



University of Venda
Creating Future Leaders

THE ROLE OF BANKS ON SMMEs DEVELOPMENT IN VHEMBE DISTRICT MUNICIPALITY

BY

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Declaration

I, Khamusi Ramudingane, hereby declare that this dissertation for the Master of Commerce in Business Management submitted to the Department of Business Management at the University of Venda has not been submitted previously for any degree at this or another university. It is original in design and in execution, and all reference material contained therein has been duly acknowledged.

Student



Date

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Abstract

In the aftermath of the worldwide financial crisis that happened in 2008, there has been an increased interest in the role of small, medium, and micro enterprises (SMMEs) in economic growth and fighting unemployment. In a country with a high unemployment rate, such as South Africa, the role played by SMMEs cannot be undermined in creating jobs opportunity. However, the lack of financing from banks have somewhat hindered SMMEs in playing that role in the communities. This study was therefore undertaken to explore the role that banks play in the development of SMMEs in Vhembe District Municipality.

The aim of this study was to determine the role that banks play in the development of SMMEs in the Vhembe District Municipality area. The study adopted a qualitative research method and drew in participants, which included officials from managers, or owners of small businesses derived from stratified sampling which was used to determine various characteristics of the study population. The study was based on the data collected from SMMEs around Vhembe District Municipality in Limpopo province. The research adopted an interview guide using semi-structured interviews to allow discretion on the number and order of predefined questions posed to the participants. By using semi-structured interviews, it allowed the possibility of exploring topics in a depth and breadth that may be harder to achieve with fully structured interviews. The collected data were analysed using ATLAS.ti software which offers a variety of tools for accomplishing the tasks associated with any systematic approach to unstructured data.

The challenges identified in this study were collateral security, lack of financial assistance education, credit access regulations, qualifying criteria, stringent credit system as well as stringent documentation requirements. The study also found that for SMMEs to develop and maintain sustainability, there should be a well-established partnership, relation building and business development programmes between banks and SMMEs. Based on the findings of this study, small business owners should make every effort to gather information on credit or funding they require from banks and they must also be involved in credit policy formulation, which will lead to informed policy. It was concluded that the development of SMMEs can be realized if the banks can do away with their stringent credit application system.

Keywords: *SMMEs, Bank credit, entrepreneur, collateral, Banks, development and finance*

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List of acronyms

ADB	African Development Bank
CSBD	Center for Small Business Development
DTI	Department of Trade and Industry
EU	European Union
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
IDC	Industrial Development Corporation
IFC	International Finance Corporation
NBSA	National Small Business Act
NDA	National Development Agency
NGO	Non-Governmental Organization
SEDA	Small Enterprise Development Agency
SA	South Africa
SMMEs	Small Medium and Micro Enterprises
UYF	Umsobomvu Youth Fund
VDM	Vhembe District Municipality
WB	World Bank
WTO	World Trade Organisation

CHAPTER 1: INTRODUCTION

1.1 Background of the study

Small, medium, and micro enterprises (SMMEs) have received the credit they deserve since the 1960s, particularly in industrialized countries where they have played crucial roles in encouraging many economies' rapid economic growth, development, and stability. Since SMMEs make up the majority of businesses in any economy and consequently produce the majority of new jobs, they have a significant positive impact on both the employment rate and the number of people employed (Kumar and Rao, 2015). In the third quarter of 2018, South Africa had a high unemployment rate of 27.5%, high inflation, and low growth rate, but Limpopo province had a growth rate of 20.3%. (Statistics South Africa, 2018). In South Africa, there are 16.4 million employed persons and 6.2 million jobless people between the ages of 15 and 64, according to the third quarter's quarterly Labour force survey.

In South Africa, SMMEs and banks are still seen as an important cog in the socioeconomic development agenda (Makwara, 2019). The existence of effective banking industries is essential for SMMEs due to the fact that it creates the necessary environmental growth through its role of intermediating fund from the surplus limits to the deficits units. Anigbogu, Onwuteaka, Edoko and Okoli (2014) demonstrates how strong SMMEs can start and evolve into significant actors in a developing economy, so achieving economic growth and development. This growth can be facilitated by the role that banks play through funding. Valentine (2014) affirms that because they are adaptable and nimble, SMMEs contribute significantly to both imports and exports and assist to diversify economic activity. SMMEs therefore contribute substantially to both the national and district level communities, such as Vhembe.

Furthermore, it is well documented in the literature that SMMEs contribute to economic growth and job creation. According to Chinweuba and Sunday (2015), SMMEs growth and development may be the most effective way to promote sustainable development by lowering unemployment, poverty, and inequality in rural communities. Several causes have been cited as the cause of the economy's slow growth, but the difficulty SMMEs have had in obtaining financing tops the list. SMMEs are faced with the challenge of being unable to develop into sustainable businesses in the long run due to their incapacity to get the crucial funding from formal sources. (Mutezo, 2013).

It is important to remember that banks are profit-making organizations, and that most SMME owners are underestimated by financial organizations, largely due to misinformation. Valentine (2014) cited that the dearth of an adequate source of finance has been a major problem that inhabited the emergence and growth of SMMEs in the last couple of decades. A major constraint facing most SMMEs is satisfying the strongest collateral and other conditions required by the banks who oversee the awarding of these loans.

Finance is one of the major areas enterprises usually give attention to as an essential part of the organisation. Even becomes more critical when the situation of small and medium-sized businesses is taken into consideration (Haruna and Sulaiman, 2018). According to Beck, Demirguc-Kunt, & Levine (2007), the SMMEs access to, and cost of, finance is quite often characterized as a major hurdle, which may account to 35%. It is also important to note that small businesses have a harder time getting loans since they have greater transaction costs and higher premium risks. This is because they are less stable and have fewer collaterals. (Beck and Demirguc-Kunt, 2006). Furthermore, Audretsch and Elston (2006) emphasize that small businesses have greater financial challenges than do large businesses. Other authors who have worked on this topic have come to similar results (Oliveira & Fortunato, 2006). So, the purpose of this study is to shed light on the crucial part that banks can play in the growth of SMMEs in the Vhembe District Municipality (VDM) region.

1.2 Problem statement

Given the significance of the banking industry in supporting this market, access to money, especially bank financing, is a critical component in the growth of the SMMEs sector. According to firm-level data gathered by the World Bank, one of the biggest barriers to doing business is regarded to be access to financing (Azeref & Gelagil, 2018). Several studies have demonstrated that access to funding negatively impacts the expansion of the SMME sector more than that of large enterprises, and that financing is a greater barrier for SMMEs than it is for large firms, particularly in the developing world (Azeref & Gelagil, 2018). The SMMEs in the Vhembe District municipality continue to encounter considerable obstacles despite all the efforts made by the South African government to enhance and deepen the contributions of SMMEs to the economy. According to research, more than 70% of SMMEs lack access to medium-term financing, which leads in a funding gap of more than \$140 billion (US dollars) in Africa alone, according to the African Development Bank (Gyimah & Agyeman, 2019).

According to Bushe (2019), South African SMMEs experience an extremely high percentage of company failure. According to estimates, 40% of all new enterprises in the nation fail in their first year of operation, 60% fail in their second year, and the remaining 90% fail within the first 10 years of its founding. The 2012 Global Entrepreneurship Monitor (GEM) report, which noted that the survival rate for local start-up enterprises in South Africa is low by worldwide standards, supports the low survival rate. Notwithstanding the efforts made and new initiatives implemented by the government, Mr Rob Davies, the former Minister of Trade and Industry, indicated that about 70% of SMMEs in South Africa fail during their first year, and this figure ranks amongst the highest failure rates across the world (Botha, Smulders, Combrink and Meiring, 2020).

There are several causes for these failures i.e., access to finance, lack of financial management skills, red tape, stringent documentation and unconducive regulatory environment. Access to financing by SMMEs from banks is one of the challenges. The South African Reserve Bank's data on bank statistics show that, as of the end of 2017, 28% of all company loans were made to SMMEs. Although the vast majority of SMMEs state they do not borrow from banks, especially banks, the low level of SMME funding appears to be caused by the demand side. Furthermore, several literature reviews have revealed that there are several sources of credit for SMMEs (Rungani & Potgieter, 2018). Due to the lack of access, it has not been possible to accurately establish if the financing on hand is adequate to meet the demands of the SMMEs in Vhembe and the nearby rural areas. Further study is required in this area to determine the precise financing needs of the SMME sector and to determine whether the finance now provided satisfies those needs (Rungani & Potgieter 2018). In order to support overall economic sustainability, it is crucial to promote SMME sustainability through improving their access to financing sources (Batrancea, Morar, Masca, Catalin, & Bechis, 2018).

According to literature, there is a critical funding gap that exists for servicing SMMEs. The lack of funding for good SMMEs that would otherwise be entitled to financial access at the start-up age and beyond is referred to as the funding gap (Mutezo, 2015). Many of these small businesses have strong business plans and significant room for expansion, but banks won't provide them credit. Due to their undercapitalization, SMMEs who are experiencing a funding gap typically cannot afford to have their financial accounts audited. Due to the problems of accessing finance from banks, a large proportion of SMMEs around Vhembe district rely more on self-financing strategies, including retained earnings, personal savings, gifts and loans from family and friends, and charitable donations. The question remains: after twenty-seven (27)

years of democratic rule in South Africa, why is it then that SMMEs in Vhembe district area are still experiencing difficulty in accessing finance from banks? The implication is that SMMEs do not always have sufficient credit to meet their financial needs at different levels of growth. In light of this background, the study sought to determine the role that banks play in SMMEs' development through financial access.

1.3 Objectives of the study

The main objective of this research was to ascertain how banks contributed to the growth of SMMEs in the vicinity of the Vhembe District Municipality. After the aforementioned primary goal, the objectives were:

- a) To ascertain the significance of financing SMMEs by banks in the Vhembe District Municipality area.
- b) To analyse the extent of financing of SMMEs by banks in Vhembe District Municipality area.
- c) To determine the challenges that SMMEs encounter when applying for credit from the banks.
- d) To examine the effect of financial support from the banks on the overall success of SMMEs in Vhembe District Municipality.

1.4 Research questions

To comprehend how banks contribute to the growth of SMMEs, the following study questions were posed:

- a) How significant is the financial support for SMMEs' development?
- b) To what extent are banks involved in SMMEs financing?
- c) What are the challenges that SMMEs encounter when seeking financial assistance?
- d) What impact does financial support from banks have on the overall success of SMMEs in Vhembe District Municipality?

1.5 Justification of the study

It is crucial to remember that SMMEs contribute significantly to economic growth, employment, innovation, and the spread of technology, all of which are crucial for the health of an economy as a whole. Banks, on the other hand, contribute significantly to the growth of businesses by encouraging the mitigation of information-related problems between the investor and the borrower and by assuring the more effective use of depositor funds and the security of their own money. The majority of enterprises continue to receive their capital mostly from banks. It is therefore important that banks should have a better understanding of SMMEs and the challenges they face. This study will be significant in several ways.

First and foremost, this research will add to the body of knowledge on the expansion of SMMEs and the potential barriers to that growth in the Vhembe district region. The results of this study will, secondly, strengthen practitioners' favourable perspectives of the significance of SMMEs in economic growth. Furthermore, it is intended that the results of this study would give SMME owners and banks crucial information on how banks have influenced SMME growth in the Vhembe District Municipality. The study's findings will provide banks and other financing sources with information, serve as a beacon of light to illuminate potential barriers to SMME growth, and offer suggestions for overcoming current difficulties.

1.6 Delimitations of the study

Delimitations, according to Leedy & Ormond (2010), are characteristics that set the parameters and confines of your study. These characteristics include the selection of objectives, the research questions, the variables of interest, the theoretical perspectives the researcher chose (as opposed to those that could have been chosen), and the population the researcher chooses to study. The study will be delimited to the population derived from the SMMEs in the Vhembe District Municipality area. This will include a sample of small enterprises from various industries such as agriculture, tourism businesses as well as officials from banks.

1.7 Operational definitions

It is challenging to develop a definition for SMMEs that is broadly accepted because to their varied character. The fact that different nations are at different levels of economic growth is a crucial aspect that makes it challenging to identify SMMEs. This suggests that what may be considered as a small business in a developed state could be classified as a micro-enterprise in a third-world country. According to a CBN document from 2003, SMMEs are classified as small-scale industries if they have an annual turnover, a maximum asset base of 200 million

(excluding land and working capital), and at least 10 employees. They cannot employ more than 300 people.

Entrepreneurship is the process of developing something new and valuable while investing the necessary time and effort, taking on the associated financial, physical, and social risk, and reaping the benefits of financial and personal success and freedom (Ajayi, 2000). Also, it may be a dynamic process for generating additional wealth. Those who took on the biggest risk are the ones that created the money. Although investing money, devoting time to a job, or offering services may not be novel or distinctive, the value must be added by entrepreneurship in some way by acquiring and deploying the appropriate knowledge and resources (Haruna & Sulaiman, 2018).

The total amount of credit that a person or corporation can obtain from a financial institution is known as *bank credit* (Twin, 2019). It comprises of the total amount of money that banks give to a person or a company. The entire quantity of credit available in the financial institution as well as the borrower's capacity to repay the loan determine how much credit is available to a firm or individual. It's vital to remember that anytime there aren't enough accumulated funds to finance a firm, individuals borrow. They also examine if borrowing is profitable compared to delaying business operations until it is possible to save enough money and whether the return on borrowed funds surpasses the interest rate levied on the loan (Nigussie, 2012).

A country with a *developing economy* is one that has a weak industrial foundation and a low human development index in comparison to other nations (Majaski, 2019). Although having some broad benchmarks, such as a country's GDP per capita in comparison to other countries, there is no agreed-upon standard for what qualifies a country as developing or developed or which countries fall into these two categories.

Assets pledged as securities for loan repayment are referred to as *collateral*, and they are forfeited in the event of default (Kagan, 2019). If the borrower doesn't make loan payments as agreed, the lender may sell the collateral to make up some or all of his losses. Depending on the purpose of the loan, collateral may be in the form of real estate or other types of assets.

Companies that deal with financial and monetary transactions like deposits, loans, investments, and currency exchange are known as *banks* (Hayes, 2019). They cover a wide range of commercial activities in the financial services industry, including banks. Nobody can argue that almost everyone in a developed economy needs the assistance of banks on a regular basis or at least occasionally. (Haruna & Sulaiman, 2018) have indicated that problems that have

surfaced in utilizing the equity fund are not expected. A specialized venture capital or equity financing strategy was thought to be unsuitable for the financial requirements of small and medium-sized businesses in emerging nations. An inexperienced businessperson would find it challenging to understand the differences between his own investment and any possible loan. It is unlikely to be controllable to add outside equity and the corresponding requirement for incorporation share responsibility and division rather than drawing.

1.8 Outline of the report

The following format will be used in this study in order to offer a thorough report in light of the data already mentioned:

There will be six chapters in this course. An introduction to the backdrop and a summary of the research project are provided in Chapter 1. Operational definitions of key terminology are covered, along with the issue statement, objectives, research questions, and significance of the study. The organization of the remaining portion of the study is summarized. A literature review is included in Chapter 2. This chapter offers conceptual definitions, academic research on the difficulties faced by SMMEs, and an overview of the assistance given to SMMEs by banks. The literature review also made it possible to create a conceptual framework for problem-solving and data analysis. The conceptual foundation of SMMEs as well as the financial side of their operations are further clarified in this chapter.

In Chapter 3, the study's position in regard to the main research paradigms is explained. The technique used to gather and analyse the data in order to answer the study's research questions is also covered. It will be emphasized why the qualitative method was chosen. The methods used to obtain the data are described, and the target population and sample strategies are made clear and justified. The ethical issue is underlined in the chapter, which also breaks down the methods utilized in the data analysis.

The interpretation and analysis of the information gathered are presented in Chapter 4 of this study. The chapter covers discussions of the findings and an interpretation based on both the bank and SMMEs, as well as essential features of respondents. The perspectives of earlier researchers are discussed in Chapter 5 along with how they relate to the findings of this study.

The main research findings are summarized in Chapter 6, which also shows how this study added to the body of knowledge. Findings and study limitations are noted, along with suggestions for additional research. At the conclusion of this report, you'll find the job schedule, data collecting, and ethical clearance tools.

2. Literature review

2.1 Introduction

The significance of SMMEs in economic development is being recognized more and more. They are frequently praised for being effective and efficient job producers in previously underserved areas and major economic growth drivers. An overview of the literature on the function that banks play in the growth of SMMEs is presented in this chapter. This chapter's goal is to establish the groundwork for an assessment of the small, medium, and micro businesses (SMMEs) sector's importance to the South African economy, with a particular emphasis on the Vhembe District Municipality. The goal of this is to identify the difficulties that SMMEs face and assess how banks might support their expansion and sustainability.

2.2 Overview of SMMEs in South Africa

Although SMMEs are acknowledged for their significance and considerable contributions in both developed and developing economies, there is no accepted definition of an SMME (Cullen, Calitz, & Gaga, 2014). Several terms are used in various nations to refer to the group of businesses that do not fall under the major company umbrella. For instance, some nations refer to them as "small businesses," while others (including the Republic of South Africa) use the terms "small and medium enterprises" and "small, micro, and medium enterprises," respectively.

SMMEs have been the subject of much research over the past few decades, but there are still significant information gaps regarding how to promote this sector so that it can boost employment and income growth (Charman and Petersen 2015). The National Small Business Act (NSBA) 102 of 1996's definition is the most generally utilized framework for SMMEs in South Africa (Abor and Quartey, 2010). When defining SMMEs, many countries use different types of indicators in addition to conventional ones like employment. Assets or capital, revenue, and employment are also often used definition criteria, with sales or turnover serving as a defining requirement.

Small, Medium, and Micro Enterprises, or SMMEs, is an acronym for these businesses. They are referred to here as small- and medium-sized enterprises or firms. SMMEs are organizations or companies that develop as a result of an individual's entrepreneurial efforts, according to Esuh and Adebayo (2012). SMMEs don't have a single, accepted definition like other concepts

in social science. A small business is defined as a distinct organization that can be found in any sector or sub-sector of the economy and that can be categorized as a micro-enterprise, a very small enterprise, a small enterprise, or a medium enterprise by the South African National Small Business (NSB) Act 102 of 1996. (Bvuma & Marnewick, 2020). An SMME is additionally defined by the NSB Amendment Acts of 2003 and 2004 as a distinct business entity run by one or more people that satisfies a set of requirements. The NSB Act of South Africa's definition of SMMEs is shown in Table 1 below.

Table 1 Definition of small, medium, and micro enterprises (SMMEs) according to the National Small Business (NSB) Act 102 of 1996 of South Africa.

Enterprise Size	Number of Employees	Annual Turnover in South African Rand	Gross Excluding Fixed Assets, Property
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 m, depending on industry	Less than R2 m to R18 m, depending on industry
Small	Fewer than 50	Less than R2m to R25 m, depending on industry	Less than R2m to R4.5 m, depending on industry
Very Small	Fewer than 10 to 20, depending on industry	Less than R200,000 to R500,000, depending on industry	Less than R150,000 to R500,000, depending on industry
Micro	Fewer than 5	Less than R150,000	Less than R100,000

It is clear from this that in the context of South Africa, an SMME is defined as a company with fewer than 200 employees and a specific turnover threshold dependent on the industry. Hence, if a company employs less than 200 people but generates more income than the average for its industry, it would appear that SMMEs have some appeal based on both their size and complexity (Bvuma & Marnewick, 2020).

Because different nations have varied standards for classifying SMMEs, Esuah and Adebayo (2013) stated that it has been difficult to come up with a single, generally recognized definition of SMMEs. SMMEs in South Africa account for more than 35% of the country's Gross Domestic Product (GDP) and almost 60% of all economic employment (Kongolo, 2010). In addition to that, SMMEs are frequently viewed as the means through which the society's poorest members access economic prospects. The sector accounts for 42 % of total compensation and 97.5% of all business entities in South Africa. In the South African economy,

SMMEs, which are estimated to number over 2.5 million, support about 3.5 million jobs (Bureau for Economic Research, 2016). The National Development Plan's growth plan, which reflects the government's priorities, recognizes the significance of SMMEs in South Africa. Rejuvenating the township economy in South Africa through regional SMMEs is the Gauteng Government's top goal (Makhura, 2015).

2.3 Empirical literature on the objectives of this study

In accordance with the goals of the study, this part offers a discussion of the opinions of earlier scholars.

2.3.1 Significance of financing SMMEs

Small, medium, and micro enterprise (SMME) financing has generated discussion among policymakers, scholars, and other stakeholders on a global scale. The discussion is sparked by the crucial role that SMMEs continue to play in the global private sector, which includes job creation (Ayyagari, Juarros, Martinez-Peria and Singh, 2016; Naude & Chiweshe 2017). According to Gerlach-Kristen, O'Connell, and O'Toole (2015), SMMEs contributed to 60% of worldwide employment and 50% of the global GDP from a global perspective. Deijl, De Kok, and Veldhuis-Van Essen (2013) came to the conclusion that SMMEs provided two-thirds and 80% of all formal jobs in emerging and low-income economies, respectively, after reviewing 50 empirical research that focused on the job generation of SMMEs in developing nations. The statistics mentioned above attest to the significant contribution that SMMEs continue to make to economic stability and development on a global scale.

Abor and Quartely (2010) presented a regional view from Southern Africa, indicating that SMMEs contributed 57% to the GDP and were responsible for 61% of new jobs produced in the nation. This industry is essential and plays a big part in improving marginalized and rural districts, like South Africa's Limpopo Province, where a lot of people rely on government aid. It is significant to notice that this province has extremely high rates of unemployment, poverty, and inequality. The South African government has been encouraged by the role that SMMEs play to help these companies and beginning entrepreneurs, especially in rural regions (Fatoki & Smit, 2011).

Also, in order to create a thriving SMME sector in any economy, access to financial services is essential. The International Finance Corporation (IFC) (2016) asserts that access to financial services for SMMEs is still severely restricted in the majority of emerging countries, which is the reason for the renewed emphasis on helping SMMEs globally. The ability to obtain financing is a major barrier to the expansion of SMMEs, and without it, many of them struggle and stagnate (World Bank, 2015). Although industrialized nations with generally strong financial systems experience the phenomena of SMME financing challenges (Jiang, Lin, and Lin, 2014), yet access to financial services is still essential for the growth of a thriving SMME sector in any economy (International Finance Corporation, 2016). SMMEs frequently struggle to supply the real estate that banks want, and they also frequently lack alternate sources of funding including venture capital, angel investors, government assistance, and non-profit organization support (Small & Medium Enterprises Association of Zimbabwe, 2015).

The South African government has been encouraged by the role that SMMEs play to help these companies and beginning entrepreneurs, especially in rural regions (Fatoki & Smit, 2011). Existing, medium-sized businesses are mostly supported by government organizations including the Small Business Development Agency (SEDA), KHULA Enterprise Finance, and NTSIKA. The Department of Trade and Industry (DTI) established NTSIKA AND KHULA enterprise to offer SMMEs financial and non-financial support (Mago and Toro, 2013). The Centre for Small Business Development (CSBD), the Industrial Development Corporation (IDC), the National Development Agency (NDA), the Umsobomvu Youth Fund (UYF), and numerous more provincial support programs are among the other government support programs and mechanisms that are accessible.

Notwithstanding the government's legally mandated commitment to assisting SMMEs, there has been very little awareness of and use of that support (Mago & Toro, 2013). According to Raiz (2014), developing entrepreneurial abilities should be prioritized over gaining access to capital. Yet, entrepreneurship experts have noted that government intervention programs have been shown to be ineffective because to issues with subpar management, a lack of monitoring, and subpar implementation, among other factors (Herrington, Kew, Simrie and Turton, 2011). Intervention programs' poor marketing, which keeps many young aspiring entrepreneurs from knowing they exist, is another issue that contributes to their ineffectiveness. In a recent study in Khayelitsha, Gwija, Eresia-Eke, and Iwu (2014) discovered that business owners were unaware of the activities aimed at assisting them.

The majority of business owners (75%) in the 2010 Small Business Survey did not know about support organizations (FinScope, 2010). The majority of SMMEs who are aware of the support programs do not understand how they work, which suggests that the relevant institutions' marketing efforts were ineffective. SMMEs continue to struggle to access financial and non-financial services because the requirements and selection criteria for financial applications are not made clear to the clients, which has led to the greater failure rate of applications (Mago & Toro, 2013).

2.3.2 The extent of financing of SMMEs by banks

Bank loans make up over 70% of the financial systems in India, 80% of China, and 90% of Malaysia (Yoshino and Taghizadeh-Hesary, 2015). Asian economies are frequently described by researchers as having underdeveloped capital markets, particularly for venture capital, and financial systems controlled by banks. So, the primary source of finance must be banks. Although though SMMEs make for a sizable portion of the economy's activity, banks have been wary about lending to them despite the banking system's soundness having greatly improved since the Asian crisis. According to the African Development Bank (Mullineux, 2013), SMMEs' access to bank financing was particularly difficult, which severely restricted the prospects for their businesses to grow. Sub-Saharan African businesses very occasionally get access to outside financing. According to World Bank studies, just 22% of businesses (in sub-Saharan Africa) have access to a loan or line of credit on average. This is due to the financial statements for major businesses being more transparent and audited.

Furthermore, because banks have rigorous capital requirements, start-up businesses are finding it harder and harder to obtain money from them. Maintaining a firm's competitive advantage requires access to funds to buy fixed and current assets. Small and medium-sized businesses (SMMEs) frequently rely on unofficial sources for operating capital and start-up funding, such as the relatives and friends of the founders (Abdesamed & Wahab 2014). The growth and survival of SMMEs have been significantly impacted by this lack of funding as well as inadequate management of funds and other resources. Contrarily, businesses that employ outside funding show growth rates that are far higher than those permitted by self-financing. As a result, SMMEs frequently require funding from other sources (Fatoki, 2012). Writings by Onyeiwu (2012), who emphasized that depending on the degree of backwardness, banks are not only to provide capital but also other complementary services like entrepreneurial

guidelines that would assist businesses as they navigate through their infancy, were the ones that first brought the extent of financing in the real sector to light. According to Onyeiwu (2012)'s idea, entrepreneurship-driven innovation is what leads to economic development. It is crucial to keep in mind that without credit, the advantages could not be felt by society as a whole. This is the main justification for ongoing financial support for SMMEs to reach their full potential. For the growth of SMMEs, the role of finance has been seen as essential (Cook and Nixon, 2000). Although the majority of banks and other banks don't offer any specially crafted or distinctive goods for small firms, they try to assist them by offering a product that has been adjusted for the so-called "small" corporate clients. As a result, small businesses must always provide thorough business and financial data to the banks. The majority of banks tend to view small enterprises in the same light as huge corporations, which is why they require all relevant documentation.

Also, when comparing, this is a typical source of funding for Ghanaian small firms (Cofie & Adotei, 2012). Since bank loans have set interest rates and require repayment of the principal over time, they are occasionally prohibitively expensive for small start-ups. Although though banks charge high interest rates for loans, they also have a required requirement for collateral in the form of fixed assets that can be sold off in the event of payment default. Overdrafts are sums of money that are taken out more frequently than savings and that can be repaid with interest over time. Overdrafts are more expensive than bank loans, but they are typically for shorter durations than a loan. When there is not enough time for loans to be approved, overdrafts are more flexible and assist firms in meeting immediate cash needs. Banks are attempting to lower their risk by diversifying their investments, locating more sources, and learning more about the contexts in which such risks might be managed. In order to balance these challenges, financial institution management and policymakers must determine whether investing in SMMEs through credits may improve bank performance and provide additional advantages for the sustainability of the economy and development (Shihadeh, Gamage & Hannon, 2019). Meanwhile, earlier research shown that lending to SMMEs increased the risks for banks (Jacobson, Linde & Roszbach, 2005).

The nature of bank funding for SMMEs has become a topic of discussion in recent years. Up until recently, it was believed that small and domestic private banks were more likely to finance SMMEs because they were better equipped to engage in "relationship lending," a form of financing that relied heavily on "soft" data gathered by the loan officer through ongoing, one-on-one interactions with SMMEs, their owners and managers, and the neighbourhood in which

they operated (Beck, Demirgüç-Kunt, & Peria, 2010). Additionally, studies by Liberti and Mian (2009) contend that lending to opaque borrowers like SMMEs may suffer from more hierarchical and centralised organizational structures. The peculiarities of banks in emerging economies can also make SMMEs' problems, including those in the formal sector, worse (Harvie, 2011). Banking institutions may be subject to interest rate ceilings that make it hard for them to afford the cost of lending to SMMEs (including the perceived risk). In a system that isn't used to borrowing money from banks, businesses won't be able to generate reliable financial records and will probably function secretly. Many SMMEs in the formal sector will therefore avoid formal bank credit as a result. The informal sector is already cut off from such funding sources (Harvie, 2011). However, some studies (Beck *et al.*, 2010) have started to challenge this conventional wisdom and propose a new paradigm for SMMEs finance, contending that large and foreign banks can be just as effective in SMMEs lending through arms-length lending technologies (such as asset-based lending, factoring, leasing, etc.) and centralised organizational structures as they are through relationship lending.

2.3.3 Challenges of financial access for SMMEs

It is crucial to keep in mind that in order to comprehend the difficulties SMMEs encounter, it is essential to consider both the general and historical difficulties that rural areas have faced. Rural South Africa still bears the scars of the country's apartheid system (SME South Africa 2017). A lot of the effects of previous neglect, lack of investment, overpopulation, and distance from urban centres are still visible today. It is made worse most noticeably by a lack of infrastructure and resources as well as high unemployment rates (Kasi Lifestyle 2017). According to Abor and Quartey (2010), access to money is a significant issue that SMMEs frequently encounter. The development of SMMEs is severely hampered by a lack of sufficient financial resources. Kim (2011) noted that SMME development is always hindered by the limited availability of financial resources to satisfy a variety of operational and investment needs, despite the acknowledgement of the significance of SMMEs in the development process in many developing countries. According to Fin Trust study, one of the main causes of company growth and failure for SMMEs is a lack of financial resources (Makina, Fanta, Mutsonziwa, Khumalo & Maposa, 2015).

Furthermore, according to Mohamed and Nzelibe (2014), the issue with supporting SMMEs is more of an accessibility issue than a problem with the sources of funds. The strict restrictions

placed by banks, such as the need for collateral and a credible business plan, have been recognized by SMMEs as impeding their ability to receive money (Ndege & Van der Bijl Park, 2015). Cant and Wiid (2013) also underlined the fact that the majority of SMMEs depend on banks for funding, making interest rates a significant obstacle to the sustainability of SMMEs. Historically, the only sources of capital available to entrepreneurs in emerging nations were commercial banks (Quartey, Turkson, Abor, & Iddrisu 2017). Rector, Fatoki, and Oni (2016) claim that banks in South Africa are cautious about giving young entrepreneurs finance. In South Africa, five out of every seven new small enterprises fail within the first year of operation. It should be highlighted that one of the reasons small enterprises fail, according to Van Scheers (2016) and Lekhanya (2015), is a lack of basic management skills like business planning. In South Africa, SMME failure is also largely attributed to a lack of entrepreneurship education. Mohammed and Nzelibe (2014) make more allusions to the idea that every person must possess strong business managing skills in order to successfully run a business. Lack of financial support is the biggest obstacle faced by SMMEs (Cant, Erdis and Sephapo 2014). Alalade, Amusa, and Adekunle (2013) have argued that SMMEs, whether they are start-ups or established businesses, need access to finance in order to expand or grow.

Internally generated cash or external funds, such as capital contributions of any kind, can both be used as sources of capital (Alalade *et al.*, 2013). This is done while keeping in mind that strong economic growth can't be achieved without putting in place well-targeted programs to eliminate poverty in the nation by giving people more access to tools of production, especially finance.

The SMMEs sector in South Africa finds it challenging to perform their duty effectively due to several national difficulties. Unhealthy competition, subpar infrastructure, exorbitant taxes, shoddy management and marketing abilities, and insufficient funding are just a few of these restrictions. Due to their underdevelopment and significant levels of poverty, rural areas and the unorganized sector place a strong priority on the aforementioned elements (Malebana, 2017). In a separate study, Aris (2007) noted that the SMME sector generally struggled to acquire funding due to a lack of collateral, a lack of supporting documentation for loan applications, and a lack of a track record of financial stability. SMMEs have the difficulty of correct bookkeeping processes in addition to their reluctance to give information to financiers, which makes it challenging for bankers who are eager to assist to do so (Herrington *et al.*, 2011). According to a study done in Khayelitsha, proprietors of SMMEs were unaware of the government programs intended to help them out (Gwija *et al.*, 2014). Although though SMMEs

account for a sizable portion of the economy's activity, banks have continued to be cautious about lending to them despite the banking system's soundness having greatly improved. Since most banks and other banks still view the SMME sector as dangerous, no unique policies are created for it, and loan requests from SMMEs are always carefully reviewed. Due to banks' stringent capital requirements, start-up businesses are having a harder time getting loans. As a result, banks find it challenging to assess SMMEs since they frequently lack reliable accounting systems (Yoshino and Taghizadeh-Hesary 2015).

According to Chimucheka (2015), SMMEs struggle to meet the loan conditions of external financiers once they have learned about the sources of external financing that are accessible to them. Also, outside funders are unfamiliar with the entrepreneur and their small business ventures. This indicates that the sole sources of funding for SMMEs are personal savings, friends, and family. Also, they encounter difficulties in maintaining the firm, which frequently leads to the final collapse of the SMMEs because both their venture capital and sales value are low in comparison to operational expenditures.

According to Fatoki and Asah (2011), after operating for about two years, 75% of newly founded SMMEs in South Africa close. The situation described above can be ascribed to a number of challenges that SMMEs confront, including access to markets, technology, business infrastructure, and information, among other things. However, scientific studies undertaken over the years have shown that one of the major obstacles to SMMEs' growth and development is their access to financing (Kira and He, 2012). One of the top five obstacles impeding SMME growth and development is SMMEs' access to financing, according to the SBP's SME Growth Index (2015). Finance is necessary for SMMEs to launch and grow their businesses, create new goods, as well as to invest in additional personnel or production facilities. So, it became evident that SMMEs faced difficulties in receiving financing intended for them in all government agencies. Just 7% of the 5667 SMMEs polled in a Finmark Trust (2015) study on financial access and SMME size in South Africa had access to credit.

The rigidities in institutions, policies, and the regulatory environment at the macro level make it even harder for SMMEs to acquire financing. Government policy may call for access to significant sums of money at the macroeconomic level, limiting SMMEs' access to capital. In countries where there is a persistent lack of national savings, this is probably going to be the worst (Harvie, 2011). SMMEs often prefer to operate informally and avoid the official banking system in emerging market and developing economies, which makes it much harder for them to acquire financing. This might also be the result of banks not being interested in lending to

SMMEs and SMMEs not being interested in formalizing, which would probably entail more scrutiny and transparency of their operations, as well as stricter regulations and taxation (Harvie, 2011).

SMMEs confront a number of obstacles while trying to access banks' finances. The absence of infrastructure is the first problem. The growth of SMMEs and their eligibility for financial help from banking institutions are both impacted by this problem (Agyei, 2012). For instance, the majority of SMMEs lacked the necessary infrastructure, which prevented them from obtaining substantial loan facilities. Past studies demonstrate the significance of SMMEs in generating employment and promoting economic growth and stability (Shihadeh, 2019). In order for SMMEs to continue to play a significant part in the economy, it is also important to make sure they fulfill their role in innovation. Banks and formal financial sources should implement some focused interventions to help SMMEs overcome the challenges they experience in this regard; the main challenge is still the use of and access to sources of finance (Beck & Demirguc-Kunt, 2006). The suppliers of financial services (banks) can tailor their offerings to meet the demands of SMMEs in terms of everything from price to service scope. SMMEs should be able to handle these sources, create financial systems, as well as improve their performance and growth, using bank loans more skillfully in the meantime (Shihadeh, 2019).

2.3.4 The impact of financial support on SMMEs success

It is crucial to recognize that one of the central problems in theoretical economics and finance is the variety of roles that banks play in the development of SMMEs (Nigussie, 2012). For development and general well-being, the effectiveness of the process by which financial resources are directed toward productive endeavors is essential. Banks play a variety of roles in the development of SMMEs, as highlighted in Nigussie (2012), including assuring the right use of depositors' money and reducing the information problem/gap between investors and borrowers. A healthy financial system is essential for the effective distribution of capital to profitable investments, the maintenance of economic stability, and the provision of a method of payment and the security of financial transactions. SMMEs must have access to financial institution products and services in order to profit from economic growth (Nigussie, 2012).

There is consensus in the research that SMMEs are crucial to the economy (Makwara, 2019). According to Lee, Herold, and Yu (2016), SMMEs account for 90% of all worldwide

enterprises and employ more than 50% of all private sector workers. Nagaya (2017) did a study in India and discovered that SMMEs had a favorable impact on economic growth through creating jobs and reducing poverty. According to statistics, between 51% and 57% of official business organizations in South Africa are small and medium-sized enterprises (Reginald and Millicent, 2014).

For the SMMEs sector to advance and experience growth, access to institutional and bank financing is a crucial precondition (Hasheela, 2016). In a sample of 71, primarily developing nations, over 35% of SMMEs assessed the cost of funding as a major growth barrier, ranking it higher than any other aspect of the business climate, according to a study by Beck (2007). The impact of financial development on the constraint-growth relationship is substantially larger for small enterprises than for large firms, according to Beck (2007). Hence, the gap between small and large enterprises is reduced as a result of financial and institutional development (Hasheela, 2016).

SMMEs in Africa have limited access to financing, which hinders their development and eventual growth. Because to their sectoral emphasis, their primary sources of capital are their retained earnings and informal savings, which are erratic, inadequately secured, and offer no opportunity for risk sharing (Hasheela, 2016). According to studies, having access to financial services can help new SMMEs succeed after their first year as well as enable businesses to develop more quickly (Beck, 2007). By providing financial services, technology, and business solutions, banks significantly contribute to the sustainability of SMMEs. Deposits are attracted by banks, which also provide direct and indirect financial services like loans (Shihadeh, 2019). Banks play a critical countercyclical role in many economies, preventing potential credit crunch occurrences (Gyimah and Agyeman, 2019). Therefore, it is essential to recognize that banks are crucial to the growth of SMMEs, especially when it comes to concerns with bolstering the institutional foundations of lending (Kambwale *et al.*, 2015). This is a crucial consideration to keep in mind since as creditors' rights are enhanced, repayment behavior generally improves and the bank's willingness to lend increases (Hasheela, 2016).

It is important to take into cognizance that the impact of the roles of banks in financing SMMEs in Anyanwu (2001) indicated some of the effects that were manifested showed that available evidence, based on cross-country studies indicated the importance of SMMEs in the economic development. According to reports, viable SMMEs can make a significant contribution to the achievement of several socioeconomic growth goals, including increasing output, creating

jobs, and distributing income to build inter-industry ties. According to Valentine (2014), the impact can be seen in the creation of jobs, the development of rural areas, economic growth, industrialization, and better use of local resources. Other effects include the encouragement of local entrepreneurship, the advancement of local technology, the provision of effective value chains for reducing poverty, and the mobilization and use of domestic savings. The establishment of strong SMMEs, which would subsequently develop into significant participants in the developing economy, is how Anigbogu *et al.* (2014) contend that economic growth and development in Africa may be achieved. Small, micro and medium-sized enterprises (SMMEs) are adaptable and can swiftly adjust to shifting market demands. They serve to diversify economic activities that significantly contribute to imports and exports. As a result, SMMEs continue to make a growing economic contribution to both national and global economies (Haruna & Sulaiman, 2018).

2.4 Conceptual framework of the study

The conceptual framework aims to provide an understanding of the factors that influence the development of SMMEs. The analysis of Nzeru, Gichuku, and Tirimba (2014) served as the basis for the conceptual framework for this thesis. It's also critical to remember that a conceptual framework is a by-product of the qualitative theorizing process, which connects ideas to produce an all-encompassing understanding of phenomena. A conceptual framework is made up of concepts that operate together to support one another, describe related phenomena, and identify relationships. Shaban, Duygun, Anwar, and Akbar (2014) demonstrated the importance of the link between SMME finance and growth. However, a lot of literature has indicated that SMMEs faced many obstacles in financing through conventional means (Vasilenko & Arbaciauskas, 2012; Zubair, 2014). This study's conceptual framework pertains to the need for collateral, the availability of financial information, the cost of borrowing, and internal and external funding.

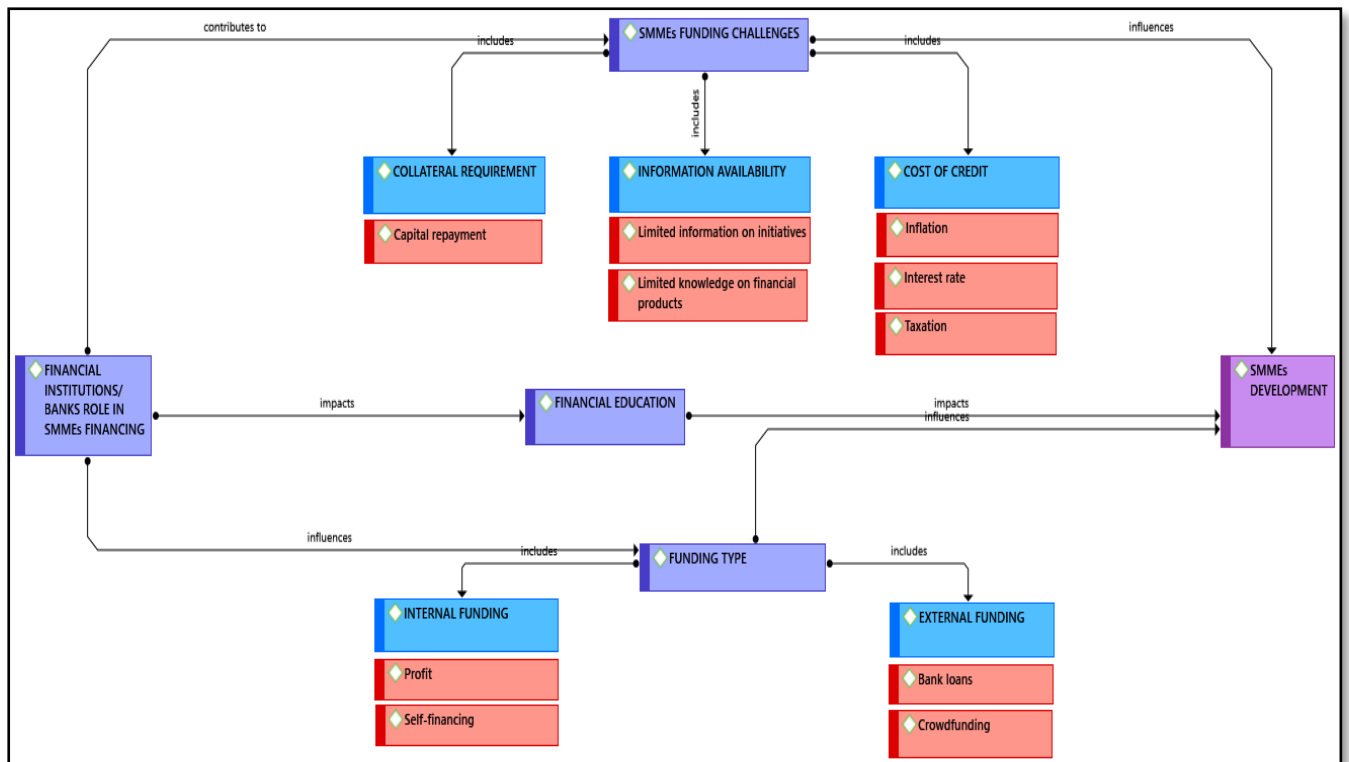


Figure 1: Conceptual framework

Source: Authors' graphics based on Gichuki (2014).

It's crucial to remember that credit restrictions might happen when banks require more collateral for loans. As a result, low interest borrowers (including SMMEs) may be left off the list of possible clients, which may cause banks to ignore these clients. In their study on the difficulties SMMEs have in obtaining financing from banks, Gangata & Matavire (2013) discovered that very few SMMEs are successful in obtaining funding; the primary reason given has been the failure to meet lending standards. The absence of collateral security has been the main cause among them. Even though it might seem unneeded at first, money is a necessity for every firm. It's crucial for financing to be as effective as possible. According to Stutely (2003), the borrower should be able to compare all financing costs on an equal footing and choose the financing option that results in the lowest cost. Banks have frequently come under fire for charging exorbitant interest rates on loans.

Also, it is crucial that SMMEs and companies that offer financial services and goods have access to information. The SMMEs require information in order to locate potential financial product suppliers. This data is necessary to assess the cost of the financial services and goods being provided. Financial service providers require data in order to analyse the risk posed by the SMMEs applying for financing and their prospects within the market segment. Therefore,

access to information is a prerequisite before lending money to businesses. One of the key factors preventing banks from providing bank financing to SMMEs is frequently cited as the problem of inadequate information (Nzeru *et al.*, 2014). So, access to financing promotes the expansion and success of all businesses. Yet, it should be highlighted that a significant barrier to the development of micro firms is a lack of access to capital. Also, businesses with better access to money are better positioned to take advantage of expansion and investment opportunities. Since more and more research reveals that low-income households and small businesses cannot fund high-return investment projects due to a lack of access to credit, interest in access to finance has expanded dramatically. This has a negative impact on growth and efforts to alleviate poverty (Nzeru *et al.*, 2014).

2.5 Conclusion

The chapter covered how important SMMEs are to both local and global economic growth. SMMEs have been seen to contribute greatly to the reduction of poverty, the creation of jobs, and GDP growth all over the world. SMMEs have also contributed significantly to the South African economy. One of the major reasons SMMEs in South Africa fail is the lack of loan financing or resources (Fatoki, 2012). These SMMEs' ongoing inability to take advantage of market possibilities, lack of access to credit or financing, and the underperformance of their supporting institutions are at the root of their problems. At the national level, additional flaws can be seen in the provincial and municipal levels of government's failure to give SMMEs in South Africa enough support as part of "place-based" economic development programming (Rogerson, 2014). So, it is necessary to accelerate their development by addressing their problems, particularly the lack of access to credit. The next chapter reviews the methodology of this study

3. Research methodology

3.1 Introduction

As it supports the examination of the literature, this section of the article focused on the research methodology, which is essential. This section described the research plan for this study and how it was carried out in light of its significance. This section was created with those goals in mind since research design and methodology provide a researcher with the guidelines for organizing and carrying out a study in a way that is most likely to provide the desired results. This section included the research methodology employed in this study, as well as the research design. The method of data analysis is described in depth, and the section is summarized at the end.

3.2 Research paradigm

The Greek word "paradeigma," which means pattern, is where the word "paradigm" comes from. This term describes a conceptual framework that scientists and researchers all over the world frequently share. Researchers and scientists utilize the framework as a model to analyse issues and come up with answers (Antwi and Hamza, 2015). A technique or model for conducting research that has been utilized for many years and has been validated by the research community is known as a research paradigm. The majority of research paradigms are derived from either of the positivist or interpretivist research methodologies. Research paradigms are ways of looking at social phenomena that can help us comprehend them and try to explain them, according to Saunders, Lewis, and Thornhill (2012).

These four paradigms—positivism, postpositivism, critical reality, and constructivism—are frequently employed by researchers. The views of French philosopher August Comte serve as the foundation for the positivist paradigm. The paradigm is predicated on the notion that knowledge or science ought to be limited to what can be observed or measured. Positivists only rely on theories that can be put to use in experiments. According to them, reality is delivered in an objective manner and can be measured using techniques that are impartial, quantitative, and independent of the researcher (Antwi and Hamza, 2015). Similar ontological, epistemological, and methodological principles may be found in the post-positivist paradigm, which developed from the positivism paradigm during the 20th century. The distinction is that post-positivism is grounded on the ontology of critical realism.

Also, the critical theory paradigm is predicated on the idea that reality is socially created because it is made up of the researchers' subjective perceptions of the outside world (Battacherjee, 2012). The historic realism ontology, which holds that reality is presumed to be understandable, serves as the foundation for the paradigm. The transactional and subjectivist epistemology, which assumes that the researcher and the subject of the investigation are interactively linked and that the researcher's values inexorably influence the inquiry, serves as the foundation for the critical theory paradigm (Scotland, 2012).

Relativist ontology is the foundation of the constructivism paradigm. According to relativist ontology, realities can be seen as various, intangible mental creations that are based on social and experiential knowledge and are local and specific in character (Saunders *et al.*, 2012). Scotland (2012) makes the observation that language and elements of a free world combine to create reality. The study used the interpretivism paradigm, which bases comprehension on the knowledge of individuals who operate inside it (Bryman and Bell, 2011). In addition to exploring how knowledge is created, this study looked at the interpretivism paradigm in order to better understand the attitudes of small and medium-sized business owners concerning bank overdrafts. The aim of this study was to comprehend the potential obstacles that SMMEs face while trying to obtain financing from banks. Data collected using an interpretivism technique can be studied in great detail. Given that the data used in interpretivism studies tends to be reliable and honest, primary data obtained through these studies may have a high level of validity. Understanding the world as it is through people's varying subjective experiences is central to the interpretative paradigm. They employ procedures that emphasize meaning (as opposed to quantification), such as participant observation and interviewing, which rely on a debatable relationship between the researcher and the subjects. Instead of defining dependent and independent variables in advance, interpretive research concentrates on the whole complexity of people's sense-making as the situation develops.

3.3 Research design

There are various research methodologies, such as descriptive, explanatory, and exploratory designs. To accomplish the stated objectives for this study, the researcher used a descriptive research design. A descriptive study is one that aims to accurately depict people, events, or circumstances, according to Saunders *et al.* (2012). This study was therefore thought to be appropriate because there was less need for exploratory designs because the subject was well-known. According to Creswell and Clack (2007), descriptive research explains the traits of an

actual phenomena and aims to provide answers to queries about the key traits that characterize the research subject. The survey design can be utilized to gather data from many units of analysis when doing descriptive research (Saunders *et al.*, 2012). Although there is some knowledge of the difficulties faced by SMMEs, the study was descriptive because it was carried out in a distinct setting. The purpose of the study was to identify and characterize the opportunities and difficulties faced by SMMEs when accessing funds from banks in the Vhembe District Municipality.

A survey of a selected sample of SMMEs within the Vhembe District Municipality's limits was conducted. A survey is a research technique that employs standardized interviews to systematically gather information about people and their preferences, thoughts, and behaviours. A survey was used because it was effective at describing the traits of a wide population, ensuring a more accurate sample to gather focused results from which to draw conclusions, and because it was quite simple to administer. Study population which included owners/managers of SMMEs was derived from stratified sampling and it was used to determine various characteristics of the population. According to Battacherjee (2012), interviewers will read the questions to the respondents and easily record their responses. The interview guide is a more adaptable form that can typically be used to gather information in greater depth and is more susceptible to nuances in meaning that may arise from the context. The descriptive investigation provided a precise portrait of the persons, occasions, or circumstances. In contrast to exploratory research, descriptive research identifies the study topics, participants, and analysis strategy before data collecting even starts. To put it another way, descriptive research identifies the who, what, where, when, why, and occasionally the how of the investigation. Such planning gives one the chance to make any necessary adjustments before the data collection procedure has started (Saunders *et al.*, 2012).

3.4 Research method

In order to meet the requirements of truth, objectivity, and validity, the research technique of data collection involves reflection on the design, structuring, and execution of the research. Research technique therefore emphasizes the research process and the choices the researcher should make to carry out the research endeavour (Brynard and Hanekom, 2006). Any non-numeric data or data that have not been quantified are referred to as qualitative data, which can result from any study strategy (Saunders, Lewis and Thornhill, 2009). It typically has nothing

to do with numbers and places more attention on the many kinds of representations and descriptions. Due to its flexibility and suitability for less organized studies, the qualitative research approach was chosen by the researcher.

Myers (2009) asserts that the goal of qualitative research is to better understand individuals and the social and cultural circumstances in which they live. As a result, qualitative researchers focus on studying phenomena in their natural environments while attempting to understand or interpret them in terms of the meanings that individuals assign to them. When a researcher wants to learn more about a phenomenon of interest, gain a profound grasp of how people think about a subject, and ultimately characterize in depth the perspectives of the research participants, qualitative research is most suited. It should be emphasized that the questions are often quite flexible and can be changed at any time to suit the study. Participants will be surveyed using an open-ended interview guide to gather information about their perspectives on the growth of SMMEs. Face-to-face interviews were conducted to make it simple for the interviewer to provide assistance with any concerns that the sampled population might not be able to understand. This approach is acknowledged to produce the best results. Personal interviews were done by the researcher and his assistant in order to analyse the sampled population's body language. The qualitative method encourages the researcher to experiment with different methods in order to gain a deeper grasp of a subject and to broaden his knowledge of other study areas. While using a qualitative approach, techniques like focus groups, interviews, and observations were used.

3.5 Population and sampling

In order to generalize the findings from the sample to the target population from which it was drawn, sampling is the process of selecting units (such as organizations or people) from a particular population of interest (Neumann, 2011). The population used in this research was derived from the SMMEs in the Vhembe District Municipality area. It included small enterprises from various industries such as agriculture, tourism and hospitality. The Vhembe District Municipality created the database to understand the profile of SMMEs trading in its region for efficient and effective service delivery as part of its legislative duty to grow, assist, and develop SMMEs within its area of jurisdiction. The database was categorized into legal form, physical address, contact person, contact number and the sector. These were the companies with a yearly revenue of between zero and five million Rand and 200 or fewer employees. Also, they included both new and comparatively well-established enterprises. To

determine the sample size for small business owners/managers, details of the population were obtained from Vhembe District Municipality.

So, the researcher deliberately selected the SMMEs that were most appropriate for the study's objectives using stratified sampling. The sample population included SMMEs from Vhembe District Municipality. In addition, managers or owners from the selected SMMEs were also interviewed. Stratified sampling is a method of ensuring that a class or groups of people are represented in the sample process, according to Fox, Hunn, and Mathers (2009). Then, a random sample was taken from each stratum. One of the most straightforward methods for gathering information from the entire population is random sampling. Each member of the subset has an equal chance of being chosen as part of the sample process when using random sampling (Saunders *et al.*, 2012). The sort of study being conducted determines the size of the sample, while practical constraints may have an impact (Quinlan, 2011). The best sample size depends on the required precision of the study, budget, resources nature and size of the population under study and time available. In terms of determining the sample size, Serei (2017) proposed that 10 interviews are sufficient to reach saturation for interview guide. As such, 10 SMMEs owners/managers were interviewed.

3.6 Measurement instruments

The semi-structured interview technique was chosen by the researcher to collect qualitative data because it enables the interviewer to ask a series of open-ended questions that can be thoroughly explored and improved by probes (Saunders *et al.*, 2012). An unstructured and structured method are combined in a semi-structured interview. The interview is based on a set of structured questions, but it also gives the respondent room to comment on specific topics and bring up themes or questions. Due to the interviewer's increased flexibility as a result, certain questions may be asked depending on the respondent's responses (Wilson, 2014). To allow for flexibility in the quantity and arrangement of predetermined questions asked of the participant, the research employed an interview guide for semi-structured interviews. The research questions served as the basis for the study's inquiries. The questions were related to financial access for SMMEs in Vhembe District Municipality. Questions regarding the challenges of financial access by SMMEs and the effect of financial assistance were also included. Semi-structured interviews allowed for the exploration of themes in a depth and breadth that may have been more difficult to do with completely structured interviews. Also, to ensure that the final instrument is a combination of things, some interview guides included

breaks for respondents to finish questionnaire portions. When discussing a subject in person is deemed to be socially awkward, this can be especially helpful (Battacherjee, 2012). The researcher assured potential respondents of anonymity and confidentiality and discussed the study's significance and objectives in an effort to promote participation.

3.7 Piloting of the interview guide

No matter how thorough the preparation is, the interview guide should still be viewed as a work in progress once it has been developed. This means that it is still subject to change; revisions may be necessary when input swiftly starts to gather in the field (Galletta, 2013). Several alternatives for the interview guide change include rearranging the order of the questions, changing the way some concerns are phrased, and adding any unexpected issues that seem essential enough to warrant inclusion in all upcoming interviews. Any doubts the respondents had regarding any questions were clarified immediately.

After the interview guide was created, a pilot test was conducted by giving it to 3 respondents who were not part of the main study to check if it was gathering the data it was designed to collect and whether respondents were willing to complete it. The procedure started after the survey's creators deemed it to be "ready." The purpose of this stage was to ensure that the questions were thorough, effective, relevant, and suitable in terms of structure. This involved evaluating the surveys' cognitive and motivating features.

This procedure ensured clear readability, interpretation, uniformity, logical ordering, and an overall favourable impression of the survey's appearance and feel. The second step included a brief pilot research that included the key methods suggested for the primary investigation. This assisted in improving the questions' wording and evaluating the clarity of both questionnaires. As a result, a pilot study was carried out to ascertain the feasibility of the study in order to: address any issues prior to the main study; test the reliability and validity of the instrument; and assess the trustworthiness of participants for data collection in the main study.

3.8 Data collection

The information from the sample of respondents can be gathered using a variety of different data collection techniques. It should be remembered that each method has benefits and drawbacks, and that certain ways are more appropriate in some situations than others. An interviewing guide was used in the study as a method of data gathering. The semi-structured interview technique was chosen by the researcher to collect qualitative data because it allowed the interviewer to ask a series of open-ended questions that could be thoroughly explored and

improved by probes. With semi-structured interviews, the researcher can prepare a list of questions and topics to address while also having the freedom to omit or add to the list. The presence of an interviewer enables complex questions to be clarified to the interviewee, if necessary (Saunders *et al.*, 2012).

3.9 Data analysis

Data analysis, according to Kantardzic (2011), is the process of methodically using statistical and/or logical tools to describe and demonstrate, summarize and assess, and assess data. The qualitative data analysis program ATLAS.ti was used to analyse the respondents' primary data. It provides a wide range of tools for carrying out the duties involved in any systematic approach to unstructured data, such as data that cannot be properly studied by formal, statistical methodologies. As a result, it makes it easier for the researcher to organize, extract, evaluate, and compare the data from the texts that are relevant to the investigation (Friese, 2012). Aside from enabling simultaneous exploration of several study materials, ATLAS.ti also saves time and minimizes errors because the analytic process is transparent and consistent. Instead of focusing specifically on the language used, much qualitative research focuses on unravelling the meaning of texts in terms of respondents' experiences, attitudes, and beliefs; the excessive use of text search tools in an interpretive approach may be a red herring, possibly oversimplifying or eluding complex undercurrents and nuance (Silver and Lewis, 2014). The acquired data was entered into Microsoft Word for transcription, then ATLAS.ti was used to conduct thematic framework analysis. A technique called thematic analysis is used to find, examine, and summarize patterns or themes in the data. With this method, the emphasis is on finding latent concepts and themes in the data rather than just counting explicit words or sentences. When organizing knowledge into relevant themes and patterns, thematic analysis is helpful. Researchers carefully code the data to identify any recurring themes or patterns of meaning. The researcher can group codes into themes and then examine the connections between the topics. Thematic analysis was chosen by the researcher because it is adaptable in terms of the study framework, supporting both deductive (theory-driven) and inductive (data-driven) techniques. The result is an in-depth, intricate, and comprehensive account of the data.

3.10 Trustworthiness

Four viewpoints can be used to assess an instrument's trustworthiness: credibility, transferability, dependability and conformability.

Credibility

"How congruent are the findings with reality?" is a question about credibility. Inquiries regarding internal validity in quantitative research are equivalent to inquiries about results congruence in qualitative research. One aims to comprehend how the stated findings "hang together" given that the concepts need to be connected in some way. However, there is no expectation that all responses to coherence credibility will yield the same outcome, unlike quantitative research. Credibility is a construct made by the reporter(s) and the reader(s) who follow. The numerous triangulation procedures are one way to increase believability. Using many sources of data or a variety of field methods to repeatedly identify patterns is known as triangulation (Stahl & King, 2020).

Transferability

This claim presents some challenges because qualitative research does not (and cannot) seek for replication. Theoretically, though, patterns and descriptions from one setting may be transferable to another, according to qualitative researchers. After all, the impact of the initial study is little if one cannot draw conclusions from study extensions that might apply to a new set of conditions. It is beneficial to seek understanding from other people's systematic qualitative research, just as it is valid and significant to generate new information via emergent discovery-oriented qualitative research. An analogue to both external validity and generalizability in quantitative research may be useful with such goals in mind. Similar to quantitative research, qualitative inquiry aims to deepen understanding by extrapolating results to new contexts (Stahl & King, 2020).

Dependability

There are a few specific research procedures that, when used, establish trust and feel trustworthy in qualitative research where researchers, both producers and consumers, deliberately build their faith in the events as they unfold. Peer examination and peer debriefing are effective communication practices that build trust. A validation that solidifies the researcher's perception of reality is provided by having another researcher read and respond to field notes with their embedded researcher interpretations (Stahl & King, 2020).

Confirmability

There must be some form of objective reality for one to expose their research to auditing. Qualitative researchers that believe in and strive for objectivity focus on constructs like

precision and accuracy in their research practice and the participation of other researchers rather than creating a reality in their findings. It makes sense to try to avoid involvement in these qualitative situations so as not to taint clean, natural settings. As a result, the application of confirmability in qualitative research is limited and restricted, particularly in the context of emergent design positivism (Stahl & King, 2020).

The questionnaire was created to accurately reflect the reality of the subject matter being assessed. After completion, suggestions were considered, and a new draft was created (Mutezo, 2015). The interview guide's wording was simple to understand, and the questions were thoughtfully organized. The way the in-depth was performed allowed the respondents to express themselves freely and voluntarily without feeling constrained.

3.11 Ethics

Concerns regarding the ethics of research practices have significantly increased during the last ten years. Because of these concerns, the researcher carefully considered how he obtained permission to do the research and took into account any potential ethical issues that emanated throughout the course of the project. Without carefully considering how the researcher will obtain the data he needs and acting ethically, what initially appear like strong research ideas may falter and prove impracticable or troublesome if the researcher starts to carry them out (Saunders *et al.*, 2012). The following moral considerations were made:

- Permission to conduct the study

The appropriate institution granted approval for the study to be conducted in order to protect the researcher and the subjects. The University of Venda issued a letter authorizing the researcher to carry out study in the Vhembe District Municipality, see appendix 1

- Informed consent

Participants in research have the right to informed consent, which gives them the information they need to make an informed decision. They also have the right to withdraw from the study at any time if they so choose. The purpose of the research was explained to the participants by the researcher.

- Voluntary Participation

Participants were informed by the researcher that their participation was completely voluntary and that they had the opportunity to revoke their permission at any moment.

➤ Confidentiality and Anonymity

The name and surname of the participants were not used in the study and the data they provided was not in any way linked to them. The researcher made sure that the data collected was kept under secure conditions.

➤ No harm to participants

The researcher made sure that participants weren't put in a position where their participation put them at risk of injury.

➤ Justice and beneficence

The sample population's social lives were unaffected by the study. Since their names and identities were kept a secret, the volunteers experienced no possible harm or pain. In the end, the participants of this study benefited from it and were not harmed.

➤ Social and cultural prejudices

Any social and cultural preconceptions that might jeopardize this study's social standing were consistently addressed throughout the research procedure.

➤ Fairness and transparency

Fairness and transparency were the guiding principles used to choose research subjects.

3.12 Conclusion

The research paradigm that underlies the study was covered in the chapter. The stratified sampling method was used to choose the sample. Piloting was done with respondents who shared characteristics before starting with a larger sample to ensure the study instrument was simple and applicable. The research methodology utilized to conduct the study was also described in detail in the chapter, including the analysis, the research population, the sample size, the research instrument, the piloting of the interview guide, the data analysis, the trustworthiness, and ethical issues. The study's findings are presented in the next chapter.

CHAPTER 4: Data analysis and interpretation

4.1 Introduction

The previous chapter provided the research methodology that was followed by the researcher. This chapter provides the interpretation of the collected data. As indicated in Chapter 1, the aim of this study is to determine the role of banks in the development of SMMEs around Vhembe District Municipality area. The analysis and interpretation of the data gathered are presented in this chapter. The acquired data was entered into Microsoft Word for transcription, then ATLAS.ti was used to conduct thematic framework analysis. The data was analysed through performing open coding and list coding on ATLAS.ti. The researcher also performed a constant comparison to establish the common subthemes within the existing codes. The analysed data is interpreted in the following sections.

4.2 Demographics of participants

Table 2: Demographics of Participants

Participant	Gender	Age	Business Type	Years of operation
1	Male	37	Lodge	7
2	Male	28	Bakery	6
3	Male	44	Cosmetics	8
4	Female	39	Agriculture	5
5	Male	33	Hospitality	9
6	Female	29	Events	5
7	Female	27	Business consultancy	8
8	Male	42	Technology development	4
9	Male	32	Bakery	7
10	Male	43	Events planning	6

As shown in Table 2 above, 7 of the participants were male with 3 participants being female. The ages of the participants ranged between 28 years and 44 years. The participants' businesses were operating between 4 to 8 years. The sample comprised of the following types of

businesses, lodge, bakery, cosmetics, agriculture, hospitality, events, business consultancy, technology development, bakery and events planning.

4.3 Results

The outcomes of the data analysis are presented in this section. Continual comparison and open coding were used to analyse the data. It should be mentioned that the following parts contain the findings of the data analysis.

4.3.1 Significance of financing SMMEs

This study also focused on unpacking the significance of financing SMMEs by banks in the Vhembe District Municipality area. The results that emanated from the analysis of data are that job creation, poverty alleviation, SMME development and SMME sustainability were critical thematic issues that topped the list, and these will be discussed in this section.

4.3.1.1 Job creation

Within the context of the significance of financing SMMEs by banks, the results showed that the significance is grounded on the notion that SMMEs are job creators, hence the outcome which resulted in job creation topping the list of thematic issues. This was demonstrated by the participant 7, 8, and 9 expressions, which are quoted below:

“The banks provide finance to SMMEs because they are the most important drivers of job creation and poverty alleviation. This means that when funding is provided by banks, the SMMEs are able to provide employment and maintain their sustainable operations.” (P7)

“The assistance from the financial assistance enables the businesses to be corporate citizens by affecting their communities positively and above all creating employment for the communities and improving the standards of living for many.” (P8)

“Funding assistance. The banks and we also know one thing when we access funding we are able to increase or grow our business operations. The increase in business operations results in opportunities for new jobs and we create more jobs. Funding the SMMEs means sustainability of the entrepreneurship arena. The creation of jobs means more families have access to income and automatically poverty is dealt with or eradicated.” (P9)

Based on the evidence submitted above, the participants submitted that the banks provide finance to SMMEs due to the fact that they are the most important drivers of job creation and

poverty alleviation. This therefore would mean that where funding is provided by banks, the SMMEs are in a position to be able to provide employment and maintain their sustainable operations. The participants further proffered that SMMEs are provided funding because they contribute towards improving the standards of living for many. It was further assumed by the participants that the ability of banks to provide funding for the SMMEs ensures their sustainability, hence them (SMMEs) to provide sustainable employment opportunities. It can therefore be concluded that job creation ticks a critical rationale or significance for funding of SMMEs by the banks.

4.3.1.2 Poverty alleviation

Poverty alleviation was noted as another rationale or significance for funding SMMEs by banks. Poverty alleviation as a rationale emanated from the sentiments of Participant 7, 8 and 9 shown in the excerpts below:

“The banks provide finance to SMMEs because they are the most important drivers of job creation and poverty alleviation. This means that when funding is provided by banks, the SMMEs are able to provide employment and maintain their sustainable operations.” (P7)

“The assistance from the financial assistance enables the businesses to be corporate citizens by affecting their communities positively and above all creating employment for the communities and improving the standards of living for many.” (P8)

“Funding assistance. The banks and us also know one thing that when we access funding we are able to increase or grow our business operations. The increase in business operations results in opportunities for new jobs and we create more jobs. Funding the SMMEs means sustainability of the entrepreneurship arena. The creation of jobs means more families have access to income and automatically poverty is dealt with or eradicated.” (P9)

The participants alluded to the fact that SMMEs are provided funding by banks as they are the creators of employment. When SMMEs create employment, they improve the standards of living within the society and ultimately contribute towards the alleviation of poverty. SMMEs contribute significantly towards the economic growth of societies hence dealing with poverty issues in society. Consequently, the funding of SMMEs is resting largely on their ability to maintain sustainable operations and this would then ultimately lead to poverty alleviation.

Thus, the poverty alleviation contribution of the SMMEs provides the rationale of their access to funding from banks.

4.3.1.3 SMME development

In reviewing available evidence, the research noted that the significance of financing SMMEs by banks was based on the development of these enterprises, and therefore ultimately the SMMEs development. SMMEs development as a significance of funding SMMEs by banks is based on the views shared by Participants 1, 2 and 6 as indicated in the excerpts below:

“Yes, we have a township economy program wherein we try to identify and uplift small businesses in the townships and also teach them how they can develop themselves.” (P1)

“To such an extent that we even partner with local small businesses to encourage the growth of the local economy.” (P2)

“The business needs financial assistance because through such assistance businesses are able to develop their operations and also it ensures that my business is sustainable because remember I am not just operating my business just to fail but for it to be sustainable and profitable.” (P6)

Participants 1 and 6 proffered that the funding provided by the banks to SMMEs provides the premise for the development of these enterprises. The participants further alluded to the fact that the provision of funding to SMMEs by banks provides the basis for developing the operations of these enterprises. This, therefore, also results in the sustainability of these enterprises as the availability of the funding provides the basis for enhanced liquidity of these enterprises. This means that the development of SMMEs is another significance supporting point for the funding of the SMMEs by banks.

4.3.1.4 SMME sustainability

The results also revealed that SMMEs sustainability is another significant issue in support of the funding of SMMEs by banks. On the sustainability of SMMEs the viewpoints of Participants 2, 6, 7, and 9 are displayed in the following excerpts.

“Financial assistance, because without it my business cannot really grow to where I want it to be. Given that we are just from the pandemic, that financial assistance will go a long way in assisting our business to stand on its feet again.” (P2)

“The business needs financial assistance because through such assistance businesses are able to develop their operations and also it ensures that my business is sustainable because remember I am not just operating my business to just fail but to make it.” (P6)

“This means that when funding is provided by banks, the SMMEs are able to provide employment and maintain their sustainable operations.” (P7)

“The increase in business operations results in opportunities for new jobs and we create more jobs. Funding the SMMEs means sustainability of the entrepreneurship arena.” (P9)

With regards to SMME sustainability, participants 7 and 9 propositioned for the importance of the critical fact that when banks provide funding, this would then allow for the SMMEs to be able to maintain their sustainable operations.

A summary of the significance of financing SMMEs by banks is shown in Figure 4.1 below.

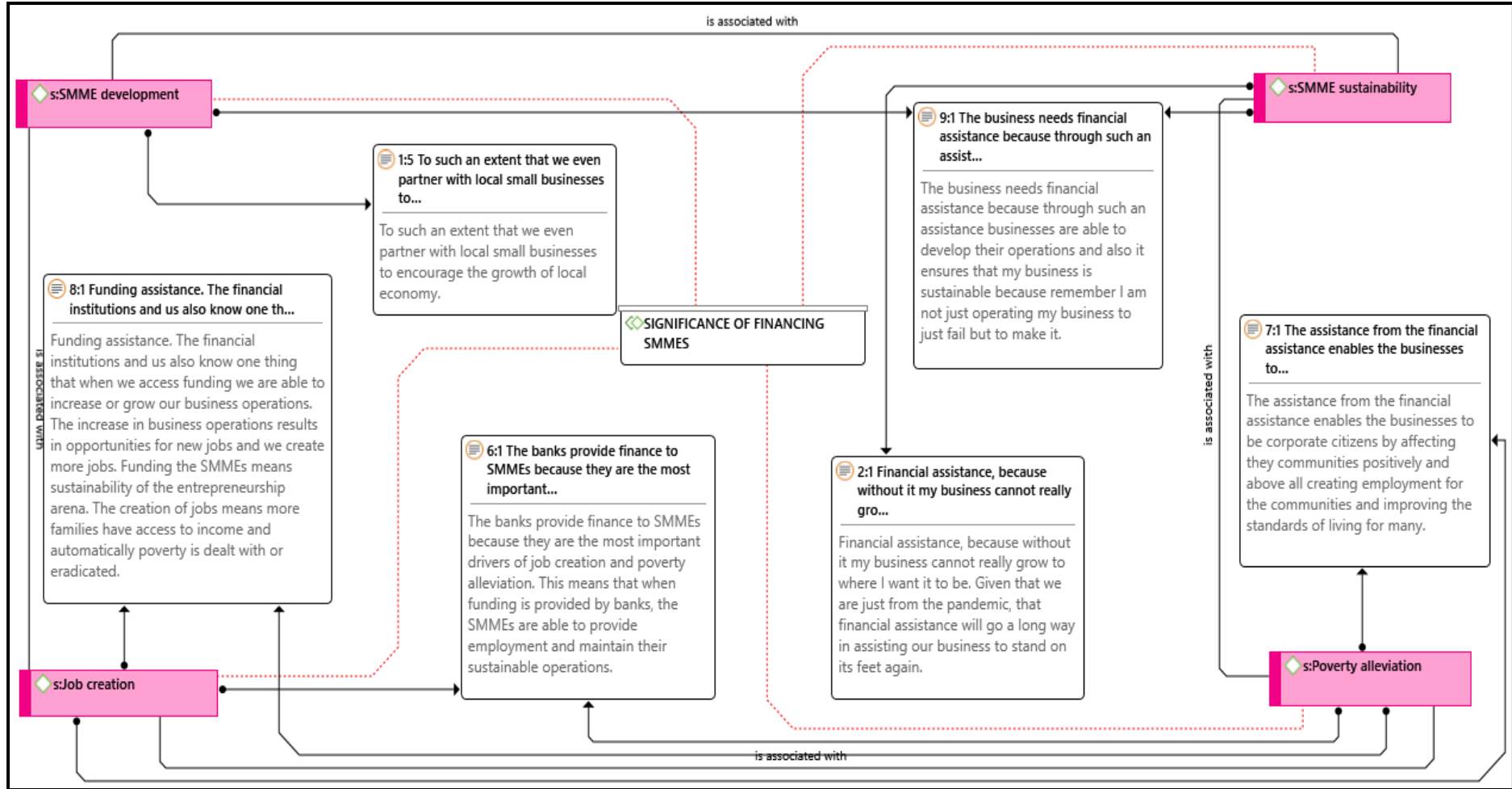


Figure 2: Significance of financing SMMEs network
 Source: Significance of financing SMMEs using ATLAS. ti

4.3.2 Banks' extent of financing SMMEs

This research also focused on analysing the extent of financing of SMMEs by banks. The sub-themes that emerged from the analysis of data are business development programmes, partnerships, small business financing division, as well as relationship-building and these are explored in this section.

4.3.2.1 Business development programmes

Business development programmes were noted to mark the extent to which the banks finance SMMEs. This was demonstrated by the opinions of Participants 1, 6, 7, 8, and 9 as seen in the passages that follow:

“Financial literacy. Educate small businesses on how to be sustainable and grow, while also providing them will loan at favourable and lower rates. Small business owners should also know that they need to conduct their business accounts in a good manner and pay off their debts on time. Yes, as they have partnerships and programs that stimulate SMMEs’ development. e.g., the township economy program and by also looking at the number of small businesses we have on our books.” (P1)

“The banks provide skills and business development programmes that are there to educate the businesses to operate effectively and efficiently.” (P6)

“Yes, there go an extra mile through partnerships with SMMEs and educate them on the credit facilities and also to monitor business performance or growth.” (P7)

“Yes, there are partnerships between banks and SMMEs for instance they often give us guidance on how to operate and provide business opportunities for my company.” (P8)

“There are partnerships between us and the banks through business development programme and education and training programmes.” (P9)

Participants 6 and 8 highlighted that the banks provide skills and business development programmes that are offered to educate businesses on how to operate effectively and efficiently. These programmes therefore provide the space for businesses to manage their finance in an appropriate manner which will lead to positive results. Participants 1, 7 and 9 further indicated that there are partnerships between banks and SMMEs for instance, they often provide them with guidance on how to operate and provide business opportunities for the entities. This therefore implies that the banks are not only providing the funding, furthermore,

they are also going beyond the financial facet by providing programmes that boost the knowledge base of the entrepreneurs regarding business operations and business opportunities which results in sustainable business operation and growth.

4.3.2.2 Partnerships

It is significant to note that this research identified partnerships as another method by which banks fund SMMEs. The opinions of Participants 1, 2, 5, 7 and 8 are represented in the following extracts, from which partnerships arose:

“To such an extent that we even partner with local small businesses to encourage the growth of local economy. SMMEs development requires all stakeholders Government, and private institution to come together and have programs that will encourage, educate and create awareness on SMMEs development” (P1)

“Banks should go out there and collaborate with small businesses. It should be all about making profits for them but rather the development of small businesses so that our regional economy can grow and develop our communities.” (P2)

“Yes, recently Standard Bank, Mastercard and Google announced a collaboration to help SMMEs move their businesses online, accept digital payments and attract more customers.” (P5)

“Yes, they go an extra mile through partnerships with SMMEs and educate them on the credit facilities and also to monitor business performance or growth.” (P7)

“Yes, there are partnerships between banks and SMMEs for instance, they often give us guidance on how to operate and provide business opportunities for my company.” (P8)

Taking into consideration the above-presented evidence, the participants indicated that the commitment of the banks in financing SMMEs is demonstrated by the fact that they partner with local small businesses to encourage the growth of the local economy. The participants further alluded to the fact that SMMEs development requires all stakeholders, inclusive of the government, as well as the private institutions; needs to collaboratively come together and galvanise programs that will encourage, educate and create awareness of SMMEs development. The participants went on to explain that companies like Standard Bank, Mastercard, and Google established a partnership to aid small and medium-sized enterprises (SMMEs) in moving their operations online and offered assistance to businesses looking to expand their

customer base. These efforts by the banks showcases the extent that these institutions are willing to go to, to ensure that the SMMEs remain sustainable and develop profitability through strategic partnerships that are meant for the realisation of their business objectives.

4.3.2.3 Small business financing division

The results of this study also showed that the small business financing division is another important indication of the extent to which banks finance SMMEs. The small business financing division is unpacked below by the views of Participants 1 and 7 indicated in the following excerpts below:

“Yes, we do have a division that is solely responsible for small businesses.” (P1)

“The bank that I use has a division that specialises or focuses on SMMEs development, so this division is always in touch with us and very helpful.” (P7)

Pertaining to the small business financing division, the participants highlighted that banks have a division that is solely responsible for small businesses. This division was noted to be beneficial towards the development of the small business as it keeps in touch with the entrepreneurs or business owners, ensuring that they are on track and have the support that they require towards operating their businesses efficiently. This therefore implies that the extent to which the banks finance SMMEs is evidenced by their creation of the division that is solely responsible for the well-being of SMMEs and taking lengths in ensuring that they engage in sustainable operations. Hence the small business financing division marks the extent the banks are financing the SMMEs.

4.3.2.4 Relationship building

The results also showed that relationship building indicates the extent to which banks are financing SMMEs. Participants 1, 2, 5 and 8's views regarding this aspect are shown in the following excerpts below:

“Relationship building is crucial, as institutions can be there to guide and advise SMMEs. When opportunities arise, SMMEs can take advantage because of the knowledge that would have passed to them. The next time an SMME will require funding, we will already have all their information on the system which will make it easier for us and the business.” (P1)

“Banks should go out there and collaborate with small businesses. It should be all about making profits for them but rather the development of small businesses so that our regional economy can grow and develop our communities.” (P2)

“Yes, recently Standard Bank, Mastercard and Google announced a collaboration to help SMMEs move their businesses online, accept digital payments and attract more customers.” (P5)

“Yes, there are partnerships between banks and SMMEs for instance, they often give us guidance on how to operate and provide business opportunities for my company.” (P8)

In terms of relationship building, the participants alluded to the fact that relationship building is crucial, and this is due to the fact that the banks will be present to guide and advise SMMEs through the process. The participants added that when opportunities arise, SMMEs are in a position to take advantage of them because of the knowledge that they possess that would have been transferred to them, which is pertinent towards successful business operations. Additionally, the participants indicated that through such partnerships and information sharing as well as the intendant knowledge transfer thereof, when instances arise when SMMEs require funding in other periods, they will therefore already have all their information on the system which will then make it easier for the banks to approve funding. This positively affects the advancement of the business prospects of SMMEs.

A summary of the extent of financing of SMMEs by banks is shown in Figure 4.2 below.

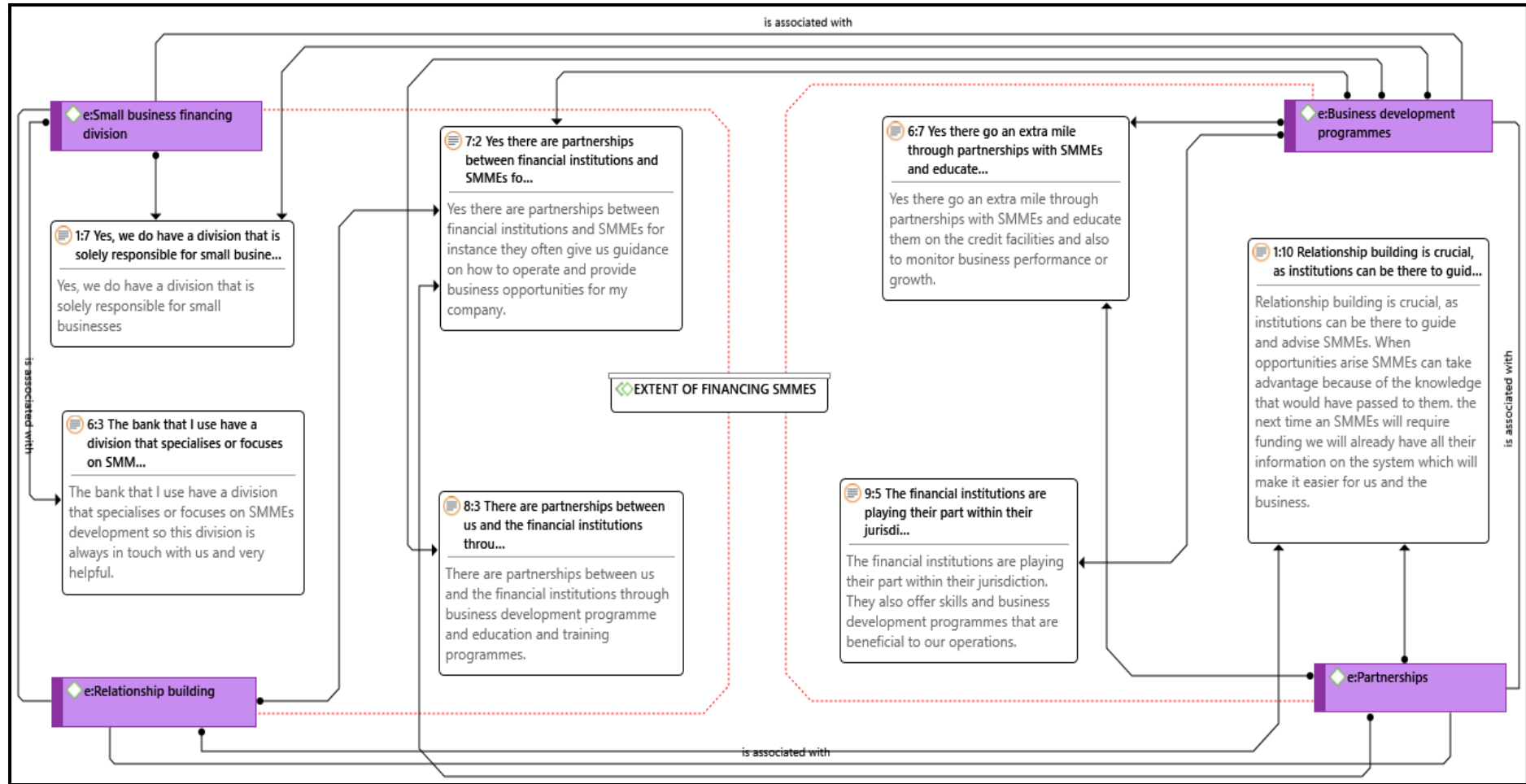


Figure 3: Banks' extent of financing SMMES network
 Source: Banks' extent of financing SMMES using ATLAS. ti.

4.3.3 SMMEs credit application challenges

This study also attempted to identify the difficulties SMMEs face while requesting financial institution credit. The subthemes that emerged from the analysis of data are collateral security, lack of financial assistance education, credit access regulations, qualifying criteria, stringent credit system, as well as stringent documentation requirements; and these will be discussed in this section.

4.3.3.1 Collateral security

The results revealed that collateral security is one of the challenges that SMMEs encounter when applying for credit from banks. Collateral security as a challenge emerged from the expressions of Participants 1, 4, 7 and 9 shown in the following excerpts bellow:

“They can put their property such as a car or house as collateral.” (P1)

“Because of lack of adequate collateral as a result of general conditions of poverty and limited resources which characterise SMMEs.” (P4)

“Collateral security and qualifying criteria make it difficult for SMMEs to access funding.” (P7)

“Some SMMEs will be not having the required collateral by the banks. The criteria that the banks use for accessing the funding makes the SMMEs struggle to access finance.” (P9)

In this study, the participants indicated that the lack of collateral security is an issue that is a severe obstacle towards the access to funding or credit. This implies that the SMMEs will not be in possession of adequate collateral to meet the standards or the stipulations of the banks. This lack of collateral security therefore has an adverse effect on the access of credit by the SMMEs as without such security, they are not eligible to access it, even though it will be needed for the sustainability or the growth of operations.

4.3.2.2 Lack of financial assistance education

It should be noted that lack of financial assistance education was noted to be an additional challenge that negatively affects SMMEs when applying for funding from banks. This issue emanated from the views of Participants 2, 3, 5 and 6 shown in the following excerpts bellow:

“Education. Small business owners might have the skill of identifying opportunities around, but what they lack is the education on how and when they can access financial assistance.” (P2)

“Currently, I do not know products or services that the banks offer to assist business development. (P3)

“No, they do not go an extra mile as many SMMEs to date do not have enough information regarding financial support from banks.” (P5)

“You have to put extra effort to know this as this information is not just readily available. You have to go to the bank and get information; otherwise, institutions do not have much to ensure awareness of the product and services. I think they just know that people will come looking for them.” (P6)

The participants demonstrated that SMMEs business owners might have the skill of identifying opportunities but lack the education and awareness on how and when they can access financial assistance. The participants further alluded to the fact that finance access information is not readily available, and also highlighted that the business owners have to go to the bank or financial institution to access information, otherwise there is not much done by the institutions to ensure awareness of the product and services. This therefore implies that such lack of awareness and financial access education marks a challenge in SMMEs efforts to access funding or credit.

4.3.3.3 Credit access regulations

The results also showed that credit access regulations are another challenge that is faced by SMMEs when accessing credit from banks. Credit access regulations as a challenge was aired by Participants 1, 2 and 3 as shown in the following quotations below:

“Regulators like NCA make it a lot difficult for small businesses to access funds because most of them will not have proper documentation when they come to us.” (P1)

“Financial institution should loosen up on their regulations towards small businesses especially those ones that are just starting. There are too many regulations which hinder us accessing financial assistance. If it was conducive for small business growth, we would have so many small businesses growing and employing a lot of people. If you look around, these small businesses are in survival mode. We are so struggling.” (P2)

“The problem with financial funding is the terms and conditions. Allowing agencies to fund my business is like I allow agencies to tell me how to operate my business. Taking money from banks to fund my business is like giving those institutions power to control me in my business.” (P3)

With regards to credit access regulations, the participants alluded to the fact that the regulators such as the National Credit Bureau make it difficult for small businesses to access funds due to the fact that most of the small businesses will not be having adequate documentation when they apply for funding. The participants also stated that there are too many regulations which hinder the SMMEs from accessing the financial assistance that they require. This therefore means that the credit regulatory environment is not enabling credit access to SMMEs, and this presents a serious challenge in the accessing of funding and towards achieving the growth prospects.

4.3.3.4 Qualifying criteria

One of the obstacles SMMEs must overcome in order to obtain loans from banking institutions is the qualifying criteria. The participants argued that because of the qualifying requirements, it is challenging for new businesses to obtain funding from banks for this purpose. As a result, banks are raising their requirements in order to limit the number of people who can obtain credit or loans. The participants further indicated that the qualifying criteria is a barrier to the access of funding due to the fact that it serves the interests of the banks and not that of the SMMEs. This therefore has ensured that the qualifying criteria established by the banks towards accessing credit is a barrier that is impeding access to credit by these entities the expressions of Participants 2, 3, 4, 6, 7, 8, and 9—which are depicted in the extracts below—proved this:

“They should not put small businesses and large established businesses on the same qualifying criteria.” (P2)

“The qualifying criteria makes it difficult for starters to get funding from banks for this purpose. Banks are setting qualifying criteria high so that only few people can qualify for credit or loans.” (P3)

“Yes, banks provide funding to SMMEs in terms of loans. However, SMMEs struggle to get funds from banks due to their qualifying requirements.” (P4)

“No qualifying criterion is a mammoth task.” (P6)

“Collateral security and qualifying criteria make it difficult for SMMEs to access funding.” (P7)

“Some SMMEs will be not having the required collateral by the banks. The criteria that are used by the banks for accessing the funding makes the SMMEs struggle to access finance.” (P8)

“The regulatory environment and the qualifying criteria are not SMMEs friendly as some of their requirements are even beyond our scope, but they still require you to comply with these to access the funding. The qualifying criteria do not make it easy. It’s like the qualifying criterion is a barrier to the access of funding because it serves the interests of the banks and not that of the SMMEs.” (P9)

4.3.3.5 Stringent credit system

The stringent credit system was also established as another challenge that is affecting access to credit among SMMEs. The stringent credit system emanated from the views of Participants 1, 2, 3, 4 and 7 as shown in the following extracts bellow:

“Our system that we use needs to change because you may find that a customer may apply for credit with us and it declines, yet the very same customer may go to another financial institution and gets approved.” (P1)

“It is so difficult to get funding from banks especially when you are a small business owner. There are too many things that they look for when you apply for funding and that just put us on the back foot.” (P2)

“The problem with financial funding is the terms and conditions. Allowing agencies to fund my business is like I allow agencies to tell me how to operate my business. Taking money from banks to fund my business is like giving those institutions power to control me in my business.” (P3)

“No, SMMEs have limited access to funds from banks which is a challenge that hinder their growth and development.” (P4)

“The credit system is so complex and there is no room for flexibility which presents a serious challenge to my business.” (P7)

On the issue of the stated stringent credit system, the participants indicated that it is difficult for them to get funding from banks, especially when they are a small business owner. The

participants also argued that there are too many aspects that banks consider when they are applying for funding, which adversely affects their efforts. The participants also indicated that the credit system is so complex and affords no room for flexibility; this therefore presents a serious challenge to the businesses in their efforts towards accessing funding. Hence the stringent credit systems are an impediment that are detrimental to the access of credit among SMMEs.

4.3.3.6 Stringent documentation requirements

The participants also alluded to the fact that stringent documentation requirements are another challenge that is affecting the SMMEs in their endeavours to accessing credit from banks. The participants also indicated that the documentation that is required by the banks is stringent, and that these may be difficult to provide in some instances. This implies that the stringent document requirements are a challenge that is affecting the SMMEs in accessing credit or funding from banks. Participants 1 and 2 expressed their views regarding stringent documentation requirements as shown in the following extracts below:

“For starters, they will need proper documentation. They will go to their banker and the banker will make them fill personal balance sheet, and assessment of sureties and submit the application together with the financial statement. Most of the applicants do not have proper documentation.” (P1)

“It is so difficult to get funding from banks especially when you are a small business owner. There are too many things that they look for when you apply for funding and that just put us on the back foot.” (P2)

Figure 4.3 below provides an overview of the difficulties SMMEs run against while requesting financing from banking institutions.

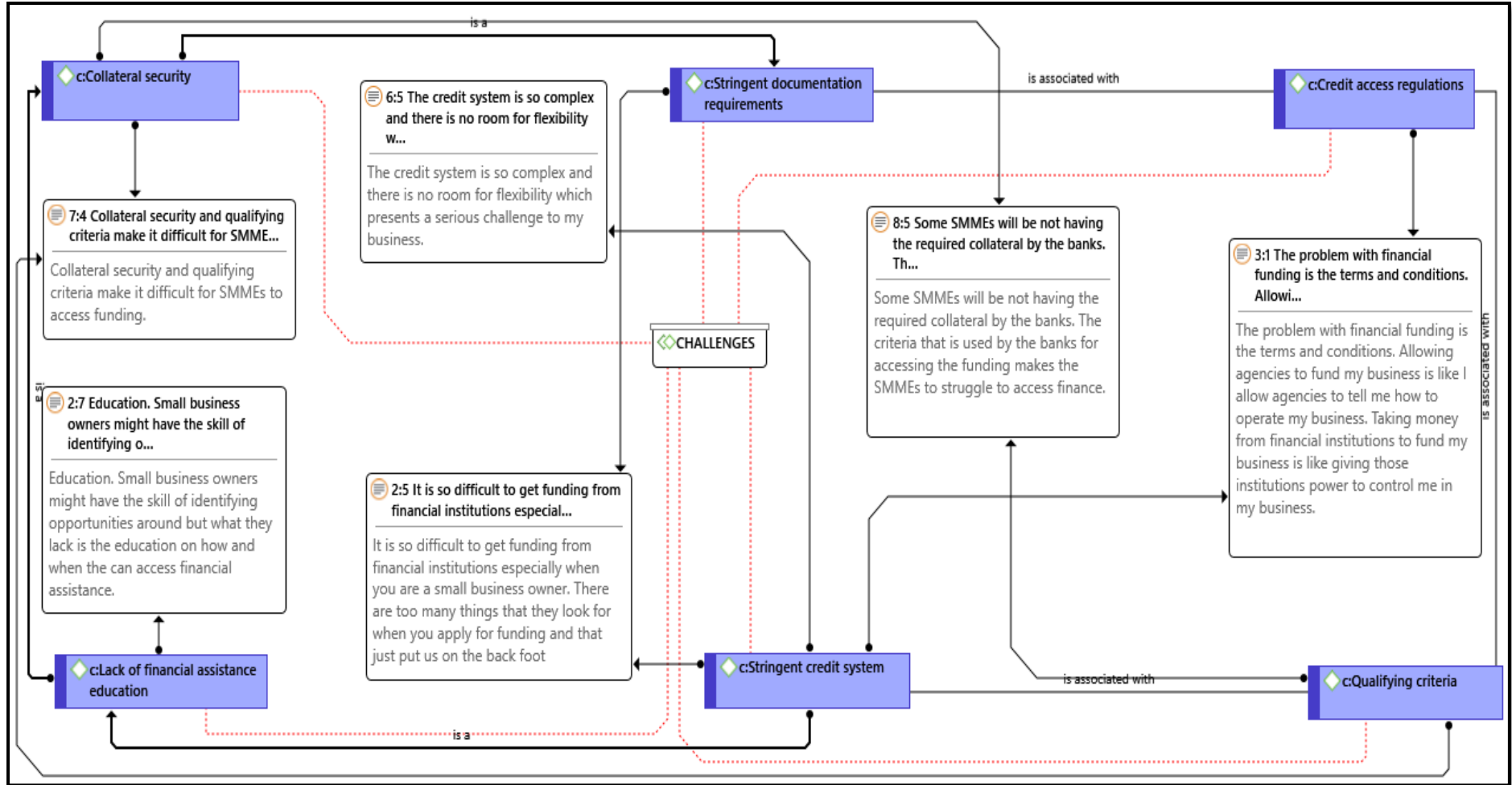


Figure 4: SMMEs credit application challenges network

Source: SMMEs credit application challenges using ATLAS.ti

4.3.4 Financial support effect on success of SMMEs

This study also concentrated on analysing how financial institution support impacts SMMEs' overall success. Business sustainability, business/local economy growth, and relationship building are the sub-topics that arose from the study of the data, and these will be highlighted in this part.

4.3.4.1 Business sustainability

This study showed that the financial support from banks is resulting in the business sustainability. This was grounded on the expressions of Participants 1, 2, 4 and 5 as shown in the following excerpts below:

“When the small business is sustainable enough that they do not depend on us for more financial assistance.” (P1)

“When my business (lodge) no longer relies on neither the banks nor government for funding.” (P2)

“A loan can assist in my business development.” (P4)

“Yes, recently Standard Bank, Mastercard and Google announced a collaboration to help SMMEs move their businesses online, accept digital payments and attract more customers.” (P5)

Considering the evidence presented above, it is pertinent to note that the participants argue that the financial support from the banks is resulting in enhancing the sustainability of these enterprises. This suggests that support is being offered by banks like Standard Bank, Mastercard, and Google, who recently established a partnership to assist SMMEs in moving their operations online, accepting digital payments, and gaining new clients. Such collaborative support results in sustainable operations, as well as and the provision of funding, improves the liquidity position of the businesses and which ultimately results in business sustainability.

4.3.4.2 Business/ local economy growth

Business and local economy growth was also established as an additional factor that the support of the banks has on the SMMEs success. The participants indicated that the financial support offered by the banks and the additional support beyond funding results in the business development or growth and this also ultimately results in the growth of the local economy. It

can therefore be concluded that the success of the SMMEs and the effect of the support thereof is evidenced by the business and economy growth. This was based on the views of Participants 1, 2 and 4 as shown in the following extracts below:

“Yes, as they have partnerships and programs that stimulate SMMEs development. e.g., the township economy program and by also looking at the number of small businesses we have on our books.” (P1)

“If it is used for its intended purpose, yes that funding will go a long way in developing our small businesses.” (P2)

“A loan can assist in my business development.” (P4)

4.3.4.3 Relationship building

Relationship building was evidenced to be another effect of financial support from banks on the overall success of SMMEs. The participants indicated that the banks are building strong relationships with them and this has been going a long way towards sustaining their businesses and also ensuring that they grow their businesses. This implies that the relationship building between the SMMEs and banks provides the premise for business growth and sustainability thereof. Participants 1, 2 and 7’s views pertaining relationship building are shown in the following quotations below:

“Relationship building is crucial, as institutions can be there to guide and advise SMMEs. When opportunities arise SMMEs can take advantage because of the knowledge that would have passed to them. the next time an SMMEs will require funding we will already have all their information on the system which will make it easier for us and the business.” (P1)

“Banks should go out there and collaborate with small businesses. It should not be all about making profits for them but rather the development of small businesses so that our regional economy can grow and develop our communities.” (P2)

“The banks are building strong relationships with us and this has been going a long way towards sustaining my business and also ensuring that we grow our business.” (P7)

A summary of the effect of financial support from financial institution on the overall success of SMMEs is shown in Figure 4.4 below.

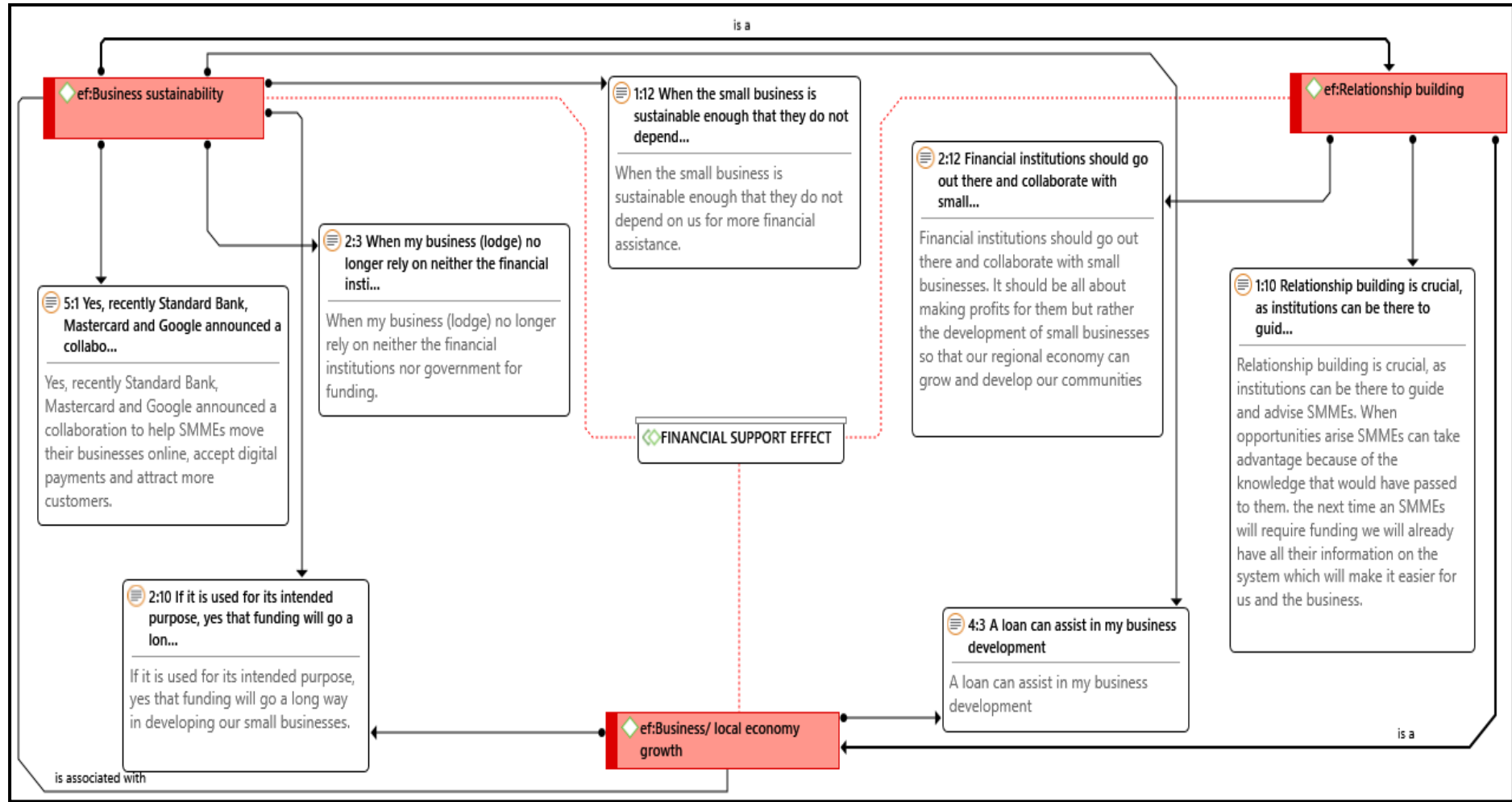


Figure 5: Financial support effect on success of SMMEs network

Source: Financial support effect on success of SMMEs using ATLAS ti.

4.4 Conclusion

In conclusion, this chapter has provided an interpretation of the findings from the data analysis. These outcomes matched the goals that were established for this study. So, this chapter served as a guide for achieving the study's goals. The results will be discussed in the following chapter.

CHAPTER 5: Discussions and findings

5.1 Introduction

The analysis and interpretation of the data that had been gathered were presented in the preceding chapter. It is important to discuss any overlaps or discrepancies between the current study's findings and those of earlier researchers. As a result, this chapter discusses the opinions of earlier researchers and how they relate to the results of this study.

5.2 Significance of financing SMMEs

The results of the study of data relevant to the importance of financing SMMEs are discussed in this section. Four sub-themes emanated from the analysis, and these are job creation, poverty alleviation, SMME development and SMME sustainability.

5.2.1 Job creation

The results showed that the financing of SMMEs is grounded on the notion that they create employment. This implies that the capacity of SMMEs to be able to create employment is enhanced by the availability of funding offered by banks. The conclusions of this study are supported by Abor and Quartely (2010), who mention that in South Africa, SMMEs contributed 57% to GDP and 61% of new jobs were created by these businesses. This therefore indicates that SMMEs are pivotal job creators within the country. Jili, Masuku and Selepe (2017) also corroborate with this study's findings by proposing that SMMEs play a critical role in ensuring the economic development of the provinces and the nation at large and account for the biggest job creators globally.

5.2.2 SMMEs development

The results also showed that the funding provided by the banks to SMMEs provides the basis for SMMEs' development, thus developing the operations of these enterprises. This aligns with the findings of Makwara (2019), who elucidated that provision of funding to SMMEs enables these ventures to take advantage of various opportunities in the market, which results in their sustainable development. Refiloe, Derera, McArthur and Ndayizigamiye (2020) also alluded to the fact that the provision of funding to SMMEs is imperative towards their development and growth thereof. Hence the findings of Makwara (2019) and Refiloe *et al.* (2020) align with this study findings.

5.2.3 Poverty alleviation

This research also revealed that when SMMEs create employment, they improve the standards of living within the society and ultimately contribute towards the alleviation of poverty which indicates the necessity of their funding. These findings align with those of Maduku and Kaseeram (2021), who alluded to the fact that SMMEs are an effective strategy that is being utilized with the focus of alleviating poverty in the country. Aligning with this study's findings, Wiid and Cant (2021) highlight that funding SMMEs is necessitated by the role that they play in the alleviation of poverty, especially in townships.

5.2.4 SMMEs sustainability

This study revealed that the funding of SMMEs is also rationalised by the need to ensure the sustainability of these ventures. Refiloe *et al.* (2020) alluded to the fact that the provision of funding to SMMEs is critical towards their development and growth thereof, which provides the basis for their development. Jili *et al.* (2017) also share the same sentiments indicating that the funding of SMMEs is a pathway to their sustainability. Hence this study's findings corroborate those of Refiloe *et al.* (2020) and Jili *et al.* (2017).

5.3 Banks' extent of financing SMMEs

This section provides a discourse on the results pertaining to the extent of financing of SMMEs by banks. The sub-themes that will be discussed are business development programmes, partnerships, small business financing division and relationship building.

5.3.1 Business development programmes

The findings showed that banks are providing educational programmes to SMMEs entrepreneurs. These programmes focus on the provision of knowledge to entrepreneurs towards operating sustainable entities. Concurring with this study's findings, Joseph, Obikaonu, Ariolu, Nwolisa and Aderohunmu (2021) elucidated that the efforts by banks to provide support programmes for SMMEs provide the basis for taking advantage of market opportunities proactively and effectively. This therefore also aligns with the views of Manzoor, Wei and Sahito (2021) who indicated that business development programs targeted at SMMEs provide the basis for sustainability.

5.3.2 Partnerships

This study revealed that banks are partnering with SMMEs towards their migration to digital entrepreneurship or online business and accepting digital payments, which serves in enhancing these ventures' market positioning. Rangwetsi (2021) elucidated that banks are also using partnerships as a funding model towards SMMEs. These findings contradict the findings of this study as this study found the partnerships in the context of support partnerships which are grounded on having a stake in the entity as a hinderance. This implies that this contradicts the assertions of Rangwetsi (2021).

5.3.3 Small business financing division

This study revealed that the banks servicing the entrepreneurs who participated in this study have a division that is solely responsible for small businesses, which contribute to the development of their entrepreneurial efforts. Jiang, Kang, Liu, Liang, Duan, Sun and Liu (2022) corroborate with this study in elucidating that the support division within most commercial banks provides the basis for SMMEs to be provided with the necessary resources and assistance towards attaining their desired goals. Farisani (2022) also alluded to the fact that the support networks provided by the banks' divisions for SMMEs development capacitate these entities for further development and quicker assistance.

5.3.4 Relationship building

It should be noted that this study found that banks provide guidance and advice to SMMEs in their relationship-building efforts. The relationship-building mechanisms include knowledge transfer programmes, which also enable the SMMEs to pursue opportunities profitably, owing to the knowledge that they would have obtained from the knowledge transfer mechanisms from these entities. Joseph, Obikaonu, Ariolu, Nwolisa and Aderohunmu (2021) indicated that the efforts by banks to provide support programmes for SMMEs provide the basis for taking advantage of market opportunities proactively and effectively. This aligns with the findings of this study.

5.4 SMMEs credit application challenges

This section provides a discussion relating to the challenges SMMEs encounter when making a credit request to a financial institution. The challenges identified in this study are collateral security, lack of financial assistance education, credit access regulations, qualifying criteria, stringent credit system and stringent documentation requirements.

5.4.1 Collateral security

This research found that most SMMEs do not have the required collateral security that aligns with the set standards of the banks, which has a detrimental impact on the entity's ability to access funding. Tshuma (2022) hypothesized that SMMEs' access to start-up finance and the money needed to pay for ongoing work is negatively impacted by the lack of collateral security. Paya (2022) is of the view that a lack of collateral security negatively affects fashion entrepreneurs in Botswana. This demonstrates that SMMEs confront a significant obstacle when trying to apply for credit: a lack of collateral security.

5.4.2 Lack of financial assistance education

Lack of financial assistance education was found to be another challenge that SMMEs encounter when they are applying for funding. This is grounded on the notion that adequate finance access information is not just readily available and this is owing to the lack of education and awareness on how and when SMMEs can access such assistance. Joseph *et al.* (2021) elucidated that the efforts by banks to provide support programmes for SMMEs provide the basis for taking advantage of market opportunities proactively and effectively and the lack of these efforts negatively affects the awareness of their services and failure to take advantage of the opportunities. This implies that the findings of Joseph *et al.* (2021) align with this study.

5.4.3 Credit access regulations

Credit access regulations are another challenge where the regulatory environment and National Credit Bureau make it difficult for small businesses to access funds due to the fact that most of the SMMEs will not have proper documentation when applying for funding. This results in entrepreneurs failing to access the funding. These findings concur with those of Tshuma (2022), who elucidated that the credit regulatory environment is an obstacle towards access to funding by SMMEs as its set conditions that are more favourable to the lender than to the borrower.

5.4.4 Qualifying criteria

The findings also revealed that the credit qualifying criteria make it challenging for start-ups to get funding from banks as they are setting qualifying criteria so high that only a few people

can qualify for credit or loans, and this ultimately serves the interests of the banks and not that of the SMMEs. Qualifying criteria as a challenge in accessing funding was also found by Van der Spuy and Antonites (2022), who elucidated the fact that the qualifying criteria that are set by some of the banks do not create an environment that makes it easier for SMMEs to receive funds and therefore have a detrimental impact on their funding access efforts.

5.4.5 Stringent credit system

The stringent credit system is another challenge that makes it difficult for SMMEs to access funding from banks as there are too many aspects that the institutions consider when the entrepreneurs are applying for funding, and this adversely affects their efforts. This also aligns with Tshuma (2022), who highlighted that the credit regulatory environment is an obstacle towards the access to funding by SMMEs as its sets conditions to be more favourable to the lender rather than to the borrower. This also aligns with the findings of Van der Spuy and Antonites (2022) who indicated that the credit system within the financial institution dictates what has to be done and how it has to be done and there is no room for flexibility, based on the needs of the SMMEs, which is then detrimental to accessing funding by these entities.

5.4.6 Stringent documentation requirements

The perception on the documentation requirements is grounded on the notion that the banks are setting stringent requirements and it is proving to be difficult to provide those; and this is resulting in SMMEs failing to access credit owing to the lack of those required proper documentation. Aligning with the findings of this study, Tshuma (2022) and Van der Spuy and Antonites (2022) argue that the documentation required by the banks is stringent and cannot be understood by a layman, and thus this is making it difficult for the SMMEs to address these requirements effectively. Hence stringent documentation requirements pose a threat to credit or funding applications by the SMMEs.

5.5 Financial support effect on the success of SMMEs

The impact of financial support from banks on the general success of SMMEs is discussed in this section. The impact of financial support was based on connection building, business/local economic growth, and business sustainability.

5.5.1 Business sustainability

This study found that the financial support provided to SMMEs results in sustainable operations and provision of funding which improves the liquidity position of the businesses which ultimately results in business sustainability. In line with this study's findings, Refiloe *et al.* (2020) indicated that the provision of funding to SMMEs is imperative towards their development and growth thereof, which provides the basis for their development. Jili *et al.* (2017) also concur with Refiloe *et al.* (2020) indicating that the funding of SMMEs is a pathway to their sustainability. Hence these authors' findings corroborate with those of this study indicate that the provision of financial support to SMMEs provides the premise for sustainable operations (Refiloe *et al.*, 2020; Jili *et al.*, 2017).

5.5.2 Business/ local economy growth

The financial support offered by the banks and the additional support beyond funding results in business development or growth and this also ultimately results in the growth of the local economy. Bolosha, Sinyolo and Ramoroka (2022) elucidated that the SMMEs are the drivers of economic growth in the nation and the provision of funding enables them to expand to other markets and ensure that business expansion is realised. This also aligns with Maduku and Kaseeram (2021) who alluded to the fact that SMMEs are an effective strategy that is being utilized with the focus of alleviating poverty and contributes immensely to the development of the local economy.

5.5.3 Relationship building

The findings showed that banks are building strong relationships with SMMEs, which immensely contributes towards sustaining their businesses and also ensuring that they grow their businesses. Corroborating with the findings of this study, Joseph *et al.* (2021) indicated that the efforts by banks to offer support programmes for SMMEs provide the basis for taking advantage of market opportunities proactively and effectively.

5.6 Conclusion

In conclusion, this chapter has offered a discussion of the findings from the research. This chapter has provided a discussion of the parallels and differences between the study's findings. The conclusions and suggestions for additional research are presented in the following chapter.

CHAPTER 6: Conclusions and recommendations

6.1 Introduction

The primary goal of the study, which was hinted at in Chapter 1, is to ascertain how banks contribute to the growth of SMMEs in the vicinity of the Vhembe District Municipality. The introduction and context, literature review, methodology, data analysis, interpretation, and discussion of the findings were all covered in the earlier chapters. The study's results and recommendations are presented in this chapter. The following is how the study's problem statement was presented in Chapter 1:

Access to capital, especially bank financing, is essential for the growth of the SMME sector given the significance of the banking industry in this market. According to firm-level data gathered by the World Bank, one of the biggest barriers to doing business is regarded to be access to financing (Azeref & Gelagil, 2018). Studies have indicated that access to funding negatively impacts the expansion of the SMMEs sector more than that of large enterprises, and that financing is a greater barrier for SMMEs than it is for large firms, particularly in the developing world (Azeref & Gelagil, 2018). SMMEs in the Vhembe District municipality continue to confront considerable difficulties despite all the efforts made by the South African government to enhance and deepen the contributions of SMMEs to the economy. According to research, more than 70% of SMMEs lack access to medium-term financing, which leads in a funding gap of more than 140 billion US dollars in Africa alone, according to the African Development Bank (Gyimah & Agyeman, 2019).

According to Bushe (2019), South African SMMEs experience an extremely high percentage of company failure. According to estimates, 40% of all new enterprises in the nation fail within their first year of operation, 60% do so within their second year, and 90% do so within their first ten years. The 2012 Global Entrepreneurship Monitor (GEM) report, which noted that the survival rate for local start-up enterprises in South Africa is low by worldwide standards, supports the low survival rate. Despite the government's efforts and new initiatives, Mr. Rob Davies, the former minister of trade and industry, stated that over 70% of South African SMMEs fail in their first year, which is among the highest failure rates globally (Botha, Smulders, Combrink and Meiring, 2020). There are several causes for these failures, and numerous authors have noted the difficulties. Access to financing by SMMEs from banks is one of the difficulties. The South African Reserve Bank's data on bank statistics show that, as of the end of 2017, 28% of all company loans were made to SMMEs. Although the vast majority of

SMMEs state they do not borrow from banks, especially banks, the low level of SMME funding appears to be caused by the demand side (OECD, 2020).

There are numerous sources of finance available to SMMEs, according to several literature evaluations (Rungani & Potgieter, 2018). Yet, due to the lack of access, it is impossible to say with any degree of certainty whether the financing on hand is adequate to meet the demands of the SMMEs in Vhembe and the nearby rural areas. Further research is required in this area to determine the precise funding needs of the SMME sector and if the current financing fits those needs (Rungani & Potgieter 2018). As a result, promoting SMEs' sustainability through expanding their access to financing sources is essential to promoting overall economic sustainability (Batrancea et al., 2018).

There is a financial deficit for SMMEs, according to the research. The term "funding gap" describes the lack of funding for good SMMEs who would otherwise be entitled to financial access during their start-up phase and beyond (Mutezo, 2015). Many of these tiny enterprises have strong business plans and significant room for expansion, but banks won't provide them credit. Due to their undercapitalization, SMMEs with funding gaps are frequently unable to afford audited financial statements. Several SMMEs in the Vhembe district rely increasingly on self-funding through personal savings, donations from family and friends, loans from friends, and retained earnings due to the difficulties in obtaining financing from banks. It is still unclear why SMMEs in the Vhembe district region still struggle to obtain financing from banking institutions despite 27 years of democracy. The implication is that SMMEs don't always have access to enough loans to cover their expenses at various stages of growth. In light of this, the current study aims to ascertain the impact banks have on the growth of SMMEs through financial access.

This led to the formulation of the research objectives as follows:

Objective 1: To determine the significance of financing SMMEs by banks in the Vhembe District Municipality area.

Objective 2: To analyse the extent of financing of SMMEs by banks in the Vhembe District Municipality area.

Objective 3: To determine the challenges SMMEs encounter when applying for credit from banks.

Objective 4: To examine the effect of financial support from the financial institution on the overall success of SMMEs in Vhembe District Municipality.

Subsequently, the research questions were formulated as follows:

Research question 1: How significant is the financial support for SMMEs development?

Research question 2: To what extent are banks involved in SMMEs financing?

Research question 3: What are the challenges that SMMEs encounter when seeking financial assistance?

Research question 4: What impact does financial support from banks have on the overall success of SMMEs in Vhembe District Municipality?

This chapter focuses on providing the conclusion on the research objectives emanating from the analysis and interpretation of data.

6.2 Conclusion on research objectives

The research objectives are summarized in this section.

6.2.1 Conclusion on the significance of financing SMMEs

With regards to Objective 1: To determine the significance of financing SMMEs by banks in the Vhembe District Municipality area, this study revealed that the significance of financing SMMEs is grounded on job creation, poverty alleviation, SMME development and SMME sustainability. Within the context of job creation, the study found that SMMEs are pivotal job creators within Vhembe District and South Africa at large. The job creation aspect of SMMEs is enhanced by the provisions of funding by the banks or banks which also contribute towards maintaining their sustainable operations. Additionally, the significance of financing SMMEs by banks was also evidenced within the context of SMMEs development. The findings showed that the funding provided by the banks to SMMEs provides the basis for SMMEs' development, thus developing the operations of these enterprises. This also results in the sustainability of these enterprises as the availability of the funding provides the basis for enhanced liquidity of these enterprises. This therefore means that the development of SMMEs is another significance for the funding of SMMEs by banks.

In addition, the findings have revealed that poverty alleviation is another positive outcome of the significance of financing SMMEs. This implies that when SMMEs create employment, they improve the standards of living within society, and ultimately contribute towards the alleviation of poverty. The significance of financing SMMEs by banks was also established to be grounded on SMMEs' sustainability. This means that funding assistance offered by banks provides the basis for businesses to develop their operations and enhances business sustainability. Hence this study has found that indeed the significance of financing SMMEs by banks in the Vhembe District Municipality area is grounded on job creation, poverty alleviation, SMME development and SMME sustainability.

6.2.2 Conclusion on banks' extent of financing SMMEs

In terms of Objective 2: To analyse the extent of financing of SMMEs by banks in the Vhembe District Municipality area, this research found that the extent of financing of SMMEs is evidenced by business development programmes, partnerships, small business financing division and relationship building. The findings showed that in the context of business development programmes, banks are providing educational programmes targeted towards boosting the knowledge base of the entrepreneurs regarding business operations and business opportunities, which results in sustainable business operations and growth. Regarding partnerships, the findings showed that the banks are partnering with the SMMEs towards their migration to digital entrepreneurship or online business and accepting digital payments. This has resulted in the SMMEs being better positioned and enhancing their capacity to attract more customers, which in turn increases their customer base and market share thereof.

Furthermore, small business financing is another positive indication of the extent to which banks are committed to financing SMMEs. This study therefore revealed that the banks servicing the entrepreneurs who participated in this study have a division that is solely responsible for small businesses. This division contributes towards the development of the small business as it keeps in touch with the entrepreneurs or business owners to ensure that they are on track and have the support they require towards operating their businesses. This ultimately results in sustainable business operations. Concerning relationship building, this study found that banks provide guidance and advice to SMMEs. This in turn enhances the ability of the entrepreneurs to take advantage of opportunities in this market, owing to the knowledge transfer from banks, which is pertinent towards successful operations. Hence this

study found that the extent of financing of SMMEs is evidenced by business development programmes, partnerships, small business financing division and relationship building.

6.2.3 Conclusion on SMMEs credit application challenges

Pertaining Objective 3: To determine the challenges SMMEs encounter whenever requesting credit from a financial institution, the study revealed that these challenges are collateral security, lack of financial assistance education, credit access regulations, qualifying criteria, stringent credit system and stringent documentation requirements. Concerning collateral security, it was determined that a lack of collateral security that meets the set standards of banks adversely affects the eligibility of SMMEs to access credit. Failure to access credit has a detrimental impact on the overall operations of these businesses. Lack of financial assistance education is another challenge where adequate finance access information is not readily available. This is owing to the lack of education and awareness on how and when SMMEs can access such assistance. This has an unfavourable effect on the overall accessibility of funding by SMMEs.

Additionally, it was demonstrated that the National Credit Bureau's regulations and the regulatory environment make it difficult for small businesses to access funding because most of them lack the necessary paperwork when they apply for funding. This makes it difficult for small businesses to access credit. This is also enhanced by the lack of requirements awareness among entrepreneurs due to the lack of awareness programs by some banks. Qualifying criteria is another challenge that makes it difficult for start-ups to get funding from banks as banks are setting qualifying criteria high, which is resulting in only a few enterprises qualifying for credit or loans.

Furthermore, the stringent credit system is another challenge uncovered in this research. The credit system is so complex and leaves no room for flexibility, which presents a serious challenge to the businesses towards accessing funding. This stringent credit system has a negative impact on the overall sustainable operations of enterprises. Stringent documentation requirements are another challenge and most of the SMMEs are failing to access credit owing to the lack of proper documentation, which is rationalised by the stringent documentation requirements of these institutions. This therefore means that the stringent credit system, combined with stringent documentation requirements is a challenge among SMMEs that adversely affects their credit application and access thereof. Thus, this study concludes that

the credit application challenges faced by SMMEs are collateral security, lack of financial assistance education, credit access regulations, qualifying criteria, stringent credit system and stringent documentation requirements.

6.2.4 Conclusion on financial support effect on the success of SMMEs

Regarding Objective 4: To examine the effect of financial support from the financial institution on the overall success of SMMEs in Vhembe District Municipality, the findings indicate that the effect manifests as business sustainability, business/ local economic growth and relationship building. Regarding business sustainability, it was revealed in this study that financial support provided to SMMEs results in sustainable operations and provision of funding, which improves the liquidity position of the businesses and this ultimately results in business sustainability. Additionally, the financial assistance offered by the banks and the additional support beyond funding such as education programs results in enhanced business development. This also ultimately results in the growth of the local economy. This shows that business/ local economy growth marks the effect of financial support from the financial institution on the overall success of SMMEs.

Moreover, the effect of financial support from the financial institution on the overall success of SMMEs was evidenced through relationship building. Within the context of relationship building, the findings showed that banks are building strong relationships with SMMEs which immensely contributes towards sustaining their businesses and also ensuring that they grow their businesses. Relationship building provides the premise for sustainable business operations and success thereof. Hence, the effect of financial support from banks on the overall success of SMMEs is evidenced by business sustainability, business/ local economic growth and relationship building.

6.3 Conceptual model

The following conceptual model shows that the banks are playing a role in financing SMMEs grounded on the rationale of financing SMMEs thus job creation, poverty alleviation, SMMEs development and SMMEs sustainability. The model also shows the significance of financing SMMEs which rationalises the extent of financing SMMEs as evidenced by business development programmes, small business financing division, relationship building and partnership. The model also shows that the extent of financing SMMEs is impeded by stringent documentation requirements, lack of financial assistance education, credit access regulations,

qualifying criteria, stringent credit system and collateral security. Furthermore, the model also shows that the challenges may be outweighed by the financial support effect on SMMEs' success, thus relationship building, business/local economic growth and business sustainability. The model is shown in Figure 6.1 below.

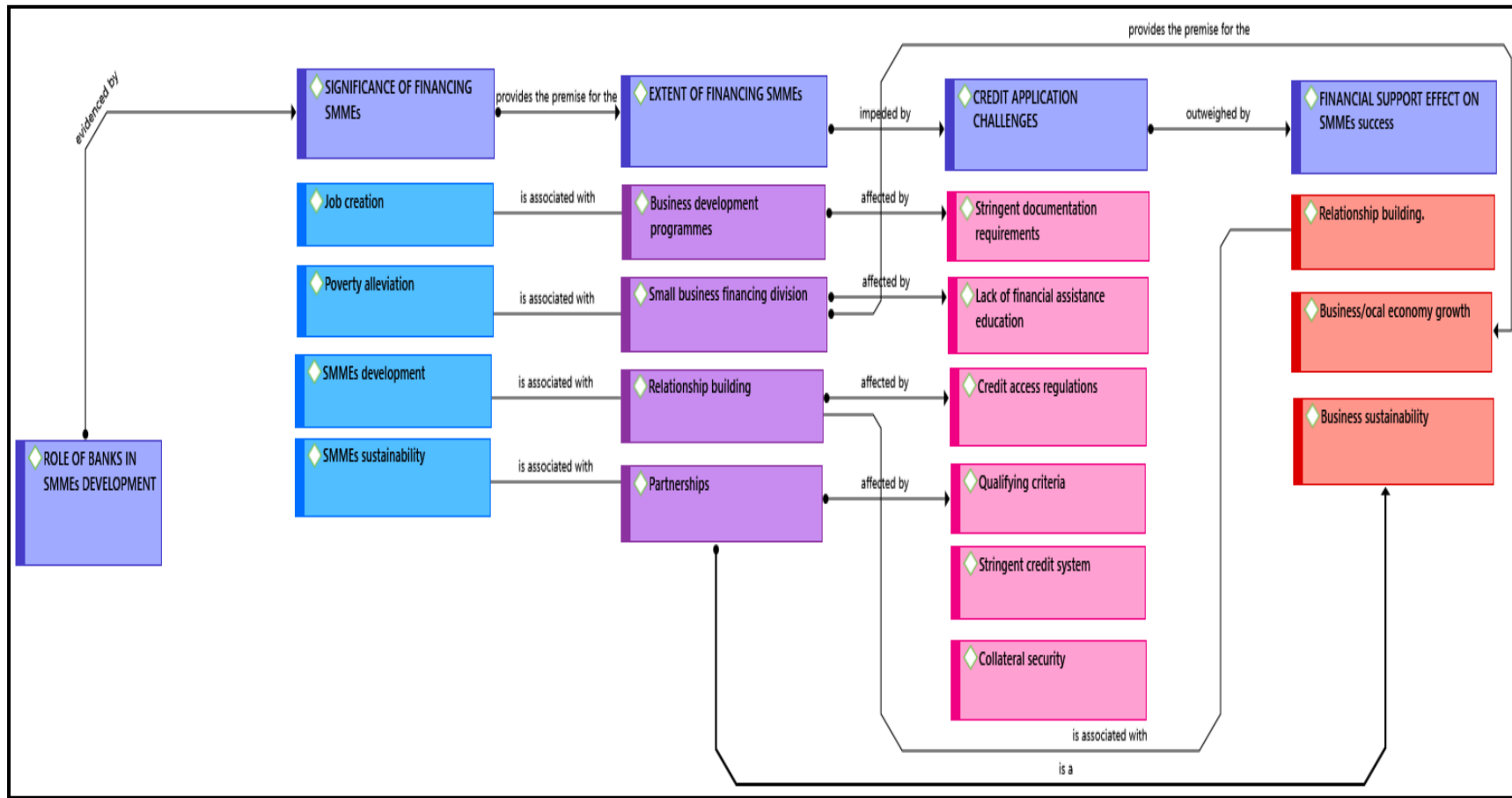


Figure 6: Conceptual model

Source: Researcher’s own construct using ATLAS.ti.

6.4 Recommendations

This study makes the following suggestions:

- i. Banks should provide programmes or workshops or information sessions with enterprises and provide information regarding the various credit services or plans they have and the requirements thereof.
- ii. Policymakers and banks should create an enabling environment for SMMEs to be able to access funding with limited stringent regulatory requirements.
- iii. Entrepreneurs should make every effort to gather the information regarding the credit or funding they require from the financial institution of their choice. Information gathering is pivotal towards making informed decisions.
- iv. Entrepreneurs must be involved in credit policy formulation, which will lead to informed/consultative policy.

6.5 Limitations of the study

The conclusions of this study, which examined the influence of banks in the growth of SMMEs around the Vhembe District Municipality, cannot be applied to other Districts in Limpopo, South Africa, or elsewhere. Yet, with great caution, some inferences could be drawn from the results. Due to the qualitative methodology used in this study, only a tiny sample was examined.

6.6 Directions for future research

The researcher advises that comparable studies be carried out in other South African provinces to compare or contrast the results when drawing general implications for use in other scenarios. The researcher advises that a comparable study be carried out, but that it should concentrate on employing a quantitative technique in order to reach a larger sample. A comparable study might also be carried out in several districts around South Africa and elsewhere.

6.7 Conclusion

In summary, this chapter has offered the conclusion regarding the study's objectives. The conceptual model, suggestions, study constraints, and research directions for the future have

all been offered. This chapter marks the end of the research project and so brings the research to a close.

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APPENDIX 1: Letter of entry

Dear Sir/Madam

PERMISSION TO COLLECT DATA FOR MASTER OF COMMERCE THESIS

I, Khamusi Ramudingane a student for Master of Commerce in Business Management request your permission to collect data. My research topic is “The role of banks on SMMEs development in Vhembe District Municipality area”. The objective of this study is to assess the significance of financing and the challenges faced by SMMEs when accessing funds from banks in Vhembe District Municipality area.

I promise to observe any confidentiality requirements regarding any information available to assist me in this study which requires your personal experiences and personal views. I will give copies of a study report upon completion of the studies if required.

Hoping you will find this in order.

Yours Faithfully

Ramudingane K

Student Number: 11561087

e-mail: khamusiramudingane@gmail.com

APPENDIX 2: Interview guide for SMMEs

1. The significance of financing of SMMEs by banks.
 - a) What type of assistance will you need to grow your business?
 - b) What in your opinion is the best way to improve access to funds for SMMEs?
 - c) How will you define and measure SMMEs development?
 - d) Are there any collaborations or partnership between SMMEs and banks?
 - e) How do you know of the products/services that banks offer that may assist in your business development?

2. The extent of financing of SMMEs by banks.
 - a) Would you say that banks are doing enough to fund SMMEs?
 - b) Would you say that their qualifying criteria makes it easy to fund SMMEs?
 - c) Do you think that banks go an extra mile to educate and inform SMMEs about credit facilities that they have?
 - d) Is the banks regulatory environment conducive for SMMEs growth and development?

3. Challenges SMMEs encounter when applying for credit from financial institution.
 - a) Why do you think SMMEs continue to struggle to gain access to finance?
 - b) What do you think financial institution should do to simplify SMMEs access to funds?
 - c) What are the critical challenges your firm is facing in doing business?
 - d) Have you ever been discriminated against by financial institution when applying for funding based on age, gender etc.?
 - e) What are the factors that hinder your business to access credit from financial institution?

4. The effect of financial support from financial institution on the overall success of SMMEs.
 - a) Is the funding offered by banks effective on the SMMEs development?
 - b) Which is your preferred source of business finance?
 - c) Do you think that SMMEs that receive financial assistance are better positioned to grow and be sustainable?
 - d) Are there any other comments and/or remarks, pertinent to the research that you wish to add?

APPENDIX 3: Ethics Approval Certificate

ETHICS APPROVAL CERTIFICATE
OFFICE OF THE DIRECTOR

RESEARCH AND INNOVATION

NAME OF RESEARCHER/INVESTIGATOR: Mr K
Ramudingane

STUDENT NO:
11561087

**PROJECT TITLE: The role of banks on SMMEs
development in Vhembe district
municipality.**

ETHICAL CLEARANCE NO: SMS/21/BMA/02/0308

SUPERVISORS/ CO-RESEARCHERS/ CO-INVESTIGATORS

NAME	INSTITUTION DEPARTMENT	ROLE
Mr TR Netshilinganedza	University of Venda	Supervisor
Dr LG Nkondo	University of Venda	Co - Supervisor
Mr K Ramudingane	University of Venda	Investigator — Student

Type: Masters Research

Risk: Risk to humans, animals, environment, or a sensitive research area (Category 3)

Approval Period: August 2021 — August 2023

The Research Ethics Social Sciences Committee (RESSC) hereby approves your project as indicated above.

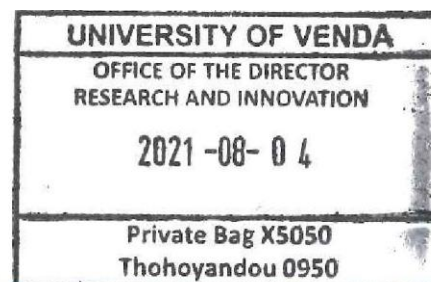
General Conditions

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, please note the following.

- The project leader (principal investigator) must report in the prescribed format to the NEC:

Name of the RESSC Chairperson of the Committee: Prof Takalani Mashau

Signature:

- Annually (or as otherwise requested) on the progress of the project, and upon completion of the project
- Within 48hrs in ease of any adverse event (or any matter that interrupts sound ethical principles) during the course of the project. -
- Annually a number of projects may be randomly selected for an external audit

- The approval applies strictly to the protocol as stipulated in the application form. Would any changes to the protocol be deemed necessary during the course of the project, the project leader must apply for approval of these changes at the REC. Would there be deviated from the project protocol without the necessary approval of such changes the ethics approval is immediately and automatically forfeited,
 - The date of approval indicates the first date that the project may be started. Would the project have to continue after the expiry date; a new application must be made to the REC and new approval received before or on the expiry date.
 - In the interest of ethical responsibility, the REC retains the right to:
 - Request access to any information or data at any time during the course or after completion of the project,
 - To ask further questions; Seek additional information; Require further modification or monitor the conduct of your research or the informed consent process.
 - withdraw or postpone approval if:
 - Any unethical principles or practices of the project are revealed or suspected.
 - It becomes apparent that any relevant information was withheld from the REC or that information has been false or misrepresented. –
 - The required annual report and reporting of adverse events was not done timely and accurately,
 - New institutional rules, national legislation or international conventions deem it necessary
-

ISSUED BY:
UNIVERSITY OF VENDA, RESEARCH ETHICS COMMITTEE Date
Considered: July 2021