The reason for such selection is that Gauteng is predominantly urban while the North West has more rural areas. Moreover, this sample selection provides diversification on a regional level, and improves the likelihood of making valid national statistical inferences.

Purposive sampling is used to identify the potential research participants (Etikan, Musa & Alkassim, 2016). The survey focusses on SMEs identified in the three provinces. The sample size of 100 SMEs was considered large enough at the 90% confidence level (see the formulae result in section 3.3.4). Moreover, the sample size is statistically significant to represent the SMEs in the three provinces relatively well. Furthermore, the sampling follows a similar backdrop compared to the inference sample size of previous research by Fatoki and Odeyemi (2010) and Antony and Bhattacharyya (2010).

The questionnaires were directed or aimed at the owners and managers in the Finance departments of the SMEs since they are considered more experienced and knowledgeable about the operations of the SMEs. The researcher also sought permission to re-use secondary banking data from a reputable human resources consultancy firm, (see Appendix C). The analysis and

synthesis of both primary and secondary research data from the surveys of the banks and SMEs is done using SPSS.

With regard to interviews, purposive sampling was used (Hamed, 2016). Fifteen SMEs owner/managers were purposively sampled for the interviews. The SMEs targeted for interviews were chosen from the SMEs that took part in the survey. The SMEs selected were in two categories, with the first category comprising successful SMEs while struggling SMEs fall in the second category. Successful SMEs are ideally considered to be those that have been operating with the highest profit margins for more than three years consecutively. Struggling SMEs are ideally those which have persistently incurred losses or have the least bottom-line profit in the past three years. In each case, the researcher sought to establish the extent to which the success factors identified in the survey and literature review would have impacted SMEs and how the proposed framework could influence their survival and growth.

3.3.5.3 Inference

Determining the sample size is an important part in the research design process. According to Ajay and Micah (2014), sample size gives the study the capacity to detect if there are statistically significant anomalies. Since the researcher opted to use purposive sampling, the research elements were intentionally selected from the target population. Leedy and Ormrod (2010), noted that researchers often prefer purposive sampling in order to save time and minimise costs. In this study, the samples were drawn generally from primary SME data in Brits, Pretoria and Ballito. Given the diversification and unbiased design of the primary data sample, inference under the primary data sample should not pose a problem. Furthermore, the secondary sample data size of 106 (as articulated in the next section) were also taken to be statistically significant at about 90% confidence and were therefore also deemed relatively valid for purpose of drawing inferences.

Secondary research data

Secondary research data in this thesis refers to the banking survey data that was collected by a reputable human resource agency. Heuristic checks were performed in order to confirm the suitability of the secondary research data for inference purposes. According to the Banking Association of South Africa (BASA) (2021), the six largest banks have approximately 154 000 employees. However, not all departments and designations are focused or directly associated to SMEs. Therefore, the secondary research data population of 400 potential participants in the

commercial banking sector were deemed plausible. Moreover, given the 106-sample size of interest, and the following formula; Hoy (2010),

$$Sample\ size = \frac{\frac{z^2 p(1-p)}{e^2}}{1 + (\frac{z^2 p(1-p)}{e^2 N})}$$

Together with a standard deviation p of 50%, a sample error e of 7%, an implied confidence (corresponding z level) of 90.5% were found. What does this mean? This means that the secondary research data sample size of 106 participants is statistically significant and therefore likely to be sound for inference, especially if it is being used in conjunction with the SME data.

Furthermore, on absolute, the secondary research sample size of 106 is greater than the 10-50 participants, which is acceptable according to Creswell (2018), especially because it is more than 20% of the target population.

Primary research Data

Primary research data refers to the data collected by surveying the SMEs. Hoy (2010) noted that the sample size of a study population could be estimated using a Raosoft sample size statistical calculator. A confidence interval of 95% and 0.08 degree of error margin was applied in order to obtain the exact number of samples from each of the three research sites. Maree (2015) adds that the sample size calculator with a 95% confidence interval and 0.08 degree of error margin aided the selection of respondents in relation to their availability, proximity, numbers and convenience. This produced a sample of about 100 SMEs from an estimated target population of 290 participants. This lessened selection bias by allowing the sub-groups in the population to obtain appropriate representation. It is important to have a good estimate of the sample size for any research in order to have an appropriate representation of the entire population (Best & Kahn, 2016). Therefore, the estimated sample size was assumed to arguably be representative of the target population SMEs.

3.3.5.4 Data collection procedure

A survey and semi-structured interviews were used to collect data from SMEs. The researcher has sought permission to use SMEs databases for SEDA in Gauteng, Madibeng local Municipality in North West province and iLembe District Municipality in KZN. The information obtained from the data set is used to identify the approximately 100 SMEs in Pretoria, Brits and Ballito respectively and sought consent for their participation. In order to

minimize costs, it was prudent to seek consent at the time when questionnaires were distributed. Those SMEs not willing to take part in the study were excluded. The following section focuses on the data collection instruments.

3.3.6 Data collection instruments

According to Creswell and Poth (2018), data collection instruments refer to the methods used by the researcher to gather data from the respective participants and respondents for a study. The data collection instruments allow the researcher to bring together data that enables the researcher to address the research phenomenon under investigation. As noted by Creswell (2018), the collection of data should be done systematically in order to appropriately deal with the research questions. Hamed (2016) avers that there are many data collection instruments which include questionnaire, document analysis, observation and interview, amongst others. Since this study utilised the mixed-method research approach, the researcher opted to use the questionnaire and interview guide as the main data collection instruments.

However, secondary research or banking data obtained from one of the human resources consultancy and the literature review were also used as data sources. Utilising the secondary research data for the financial institution inference provided a data set that was relatively free from institutional biases (e.g. small bank vs big bank, public bank vs private bank views on growth). Nevertheless, it should be noted that applying the different methods of data collection supplemented each other and in a way boosted the validity and dependability of the data collected (Leavy, 2017; Creswell & Poth, 2018). Saunders, Lewis and Thornhill (2016), affirm that questionnaires are used to collect large quantities of quantitative data in large populations, while interviews are used to collect small quantities of qualitative data meant to provide some deeper insight into the research problem. In this study, close-ended questionnaires and semi-structured interview guides were used to collect data from respondents and participants respectively.

3.3.6.1 Questionnaire objectives

A questionnaire is basically a set of questions designed by the researcher to be answered by the respondents (Etikan, Musa & Alkassim, 2016). As indicated above, the use of questionnaires is consistent with the quantitative approach which makes use of objective mathematical and scientific tools which reduces the incidence of error in the data (Creswell, 2018). In this study,

the survey made use of close-ended questionnaires which were send to SMEs owner/managers. Questionnaires are believed to be impartial or unbiased research instruments that allows results from a large sample size to be generalised (Saunders *et al.*, 2012; Leavy, 2017; Creswell & Poth, 2018). This study has a target SME sample size of about 100 respondents. Therefore, the researcher collectively sent 100 questionnaires to the identified SMEs using the survey monkey platform. This method is cost effective and easy to administer. In addition to that there is a greater possibility of confidentiality, anonymity and convenience for respondents in the sense that they can complete the questionnaire during their convenient time (Bryman & Bell, 2007; Galletta, 2013; Etikan, Musa & Alkassim, 2016).

However, the disadvantage of questionnaires is that sometimes they become too long and complex prompting the respondents in some cases to request the researcher to read the questions in the questionnaire for them and the researcher will have to capture their responses. This could have introduced some bias. It should be noted that owner/managers of SMEs usually have busy schedules and are difficult to find. The owner/managers who agreed to complete the questionnaires were therefore granted a month to complete the questionnaires and an SMS was sent as a follow up. This resulted in a high response rate but the disadvantage of completing questionnaires in the absence of the researcher also meant there was no room for clarification of unclear questions. Another disadvantage is that once questionnaires are designed, they cannot adapt to follow-up or new questions based on initial responses.

In order to meet the objectives of this study the questionnaire was designed in the following manner (questions were classified under success factors) to address the research questions:

- **Success factor 1** questions deal with the commitment of SMEs owner/managers to the growth of their businesses.
- **Success factor 2** questions deal with the availability of access to finance by SMEs to grow their businesses.
- **Success factor 3** questions seek to find out if the government, banks and other institutions provide adequate non-financial support to SMEs.
- **Success factor 4** questions clarify the importance of education, training and innovation to the growth of SMEs.
- **Success factor 5** questions seeks to find out if SMEs have access to differentiated markets for their products.
- **Success factor 6** questions seek to get information on the use of digital technology by

SMEs to enhance growth.

- **Success factor 7** questions touch on government policies, regulations and laws that impede or promote SMEs growth.

In this study, a closed-ended questionnaire designed in simple English language was used to gather data. The respondents were required to select the answer from the set of alternatives provided in the questionnaire. The answers provided in the questionnaires helped to build clarification questions for qualitative study.

3.3.6.2 Questionnaire design

In this study, the researcher was responsible for the development of the questionnaire, despite that part of it was adapted from the thesis articles written by other researchers. As noted earlier, a closed-ended questionnaire was preferred for the study based on the fact that it is economical (Bryman, 2012; Leavy, 2017; Creswell & Poth, 2018). For instance, large amounts of data could be collected at minimum cost. The advantage of collecting large quantities of data is that it allows for a large sample size that could be representative of the whole population to be reached (Bryman, 2012; Etikan, Musa & Alkassim, 2016). Ordinal data that allows for the use of a rating scale to measure the strength of attitudes or attitudes of SMEs owner/managers was used. The development of the questions was based on the variables and constructs noted in the literature review in chapter 2. The questions intended to determine the causal relationship between the variables and the growth of SMEs in the three towns of Pretoria, Brits and Ballito.

The researcher checked all questions to remove elements of bias and to ensure that they were relevant and geared to achieve the objectives of the study. The questions were designed in a manner that would ensure that the SMEs owner/managers could answer with ease where answers could be selected from a set of alternatives drawn on the 5-point Likert scale.

Likert Scale: The Likert scale is basically used to measure or determine the attitude of respondents on a given range of alternatives to a question (Creswell, 2018). This study made use of a five-score Likert scale, i.e. five Likert-type items that were joined together to make one composite variable that would measure the attitude of the respondents. In this study, there were five categories of responses, namely: 1 strongly disagree, 2 disagree, 3 unsure, 4 agree and 5 strongly agree. The responses contain Likert scale codes which make it easier for the

respondents to answer the questions. Table 3.2 below depicts the Likert scale codes used in this study.

Table 3. 2: Likert scale codes

Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree
1	2	3	4	5

The description of the Likert scale codes is done in Table 3.3 shown below. As shown in the table, the numerical values 1 and 2 are regarded as negative, numerical value 3 is neutral and numerical values 4 and 5 are positive (Galletta, 2013).

Table 3. 3: Description of scale codes

Scale Code	Scale description
1 Negative	**Strongly disagree:** This shows that what is being asked plays absolutely no role in the dimension and should not be part of it.
2 Negative	**Disagree:** This shows that the element being asked in the dimension has no influence.
3 Neutral	**Unsure:** This shows that the respondent is neutral, do not know, or is indecisive on the dimension being evaluated.
4 Positive	**Agree:** The respondent is in the affirmative, agreeing that the element being evaluated plays a role in the dimension.
5 Positive	**Strongly agree:** This shows that what is being asked plays a crucial role in the dimension and should be part of it.

The use of scale codes provided the advantage that the questionnaire can be quickly assessed. In addition, scale codes allow for the effective utilization of space and enable easy comparisons between answers (Galletta, 2013).

3.3.6.3 Interviews

According to Saunders *et al.,* (2012), an interview is a data collection instrument that is used to collect qualitative data from the research participants by way of conversations. Through interviews, the researcher is able to solicit the participants' thoughts, ideas, opinions and feelings about the research problem. Tracy (2019), argues that through interviews, the researcher obtains original data from the participants who happen to have information relating to the research phenomenon. The answers provided by the participants in response to the interview questions reveal existing knowledge that would be subject to interpretation by the researcher (Zohrabi, 2013; Juraj, 2015).

The interviews were directed to owners/managers since they were considered more experienced and knowledgeable on the operations of the SMEs. The owner/managers interviewed were chosen from the perceived successful and struggling SMEs. Hence, the interview was the most suitable data collection instrument in this regard as it afforded the researcher the opportunity to get more clarity from the owner/managers that would help improve the validity of the study. In other words, such interviews could be used as a basis to theoretically validate and contextualize the framework by probing the results of the questionnaire survey. However, the main disadvantage of interviews is that sometimes the participants give biased responses due to the presence of the researcher, just to please him/her (Tracy, 2019). The researcher had to build rapport with the participants to reduce or eradicate biased responses.

Interview guide development for the Study: As mentioned earlier, the interview was meant to solicit information on the views, experiences and opinions from SMEs owner/managers concerning the growth of their businesses. In line with the sequential explanatory design, the interview questions were developed based on the outcome of the survey questionnaires. The questions in the interview guide were grouped into four sections aimed at addressing the objectives of the study as shown below:

- Section 1: This section contained interview questions that sought to address the critical success factors of the business.
- Section 2: The interview questions in this section sought to address the sources of finance from banks and the government available to enhance the SMEs growth.
- Section 3: This section carried interview questions related to the contribution of

education and training to the growth of SMEs.

- Section 4: The interview questions in this section relate to the possibility of a framework to enhance the growth of SMEs.

The interview questions confirmed and further probed the survey questionnaires results. The meeting and interview sessions with SMEs owner/managers were conducted through the Zoom platform. Using the interview as a research instrument provided the researcher with the platform to collect qualitative data that could be more relevant to the research phenomenon under investigation (Tracy, 2019). The interviews done were verbal where the researcher could read out the questions to the participant while on the virtual platform (Zoom) and then write down the responses. The interview started with some introduction from the researcher (interviewer) about himself and the purpose of the study. This was followed by asking questions on the interview guide. Ample time was given to the participants (interviewees) to respond and explain their answers to the questions.

3.3.7 Data analysis

Both qualitative and quantitative data analysis procedures were applied. The data from the survey was analysed and therefore adopted to be more quantitative in nature while that from the interviews and literature review was considered to be qualitative. The data from the survey was analysed in conjunction with the raw banking data obtained from a human resource consultancy firm (See Annexure C). The data analysis procedure is shown in figure 3.2 below.

Data Analyses Approach
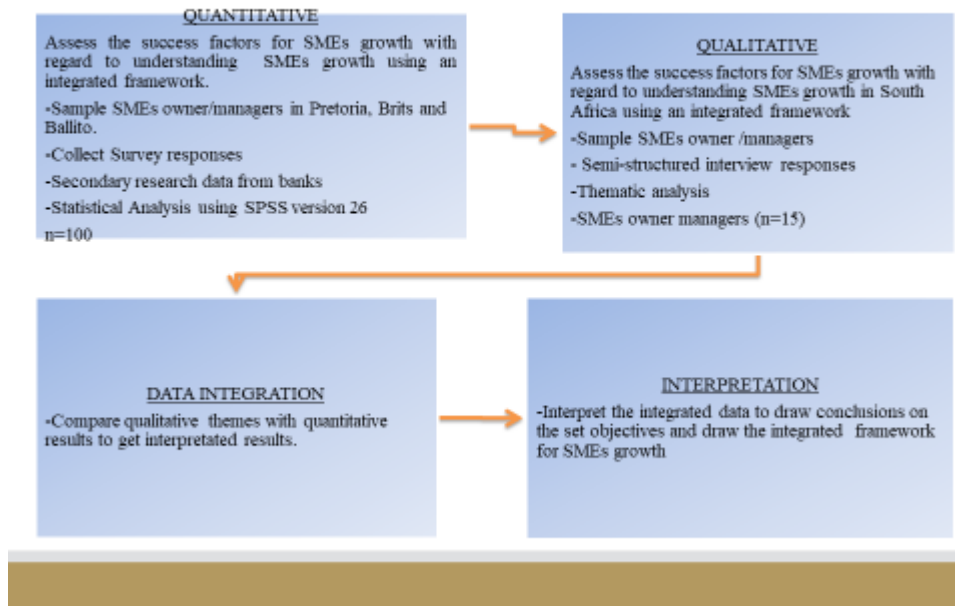
Figure 3. 2: Data analysis procedure

As depicted in Figure 3.2, quantitative analysis was done first followed by qualitative, then integration of results and lastly interpretation and drawing of the framework for SMEs growth. The quantitative and qualitative analysis procedure followed is explained below.

3.3.7.1 Quantitative data analysis

The quantitative data was analysed using excel and SPSS version 26. The analysis involved some descriptive statistics. The responses from the respondents were summarized using frequencies, percentages and measures of central tendencies. Pie charts and bar graphs were mostly used to explore and summarise the data. Such descriptive statistics were studied to check if they captured the critical success factors impacting on the growth of SMEs.

The Cronbach alpha statistical test was used to measure the reliability of the questionnaire instruments. The Cronbach's alpha statistical test was done to ensure internal consistence and measure item homogeneity (Tavakol and Dennick, 2011). In general, a Cronbach's alpha value more than 0.7 is considered as acceptable. A high level of alpha shows the items in the test are highly correlated (Dasgupta et al., 2017; Creswell, 2018). As noted by Namdeo and Rout (2017), Cronbach's alpha test statistic ranges between 0 and 1. The closer the Cronbach's alpha

test statistic is to 1.0, the greater the internal consistency of the items in the scale. The SMEs survey questionnaire constituted 17 questions aimed at soliciting data on the growth of SMEs.

A confirmatory factor analysis (CFA) structural equation modelling (SEM) on the proposed framework was done in line with the recommended benchmarks suggested by Lee et al., (2010). The Tucker-Lewis Index (TLI), Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA) were used to evaluate the fit of the SEM. The fit would indicate a good fit for the structural equation model if the CFI and TLI are greater than 0.90 and the RMSEA is less than 0.10 (Lee *et al*., 2010). The structural equation modelling is important because it is relevant in formulating and guiding the thinking on the proposed framework between the independent variables and SMEs growth.

The measurement of SMEs growth has proven to be difficult as noted by Dalal-Clayton and Sadler (2014) since various metrics such as indicators, audits, benchmarks and other reporting systems amongst others are used to measure it. SMEs growth can be defined from various angles and coming up with a unique definition can be problematic since growth involves various aspects of the economy, society and government amongst others. According to Bell and Morse (2013), quite a number of methods of measuring SMEs growth have been developed with no standard measurement in place so far, since each method has its own weaknesses and strengths. Therefore, the researcher suggests that structural equation modelling should portray the correlation coefficients of SME predictor variables to the possibility of SMEs growth.

In line with the benchmarks proposed by Weinberg and Abramowitz (2016), the correlation coefficients (r) could be interpreted in the following manner: when r = 0, no correlation, 0 <|r| < 0.3 indicates a weak correlation, $0.3 \leq |r| < 0.5$ denotes significant correlation and $|r| \geq 0.5$ means the correlation between the variables is likely to be very strong.

3.3.7.2 Qualitative data analysis

The qualitative data analysis began with making sense of the interview schedules and then identification of the relevant themes. Maree and Van Der Westhuizen (2008) proposed that the best way is to start with an inductive analysis that will generate themes from which the research findings will emerge. The inductive analysis was therefore conducted on the responses of fifteen participants who participated in the interviews. The qualitative analysis of data enables the researcher to understand how participants attach meaning to specific research phenomena.

The researcher proposes to do the induction by analysing the participants' value systems, knowledge, understanding and perceptions. Additionally, the interview guide made use of open-ended questions that made it easy for the researcher to probe the research participants when there was need for clarification.

Thematic analysis: The qualitative data from interviews was categorized into thematic areas and the analysis done manually for the researcher to fully engage with the data. The analysis of the qualitative data involved the search for themes (Saunders, Lewis & Thornhill, 2016). Patterns or themes were drawn across the data sets and were connected to a particular research question (Braun & Clarke, 2006). Thematic analysis enabled the researcher to identify, analyse, organize, describe, and report the emerging themes that would give rise to credible and trustworthy research findings (Nowell et al., 2017).

3.4 Data quality

3.4.1 Trustworthiness

- **Credibility**

There is probably a need for a prolonged engagement with participants in order to give better credibility to the data. Unfortunately, this depended on the availability of research time. The researcher did however ask the same research questions to different respondents as a way of enhancing credibility. Research questions were also indirectly or lightly considered when collecting data from different sources using different methods. Furthermore, it was important to do respondent checks by asking participants to review both the data collected by the interviewer and the researchers' interpretation of the interview data. This allowed the participants to verify their statements and allowed for the filling in of any gaps from the earlier interviews.

- **Dependability**

The researcher deemed it important to check and verify that data collected and processes followed were so robust that the research findings can be repeated independently with the raw data collected. In fact, an audit trail was maintained of all the processes involved right from data collection through to processing and analysis.

- **Conformability**

The researcher recorded the themes that were unique and interesting during the data collection. On the coding of collected data, the researcher provided a rationale on why certain codes were merged. The researcher was able to relate the research process with their background in terms of choice of the topic, methodology chosen, data analysis, results interpretation, and conclusions.

- **Transferability**

Transferability refers to providing evidence that the research results could be applicable to other situations, times, contexts and populations. Given that the sample was designed to be diversified and without any regional or economical bias the likelihood of the transferability of the research were enhanced.

- **Authenticity**

Authenticity refers to data categories that are made internally consistent. This was achieved by putting in place rules that describe category properties that could subsequently be used to justify the inclusion of each data bit. It could also provide a basis for later tests of reliability.

3.4.2 Validity and reliability

Reliability was tested by carrying out a pilot study that ensured the reliability of the questionnaires and interview guide developed. Cronbach's coefficient alpha was determined using SPSS version 26 to establish internal consistency reliability of the questionnaires. The pilot study, as an early stage of the research, requires an acceptable alpha estimate of at least 0.70 as per the norm in the social science research. Reliability is primarily achieved through collecting data from reliable sources.

Validity can be viewed from different facets. Content validity and construct validity seem to be the most important facets of validity (Carmines & Zeller, 1979). Content validity was achieved through an extensive review of the literature on SMEs focusing on their survival, growth, support and the existing frameworks on SMEs growth. Actually, the comprehensiveness of the items represented in the content domain or construct of a phenomenon determines the extent to which content validity has been achieved (Carrier, Dalessio & Brown, 1990). Construct validity refers to the extent to which an instrument measures what it intends to measure (Cooper & Schindler, 2008). This type of validity will be assessed through exploratory factor analysis (Bartlett's test of sphericity). Factor analysis can also be useful in summarising the information about the critical success factors for SMEs

growth and business performance into manageable smaller units whilst maintaining original variables where possible (Toni & Tonchia, 2001). Table 3.4 below depicts the differences between Barlett's test of sphericity and Cronbach's alpha.

Table 3. 4: Comparison of Barlett's and Cronbach validity tests

Bartlett's test of sphericity	Cronbach's alpha
Used to examine a data set to identify complicated interrelationships among items and group items that are part of integrated concepts.	Cronbach's alpha measures the reliability of a questionnaire
It does not differentiate between independent and dependent variables.	provides a simple way to measure whether or not a score is reliable
clusters similar variables into the same factor to identify underlying variables	used under the assumption that there are multiple items measuring the same underlying construct
Bartlett's test of Sphericity is highly significant at $p < 0.001$ which shows that the correlation matrix has significant correlations among at least some of the variables. Otherwise, a significant value < 0.05 indicates that a factor analysis may be worthwhile for the data set.	In general, Cronbach's alpha value more than 0.7 is considered as acceptable. A high level of alpha shows the items in the test are highly correlated

The development of the questionnaire will follow the completion of all the reliability and validity checks. It was prudent to subject the questionnaire and interview guide items to further scrutiny by experts such as the researcher's supervisor and lecturers at Unisa School of Business Leadership. According to Creswell (2014) and Leedy and Ormrod (2005), the precision of a research instrument can be examined by a panel of experts to ensure content validity.

3.5 Ethical considerations

The research is expected to have a minimum level of risk in the form of minor inconveniences when respondents take their time to respond to questionnaires. However, since there is human participation in the research, the researcher was prepared for all eventualities. In other words, appropriate steps were taken to address any possible ethical problems that arose. In this regard,

the researcher intended to address the possible ethical issues by adhering to the three internationally acclaimed basic principles on ethics namely; beneficence, having respect for persons and justice (US Department of Health, Education, and Welfare, 1979).

It was important for the researcher to accord research participants their space by allowing them to make own decisions and choices as well as treating them humanly. It was not proper for the researcher to only focus on using the respondents to achieve the intended objectives without giving the respondents and participants due respect (US Department of Health, Education, and Welfare, 1979).

The first principle of respect for persons was guaranteed in the study by securing the consent of owner/managers and senior employees of the SMEs to take part.

The questionnaires sent were accompanied by a permission letter (see Annexure B, C, D, and E) and a consent form seeking consent from the owner/managers to voluntarily take part in the study. Permission letter requests for permission to conduct a study in the organisation and the consent form sought the participant's agreement to take part in this research. The informed consent form contained the title of the study, the aim and objectives of the study, proposed methodology, the manner in which results would be used, respondents' right to withdraw participation without being penalized, potential merits of taking part in the study, and how anonymity and confidentiality could be ensured (Visagie, 2012).

It is important to note that at all times, the participants were reminded that participating in the research was optional and that participants should feel at liberty to withdraw at any time. Privacy and confidentiality were highly maintained by ensuring that research participants' names did not appear in the research report. Even the research instruments did not bear the names of research respondents for anonymity reasons. The owners and managers of the SMEs were given assurance that their views and opinions remained strictly confidential and under no circumstances would the information be disclosed to anyone. By the same token, the owner/managers were given a guarantee of confidentiality that competitors and government agents will not have access to their company's information.

The principle of beneficence was achieved by ensuring that the research was carried out in a manner that maximized the positive contribution towards the welfare of people and minimized social, psychological and financial risks for all stakeholders (Visagie, 2012). The beneficence

maxim states that one must treat others in the same manner they would want to be treated (Visagie, 2012). The idea was to have a scenario where there would be little or no risk to participants but potential benefits accumulating to all parties involved in the research.

The principle of justice was adhered to through the manner in which research participants are selected. In this case the research participants were treated fairly by ensuring that the benefits and the risks of participating in the research are fairly clearly distributed among people (US Department of Health, Education, and Welfare, 1979).

3.6 Chapter Summary

The research philosophy and methodological approach guiding this study was addressed in this chapter. The chapter gave an overview of how the research was carried out. The main part of the study constitutes a survey of SMEs in the Gauteng (Pretoria) and North West (Brits) and KZN (Ballito) provinces of South Africa. A mixed method research was applied to the study. Questionnaires were administered to owner/managers and interviews were held with a few selected owner/managers of SMEs. The pragmatism research paradigm was adopted in the study. The study also used the abductive approach as a deeper understanding via a framework for growing small businesses will emerge from the study. The ensuing chapter presents the research findings.

CHAPTER 4: QUANTITATIVE DATA ANALYSIS

4.1 Introduction

The previous chapter dealt with the research procedure aimed at addressing the pertinent research questions and objectives of the study. This study was based on the mixed method research approach that utilised both quantitative and qualitative techniques in order to thoroughly address the research problem from all possible angles. As the first part of the sequential explanatory design of the mixed method, this chapter presents quantitatively analysed data from both the SMEs survey and the secondary research data based on relatively raw data obtained from a South African banking survey.

The analysis of data was done with the aid of SPSS and Microsoft Excel's statistical application software. In order to gain a good overview of the data, an analysis involving some descriptive statistics were performed. To help detect useful trends, the data from the questionnaires were classified using frequencies, percentages and measures of central tendencies. The descriptive statistics took into account success factors that effectively merged many other items in the questionnaires. The descriptive statistics and classification measures are analysed in tandem with the aim of deepening the understanding of how banks support SMEs and the critical success factors impacting on the growth of SMEs.

4.2 Results from the SMEs survey

This section presents and analyses the results from the SMEs survey:

4.2.1 Data collection procedure

A survey was used to collect quantitative data from SMEs. The researcher sought permission to use SMEs databases for SEDA in Gauteng, Madibeng local Municipality in North West province and iLembe District Municipality in KZN. The information obtained from the data set was used to identify the target 100 SMEs (see section 3.3.5.1 on the population) in Gauteng, KZN and North West provinces and sought consent for their participation. Hence, 100 questionnaire sets were sent to SMEs owner managers in the three provinces of Gauteng, Northwest and KZN. In order to minimize operational costs, the researcher thought it prudent to seek consent at the time when questionnaires were distributed. The idea was to leave out SMEs that were not willing to take part in the study. However, this did not help much since the

researcher still encountered challenges of respondents not willing to disclose pertinent information on the performance of their SMEs. Initially, most of the SMEs owner /managers were unwilling to complete the questionnaires citing their busy work schedules as the reason. However, some of them later completed the questionnaires. A total of 60 responses were received which constituted 60% of the targeted 100 sample questionnaires. The sample size of 100 SMEs was considered large enough at the 90% confidence level (see the formulae result in section 3.3.4). Moreover, the sample size is statistically significant to represent the SMEs in the three provinces relatively well.

4.2.2 Descriptive statistics and analysis

The questionnaires were distributed through Survey Monkey to collect data from SMEs owner/managers. The analysis of data was done with the aid of SPSS and Microsoft Excel application software. The analysis involves some descriptive statistics such as measures of central tendencies, frequencies and percentages. The descriptive statistics help to describe the characteristics of the respondents and in addition help capture the success factors on the growth of SMEs that would emerge, as well as all the other items in the questionnaires. Moreover, the descriptive statistics help to compact large amounts of data into useful information that would be easy to understand. The data collected and the findings were based on the experiences of SMEs owners/managers of how they operated their business. The analysis begins with demographic information of the SMEs owner/managers who responded to the survey questions, followed by the information on the operation and growth of SMEs.

4.2.2.1 Respondents' demographic information

It could be noted that some of the demographic variables may not have any influence on the growth of the SMEs, unlike the critical success factors such as education and training, investment in infrastructure, financial and non-financial support, etc., which are viewed as potential determinants of SMEs growth. Figure 4.1 to Figure 4. 3 below depict the gender demographic responses. This is followed by a summary.
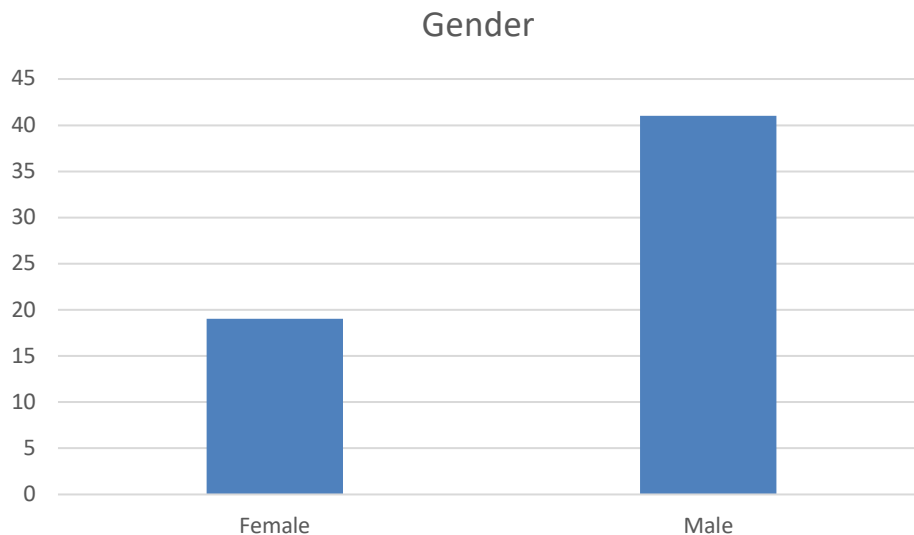
Figure 4. 1: Gender of respondents

 The gender distribution of respondents depicted in figure 4.1 shows that 19 (31.67%) of SMEs are owned or managed by females, while 41 (68.33%) are owned or managed by males. This shows a skewed distribution in favour of males in terms of the management and ownership of SMEs. As noted by Matekenya (2022), men are generally more entrepreneurial than women. This can also be seen as an artefact of young men who fail to secure gainful employment after University and see starting small businesses as the best alternative to eke out a living and provide for their families (Ncube & Zondo, 2022).

Nevertheless, men are generally more prepared to take risks than women. However, in some countries, it depends on the customs and cultures prevailing, that might deter or promote women participating in SMEs. Women's participation in SMEs plays a key role in economic growth and development, not only in South Africa but in other developing countries as well (Matekenya, 2022). However, women's participation in the sampled SMEs appears limited as shown on Figure 4.1 above but this does not mean that there are barriers to their participation in running SMEs. They have the same opportunity set as men in terms of opening up SMEs – at least in South Africa.
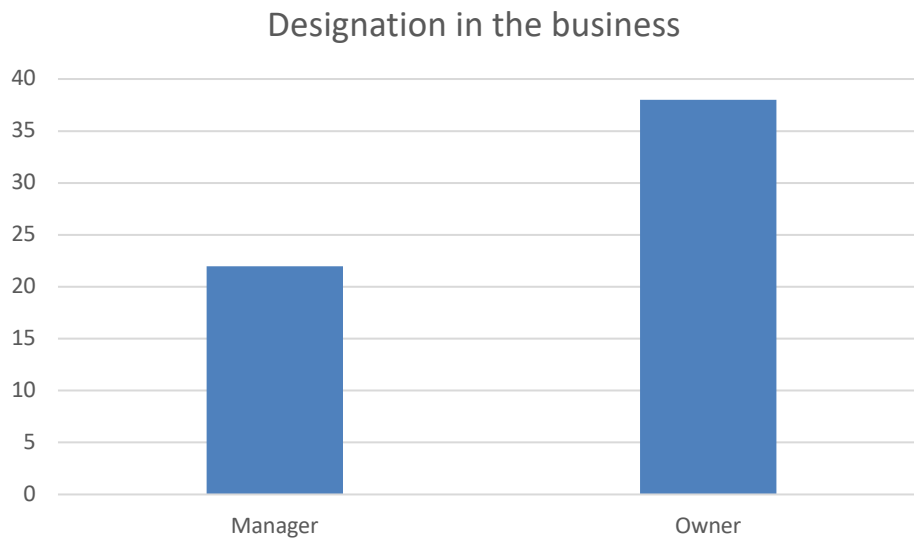
Figure 4. 2: Designation of person running the business

Figure 4.2 shows that 22 (36.67%) of the respondents were managers of the SMEs, while 38 (63.33%) of the respondents were owners of the SMEs running their businesses. The designation of the person running the business could be considered important as argued by Lose and Mapuranga (2022) who assert that business owners, especially those with managerial skills, are capable of running their businesses successfully because they have the interest of their businesses at heart, unlike managers who might have conflicts of interest in their decision making. The findings in figure 4.2 revealed that the majority of the sampled SMEs are owner managed, meaning that the sampled SMEs are skewed toward more honest and focused participants, in the Lose and Mapuranga (2022) sense.
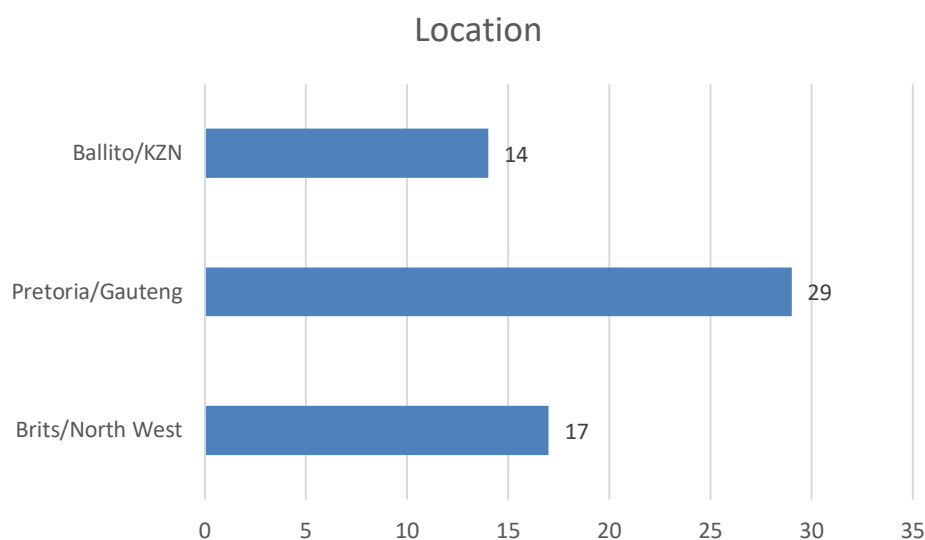
Figure 4. 3: Business location

Figure 4.3 depicts that 17 (28.33%) of the respondents were domiciled in Brits/North West, 29 (48.33%) in Pretoria/Gauteng and 14 (23.34%) Ballito/ KZN. This finding shows that most of the respondents were based in Gauteng, followed by North West and lastly KZN. The reason for having a high number of respondents coming from Gauteng could be that Gauteng is considered the economic hub of South Africa with many concentrated businesses. North West and KZN provinces are predominantly rural, hence fewer economic activities. Business location could be considered a determinant factor in the survival and growth of an SME as alluded to by Ezennia and Mutambara, 2022. Most competitive SMEs in Gauteng are able to develop into large enterprises provided the owners or managers meet the conditions required to run a business. However, it should be noted that in most cases SMEs choose business locations based on rentals, owners' residence and the availability of vacant business space. Ncube and Zondo (2022), stated that the choice of business depends on the cost of rentals, the availability of a vacant business premises or proximity to the owner's residence. In addition, Mbonyane (2006) notes that the selection of a business location relies on the nature of the business and its proximity to customers. Some businesses move closer to their customers while in some instances the customers move closer to the business. However, it should be noted that the researcher had no intention to determine how location affected business survival and growth but the idea was to have some homogeneity in the sample, or approximately equal representation of SMEs from the three research areas. Even though an exact equal representation of SME was not achieved as shown in figure 4.3, a geographically diversified sample with a bias to the main economic hub in Africa was achieved.

4.2.3 Summary of Responses of demographics

SMEs owners and managers in the three research areas of Pretoria, Brits and Ballito constitutes male and female with males owning or managing the greater part of the industry. It was noted that many youths, mostly young men from universities resort to starting SMEs for survival after failing to secure employment. In order to do general, equally weighted inference, the researcher intended to have an equal number of respondents from the three areas but this did not happen. Unfortunately, the majority of respondents came from Gauteng, followed by Brits/NW and lastly Ballito/KZN. Fortunately, the sample had some homogeneity since all the regional samples somewhat contained SMEs that in some way or the other have been financially constrained.

4.2.4 Survey Reliability and Validity

For credible inference and generality discussion it is important to deliberate on the reliability and validity of the test carried out in order for the researcher to correctly interpret the results of the study. The reason being that the researcher would be able to ascertain the validity and consistency of the instrument for testing. According to Leung (2015), reliability refers to consistence of results over time that accurately represent the total research population. That means the study outcome should be consistent in situations where similar research methods are applied using reliable research instruments. In other words where a research instrument for testing is applied consistently giving rise to the same results, it follows that the research instrument is reliable. Validity can be viewed from different angles. Content validity and construct validity seem to be the most important facets of validity (Carmines & Zeller, 1979; Leung, 2015). In order to achieve content validity, an extensive reviewing of literature on SMEs focusing on their survival, growth, support and the existing frameworks on SMEs growth was carried out (See Chapter 2). Actually, the level of detail of the items represented in the content domain or construct of a phenomenon determines the extent to which content validity has been achieved (Carrier, Dalessio, & Brown, 1990). Construct validity refers to the extent to which an instrument measures what it intends to measure (Cooper & Schindler, 2008; Leung, 2015). The reliability of the instrument was tested using Cronbach's alpha statistical test to ensure internal consistence and measure item homogeneity (Tavakol & Dennick, 2011). In general, a Cronbach's alpha value of more than 0.7 is considered as acceptable. A high level of alpha shows the items in the test are highly correlated (Dasgupta et al., 2017; Creswell, 2018). Namdeo and Rout (2017), noted that Cronbach's alpha test statistic ranges between 0 and 1 and the closer the Cronbach's alpha test statistic is to 1.0, the greater the internal consistency of the items in the scale. The survey questionnaire constituted 17 questions aimed at soliciting data on the growth of SMEs. The survey questionnaire instrument was drawn on a 5-point Likert scale interval from which the respondents could select their answer (See table 3.2).

Table 4. 1: Cronbach's Alpha Test for Each of the Questionnaire construct

Questionnaire Constructs	Cronbach's Alpha	Number of Items
SF1: SMEs owner/manager commitment	76,7%	2
SF2: SMEs finance	82,1%	5
SF3: Financial and non-financial support to SMEs	73,8%	4
SF4: Education and training	87,1%	1
SF5: Marketing of SMEs products	78,2%	1
SF6: Innovation and technology	72,5%	1
SF7: Policy, regulations and laws governing SMEs	78,9%	3

Table 4.1 shows that all the Cronbach's alpha coefficient for each of the constructs were within the acceptable range of between 70-90% (Namdeo & Rout, 2017). The research instruments and all the questions in it were therefore deemed to be reliable.

Table 4. 2: Validity Test for questionnaire items

	Estimate	Std.err	z-value	P(>|z|)
SF1				
1.1	0.557	0.041	13.233	0.000
1.2	0.526	0.043	12.45	0.000
SF 2				
2.3	0.761	0.053	14.020	0.000
2.4	0.826	0.055	15.38	0.000
2.5	0.457	0.053	8.855	0.000
2.6	0.565	0.049	11.040	0.000
2.7	0.614	0.048	12.573	0.000
SF3				
3.8	0.550	0.052	10.320	0.000
3.9	0.802	0.06	16.02	0.000
3.10	0.763	0.055	14.08	0.000
3.11	0.594	0.050	11.501	0.000
SF4				
4.12	0.612	0.050	12.485	0.000
SF5				
5.13	0.639	0.062	10.384	0.000
SF6				
6.14	0.404	0.059	6.955	0.000
SF7				
7.15	0.386	0.05	6.433	0.000
7.16	0.467	0.056	8.21	0.000
7.17	0.636	0.059	10.850	0.000

As shown on Table 4.2, the questionnaire was valid as each item on the questionnaire loaded significantly onto its construct. Below are the responses for each construct.

4.2.5 Responses from the questionnaires

Below are the responses from the questionnaires as depicted by figures 4.4 to figure 4.17:

Success Factor (SF) 1: Owner/Manager Commitment to the business

Owner/Manager willingness to operate business
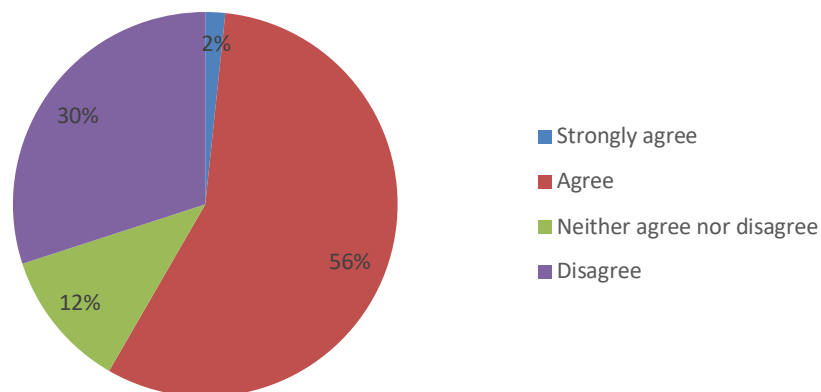
Figure 4. 4: Responses on owner/manager commitment to operate the business

Figure 4.4 clearly depicts that most of the respondents had a zeal to operate their business. This resonates with the theory of planned behaviour. As noted by Hermans et al. (2012), the theory is more appropriate for ambitious entrepreneurship, as growing a business requires commitment and sacrifice. In fact, it has been observed that entrepreneurs running new businesses have growth aspirations for their businesses (Ntlhanngoe & Chipunza, 2021). In response to the question on whether the owner/managers were committed to operate their businesses, 58% of the respondents agreed and strongly agreed that they were willing to operate their business. About 30% of the respondents disagreed and indicated that they were not committed to their businesses, while 2% neither agreed nor disagreed. It could be argued that the 30% who were not committed to their businesses were not full-time in their businesses. However, this could not be established as it was not asked in the questionnaires. It is crucial that the owner/manager of the business should be totally involved in the affairs of the business for it to grow. In other words, the owner/manager must be prepared to devote the greater part of their time and resources to run the business. Proper supervision should be put in place to

safeguard business assets and ensure maximum production that would steer up growth of the business.

Owner/Manager is willing to take up risk capital
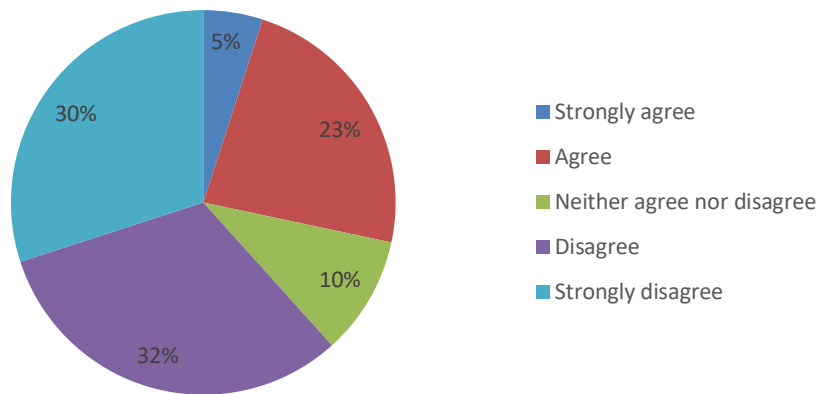
Figure 4. 5: Responses on owner/manager willingness to take up risk capital

Figure 4.5 shows that 28% of the respondents (23% agree and 5% strongly agree) that they were willing to take up risk capital to grow their businesses, while the greatest proportion of the respondents (62%) disagreed 32% and strongly disagreed 30% that they were willing to take up risk capital. A meagre 10% of the respondents were undecided on whether they were willing to take up risk capital to grow their businesses. The results above suggest that the majority of SMEs owner/managers could be hesitant to take the risk of borrowing capital to finance the business. As noted by Matekenya (2022), besides having a strategic plan, the business must be prepared to take up risk capital for the sake of financing the business. It is risk capital in the sense that the business will be exposed to interest rates exposure and failure to repay the loans in the event of financial hardships. Many studies show that SMEs that are prepared to take up risk capital and put it to good use have a greater possibility to grow and be sustainable (Lose & Mapuranga, 2022; Nsom, 2023). It could be argued that most SMEs owners/managers are quick to cry foul that they lack capital to grow their business yet in some instances capital is available but they are not prepared to take the risk of borrowing – maybe due to unfavourable interest rates (or credit risk premiums) charged by financial institutions (Lose & Mapuranga, 2022) as noted in chapter 1. Figure 4.6 below reveals whether the SMEs have knowledge on available funding.

SF2: SMEs Finance

Knowledge of funding available
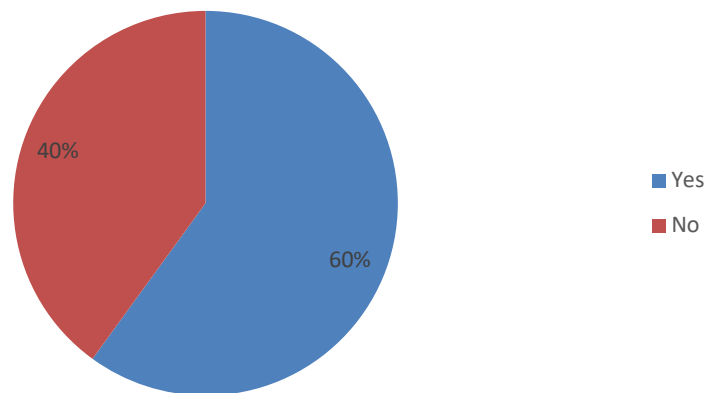
Figure 4. 6: Responses on knowledge of SMEs funding available

Figure 4.6 depicts that 60% of the respondents are aware of the SMEs funding available, while 40% claimed that they do not know about the availability of SMEs funding as indicated by a 'no'. The majority of the respondents (60%) had knowledge of available funding (figure 4.6), but the minority of the respondents (28%) were willing to take up risk capital (figure 4.5). Therefore, it could be implied that even though the majority of the SMEs sampled had knowledge of available funding, they probably rely on their own sources of capital that might include family support, savings and friends' support, which unfortunately in most cases is not enough for expansion (Ncube & Zondo, 2022).

The finding depicted in Figure 4.6 is contrary to that noted by Ezennia and Mutambara (2022), where most SMEs are recorded to not be fully aware of the funding from the government and as a result cannot benefit from the available financial resources that can possibly drive their businesses on a sustainable growth path. Moreover, it can also be argued that the SA government can do more to ensure that the SME sector is well informed and knowledgeable on the distribution of funds through government departments and agencies (BER, 2016).

Access to short, medium and long-term capital
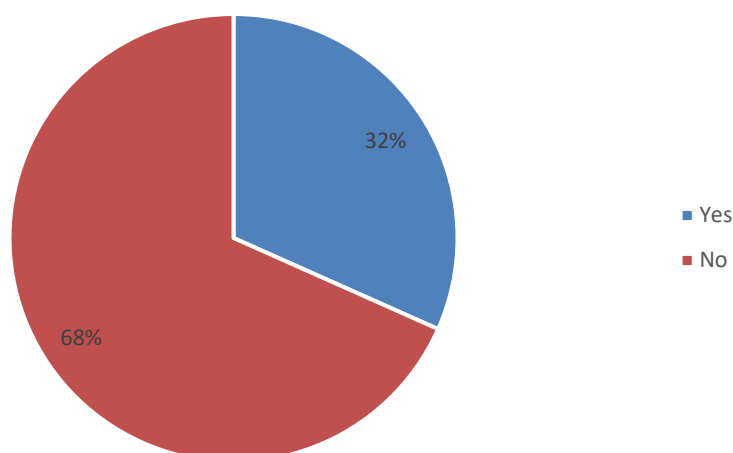
Figure 4. 7: Responses on access to short-, medium- and long-term capital

Figure 4.7 above shows that 68% of the respondents do not have access to short-(<1 year), medium-(1year -5years) and long-term (>5years) capital, while 32% of the respondents do have access. The majority of the sampled SMEs do not have access to capital and could possibly be interpreted as still in need of capital to grow their businesses which conforms to the finance gap theory.

The finance gap theory, postulates that many SMEs are in dire need of the legal capital from the government and financial institutions to finance their businesses. Unfortunately, getting funding has always been a nightmare to SMEs due to the stringent requirements by the banks and other financial institutions (Keil, 2021; Asplund & Henriksson, 2012).

The problem appears to have two sides. Most of the sampled SMEs owners/managers claim to be knowledgeable but do not have to access the much-needed capital from the external sources on one hand, and on the other hand, the investors or financial institutions could find it hard to adequately service the SMEs sector because of lack of understanding of the comprehensive needs of the SMEs and their structure. Hence, the reason why business scholars agree that there is a financing gap for SMEs that could possibly be reduced by productively channelling financial resources to SMEs to enhance their knowledge on sustainability and growth (OECD, 2015). Nsom (2023) suggest that to ensure their growth, SMEs should be legally funded by the government and other financial institutions. As indicated above in figure 4.7, the implication is that the 68% of SMEs that do not have access to capital are the ones that are least likely to grow while 32% of them with access to capital are most likely to grow. It should be noted that

all SMEs need adequate capital for them to grow (Kalane, 2015; Keil, 2021). This follows that, lack of access to capital could hamper the growth of the SMEs. This supports the argument by BER (2016) that lack of access to capital may result in business failure. In addition, making good knowledge available to SMEs on how to effectively access financial resources could steer up growth of this dynamic sector of the economy (Bell, 2015; Mejri & Zouaoui, 2020). Having acknowledged that SMEs play a crucial role in the growth of the economy and that the government and financial institutions play a paramount role in financing the SMEs, the next sections focus on understanding SMEs adequate financial support from banks and the government.

Adequate financial support from banks and government
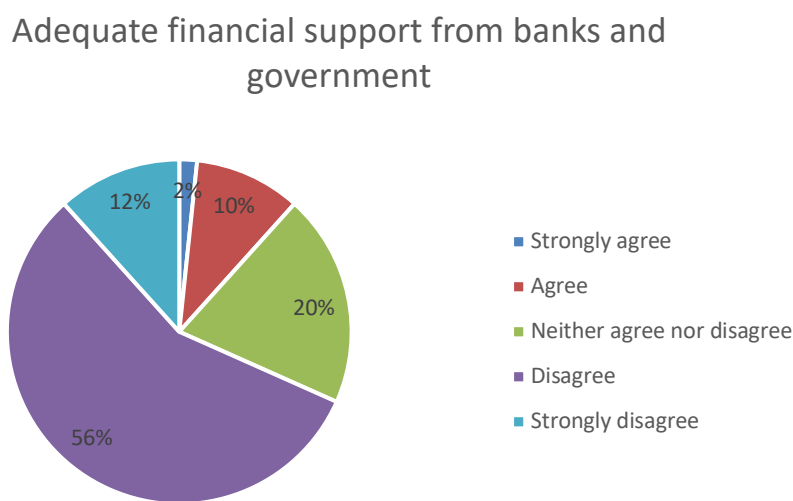
Figure 4. 8: Responses on SMEs receiving adequate financial support from banks and government

Figure 4.8 above shows that the majority (68%) of the respondents disagree and strongly disagree that they receive adequate financial support from banks and the government, while 12% agree and strongly agree. About 20% neither agree nor disagree that there is adequate funding from banks and the government. The findings above point to a serious anomaly which suggests that SMEs in South Africa perceive that they are not adequately financed by the banks and the government.

What kind of financial support could be interesting? The financial support could be in the form of access to borrowing from banks, informal sector funding tools, other funding networks in partnership with banks and private sector partners, and government's concessionary funds that could be earmarked to develop SMEs. As mentioned earlier most businesses that have received

financial support were able to sustainably grow into large enterprises (see e.g. Robb & Fairlie, 2008). However, it should be noted that lack of capital cannot always be attributed to SMEs failure, as access to financial support is not a guarantee for the growth of the business (Ramukumba, 2014). There are many contributing factors to the success of the SME in terms of growth and sustainability. These include amongst other factors, effective and efficient utilization of resources. It has been observed that some SMEs with adequate financial resources tend to abuse them and, in the end, fail to grow their businesses. That then calls for the government to put in place effective monitoring and evaluation mechanisms on the operations of SMEs who are benefitting from government funding. According to Masocha and Charamba (2014), the local SMEs that receive government support in some cases are outperformed by the foreign owned SMEs without government support (Mukoswa, 2023). Perhaps linking up the government funded small business with the similar foreign business could be a means for the small business to appreciate the funding, and a way for the government to monitor and evaluate the health of their operations.

Apart from allocating business rescue funding to SMEs through banks, the government or the SOEs have alternative methods
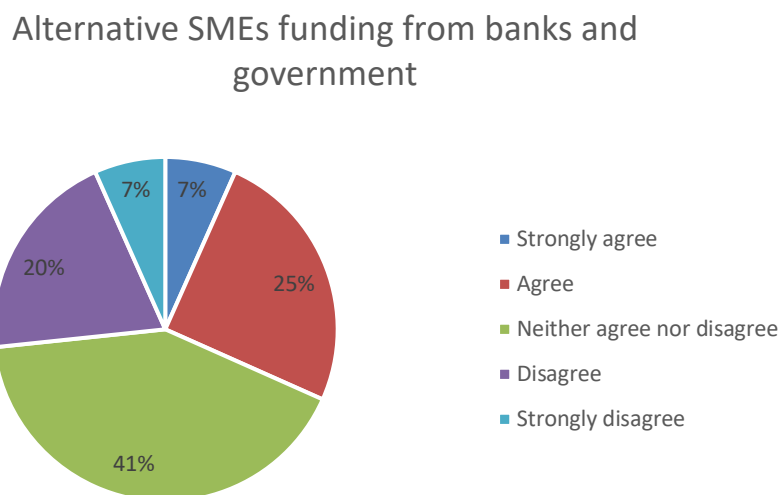
Figure 4. 9: Responses on alternative SMEs funding from banks and government

Figure 4.9 portrays that 27% of the respondents collectively disagree and strongly disagree that there is alternative funding for SMEs, while 32% are in the affirmative (agree and strongly agree) that there is alternative funding. Surprisingly, a whopping 41% of the respondents did not take any sides i.e. they neither agree nor disagree that there is alternative funding for SMEs,

which possibly implies ignorance about the existence of such alternatives on the part of the SMEs (Ezennia & Mutambara, 2022; Musakanya, 2023).

The 27% of respondents who claimed that there are alternative sources of finance from the government might refer to the traditional funding options such as equity financing, angel investor, venture capital, crowdfunding, and asset-based and technology-influenced funding that could be available to SMEs (Matekenya, 2022). It could be argued that equity financing is an ideal option because it does not require monthly loan repayments as in the case of a bank loan. As noted by Rungani and Potgieter (2018), the lack of equity financing imposes the burden on the SMEs to rely on borrowing. The minority finding on the alternatives appear in line with research that has shown that equity financing as well as the other private lending options are not a preference and are therefore not popular or known to most SMEs in South Africa (Matekenya, 2022). This is further supported by the Pecking Order Theory (POT) which highlights why SMEs shun equity and instead prefer the use of internal resources and debt options (Bowmaker-Falconer & Herrington 2020).

However, according to Omer (2016), in South Africa internal earnings/resources will remain a form of equity within the SMEs sector provided a friendly legal and policy frameworks (TIPS, 2017). Further research done pointed to the fact that the private lending options such as crowd funding were among the least funding options in South Africa (Ncube & Zondo, 2022). The venture capital option is not accessible to most businesses, especially the newly formed SMEs (Rungani & Potgieter, 2018).

Growth and profitability of the business
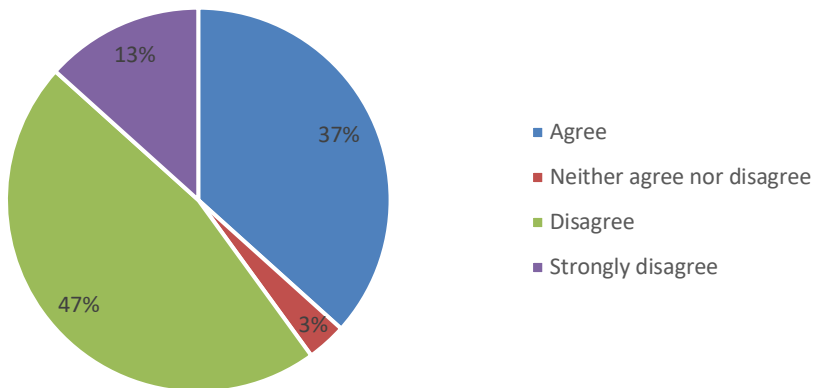
Figure 4. 10: **Responses on the growth and profitability of the business for the past three years.**

As shown in figure 4.10 above, 37% of the respondents agreed that they have made profit and grown in the past three years while the majority (60%) confirmed that they did not make any profit or grow in the past three years. An insignificant 3% of the respondents were undecided (neither agreed nor disagreed) that they made profit, thus implying that, possibly their business broke even. Considering the period under review, many SMEs in the sample were also possibly constrained by the advent of COVID-19.

SF3:Non-financial support offered to SMEs

Non-financial support to SMEs from government
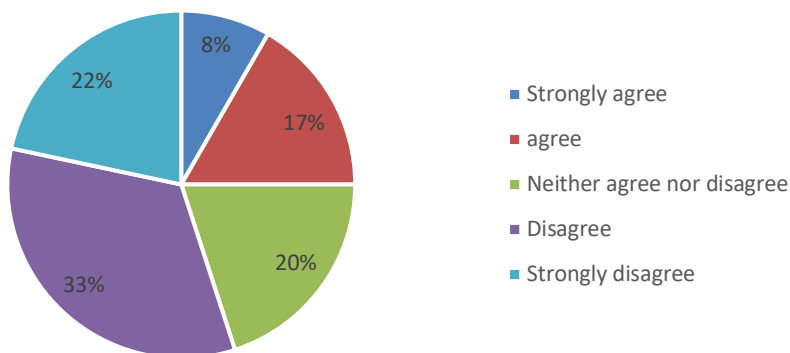
Figure 4. 11: **Responses on whether the government possess adequate non-financial support to SMEs**

Figure 4.11 shows that the 55% of the respondents – which constituted the majority – disagree and strongly disagree that the government possesses non-financial support to SMEs, while 25% of the respondents are of the opinion that the government poses non-financial support to SMEs. However, about 20% of the respondents were undecided (neither agreed nor disagreed) on whether the government offer such support to SMEs or not. SMEs need such support for them to grow their businesses. Non-financial support could entail facilitating market access for SMEs, offering business advisory services, training of SMEs owners/managers, enrolling SMEs into incubation programmes and the availability of infrastructure among other things. Interesting to note that SEDA was established by the government to provide amongst other important things, non-financial support programmes to SMEs.

SMEs incubation programmes present an array of support services that help to nurture the spirit of entrepreneurship amongst SMEs owner/managers. The support services enhance the development of a sound product concept; business skills, training on the appropriate use of technology, enabling access to finance and markets. Research has shown that, if successfully done the business incubation programme enhances the likelihood of survival, growth and sustainability of the SMEs (Fatoki, 2014).

The availability of infrastructure lays the foundation for the growth of businesses within the economy (Bari *et al.,* 2005). It is the responsibility of the government to ensure that SMEs are supported by ensuring that the necessary infrastructure in the form of electricity, roads and communication lines are in place. In countries where the cost of doing business is high, for example, the high cost of power, transport and exorbitant license fees, the competitiveness of SMEs is greatly compromised. South Africa is currently experiencing electricity problems that manifests in the form of load shedding which has negatively affected businesses, particularly SMEs. According to Gurara et al., (2018), infrastructural improvements provide a conducive environment that enhances productivity and ultimately the growth of SMEs.

Relationship between government departments
and SMEs
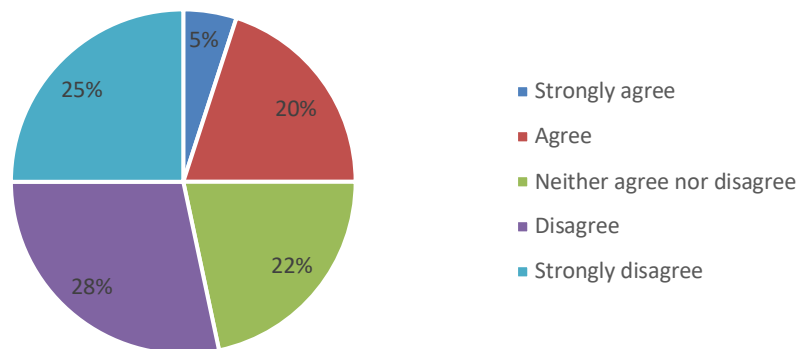
Figure 4. 12: Responses on whether there is a good relationship between public sector or government departments and SMEs

Figure 4.12 above shows that 53% of the respondents (disagreed 28% and strongly disagreed 25%) that there is a good relationship between government departments and SMEs, while 25% of the respondents (agreed 20% and strongly agreed 5%) that a good relationship exists between government departments and SMEs. Only 22% of the respondents did not take any sides (neither agreed nor disagreed) that a relationship existed between government departments and SMEs. The results above clearly shows that the majority of the small businesses perceive that there is not much in terms of relationships between government departments and SMEs, yet it has been noted in the literature that where there is a relationship or private-public partnership, an improvement of SME risk rating and skills level occurs (Saberi & Hamdan 2018). This provides some light as to why most of the SMEs in South Africa are not growing optimally, seen in Figure 4.10.

Private-public partnerships help SMEs to learn and take advantage of growth catalysts (e.g. B-BBEE-based) procurement opportunities and other business support services (Mbuya, 2022). In this case some government departments could voluntarily support and nurture emerging SMEs through existing company-level enterprise development programmes. According to Mbuya (2022), synergy is needed across different areas for SMEs to thrive, grow, and create jobs in South Africa. Therefore, there is need to improve the institutional framework for SMEs development by ensuring a cohesive and integrated approach across all three spheres of government and stakeholders and role players across various institutions.

SF4: Education and training

Human capital as an important driver to grow SMEs
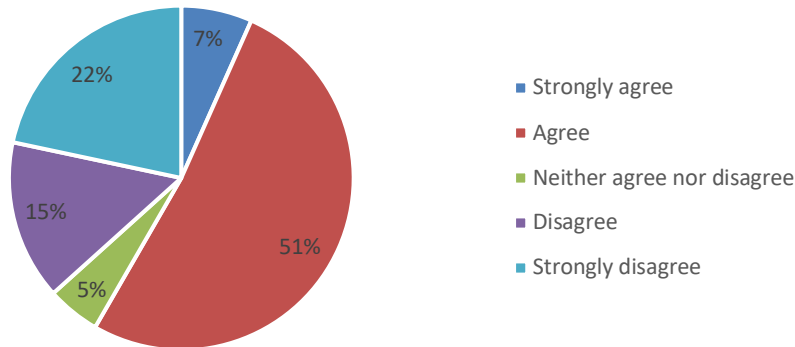
Figure 4. 13: Responses on whether the business values human capital as an important driver to grow and invest in employee knowledge, skills, and abilities

On establishing if the SMEs value human capital as an important driver to grow and invest in employee knowledge, skills, and abilities it was found out that the majority (58%) of the respondents were in agreement (agree 51% and strongly agree 7%) that the business values human capital as an important driver to grow and invest in employee knowledge, skills, and abilities as portrayed in Figure 4.13 above. It should be noted that to improve human capital, employees should undergo training in the various facets of the business. It is possible that even though the majority of the sampled SMEs agree on the importance of human capital, they are struggling (figure 4.10) because they do not have enough knowledge of the government funding lines (figure 4.11) probably because of an unnurtured relationship with government (figure 4.12).

Only 37% of the respondents disagreed (disagree 15% and strongly disagree 22%) that the business values human capital as an important driver to grow and invest in employee knowledge, skills, and abilities. In section 2.2.3 the importance of investing in human capital is theoretically derived. From a practical perspective, it could be argued that the 58% that confirm to value human capital are most likely to take advantage of the training of employees and their skills to grow the business and become more sustainable. The 37% that do not value human capital are likely to experience stunted growth that will eventually lead to business failure due to lack of skills and innovation that are associated with education and training.

Mbuya (2022), asserts that when an SME invest in human capital development, in a way the SME increases its capital investment by ploughing back capital into the business. SMEs that invest much into human capital have been known to survive and grow into profitable businesses in the long run. The reason being that investing in human capital enables SMEs to improve on the skills, knowledge, expertise and competences that will help them to effectively run their businesses (Njoroge & Gathungu, 2013). However, Jacobs (2015) advocates for a basic level of education of employees as necessary for the proper running of SMEs. Research has shown that most countries do have national strategies in place to foster financial literacy, but sadly only few have a specific focus on SMEs, despite the fact that this segment's financial literacy needs often exceed those of the general population (OECD, 2015).

SF5: Marketing and research of SMEs products

Market access for their products and services is key to the survival of SMEs. Therefore, the SMEs should ensure that they improve on the quality of their goods so that they become competitive.

The business has access to differentiated markets
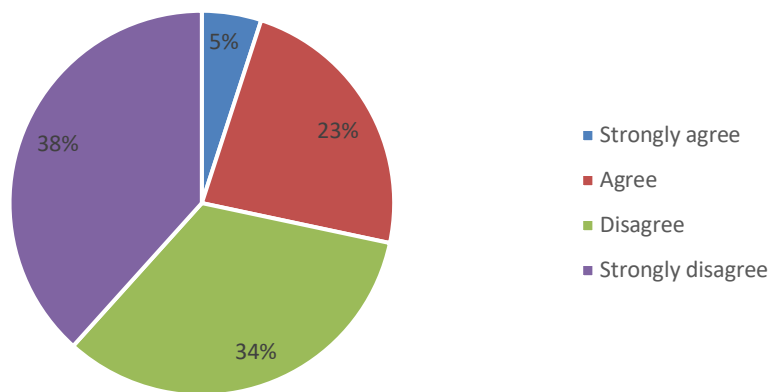
Figure 4. 14: Responses on whether the business has access to differentiated market

Having access to differentiated markets is crucial for business survival and growth. The analysis on the findings on whether the SMEs have access to differentiated markets is shown in figure 4.14. The results show that 28% of the respondent were in agreement (23% agree and 5% strongly agree) that their SMEs had access to differentiated markets, while the greatest

proportion (72%) of the respondents were not in agreement (34% disagree and 38% strongly disagree) that they had access to differentiated markets.

According to Mboweni (2022), SMEs need to have strong bases in business research for them to be able to expand and penetrate new and varied markets. If business research is properly carried out, accurate information is gathered that could be instrumental in decision making and ensuring that the business becomes competitive on the market. According to Bartlett (2015), entering new markets, could be made possible with new products that are outcomes of business research. Therefore, there is need for South African SMEs to penetrate differentiated markets to remain viable, grow and continue to be sustainable.

SF6: Innovation and technology

Digital technology and benefits from online marketing and sales

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree
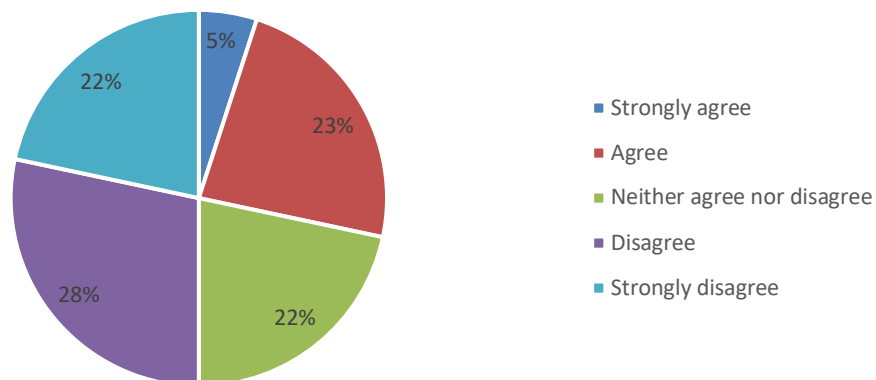
Figure 4. 15: Responses on the use of digital technology and benefit from online marketing and sales

The advent of COVID-19 has revolutionised the way many businesses operate. SMEs have not been left out in embracing the new way of doing business using technology. The responses on the use of digital technology are shown in Figure 4.15. The results show that half (50%) of those who responded were in disagreement (28% disagree and 22% strongly disagree) that they use digital technology and benefit from online marketing and sales, while 28% (23% agree and 5% strongly agree) that they use digital technology and benefit from online marketing and sales. Only 22% of the respondents were undecided on whether they use digital technology and benefit from online marketing and sales or not. This could imply that they do not have an idea of what digital technology entails. The finding that small businesses are currently not focused

enough on technology and innovation is not surprising. Especially, in the context of a Seta study (Stiehler & Mehlape, 2021) that shows that the retailer businesses are not ready for a disruption in technology. See the pie chart on the readiness of retailers for a disruption in technology in figure 2.2 in chapter 2.

SF7: Policy, regulations and laws

Simplified procedures to apply, register and operate SMEs
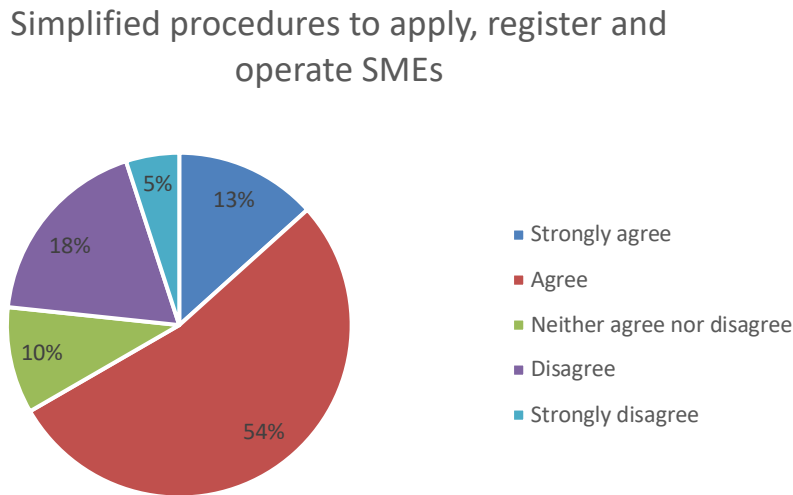
Figure 4. 16: Responses on whether the government has streamlined the procedures to apply, register and operate a small business, thus making it simpler for SMEs to operate

Figure 4.16 shows that most of the respondents (67%) were in agreement (54% agree and 13% strongly agree) that the government has streamlined the small business registration processes, thus making it simpler for SMEs to operate, while 23% of the respondents disagree (18% disagree and 5% strongly disagreed) that the government has streamlined the SMEs registration processes, thus making it simpler for SMEs to operate. Only 10% of the respondents neither agreed nor disagreed that the government has streamlined the procedures to apply, register and operate a small business, thus making it simpler for SMEs to operate and suggesting that they were not knowledgeable about the regulatory framework for SMEs. The finding that the majority of the sample agree on the ease of applying and registering also points to the fact that the sampled respondents were generally matured and informed small business participants. Especially given that the SA government has the Companies and Intellectual Property Commission (CIPC) online website specifically designed to facilitate the streamlining of the registration and administrative business operations.

Jitmaneeroj (2016) noted that SMEs need to conform to regulatory authorities' requirements to succeed in their business endeavours. In the South African setup such regulatory authorities include local authorities, tax administrators, standards boards, environmental management agencies and monitoring boards among others. The findings above where 67% of the respondents were in agreement that SMEs registration procedures were made simple unfortunately do not negate the fact that the South African SMEs policy and regulatory framework is still too rigid and inflexible (TIPS 2017;Mistra 2020).

According to Mavhiki et al., (2014), failure to comply with regulatory requirements result in SMEs facing stiff penalties that may lead to their closure. Therefore, it is of paramount importance for SMEs to strictly adhere not only to know but also to inform the public servants of the inflexibility and rigidness of the regulatory provisions to ensure continued operations and long-term success. The government and other institutions that support SMEs should assist and train them in all aspects of business such as management, marketing, accounting, preparing business proposals and understanding new legislation.

A determinant of regulatory inflexibility and rigidness is 'coordination'. In this study, 'coordination' refers to the linkages between the activities of government departments towards the support of SMEs. The term coordination could be further simplified by only considering it in the context of networks between government departments that possibly enhance SMEs growth. Here it is postulated to consider every small business as having witnessed growth if its expected growth is better than that of the status quo in the socio-technical regime (Horne & Fichter, 2022). Most important for this study is that if there is coordination between government departments towards SMEs growth the SMEs would possibly be exposed to more sustainable alternatives to the socio-technical regime. However, the potential limitation of this study was the non-linear or indirect coordination links of small business growth.

Coordination between government departments on SME policy

■	Strongly agree
■	agree
■	Neither agree nor disagree
■	Disagree
■	Strongly disagree
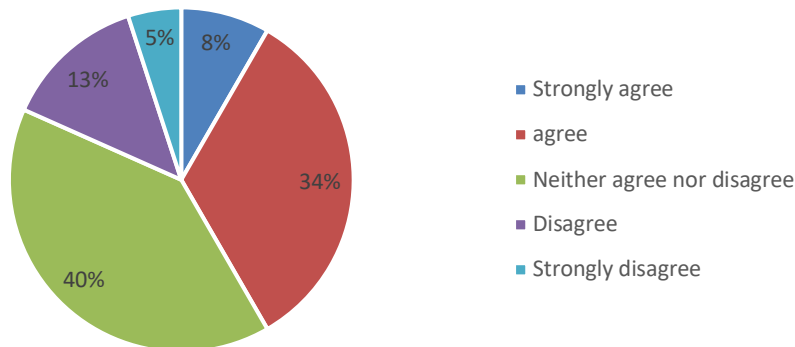
Figure 4. 17: Responses on whether there is coordination between government departments on SMEs policy

The responses on whether the sampled SMEs perceive that there is coordination between government departments on SMEs policy are shown on figure 4.17. The results showed that the majority (42%) of the respondents (34% agreed and 8% strongly agreed) agree that there was coordination between government departments on SMEs policy, while 18% of the respondents (13% disagree and 5% strongly disagree) that there was coordination between government departments on SMEs policy. It is interesting to note, that the results suggest that even though fewer than 50% (42%) of all respondents agree on little to no coordination, but the 42% that agreed is still higher than the 18% that disagreed. There is therefore – albeit with less absolute confidence – definitely the perceived possibility of a gap in government policy coordination.

The remaining 40% of the respondents did not take sides on whether there was coordination between government departments on SMEs policy or not. The relatively high (40% vs the 42% of that agreed) respondents that do not agree or disagree could point to the fact that many of the respondents are either not informed with regards to coordination or simply did not understand the rationale around coordination. The relatively high despondent responses are an anomaly given that if at all there was prominent and apparent coordination between the government departments on SMEs policy, the respondents would have been aware of it and could have possibly responded more confidently.

4.2.6 Confirmatory Factor Analysis (CFA)

In the previous sections the determinants of small business growth have been established via analysing the responses to a purposefully designed questionnaire. In this section, a different dimension to the responses is studied toward establishing some growth framework. Lee et al., (2010), had recommended some benchmarks to be followed when conducting a Confirmatory Factor Analysis (CFA) that may be followed to validate a framework.

Table 4. 3: Structural equation modelling benchmarks recommended

Tucker-Lewis Index (TLI)	0.982
Comparative Fit Index (CFI)	0.956
Root Mean Square Error of Approximation (RMSEA)	0.038

In line with the standard set by Lee et al. (2010), Table 4.3 represents a relatively good fit for the structural equation model. This is because the TLI and CFI exceed 0.90 and the RMSEA do not exceed 0.10 as shown in the table.

Table 4. 4: Predictor variables of SMEs growth

Path			Parameter	Estimate	Standard Error	t Value	Pr > |t|
Owner/manager commitment	===>	Growth	_Parm1	0.138	0.019	8.142	<.0001
SMEs financing	===>	Growth	_Parm2	0.165	0.025	6.435	<.0001
Non-financial support	===>	Growth	_Parm3	0.275	0.031	11.308	<.0001
Education and training	===>	Growth	_Parm4	0.069	0.025	3.085	0.0016
SMEs products markets	===>	Growth	_Parm5	0.038	0.024	2.319	0.0150
Innovation and technology	===>	Growth	_Parm2	0.168	0.024	6.453	<.0001
Policy, regulations and laws	===>	Growth	_Parm3	0.259	0.025	11.317	<.0001

Table 4.4 indicates that all the paths on the proposed framework given the growth factors (articulated in the questionnaires and analysed in the previous sections) are significant since the p-values<0.05. This means that the framework obtained via the lens of the structural equation model is likely to be valid. Growth as indirectly alluded to in table 4.4 refers to the aspiration or possibility for growth.

Basically, the structural equation modelling is an interesting way of looking at the business growth problem, because it is relevant in formulating and validating the proposed framework between the independent variables and SME growth. The measurement of SME growth has proven to be a bit tricky as noted by Dalal-Clayton and Sadler (2014) since various metrics such as fundamental indicators, audits, benchmarks and different reporting systems, amongst others, are used to measure it. SMEs growth can be defined from various angles and coming up with a unique definition can be extremely complex since growth involves various aspects of the economy, society and government amongst others. According to Bell and Morse (2013), quite a number of methods of measuring SMEs growth have been developed with no standard measurement in place so far since each method has got its own weaknesses and strengths. To give a particular view to one of the many dimensions underlying the growth problem, the structural equation modelling is considered especially to understand the correlation coefficients of SME predictor variables to the possibility of SMEs growth as shown in figure 4.18 below:
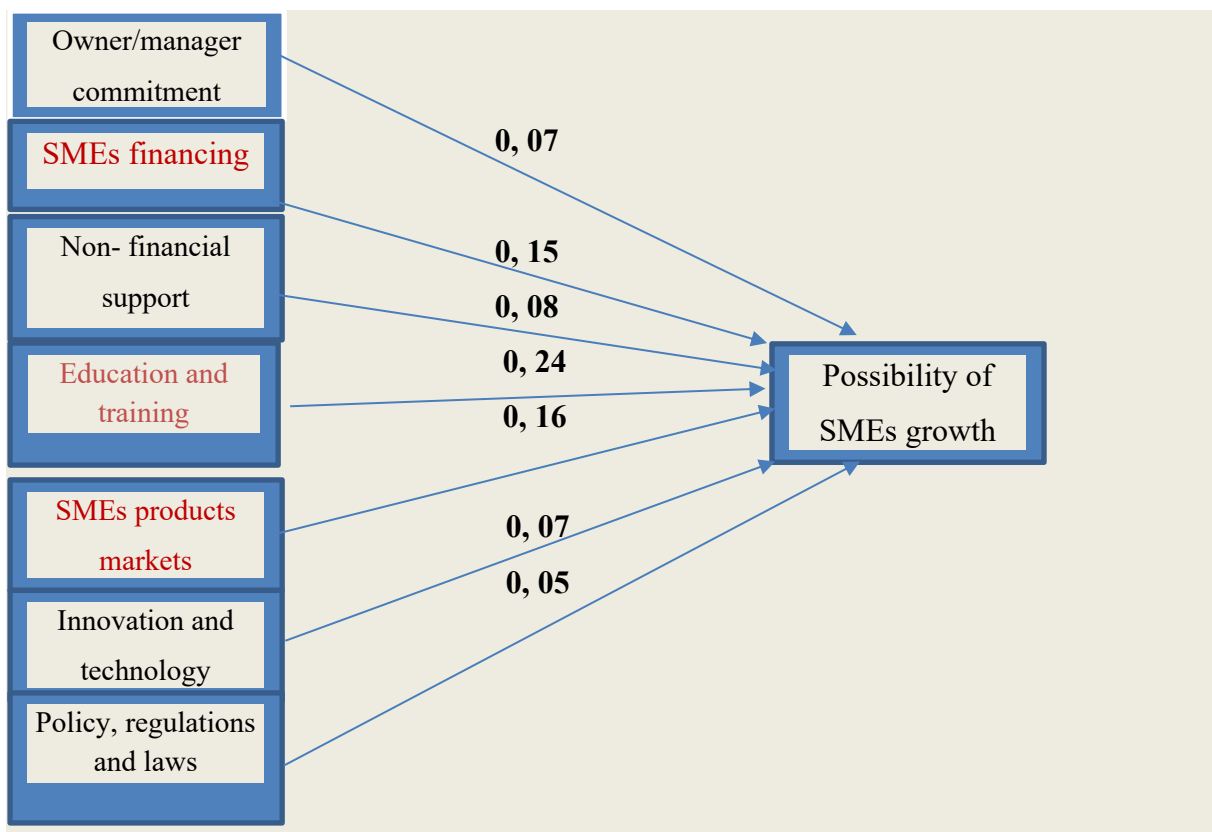
Figure 4. 18: SME predictor variables correlation coefficients

All the predictor variables indicated above in figure 4.18, (Owner/manager commitment, SMEs financing, Non-financial support, education and training, SMEs products market, innovation and technology and policy, regulations and laws) are positively correlated and statistically

significant with (p-values < 0.05) thus could contribute to the possibility of SMEs growth. Therefore, the more these predictor variables are applied (SMEs applies/gets Owner/manager commitment, SMEs financing, non-financial support, education and training, SMEs products market, innovation and technology and policy and regulations and laws) the more likely the businesses could possibly grow. As shown in the figure above, education and training (followed by product markets and financing) contribute most whereas policy regulations and laws contribute the least. In line with the standard proposed by Weinberg and Abramowitz (2016), the interpretation of the correlation coefficients (r) depicted in Figure 4.18 could be interpreted as follows: when r = 0, there is no correlation, when $0 < |r| < 0.3$ a weak correlation exists, when $0.3 \leq |r| < 0.5$ a significant correlation exists and when $|r| \geq 0.5$ the correlation between the variables is very strong. This follows that all the predictor variables of SMEs growth identified above are positively correlated (with relatively higher education and training, product markets and financing correlations) and as expected (in line with the questionnaire survey response analyses), even though the correlation is of a weak nature. It is possible that the joint effect of the growth predictor variables has a much higher and more significant correlation structure. Joint and non-linear correlations are not in scope for this research.

4.2.7 Summary of the SMEs survey analyses

The results of the SMEs survey data analysis pointed to the fact that the majority of SMEs in the areas under investigation have not been growing successfully. It has been established that the SMEs in question have been confronted with a myriad of challenges that ranged from lack of access to capital, inadequate non-financial support from banks and government, lack of education, training and innovation on human capital amongst others. It was interesting to note that the sampled SMEs had knowledge about funding but claim to have no access to the funding. Other than the SMEs not having sufficient knowledge this finding could not be contextualized and may be a subject of further analyses. Furthermore, it was shown that if SMEs, could pay attention to the critical success factors that determine SME growth and ensure that they are addressed by the relevant stakeholders, they could possibly experience growth and substantial improvements in their businesses. One interesting result was that the SMEs surveyed did not really have strong consensus on the importance of product markets (see figure 4.14), whereas the structural equation modelling suggested that it is quite important for growth (see figure 4.18). Other growth factors include owner/manager commitment, availability of SMEs financing, non-financial support, education and training, innovation and technology and

streamlined policy, regulations and laws. The overall findings of this study indicated that the aforementioned factors (predictor variables) in the structural equation model (SEM) (figure 4.18) have some influence on the growth of the SMEs (dependent variable). In addition, all the predictor variables (owner/manager commitment, availability of SMEs financing, non-financial support, education and training, SMEs products market, innovation and technology and streamlined policy, regulations and laws) are positively correlated and statistically significant (p-value < 0.05) towards SMEs growth. This could mean, the more the SMEs growth predictor variables are implemented, the more the SMEs growth is enhanced. It has been noted in figure 4.18 above that education, training and innovation have the most contribution towards SMEs growth with 0.24 as its correlation coefficient and the least being streamlined policy, regulations and laws with a positive correlation coefficient of 0.05. It has been noted in the findings above that most SMEs owners/managers start their businesses eager to achieve growth and success but end up being weighed down (fortunately not the majority for the studied SME sample - see figure 4.10) by lack of the necessary skills and requisite experience to steer up their businesses to sustainable growth levels (Pryor et al., 2010). Therefore, in order for the SMEs to survive and grow, it could be suggested that they take heed of proposed determinant factors of SME growth as highlighted in figure 4.18 above.

4.3 Secondary Research data

The analyses presented in this section were aimed at using the secondary research data to shed more light on the role of banks in the growth of SMEs and to hopefully gain a holistic understanding of the involvement of the government, private and public companies in supporting SMEs. For all practical purposes the collection, storing of the data did not involve any assumptions that could possibly skew the analyses. In fact, the secondary research bank data was actually based on non-parametric statistics in line with Winter and Dodou (2012) and Creswell (2018).

4.3.1 Inferences

The data regarding the sample responses, demographics, and survey reliability and survey response questions is located in annexure A. The reliability test results being sound, provided the assurance that the researcher could move on to the next step which was to do sound analysis and draw inferences. Firstly, the distribution of all the responses (See table 5 in annexure A) were studied. Looking at the percentages in table 5, it could be concluded that there is generally

a higher number of respondents that answered "Sometimes", compared with those that answered "Never". In addition to that, most respondents answered "Usually". Either this could imply that the sample questions were biased to getting the participants to answer positively (in pursuit of minimizing the survey time and improving the response rate) or that the data sample is biased to a population that is very positive towards the questions in the research instrument. In figure 4.19 below, the mean and standard deviation of each question responses, however, shows that only the answers for the last four questions averages into the "sometimes" answer. When considering the nature of these questions, it is possible that the sample participants answered "sometimes" to these questions in order to prevent any dispute in the fear that their answers were not anonymous.

Interestingly, the question with the lowest range in terms of negative answers was that of being pleased with the career advancement opportunities. See table 4.5 and figure 4.19 below. Such questions concerning employees seem not to be related to small business growth. However, the rationale for the inclusion of such questions was that the answers to the questions are considered important as it is pivotal in gauging the type of bank respondents that are possibly indirectly involved with SMEs. In fact, the low range between the participants answering "Always" and "Never" to the career advancement questions, signals that the sample comprised of just as many people that are sure about their career aspirations at the bank, as there were people unsure about their career. Again, such questions could provide a measure of the level of human capital development within the banking setup. For all practical purposes, one can claim that the regression finding (shown in figure 4.20) that managers feel banks are mandated to assist SMEs is directly proportional to the perceived attractiveness of SMEs and their potential for huge profits are therefore relatively unbiased, since it was obtained in a career aspiration diversified setting, which is not biased towards only career optimistic participants.

DISTRIBUTION OF RESPONSES
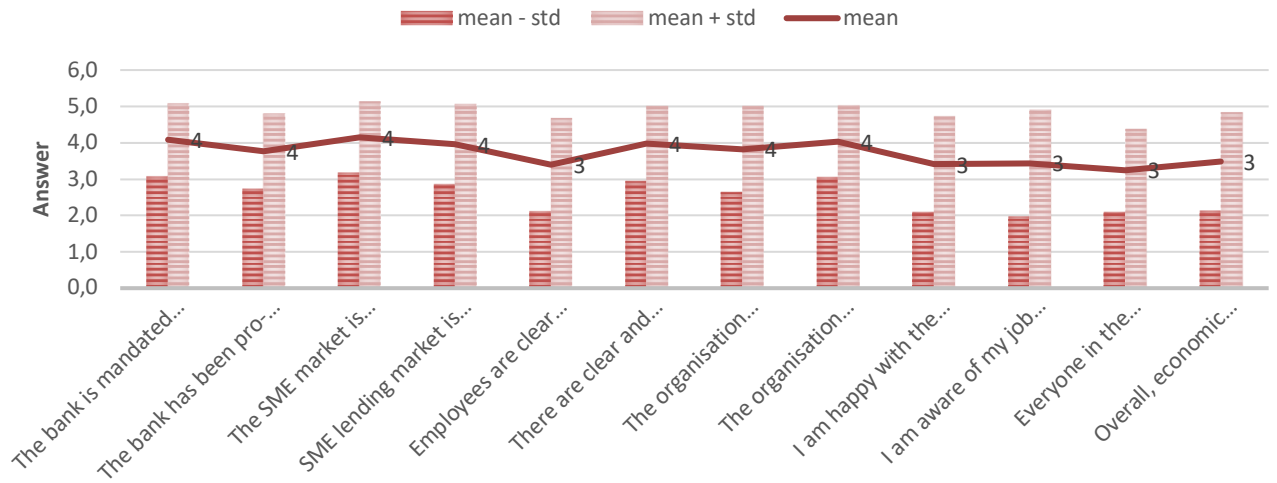
Figure 4. 19: Distribution of responses

Table 4.5 below and table 5 in annexure A depict the range of the data.

Table 4. 5: Extreme Survey response ranges

	Never	Rarely	Sometimes	Usually	Always	Range (MaxMin)	Skew	Kurtosis
The bank is mandated to assist small businesses	1	7	22	24	46	45	61	-2
The SME market is attractive with potential for huge profits.	2	5	16	30	47	45	68	-89
Overall, economic growth is enhanced by human capital investment in banking	20	21	17	25	17	8	53	-114

Focusing on the range of the data in table 4.5 above, it could be noticed that there are some questions that had the highest responses and some with the lowest responses. Considering the data in question, the highest range was 45 and lowest range stood at 8. See column Range (MaxMin) in Table 4.5. The questions with the highest range are skewed and were considered to be answered with the most confidence, and those with the least range were considered to be answered with the least confidence.

Table 4. 6: Cumulative Extreme Survey Responses

	Negative		Neutral	Positive	
	Never	**Never + Rarely**	**Sometimes**	**Usually**	**Usually + Always**
The bank is mandated to assist small businesses	1	7		24	70
The SME market is attractive with potential for huge profits.	2	7		30	77
Overall, economic growth is enhanced by human capital investment in banking	20	41		24	41

As shown in the data in table 4.6 above, the participants are relatively confident that: "the bank is mandated to assist small businesses" and feel that: "the SMEs market is attractive with a potential for huge profits". The displayed data clearly reveals that, a cumulative 70% agree that they know the bank is mandated to assist small businesses while even more - 77% cumulatively agree that the SMEs market is attractive with a potential for huge profits. This shows that South African bank managers (based on the sample) are relatively knowledgeable that they have an important role to play in the growth of the SMEs. This is consistent with the literature (Keil, 2021; Nsom, 2023) which shows that lending by banks is now regarded as just one part of a larger overall package that banks provide to SMEs. Banks find SMEs profitable through a combination of services; and this places cross-selling at the heart of the banks' SME business strategy. In effect, banks have developed a wide range of fee-based, non-lending products and financial services for SMEs. To the extent that these products and services gain importance,

the institutional environment relevant to credit contract writing and enforcement becomes less of a constraint (Torre, Pería & Schmukler, 2012).

In addition, on the contrary, the human capital investment in the banking sector ranked relatively low in responses as a belief to enhance overall economic growth. It is either possible that the managers did not understand what a human capital investment is, or they could not understand the question of the human capital investment in terms of economic growth. A theoretical treatise of the importance of human capital investment is given in Joseph and Tambandini (2022).
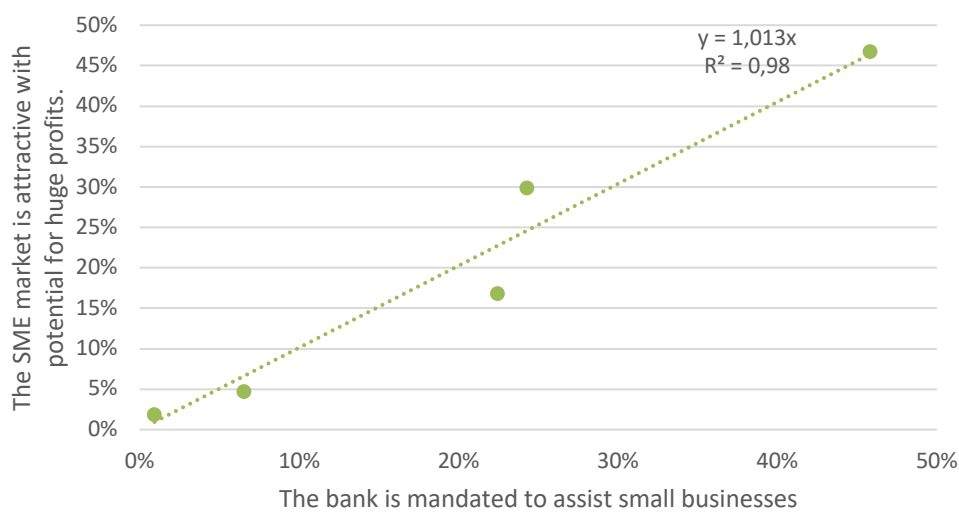
Figure 4. 20: Regression of the maximum range responses

Further analyses on the more confident answers led to a simple linear regression (shown in figure 4.20 above) suggesting that the more the banking sample respondents feel banks are mandated to assist SMEs, the more the respondents believe that the SME market is attractive, with potential for huge profits.
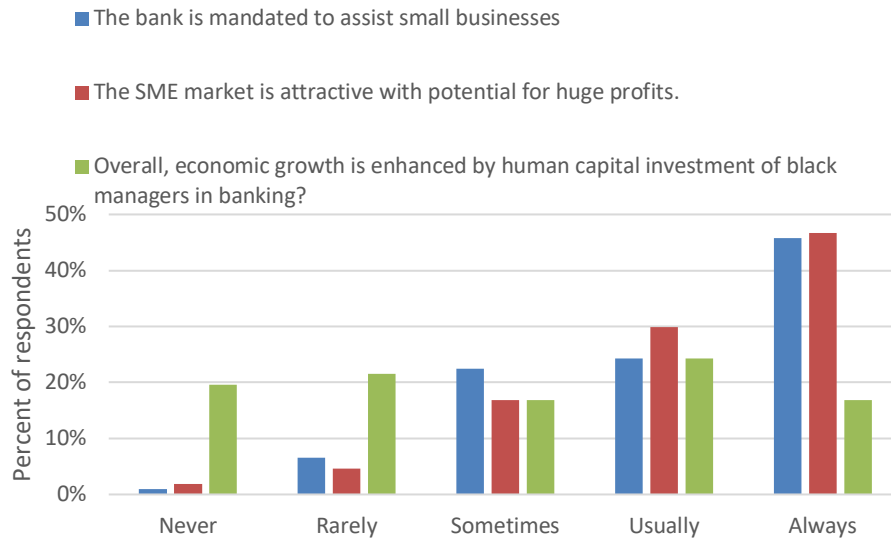
Figure 4. 21: Bar graph of the extreme survey responses

Some exploratory data analyses were done on the question that had just as many negatives as positive answers (lowest range) where the overall economic growth is enhanced by human capital investment. See table 4.5 and figure 4.21. On the one hand, this could mean that the respondents were equally not sure about the importance of human capital in economic growth (for an insightful theoretical overview of the growth dependency on human capital, see e.g. Joseph and Tambandini, 2022). On the other hand, if the low confidence in human capital investment for growth is indeed a true response (see the high spike in the "Never" respondents in figure 4.21), this could possibly mean that the managers (albeit less than 50% of the sample, but still highest on absolute) are convinced that the human capital investment is in no way correlated to the support of SMEs in the economy. Consequently, they chose the low confidence answers with the human capital investment growth question.

4.3.5 Secondary data analysis summary

From a statistical point of view, it appears that the involvement of banks in spearheading the growth of SMEs is beginning to take major positive strides; as seen in figure 4.21 that shows a distribution skewed to the right (where banks have a mandate to assist SMEs). The positive bias also suggests that the transformational change in South Africa is looking healthy and positive, which may therefore only strengthen the economic position of South Africa as a leading emerging African economy. This is consistent with what was revealed in the literature

review which specifies that the role of the SME sector in economic development, income generation and job creation has been recognized worldwide (Balogun et al,, 2016).

Banks play a critical role in supporting SMEs. This fact can be argued to be a result (amongst other reasons) to the fact that the economy has only openly welcomed managers of all ethnic groups as from 1994. The distribution of the neutral ("sometimes") answers to the four very important and potentially sensitive questions (figure 4.19) suggests that there are possibly managers in the financial services that are still subject to the "fear" factor. Moreover, this result suggests that transformation in South Africa has probably not yet matured to the level (where all managers are shareholders or so involved in key decisions) that they are totally comfortable not answering neutrally.

This is a very important facet as far as the role of banks in supporting SMEs is concerned. Literature has it that banks have long been accused of failing to assist SMEs. The development and growth of SMEs has been slow due to lack of finance, especially in the developing countries where banks are hesitant and sometimes lack the capacity to offer long-term loans to this sector (World Bank, 2014; Fatoki, 2014; Kachlami & Yazdanfar, 2016). In analysing the secondary research data, it is difficult to overlook the fact that it is possible that the failure (success) of banks to assist SMEs is proportional to the rate at which transformation is failing (successfully happening) at SA financial institutions.

4.3.6 Chapter Summary

This chapter focused on the analysis and interpretation of data obtained from the SMEs surveys and secondary banking data. The banking data sought to establish the involvement of banks in spearheading SMEs growth while the SMEs data intended to examine the critical success factor for SMEs growth. The findings from the secondary research data revealed that the involvement of banks in spearheading the growth of SMEs was beginning to take major positive strides as shown on figure 4.21 that is revealed by a distribution skewed to the right (banks have a mandate to assist SMEs). It was also noted in the findings that obtaining finance was still an obstacle to the development and growth of SMEs, especially in the developing countries where banks are hesitant and sometimes lack the capacity to provide long-term loans to this sector.

The SMEs survey for this study mainly focused on SMEs owners/managers and the questionnaires solicited data to establish how the critical success factors (independent

variables) influenced SMEs growth. The data analysis relied on both descriptive and multivariate analysis. Amongst the predictor variables, education, training and innovation (followed by product markets and financing) contribute the most towards SMEs growth with 0.26 as its correlation coefficient and the least being streamlined policy, regulations and laws with a positive correlation coefficient of 0.05. The ensuing chapter focuses on the analysis and interpretation of qualitative data emanating from the views of a few sampled SMEs owners/managers within the selected areas of study (Brits (NW), Pretoria (Gauteng) and Ballito (KZN)).

CHAPTER 5: QUALITATIVE DATA ANALYSIS

5.1 Introduction

This chapter is built on the analysis and interpretation that was carried out in the previous chapter (four) which was the first part of the sequential explanatory mixed method design adopted in this study. This chapter (five) is therefore the second approach of the sequential explanatory mixed method design that intends to present the results of qualitative data analysis and interpretation of results. In this chapter, the data collected from the interviews was coded and put into themes in order to draw meaningful results for the study. The empirical qualitative findings of this study were corroborated with literature from the study wherever it was applicable. This chapter ends with some comparisons and contextualization of the SME primary research findings – using other antecedents to the secondary research data in the light of an integrated growth framework.

5.2 Qualitative approach

Interview questions are generally open-ended questions, and therefore always provide the necessary in-depth information. The purpose of this section was to present the results of the interviews conducted to provide more in-depth analyses and to contextualize some of the results. The analysis was done on the responses of fifteen participants who participated in the interviews. The fifteen participants were purposively chosen from the SME survey respondents. This analysis enabled the researcher to understand how participants attached meaning to specific research phenomenon. The researcher aimed to focus in on analysing the participants' value systems, knowledge, understanding and perceptions. Maree and Van Der Westhuizen (2008) proposed a good way to start was with an inductive analysis that would generate themes from which the research findings would emerge. However, in this research it can be argued that the best way to start was to make sense of the interview schedules and then identify the relevant themes. Additionally, the interview guide made use of open-ended questions that made it easy for the researcher to probe the research participants when there was need for contextualization and other clarifications. The researcher was also very careful not to generate views or themes first and then to probe the interviewers for context, or to introduce unnecessary research bias to the results.

5.3 Interview themes

The researcher took time to carefully draft the interview guide containing questions meant to solicit the views and perceptions of SMEs owners/managers on what they envisage should be done to ensure survival and growth of their businesses. The interview guide carried semi-structured open-ended questions that aimed to give the research participants the leeway to provide as much detail as they could. The interviews done were verbal where the researcher could read out the questions to the participant while on the virtual platform (Zoom) and then write down the responses. The questions in the interview guide were grouped into four sections in line with the objectives of the study as shown below:

Section 1: This section of the interview guide contained questions that sought to address the critical success factors of the business.
Section 2: Questions in this part of the interview guide dealt with the sources of finance from banks and the government available for the benefit of SMEs.
Section 3: Carried interview questions related to the contribution of education and training to the growth of SMEs.
Section 4: Contains interview questions related to the possibility of a framework to grow SMEs

The researcher initially carried out a pilot survey with five participants in order to refine the interview questions. The purpose of the pilot survey was to ensure data uniformity and accuracy. The pilot survey was also done to check on the credibility of the research instrument before doing the actual interviews. The final interviews were done with 15 SMEs owner/managers before reaching saturation. The 15 SMEs owner/managers were selected using a purposive sample method. The interview process was not trivial as most of the participants were not willing to divulge information related to their business operations.

5.4 Demographics

Below is the description of the demographic responses followed by the results of the qualitative data analysis. Table 5.1 below, presents a summary of the demographic data of the interviewed participants.

Table 5. 1: Demographic data of interviewed participants

Gender	Female	6
	Male	9
Total	15	
Educational Qualifications	Matric	8
	Diploma	5
	Tertiary	2
Total	15	
Duration of Business	Under 1	4
	1-5 years	8
	5-10 years	3
Total	15	

Table 5.1 above shows the demographic makeup of the study participants. As shown on the table, a total of 15 participants were interviewed and out of these nine were males and six females. In terms of their educational qualifications, eight had completed matric, five possessed diploma certificates and two had attained tertiary degrees. With regard to the duration of business, four owner/ managers who participated confessed that they have been in operation for less than a year, eight revealed that they have been in operation for a period ranging between one and five years and the remaining three have been in operation from five to ten years. In short, the sample was skewed towards the male, young (1-5yrs) retail business owners.

5.5 Results Discussion

The presentation, interpretation and discussion of the results was based on the themes that emerged from the thematic analysis conducted on data. The analysis was done manually to enable the researcher to fully engage with the data. It should be noted that the themes were illustrated by verbatim responses from the research participants. The discussion of the qualitative results incorporated the views and opinions of the research participants that were compared with literature where applicable. Consistent with the explanatory sequential research design, references were made to the quantitative results, where applicable, in a bid to resolve the research problem. The discussion below was based on the objectives of the study and the related themes that emerged from the data gathered during the interviews.

5.5.1 Critical success factors for SMEs growth

When analysing the critical success factors, that could possibly enhance the growth of SMEs as provided by the research participants in their responses, codes were generated. The codes are concise descriptions of the research participants' views and opinions as displayed in figure 5.1 below:
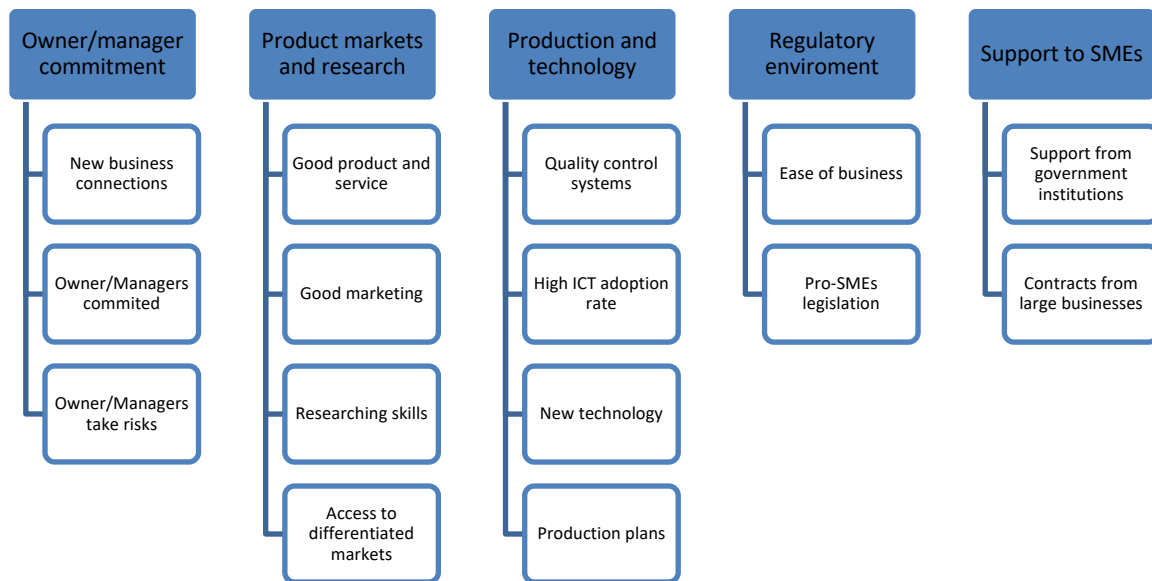
Figure 5. 1: Codes generated from participants' responses.

The above visualisation analysis was aided by a thematic analysis that resulted in two major themes emerging from the data. How has SMEs taken advantage of the success factors to grow (as shown in figure 5.2) and the main drivers of struggling SMEs.

Figure 5. 2: Simplified structure on how SMEs has taken advantage of the critical success factors to grow.

Figure 5.2 above depicts the theme on how SMEs has taken advantage of the success factors to grow. The majority of the participants responded to the question on what they considered to be the critical success factors for the growth of their businesses. Their responses mainly focused on what they were doing to ensure the success of their businesses which was in any case off the mark but shed important information that produced this theme. The participants mostly mentioned what has happened in terms of business growth. Five of the fifteen participants indicated that their businesses had experienced growth in terms of sales and profit turnover. The other four participants were of the opinion that they were properly utilizing the financial support they got from the government and banks. In addition, they indicated that their businesses have grown to the extent that they could weather any financial constraints. It was also noted that good managerial supervision and maintaining good quality of goods and services were fundamental to growth of SMEs. Six of the participants further indicated that ploughing back profits into the business was a way of taking advantage of the success factor that would ensure continued growth of the business. Here are some of the responses from the participants:

....The business has witnessed growth due to the success factors

....I always put back profit to ensure growth and expansion and growth of the business

.... I have managed to increase sales and turnover for the business over the years.

....I have managed to establish a good customer base

....I have properly utilised the financial support from the government and banks

.... My business has managed to grow despite the financial constraints

.... I dedicate more time to monitor and supervise my employees

With reference to the theme: the main drivers of struggling SMEs, the majority (twelve) of the interviewed participants lamented that their businesses were weighed down by challenges such as high interest rates charged on loans from banks, use of old technology and equipment, low productivity and the lack of technical and consultancy services. Five of the participants pointed out that their businesses were struggling due to the high crime and corruption rates in the country. The interviews also revealed that some of the businesses were struggling due to their inability to prepare production plans and had no quality control systems in place. It also became evident from the interviews that most businesses failed to secure funding for their projects due to lack of collateral which is a requirement for the businesses to get loans from banks. In addition, the lack of skilled human capital featured prominently as an impediment to SMEs growth. There was a general consensus that the SMEs owners/managers were struggling due to lack of access to suitable staff. Two participants stressed that they were not able to attract and recruit suitable staff. All the fifteen interviewed owner/managers lamented the lack of innovation potential in their businesses as the cause of their struggle. This finding is consistent with the innovation potential importance for business growth that was published by Joseph and Tambandini (2022). It was also voiced by the participants that the advent of COVID-19 and the crippling electricity load shedding by Eskom negatively affected their businesses. Below are some of the typical responses from the owner/managers:

.... The high interest rates charged by banks are stifling our business

... Borrowing has become expensive due to the high interest rates

....My business does not have enough finance to carry out the good marketing programme meant to attract potential customers

... No modern technology and equipment that can be beneficial to the business

...Have human resources problems in terms of hiring suitable staff

...I do not have the expertise to carry out human resources functions, particularly recruiting suitable staff.

...The business has not been able to get technical and consultancy services for some time now

... The business has been struggling due to lack of innovation

... I have not been able to get support from the government departments such as DTI.

...Our products have not been able to compete on the market due to poor quality

...low production levels due to shortage of raw materials

...The advent of COVID-19 in 2020 negatively affected our business operations

...shortage of electricity due to Eskom's load shedding has negatively affected our operations

... My business is located in a crime zone

...Corruption in most government departments is affecting our business

The participants' responses above point to the fact that most of the sampled SMEs were struggling due to a host of drivers that include high interest rates, lack of innovation, lack of capital, high crime and corruption rates and lack of technical and consultancy services amongst others.

5.5.2 Sources of finance

A thematic analysis of the sources of finance available for the growth of SMEs, generated four dominant themes from the data: financial support to grow SMEs; reasons for not benefiting from financial assistance; sources of capital for SMEs; and factors considered by financial institutions when allocating funds to SMEs. Table 5.2 below shows the abovementioned themes and a few selected participants' responses on each theme.

Table 5. 2: Themes on Sources of finance available to enhance SMEs growth

Themes	Participants' perspectives
Financial support to grow SMEs	*...We have not received any support to grow our business* *...We have benefited a little from the support for the business* *...I do not know of any support to grow my business* *...Yes my business has benefited from the support*
Reasons for not benefiting from financial support.	*...I do not have an idea about the sources of finance for SMEs* *...Have not yet benefited from any source of financial support* *...I am not aware of any source of financial help for my business.* *...No one has told me about these sources of finance* *....I am not even aware that such sources exist* *....We do not meet the requirements to get funding* *...I don't have access to any source of finance* *...I have no idea of where to get funding.*
Sources of capital for SMEs	*...Personal savings* *...Personal savings and family support* *...Family support* *...Friend support* *...Personal savings and friend support*
Factors considered by financial institutions when allocating funds to SMEs	*...I think they consider collateral* *...They want to see viable business plans* *...Look at the growth potential of the business*

Focusing on the theme: financial support/benefit to grow SMEs, there was a mixed reaction on whether SMEs have received or benefited from the financial support to grow SMEs. Out of the fifteen participants interviewed, twelve SMEs owners/managers alluded to the fact that they have never benefitted from any financial support from either the government or financial institutions. Only two of the participants confessed having obtained little benefit and one participant confessed having fully benefited from the financial support received. Surprisingly, the majority of the participants confessed having no knowledge of any financial or technical

support offered. Therefore, the participants' responses bear testimony to the fact that most SMEs do not receive the financial and technical support targeted at them by the government to grow their businesses. This perhaps provides the answer as to why most SMEs are struggling to grow.

In terms of the theme: reasons for not benefiting from financial assistance, twelve of the fifteen participants were at liberty to confess that they were not knowledgeable about the sources of financial support for SMEs. That could be the reason why the majority of them never benefited from financial assistance. The exact words of the participants are displayed in table 5.2 above. Four SMEs owners/managers expressed the view that they did not get financial assistance because they did not have an idea of the available sources of finance and two foreign SMEs owners claimed that they were not sure if they were eligible to benefit from the available funding. In addition, some of the participants voiced that they were not meeting the necessary requirements to obtain funding.

The above comments point to the fact that there is still more to be done by the government and financial institutions in order to provide financial support to SMEs. The government should go back to the drawing board and come up with mechanisms that ensure availability of funding to all deserving SMEs. According to GEM (2022), the majority of SMEs in South Africa fail to access funding due to lack of knowledge and information about the available sources of finance.

Concerning the theme: sources of capital for SMEs, the study participants pointed to self-financing of their SMEs. Out of the interviewed owners/managers, eight agreed that they relied on family support and personal savings while two relied only on personal savings. Two of the participants claimed that they relied on family support, while two depended on personal savings and friends. Only one participant confessed getting financial support from friends.

Regarding the sources of finance for SMEs, the participants' responses alluded to the fact that all the SMEs had one way or the other of self-financing their businesses. What this implies is that most of the SMEs are not getting funding from the government, probably because of ignorance or failure to meet the funding requirements such as collateral security for loans (Asplund & Henriksson, 2012).

With regard to the theme: Factors considered by financial institutions when allocating funds to SMEs, it was noted that most financial institutions consider quite a number of factors when allocating funds to SMEs. Various responses were put forward by the participants regarding this. Three participants pointed out that banks and other financial institutions require collateral security when advancing loans to SMEs to safeguard their money since lending to SMEs is considered risky (Lose & Mapuranga, 2022). This assertion is congruent to the findings in the quantitative enquiry where only 28% of those who responded to the questionnaires were willing to take up the capital (see figure 4.5 in the previous chapter). This implies that in some cases borrowing capital could be available but the SMEs are hesitant to take the risk. There was consensus amongst eight of the participants that banks and other financial institutions were mainly concerned about the viability of the business. In other words, the financial institutions are only willing to give financial assistance to SMEs with viable business plans. In addition, four of the participants added that, the growth potential of the business matters most as it influences creditworthiness.

Conclusively, the four themes, have advanced the idea that for SMEs to grow, they need adequate financial support. In addition, SMEs owners/managers should always acquaint themselves with the knowledge about the availability of the various sources of finance, particularly the external sources to augment their self-generated capital. As alluded to earlier, the financial gap theory supports the notion that SMEs owners/managers actually require legal funding to finance their businesses (OECD, 2015). Such SMEs could use the funds productively to enhance their growth.

5.5.3 The contribution of education and training to the growth of SMEs

The analysis of the responses from SMEs owners/managers regarding education and training, particularly how it contributes to the growth of SMEs, generated the following two themes: SMEs employees' educational levels and the contribution of human capital development to SMEs growth.

With regards to the theme: SMEs employees' educational levels, it was noted that the majority of the SMEs employees are matric certificates holders. As displayed in table 5.1, the interviewed participants' qualifications were distributed as follows: eight had completed matric, five possessed diploma certificates and two had attained tertiary degrees. This clearly shows that the SMEs human capital (employees) had a low level of education as evidenced by

the high number of matric certificate holders. The quantitative finding that most of the respondents (58%) were in agreement (agree (51%) and strongly agree (7%)) that the business values human capital as an important driver to grow and invest in employee knowledge, skills, and abilities prompted the researcher to probe on the educational levels of the SMEs employees, managers and owners in the qualitative enquiry.

Matekenya (2022) prescribes that in order to improve human capital, employees should undergo training in the various facets of the business such as business education and business training amongst others. It should be noted that without proper education on the part of human capital on how to run businesses, the rate of SMEs failures will continue unabated.

With reference to the theme: contribution of human capital development to SMEs growth, various responses were put forward by the participants. The majority of the participants appreciated the need for human capital development in terms of steering up their businesses. Five of the participants pointed out that development of human capital by way of training instils the sense of entrepreneurship in them. Moreover, four of the participants conceded the fact that adequate education and training of SMEs employees, managers and owners equip them with management skills that are needed to successfully run businesses. In addition, three of the participants agreed that the development of human capital enhances the employees' problem-solving capabilities that would help the business to move forward. The participants also associated high levels of productivity to well-trained and developed human capital. Here are some of the participants' responses:

... Yes I have trained my employees and I am seeing some growth in my business
... The training we received has improved our managerial skills. Now the business is benefitting from proper management
... The level of entrepreneurship in our business has improved a lot due to the human capital development initiatives we undertook.
... Even the innovation potential level of our business has been enhanced
... Employee productivity levels have gone up
...We are now able to solve most of the problems confronting our business.

The above comments show that human capital development plays a paramount role in promoting SMEs growth. Therefore, the SMEs owners/managers should take it upon themselves to improve their human capital in the various facets of the business.

As pointed out by Matekenya (2022), a high level of human capital development leads to high levels of entrepreneurship. In addition, GEM report (2022), confirms that the majority of South African SMEs fail due to poor management caused by the lack of human capital development. SMEs owners/managers should continuously upgrade their skills to keep up with the continuously changing business environment. For instance, the SMEs owners/managers who are knowledgeable in business processes possess the managerial capacity grow their businesses. Another important aspect associated with human capital development that was loud and clear in the interviews is innovation. There was a general consensus that innovation in the SMEs sector should be spearheaded through well-coordinated human capital development.

5.5.4 Integrated framework to understand the growth of SMEs

Following the analysis of the construct: developing a framework to understand the growth of SMEs, three themes emerged from the data namely, frameworks already in place to support SMEs growth; components of an effective integrated framework to grow SMEs and scope for the use of the integrated framework.

In terms of the theme: "frameworks already in place to support SMEs growth", all fifteen participants confessed ignorance of any existing framework meant to support the growth of SMEs. That could be the reason why the majority of the SMEs sampled are not yet getting support from the government departments and agencies. (See figure 4.8 in the previous section). If they had knowledge of any existing framework or structure supporting them, they would seek to reach out and get help. However, it should be noted that quite a number of frameworks are in existence. The Integrated Framework for SMEs Performance Measurement and Management (Taticchi et al., 2008) and Malaysian SMEs Development Framework (SME Corp Malaysian report, 2017) are key examples of SMEs frameworks appraised and cited in the literature review in chapter 2.

With regard to the theme: "components of the integrated framework to grow SMEs", the participants came up with a variety of ideas on what they thought they should ideally be included in a framework to grow SMEs. The researcher intended to accommodate the variety

of ideas that came from the participants. A third of the participants were concerned about access to capital. They were of the view that if the framework made it possible for more capital to be availed to SMEs that could go a long way in ensuring growth of their businesses. Five participants indicated that the proposed framework should aim to promote innovation amongst SMEs. The innovation component is interesting especially in the light of Mbuya (2022) that noted that SMEs can grow by leveraging on innovation and come up with unique products that can satisfy customers' needs. This implies that innovation can play a paramount role in promoting the growth of SMEs.

It was also noted in the participants' responses that most of them wish the framework could address the issue of access of SMEs products to differentiated markets. Two participants referred to the issue of non-financial support to SMEs by government departments and agents to be included in the framework. In addition, the majority of the SMEs owners/managers indicated that education and training should be at the core of the framework. Also to be included in the framework, as per the participants' request, is business research. According to Mboweni (2022), for SMEs to grow, there is a need for them to invest more in business research in order to make right decisions based on accurate information. Here are some of the interesting responses from the participants who responded to the question on what they thought should be included in the integrated growth framework:

...I think the framework should cater for the availability of finance
...I want access to markets for my products
...I think business research is very important as it will provide us with the right information for our businesses.
... The framework must also include information on non-financial support offered by the government and agents
...I think security of our businesses is very important so the framework must also talk about it to ensure that we don't lose our assets to criminals
...I need access to more capital, so this must be addressed by the framework
Although the participants did not initially understand what the framework issue was all about, eventually after a bit of research contextualization and interaction they were able to highlight what they thought should be included. Their comments clearly show that there is need for a framework that will make it easier for the government departments, agents and banks to provide support to SMEs.

In terms of the theme: "scope for the use of an integrated framework**",** ten respondents indicated that they had hope that a framework will work for them, while the remaining five participants confessed that they had no hope that the framework will be useful to their small businesses. Their responses were definitely biased and depended on what was happening in their businesses. However, literature is awash with research that has shown the importance of frameworks in understanding and guiding development. For instance, Malaysia managed to grow its economy to become one of the five Asian tigers because of a framework that underpins its vibrant SMEs policy. In fact, the Malaysian SMEs Development Framework tremendously boosted the growth of SMEs that ultimately led to the growth of the whole economy (SME Corp Malaysian report, 2017).

5.6 Integrating quantitative and qualitative results

In this section, the themes that emerged from the qualitative study were integrated with the results from the quantitative study in line with the sequential explanatory research design as shown in figure 5.3 below.
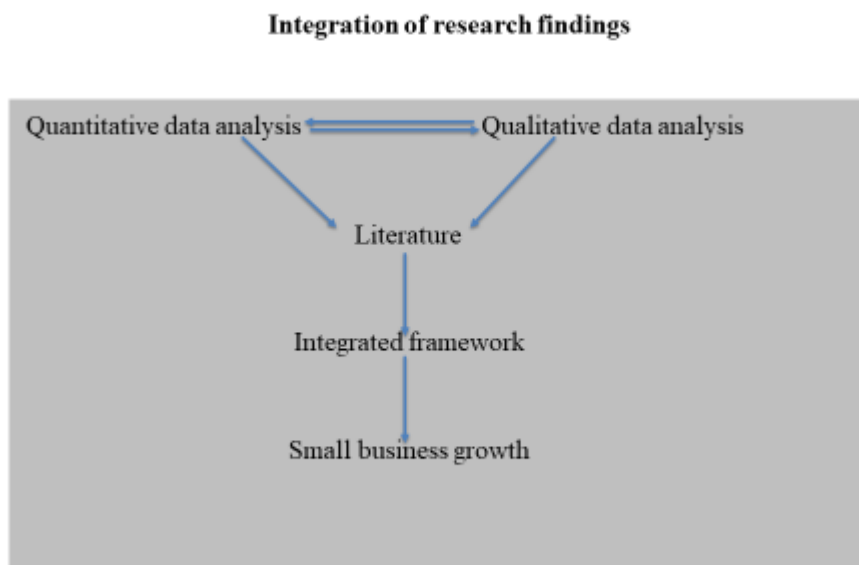
Figure 5. 3: Integrating quantitative results with the themes

As depicted in figure 5.3 above, the themes generated from the analysis of interview data were integrated with the quantitative results. Literature was also brought in to prove or disprove the results from both the quantitative and qualitative analysis. The interpretation of both the

quantitative and qualitative results as well as the literature led to the development of the integrated framework shown in figure 6.1 in chapter six. The integration of the themes and quantitative results follows:

Theme 1: How has SMEs taken advantage of the success factors to grow?

....The business has witnessed growth due to the success factors

....I always put back profit into the business to ensure it expands and grows

.... I have managed to increase sales and turnover for the business over the years.

....I have managed to establish a good customer base

....I have properly utilised the financial support from the government and banks

.... My business has managed to grow despite the financial constraints

.... I dedicate more time to monitor and supervise my employees

This theme is linked to the predictor variables in the quantitative results of section 4.2.6 in chapter 4, SMEs products market and owner/manager commitment as shown in the respondents' responses (of figure 4.14, in chapter 4) that they establish a good customer base and dedicate more time to grow their businesses.

Just to mention but a few of these, the quantitative analysis on the success factors (of section 4.2.5 in chapter 4) revealed the following: only 28% of the SMEs owners/managers agreed that they had access to differentiated markets (see Figure 4.14), the majority (58%) of the respondents confessed that they were committed to their businesses and 28% agreed to the use of digital technology. These revelations prompted the qualitative study to probe and seek answers on how the SMEs owner/managers had taken advantage of the critical success factors to grow their businesses. It could be noted from the above results from the quantitative study and the responses from the participants that there is a lot of growth potential if the SMEs take full advantage of the critical success factors. Indeed, Lorette (2017), notes that the critical success factors play a key role in the success and growth of any business, provided that the business is able to identify its critical success factors and take advantage of them. Therefore, a good understanding of the critical success factors for SME growth by banks, SMEs, government and other stakeholders are key in meaningfully growing small businesses (Mutezo, 2013; IOSCO, 2014).

Theme 2:   The main drivers of struggling SMEs

.... The high interest rates charged by banks are stifling our business

... Borrowing has become expensive due to the high interest rates

....My business does not have enough finance to carry out the good marketing programme meant to attract potential customers

... No modern technology and equipment that can be beneficial to the business

...Have human resources problems in terms of hiring suitable staff

The quantitative results confirm the importance of finance, technology and human capital - as the lack of these possibly caused the SMEs to struggle as highlighted in the participants' responses above.

The qualitative results provide an explanation why the owner/manager respondents in the quantitative study (60 %) disagreed that their businesses had made profits in the past three years. Moreover, in terms of access to capital the quantitative study revealed that 68% of the respondents have no access to short-, medium- and long-term capital (see figure 4.7) contextualizes some of the findings of the qualitative study.

The failure by SMEs to obtain non-financial support from the government and banks has been confirmed in the quantitative study. The majority (55%) of the respondents disagree and strongly disagree that the government offers non-financial support for SMEs. SMEs need such support in order to grow their businesses. Failure to get such support could cause the SMEs to struggle. Non-financial support includes offering business advisory services, training of SMEs owners/managers, enrolling SMEs into incubation programs and the availability of infrastructure among other things.

Therefore, the responses based on the two themes that emerged from the construct (critical success factors for the growth of SMEs), point to the fact that SMEs need to be vigilant in ensuring that they take advantage of the positive factors that favour the growth of their businesses and where possible stifle the factors that militate against their businesses.

Theme 3: Financial support to grow SMEs

...We have not received any support to grow our business

...We have benefited a little from the support for the business

...I do not know of any support to grow my business

...Yes my business has benefited from the support

This theme is stressed by the quantitative results which shows that there is a correlation between the availability of finance and SMEs growth (See figure 4.8 in Chapter 4). SMEs

financing has a positive correlation coefficient(r) of 0. 15 which may suggest that it can lead to SMEs growth.

The qualitative results concur with the quantitative results where the majority (68%) of the respondents disagree and strongly disagree that they received adequate financial support from banks and the government, while only 12% agree and strongly agree. In addition, secondary banking data confirms that banks have developed a wide range of fee-based, non-lending products and financial services for SMEs.

It should be noted that the government's mandate and desire is to support SMEs because the growth of SMEs ultimately leads to the growth of the entire South African economy. Therefore, SMEs should get adequate funding to enhance their growth and sustainability (Kalane, 2015).

Theme 4: Reasons for not benefiting from financial assistance

…I do not have an idea about the sources of finance for SMEs

…I have never benefited from any source of financial support

…I am not aware of any source of financial help for my business.

…No one has told me about these sources of finance

….I am not even aware that such sources exist

….We do not meet the requirements to get funding

This theme is supported by the predictor variable SMEs financing in the quantitative results which indicated the importance of finance for SMEs growth. However, the qualitative enquiry went further to find out the reasons for SMEs not benefitting from financial assistance. As noted by BER (2016), most businesses fail because of lack of access to funding. The quantitative results confirm these findings where 40% of the respondents claimed that they did not know about the availability of SMEs funding. However, out of the 60% of the respondents who had knowledge of available funding, only 28% were willing to take up the capital.

Theme 5: Sources of capital for SMEs

…Personal savings

…Personal savings and family support

…Family support

…Friend support

…Personal savings and friend support

The above responses show that the majority of SMEs rely on private sources such as savings, family support, friends' support etc. which in most cases is not enough to grow and sustain the SME. This assertion is congruent to the findings in the quantitative study where only 28% of the respondents were willing to take up the capital.

Theme 6: Factors considered by financial institutions when allocating funds to SMEs

...I think they consider collateral

...They want to see viable business plans

...Look at the growth potential of the business

The above themes 5 and 6 also speak to SMEs financing which has been proven important in the quantitative results. However, the two themes were probed to get more information on the sources of finance for the SMEs and what factors financial institutions consider when allocating funds to SMEs. The findings from the quantitative study revealed that only 28% of the respondents were willing to take up the capital. This implies that in some cases borrowing capital could be available but the SMEs are hesitant to take the risk.

However, the quantitative secondary bank research data shows that banks are now starting to look more into assisting SMEs. This is probably on the back of the finding that more small business growth-aware managers are being signed up at SA banks.

Theme 7: Contribution of human capital development to SMEs growth

... Yes I have trained my employees and I am seeing some growth in my business

... The training we received has improved our managerial skills. Now the business is benefitting from proper management

... The level of entrepreneurship in our business has improved a lot due to the human capital development initiatives we undertook.

... Even the innovation potential level of our business has been enhanced

... Employee productivity levels have gone up

...We are now able to solve most of the problems confronting our business.

In agreement with theme 7, the quantitative results underscored the importance of human capital development. Education and training, which is indirectly part of human capital development has the highest positive correlation coefficient of 0. 24 (figure 4.18) and is statistically significant with a p-value of 0. 0016 which denotes its importance to SMEs growth. The SMEs quantitative survey also confirmed that the majority (58% of the respondents)

valued human capital development as an important driver to grow their SMEs. Contrary to that, the secondary data research suggest that bank managers were ignorant/or displayed that they did not regard human capital investment as important for small business growth.

How is it possible then that small businesses have knowledge about the funding but claim to have no access? Perhaps this could be explained by the fact that bank managers should start or at least try to focus more on the human capital aspect of growth. If bank managers appreciate the human capital investment for growth purposes more, perhaps small businesses will move beyond just knowing about funding lines, but actually actively participate in upside risk by accessing the funds, thereby growing their businesses.

Theme 8: Components of the integrated framework to grow SMEs
...I think the framework should cater for the availability of finance
...I want access to markets for my products
...I think business research is very important as it will provide us with the right information for our businesses.
... The framework must also include information on <u>non-financial support</u> offered by the government and agents
...I think security of our businesses is very important so the framework must also talk about it to ensure that we don't lose our assets to criminals
...I need access to more capital, so this must be addressed by the framework
It is interesting to note that in Theme 8, in particular the participants response fully agrees with the statistical result that access to product markets and availability of non-financial support are very important for a sound growth framework.

The secondary banking data also confirms that banks are now offering a wide range of non-financial services which SMEs should be trained and upskilled to take advantage of.

5.7 Chapter Summary

This chapter was able to provide the analysis and presentation of the qualitative data obtained from the semi-structured interviews with SMEs owners/managers. Consistent with the explanatory sequential design, the follow up of the quantitative phase by the qualitative phase was a necessity. The presentation and analysis of the qualitative data was done as per the

sections in the interview guide bearing in mind that the aim was to explain the quantitative results in a bid to address the research questions raised in chapter 1.

The issues raised in the quantitative data study pertaining to SMEs called for a deeper understanding that could be obtained through the qualitative study. The qualitative enquiry utilised raw data collected from the responses of the interviewed participants. The findings were based on the views of the SMEs owners/managers with regard to the growth of their businesses.

The discussion of the qualitative results was based on the themes generated from the data integrating quantitative results and linking it with the theories underpinning the study. The idea of integrating the qualitative results with the quantitative results was to augment what has been collected in terms of information from the research participants, in this case the SMEs owners/managers.

The qualitative study was successful in that it unravelled most of the issues affecting SMEs growth that ranged from lack of capital for their business, lack of managerial skills, innovation, and business research, access to differentiated markets, education and training, and human capital development, amongst others. It was noted that when these challenges are addressed, they turn into success factors for the growth of the SMEs. In fact, the qualitative findings integrated with the quantitative results all point to the fact that SMEs in all the three research areas of this study are in dire need of both financial and non-financial support. However, if the SMEs, get well structured, as advised in the qualitative study, they will be able to speak with one voice and the government will strive to meet their needs and expectations. The ensuing chapter six presents the conclusion and outlook of the research.

CHAPTER 6: CONCLUSIONS AND OUTLOOK

6.1 Introduction

This chapter provides an overview of the findings of the study based on the analysis and results articulated in chapter four and chapter five, which will culminate into the development of a framework to understand SME growth. Basically, the overview of the findings is achieved in line with the research objectives outlined in chapter one. The framework that seeks to understand SMEs growth in South Africa is presented in this chapter in a bid to provide the answer to the research question. In addition, the chapter then intends to describe the various aspects of the framework with the aim of understanding and resolving the SMEs growth problem. The conclusion of the study is then presented followed by suggested recommendations. Finally, the scope for future research is presented, followed by the limitations of this study.

6.2 Findings Overview

This section integrates the empirical findings from chapter four and five with the findings from the literature review done in chapter two. These findings sought to provide a solution to the small business growth research problem this study set out to investigate. The sequential explanatory research design adopted provided the basis for the integration of the quantitative and qualitative findings needed to build up the proposed framework to understand and enhance SMEs growth.

6.2.1 Critical Success Factors that enhance SMEs growth

The critical success factors highlighted in the literature included availability of working capital, improved infrastructure, experienced and well-trained SME staff, and the absence of trade barriers, access to differentiated markets and ease of doing business locally, regionally and globally, amongst others (WEF report, 2016). The quantitative findings confirmed that critical success factors play a paramount role in enhancing SMEs growth. It was noted that only 28% of the SMEs sampled responded that they had access to differentiated markets and again 28% agreed to the use of digital technology.

These revelations prompted the qualitative study which probed further to seek answers on how the SMEs owner/managers could take advantage of critical success factors to grow their

businesses. It is also noted from the above results from the quantitative study and the responses from the participants that taking advantage of the critical success factors is needed for SME growth. Moreover, Lorette (2017), notes that the critical success factors play a key role in the success and growth of any business, provided that the business is able to identify its critical success factors and take advantage of them. Therefore, a good understanding of the critical small business success factors by banks, SMEs, government and other stakeholders are one key factor to SMEs growth (Mutezo, 2013; IOSCO, 2014).

Government policies should, therefore, focus on providing SMEs with an enabling business environment that will foster their survival and growth to make it easy to do business. Such provision of an enabling environment would entail the availability of the critical success factors such as trade liberalization, infrastructure development, a simplification of policies and procedures, and facilitating clusters and networks, in addition to those mentioned earlier. These intervention strategies, if well placed by the government could provide an impetus for SMEs to grow and expand globally.

6.2.2 The main drivers of struggling SMEs

It has been noted in the literature that the SMEs sector is confronted with a host of challenges that militate against their growth. As noted, South Africa has in recent history experienced an alarming SMEs failure rate ranging between 70% and 80% (Eeden *et* al., 2003; Brink, Cant & Ligthelm, 2003; World Bank, 2014; Gebremichael, 2015). This points to the fact that the majority of SMEs struggle and eventually close down.

This finding in the literature is supported by the findings in the qualitative study which pointed out that most SMEs are struggling due to a host of drivers that include high interest rates, lack of innovation, lack of capital, high crime and corruption rates and lack of technical and consultancy services, amongst others. This further explains that 60% of those who responded in the quantitative enquiry indicated that their businesses had not made profits in the past three years. However, in terms of access to capital, the SMEs quantitative study revealed that 68% of the respondents have access to working capital which is contrary to what was revealed in the qualitative study. This is supported by the banking data, which showed that the banking sector is increasingly becoming interested in the SMEs sector especially when the sector appear to become profitable. But the fact that the SMEs sector is not taking advantage of the offers is

probably due to the unfavourably high interest rates charged by banks, as alluded to in the qualitative findings.

In terms of non-financial support, the quantitative study revealed that 55% of the respondents did not get any form of non-financial support from the government and banks. This could be in the form of business advisory services, training of SMEs owners/managers, enrolling SMEs into incubation programmes and the availability of infrastructure among other things. Failure to get such support would cause the SMEs to struggle and eventually fail. It could therefore be envisaged that given the necessary support, SMEs can grow into large businesses irrespective of the varied and numerous challenges they face.

6.2.3 Sources of finance available to SMEs growth

It has been noted from the literature reviewed that the government has been striving to assist the SMEs sector by mandating government departments and agents to support the sector financially and technically. The literature revealed that, apart from allocating business rescue funding to banks, the government or the SOEs have alternative methods of funding such as incubators, angel investors, venture financing, etc. (Mbuya, 2022). However, more still needs to be done by the government and financial institutions in order to effectively support SMEs financially. Moreover, as noted by BER (2016), most businesses fail because of lack of access to funding. In fact, GEM (2022), attributes the lack of funding causes the majority of SMEs in South Africa fail, due to lack of knowledge and information about the available sources of finance. Therefore, the government should introduce programmes and mechanisms that would ensure effective communication on the availability, access and the utilization process of funding to all deserving SMEs. Such programmes should be aimed at unlocking to SMEs the various best fit sources of finance such as overdrafts or bank loans, hire purchase agreements, bonds, etc. In addition, the banking sector should continuously revise their lending policies and structures (especially in a high interest rate market regime) in a bid to steadily improve lending to this sector and especially to encourage new SMEs to grow.

As portrayed in the qualitative findings, most of the SMEs owners/managers confessed that they had not benefited from the external sources of funding. In addition, as revealed in the interviews regarding the sources of finance for SMEs it became clear that SMEs had one way or the other of self-financing their businesses. This paints the picture that most of the sampled SMEs are not getting funding from the government or any other funding agents.

The quantitative results indirectly confirm these findings, where 40% of the respondents indicated that they were not knowledgeable about the available sources of finance for SMEs. However, what is surprising is that out of the 60% of the respondents who claimed to have knowledge of available sources of finance, only 28% were willing to take up the capital. Therefore, as highlighted in the qualitative findings the majority of the SMEs relied on private sources of finance as mentioned above. Such sources fell short of the financial requirements that would make their businesses grow.

6.2.4 Factors considered by financial institutions when allocating funds

It has been noted in the literature review that lending by banks to SMEs is considered riskier than lending to larger firms (Fatoki, 2014; Joseph & Tambandini, 2022). That could be the reason why the lending institutions are hesitant to provide financial assistance to SMEs. Where they provide credit to SMEs, they require collateral in the form of cash, property and other assets. The value of such collateral is usually twice the amount of loan and many enterprises fail to provide it (Dong & Men, 2014). Low capitalization, insufficient assets, and high mortality rates also render SMEs riskier and as such do not attract concessionary rates on loans (Sia, 2003).

The literature review findings were corroborated by the findings in the quantitative study which showed that only 28% of the respondents were willing to take up the risk capital offered by banks. This is probably because the majority of the SMEs had no collateral. It could then be argued that banks and other financial institutions were mainly concerned about their profitability. Instead, the banks were supposed to consider the viability of the business as an important factor before providing finance. This could be established by assessing the viability of the SMEs' business plans. In addition, the growth potential of the business as well as the growth potential of the economy should matter most as it influences creditworthiness.

A follow up of the qualitative enquiry confirmed that banks and other financial institutions require collateral security when advancing loans to SMEs in order to safeguard their money since lending to SMEs is considered risky. Therefore, it should be noted that for SMEs to grow, they need adequate financial support. SMEs owners/managers should always acquaint themselves with the knowledge of the requirements by banks and the government for them to obtain financial support.

6.2.5 Human capital and SMEs growth

The literature review confirmed that a high level of human capital development leads to high levels of entrepreneurship (Lose & Mapuranga, 2022). The GEM reports (2022) noted that the majority of SMEs in South Africa failed due to poor management caused by the lack of human capital development. Education and training play an important role in equipping SMEs owners/managers and employees with the skills, knowledge and the right attitudes to effectively run their businesses. Therefore, SMEs owners/managers should continuously upgrade their skills to keep pace with the new developments in the business environment. It should be noted that, the SMEs owners/managers who are knowledgeable in business processes possess the managerial capacity to grow their businesses.

The quantitative study findings revealed that the majority (58%) of the surveyed sample valued human capital development as an important driver to grow their SMEs. Therefore, the SMEs owners/managers should take it upon themselves to improve their human capital in the various facets of the business. A follow up of the qualitative enquiry supported the notion of human capital development through continuous education and training and added the dimension that human capital development promotes innovation. It should be noted that a well-coordinated human capital development provides the seed bed for innovation that could speed up the growth of SMEs.

6.2.6 Towards a Framework to understand SME growth in South Africa.

The empirical findings from both the quantitative and qualitative enquiries showed that the majority of SMEs fail to grow due to lack of funding, poor managerial skills, lack of human capital development and failure to be innovative amongst other factors. These factors have compounded the already existing low levels of entrepreneurship in the country.

The literature review has shown that many emerging economies are confronted with the major challenge of reducing poverty, the need to improve life and livelihoods of the majority poor; therefore, they view SMEs as one of the conduits to wealth distribution (Arinaitwe & Mwesigwa, 2015). The contribution by the SMEs sector in the emerging countries in terms of generating employment, creating wealth and income puts it on a strategic position in their economic growth and development agenda (Berg & Fuchs, 2013; Vuuren & Alemayehu, 2018). Therefore, the idea should be to propose a viable framework that would assist SME

owners/managers to improve their businesses and contribute immensely to the greater cause of growing the whole economy. However, it is important to note that a framework is but only an abstraction of reality. With this in mind, the framework would best be represented with direct or linear relationships. This does not only make the framework useful for describing complex phenomena (e.g. integrated business growth) but it also makes possible measuring the contribution to the academic body of business growth knowledge.

The SMEs owners/managers may utilize the proposed integrated framework (Figure 6.1) below as this could probably help them better understand their businesses growth. Furthermore, by the integrated design of the framework public and private entities can also use the framework as part of their check-list or filter to identify small businesses that are investment ready. It should be noted that the proposed framework comes as a result of the synthesis of both the quantitative and qualitative results as well as the review of literature. Therefore, it is expected that the proposed framework would initiate a solution to the research problem as outlined in chapter one.

With the increasing challenge of unemployment and poverty in South Africa, many youths coming out of tertiary institutions are starting small businesses for survival. The proposed framework, therefore, will become handy in ensuring that the existing and new SMEs become successful businesses drawing their strength from both the quantitative and qualitative findings of the study. Therefore, SMEs owners/managers are encouraged to utilize the proposed framework as a guideline, checklist or roadmap towards sustainable growth of their businesses.

Figure 6.1 below is the proposed framework that seeks to provide the roadmap for SME growth. The SME owners/managers, financial institutions, academia and the government are the key stakeholders as shown in the framework. Education and training with respect to human capital development has been echoed by both the quantitative and qualitative studies as an important enabler of SME growth. Therefore, human capital development is key because it enables the SMEs owners/managers to implement other predictor factors (independent variables) of SME growth (dependent variable). Four dominant variables that emerged from the findings and considered important for the integrated framework for growing small businesses (IFGSM) are education and training, human capital, product markets and innovation and technology.

The government as the key stakeholder in the economy takes the central role of providing the facilities and policy direction so that it would be easier for SME owners/managers, financial

institutions and academia to implement the other independent variables of SMEs growth. It should be noted that all the identified predictor factors are positively correlated (p-value < 0.05) and can influence SME growth (dependent variable). Figure 6.1 below is the proposed IFGSM:
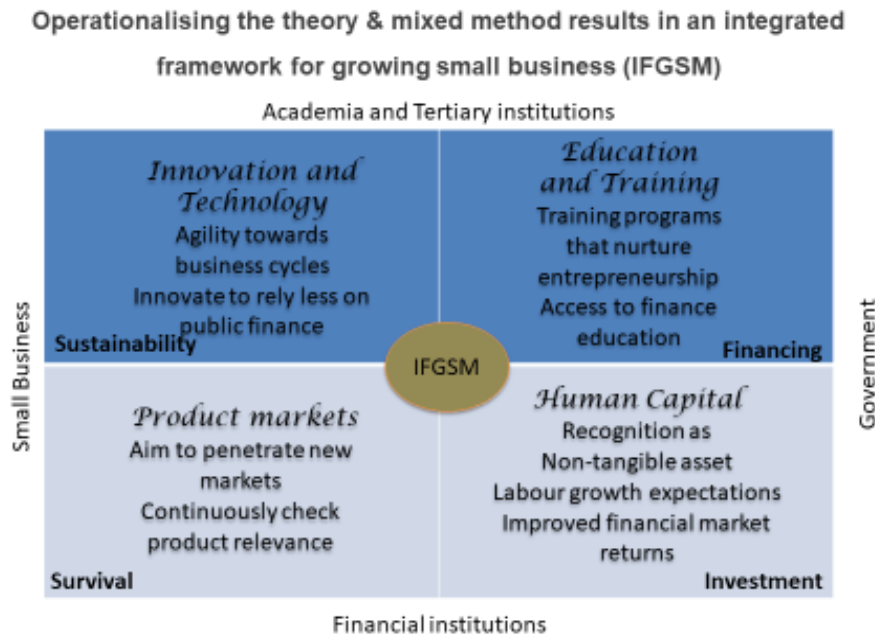
Figure 6. 1: Integrated framework for growing SMEs

Source: Researcher's own complilation

The integrated framework above summarises the important facts, guidelines and assumptions underpinning the IFGSM. Firstly, small businesses could partner with academia towards ways and methods to innovate. This will not only enable the business to be more agile (hence relevant to customers) but will also reduce the general reliance on government for funding, as innovative business has been found to generally be almost self-sustaining.

Education and Training that nurture entrepreneurship and access to financing is required and this could be driven by both academia and government. Government needs to fund and show more interest in courses that are aimed at equipping small businesses on access to finance, thus lowering the barrier to tapping financial resources (e.g. private equity and other private-public-partnerships). The regression analyses in chapter 4 showed clearly that the product market in which businesses operate in is paramount to their survival.

In order to survive any global economy volatility, small businesses are required to continuously check their relevance, and if not relevant or drifting out of favour they should concentrate more on the innovation and technology to get the growth going again.

Finally human capital – as mentioned earlier needs to be considered by government and financial institutions when scoring the business for credit lines. Human capital is an intangible asset, and in the SA Journal of Business Management (Joseph & Tambandini, 2022) paper, it is argued albeit theoretically that it can position a small business, government and financial institutions favourably for excellent financial market returns. The IFGSM are further explained below:

6.2.6.1 Education and Training

Education and training are seen as the panacea to SMEs growth, be it formal or business education. Education and Training that nurture entrepreneurship and access to financing could be driven by both academia and government. Moreover, education and training equip managers to get the necessary skills needed to run businesses. It could be argued that SME owners/managers who are knowledgeable in business have the managerial capacity to grow their businesses. In addition, SMEs which value education and training are innovative in nature.

The qualitative study of chapter 5 revealed low levels of education amongst the sampled SME owner/managers as well as employees. This could perhaps be one of the attributing factors to SMEs failure to grow. Therefore, SMEs owners/managers should continuously upgrade their skills to keep abreast with the new developments in the business environment. It should be noted that, the SMEs owners/managers who are knowledgeable in businesses are well equipped to stand up to any business challenges that may arise.

6.2.6.2 Human capital

Human capital, as mentioned earlier needs to be considered by government and financial institutions when scoring the business for credit lines. Human capital is important for innovation production which in turn drives company financial returns and consequently investment returns (Joseph & Tambandini, 2022). This is true, even though an increase in human capital in business do not necessarily scale linearly with more educated employees. However, smaller businesses (less than 50 employees) do have a significant likelihood of producing more innovation with more innovative human capital investment. So, if an

investment in human capital (via labour growth) can be said to yield a positive financial return, then an investment in the innovation productivity (via human capital education) can be said to yield a stable positive financial return – especially in smaller businesses (Joseph & Tambandini, 2022).

6.2.6.3 SMEs products markets

Having access to differentiate markets is important for business growth and survival. The quantitative analysis on the findings in the previous chapter on whether the SMEs have access to differentiated markets showed that 28% of the respondent had access to differentiated markets, while the majority (72%) of the respondents revealed that they had no access to differentiated markets. According to Bushe (2019), SMEs need to have strong bases in business research for them to be able to expand and penetrate new and varied markets. If business research is properly carried out, accurate information is gathered that could be instrumental in decision making and ensuring that the business becomes competitive in the market. According to Bartlett (2015), entering new markets could be made possible with new products that are outcomes of business research. Therefore, there is need for SMEs to penetrate differentiated markets to remain viable, grow and continue to be sustainable.

6.2.6.4 Innovation and technology

The study confirms that innovation and technology are important keys to a growth framework, similar to that found in Malaysia (SME Corp Malaysian report, 2017). The SMEs sector should not be left out in embracing the new way of doing business using technology. The advent of COVID-19 has revolutionised the way businesses operate. The quantitative results show that a high number (50%) of the respondents confessed that they do not use digital technology and are not benefitting from online marketing and sales. This implies that half of the SMEs sampled do not have an idea of what digital technology entails, yet businesses worldwide are forging ahead with new technology (Mbuya, 2022).

6.3 Conclusion

This study concludes by aligning the research findings to the research aim and objectives identified in chapter one to determine if the research objectives were achieved:

Main aim: To propose an integrated framework to understand the growth of small businesses in South Africa.

The overall purpose of the study was to develop an integrated framework to help understand how to strengthen and improve the growth of SMEs. This objective was achieved because the study enabled the researcher to develop a framework that could be used by SMEs, government and other stakeholders to understand and support SMEs. The researcher believes that by developing a sound framework, the growth problem bedevilling the SMEs is better understood and may even be resolved. The framework primarily sought to provide a solution to the many growth challenges confronting the SME sector. The SME sector cannot be ignored since it is now regarded as the engine of the economy. That means if there is no growth in SMEs, there is no growth in the economy. SMEs contribute to job creation and help in poverty alleviation.

It was revealed in the findings that there is need for the SME sector to reposition so that they are poised to grow into larger enterprises. It could be argued that if properly nurtured and given the right support from the government departments and other agents, the SMEs sector will grow into a vibrant economy. The SME owners/managers need to be brave, have the right attitude and success paradigms with regards to their businesses. Only that way will they be able to leverage on the support they can get and grow their businesses. The integrated framework proposed will work for them if they buy into it and are willing to adhere to the processes prescribed. The framework identifies SME owners/managers, financial institutions, academia and the government as key players in the SMEs growth process. Education has been identified as one of the key factors in this framework. Therefore owners/managers have got a duty to ensure that they attain a reasonable level of education that would help them acquire the skills needed to run businesses.

The identified predictor factors of SMEs growth in the framework are, education and training human capital, SMEs products market and innovation and technology. If SMEs owners/managers successfully adhere to the processes enunciated in the proposed framework, it could be assumed that SMEs are poised to grow significantly. Having developed the proposed integrated framework to understanding how to enhance SMEs growth, the researcher has fulfilled the main objective of the study.

Objective 1: To establish the extent to which banks and the government are involved in the support of SMEs.

This research finds that government policies are lagging behind in terms of providing SMEs with an enabling business environment such as infrastructure development, simplification of the regulatory environment and facilitating clusters and networks, amongst others (WEF report, 2016; Lorette , 2017; Preiser, 2018). However, procedures to apply, register and operate a small business have progressively been made simpler, which is contrary to previous research work that concluded that the South African SME policy and regulatory framework was non-trivial to understand fully (Mistra, 2020; van Staden, 2022).

Based on the research sample - most SMEs have received little or no non-financial support from the government and banks. This could be in the form of business advisory services, training of SMEs owners/managers, enrolling SMEs into incubation programs and the availability of infrastructure among other things. It is possible that SMEs are waiting on the government, and the government is waiting on the SMEs to make a move to utilizing the support. Nevertheless, the banking sector increasingly appears interested in the SMEs but the SME sector is unable to take advantage of this probably due to the highly unfavourable (or conservative) interest rates charged by banks.

It has been noted that banks do not consider the viability of the business as an important factor before providing finance. Also, the growth potential of the business as well as the growth potential of the economy seem not to matter most to the banks despite that it influences creditworthiness. The research also finds that banks are hesitant to provide finance to SMEs because they consider lending to SMEs as introducing unsecured risk (Fatoki, 2014; World Bank, 2014; Kachlami & Yazdanfar, 2016). Where they provide credit to SMEs, they require collateral in the form of cash, property and other assets (see e.g. Joseph and Tambandini, 2022). The value of such collateral is usually more than twice the amount of loan and many small enterprises (especially because it is small) fail to provide it.

The research has also shown that banks look for short term certainty, which is a bit unreasonable given that PPPs and SMEs need between three and five years to redeem capital. However, some banks have developed a wide range of fee-based, non-lending products and financial services for SMEs (Beck, Demirgüç-Kunt, & Maksimovic, 2004; World Bank, 2014; Kachlami & Yazdanfar, 2016).

A bank-government-small business relationship can be fruitful. In fact, more recently SMEs in the low-cost housing projects (construction) where the government put in credit guarantees and bank participation were so good, that it outperformed targets(Kruger, Joseph & Tambandini, 2023). The findings also revealed that SMEs which want to progress should focus less on the government and banks for support but rather look inwardly and innovate for growth. When the small businesses have found their niche (by focusing on optimally stewarding their own resources) banks and the government will be very comfortable to take on board the business to share in their resources.

This research also confirmed that, apart from allocating business rescue funding to SMEs, the government or the SOEs' have alternative methods of funding; such as incubators, angel investors, venture financing, etc. (Mbuya, 2022). Most businesses fail because of lack of access to funding. The lack of funding by the majority of SMEs in South Africa is attributed to lack of specific knowledge and information about the available sources of finance and exactly how to access this funding.

The research findings revealed that most SMEs rely on private sources of finance such as savings, family support, friends support, etc. which in most cases is not enough to fully grow and sustain the SMEs. The SME owners/managers should always acquaint themselves with the knowledge about the availability of the various sources of finance, particularly the external sources to augment their self-generated capital. The financial gap theory supports the notion that SMEs owners/managers actually require legal funding to finance their businesses (OECD, 2015).

Objective 2: To ascertain the critical success factors in growing SMEs
It was noted in the research that a good understanding of the critical success factors by banks, SMEs, government and other stakeholders are one key factor to SME growth (Mutezo, 2013; IOSCO, 2014; Bushe, 2019). The research further confirmed the important role of critical success factors in enhancing SME growth, provided that the business is able to identify its critical success factors and take advantage of them. The identified critical success factors include availability of working capital, improved infrastructure, experienced and well-trained SME staff, absence of trade barriers, access to differentiated markets and ease of doing business locally, regionally and globally amongst others (WEF report, 2016; Lorette, 2017).

The findings also revealed that the type and quality of government support for SMEs growth matter. For example, financial support, such as grants or loans, can be helpful, but non-financial support, such as training and advisory services, can be equally or even more beneficial (Chen & Chen, 2019; Tran, Nguyen, & Vu, 2020).

In addition, synergy is needed in the form of private-public-partnerships (PPPs) across different areas for small businesses to thrive, grow, and create jobs in South Africa (Gharajedaghi, 2011; Preiser, 2018). According to Dhavan (2023), "PPPs are being used worldwide to stimulate economic growth".

The empirical findings revealed human capital development as one of the most important drivers of SMEs growth. High levels of human capital development lead to high levels of entrepreneurship and innovation (Matekenya, 2022). Human capital development equips SMEs owners/managers as well as employees with the skills, knowledge and the right attitudes to run their businesses effectively.

This research finds that quite a sizeable number of SMEs owner/managers are not fully committed to their businesses. If there is no proper supervision in place to monitor and safeguard business assets and ensure maximum production, how can the small business grow?

It has been revealed in the study that few SMEs are able to penetrate regional and international markets for their products. In fact, most SMEs have not yet embraced digital technologies, even in the aftermath of COVID 19. SMEs are found to be lagging behind in embracing the new way of doing business using technology i.e. online marketing and selling.

Objective 3: To determine the main drivers of struggling small businesses.
This research confirms that most SMEs are struggling due to a host of drivers that include high interest rates, lack of innovation, lack of capital, high crime and corruption rates and lack of technical and consultancy services amongst others (Gebremichael, 2015; Bushe, 2019; Dladla & Mutambara,2022).

Lack of education and training is the prime reason that causes failure of SMEs. It has been noted that SMEs in South Africa lack adequate expertise and experience as well as the relevant support, which in turn increases their failure rate (Hayton, 2015; Gumbo, 2015; Chimucheka, 2016; Zeebaree & Siron, 2017; Peter *et al.*, 2018; Bushe, 2019).

SA government turnaround time for project implementation has increased significantly causing more distress to SMEs. The change in turnaround times could be due to operation models changing from agile to nimble business units. This has been compounded by the advent of COVID-19 and the effect of electricity load shedding by Eskom.

Objective 4: To determine the scope of an integrated framework taking into account the structures that are currently in place for supporting SMEs

This objective was achieved because there is so much evidence in the literature that has shown the importance of frameworks in guiding development. For instance, the Malaysian SMEs development framework tremendously boosted the growth of SMEs that ultimately led to the growth of the whole economy (SME Corp Malaysian report, 2017). The framework focused on the following areas: innovation and technology, access to financing, market access, human capital, legal and regulatory environment, and infrastructure. However, the framework may not be wholly applicable to SA due to different circumstances. But this research extrapolates valuable guidelines from the framework to understand the growth of the SA SMEs.

It was noted in the findings that the framework should make it easy for more capital to be availed and channelled to SMEs to promote their growth. It should also make it possible for SMEs to leverage on human capital development and innovation and come up with unique products that can satisfy customers' needs (Mbuya, 2022). In addition, there is need for SMEs to invest more in business research for them to make right decisions based on accurate information (Mboweni, 2022).

6.4 Policy implications of the study

Research has shown that there has been noticeable growth and development of the global economy due to SME growth. Sadly, South Africa has not been part of this trajectory probably because of its high SME failure rate. Therefore, there is need for a paradigm shift in policy aimed at addressing SME challenges. Undoubtedly, researchers and policy makers have agreed that SMEs have become the drivers of economic growth in any country. Their argument is based on the role SMEs play in creating job opportunities, their innovative nature as well as their significant contribution to the gross national product of an economy. Hence, the reason why there is consensus among researchers about the need to put in place progressive policies

that will maximize the potential of the SME sector. Based on this background and the empirical findings of this study, the following policy implications are derived.

6.4.1 Policy implications: Public Sector

The government can do better to help usher in SMEs growth by:

- Developing more specific programmes earmarked for the development of the SMEs sector, considering the importance of SMEs in terms of generating employment, contribution to GDP and poverty alleviation (Rogerson, 2017; Bvuma & Marnewick, 2020). The study findings have revealed that if the owners/managers are well capacitated, it would be easier for them to implement the other predictor variables that influence SMEs growth.

- Education and training of SMEs owners/managers should be at the core of these programmes. The SMEs owners/managers should be well capacitated, for them to run their businesses more efficiently.

- The government should capacitate agencies such as SEDA, Industrial Development Corporation (IDC) and other relevant agencies so that they become more equipped to support SMEs by providing seminars and other training programmes.

- The government should consider introducing business courses such as entrepreneurship in the education curriculum in school at an early stage in order to develop and nurture the spirit of entrepreneurship in the learners (Madzimure & Abrahams, 2022; Mboweni, 2022; van Staden, 2022). When the students leave school they will be able to start and grow their businesses without education difficulties.

- The government should make it easier for SMEs to access finance (World Bank, 2014; Fatoki, 2014; Kachlami & Yazdanfan, 2016). The distribution of SMEs funding should be decentralized and disbursement of the funds done in a more transparent manner.

- The government should introduce policies and regulations that oblige financial institutions to assist a certain number of deserving SMEs per year or any agreed frequency.

- Proper monitoring and evaluation of SMEs projects should be done inorder to catalyse SMEs to grow into mature businesses.

- The government should continuously review and simplify regulations and laws governing SMEs (Mavhiki, Mapetere, & Nyamwanza, 2014; Jitmaneeroj, 2016). For

example, SMEs should be charged concessionary tax rates to promote their growth (Mistra 2020; TIPS 2017).

6.4.2 Policy implications: SMEs Owners/Managers

- SMEs owners/managers should be adept to the changes in the business environment in order for their businesses to remain relevant and continue to meet the needs of the customers.
- In addition, the SMEs owners/managers should continuously seek to be innovative, and value human capital development.
- Small businesses should take full advantage of the sources of finance and non-finance support available and continuously scout for new product markets (Fatoki, 2014; Bushe, 2019; Ncube & Zondo, 2022).
- Small businesses should embrace new technology, adhere to government policy, regulations and laws and above all be committed to their businesses.
- The SMEs owners/managers are also advised to embrace an integrated framework to enhance growth of their businesses as proposed by this study.
- The SMEs owners/managers should equip themselves with management skills that are needed to successfully run businesses. This could be achieved if they continuously upgrade their education (Gumbo, 2015; Chimucheka, 2016; Zeebaree & Siron, 2017; Bushe, 2019).

6.5 Research insights

The research provides important insights into understanding the growth of SMEs. The insights are divided into theoretical, empirical and practical:

6.5.1 Theoretical research insights

The literature review highlighted several key findings from the academic discourse on the growth of SMEs:

Finding 1: The majority of SMEs are limited by their lack of the know-how to achieve growth and scale. Human capital development is seen as a panacea to this problem.

Finding 2: The knowledge gap in many emerging economies, on what business capabilities to foster and focus on, has led to low levels of sustainable innovation and entrepreneurial activity, threatening much-needed employment creation and economic growth.

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Finding 3: Literature on SMEs growth in an emerging market setting is disproportionately limited, given their contribution to national GDP and proportion of employment of the working population. Most of the growth research was done in developed countries.

6.5.2 Empirical research insights

The study adds a SMEs growth framework that could be applicable to all SMEs in the South African context. As such, this provides an important contribution to the literature addressing SMEs growth challenges.

The research results can empirically be used to infer growth determinants in other regions, such as in Africa or other emerging markets.

The finding that both the banks and government are reluctant to finance SME is perhaps understood by the notion of the reserve bank covenants that links the systematically important (repo) banks to the government (Joseph & Tambandini 2022, Mistra, 2020; TIPS 2017; Suryanto, 2015).

6.5.3 Practical research insights

At a practical level, the outcome of this research:
Provides a clearer understanding of economic growth within the SME context which has implications for South African small businesses.

The integrated framework will provide an important platform for SMEs growth and ultimately hopefully the overall growth of the SA economy.

It could be envisaged that the findings of this research and the application of the recommendations could positively contribute to fully understanding SME growth.

6.6 Areas for Further Research

The findings of this study shows that there is still room for further study. This study only focused on three areas in South Africa; North West, Gauteng and KwaZulu Natal. In order to consolidate the findings of this study, further research is proposed:

Since this study only focused on a few SMEs in the three provinces the findings may not be representative of the whole country. Therefore, there might be need to do a further study that

involves SMEs in all the provinces given that different provinces in South Africa are constituted of a diverse socio-economic status.

Since lack of access to finance has been identified in the findings as a deterrent to SMEs growth, the researcher proposes further study to be carried out on the ease or intricacies underlying the procedures SMEs should follow to get funding from government departments and agencies.

Further research could be done on how each of the predictor variables of SMEs growth independently affect SMEs growth. In particular, the non-linear or indirect more realistic causal relationships could share more insight on understanding small business growth

A pre- and post-Covid, more longitudinal study on understanding small business growth can be performed in order to improve the inference and generalization of the research findings

6.7 Limitations of the study

The researcher encountered many challenges that made it impossible to meet in full the objectives of this study. A study of this nature in most cases is fraught with limitations that would always militate against the success of the study. In this study, the government as one of the pillars of the integrated framework was focused from a literature perspective, the limitation being that it was difficult to do surveys and interviews on government entities due to their bureaucratic nature. Another limitation was the measurement of what constitutes SME growth. The researcher had to embrace an open definition for growth. Therefore, specific measures of growth such as revenue were not covered. The problem is that there are too many ways of measuring or defining business growth. Therefore, in the context of this study SME growth was limited to the wide growth definition of an SME aspiring to grow.

Non-probability sampling in the form of purposive sampling was applied making generalization of the research results a limitation. The low response rate and the fact that the sample is skewed to the retail SMEs can also be stated as a limitation. Even though a more diversified sector could lead to the same conclusions, it could be worth including other sectors to improve the generalization of the research findings (WEF report, 2016; Lorette, 2017). All data were categorised and themed by the researcher. Researcher bias might have affected the themes identified by the researcher; therefore, the findings should not be directly extrapolated to other emerging market contexts. In order to strengthen the integrated framework, the research

can be extended more longitudinally over several economic business cycles, and the joint correlation of the framework keys on business growth can be studied.

6.8 Concluding Remarks

The study has revealed that the SMEs sector has the power to change the fortunes of this country if due recognition is given to understanding their growth. As revealed in the literature, the SMEs sector is hailed worldwide for its contribution to job creation and help in poverty alleviation. Therefore, this sector must be understood and addressed if South Africa needs to be part of the economic growth trajectory experienced through SMEs growth in other countries by providing adequate support from their governments and other stakeholders.

The government needs to properly restructure the SME sector so that they can be easily nurtured and get the proper support. SME support should be based on proper consultations to establish their real needs, not a 'one-size-fits-all' approach.

The integrated framework proposed in this study may be helpful to SMEs, banks and the government if they appreciate it and are willing to apply it.

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ANNEXURE A: SECONDARY RESEARCH DATA

1 Response sample

The secondary research data survey was targeted at 400 potential participants in the commercial banking sector (population). In section 3.3.5.3 the population size and rationale for the sample size are given. A summary of the response rate with the secondary research data is given in table 1 below.

Table 1: Survey response rate

Target Population size	>400
Sample size	N = 106
Total Responses	106
Response rate	100%

Even though the response rate was 100% the breakdown of the total responses reveals the usable responses. Table 2 shows the components of sample response rate. Out of the 106 total responses, only 87 responses were usable which constituted 82% (87/106). The 82 % response rate constitute the management since they (unlike the non-management) are the people who are involved in the business decisions, and more likely to be associated with the support and growth of SMEs through decision making.

Table 2: Secondary research data responses

	Responses		Response/Total
Management	89		84%
	Unusable*	2	2%
	Usable	87	82%
Non-Management**	17		16%
Total	106		

*The responses of management that were not employed anymore are taken to be unusable management responses. The non-management roles such as analysts, stockbrokers and other general staff were also not considered in the final sample.

The usable management sample response rate of 82% (See break down in Table 2) were assumed to be acceptable for this research considering that in academic research, the response rate must be greater than 40% for it to be acceptable (Creswell, 2018).

2 Demographics

Figure 1 below shows that the majority 84 % of the respondents had managerial positions whilst only 16% of the respondents had non-managerial positions in the bank. The non-management roles referred to positions such as analysts, stockbrokers and other general staff. The ratio of management to non-management sample responses therefore points to the fact that the management sample is representative of the bank population that are either directly or indirectly involved in its business decisions.

Position in the bank

■ Management   ■ Non-Management

16%

84%
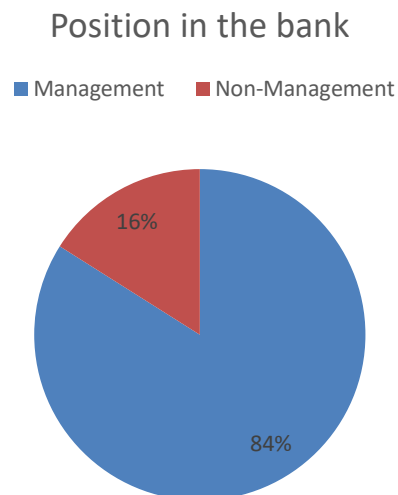
Figure 1: Respondent's position in the bank

The South African banking sector now constitute people from different ethnic groups due to the transformation taking place in the sector. The sample data is provided in figure 2. The secondary research data sample is therefore reasonably diversified as it reflects a number of ethnic groups. The diverse management sample can be very important in the drive towards the support of SMEs by banks. Nevertheless, the sampled data presented, represent a diversified ethnic population which is representative of all/most of the significant ethnic groups in South Africa.

ETHNIC GROUPS

■African / Black ■Asian ■Indian ■Coloured / Mixed descent □White
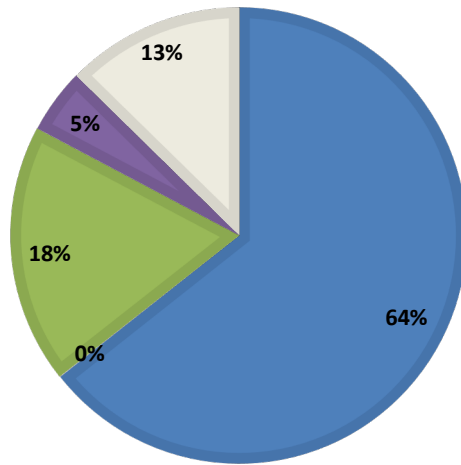
Figure 2: Respondents' ethnic groups

Table 3: Ethical groups present in the sample

Ethnic Group	Response	
	Count	Count/Total
African / Black	56	64%
Asian	0	0%
Indian	16	18%
Coloured / Mixed descent	4	5%
White	11	13%
Total	**87**	**100%**

In table 3, the data reveals the predominance of the African/Black employees' ethnic group over the other ethnic groups in the banking sector. This is consistent with the demographics of South Africa where black Africans constitutes the largest part of the population. The very low coloured/mixed decent response justifies the fact that the group is part of the minorities

especially in the financial industry. The relatively large African/Black ethnic groups in the management sample could therefore suggest that the sample is representative of the banking population, especially due to the fact that over the last decade there has been a surge in African/Black managers.

3. Survey Reliability

The survey questionnaire constituted 22 questions aimed at soliciting data on the role of financial institutions (such as banks) in the growth of SMEs. The survey questionnaire instrument was drawn on a Likert scale interval from which the respondents could select their answer. The reliability of the instrument was tested using Cronbach's statistical test alpha to ensure that the research instrument does not contain redundant questions. In general, if the Cronbach's alpha value is more than 70% the questions are considered as non-redundant and therefore acceptable. A high level of alpha shows the items in the test are highly correlated (Creswell, 2018). See table 4 below:

Table 4: Reliability of the research instrument

Possible number of redundant questions removed	Resultant number of questions	Cronbach's Alpha
None	22	94.5%
Q4 & Q5	20	93.3%
Q4, Q5 & Q8	19	93.2%
Q4, Q5, Q8 & Q10	18	92.5%

The reliability test produced a Cronbach's alpha coefficient of 94.5%. This figure is way above the acceptable range of between 70-90%. In most cases, the researcher tested the research instrument to identify redundant questions especially when this test statistic was higher than 90%. In carrying out this activity, the researcher identified four questions that were measuring the same aspect twice. The Cronbach's alpha statistic was re-tested and recorded without the

identified questions one at a time. See table 4. The test results depict that omitting the redundant questions result in a lower Cronbach coefficient but not significantly lower statistic (still higher than 90%). The research instruments and all the questions in it were therefore deemed to be reliable as it resulted in a consistent test statistic (at least to the upper 90% acceptable level).

Table 5: Survey questions responses

Survey Question	Never	Rarely	Sometimes	Usually,	Always	Range
The bank is mandated to assist small businesses	1	7	22	24	46	45
The bank has been pro-active to adopt business models that specifically suits SMEs financing	3	7	28	34	28	25
The SME market is attractive with potential for huge profits.	2	5	16	30	47	45
Employees are clear about the vision and direction of the organization	2	8	27	18	45	43
There are clear and open lines of communication between management and employees.	7	11	21	31	29	22
The organization recognises employees for the significant achievements in their role	10	16	21	29	23	19
The organisation provides employees with opportunities to apply their talents and expertise.	2	6	27	24	41	39
I am happy with the prospects of career advancement in the organization.	5	10	21	25	38	33
I am aware of my job responsibilities aimed at fulfilling the organisation's objectives.	1	6	25	25	43	42
Everyone in the commercial banking sector has got the opportunity for career advancement based on performance.	12	12	24	25	26	14
Overall, economic growth is enhanced by human capital investment in banking	20	21	17	25	17	8
The government's role in the SMEs market has been adequate	2	7	13	33	46	44
Government's role in the SMEs market still need to be improved.	15	15	16	20	35	20
The credit reference bureaus available offers support to banks	7	19	36	21	18	29

through provision of a sound database for credit reference checks.						
Government makes loans to SMEs cheaper by subsidizing the banks involved in SME lending business.	11	15	19	24	31	20

ANNEXURE B: CONSENT TO COLLECT AND ANALYSE SMES DATA (MADIBENG MUNICIPALITY-BRITS)

	DEPARTMENT OF CORPORATE SUPPORT SERVICES	
	OFFICE OF THE DIRECTOR	

Reference	T. TAMBANDINI	Date : 21 January 2021	TEL: (012) 318-9552 FAX: (012) 318-9589
Enquiries	DANIEL MASEMOLA		6th Floor Main Building

Dear Tungamirai Tambandini (Supervisor Dr AD Joseph)

I, Daniel Masemola, Director: Corporate Support Services of this company grant permission to collect data at this site for your research project titled "Innovative Framework for Growing South African Small Businesses".

I grant this permission as the authorized person to do so in this company and am aware of the following,

1. The study is conducted as a UNISA researcher and remains the property of UNISA
2. You can use the name of the company in your research project.
3. All data and information collected will be solely in the procession of the researcher.
4. I will require feedback of the research.
5. The research may be published in the public domain under the supervision of the supervisor.

I wish you the best and success in this research.

Signature

Mr Daniel Masemola

53 Van Velden Street, Brits

Telephone number: 012 318 9203

Email address: dmasemola@madibeng.gov.za

ANNEXURE C: CONSENT TO COLLECT AND ANALYSE BANK DATA

Dear Tungamirai Tambandini (Supervisor Dr AD Joseph)

I, Simangele Tshabalala, Chief executive officer of Spangle Concepts (the company) grant permission to analyse for reuse our collected data for your research project titled "Innovative Framework for Growing Small Businesses".

I grant this permission as the authorised person to do so in this company and am aware of the following,

1. The study is conducted as a UNISA researcher and remains the property of UNISA
2. You can use the name of the company in your research project.
3. All data and information analysed and collected will be solely in the procession of the researcher.
4. I will require feedback of the research.
5. The research may be published in the public domain under the supervision of the supervisor.

I wish you the best and success in this research.

Signature ....

Date ...26 July 2021...

Simangele Tshabalala C

Chief executive officer

Building A Wedgefield Office Park, 17

Muswell Rd, Bryanston

Cell: 082 467 1565,

Tel: 011 026 6068

Email: stshabalala@spangleconcepts.co.za

ANNEXURE D: CONSENT TO COLLECT AND ANALYSE SME DATA (ILEMBE MUNICIPALITY-BALLITO)

	Enterprise iLembe Economic Development Agency
	Office of the Director

Dear Tungamirai Tambandini (supervisor Dr AD Joseph)

I, Mr Linda Mncube, CEO of the iLemba municipality grant you permission to collect and or analyse existing data at this site for your research project titled "Innovative Framework for Growing South African Small Businesses".

I grant this permission as the authorized person to do so in this company and am aware of the following,

1. The study is conducted as a UNISA researcher and remains the property of UNISA.

2. You can use the name of the institution in your research project.

3. All data and information collected will be solely in the procession of the researcher.

4. When needed I will require feedback of the research.

5. The research may be published in the public domain under the supervision of the supervisor.

I wish you the best and success in this research.

Signature ....   Date ....23/08/2021.......................................

Mr Linda Mncube
Chief Executive Officer

ILembe House,
59/61 Mahatma Ghandhi Street
KwaDukuza 4450
Telephone number: 032 437 9501
Email address: Linda.Mncube@ilembe.gov.za

ANNEXURE E: CONSENT TO COLLECT AND ANALYSE SME DATA (SEDA-PRETORIA)

Powerful Entrepreneurship

Dear Tungamirai Tambandini (supervisor Dr AD Joseph)

I, Mr Karl Abrahams, CEO of Powerful Entrepreneurship (affiliated with the Small Enterprise Development Agency, SEDA) grant you permission to sample, recollect and or analyse our data for your research project titled "Innovative Framework for Growing South African Small Businesses".

I grant this permission as the authorized person to do so in this company and am aware of the following,

1. The study is conducted as a UNISA researcher and remains the property of UNISA.

2. You can use the name of the institution in your research project.

3. All data and information collected will be solely in the procession of the researcher.

4. When needed I will require feedback of the research.

5. The research may be published in the public domain under the supervision of the supervisor.

I wish you the best and success in this research.

Signature *K Abrahams*   Date 04-November-2021

Mr Karl Abrahams
Chief Executive Officer

Willowbridge Business Center
39 Carl Cronje Road
Bellville, 7530
Telephone number: 072 383 1417
Email address: Karl@powerfulentrepreneurship.com

ANNEXURE F: QUESTIONNAIRE FOR SMEs

Understanding Small Business Growth in South Africa using an Integrated Framework

The aim of this study is to develop an integrated framework that can be used to better understand and hopefully help improve the growth of SMEs.

SECTION A

GENERAL INFORMATION

This section requires your background information. Please indicate your answer by ticking (   ) on the appropriate box.

A1 Please indicate your gender and age group.

Gender	Male	Female

A2 Please indicate your current position in the company

Owner	
Manager	
Other (Specify)	

A3 Please indicate business location

Brits (North West)	
Gauteng	
Ilembe (KZN)	
Other (Specify)	

SECTION B

Success factors (SF) influencing SMEs growth

	Success factors	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
SF1	**Owner/Manager commitment**					
1.1	Owner/Manager commitment and education, amongst other factors can greatly influence the growth and survival of your business	5	4	3	2	1
1.2	The business is willing to take up risk capital to grow the business	5	4	3	2	1
SF2	SMEs finance					
2.4	Knowledge of the funding available	5	4	3	2	1
2.5	Availability and access to short, medium and long-term working capital	5	4	3	2	1
2.6	The SMEs have been receiving adequate financial support from banks and government	5	4	3	2	1
2.7	Apart from allocating business rescue funding to SMEs through banks, the government or the SOEs have alternative methods	5	4	3	2	1
2.8	The business has been growing and making profit for the past three years	5	4	3	2	1
SF3	**Non-financial support**					
3.9	Government tax system is simple, efficient and easy to comply with.	5	4	3	2	1
3.10	There is good coordination between government departments on SMEs policy	5	4	3	2	1
3.11	The government and other state-owned enterprises possess adequate non-financial support to SMEs	5	4	3	2	1
3.12	There is a good relationship between public sector or government departments and SMEs	5	4	3	2	1
SF4	**Education and training**					
4.13	The business values human capital as an important driver to grow and invest in employee knowledge, skills, and abilities	5	4	3	2	1
SF5	**SMEs products markets**					
5.14	The business has access to differentiated markets	5	4	3	2	1

SF6	**Innovation and technology**					
6.15	Use of digital technology and benefit from online marketing and sales	5	4	3	2	1
SF7	**Policy, regulations and laws**					
7.16	The government has streamlined the procedures to apply, register and operate a small business, thus making it simpler for SMEs to operate	5	4	3	2	1
7.17	There is good coordination between government departments on SME policy	5	4	3	2	1

ANNEXURE G: INTERVIEW GUIDE FOR SMES

Understanding Small Business Growth in South Africa using an Integrated Framework

The aim of this study is to develop an integrated framework that can be used to better understand and hopefully help improve the growth of SMEs.

GENERAL INFORMATION

This section requires your background information. Please indicate your answer by ticking (   ) on the appropriate box.

A1 Please indicate your gender and age group.

Gender	Male	Female

A2 Please indicate your highest academic qualification

Matriculation	
Certificate	
Diploma	
General degree	
Other (Specify)	

A4 Please indicate the type of industry your business belongs

Services	
Wholesale	
Retail	
Manufacturing	

Questions

Section 1: Critical success factors for the growth of SMEs

1 What do you consider as the critical success factors for the growth of your business?

……………………………………………………………………………………………

……………………………………………………………………………………………

2 What are the main drivers of struggling SMEs?

……………………………………………………………………………………………

………. ……………………………………………………………………………………

Section 2: Sources of finance available to enhance the growth of SMEs

3 Have your SME ever benefited from any sources of finance?

……………………………………………………………………………………………

………. ……………………………………………………………………………………..

4 If not, what could be the reason why your SME has never benefited from the available sources?

……………………………………………………………………………………………

……… …………………………………………………………………………………….

5 What is the source of finance (capital) for your SME?

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………..……………………………………………………………………………………

6 What do you think financial institutions consider when allocating funds to SMEs?

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Section 3: The contribution of Education and training to the growth of SMEs

7 What are the levels of education and training of most of the personnel of your business?

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8 Does investment in human capital contribute to SMEs growth? Explain

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Section 4: Developing the final framework to understand the growth of SMEs

9 Do you have an idea of any framework in place for supporting SMEs? Explain if any.

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10 As a SMEs owner/manager, what do you think should be included in the integrated

framework   to   enhance   the   growth   of   your   businesses?

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………. ……………………………………………………………………………………….

11 Do you think there is any scope for the use of the integrated framework to understand SMEs

growth?

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12 What other information do you think is important as far as your business is concerned?

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Thank you for your co-operation

ANNEXURE H: RESEARCH OUTPUTS

Towards developing the South-African derivatives market.
Understanding the pricing mechanism of Autocallables.

Angelo Joseph, Tungamirai Tambandini and Jan Kruger

Department of Finance,

Graduate School of Business Leadership,

University of South Africa,

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South-Africa,

0003

Abstract

The South African financial market is still an emerging market. One of the reasons for the emerging status of the market is that market participants are either risk averse, not properly informed or do not have confidence in the pricing of the instruments. The latter are more due to the illiquidity of the traded instruments. If more market participants have knowledge about financial instruments, like derivatives, liquidity will pick-up which will facilitate our market to become more developed. The purpose of this paper is to introduce an investment vehicle, new to the South African market, called Autocallables. Autocallables are widely traded in the US markets, but not yet in South Africa. Autocallables offer investors a yield for a predetermined measurable unit of risk. In this paper, a high-level quantitative overview essential to developing the derivatives market, is given on the pricing and hedging of Autocallables derivative structures.

Keywords: SA emerging derivatives market, Autocallables, Derivative pricing and hedging

Towards a framework for growing small businesses in Africa

Angelo Joseph and Tungamirai Tambandini

Abstract

In Africa, the formal sector does not express significant interest in small businesses because of the potentially high risks and general low returns. In the more developed United States and European countries, the small business interest from the private sector is much more noticeable. The developed countries have more risk capital and are growing faster because of their pronounced interest in growing their small businesses. In the developing Africa country, banks claim that their funding interest to small businesses is constrained by inadequate collateral and insufficient historical credit information. Business constraints present a challenge to emerging economies and are the reason why there are not enough small businesses to fuel the desired economic growth. Governments are usually keen to promote funding access to small and micro-enterprises. However, in Africa, the interest from the state is generally expressed at a planning level and is typically subject to implementation. Thus, not much is done from the government side to improve the growth of small businesses, and the banks also do not do much. In this paper, the human capital aspect is motivated to be a vital part of a business growth framework. Human capital is theoretically argued to better explain the expected market portfolio returns and is directly proportional to the business innovation potential. In the end, the idea where African banks and governments could look to incorporate the human capital is presented towards a framework for growing small businesses.

Keywords: Africa, Small businesses, Human Capital, Growth Framework

ANNEXURE I: PROOF OF EDITING

03 October 2024

To whom it may concern

I, Jill Diane Stevenson, hereby confirm that the changes made to the thesis entitled:

Understanding Small Business Growth in South Africa using an Integrated Framework

By Tungamirai Tambandini

were to ensure consistency of grammar and language (concord, spelling, punctuation) and to the conformity of format (headings, indexing, citations and references).

No other changes were made to the body of work submitted by the author (conclusions, recommendations, data, factual reporting or commentary).

Yours faithfully

Jill Stevenson
Certified Copy-Editor and Proofreader

Cell: 0833092927

Email: Jilldiane18@gmail.com

ANNEXURE J: ETHICAL CLEARANCE APPROVAL

SCHOOL OF BUSINESS LEADERSHIP

RESEARCH ETHICS REVIEW COMMITTEE (GSBL CRERC)

28 January 2022

Ref #: 2021_SBL_DBL_040_FA

Name of applicant: Mr T Tambandini

Student #: 48862746

Dear Mr Tambandini

Decision: Ethics Approval

Student: Mr T Tambandini (ttambandini@gmail.com , 078 056 2085)

Supervisor: Dr AD Joseph, (angelo@quantanalyst.co.za , 083 753 3709)

Project Title: Innovative Framework for Growing South African Small Businesses.

Qualification: Doctor of Business Leadership (DBL)

Expiry Date: December 2023

Thank you for applying for research ethics clearance, SBL Research Ethics Review Committee reviewed your application in compliance with the Unisa Policy on Research Ethics.

Outcome of the SBL Research Committee: Approval is granted for the duration of the Project

The application was reviewed in compliance with the Unisa Policy on Research Ethics by the SBL Research Ethics Review Committee on the 26/01/2022.

The proposed research may now commence with the proviso that:

1) The researcher will ensure that the research project adheres to the relevant guidelines set out in the Unisa Covid-19 position statement on research ethics attached

2) The researcher/s will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.

3) Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to the SBL Research Ethics Review Committee.

4) An amended application could be requested if there are substantial changes from the existing proposal, especially if those changes affect any of the study-related risks for the research participants.

5) The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study.

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Kind regards,

N BUMLitwa

Prof N Mlitwa

Chairperson: SBL Research Ethics Committee

011 - 652 0000/ wiltonb@unisa.ac.za

Prof P Msweli

Executive Dean: Graduate School of Business Leadership

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ANNEXURE K: TURNITIN ORIGINALITY REPORT SUMMARY

Understanding Small Business growth in South Africa using an integrated Framework