Gordon Institute of Business Science
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Identifying the appropriate financing vehicles for healthcare providers in South Africa

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Abstract

This research paper aims to find the financing vehicles that are best suited for a healthcare business. It proposes distinguishing the financing vehicle that will be suitable to both finance applicants and finance providers in the private and public sectors. The study aims to create congruencies between the two sectors in resolving their common goal of improving the healthcare crisis in South Africa. Through in-depth face to face interviews using the open-ended approach of grounded theory, practical insights suggested equity-based financing as the most appropriate vehicle of finance based on the preference of avoiding start-up debt, removing the pressure of business performance to repay debt, and to maintain control of their business. The research approach narrowed the results to urban professionals predominantly in the private sector with no input from the banks, leaving room for further study to provide a balanced view. Innovations in the financial sector's vehicles of financing are paramount to bring together private and public sectors thereby alleviating the pressure on the public healthcare system and for the improvement of the health of the South African population. This study indicates the practical solution that can be applied to providing an environment in which business and government can work together to solve for a common objective.

Key Words: Healthcare, Financing Vehicles, SMEs, Public Private Partnerships (PPPs), South African Healthcare

Declaration

I declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Table of Contents

Table of Figures and Tables

CHAPTER 1
INTRODUCTION

1.1 Background to the Research Problem

Financial institutions have long existed to provide finance to entrepreneurs and support government initiatives in all economic sectors. The various forms of financing have been tailor-made to address the complexities of projects, types of businesses and enable viability for all stakeholders involved. South Africa is currently facing a healthcare crisis, with 6 400 000 people living with HIV/AIDS and a high prevalence of non-communicable diseases. Both the public and private sectors should explore valuable and relevant solutions to address this problem (Whiteside & Rotberg, 2014).

Kinfu (2013) in analyzing the efficiency of the health system in South Africa claimed that in order to address the health outcomes in the country meaningfully, two effective ways have to be considered namely; to address existing inefficiencies, and to address the capacity to invest additional resources in communities where these services are already inadequate. Mayosi and Benatar (2014) further elaborated and identified short to long-term challenges that need to be addressed which are, disparities in wealth, health and education, improved access to sustainable and effective health care services and the strengthening of public health care services. This research will provide insight on the previous or if any existing financing vehicles utilized by healthcare providers and applicants to establish working relationships in the private and public sectors to address the challenges established by Kinfu (2013) and clearly defined by Mayosi and Benatar (2014) for South Africa.

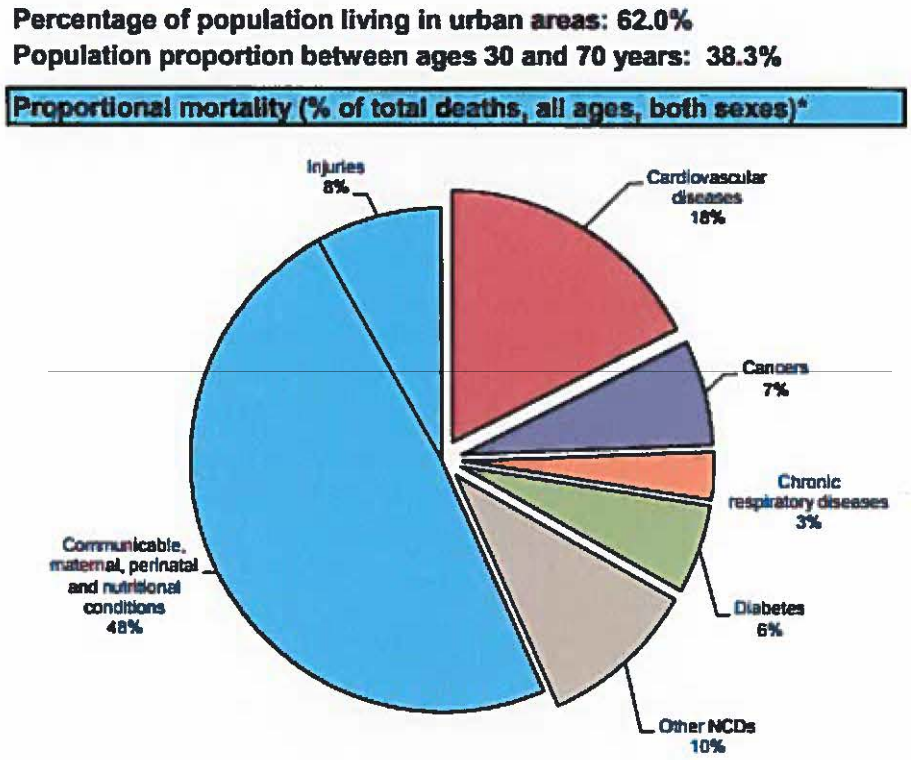
1.2 Definition of Problem and Research Purpose

In developing countries such South Africa, preventable diseases still occur at a high rate while the prevalence of communicable and non-communicable diseases result into much needed intervention in the provision of healthcare. Africa's weak health system for example is not coping with the task of treating amongst others the youth in the lower living standard measure (LSM) who are the most affected (Kenge, Mchiza, Amoah, & Mbanya, 2013). To achieve this, players from both the private and public sector are required to work together in building facilities and practices necessary for healthcare services.

Recent trends have identified that the main hindrance to investing and funding innovative construction projects is in actually finding the best financing vehicle for it (Chirkunova, Kireeva, Kornilova, & Pschenichnikova, 2016). This research will therefore endeavor in identifying solutions that the public sector in partnership with the private sector can utilise and in the long-term to build strong domestic institutions that will raise domestic funds and also that the funds are used efficiently (Stallworthy, Boahene, Ohiri, Pamba, & Knezovich, 2014)

Non-communicable diseases (NCDs) include coronary heart disease, stroke, type 2 diabetes mellitus, cancer (lung, colon, cervical and breast), chronic obstructive pulmonary disease and chronic kidney disease. Communicable diseases are the common cold, flu, hepatitis, strep throat, tuberculosis, chicken pox, scabies, crabs while sexually communicable diseases are HIV/AIDS sexually transmitted diseases (STDs) and some forms of herpes. According to the World Health Organisations (WHO), (2014), 43% of South Africans across all age groups and both genders die from non-communicable diseases as shown on the figure below (Riley & Cowan, 2014).

Figure 1 Non-communicable Diseases Country Profile 2014 (Riley & Cowan, 2014)



1.3 The Health Problem in South Africa

According to Mayosi and Benatar (2014) the healthcare crisis is caused by the fact that the top 10% of South Africans earn 58% of the total annual national income; whereas the bottom 70% combined earn a mere 17%. These disparities are incompatible with improvements in population health. Approximately, 16% of South Africans have private health insurance providing them with access to health care from 70% of doctors who work full-time in the private sector (Mayosi & Benatar, 2014). As a result, a majority of the population in South Africa are left uninsured and without access to the sufficient healthcare. Thus this situation highlights the urgent need to address the health and well-being of all South Africans.

Over 20 years after the end of apartheid, the South African Human Rights Commission reported in 2009 that the public health care system was in a deplorable state, worsened by the huge burden of HIV/AIDS, high income inequality and the gap between public and private health which result in reduced affordability levels and quality of service in healthcare (Fusheini, Eyles, & Goudge, 2016). Issues at district level show a lack of

accountability and responsibility and inefficient management of the public sector resulting in mismanagement of funds, slow to a lack of delivery of medicines and lack of upgrade or maintenance of hospital facilities. Good governance is therefore recommended as crucial for improved service delivery and building of resourced hospitals in communities.

Mayosi and Benatar (2014) also note the emigration of health professionals to Western countries which result in a huge gap in the need for at least three times the existing workforce to provide adequate healthcare for patients with HIV/AIDS alone. Mayosi and Benatar (2014) continue to characterise HIV/AIDS and tuberculosis, maternal, child and life expectancy at birth and the trend in non-communicable diseases such as cancer and diabetes as the diseases of poverty resulting from the world's widest disparity in income existing in South Africa.

In the year before, Mayosi & Benatar (2014), while investigating the affordability of these key health services, Cleary, Birch, Chimbindi, Silal and McIntyre (2013) found that there are significant differences between rural and urban sites, with the former selling assets or borrowing money to meet this need. These were the same patients receiving tuberculosis and antiretroviral treatment. In the ongoing provision of these services, the viability of this practice in ensuring consistent treatment for these patients was questioned. Furthermore, the need in the revision of policy through making these services more affordable as they require multiple consultations was also highlighted.

At a time when the focus is on innovation and new ways of thinking, there is no better time to re-think and find new and better ways to collaborate between the private and public sectors. This begs the question - Will innovative ways of doing business in the healthcare sector be apparent and bring together the two sectors and will the financial sector be supportive to their agenda of tackling the health crisis of the population in South Africa? At a time where government calls for more play from the private sector in business, it is interesting to find out if the environment is conducive to the growth of innovative private businesses and the partnership between the two sectors. And in so doing, do the mechanisms enable them to take steps towards resolving the healthcare crisis or are new vehicles required for this unique South African setting.

Brazil, Russia, India, China and South Africa (BRICS) group made a decision to tackle the common healthcare issues in their countries through the implementation of the Universal Health Coverage (UHC). The BRICS group adopted an approach to apply variables of life

expectancy and mortality rate in children younger than five years, through addressing problems such as "raising insufficient public spending; stewarding mixed private and public health systems; ensuring equity; meeting the demands for more human resources; managing changing demographics and disease burdens; and addressing the social determinants of health" (Marten, McIntyre, Travassos, Shishkin, Longde, Reddy & Vega, 2014) using the UHC.

1.4 Purpose of the Study

Kankeu, Saksena, Xu, and Evans (2013) are of the belief that by 2020, NCDs will exceed communicable and all other diseases as the leading cause of death.

The purpose of this research was to discover a possible business solution that would encourage entrepreneurship and boost economic development in the country and encourage conversations between private and public enterprises to solve the healthcare access problem in South Africa. Ruckert and Labonte (2014) question the current status of a lack of public resources to globally resolve the health concerns faced by people relying on philanthropic and/or corporate contributions. It is considered as a political effort to further entice private interests in a shrinking public space. Ruckert and Labonte (2014) recommend the need to pay attention to the causes of health inequities and proceed towards a meaningful agenda in global governance that tackles the health concerns effectively.

In analysing the private sector, the problem is further enhanced by the evidence that most Small and Medium Enterprises (SMEs) struggle to access finance, not only in the healthcare sector, but also in the development of beneficial public-private partnerships in South Africa. The purpose of this research is relevant in researching the challenges experienced by both the finance requestor and the finance provider and in bridging the gap between the two parties. Bunyasi and Email (2014) allude to the fact that the government's support in a legal and regulatory framework would strengthen the financial infrastructure and policy related funds that concurrently build capacity of financial institutions to enhance SME's access to finance.

With challenges at the macroeconomic level translating to the lack of affordability and access to healthcare services, the need to reform and tailor financing vehicles to the South African economy is paramount. Affordability is described by Cullen, Calitz, & Gaga

(2014) as the least amount paid by a debtor in exchange for services rendered by the bank with that person's access to finance determined by his/her ability to pay that amount. These challenges trigger the need to investigate the financing or capital vehicles available to contribute in addressing these challenges and therefore the main objective of the study will be to identify the financing vehicles that are ideal for the provision of healthcare services. To find the root causes, three research questions were framed and in designing the methodology were used to obtain the data required to answer the research questions.

It has been widely recommended that there is a need for the healthcare sector to reform in South Africa, again made clear by Mayosi & Benatar (2014) regarding the annual investment per unit of population as $1400 in the private sector and roughly $140 in the public sector where 40 million are served by only 30% of the doctors. Previous research has shown that financing vehicles can be used by both the private and public sectors and can address infrastructural and societal needs either separately or as partners. Therefore, this research aimed to highlight these hurdles and also recommend solutions that can be formulated to overcome them and identify the appropriate financing vehicles for healthcare providers in South Africa.

The main objectives were:

- To identify financing vehicles being practiced and assess their applicability to the healthcare sector
- To assess the financing vehicles ideal for the South African healthcare sector and whether they result in the success or failure of business
- To identify the financing vehicles that are suitable to address and alleviate the healthcare crisis in South Africa

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

One of the most important areas to promote economic development in the South African context is the healthcare sector, mainly because it is faced by insurmountable pressure in the public arena to service the healthcare needs of the majority of the population. Hellowell (2013) found that most countries publicly financed hospitals have recently utilised private finance arrangements, namely private finance initiatives (PFIs), public–private partnerships (PPPs) or P3s, to address their capital requirements. This is concerning because the supply and cost of capital have become constrained since the 2008 financial crisis and also because of more stringent regulations from commercial banks and institutional investors in terms of increased interest rates, minimum repayment periods and a growth in the request for collateral (Rupeika-Apoga, 2014). On the other hand, Small and Medium Enterprises (SMEs) which are mostly start-ups and exploring the prospects of entering into such projects, are reliant on internal-financing which was identified as the largest hindrance to the growth of SMEs. Internal financing was considered solely on the basis that formal lending from financial institutions is unattainable to them (Casey & O 'toole, 2014). Therefore, this section has explored subjects related to healthcare, financing vehicles, South African healthcare, SMEs and PPPs

2.2 The Financing Vehicles

Based on the context of this research study, an in-depth analysis of the healthcare landscape of the organisations requiring financing is necessary and the understanding of the financing needs of each organisation. Studies have been done on the financing vehicles available to both the private and public sectors in the founding and sustainability process of both SMEs and public hospital projects. This section has reviewed the private sector and public sector in detail and its applicable financing vehicle. Through the separation of both sectors, this research study focuses separating the analysis as these are the main players in society and in the economy. Furthermore, this separation also attempts to identify congruencies that could lead to finding a mutually-beneficial solution for both parties as possible partners.

2.2.1 Private Sector

Bunyasi and Email (2014) established that access to entrepreneurial finance had a positive influence on the success and growth of SMEs. Whilst, Cullen, Calitz, and Gaga (2014) found that SMEs favoured informal and internal sources of finance such as personal savings, retained earnings or financial assistance from relatives rather than the restrictive and costly bank loans.

In instances where the SMEs would receive funding from financial institutions and be profitable, these entities would often either retain their profits or sell their assets to pay off their debts. The gap between internal and external financing can best be explained by the contract costs to obtain external finance, the favourable tax advantages and information failure, which is also known as, asymmetric information (Roychowdhury, 2015). Asymmetric information seems to be the most prevalent reason for the gap, as SMEs would not have much historical financial, trade, ownership or legal information nor would it have it available publicly for financial institutions to use as a measure of the suitability of providing capital.

Roychowdhury (2015) was of the notion that in practical situations, the internal choice of accessing finance from own funds or retained earnings has significant cost advantages than that of the external choice of financing for SMEs. Alternatively, Moritz, Block and Heinz (2015) attest to the notion that financing vehicles evolve with the growth cycle of a business, highlighting the fact that start-ups utilise unofficial sources of funding and more advanced businesses substitute these for more formal sources. Irrespective of the tax advantages in the form of tax credits or rebates as a small business, these SMEs still gravitated towards formal means of financing as the costs of internal funds is lower. The study also revealed that the unofficial means were actually still used by advanced businesses in combination with the formal funds.

A combination or none thereof of particular financing vehicles to utilised seemed to be summarised according to preference and the weighing of pros and cons of each, depending on the maturity of the entity. Furthermore, Moritz, Block and Heinz (2015) identified six distinct financing vehicles, namely; "mixed-financed SMEs, state-subsidised SMEs, debt-financed SMEs, flexible-debt-financed SMEs, trade-financed SMEs and internally financed SMEs." Through a review process each one's the usage levels are summarised on the table below:

Table 1:Survey on the Access of Finance of Enterprises (SAFE) 2013 (Moritz et al., 2015)

Source of Financing	Used in the Past Six Months (%)	Did not Use in the Past Six Months but have Experience (%)	Not relevant to the Firm (%)
Retained Earnings or Sale of Assets	20	16.1	63.9
Grants or Subsidised Bank Loans	10.2	25.3	64.5
Bank Overdraft, Credit Card Overdrafts, Credit Lines	34.8	21	44.2
Bank Loans	25.3	38.5	36.2
Trade Credit	29.8	13.9	56.4
Other Loans	12.4	15.4	72.2
Leasing, Hire Purchase or Factoring	20.4	26.7	52.9
Equity	4.4	10.7	84.9
Debt Securities Issued	1.6	4.6	93.8
Subordinated Loans, Participating Loans, Preferred Stocks or similar financing instruments	1.4	4.3	94.3
No external financing used	26.8		

Moritz et al. (2015) analysed the cluster of firms that had similar financing patterns and established that equity was considered crucial in the mixed-financed SMEs alone, illustrating that these SMEs would opt to use their own capital as the most preferred option but ensure a healthy mix with other financial instruments. This shows a high level of commitment towards ensuring that a business not only performs well but also generate profits that can be recouped back into the firm to reward its shareholders. State-

subsidised clusters were the least popular which speaks to the lack of connectedness between the private and public sectors. This is considering the fact that, those with such subsidies utilised other sources in parallel. According to Moritz et al. (2015), it is evident that doing business with the public sector is more difficult than with the commercial banks. SMEs opting for debt financing sourced the funds from the banks while flexible-debt-financed derived their financing from credit, payable at a later stage. A relatively strong sense of trust in the country's banking system is evident. Trade-financed firms have a good supplier network offering flexible payment terms for goods and services, based on trust and a strong commercial relationship. Personal funds and funds from friends, relatives, colleagues and acquaintances who believe in the concept or dream of the venture were reliable, cost-effective sources that usually do not charge interest and have much more flexible re-payment periods.

A number of SMEs struggle with the initial step of accessing initial finance for their start-up or for growth and profitability in their businesses. According to Aryeetey et al. (1994) in Quartey, Turkson, Abor and Iddrisu (2017), 38% of the SMEs acknowledged that access to finance was their main constraint in starting their businesses. In studying the Sub Saharan region, Quartey et al. (2017) highlighted the determining factors for access to finance as firm-level characteristics ranging from capacity, shareholding, lawfulness, strength of financials and credit-worthiness, its trade capacity and the know-how and experience of its executives.

Similarly, Cullen, Calitz and Gaga (2014) found another hindering aspect referred to as information asymmetry and it defined as "a situation where the SMME owner knows more information regarding the chances of risk and loss than the bank does". Evidently this aspect seems to be present in both SMEs and banks, as a result of not possessing adequate intelligence on the other in order to obtain and administer finance (Cullen et al., 2014). To mitigate the effect of information asymmetry, lenders preferred a limited lending period whereby the SME pays back the loan in a shorter payment cycles (Abdulsaleh & Worthington, 2013). In contrast (Talbot, Mac an Bhaird, & Whittam, 2015)also directed their reasons for non-financing of SMEs towards this information asymmetry which they found to be more prevalent in new entities. The studies performed in Scotland by Whittam, Talbot, & Mac (2015)suggested that perhaps credit unions could be the solution to bridge the financing gap. However, the credit unions were reluctant to due to the level of risk associated with SMEs, and furthermore they would need to offer more favourable interest

rates to compete with the banks and gain market share. Credit Unions have to go through fundamental changes in their form and operations in order to play a significant role while policy makers will need to better understand the structure and function of credit unions before assigning a greater role in SME lending. It is too early to say whether credit unions can play a significant role in SME lending, and the evidence suggested that structural issues must first be resolved before they can establish a presence in the SME lending environment (Talbot et al., 2015).

The above factors have been internal to the firm applicant. Berg and Fuchs (2013) provide a more holistic view incorporating external contributors to the obstacles SMEs face in obtaining finance as illustrated in the table below. South Africa is mostly affected by the legal framework affecting banks. The revision of banking and lending policies is needed in order to accommodate SMEs that hold a unique structure when compared to established large firms.

One of the most significant external hindrances identified by Mateev, Poutziouris, & Ivanov (2013) are macroeconomic factors as illustrated on the table below. They were of the viewpoint that SMEs are significant contributors to macroeconomic growth as supported by wider research findings. It is therefore concerning that SMEs in Kenya, Nigeria and South Africa are greatly affected by this obstacle in obtaining finance. Macroeconomic factors refer to fiscal and monetary factors, measured by inflation and real Gross Domestic Product (GDP).

Table 2 Most Significant Obstacle to SME Lending (Berg & Fuchs, 2013)

	Kenya	Nigeria	Rwanda	South Africa
Macroeconomic factors	70%	75%	0%	67%
SME specific factors	54%	75%	70%	58%
Legal framework affecting banks	38%	38%	0%	83%
Legal framework affecting SMEs	38%	25%	20%	33%
Contractual environment	27%	13%	0%	42%
Bank specific factors	32%	0%	10%	33%
Competition in the SME market	11%	0%	10%	17%
Charactersistics of SME lending	19%	25%	20%	25%
Lack of adequate demand	8%	13%	10%	33%

Note: Percentage of banks interviewed identifying the obstacle as 'Very Significant' on a 3-point scale ('Very significant', 'Significant', 'Not Significant')

In contrary to this notion by Berg and Fuchs (2013) that states that macroenomic factors are the main stumbling blocks, further research by Kiganda (2014) while studying Equity Bank Limited based in Kenya, recognised that commercial banks are not affected by the same macroeconomic factors. Similarly, Constantinos and Sofoklis (2009) who did a research study focusing on six Greek banks, found that inflation had a positive effect and GDPs impact was negligible on the bank's profitability. Likewise, Li (2009) who focused on banks located in the United States also had the similar outcome. The only positive and significant contributor was exchange rates studied on Iranian banks by Babazadeh and Farrokhnejad (2012) in Kiganda (2014) showing that they boost profitability of the banks which leads to further discussion on the willingness of banks to provide SME lending during economic cycles that do not risk their prosperity.

Hence more focus was directed on the banking sector, where countries that operated on

bank-based financial systems as described by Moritz et al. (2015) consisted of SMEs that were loan-financed and as a result had more manageable loan-financing. Moreover, the SMEs were more prone to the use government-aided financing. Quartey et al. (2017) while focusing on the Economic Community of West African States (ECOWAS) region - a group of fifteen West African countries established in 1975 for the advancement of the economic assimilation amongst its members found that the domestic credit provided to the SMEs was largely provided by the banks in the period of 2000 to 2014, as a percentage of Gross Domestic Product (GDP). In West African countries, the proportion was even higher at over 90% and this raised the question on the reasons SMEs in this region still faced challenges in accessing the financing.

Moritz et al. (2015) highlighted that the standard model of using financial statements to evaluate a firms' eligibility to access finance is inappropriate for SMEs, as these entities do not have financial information, as a result are not required to file financial reports because of their nature of not using formal financial institutions to raise debt or equity. Moritz et al. (2015) further acknowledges Claessens and Tzioumis (2006, pg. 6) who suggested that "the only way to investigate firms' problems accessing finance is through tailored firm-level surveys directly addressing the issue of financing constraints". SMEs vary by characteristics that range from organisational capacity, years in the market, industrial sector, management or executive composition and firm profitability (Lee, Sameen & Cowling, 2015), hence a generic method cannot be used to measure their qualification for access to finance.

Boscoianu, Prelipean, Calefariu and Lupan, 2015 stated that direct investment in SMEs is generally difficult and considered high risk hence investors opt to search for indirect solutions. Indirect solutions would be in the form of asset-backed security such as collateralised bonds. However, a lack of collateral from SMEs is a substantial hindrance that prevents investors from taking the risk. Rambe and Mpiti (2017) describe collateral as tangible belongings in the form of real estate or individual belongings such as vehicles or houses. These can be used by the SME to borrow against which the bank or lender can repossess in order to recover their investment should the SME default in paying back the bond or loan. A number of SMEs are start-ups and therefore do not own any substantial assets sufficient to back a collateralized loan. Often these businesses started informally and sometimes online or in a home setting hence lacking tangible assets and resources.

During the financial crisis in 2008, banks were required to inevitably apply and implement tighter controls on the supply of finance, resulting in SMEs finding it tougher because of their riskier profiles. During a financial crisis where the level of restrictions on conditions for access to finance is at its most stringent, a common characteristic is the substitution between financial institutions and trade credit (Carbó-Valverde, Rodríguez-Fernández, & Udell, 2016). However, an already existing relationship between the bank and an SME has the potential to open additional credit lines before averting to trade credit (Demiroglu, James & Kizilaslan, 2012).

Wu, Firth and Rui (2013) define trade credit as a transaction that takes place when suppliers dispatch goods or services to clients who do not settle the amount due immediately but pledge to do so at a later date. This pledge denotes a credit or an inferred financing contract between the two. A high level of social trust exists in order to make this transaction suggesting that social trust plays an integral role in trade credit. Interestingly, these firms collect their debt and pay their creditors more efficiently (Wu et al., 2013). Focusing on the Chinese private firms, Wu et al. (2013) found that private firms provide more trade credit to their customers than they receive from suppliers as they use the credit for interim financial relief. Casey and O 'toole (2014) identified two types of firms that would select trade credit as a financing vehicle, namely; credit-rationed firms which are firms whose applications were denied and self-rationing which are firms who avoid costs of debt and do not pursue it. For working capital reasons, trade credit is the preferred choice becoming more favoured as the firm becomes well established.
In cases, whereby SME are unable to access funding from financial institutions for their businesses as a result of volatile economic events, entities are bound to look elsewhere in order to survive and grow their businesses. In addition to trade credit, other non-bank financial sources including venture capital, crowdfunding and government support schemes can be an alternative for them.

2.2.1.1 Non-Bank Financial Sources of Finance

Abdulsaleh and Worthington (2013) described non-bank financial institutions as "credit unions, pension funds, finance houses, investment trust companies, finance companies and insurance companies". These non-bank financial institutions were considered alternative means which according to Aryeetey (1998) in Abdulsaleh and Worthington

(2013) were a third of total debt that was acquired through these sources and were favoured as second choice in source of funding by local SMEs in Zimbabwe.
Block, Joern, Colombo, Massimo; Cumming, Douglas and Vismara (2016) reiterated the Financial Stability Board (FSB 2015) who acknowledged that non-bank financial sources of finance have the potential to improve economic activity, however highlighting on the routes having potential risk to the channels closely mimicking the operations of banks and in communicating with banking systems. Below we will briefly describe each non-banking financing vehicle:

a) - Venture Capital: SMEs' opportunity to obtain venture capital (VC) is constrained in South Africa with most VC's preferring firms with an exit strategy and not for the long run (Collis, Jarvis & Page 2016). Abdulsaleh and Worthington (2013) describe venture capitalists as mediums that bridge the financial gap and prefer to be involved at a strategy design and governance level in the firm they invest in. The SME becomes answerable to the mandate of the VC for the time that their capital is invested in them. In contrast Guenther, Johan and Schweizer (2017) however, established a new trend in that VCs now invest in more established tech-savvy type of businesses and invests greater amounts of capital in such businesses as opposed to start-ups. With this evident gap being left by VC's, crowdfunding has now become the latest trend

b) -Crowdfunding: Belleflamme, Lambert and Schwienbacher (2013) define crowdfunding as "an open call, mostly through the Internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes". In this new age where most business transactions can be conducted online, crowdfunding can be an option for SMEs to consider as sources of funding which can be incentivised through free or discounted consultation fees for all investors.

c) - Government support schemes: Berg and Fuchs (2013) made reference to government support schemes which are believed to assist in connecting the private and public sectors. These could be in the form of credit lines or partial credit guarantees (PCGs). Commercial banks cited reasons for rejections as lack of collateral, unsatisfactory business plan and bad credit record among others according to Fatoki (2014). And so, the credit guarantee scheme in South Africa was created where different forms of credit guarantee products

were availed to lenders, that is banks and other financial institutions, to SME borrowers who lacked collateral as required by the lenders (Small Enterprise Finance Agency, 2017). This did not bridge the gap between public and private sectors as banks did not increase the use of the scheme to ease business, neither did government become involved during the 2008 financial crisis. According to Berg and Fuchs (2013), the suspected reasons were still the unnecessarily stringent conditions for borrowers and that the scheme was complicated to administer. Up until the year 2011/12 the scheme was no longer operational.

Abdulsaleh and Worthington, (2013) stated that in the interest of the national development goals (NDP), government has seen it fit to implement campaigns and drives to encourage more effortless means of SMEs being financed. These were typically in the form of "credit guarantee loans, factoring programs and subsidised fees". Albaum (1983) made a crucial suggestion in Abdulsaleh & Worthington (2013) regarding SMEs in the export business, recommending that government should consider the various stages of export development and thereby structure their schemes in a manner that mimics these stages in order to accommodate this crucial element. This notion is also applicable for all business types including the healthcare industry's SMEs seeking funding ranging from start-up practices, partnerships, day clinics to private and public hospitals. Each would need its own tailored financing to match the nature, structure and ebb and flow of operations. Moritz et al. (2015) concurs in that government programmes that support financing vehicles which are cognizant of both the unique SME attributes and the country-specific business environment would be most significant and politically correct.

To further encourage SMEs to consider external sources of finance, Fatoki (2014) encouraged SMEs to improve their attractiveness to investors as winds of change in the SME field are fiercer in the form of new global trends, technological progress, shorter product cycles, and innovation requirements were sources of pressure to re-look at their sources of investment finance. To not only grow but also be sustainable, SMEs should consider this external financing through debt or equity financing to gain a competitive edge. A dilemma was further found by Berger and Udell (1998) between external equity and external debt, with SMEs choosing external debt in order to keep control and ownership of their firms while external equity would help share the risk with the less risk-averse investors.

In summary, Zabri, Ahmad and Lean (2014) identified the top five preferred sources of financing as illustrated on the table below (Table 3). Based on studies of Malaysian SMEs, the conclusions were that SMEs would either choose internal or external sources or even a combination of both. This builds on Berger and Udell's theory in the sense that, after the decision of internal or external sources is made, the next step would be to determine the nature of funds as either in the form of internal or external equity or debt.

Table 3 Five most preffered sources of funding (Zabri et al., 2014)

Rank	Source of Financing	Internal/External
1	Banking institutions	External
2	Retained Earnings/ (Net Income Retained or Reinvestment)	Internal
3	Shareholder's Own Fund/Contribution	Internal
4	Trade/Supplier Credit	External
5	Government Funds/Schemes	External

Even though the preferred sources of funding have been highlighted by Zabri et al., (2014), the accessibility, applicability and sustainability of these sources for SMEs in the South African healthcare sector are unknown. The question remains whether these financing vehicles will result in improved participation of the private sector and the creation of capabilities for the ease of SME establishments to access funding for the purpose of assisting in the improvements of access to healthcare services for the population. Another consideration in private finance, was focused on observing the impact of the synergy between the traditional forms like VC financing and its players in this field versus the newer forms. The merit would be for new business ventures who often use different financing vehicles concurrently (Moritz et al., 2016; Block, Joern Colombo, Massimo; Cumming, Douglas & Vismara, 2016). This research enhanced the existing body of knowledge of financial practices of SMEs, with particular focus on the healthcare sector in South Africa.

2.2.2. Public Sector

In order to involve both the public and private sectors in addressing the healthcare issues in South Africa, Public-Private Partnerships (PPPs) were identified by Medhekar (2014) as cooperation between ministries of government, public hospitals and private sector hospitals in a manner that enables the implementation of appropriate policies and

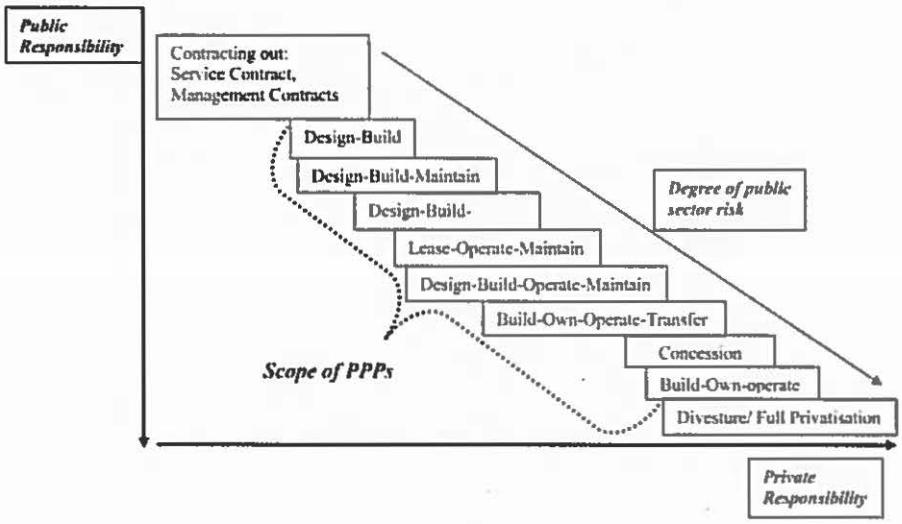
regulations to improve healthcare access to the poor populations, more so in developing countries. In addition, Barlow, Roehrich and Wright (2013) stated that the advantages of such an arrangement was the ability to allow health care providers to concentrate on their expertise of clinical services, instead of managing infrastructure and monitoring the project deliverables.

There are different structures of PPP's and each model has its advantages and disadvantages and would be best adopted on a project by project basis, depending on the dynamics between the public and private entities and their respective capabilities. A common theme identified was the clarity on the extent of involvement of the public and the private entity. This allowed for defined areas of delivery and control and transparency in the life-cycle of the project. Alternatively, Weber, Staub-Bisang and Alfen (2016) found that a PPP project could be structured in a manner that the need for private finance was eliminated when the public partner provided all necessary funding and the private partner ensured efficiency and cost optimization throughout the entire project's life cycle.

Weber et al., (2016) also noted that in many countries a standard PPP process and common practice were ingrained only in some infrastructure sectors like the road transport and social infrastructure sectors in Germany. Furthermore, in Europe, PPP had somewhat evolved over the years in the water supply and sewage, energy or waste disposal sectors with regards to the terminology and general understanding. In Africa, Asia and Latin America, PPPs were purely driven by the need to obtain private capital, for the upgrade of toll roads, water supply and/or other dispensable projects, as they were mostly defined in this way due to budgetary constraints (Weber et al., 2016).

The attractiveness for the public sector for this particular model, lies in having increasing responsibilities on the shoulders of the private sector, which translates to a gradual decrease in the level of risk on their part as illustrated below.

Figure 2: Scale and Scope of Private and Public Responsibility (Barlow, Roehrich, & Wright, 2013)



Barlow et al. (2013) described the basic need of PPPs as the ability of the private sector to provide its expertise and ensure profitability from its investment, while governments tactfully avoid immediate financial expenditure. Different conceptualisations of PPPs exist prevalently in sectors such as healthcare, transport, housing and education and mostly in developed countries such as the USA and the UK, but progressively concentrating on developing economies such as India and Lebanon (Roehrich, Lewis & George, 2014). Thus, the spectrum and scope of the PPP can be illustrated in the scale above showing degrees of responsibilities between the private and the public sectors.

Another structure is in the form of government agencies that act on behalf of particular ministries in fulfilling their mandates which may include inter alia the improvement of employment levels, the assistance of access to markets for SMEs, the offer of an alternative source of funding other than commercial banks, the inclusion of previously disadvantaged groups and increase their productivity levels, the need for growth and development of a particular economic sector and the all-encompassing target of improving the country's GDP level. To name a few, in South Africa the Industrial Development Corporation (IDC) of South Africa, the Public Investment Corporation (PIC), Small Enterprise Development Agency (SEDA) and Small Enterprise Finance Agency (SEFA) endeavor to stimulate economic growth through industrial development, investing public funds, supporting small businesses and financing qualifying small businesses and co-operatives using government funding, respectfully. These institutions are bridging the gap

between public and private sectors

Another form takes the shape of Project Finance which Gatti (2013) defined as "...a function of the project's ability to repay the debt contracted and remunerate capital invested at a rate consistent with the degree of risk inherent in the venture concerned". Although project finance will differ depending on the type of industry and deal, common characteristics exist in each type as highlighted by Yescombe, (2013) as follows:

- It is set up for a particular project with a private company established for this project
- Commonly set up for a brand-new project rather than an existing one
- Is financially structured to be finance largely through debt that equity
- The project itself is the collateral for the project's debt and the investors have no guarantee
- The loaners rely on the future earnings from the project for the loan and interest repayment
- The only guarantee for the loaners are the signed agreements and claims to ownership of the assets
- The project has defined life span; projected to end at a particular date

Once future earnings begin to accumulate, the loan or debt is prioritised to be settled first and thereafter the equity.

Project Finance is often required when a company is awarded a contract or license to construct a public infrastructure and therefore requiring the finance to fulfil the contract or license. It takes the shape of an off-take contract in which the product is for a state-owned entity. A concession agreement would either provide service to a government facility, service to the general community or brand-new services similar to internet connectivity (Yescombe, 2013). The contractual schemes take different designs dependent on the level of involvement of either party and the direction in which the cash flows will take. Below are descriptions of each one detailing the different formats within which a PPP can be arranged.

Yescombe (2013) described in literature that a contractual scheme has its difficulty and is prone to facing challenges ranging from a minor misunderstanding to problems of a larger impact resulting in the ultimate premature termination of the project. The impact of early terminationis calculated as the total equity and debt subtracting the costs of financing for

the debt. The amount can end up being either a sum commensurate to the liability incurred, an auction of the project into the market voetstoots or in the worst case, no payment at all. The long-term financial obligation of infrastructure finance deals as these which are often illiquid and carry at times incalculable risks, lead investors to rather look to traditional forms of financing through direct equity or bank loans (Ehlers, 2014).

Table 4 Project Finance in Theory & Practice: Designing, Structuring and financing Private and Public Projects (Gatti, 2013)

Type of PPP	Contractual Description	Main Fields of Application
BDO/LDO (buy/lease/develop-operate)	The private party leases or buys a facilty from the public sector in order to modernise or expand it. Then, it manages the facility for a period of time that is sufficient to repay the investment and get a sufficient rate of return	Similar to temporary privatisation
BOT (build-operate-transfer)	The private partner builds a facility compliant with the standards agreed with the public entity. Then it manages it for a given period of time and transfers the facility at the end of the concession period. The project should repay the investment made by the private sector during the concession period. In BOT the ownership of the facility remains in the public body	Similar to temporary privatisation
BOOT (build-own-operate-transfer) or DBFO (design-build-finance-operate; the term used in the US to identify BOOT schemes)	The private sector stipulates a concession agreement with the public body and obtains the ownership of the facility. It is entitled to design, build, operate/maintain the facility. Funding is provided by the private partner, who has the right to retain the revenues coming from the management of the facility during the concession period. The concession period must be sufficiently long so as to enable private partners to pay back the investment and get an adequate return on investment. At the end of the concession, the facility ownership is returned to the public sector	This is the most-used form of private finance initiative (PFI) in the UK; it involves a wide range of public infrastructure: water and sewerage, sport and leisure facilities, airports, public buildings, parking lots, waste management
BOO/LOO (build-own-operate)	The public sector transfers to the private sector ownership and management of an existing facility or negotiates with the private partner the construction and management of a new facility that will not be transferred by the private sector (as it happends under a BOOT scheme). The provision of funding is in charge to the private sector.	Similar to the BOOT scheme, although this contractual arrangement looks more like a privatisation

Ehlers (2014) questions the status quo that suggests that sources of finance go beyond the traditional means, further highlighting the challenges government face when setting up projects that are structured in a more investable and viable manner for other players including the private sector. If liquidity long-term credit risks are managed and structured

into an instrument which will result in healthy returns, PPPs will utilise it while relying on the capabilities of the private sector, such as their efficiency and skills.

Kurniawan[a], Mudjanarko and Ogunlana (2015) highlighted the difficulty in understanding a project's financial models and its susceptibility to errors, due to the complications of project financing contracts and varied influence of stakeholders. Understanding the key issues to ensure economic feasibility of the project, the public sector and the loan-providers as major participants, should be aware of their roles and responsibilities as illustrated below in Table 4.

Table 5 Key Issues in the Project economic feasibility (Kurniawan et al., 2015

Major Participants	Key Issues	Remarks
Public Sector	Financing Costs	Balance between Return on Equity (ROE) & shorter debt tenor may result in a higher tariff for the users
	Development Costs	Legal fees, development fees and costs of conducting due diligence
	Insurance	Costly insurance policies to mitigate construction, operation and certain specialized risks
	Taxes	In many countries, the public sector does not pay taxes, or pays at a lower rate than the private sector does
	Construction Costs	The public sector rarely uses turnkey construction contracts in some cases and specifications
	Operating & Management (O&M)	The private sector relies on very strict O&M practices
Sponsor(s) and Lenders	Tariff or tolls of the infrastructure facility	Tariffs should be reviewed as reasonable over the long term by the consumer serviced by the facility, given the foreseeable effects of future deregulation, sector reorganization, competition, new technology and other similar factors

As highlighted previously, the cost of debt on the public sector for PPPs is the reason that other forms of structuring finance have been revised. According to Iossa and Martimort (2015), Private Finance Initiative (PFI) projects in the UK were considered to be more cost effective with a reported cost-saving of 17% in comparison to traditional forms, with public

entities being impressed by the service delivery and the project turnaround time. Other mixes of PPPs are possible for the healthcare sector depending on the financing structure and payment agreement. Barlow, Roehrich, & Wright (2013) suggested a model specifically for the healthcare sector as shown below:

Table 6 Models of Public-Private Partnership Structures in Hospital Construction and other helath Facilities (Barlow et al., 2013)

MODEL	BRIEF DESCRIPTION
Quasi-public-private partnership (example: certain Spanish projects)	A special-purpose publicly owned company, largely financed by limited-recourse commercial debt, has responsibility to deliver facilities, with the state continuing to provide medical services
Accommodation-only: often via "design, build, finance, operate" (DBFO) or "build, own, operate, transfer" (BOOT) schemes (examples: UK's PFI; also used in France, Spain, Portugal Wave 2, Italy, Sweden, Australia, and elsewhere)	Private consortium designs, builds, and operates infrastructure facilities based on a public authority's specified requirements, often as an output rather than input specification In the DBFO model, private sector also finances facility, typically via high "gearing" (proportions of debt); limited amounts of equity can include public sector, with mechanisms to control conflicts of interest; public authority purchases services for a fixed period, after which ownership reverts to public authority
Twin accommodation/ clinical services joint venture (example: Portugal Wave 1	Infrastructure element is like accommodation-only model Clinical services company with different, shorter-term financing provides medical services and has contractual and shareholding relationship to asset provider
Franchising (example: German private hospital companies)	Public authority licenses private company to develop (finance, build, and manage, inclusive of medical services) replacement for public hospital
Full-service provision (example: Ribera Salud, Spain)	Private contractor builds and operates hospital and some or all associated community primary care provision, with contract to provide care for defined geographic area

It is important to note that Barlow, Roehrich, & Wright (2013)researched this subject in the context of the European healthcare markets, highlighting a gap in South Africa on whether the same forms of PPP would be applicable and whether the definition of their success rate would be plausible in that environment. This is because what would work in Europe may not work in Africa as the environments are different. Mecagni, Marchettini and Maino

(2017) state that in the past twenty years, the financial sector has become an integral influence in boosting the growth of the economy. Some reform changes such as financial freedom, a reduced role of governments' influence in setting the price and allocation of credit, and other major changes, made it conducive for the increase in bank activities, innovation in banking products and influence on fiscal policy. Sub-Saharan Africa became the second fastest growing region in the world after these implementations.

A financing agreement in which large loans are raised in order to finance the project or business, are very closely similar to project finance (Yescombe, 2013). However, advantages for these arrangements are well noted by Barlow et al. (2013) with reference to the healthcare sector:

- Upgrading outdated hospitals and building new healthcare facilities
- Improving the infrastructure quality and preparedness for operation
- Risk allocation – proportionally between public and private
- Inspiring modernisation and the use of new technologies and improving past inefficiencies

PPPs are considered a high-risk, however these partnerships remain prevalent in the European market and are often favoured due to their adaptability in many sectors. Keeping in mind their inherent risks and opportunities is paramount in deciding to go this route to foster more collaborative public-private partnerships.

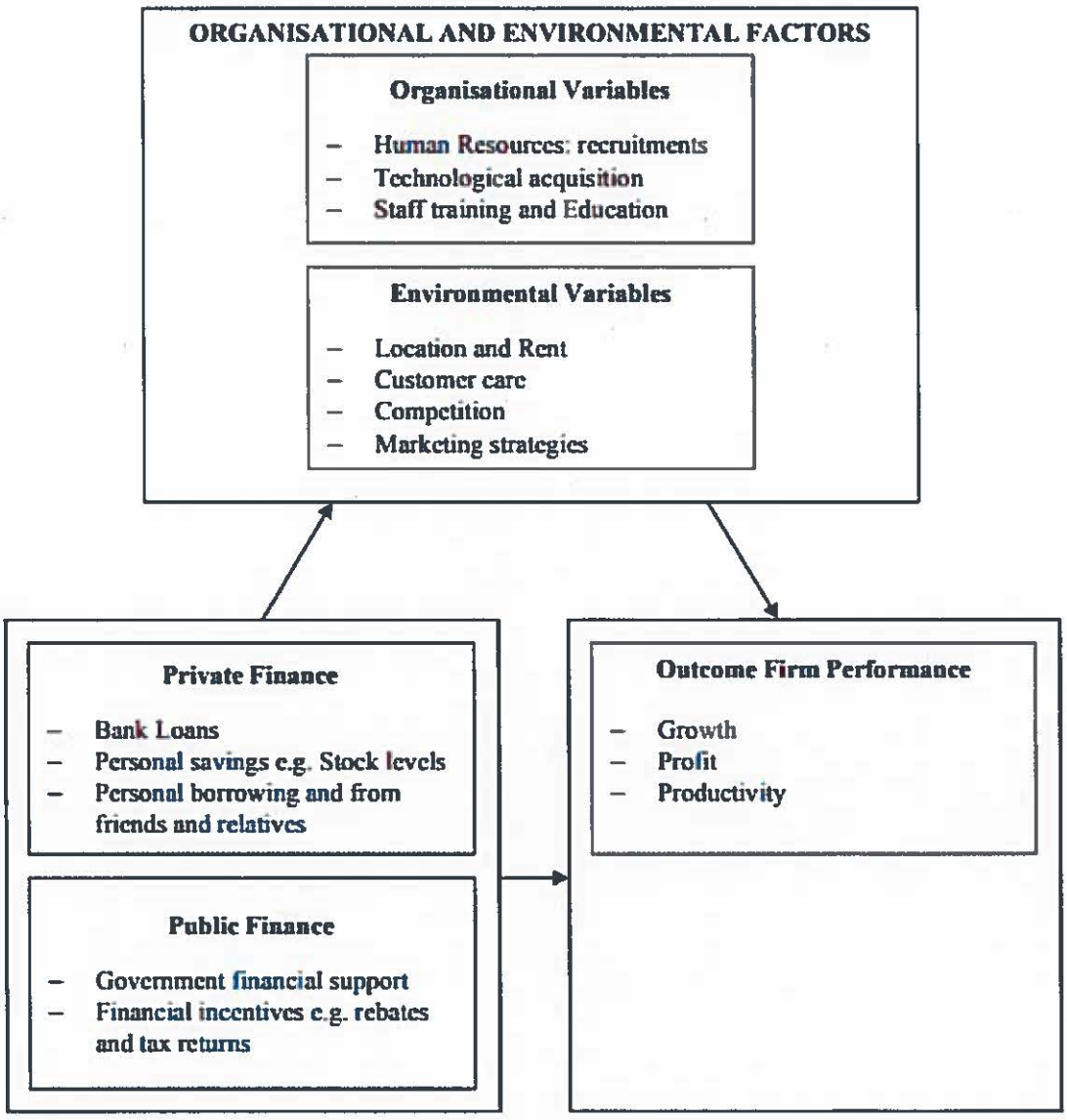
Giving an Africa-wide overview, Mecagni et al. (2017) emphasizes the need for immediate reforms to tackle the business development problems as their implementation could result in commercial stability for the continent and its nations, highlighting the benefits as follows:

- Fostering financial inclusion
- Removing structural impediments to credit and improve the market structure
- Enhancing governance and regulations.
- Improving the environment for non-bank financial institutions
- Strengthening bank supervision; and
- Enhancing cross-border cooperation and consolidated supervision of all trade countries

2.3 Identifying the Most Appropriate Financing Vehicle

Various scholars often propose structures of the ideal collaborative effort between the public and private sectors. Exploring whether the structures should be a generic business model or tailor-made to suit structures, mandates, financial needs and defined deliverables of the healthcare-specific business model. Rambe and Mpiti (2017) in their study of the hair salon business in South Africa, structured a framework in which they believe the interplay between private and public funding could boost their profitability and economic viability as shown on the figure below.

Figure 3 The Influence of Public & Private Financing on Firm Performance (Rambe & Mpiti, 2017)



It is important to highlight that the funding from both sectors would not miraculously improve the performance of SMEs, but the SMEs' own structure ranging from staff recruits, its adoption of new technologies, the advancement of staff skills as well as the environment in which it operates, will result in the business performance that is growing

and profitable. It is also vital to question whether the framework would be adaptable to the healthcare sector and the business models existing therein.

In summary, the two most prevalent vehicles of financing were highlighted as PPP for public entities and investment lending for private entities, in analyzing their applicability in the South African healthcare landscape considering its history, macroeconomic factors, the role of government and the environment within which the private sector (SMEs) are established. These two vehicles of financing are described as follows:

- **Investment Lending:** Directed towards the SME and some big business, this vehicle is most likely the best adoptable option as it offers a significant portion of funds for the business while simultaneously requiring a symbolic contribution from the business owner to foster commitment and sustainability of the business. A payment holiday allows the business to be well-established and underway in assets or units not under collateralization before being burdened by the contractual repayment of debt. Provided the business has high turnover and manages to maintain or overshoot their cash flow projections, the assets under collateralisation can be freed much earlier and allow full operation.
- **State Financing:** Being funded by the government can take the form of four styles: Grants, PPP's, State Guarantees and Investments into authorised Capital. Grants are attractive to the SME who has the possibility of 100% financing while having a medium length term for repayment. The repayment terms are challenging enough to ensure the business is given ample time to become sustainable enough to afford the installments. As the companies become larger, the amount invested becomes less with a significant portion of funds from the business owners required. The projects are of social significance and allow governments to fulfil their mandate of servicing the community, with the assistance of the private sector.

The partially extracted table below (Table 3) defines the extent of involvement of each entity in providing, receiving and utilizing the funds needed in the two financing vehicles as illustrated by Chirkunova et al. (2016).

Table 7 Financing for Innovation and investment Construction Projects (Chirkunova et al., 2016)

Form of Financing	Scale of the company's construction business	Timing	Amounts	Conditions	Advantages	Disadvantages
Investment Lending	For SME and big companies	Up to 15 years	Up to 80%	Collaterisation of one of the borrower's assets up to the moments when the object is put into operation	Any sum of loan; delay of payment period up to 1 year	Does not allow using the company's assets for a long period of time
State financing						
a. Grants	**a.** For SMEs	**a.** Medium-term	**a.** Up to 100%	Openness of the development and implementation; social significance of constructed objects	Possibility of providing funds on condition of irrevocability and gratuitousness; 15% of total project cost is financed by the principal's own resources	Target orientation and strictly purposive character of financing, fiscal control of authorities over the use of budget funds
b. Co-financing (public and private partnership)	**b.** For big companies	**b.** Long term	**b.** Up to 75%			
c. State guarantees	**c.** For big companies	**c.** Short-term (up to 1 year)	**c.** Up to 50%			
d. Investments into authorized capital	**d.** For big companies	**d.** Long term	**d.** Up to 49%			

CHAPTER 3
RESEARCH QUESTIONS

Chapter 2 gave an overview of the literature reviewed in relation to the various financing vehicles in existence globally and within the South African context. This chapter draws on the various themes that arose from the literature reviewed in Chapter 2 in addition to the main objective of this research study which was to identify the financing vehicles that are ideal for the provision of healthcare services. The objectives of this study will be met by answering the three research questions which were derived as follows:

Research Question 1:

Do the generally known financing vehicles identified in existing literature and practiced worldwide contribute to the success or failure of a project in the healthcare sector?

Research question 1 sought to understand the success and failure rate of existing financing vehicles in use for projects within and outside the healthcare sector. This research further sought to identify the players involved in financing, the structure of the financing vehicle, its adaptability and whether it is an enabler or an inhibiter to the success of a project. The financing vehicles can exist in either the private or public sectors, this question will shed some light on the similarities and differences between the two sectors.

Research Question 2:

Do the generally known financing vehicles identified in existing literature and in practice worldwide bring success or failure in resolving the South African healthcare challenges?

Research question 2 aimed to evaluate the adaptability of existing financing vehicles to the South African setting. It is of value to figure out whether the existing methods would be applicable to the South African context and whether it would have the ability to solve the unique challenges that the country faced historically and to date.

Research Question 3:

What are the appropriate financing vehicles to address South Africa's healthcare funding challenges?

Research question 3 will provide an outlook of the current financing vehicles in the healthcare sector applied on a daily basis by both the private and public sectors. This question will also recommend viable solutions to addressing the healthcare crisis in the

South African context. The question will provide insights on what works well and what does not and further provide a bridge between private and public sectors to collaborate for an effective healthcare sector.

CHAPTER 4
RESEARCH METHODOLOGY

4.1 Choice of methodology/ Research Design

Krauss (2005) defined the goal for qualitative research as the need to "...understand the complex world of human experience and behavior from the point-of-view of those involved in the situation of interest". This research study adopted the qualitative research methodology because it enabled the researcher to obtain particular viewpoint from the respondent. Quantitative research on the other hand, is usually conducted through surveys. This method is impersonal and restricts the respondents to provide in-depth information (Krauss, 2005)

A qualitative methodology was deemed most appropriate for this research as it required obtaining information on the observer's experience, opinion, and their suggestions on existing or any other known financing vehicles in the healthcare sector. To gain this level of information, face-to-face interviews worked best as other information/nuances could be obtained and/or observed from the interviewee that may not be in the scope of the questions, but would provide invaluable insights/aspects for the research. For this purpose, notes were taken in conjunction with the recording of the interviews. Another aspect of the research was the confidentiality of the information required. Some interviewees may not be willing to have their responses documented on paper or to be recorded as they may fear exposure or threat to their careers or for personal reasons. In this manner, they can feel the comfort of knowing the confidentiality which is more guaranteed at face-to-face interviews rather than an online survey.

With the research being qualitative and exploratory in nature, the intention was to gain insights into and achieve a better understanding of the challenges we have noted (Saunders & Lewis, 2012). Geurcini (2014) states that qualitative research does not adopt a simplifying approach but instead views the issue or problem in its entirety. The observer and observed can end up having a different relationship to that initially intended, and even richer information or data can be obtained from that direct interaction. The first-person experience narrated through formal or informal interactions brought a holistic human experience that can be missed in a quantitative study. In the same way, the researcher can gain an understanding of the field they are inexperienced in through these interactions but remain removed enough to draw meaningful and insightful observations.

The research design of this study was based on grounded theory, the multiple and varied

sources of information allowed the researcher to draw themes and categorise an abstract theory derived from the views of the respondents and find a common thread or differing views and aspects. Strauss and Corbin (1994) define grounded theory as theory that is embedded in the information gathered and scrutinised. Through building themes from a bottom-up approach, the researcher forms a narrative and places structure on unstructured data sketching a larger picture drawn from the multiple perspectives, experiences, observations and suggestions made by the respondents.

This was an appropriate strategy in this study as the researcher had no expertise on the subject even though the researcher had studied literature on this subject in existing literature to gain some background. In so doing, the design influenced the title of the research with the operative word being "Identifying". This word suggests the level of investigation that will go into finding and analyzing the data gathered thereby alluding to Strauss & Corbin's (1994) definition above. Furthermore, the problem of finding the "appropriate" means leads to the research questions which are inductive in order to possibly obtain the answers to solve the research problem. And so, the need for data collection in the form of interviews and the structure of the report write-up in a manner that "develop descriptions and themes from the data" (Saunders & Lewis, 2012) supports the research design of grounded theory.

The research setting was in Johannesburg, South Africa. South Africa faces a healthcare crisis with regards to access to healthcare services for the majority of its population who were previously disadvantaged. Public hospitals are inundated with patients who cannot afford private healthcare and end up receiving the poorest of service suffering long queues and often lack of medication for their ailments. While the government is encouraging entrepreneurship, and looking for larger contributions from the private sector to boost the country's economy and increase the Gross Domestic Product (GDP) level, a question should be asked on the meaning of the mandate and the manner in which it is interpreted when applying it to tackling the healthcare issues in the country.

Johannesburg is the economic hub of the country where the financial institutions are situated and the home of the Johannesburg Stock Exchange (JSE) where financial products are traded, the varied financing vehicles in this market would come to the fore. Similarly, the interplay of the public and private sectors in the healthcare environment (if any) were easily observable in a city that is characterised by business activity. Furthermore, being a migrant city consisting of immigrants from smaller cities and towns

and other foreign (mostly African) countries, the demand for healthcare services has increased in the public sector for the unemployed and poor and similarly in the private sector as the immigrants become employed and raise their families in the country.

4.2 Population

The relevant population was best described as respondents responsible for the initiation, facilitation, approval and regulation of finance and involved in either the provision of, or are recipients of the financing for their businesses or projects in the healthcare sector in both the public and private space, with or without medical qualifications.

It was important to gain insights from both the public and private sectors to observe the vehicles inherent in each sector but also find a possible common financial solution. Furthermore, finding shared expertise separated only by the type of sector one worked in, could provide insights into the learnings that one could provide to the other. This population served well to reflect on the healthcare business model and be able to compare it to other industry models. As some were finance experts, any past experiences in other sectors and/or industries provided knowledge and understanding at a wider scope in their thought process. The mix was made of either healthcare experts in their field, finance experts in their field or a combination of the two. This was done in order to maximise the variance.

Some of the job titles of the participants were:

- Medical Doctor
- Medical Practice Owner/Entrepreneur
- Hospital Head of Department
- Practice Partner
- Regional General Manager
- Senior Manager

4.3 Unit of analysis

The unit of analysis is the individual respondent who is the provider of finance or as an applicant or receiver of financing specifically in the healthcare sector. Being involved in the professional decision-making as providers of finance, the uniqueness of healthcare projects came to fore and provide industry-specific insights. As an applicant, the challenges and involvement with the providers as well as other stakeholders to gather market information of financing vehicles, apply for the financing and the results thereof provide perceptive data that is invaluable.

4.4 Sampling method and size

Stratified sampling method ensured that data from respondents from the private and public sectors who are either provider or receiver of finance are obtained. The strata are defined below:

Public entity	Private entity
a) Finance provider	a) Finance provider
b) Finance applicant/recipient	b) Finance applicant/recipient

Further to this, random sampling was used in these strata to obtain as fair a representation of each as possible. Boddy (2016) gives an example of how sample size for qualitative methods can vary in size in that positivism requires larger samples than in-depth research simply for the fact that the latter could provide an appropriate representative picture of the population in a smaller sample. Therefore, the sample size is contextual and therefore depend on the nature of the study being researched. Being an in-depth research, a sample size of twelve, with three representing each stratum is ideal. This size is justifiable to obtain meaningful insights and reach a point of saturation.

However, only ten respondents were obtained mainly because the public sector is more difficult to penetrate and access. Furthermore, concerns around confidentiality were one of the reasons for hesitation to participate. McCracken (1988) highlighted the issues of secretiveness and time constraints as the reasons these constraints exist and therefore rather focusing on accessing long interviews from a few respondents, a total of eight being sufficient to find assumptions and draw themes from. In addition, no new meaningful information was gathered by the tenth respondent. Below is a list of the respondents in order of the date the interview took place. The list defines each respondent either as a Finance Recipient (FR) or Finance Applicant (FA), the sector in which they operate and

their respective designations. Note that each respondent was purposefully selected for the study in order to gain quality data.

Table 8 Interview List

Order	Date	Finance Provider (FP) or Finance Applicant (FA)	Sector	Respondent	Designation
1	04-Sep-17	FP	Private	DM1	Regional General Manager
2	06-Sep-17	FA	Private	TM	Doctor/Medical Practice Owner/Entrpreneur
3	11-Sep-17	FP	Private	HM	Syndication Leader
4	13-Sep-17	FA	Private	NL	Doctor/Medical Practice Owner/Entrpreneur
5	14-Sep-17	FP	Private	AL	Medical Director
6	16-Sep-17	FP	Public	CL	Senior Manager: Stakeholder Relations
7	20-Sep-17	FA	Public	OS	HOD: Anaesthesia and Critical Care
8	22-Sep-17	FP	Public	DM2	Regional Head
9	17-Oct-17	FA	Private	RD	Doctor/Medical Practice Owner/Entrpreneur
10	19-Oct-17	FA	Private	LM	Doctor/Medical Practice Owner/Entrpreneur

4.5 Measurement instrument

The data was obtained through face-to-face recorded semi-structured individual interviews with supplementary notes taken during the interviews. A digital voice recorder application on a mobile device was used to record all interviews. Through face to face interviews, both verbal and non-verbal responses were observable and provided rich data from the stories behind the responses. Being a standardised, open-ended interview, the same questions were asked to all interviewees however allowing the freedom to ask the questions in any order.

Prior to the interview, an email was sent or a phone call made to set up the date and time of interview. Some of the participants were accessed the researchers' network hence the

email or phone call in some instances were sent through networks in order to indicate interest and/or obtain permission were necessary. Some respondents were senior in their roles thus the liaison would be between the researcher and the respective personal assistant who has full access to the respondent's diary.

The consent form signed by each respondent assured the participants of having the liberty to answer any question as they saw fit and also the right to not answer any questions deemed uncomfortable. The answers from each respondent were unpredictable and influenced the flow of the interview. The flow is also managed to a certain extent by the interviewer who indeed served as an instrument by tallying the questions, actually performing the interview themselves thereby gathering the information and determining the intensity and elaborateness of the research, influenced by their own level of intellect (McCracken, 1988).

Two of the twenty questions were categorically scaled by providing 4-5 options as possible answers in order to create uniformity in similar answers.

4.6 Data gathering process

Before the start of the interview, a consent form was signed by the participants to confirm that confidentiality would be maintained. The interview questions were split into three sections:

Section 1:	Generic questions applicable to both a Provider and Recipient of finance
Section 2	Questions specific to a Finance Applicant
Section 3:	Questions specific to a Finance Provider

While the majority of the questions were open-ended, three of the interview questions were categorically scaled with no order of importance however providing minimal options.

The process that was followed to conduct the interviews is represented in the following steps:

1. Identify the list of potential interviewees and send advanced notification letter/email/call explaining the reason for the interview and its relevance requesting the interview for MBA Research Project

2. Agree on a date, venue and time for interview

3. Sign the Consent Form to conduct the interview and provide any preamble to make the respondent comfortable

4. Conduct a semi-structured interview while recording and note-taking of observations made

5. Repeat steps 2 – 4 for all interviews until saturation

6. Collate data from all respondents and transcribe each interview

4.7. Data Analysis

In line with the research objectives stated in Chapter 1, an interview guideline was formulated through the use of a consistency matrix. Interviews were scheduled and took place in a two-month period. The interviewer interviewed ten participants as this number was deemed sufficient to provide rich data. Written notes were taken and observations made during the audio recordings. The audio recordings were transcribed verbatim with as much as the actual words used by the participants used in the text, as possible. The rich data was analysed using thematic content analysis.

Qualitative data analysis was used to analyse the data from the interviews. The data was coded in order to observe themes, contrasts, trends and viewpoints. The researcher listened to each recording at least once in order to gather any recurring themes, however most of the analysis was done post the interview process. Thematic analysis looks throughout the whole dataset to find emerging themes. The themes were related to the overarching research question and then to the narrower questions with the answers emerging ultimately answering the research question(s) (Braun & Clarke, 2006)

Table 9 Phases of Thematic Analysis (adapted from Braun & Clarke, 2006)

	PHASES	DESCRIPTION OF ANALYSIS PROCESS
1	Familiarising myself with data	**1)** Narrative preparation ie.e transcribing data **2)** (Re-)reading the data and noting down initial ideas
2	Generating initial codes	**1)** Coding interesting features of the data in a systematic fashion across entire data set **2)** Collating data relevant to each code
3	Searching for themes	**1)** Collating codes into potential themes **2)** Gathering all data relevant to each potential theme
4	Reviewing themes	**1)** Checking if themes work in relation to the coded extracts **2)** Checking if themes work in relation to the entire data set **3)** Reviewing data to search for additional themes **4)** Generating a thematic "map" of the analysis
5	Defining and naming themes	**1)** On-going analysis to refine the specifics of each theme and the overall story the analysis tells **2)** Generating clear definitions and names for each theme
6	Producing the report	**1)** Selection of vivid, compelling extract examples **2)** Final analysis of selected extracts **3)** Relating the analysis back to the research question, objectives and previous literature reviewed

Each transcribed interview took approximately four hours to analyse in full through the process described above by Braun & Clarke (2006). Themes were further established through establishing opinions, suggestions and thoughts related to the research questions. An iterative method was used to ensure the identified themes were generated twice before capturing the data onto a Microsoft Excel spreadsheet. Each opinion or suggestion was recorded as well as the frequency of recurrence. Next, they were ranked by frequency of mention. Lastly, all opinions or ideas from each interview were interrelated and analysed in the context of the research questions in Chapter 3 (Saunders & Lewis, 2012; Braun & Clarke, 2006).

4.8. Research Validity and Reliability

The threat to the integrity of the data and thereby questioning the validity and reliability of

the research was because of the context and the sensitivity of the research topic. To mitigate this, content, thematic and narrative analysis was employed and further rigour was employed by consulting with an expert in qualitative analysis. Validity is further established through the retention of all original recordings, transcripts as well as the thematic analysis report including the interview guide and submitted together with this report.

4.9 Ethical considerations

Ethical considerations are regarding all respondents and the manner in which their welfare is considered during the interview process. All respondents were English-speaking and did not require a translator. A consent form was signed before the interview took place allowing the respondent to analyse it and be comfortable and/or raise concerns before the start of the interview. Each signed consent form has been submitted together with this report as part of the appendices as proof. The anonymity of the respondents was protected unless stipulated by the respondents. All transcripts were initialed and respondents are referred to by initials and job titles in the report, to maintain anonymity.

CHAPTER 5

RESULTS

5.1 Introduction

In this chapter, the results of the research study are presented in accordance to the Research questions formulated in Chapter 3. This section gives a presentation of the findings from the analysis of data collected through a semi-structured interview process.

5.2 Description of the Sample

A list and description of the participants chosen for this research study is presented in Table 1 below. As highlighted in Chapter 4 (the methodology chapter), a combination of purposive sampling was applied to select the ten participants who are a combination of entrepreneurs and employee representative of both the public and private sectors as well as being either financing applicants or financing providers. In order to determine the appropriate participants to interview, the participants' knowledge and experience in the healthcare industry was considered.

Order	Date	Finance Provider (FP) or Finance Applicant (FA)	Sector	Respondent	Designation
1	04-Sep-17	FP	Private	DM1	Regional General Manager
2	06-Sep-17	FA	Private	TM	Doctor/Medical Practice Owner/Entrpreneur
3	11-Sep-17	FP	Private	HM	Syndication Leader
4	13-Sep-17	FA	Private	NL	Doctor/Medical Practice Owner/Entrpreneur
5	14-Sep-17	FP	Private	AL	Medical Director
6	16-Sep-17	FP	Public	CL	Senior Manager: Stakeholder Relations
7	20-Sep-17	FA	Public	OS	HOD: Anaesthesia and Critical Care
8	22-Sep-17	FP	Public	DM2	Regional Head
9	17-Oct-17	FA	Private	RD	Doctor/Medical Practice Owner/Entrpreneur
10	19-Oct-17	FA	Private	LM	Doctor/Medical Practice Owner/Entrpreneur

The interview schedule was broken up into three sections. Section 1 consisted of questions one to seven, with questions that applied to both finance applicants and finance providers in order to obtain general feedback from their experience of financing vehicles in the healthcare industry. Section 2 covered by questions eight to thirteen were specifically for the financing applicant's specific experience and their expert opinion after having gone through the process of applying for finance. The final section, section 3 covered questions fourteen to twenty which was specifically aimed at the financing providers and endeavoured to understand the industry from their point of view.

5.3 Results for Research Question 1

Do the generally known financing vehicles identified in existing literature and practiced worldwide contribute to the success or failure of a project in the healthcare sector?

5.4 Results for Research Question 2

Knowing South African healthcare background and legacies, do the generally known financing vehicles identified in existing literature and practiced worldwide bring success or failure in resolving the South African healthcare challenges?

The main objective of this research question was to understand from the finance applicants the main financing vehicles that contribute to either the failure or successes in effectively financing the healthcare sector. This research question was specifically posed to the finance applicants which made up half of all the respondents. Of the five respondents, only one represented the public sector. The interview question sought to understand in detail the type and nature of the finance vehicle and reasons the methods were selected. This research question further probed the participants to provide recommendations and advice to future finance applicants.

FINANCE APPLICANTS

5.4.1 Determining the main provider of the finance

The interview question requested the finance applicants to share their source of finance for their projects. The four main vehicles of funding that were highlighted by the

participants were government funding, commercial banks, development bank and self-funding and these are highlighted on the table below.

Table 10: Determining the main provider of the finance

Rank	Constructs	Frequency
1	Government Funders (IDC and Treasury)	2
2	Commercial Banks	2
3	Development Bank	1
4	Self-Funded	1

The participants were asked a straight forward question which basically requested them to highlight their finance providers. The views of the participants based on the highlighted financing methods were as follows:

TM representing private medical entrepreneurs said: *"In terms of the first business it was purely from the IDC with this letter of guarantee from the hospital from our own money which is not real, but IDC and with the second business it was purely commercial, hundred percent from a commercial bank".*

Describing the source of the preference share funding, NL quoted her source as: *"It's a development bank".*

OS representing the public sector said, *"It's still tax payer, fiscal, treasury allocates budget for health, that goes from national health, it's apportioned to each of the ... I think it goes that way to the provinces, all the provincial budget is then apportioned for health"*

LM a medical entrepreneur in a partnership: *"Most of the time when funding was required, couldn't afford the 33.3 which is why I delved into my savings and borrowed from family and friends. My two partners were in a better standing, financially, to provide their portion"*

5.4.2 Determining the reasons for the finance applicants to select a particular finance method

This interview question requested the participants provide reasons for selecting a particular finance method.

Table 11 Determining the reasons for the finance applicants to select a particular financing method

Rank	Constructs	Frequency
1	Favourable Terms	2
2	Commercial Banks Declined Application	1
3	Difficult to get Funding	1
4	Debt is not Describe in current Economy	1
5	Lack of Affordability	1

Two of the participants were of the view that they selected a particular finance vehicle because it offered favourable terms, with one participant mentioning that *"I think what they provided has been good. If I had to go back I may have changed the business model a bit, so I don't know if they would be involved with it. I would maybe more change it to a partnership thing*". Another participant mentioned that he had selected the IDC because other institutions had declined his application, stating that "*In my case it was because the commercial banks had blocked me and so went to the IDC. I didn't try the vendor at that stage".*

Another participant mentioned that they chose development bank because it was difficult to get funding from somewhere else, citing that "*It was difficult, like I said, with the new product or service, to get financing*". Another participant mentioned that he selected government funding because of a lack of funding which is related to the poor performance of the economy, highlighting that *"Right now, no, because there's a funding crisis, there's not enough money to do what needs to be done. So I don't think any of those ideas right now will be entertained. You can't afford to create more debt right now*". In contrast, LM as part of a tri-partnership shied away from debt, mentioning that she was self-funded for her portion because she couldn't afford repayments for a loan, stating that "*Not really. I, for one, most of the time when funding was required, couldn't afford the 33.3 which is why I delved into my savings and borrowed from family and friends".*

5.4.3 Establishing the length of the repayment period

The participants were requested to disclose the length of the repayment period of the finance granted by the chosen finance vehicle or methods. This interview question responses are presented in the below table.

Table 12: Establishing the length of the repayment period

Rank	Constructs	Frequency
1	2-5 Years	4
2	Open Facility	2
3	Thirty Days	1
4	8-10 years	1

Four participants estimated the repayment to be between two to five years, exclaiming that "*I think we managed to recoup our monies after three years*". Supporting this view was another participant who declared that "*They've put it at three years and if it can't be paid in three years they'll extend to five, if it can't be paid in five they'll cancel*". Another participant cited that both his selected funding vehicles had a repayment period of two to four years, declaring that *"For the commercial bank it's I think about five years, I stand to be corrected. For the IDC, they split my loan into two, so they gave me a primary loan and a subordinated loan. The primary loan, the repayment time is four years and the subordinated loan, the repayment time is eight years but that loan is actually very expensive because it's accumulating interest, so I need to start paying it back*". Another participant supporting this view stating that "*Yes, at the beginning it was quite open, it was a card with a big overdraft facility and a fixed rate and no date we needed to have it paid off*". Another participant mentioned that the repayment period was generally between eight and ten years, commenting that "*the repayment time is eight years but that loan is actually very expensive because it's accumulating interest, so I need to start paying it back*". LM, speaking as a shareholder and of capital re-payments, expressed that "*We never put a timeframe, actually, we just thought we'll pay ourselves when the money comes".* OS in the public sector mentioned the repayment period to be thirty days, which was the shortest repayment period highlighted in the interviews, stipulating that "*Treasury regulations, all suppliers are supposed to be paid within thirty days".*

5.4.4 Evaluating whether the finance applicants experienced the finance terms to be favourable

The participants were requested to disclose whether the finance terms were favourable. As shown on the table most of the participants were in agreement that the finance terms

were favourable.

Table 13: Evaluating whether the finance applicants experienced the finance terms to be favourable

Rank	Constructs	Frequency
1	Yes	3
2	No	2

Three of the participants, all in the private sector and are entrepreneurs, were of the view that the finance they received was favourable with one of the participant highlighting that "*Extremely. Also, they allowed me to capitalise the repayments so I don't have to pay them on a monthly basis, I only have to pay them in three years' when the business and able to have the cash flows to pay it back".* Another participant supporting this perspective mentioned that "*Yes. I think because I was, if you didn't and if there was no money coming in they would have said what's happening here. I haven't heard from others that they really call in or try and come, they are quite open, they would say what's happening, do you need more time or how's it going kind of thing*". Another participant further reinforced this view, stating that "*Yes, I did, and once I did that then I went back to them and they gave me the balance. So the subordinated loan is actually only because of her"* with the subordinated loan only being taken up after signing up as a partnership.

Two participants were of the view that the finance terms were unfavourable, with one of the participants who had self-funded her project with two other partners, regretting the decision mentioning that "*It wasn't the best way. I think perhaps the splitting in terms of it being fair would have been the best way. However, taking into consideration that I was more stressed than them in looking for the funding, I was always stressed, and so for me who had to look for that kind of money, it wasn't the best way. If we had access to credit it would have eased that pressure*". The only participant in the public sector expressed that the terms were unfavourable because he needed more funds, stating that *"Everyone can always do with more. We always work within constraints*".

5.4.5 Establishing the factors that would make the finance application process easier

The main objective of the interview question was to establish the factors that would make

the finance application process easier for the finance applicants. The main construct that emanated from the participants are summarised on the table below.

Table 14: Establishing what would make the finance application process easier

Rank	Constructs	Frequency
1	Client Relationships and Support by Financiers	5
2	Networks	2
3	Knowledge of the Healthcare Industry	2

A majority of the participants were of the view that there needed to be intensive support from the financiers. One of the participants were of the view that the funders had to reach a realisation that the healthcare professionals had the desire to be entrepreneurs however they required support when applying for finance because of a lack of business experience, stressing that *"I think what funders need to realise is that entrepreneurs are running their businesses and maybe where they could help, if you come and meet the entrepreneur at their business and you have somebody who puts together the documents for them, I mean I remember with the funder who rejected me, I was two months into my business and I was everything in my business, head of marketing, medical, everything, but it took me out of the business for a week to actually put together some of the things. Some were too high level*". This participant further explained how she managed to acquire experience in business, exclaiming that "*Fortunately I had just pursued a business masters so I understood some of the things they were asking for, but the thought did pass to say what an ordinary person would have known about this? They were asking me about by forces, and I just thought this is strange. The principle of it didn't make sense to me. An entrepreneur who hasn't to business school, and a lot of them haven't, and we are saying entrepreneurship is the way out of unemployment, which means someone who is unemployed and possibly unemployable*". She felt strongly about it and went on to say *"I feel if funders can understand the struggles of entrepreneurs in that all you want to do is run your business and grow it and let an entrepreneur do that else there won't be a business to fund by the time they give you all the documents*". Another participant who was noted to have had a good relationship with his funders with an allocated private banker, added on this notion highlighting the fact that getting support from his current funder made a difference in his application process, underlining that "*because maybe it's*

just my perception, because they came to the table and brought all this offered that you find these products are really cool, I must sign with these guys".

Another participant cited that the existence of networks was important and would essentially make the funding process much easier especially in the healthcare sector, specifying that *"Will they be willing to fund you is another story but I think the relationships, it's quite easy because now I'm sort of in the industry I know the players and I know who to phone, who to speak to when I need X, Y, Z, so yes, they're approachable".* Delving again into the importance of funders having an understanding of the healthcare sector, LM reiterated that *"I think if they knew the industry better and looked at our trends in terms of the number of clients we were saying per month and what kind of disease profiles we were seeing, because each comes at a different cost, they would have had a better understanding of what kind of revenue we were making over time and perhaps that would have made it easier for them to provide us with a credit line".*

5.4.6 Pursuing advice for other finance applicants in the healthcare industry

This interview question sought to comprehend the advice that the participants would render to other potential finance applicants in the healthcare industry based on their experience. The main constructs are illustrated on the table below.

Table 15: Pursuing advice for other finance applicants in the healthcare industry

Rank	Constructs	Frequency
1	Business Knowledge	8
2	In-depth Understanding of the Healthcare Sector by Financiers	4
3	Customer Centricity	3
4	Invest in Marketing	3
5	Financiers to be more Innovative in their Products	2
6	Start at an Established Practice	2
7	Government Support	2
8	Invest in the Environment of the Practice	2

9	Choose the right Partners	2
10	Finance instead of self-funding	2
11	Element of Trust based on Social Dynamics	1

A majority of the participants made reference to the importance of business knowledge, with one the participants recommending that the finance applicants should attain training on business operations and management, expressing that "*they need to just put themselves out there and get to understand the business side of what we do, because that's actually a huge linked in fact, that we don't get training, and it's not very difficult, you've just got to understand the funding side, how do medical aids work, what's the difference between a medical aid and a scheme, understand what are the inputs into the business, what are my cost of sales, what are the risks, what influences what I do, for example, we don't set our own prices, people think that we rip them off, they actually don't understand, medical aids tell us how much to charge*". Supporting this view NL who stated that "*people will always try compare you to what currently exists, and to be belligerent about the fact that you understand your business, you're welcome feedback but if it's contrary to what you know that you know about your business, to stand your ground because that will help filter who is the right and wrong funder. That's very, very important*". TM continued to emphasise the importance of business knowledge mentioning that "*So understand the business and to do that is actually not very complicated, just go speak to people who are doing it. A lot of people won't be too keen to talk to you if they don't know you but other people will open their doors and shock you and just even show you the numbers. I had that. So as you're doing that, you're growing and you don't even need to understand, then you know when you go to speak to your funder, you know what you're talking about because they can throw questions at you that are very legit but you are stunned because you don't know, for example, basic thing, out of every ten patients that we see in a day, what's the distribution, how many outpatients, how many inpatients are there? That makes a huge difference to our financial model because inpatients tend to do more investigations than outpatients, so you need to know the split*".

Some of the participants were of the notion that it was important for the finance providers to invest time in understanding the healthcare sector with TM highlighting that "*The problem comes from people not understanding the industry, and not having enough skills on the funder side to appreciate the nuances*". Further reiterating his point with an

example and expressing frustration to belabor the point, he maintained that *"for example, when I was applying for funding on many, many occasions I kept on having to explain the difference between a radiologist and a radiographer. That's okay for a layperson on the street but for somebody who wants to fund me, who claims they're funding health, it's a problem because occasionally questions arise that clearly are driven by a misunderstanding of what's actually happening*".

Some of the participants were of the view that it was important to demonstrate customer centricity during the application process. It was interesting to note the notion of customer centricity, with one of the participants highlighting that *"I believe in customer-centricity because if you focus on your customers, competition is irrelevant and that always frustrates me. When I engage with funders, they're who your competitors are and what are ... I don't know. All I know is that my market, I'm doing everything possible to elevate the experience and to make things easier for them [patients]"*. She went on further to say "*If you're customer-centric and doing everything possible for them, there's no way you can't make a profit. I think we're focusing on the wrong thing, let's focus on the roots and then the branches will come, but we're focusing on branches and then what does that happen?* ". Other participants were of the view that it was important for finance applicants to illustrate to the financiers that they had invested in marketing or rather will be investing marketing when the business has been established, with one of the participants mentioning that "*marketing is very limited as well because for us, my clients are not patients, my clients are other doctors, so I need to go see them but I need to work as well, so I don't have enough money to hire an additional radiologist to sit there and work while I go do the marketing and sit with the GPs and say, guys, I'm the best radiologist in town, I'll do this for you and go see the pediatrician, go see the surgeon"*

5.5 Results for Research Question 3:

What are the appropriate financing vehicles to address South Africa's healthcare challenges?

The aim of research question 3 was to determine the appropriate financing vehicles to address South Africa's healthcare challenges. In understanding the appropriate financing vehicles for the finance providers, the respondents were requested to explain their role in the organisation as finance providers, the screening or vetting process and the general

reasons for accepting or rejecting an application. This research question was crucial because it also requested the finance providers to provide recommendations and advice to potential finance applicants thereby relying on their experience and expertise as finance providers. Half of the ten respondents were finance providers, with two of the five in the public sector.

FINANCE PROVIDERS

5.5.1 Understanding the role of the financing provider

This interview question prompted the participants to explain their role in finance provision. This question was mainly to get a view of the involvement of the participants in finance approval. Their level of involvement in the financing vehicles would give them expertise on the process of providing finance, any challenges faced, and recommendations for the South African landscape that they operate in.

Table 16: Understanding the role of the financing provider

Rank	Constructs	Frequency
1	Finance Final Approval	2
2	Application Review	1
3	Due Diligence	1
4	Client Orientation	1
5	Business Development	1
6	Clinical Governance	1
7	Fund Sourcing	1

The participants expressed their different roles in the process of finance approval declaring their roles as follows:

DM1 expressed that he was heavily involved in the financing process from application to fund approval and he provided the detail: *"It is exactly so, from the point of receiving the application, requesting the required information, undertaking the required due diligence*

and before that to provide a letter of intent outlining the terms by which we would do it should there be interest, then you prepare an investment proposal which will be presented to a credit committee as it's normally called and then the terms that I gave at the letter of intent stage may be altered here and there to say these are the terms upon which approval is given"

DM2 working for a public funder ensures sustainability of the finance provided, particularly focusing on financing projects that will be fulfilling the mandate economic development. He describes it as: *"They call me head of development impact support and that means, as you know, SEFA, development funding institution, we're not a bank, so we're here to do things that banks or commercial lenders cannot do certain market failures. Now my role is to ensure I establish partnerships out there, it's basically business development but in the sense that I need to get the right type of projects that have high developmental impact"*

AL had an ethical element in her deliverables which involves ensuring that the financing provided remained within the parameters of the regulatory body under which the hospital group operated *"My title is medical director so my responsibility in this conversation is clinical governance so I would be the custodian of the protection against the perverse incentive"*

HM as a syndication leader is the go-between a commercial bank or any lender and a financing applicant looking to purchase healthcare equipment. She describes it as*: "I work for an equipment finance company, equipment provider so to speak and I work in the division that assists with sourcing financing on behalf of customers and sometimes it means financing directly from the organisation or it could mean almost being a broker that can speak to other financial institutions to provide financing"*

5.5.2 To determine riskier finance deals between state-run companies and private companies

This interview question sought to understand from the participants the riskier finance deal between state run companies and private companies. A majority of the participants were of the view that state run companies were riskier than private companies as illustrated on the table below.

Table 17: Determining riskier finance

Rank	Constructs	Frequency
1	State-run Companies	3
2	Private Companies	0

A majority of the participants were of the view that state-run companies were riskier than private companies, in fact none of the participant were of the perspective that private companies were riskier than the alternative. The main issue with state run companies was highlighted as the fact that the companies did not fully understand the work, mainly due to a lack of appropriate skills and a level of nepotism, with one of the public sector participants admitting that "*Definitely in state run companies because we've realised that often people don't really understand it fully, you find because of where we come from, as a country, certain people will put in certain positions and because of that you don't really get that value you would want from them. We, as financiers, definitely have a role to play in terms of education, skills development, capacity building, so it's important for us when we work on these deals that we look at those things, and mentorship and coaching so you transfer that skill to people*". Supporting statement was from DM1, a private sector funder who expressed that his institution did not fund state run companies, reasoning that "*I think state run companies are riskier because of the patience that you have to deal with prior to payment. I don't fund state run companies, I only fund private companies but I can look at the clients that if hundred percent of their customer base is state run, I'm concerned, I want to have a mix because of delayed payments, just exposure to sometimes it's usually politically exposed persons that deal only with that and when people change or just different group gets in and now you're at risk, this group says we were shut out, we don't care and then they shut people out thereby*".

5.5.3 Process of screening or vetting of applicants

This interview question sought to understand the process of screening or vetting of finance applications. Table 13 below provides a summary of the results of this interview question.

Table 18: Process of screening or vetting finance applicants

Rank	Constructs	Frequency
1	Due Diligence (ITC, Credit History, SARS)	8
2	Inquiry Process	4
3	Business Plan	3
4	Financials	3
5	Contribution to Social and Economic Development	2
6	Entrepreneur Test	1
7	Skills Requirement Assessment	1

In analysing the top three constructs based on frequency count, the responses from the participants were quite interesting. Many of the participants shared that they applied due diligence through ITC and credit checks. CL, one of the participants highlighted their process of due diligence, explaining in detail as a public funder that, "*Then we do due diligence, specifically for takeovers or people wanting to buy into businesses, etc. Then the business adviser, having all the information would then structure the deal, do the paperwork and that's where we obviously have our checks and balances and look at, although it's not so important, ITC, credit history, but it's not a determining factor*". Supported by DM1 a private funder, he mentioned that "*There's no better screening than the due diligence, it would have a particular check list, is this in place, is SARS up to date, ITC check on the entrepreneur, on the business, that's the part of the screening that you had on that, the security that they're giving you, is it encumbered. It might be encumbered elsewhere*. He went on further to say "*Once we have done that and we feel we've got enough information with the required completeness to submit for our credit quality*". Another public funder (DM2) highlighted the due diligence process as a basic assessment explaining that "*Basic assessment is to see if it's something we can send our teams to, because we've got regional offices, we can send our teams to do an in-depth due diligence*". Further articulating this view was another participant HM, who maintained that "*Then you would do if it's more of an individual, an individual run practice, you'd do the normal credit checks, personal credit checks, because it tells you, if someone has their personal finances out of kilter it probably will affect how they repay you for their own business*".

Some of the participants described the vetting process as an inquiry process, with DM2 of the public entity explaining the in-depth process of inquiry as "*We've got different processes in our value chain. The first is an inquiry process. We have to assess if it's something we can do. If we can, and we need to do that very quickly, because when someone is still inquiring, they're still looking for where I can get funding, you can't spend two days before you tell them this we can't do, so our inquiry process is a very short one and we then see if it's something we can do, and if yes, it goes to the second process of the basic assessment*". DM1 described their inquiry process as an entrepreneurship test mentioning that "*We look at what we call entrepreneurial test of some sort, which is an inquiry process we let our entrepreneurs complete that test where to give us a better understanding of the entrepreneur, because that's probably the most difficult to assess. You can look at numbers, the financials, but the entrepreneurs prove the most difficult because the attitude can do a 360-degree turnaround prior to receiving the funds and after, they might be different – I thought I knew this person, totally somebody different*". He further explained the inquiry process as a test similar to a psychometric test, highlighting that "*So with that, while it doesn't give you complete answers it gives us a fair understanding because we did it conjunction with recognised institution of higher learning to compile such a questionnaire, and it looks at I would say like you do a psychometric test and then it looks at the entrepreneur's ability to meet their obligation, to customers, to creditors, to their own staff because people draw provident funds and SARS money from them and they don't pay it over, it happens*".

Some participants were of the view that they reviewed the business plan, with HM highlighting the importance of a robust business plan mentioning that "*Then we run sensitivities in terms of looking at the business plan, like where are they location, which tends to be a central point, where are the nearest competitors, and how are those competitors doing and also it depends on who the individual is, how they're running the business, professionalism, etc. I think all of those things are important*". DM1 added onto the importance of business plans, stating that "*As I said, what business plan is being to us, we need to receive that and existing financials and initial desktop analysis and then propose the terms of which we would consider funding, that's an intention. If they accept those terms we do a formal due diligence, that's the screening*".

Some of the participants were of the view that they reviewed financials as a method for

vetting the finance applications, with HM adding on the importance of reviewing historical financial, emphasising that "*It's simple, to look at historical financials where they exist and what they project. If they're purchasing equipment what are their projections, and then to see if it broadly makes sense*". She emphasised the importance of accurately projecting the financials when applying for finance, advising that *"Five years normally, it depends, if you're doing equipment finance type of structure it generally is five years, if the financing they're looking for is for longer, we would want projections for that period, but the standard is generally five years*". DM1 added to his list that financials were important and they had to be reviewed by the finance providers on a consistent basis, declaring that "*other could be more detailed intervention based on the financials that would have been dictated that you would send the monthly financials, then you can see how far from projection is this person and what intervention needs to happen for them to be on budget, because remember we did a cash flow projection going forward".*

5.5.4 Understanding the rate of default on applicants paying their instalments

This interview question sought to understand the rate of default on applicants paying their instalments. Based on the table below, a majority of the participants were of the view that the default rate was extremely low in the healthcare sector.

Table 19: Understanding the rate of default on applicants paying their instalments

Rank	Constructs	Frequency
1	Extremely Low	4
2	Dependant on Market Conditions	2
3	Extremely High	2
4	Market Rate	1
5	Slightly higher than Market Rate	1
6	Dependant on Entrepreneurial Test	1

In analysing the main constructs, many of the participants were of the view that the rates were extremely low, with the participants expressing their views as follows:

HM as a syndication leader attested to it by saying *"It tends to be very, very low. I don't know, it may depend from business to business because our business is very focused on*

the radiology side, it's very low. I think there's two known defaults in radiology in South Africa out of 87 registered practices, could be more. It's not known to be a risky business"

"It's supposed to be according to HPCSA market related. We've discounted that to a standard rate which is very low, something like R27 a square metre, it's like negligible".

AL referred to defaults on the practice rooms rented by the healthcare professionals *"Yes. One of the simplest ways of financing is what we provide the infrastructure in which they practise, they're supposed to pay us rental, there's huge default on that."*

DM1 attributed default rates to macroeconomic conditions which are beyond the control of the healthcare professional. *"It depends on market conditions. If your due diligence has been robust the likelihood is that it is not as high as all that. Most financiers have targets of what their appetite for default would be so it's also subject to the economy. When they say there's a recession, you probably see it first, particularly in the SME"*

CL as a public funder highlighted that his institution was proactive in addressing and managing levels of default, highlighting that *"It's the same rate as in the banking industry and market conditions sometimes a little higher but we have our checks and balances to ensure when you see a certain individual is going to default on their repayments, then you would make that specific amendment or ensure you get a mentor to go in".*

Contrary to the other public funder, DM2 was of the view that the rates were extremely high, stating that *"Very high, relatively speaking because we are a DFI. Compared to other DFIs it's acceptable. Locally or internationally our default rate is acceptable in comparison to other DFIs because it's a high-risk market you're playing in*". He went on further to state: *"In terms of our standards, because you don't want to sit where there's a high-risk market, where you know that your default rate will be high and then put a high target for yourself because you end up achieving that high".*

5.5.5 Determining the use any other discretionary reasons for approving or rejecting an application apart from the reasons stated

This interview question sought to understand the use of any other discretionary reasons for approving or rejecting an application apart from the reasons mentioned on the previous question.

Table 20: Determining the use any other discretionary reasons for approving or rejecting an application apart from the reason stated

Rank	Constructs	Frequency
1	Ethical Practices	4
2	Market Viability	3
3	Innovation	2
4	Collateral	2
5	Integrity	1
6	Business Growth Plan	1
7	Business Skills	1
8	Financial Sustainability	1
9	Market Differentiator	1
10	Full-Time Running of the Business	1
11	Alignment between entrepreneur, business and financial risk	1
12	Listed on the Credit Bureau	1
13	Robust Business Plan	1

In analysing the main constructs, many of the participants were of the notion that discretionary reasons for approving or rejecting an application were linked to ethical practices. One of the participants explained ethical practices as businesses that were involved in alcohol and gambling clarifying that his institution did not fund such businesses, distressing that *"Yes. We don't do certain businesses at all, gambling, alcohol, we don't fund them at all. From a deals perspective, if there's something in that deal that is going to make us unable to be ethically okay with it, then obviously we wouldn't do the deal"*. Similarly HM highlighted the issue of ethics, specifying that *"I think the no, if all the boxes were ticked, if they had questionable ethics in general because that's bound to get them a large law suite, but questionable business practices and ethics in general, probably would be the one no, even if all the boxes were ticked"*. DM1 further linked ethics to trust highlighting that "*So I'm not sure if there's very much discretionary … maybe discretionary in the sense that maybe if something comes up during due diligence that shows lack of integrity, if I can't trust you with the information you've given me, why must I entrust my funds to you?"*.

DM1 added onto ethics, the issue of market viability, linking market viability to the financial risk, revealing that "*There's probably more, appraising the … it's not so much*

discretionary as much as it amplifies my reasoning around those three pillars. I still look at entrepreneur, the business, the financial risk, and say why I would I want to accommodate this high financial risk, but I still wouldn't finance an entrepreneur who doesn't have the requisite doing skills, and the business must show that it moves towards being its cash flow viable".

Another participant was of the view that innovation in a business was important in terms of rejecting or approving a finance application, explaining in detail with an example that "*I think innovation, for example this Elon Musk comes with innovations all the time and he says he's gone to something that's going to change, self-driven cars, but he comes with this. Okay, there's a reasonable … am I unreasonable in expecting that he's going to bring something hot here? If it does happen what will my projections be based on? Or certain OEMs are saying they want to buy into it, he's already got … this spoke thing that he's developing will be taken by originally manufacturer for this particular, okay, that's good now, this thing is not just pie in the sky, it's moving in this, the risk is high risk but likely to be high reward, maybe I'll go with Elon Musk on that type of thing*".

AL as a medical director, mentioned the importance of ensuring that the finance applicant had collateral, highlighting that "*The most common default would be collateral which is maxed out credit, if you compare us to Investec. Investec would not budge on that even if it's a heart surgeon with huge income potential, they're still a bank. We would go we know the industry and we know this guy's going to make a lot of money for us and him so we'll do it. So future income potential would be what we would waiver it for. We would even take a risk on losing that, if we say we're going to pay ten doctors to come to us and pay them equipment and relocation fees and we know*".

5.5.6 Determining the opinion of a finance provider on what would make the finance process easier

This interview question sought to understand from the finance providers view, the factors that would make the finance process easier. A majority of the participants felt that it was important to have institutional support for the finance applicants as illustrated on the table below.

Table 21: Determining the opinion of a finance provider on what would make the finance process easier

Rank	Constructs	Frequency
1	Institutional Support for Applicants	4
2	Electronic System	3
3	Formally apply for Financing from Established Healthcare Facilities	3
4	Business Training and Development	3
5	Alignment between entrepreneur, business and financial risk	1

Some participants were of the view that most applicants did not know how to complete the applications in a manner that was acceptable to the finance provider, with one participant highlighting concern that "*The guys who don't pass our inquiry process, it's quite a lot, out of ten you'll take three through the basic assessment. Most of the guys are not finance ready, whether it's healthcare or any industry. It will be good to have ... I don't know if you know SEDA because they were supposed to take those applicants to SEDA to polish them up because a lot who don't pass our inquiry or basic assessment will need something to be cleaned up, some intervention and then they can come back. So if that can be a well-managed seamless process that will be first prize, not only for SEFA but for our clients as well*". Interestingly, CL from a public funder was of the view that an electronic application system would make a difference in the application process, specifying that *"I think we are very paper based and that is difficult. It would be easier if we could have one application form and it should be electronic and people should be able to get an outcome within days. I think our turnaround time is between three and six months, which is quite high. We are a government agency so people then lose hope and think we're not able to do our jobs. It's only because we, as a government agency, get so much more deals than banks, because people think this is my opportunity and because it's a government institution, now people would look at my deal, and because we can't show anybody away, we have to work through all of them*".

Interestingly AL's perspective was that the applicants should apply for funding from well-established healthcare facilities instead of banks or other funders, mainly because the facilities understood the industry in detail, highlighting in detail that "*I think if they could formally apply for a loan with Netcare. We have all this intellectual property that we know we can predict how this guy's income is going to look. Investec doesn't necessarily have that. They're not using Investec, so they're a bank, they've got banking principles. So I*

can't say that I know that a cardiothoracic surgeon will gather so many patient days which will likely translate into that. We can do that. So if we were allowed by the regulatory bodies to provide loans to the doctors that the proviso is that you come to us, we give you a loan, they see certain repayment terms, that would make it easier". HM thought it was important to have business training and development for finance applicants, maintaining that "*What would make it easier is if the people I guess on the other side were more financially astute because you could somewhat speak the same language. You find with healthcare professionals they tend to be the opposite of business minded, they're speaking to twenty different financiers and they say different things, change their minds every week and that makes the process more difficult. I think any financial knowledge, doctors that have studied something financial, an MBA, tend to be really, really good because that's a great combination so that would make it easier*"

5.5.7 Determining the advice a finance provider would give to a potential applicant for finance in the healthcare sector

This interview question was quite interesting because it probed the participants to provide advice to potential applicants for finance. The participants had many interesting views on this as illustrated on the table below.

Table 22: Determining the advice a finance provider would give to a potential applicant for finance in the healthcare sector

Rank	Constructs	Frequency
1	Business Training and Development	6
2	Market Viability (Solutions-based approach)	6
3	In-Depth knowledge of the Product and Service Offerings	5
4	Robust Business Plan	4
5	Good Negotiator	2

In analysing the main constructs, many of the participants were of the view that it was important for finance applicants to achieve business training and development. DM1 reiterated the importance of business training, which is a theme that has consistently been mentioned throughout the interviews, emphasising that "*I'm sorry to belabour the points of the three pillars but when you look at the business you look at doing skills for the*

entrepreneur, do they have doing skills to do that which they purport to be able to do? You're starting a business school, GIBS, private, what makes you think you can be an educator and start something that can compete with what is there in the market? It's because you have at least the requisite doing skills. So if you're going to be in the healthcare sector, why healthcare? Do you have the doing skills for that?" Another participant reiterated this perspective echoing that " Okay, then you need to have the business skills to run the business and that is the finance, the marketing, all the functions you can think of, of running a business because in the beginning, at least there's a SME, you probably do everything, and if you're not, how are you going to compensate in terms of the team that you have that's going to compensate in making sure that that business runs and is able to mitigate the risk perception of the financier? Then you need the entrepreneurial skills that flare, as an entrepreneur".

Some participants were of the view that market viability was really an important factor to consider when starting a business, especially in terms of ensuring that the business offered solutions to an existing problem in society. DM2 explained this notion in detail, highlighting the importance of commercialising a solution, emphasising that "*The most important thing to say is, if you're going to open a business in a particular community the first thing to say is what problem am I solving for that particular community? Don't just go and open a pharmacy. That's a product you're giving to them, but what problem are you solving for them? Once you identify the problem you're solving in the healthcare space and you give a solution and obviously you'll commercialise the solution, then you've got a sustainable business*". He went on further to emphasise that "*So then you know there's a problem. You go to the established ones, they've got solutions, they can even deliver, they can have a script, then there's a problem of convenience, and if you are solving that problem and you can see that in this particular community, it's an elderly community, you've got so many people going to queue just to get that medication, and then you become a solution for them. You know every time they go it's because they're going to look for treatment. So there must be a particular problem that you're solving. Once we know that problem, as a lender, and we can see that your solution is commercial solution to that problem, then we're in business*".

CL highlighted the significance of knowing the product and service offerings in detail, in order to be able to answer any question which might be posed by the finance providers, recommending that "*Know your product. If you have to pitch something in terms of a deal*

and don't know your product, how will I get to know it? I am just a financier. If you can pitch your product and I can see you understand it, and know how you're going to finance it, I'm not saying know financing jargon, but know that this is what X is going to cost me, etc. and why it's going to cost me this, this is the type of profits I'm looking at, these are the margins, so that it makes it easier for us to interact, because I'm going to ask those questions. If you can't answer it makes it difficult". The participant further emphasised his view using an interesting example which involved an applicant who was familiar with her product and service offerings, mentioning that *"For example, we had a lady in furniture manufacturing and wanted a R5 million loan, she had a business plan done by a consultant and we declined it because we could see within that business plan that it was not really capturing the essence of what she wanted to do, and when you asked questions she couldn't answer. Then when we asked her questions, she was able to answer them and we called in a business advisor and said take down some of the stuff she's speaking about, do a business plan for her. From a 100-page business plan to 10 pages and her R5 million was approved because she knew the business and what she wanted"*

HM went back on the importance of a robust business plan, emphasising in detail that *"I would say to make sure that they have a good business plan, that's key, and that they have it properly prepared by a finance professional, to understand the various numbers because assumptions, it's always around how many patients, how often, to understand why those numbers are as they say they are and to be able to defend their business plan. Someone who seems to understand the dynamics of the area, the relationship between himself and the hospital, for example, if they work within a hospital, and a real understanding helps, you don't tend to find it. I think it would make it easier. It's key to understand why and how your business is going to run".*

5.6. Conclusion

It is interesting to note the congruencies in the answers either between the public and the private sectors, but also between finance applicants and finance providers. For example, all parties agreed on debt financing as the most prominent source of financing. This is despite the fact that it was difficult to access funding mainly because of reasons cited by the finance provider as related to a lack of business expertise of the financing applicants. Furthermore, the results showed that, being a medical professional is a bankable qualification however further business acumen is required to become fully viable for

funding; being a functional expert will not support the sustainability and viability of the business which is the main determinant of obtaining the funding.

Although financing applicants were generally happy with the financing vehicle they utilised as well as its repayment terms, it emerged that equity-based financing and/or a customized vehicle of financing for their healthcare business model was best suited and additionally fostered by support from the financiers and a good applicant-funder relationship.

Financing providers had expertise in their respective fields and all avoided funding public entities or private clients with public customers. The finance provider generally followed a rigorous vetting process to lower the credit risk however, even if the applicants ticked all the boxes, the funders would maintain their high level of integrity and refrain from engaging in unethical business practices.

It was interesting to note the final congruence between finance applicants and finance providers which emerged in their respective recommendations to finance applicants as gaining business knowledge or ensuring that the applicants obtain business training and development.

The results from the twenty interview questions were presented in this chapter. The constructs that emerged from the interviewing process and through analysis of the data will be tested against existing literature on the topic "Identifying appropriate financing vehicles for healthcare providers in South Africa.

CHAPTER 6

DISCUSSION OF RESULTS

6.1 Introduction

The previous chapter presented the results of the data obtained from the ten qualitative, in-depth interviews conducted as part of this research study. In this chapter, the researcher pulls together chapter 2, the Literature Review with Chapter 5, the Results by discussing the data and linking it to the literature. Insights obtained through the findings of the research will be compared to the literature reviewed which was the basis of this research study. The findings of this research will be used to contribute to an improved understanding of the appropriate financing vehicles for healthcare providers in South Africa.

6.2 Identifying financing vehicles and their perceived contribution to a healthcare project

Question 1: Do the generally known financing vehicles identified in existing literature and practiced worldwide contribute to the success or failure of a project in the healthcare sector?

The key themes derived from the answers provided by participants in response to research question 1 were "Debt financing is the most common vehicle of financing in the healthcare sector", "Lack of collateral on the side of the finance applicant and lack of understanding on the part of the financing provider for the healthcare business model are the main determinants of rejection of finance" and "Equity-based financing is the commonly proposed and considered the best vehicle for financing a healthcare project or business model". These themes will be explored in the sections below.

6.2.1. Debt financing

Moritz, Block, & Heinz (2015) in looking at financing patterns of SMEs, came up with a table of results as illustrated in Table 1 from chapter 2. Through the S.A.F.E. survey, a survey on the Access of Finance of Enterprises of 2013, it was established that the least irrelevant source of financing was the Bank Loans with only 36.2% of the businesses finding it inapplicable to their business. In order of hierarchy of use in a six-month period,

Bank Overdraft, Credit Card, and Credit Lines ranked first at 34.8%, followed closely by Trade Credit at 29.8%. It is important to note that in addition to the above, different sources listed on the table fall under the umbrella of debt financing, namely grants or subsidised bank loans, bank loans, other loans, leasing, hire purchase or factoring, debt securities issued, subordinated loans and participating loans. These made up the majority of sources of financing accessed by SME's. The findings support the views of Berger and Udell (1998) who found that SMEs have a dilemma in determining between external equity and external debt as sources of financing, but eventually picking external debt simply for the reasons of maintaining ownership unlike external equity which would lessen their level of control in their businesses.

Interestingly, mostly healthcare finance providers were the main advocates for debt financing with those in the public sector equally in support of debt financing as a financing vehicle. According to Gatti (2013) debt financing taking the shape of project finance is a recommended financing vehicle in the public sector in partnership with the private sector. He defined it as "...a function of the project's ability to repay the debt contracted and remunerate capital invested at a rate consistent with the degree of risk inherent in the venture concerned." Supporting this notion is Yescombe (2013) who summarily described it as a vehicle set up specifically for a particular project, commonly a brand new one, financed largely through debt than equity with the loaners relying on the earnings from the project as repayment for the debt incurred.

Since both sectors are proponents of debt financing, the differentiator here it seems is the source of the debt. In the private sector, financial institutions, that is, banks are the source of debt financing according to literature as established above. The private sector finance providers interviewed, though in agreement to finance through debt, indicated that they provided the debt financing themselves for the purchase of equipment, rentals for premises or the start of the new business which was in contrast to Moritz et al. (2015). Likewise, the public-sector finance providers also did not use debt financing in the form of project finance as suggested by Gatti (2013) and Yescombe (2013) but instead were using funds that they are allocated through the treasury and the ministry or department they are affiliated to, that is, government sources. These findings therefore refute the views of Gatti (2013) and Yescombe (2013).

6.2.2. Main Determinants of Rejection of Finance

Collateral, as defined by Rambe & Mpiti (2017) is tangible belongings in the form of real estate or individual belongings such as vehicles or houses. In the case of new businesses for which it emerged as the main reasons for the rejection of financing, this becomes a major hindrance. New businesses do not have any substantial assets with which to borrow against. Such hindrances emerged as not contributing to the success of a healthcare business and placing further constraints on their ability to provide healthcare services. Commercial banks agreed and cited reasons for rejections as lack of collateral, unsatisfactory business plan and bad credit record among others (Fatoki, 2014).

Collateral is mostly required by the private sector when applying for finance and from the interview results, all of the respondents who cited collateral as a hindrance are from the private sector with the majority of them being the finance providers. The finance providers felt strongly about this as it meant that their investments would be at high risk with the finance applicants being likely to default on paying back the loans. The two finance applicants expressed frustration at the request for collateral by financers as it meant they would not be able to meet the requirements as brand new businesses that do not yet possess any assets. As a result, they both indicated that they sought alternative forms of financing, with one going for public funding and the other using personal savings to establish their businesses. This deferral to other sources of financing was supported by Carbó-Valverde, Rodríguez-Fernández, & Udell (2016) who discovered a common characteristic among rejected applicants for this reason as rather deferring from financial institutions and towards other forms of financing like trade credit.

Furthermore, the data obtained from the interview process described finance providers as having lacking knowledge of the healthcare business model and thereby resulting in them not providing any finance to the businesses. Cullen, Calitz, & Gaga (2014) coined the term to describe this as information asymmetry, defining it as "...a situation where the SMME owner knows more information regarding the chances of risk and loss than the bank does".

Kurniawan[a], Mudjanarko, & Ogunlana (2015) came up with what they referred to as "Best Practice for Financial models of PPP projects" and tabulated the key issues in the Project's economic feasibility on Table 4 with PPP standing for Public-Private Partnerships. They were for the notion that both the public sector and its loan-providers

should pay attention to a number of things such as financing and development costs, insurance, taxes, construction costs, etc., expressly emphasizing the importance of acquiring knowledge of the nuances of the project in order to understand, anticipate and be able to be invested in the project. Moritz et al. (2015) went on further to advise that government schemes that would back financing vehicles that are tailor-made for the SME and its attributes and the country-specific business environment, would make a world of difference.

By not designing a custom-made vehicle of financing to match the healthcare business model, it was found that financing providers become the hindrance to the need for the provision of healthcare services. The absence of a healthcare-specific financing vehicle for SMEs both in literature and in the findings proves it. Quartey, Turkson, Abor, & Iddrisu (2017) believed that looking at firm-level characteristics in the form of shareholding structure, legal standing of the business, well-balanced financial statements and level of credit-worthiness, trade capacity as well as the level of know-how and experience of its executives, were contributing factors to the success of an applicant for finance rather than the main requirement for collateral as advocated for by Fatoki (2014).

Berg & Fuchs (2013) went beyond the financing provider and the finance applicant and instead focused on the environment in which they both exist. They found that instead, there are external factors that affect the landscape within which vehicles of finance can be made more adaptable. In the case of South Africa, they found that the legal framework affected the banks and resulted in constraints in the way they operate. An amendment to the banking and lending policies were required in order to accommodate the new unique structure of SMEs which are structurally different to the usual established larger firms that they have been servicing historically. Bunyasi and Email (2014) agreed and suggested that if the government supported in a legal and regulatory framework thereby establishing the financial institutions' scope to include SME's.

6.2.3. Equity-based financing

Through their experience, the interviewees were asked for their expert opinion into the most suitable financing vehicle for a healthcare business model. A balanced view from both finance providers and finance applicants agreed on equity-based financing, however

with the majority of participants being in the private sector. Quoted by a private finance provider as "patient capital", they found the structure of equity favourable as it relieved the applicant of the pressure to pay back loans and allowed the often-new business to run and be well-established at its own pace. By taking on equity-based financing, both the debt repayment and pressure to perform are done away with. Moritz, Block, & Heinz (2015) came across this characteristic and preference amongst mixed-financed SMEs. These were businesses that used their own capital as first preference but mixed their sources of finance with other financial vehicles. Aligned to the findings, the same level of pressure and indebtedness is removed as and furthermore, a level of commitment is shown in the need to ensure the business becomes viable and grows organically, enough to generate profits to pay shareholders but also reap back into the business. Zabri, Ahmad, & Lean (2014) on Table 2 above, similarly found retained earnings and shareholders' own funds as the two preferred internal sources of financing.

It is interesting to note that some finance providers also advocated for customised financing which came second to equity-based financing and showed some level of introspection in how best to accommodate the finance applicants. This shows some innovation and a nod to the need for matching financing vehicles to the healthcare business models so as to create a win-win situation. Claessens and Tzioumis (2006) suggested that the need to address the problems of access to financing was through customised business-level analysis. This view is supported by the findings of the research in which Lee, Sameen, & Cowling (2015) had highlighted the differences amongst SMEs in their very nature which too was supported by Quartey et al. (2017), concluding that a generic method with which to benchmark their suitability for financing is incompatible.

6.2.4 Conclusion

While most interviewees prefer equity-based financing and a customised form of financing, it was found that most businesses are instead funded through debt financing; this is evidence of the inconsistencies that exist in creating a landscape in which the healthcare businesses can flourish. The stringent and uniform rules that apply to all financing applicants without any form of adaptation and innovation of the financing vehicles and the lack of appreciation for the uniqueness of healthcare business models

contribute to the failure of a project or business in this sector.

6.3. Applicability of the existing financing vehicles to address South Africa's health challenges

Question 2: Knowing South African healthcare background and legacies, do the generally known financing vehicles identified in existing literature and practiced worldwide bring success or failure in resolving the South African healthcare challenges?

6.3.1 Introduction

It is important to note that the questions raised in this section were directed at the financing applicants only. These are the medical professionals and entrepreneurs who are on a mission to provide quality healthcare services in South Africa. These participants were deemed suitable to provide the researcher with insights of their journey, and through this experience offer advice to another financing applicant in the healthcare sector in South Arica. The themes that emanated from the responses to question two were "Both the government and banks were equally the main providers of finance offering favourable terms", "Client relationships and Support from financers would make the process of financing application easier" and "A future applicant for finance should obtain an appropriate level of business knowledge and understanding".

6.3.2. Government and Banks equal Providers of Finance

It is encouraging to realise that both the private and public sectors are equally at play to provide the means with which quality healthcare services can be provided. In some instances, there is a merge wherein government funds support private sector businesses and to some extent private sector funds funded a private business catering to the public. The latter, which has emerged in the findings as a new healthcare business model, bridges the gap and endeavours to alleviate the pressures on the South African public health system.

Mayosi & Benatar (2014) highlighted the disparities in access to healthcare services noting that 70% of the healthcare professionals work in the private sector servicing only 16% of the South African population who have private medical insurance. Even though the healthcare providers who are the financing applicants are satisfied with the financing

they receive, they are not solving for the healthcare challenges facing the country if a large portion of their clients are left untreated. The untreated are the poor who are a result of the high income inequality and the disparity in affordability and quality of service of public and private health, compounded by the high infection rate of HIV/AIDS which increases the pressure on the already burdened public system (Fusheini, Eyles, & Goudge, 2016). Two of the four financing applicants who are medical entrepreneurs directly serve the poor public through their practices that are situated in the townships. Furthermore, and perhaps because of them addressing the healthcare issues directly, are the only ones who obtained government funding at some stage in the set-up of their businesses.

Barlow, Roehrich, & Wright (2013) stressed that healthcare professionals should concentrate on offering clinical services and not on managing projects or infrastructural needs. These views were supported by Medhekar (2014) who identified Public-Private Partnerships (PPPs) as the financing vehicle that will unite the public and private sectors in focusing on resolving healthcare issues. He described the arrangement as a mutual effort resulting in the drafting of applicable policies and regulations to improve healthcare access through the ministries of government, public hospitals and private hospitals. The findings did not include any mention of PPPs as alternatives, perhaps due to the limitations of the experience of the interviewees. Weber, Staub-Bisang, & Alfen (2016) suggested another PPP structure wherein private finance would be erased and the public partner instead funds the whole project with the private partner overseeing the life span of the project and monitors all aspects. Gatti (2013) outlined four different contractual schemes which are all determined by the extent of responsibility of either party or the direction in which the cash flows would take.

Another vehicle of financing that is believed to be bridging the gap is government agencies who happen to be the employers of two of the interview participants. These agencies provide funding allocated to them by the treasury and the respective ministries that manage the funds to finance businesses. Their agenda is to follow the government's mandate for economic development and boost the Gross Domestic Product (GDP) level of the country while supporting small enterprises and promote entrepreneurship (SEDA, 2017).

6.3.3 Client Relationships and Support from Financers

Demiroglu, James, & Kizilaslan (2012) examined the use of bank loans by both private and some public firms and its relation to the requirements for lending these loans. They found that during economic downturns private firms are disadvantaged in accessing finance but acknowledge that having pre-existing banking relationships lessens the negative exposure and likely gets them favourable access to the financing.

One of the interviewed financing applicants had an exclusive relationship with his financier and a private banker who handles all his finances. He specially appreciated that they approached him to offer their services and not him seeking them out and was equally impressed by their products and the innovative nature in which they improved their product offerings over the years. He subsequently added his home loan, car loan and other services they offer and has become loyal to them for the past seven years. It is pertinent to note that of all the finance applicants, he is the only one who did not face any obstacles to obtaining start-up capital and thereafter further financing for other needs, business-wise or personal.

Bunyasi & Email (2014) speaks to the government's support as a legislator that would improve the financial and legal landscape within which the financial institutions exist. If all legislations were revised, they would allow the SMEs to flourish with easier access to finance and would increase the financial institutions' scope of business. South Africa has government support schemes or agencies in the form of Small Enterprise development Agency (SEDA) and Small Enterprise Finance Agency (SEFA) which were each represented in the research sample. These were specifically aimed at small businesses without collateral and as mentioned previously, to bolster the economic growth of the economy by encouraging more players in service delivery and assist in addressing the unemployment rate.

6.3.4. Business Knowledge and Understanding

It has been observed from the interviews that most applicants went through a painful process of acquiring finance, learnt from their mistakes, and are now advising that new business owners in healthcare get to grips with the business side of things. Being a functional expert is not adequate and does not prepare one to become a business owner.

Introspectively, one participant regretted some of his previous costly decisions that he could have avoided if he had taken the time to up skill with some business knowledge.

Based on the views of Cullen, Calitz, & Gaga (2014) on information asymmetry, they highlighted that it occurs on both sides of the partnership, that is, with the applicant or the finance provider. One applicant found that her master's business degree helped her to make sense of some of the requirements but expressed the concern that an applicant who had no advantage of the necessary business knowledge would find it all too overwhelming and discouraging. It is inferred that the historical ills of the country place most aspiring and finance-seeking entrepreneurs at a disadvantage when applying.

6.3.5 Conclusion

It is reassuring that both the public and private providers of finance are equally active in the market and are sources of funding from which applicants can select from. Unfortunately, the similarities end there, with no alignment between the sectors in order to resolve the common agenda. Finance applicants further felt that the level of involvement of the financers was limited and transactional. They seek an astute investor who will not only be invested financially, but also solve for its client an offering that meets all its needs and concerns, making the process that much more bearable. They went further on and nobly noted and reflected on their own errors and advised education, training and up skilling as paramount requirements for the applicant to stand a good change in obtaining the funding. It is safe to say that the disconnects of information asymmetry between the financing applicant and provider are not helping with the issue at hand of solving for South Africa's health concerns.

6.4 Discovering the appropriate financing vehicles for South Africa's healthcare challenges

Question 3: What are the appropriate financing vehicles to address South Africa's healthcare challenges?

The themes that emerged from this question which was directed only at finance providers were "Due diligence is the commonly used form of screening or vetting applicants",

"Finance providers deem institutional support for applicants would make the process of obtaining finance easier" and "Business training and development of the business owner together with the viability of the business are strong determinants for the successful application for finance". The themes are unpacked in the below section.

6.4.1 Due diligence

Although in reference to PPPs, Kurniawan[a], Mudjanarko, & Ogunlana (2015) when identifying the key issues in ensuring the economic feasibility of a project, was to take into account the need and thereby the costs of carrying out due diligence. By going through these checks and balances and ensuring an extensive evaluation of the applicant, a business can be gauged on its probability of being financed.

Likewise, the finance providers - equally split between public and private sector - were great advocates for due diligence as a rigorous enough method to gauge the credit exposure that comes with a potential applicant. Listed were ITC checks, Credit checks and up-to-date South African Revenue Services (SARS) tax submissions. In order to determine the amount to be financed, the structure of the financing vehicle and assessing the level of credit exposure the provider will be exposed to, the finance provider obtains a level of comfort after going through the due diligence. This was made clear by one of the interviewees in the private sector quoted as *"There's no better screening than the due diligence..."* The processes of due diligence differed per organisation but covered both the personal business profiles of the applicants, and were aimed at ensuring that they reach the same goal of getting to a confidence level in the provision of finance.

6.4.2 Institutional support

As illustrated in Chapter 5, the constructs emerging from answering this question are as below. It is pertinent to note that the emphasis on construct 1 was from only one participant and therefore cannot represent the whole group. Subsequently it was found that the following constructs ranked two to four, namely "electronic system", "formally applying for financing from established healthcare facilities" and "business training and development" also represented one participant each. It is safe to say that the process of easing the access to finance for applicants was based on each financing provider's experience and perhaps showing their level of frustration in the process they experience currently.

In agreement with the findings, was Bunyasi & Email (2014) as stated previously who

spoke at government level that the government should consider revising their extent of support of financial institutions through regulation and creating an enabling environment for them, and this would inadvertently create an enabling environment for businesses to flourish. Other institutions existing in the same environment including government agencies experience the same rules, regulations and red-tape and are often underwritten by the same financial institutions. Hence the consideration to revise this would snowball into a large-scale positive effect.

The one finance provider, who strongly supported this view, found it the institutional support lacking in his government agency by believing that they could do better if they rehabilitated the finance applicants who applied but were rejected. He found that some aspects that the applicants were rejected for could be remediated by simply providing workshops and training to improve their profiles. He was frustrated that the applicants were rejected and left to struggle and probably never begin their businesses or projects which are forecasted to viable if a few tweaks are made.

In the new age of innovation, most processes are not yet electronic resulting in a large amount of paperwork needing to be completed and with complex requirements and ambiguous jargon that is difficult to understand. To avoid being lost in translation and to avoid the complexities, another finance provider suggested rather approaching those who were already players in the healthcare industry who understand the business models, have the risk appetite, and can provide healthcare specific support to provide them with financing. The finance provider was adamant that if the applicants themselves developed business knowledge and were especially financially astute, tended to stand a good chance of being financed as they understood their business and improved their profiles.

In combining all the response, it appears that a combination of improvements both on the finance provider and applicant's sides together with institutional support from the government, would result in an environment where access to finance would be fair game. Literature does not provide a defined financing vehicle structured in this way as required by the finance providers, however Bunyasi and Email (2014) do agree that that the government's support in a legal and regulatory framework is paramount to improve the SMEs access to finance.

6.4.3 Business Training and Development and Business Viability

Business training and knowledge has been a recurring theme amongst both finance applicants and finance providers. Providers feel that if applicants took the time to obtain the business skills required to run their businesses, they would stand a good chance of being financed. They mentioned the fact that business plans have to be concise, clear and make sense with realistic projections. The dynamics of the business should be at the business owner's fingertips, as quoted from one provider that, *"it's always around how many patients, how often, to understand why those numbers are as they say they are and to be able to defend their business plan."* Being able to answer these types of questions and to defend your own vision will leave you in good standing with finance providers. In addition to that, the inherent skills of the business owner themselves is paramount. In the beginning, the business will require the owner to play all roles from CEO to delivery services and human resources in between. Another provider described it as "…skin in the game..." which are the doing skills and not being afraid to work hard. In addition, the inherent skills of being an entrepreneur, also described as *"...entrepreneurial flair..."* are what sets apart an applicant. (Quartey et al., 2017) described the level of knowledge and understanding of its owners or executives as one of the important aspects to which the SME's success as a finance applicant, is considered.

The viability of the business, in essence being a solutions-based business model is bound to become financed as it is solving a problem for the society or economy at large. Whiteside & Rotberg (2014) found that in South Africa, the threat on national health especially through the prevalence of HIV/AIDS infections will nullify the national developmental progress made in other areas if not addressed effectively. Businesses that would be for the improvement and provision of relevant solutions to the crises, shortfalls or challenges that are unique to the environment in which they exist, are likely to obtain funding as they are serving a purpose and solving for beyond the profitability and success of their business.

6.4.4 Conclusion

To address South Africa's unique healthcare challenges, finance providers are encouraged to look at other conditions outside of due diligence in their process of vetting a potential finance applicant. As evidenced by the lack of business skills found in the applicants themselves, a need for basic upskilling of applicants and training in ensuring

the viability of their businesses as good candidates for finance, shows that the generic and inflexible approach currently in use will not assist in the endeavor to increase the applicants' accessibility to finance nor will it resolve the country's healthcare crisis. An investment in the applicant by the institutions in the form of workshops to train the individual as well as improving the individual's business plans and improving its viability, together with an upgrade of the system and processes with which access to finance is uncomplicated.

6.5 CONCLUSION

To address the South African healthcare challenges, finance providers and the institutions therein create the landscape in which the financing vehicles can foster capabilities for the healthcare providers. Financing providers have non-negotiable parameters which seek to raise the calibre of the financing applicant to become more business savvy and gain entrepreneurial astuteness to make their business viable as it was found that most of them lacked this crucial capability. In addition, they will go through rigorous processes in which they will be scrutinised to ensure their fitness for business and the likelihood of survival of the business itself and whether its purpose is beyond pure profit-making without providing any real tangible solution to the unique challenges in the country. Unfortunately, institutional support is very limited in South Africa and thereby limiting the appropriate financing vehicles that would be applicable to this environment. By inhibiting finance providers from being wider players in the economy, it inhibits the emergence of businesses that indeed could solve the South African healthcare challenges and discourage entrepreneurship and innovations desperately needed to address them. By so doing, financing vehicles specifically customised for our country are non-existent.

CHAPTER 7

CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

In this chapter, equity-based financing vehicles are presented as a result of the insights and responses from the participants, as discussed in chapter 5 and chapter 6. Based on the findings, recommendations are made to financing providers. Thereafter, ideas for areas of future research will be suggested.

7.2 The Central Research Problem

In the South African context, the disparity in income and in the access to quality affordable healthcare services for its population is undeniable. In order to address the health crisis in which the prevalence of non-communicable diseases accounts for over 40% of deaths across all age groups and genders, an observation and deep-dive into the capabilities that exist for healthcare providers to set up businesses and projects providing healthcare services both in the public and private sector, is required (Riley & Cowan, 2014). Moritz et al. (2015) analysed the cluster of firms that had similar financing patterns and established that for SMEs, equity-based financing vehicles were preferred.

7.3 Synthesis of Research Findings

As first objective, the researcher wanted to identify financing vehicles being practiced and assess their applicability to the healthcare sector. The findings showed alignment with literature with regards to the existence of some of the financing vehicles in healthcare, including debt financing and equity-based finance with sources of the finance being both the public and private sectors. Other vehicles of financing included non-bank types, the likes of venture capital (Collis. J, Jarvis. R, Page. M, 2016) and crowdfunding (Belleflamme, Lambert, & Schwienbacher, 2013) which were not mentioned by any of the participants', showing either a limited exposure to a variety of financing vehicle choices or reflecting a certain preference.

The financing vehicle in literature that combines efforts between the private and public sectors, namely the Private-Public Partnership (PPP) or the Private Finance Initiative (PFI) operated at construction and large hospital level (Hellowell, 2013). From the findings healthcare SMEs who comprised the majority of the sample, a similar financing vehicle

with these characteristics that encourage cooperation between the two sectors was in the form of government agencies. Both agencies represented a financing vehicle from public funds used to fund businesses in the private sector. This financing vehicle was in the form of debt financing.

Keeping in mind the business models in healthcare, a majority of the participants showed a preference for equity-based financing rather than debt financing. In contrast, Berger and Udell (1998) discovered a dilemma that SME owners face - selecting between external debt and external equity. They found in literature, that SMEs were in favour of external debt for the reasons of maintaining control of their business unlike the participants who preferred equity-based financing which they described as "patient capital" that allows them to grow organically and not be burdened by start-up debt.

The next objective was to identify the financing vehicles best suited for the healthcare sector and whether they result in the success or failure of a healthcare business or project in South Africa. There was a gap in the literature as none of them spoke to specific financing vehicles targeted at the healthcare sector. Instead, financing vehicles are split on whether the business is in the private or public sectors and or is a collaboration between businesses belonging to both sectors, however temporarily collaborating for a specific project. The findings therefore exposed the gap existing in the South African market and being the reason for the struggle of a number of healthcare businesses to obtain finance.

The final objective was to find the financing vehicles that would both address and alleviate the health crisis in South Arica. Mayosi and Benatar (2014) identified the short to long-term challenges that South Africa needs to address which are disparities in wealth, health and education, improved access to sustainable and effective health care services and the strengthening of public health care services. With the wealth disparities, the findings of preferring equity to debt are to be acknowledged as the cost of debt could bring down their businesses

7.5 Findings and their Impact on Literature

The findings described in chapter 6 showed the gap in Literature in the non-existence of specific healthcare financing vehicles suited to the different healthcare business models. This need for tailor-made financing vehicles or the exposure of actual funders already in

the healthcare space, is proven by the existence of a funder for healthcare equipment as well as the generic funding that is applied across all industrial sectors without sectoral or case by case customization.

Project Finance and Private Public Partnerships (PPPs) were the only illustrations of collaboration between the private and public sectors. These financing vehicles are usually for construction and large projects and leave out the SME and start-up business that is emerging lately. One of the finance applicants through her business, showed a new business model that emerged in the form of a private business catering to the public and thereby alleviating the pressure on the already burdened public healthcare system. She started out with her own funds and went through a government agency for more funding but is still searching for an equity solution in order to be scalable as this financing vehicle is aptly named "patient capital" as it allows the participant's business to grow organically.

7.6 Findings for South Africa

Having identified the gaps in the South African healthcare environment, it has clearly emerged that:

The structure of financing vehicles matters. Applying a generic across-the-board type does not apply to all sectors nor to all economies. The uniqueness of the challenges facing South Africa both heath-wise and economically speak to the need for reforms in the structure.

The learning and development of healthcare professionals should go beyond their clinical expertise and into business knowledge and up skilling. Being a health professional does not make one an entrepreneur. As described by another participant as "*skin in the game*", it is essential to acquire business skills in all functions in order to establish a viable business that is profitable but also attends to the healthcare needs of the nation. The learning and development of financing providers is essential so as to be innovative in their product offerings and acquire industrial business knowledge.

As mentioned above, generic solutions do not apply to all sectors. For this reason, finance providers are the second reason that the participants believed their applications for financing were rejected. This becomes a business hindrance and discourages entrepreneurship in an environment where unemployment levels are high

The collaboration of public and private sectors is paramount to tackle the healthcare issues and emerge with new innovations and business models that solve for it. The sectors are not necessarily co-collaborating in trying to solve the healthcare crisis. The government agencies do not offer rehabilitation and training to those who are not knowledgeable enough to have become successful candidates for financing while the private sector places stringent requirements for access to funding. Both sectors self-jeopardise and need improved cross-sectoral communication and partnership not just at project and construction levels, but also at SME and entrepreneur levels

7.7 Research Limitations

The researcher envisioned some limitations and biases.

With the setting being in South Africa, the research results are therefore applicable to South Africa only. Using own network to obtain suitable candidates for interviews, the researcher was limited to urban professionals. In both cases, invaluable insights could have been gained from participants outside of South Africa and in other settings facing different challenges. While the researcher tried to obtain a variety of participants, none were obtained from the banking sector. Their views as the main providers of finance would have been invaluable.

After obtaining ethical clearance from GIBS, researcher was required to obtain further Health Ethical Clearance from the University, further delaying the time period within which data could be collected. Being a qualitative study, participants provide a variety of answers and opinions which may not be applicable nor transferrable to other industries or countries

7.7.1 Sampling bias

The sample consisted of only urban professionals and was mostly represented by the private sector. The respondents were through the researcher's network and somewhat snowballed to the respondent's own network thereby limiting views from respondents in other geographical areas -rural and smaller towns - in the healthcare sector. The sample did not consist of a representative of the banking sector which plays a pivotal role in this

field of research and would have provided valuable insights on the industry and the healthcare sector.

7.7.2 Researcher bias

As a researcher and interviewer, the researcher was not immune to the influence of their own inherent characteristics ranging from history, background, experiences, perceptions, and thoughts, amongst other things. Being female and black and working in the healthcare sector, the researcher in some cases was more sympathetic to respondents of one, the other or both demographics and reaching own biased conclusions. Being excited about the subject, the researcher tended to interject too often during the interview and perhaps could have resulted in respondent bias or put more emphasis on a particular theme.

7.7.3 Respondent's Bias

All respondents showed a high level of comfort in their areas of expertise and displayed knowledge and experience. Based on this experience, finance providers tended to purport their vehicles of financing as the best in the field despite having recommendations for other vehicles. Because of the sensitive nature of the research topic for the finance applicant especially, each respondent provided information on what they would deem is necessary to answer the questions and were not obliged to divulge all information.

7.8 Recommendations for future research

To obtain a holistic view for the topic, the inclusion of a participant from the banking sector is recommended in order to obtain a balanced view. As the main providers of finance, an understand of their processes and views on healthcare businesses' eligibility for finance, would be invaluable.

In a few years, when technology is more advanced than it is during the time of study, research of the same healthcare financing environment it is recommended. The processes, views and policy changes are likely to be overhauled, more efficient resulting in less complaints.

It would be interesting to find the impact of equity-based financing for all healthcare providers and observe its impact on addressing and resolving the South African healthcare challenges.

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Appendix List

1. Interview Guide
2. List of Interview Respondents
3. Informed Consent Form
4. GIBS Ethical Clearance
5. University of Pretoria Health Ethics Clearance

Appendix 1: Interview Guide

Section 1 – Financing Provider and Applicant

1. Which vehicles or methods of financing do/did you use for the provision of healthcare services?
2. What is the main reason for the request of financing
   - o New business
   - o New project within an existing business
   - o Resuscitation of an abandoned project
   - o Injection of funds into an existing project/business
3. How easy was it to obtain or provide the financing?
4. If no finance obtained or provided, what was the main reason for rejection?
   - o Lack of collateral
   - o Incomplete documents
   - o Unaffordable installments
   - o Lack of information
   - o Other (please specify)
5. What do you think is the main reason for acceptance or rejection of financing if different from above?
6. Which industry and type of applicant do you believe receives financing relatively easier/faster?
7. In your opinion, which vehicle of financing is best suited to a healthcare project or business model and why?

Section 2 - Financing Applicant

8. Who was your main provider of this finance?
9. Why did you choose the particular financing method?
10. What is the length of the repayment period?
11. Did you find the terms of financing favourable to you as an applicant?
12. In your opinion, what would make the process easier?
13. How would you advise another applicant for finance in the healthcare sector?

Section 3 - Financing Provider

14. Please explain your role in the organization as a provider of finance

15. Which of the following models is riskier for financing; deals with state-run companies or deals with private companies?

16. What is your process of screening or vetting the applicants?

17. What is the rate of default on applicants paying their installments?

18. Do you use any other discretionary reasons for approving or rejecting an application apart from the reason stated in question 4? Please explain.

19. In your opinion as a provider of finance, what would make the process easier?

20. What advice would you give to a potential applicant for finance in the healthcare sector?

Appendix 2: List of Interview Respondents

Order	Date	Finance Provider (FP) or Finance Applicant (FA)	Sector	Respondent	Designation
1	04-Sep-17	FP	Private	DM1	Regional General Manager
2	06-Sep-17	FA	Private	TM	Doctor/Medical Practice Owner/Entrpreneur
3	11-Sep-17	FP	Private	HM	Syndication Leader
4	13-Sep-17	FA	Private	NL	Doctor/Medical Practice Owner/Entrpreneur
5	14-Sep-17	FP	Private	AL	Medical Director
6	16-Sep-17	FP	Public	CL	Senior Manager: Stakeholder Relations
7	20-Sep-17	FA	Public	OS	HOD: Anaesthesia and Critical Care
8	22-Sep-17	FP	Public	DM2	Regional Head
9	17-Oct-17	FA	Private	RD	Doctor/Medical Practice Owner/Entrpreneur
10	19-Oct-17	FA	Private	LM	Doctor/Medical Practice Owner/Entrpreneur

Appendix 3: Informed Consent Form

I am conducting exploratory research on the financing vehicles or methods used to finance a project or business in the healthcare industry. I am trying to assess what lessons can be learned from international methods of financing and if these are applicable in South Africa and where more research needs to be conducted in this area.

Our interview is expected to last 60 to 90 minutes where I will ask a series of questions relating to your experience of providing or applying for finae in South Africa. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact myself or my supervisor.

Our details are provided below:

Fungai Linda Madondo

16392401@mygibs.co.za

076 482 3944

Amir Rezvanian

arezvanian@gmail.com

079 890 3813

Signature of Participant: _____

Date_____

Signature of Researcher_____

Date: _____

Gordon Institute of Business Science
University of Pretoria

20 July 2017

Fungai Linda Madondo

Dear Fungai Linda,

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

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The Research Ethics Committee, Faculty Health Sciences, University of Pretoria complies with ICH-GCP guidelines and has US Federal wide Assurance.
- FWA 00002567, Approved dd 22 May 2002 and Expires 03/20/2022.
- IRB 0000 2235 IORG0001762 Approved dd 22/04/2014 and Expires 03/14/2020.

UNIVERSITEIT VAN PRETORIA
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YUNIBESITHI YA PRETORIA

Faculty of Health Sciences Research Ethics Committee

31/08/2017

Endorsement Notice

Ethics Reference No: Temp2017-00921

Title: IDENTIFYING THE APPROPRIATE FINANCING VEHICLES FOR HEALTHCARE PROVIDERS IN SOUTH AFRICA

Dear Fungai Linda Madondo

The **New Application** as supported by documents specified in your cover letter dd 23/08/2017 for your research received on the 23/08/2017, was approved by the Faculty of Health Sciences Research Ethics Committee on the 30/08/2017.

Please note the following about your ethics approval:
- Please remember to use your protocol number (**Temp2017-00921**) on any documents or correspondence with the Research Ethics Committee regarding your research.
- Please note that the Research Ethics Committee may ask further questions, seek additional information, require further modification, or monitor the conduct of your research.

Ethics approval is subject to the following:
- The ethics approval is conditional on the receipt of **6 monthly written Progress Reports**, and
- The ethics approval is conditional on the research being conducted as stipulated by the details of all documents submitted to the Committee. In the event that a further need arises to change who the investigators are, the methods or any other aspect, such changes must be submitted as an Amendment for approval by the Committee.

We wish you the best with your research.

Yours sincerely

Dr R Sommers; MBChB; MMed (Int); MPharMed, PhD
Deputy Chairperson of the Faculty of Health Sciences Research Ethics Committee, University of Pretoria

The Faculty of Health Sciences Research Ethics Committee complies with the SA National Act 61 of 2003 as it pertains to health research and the United States Code of Federal Regulations Title 45 and 46. This committee abides by the ethical norms and principles for research, established by the Declaration of Helsinki, the South African Medical Research Council Guidelines as well as the Guidelines for Ethical Research: Principles Structures and Processes, Second Edition 2015 (Department of Health).

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