

**Influence of financial management skills on accessing finance by
entrepreneurs.**

20803495

A research proposal submitted to the Gordon Institute of Business Science
University of Pretoria in partial fulfilment of the requirements for the degree of
Master of Business Administration.

2 November 2021

Abstract

The main aim of this study was to analyse the relationship between financial management skills and access to finance by small, medium, and micro-enterprises. Data was collected using a sample of one hundred and sixty-seven that was collected using purposive and snowballing techniques. The data was collected using a self-completed online questionnaire with questions developed based on binary data and a five-point Likert scale. The Keiser-Meyer-Olkin and Cronbach's alpha were run to test the research instrument's construct validity and reliability. Two factors, which are day to day and delegated financial management skills were extracted after conducting an exploratory factor analysis on the financial management skills construct. Logistic regression test was conducted using the Statistical Package for Social Sciences (SPSS) to determine the likelihood of an entrepreneur with financial management skills to access finance. The results from the logistic regression model show that day to day financial management skills significantly influence access to finance by entrepreneurs while delegated financial management skills have no impact on access to finance by small, medium and micro-enterprises.

Keywords: financial management skills, access to finance, small, medium and micro-enterprises

Table of Contents

Abstract	ii
Table of Contents	iii
List of tables	vii
List of figures	viii
1 CHAPTER 1: Introduction to the Research Problem	1
1.1 Introduction.....	1
1.2 Purpose statement.....	1
1.3 Context of the study (Background to research topic)	1
1.4 Research problem and objective (Problem Statement).....	3
1.5 Research problem and objective (Problem Statement).....	4
1.6 Delimitations	4
1.7 Assumptions	4
1.8 Research scope.....	5
1.9 Conclusion.....	5
2 CHAPTER 2: Literature review	6
2.1 Introduction.....	6
2.2 Financial management skills.....	6
2.2.1 Long term financial decision skills	11
2.2.2 Investment decision making skills	11
2.2.3 Capital budgeting skills	11
2.2.4 Working capital management skills	12
2.2.5 Cashflow management skills.....	13
2.2.6 Analysis and interpretation of financial results skills.....	15
2.3 Access to finance	15
2.3.1 Importance of access to finance	16
2.3.2 Lack of access to finance.....	18
2.3.3 Denial to access finance	20
2.4 Relationship between financial management skills and access to finance	23
2.5 Conceptual model of relationship between financial management skills and access to finance	24
2.6 Conclusion.....	25
3 CHAPTER 3: Research hypothesis	26

3.1	Hypothesis.....	26
4	CHAPTER 4: Research Design and Methodology.....	27
4.1	Introduction.....	27
4.2	Research design.....	27
4.3	Population.....	28
4.4	Unit of analysis	28
4.5	Sampling method and size	29
4.6	Measurement instrument	30
4.6.1	Design of questionnaire	31
4.7	Data collection process.....	32
4.7.1	Ethical clearance	32
4.7.2	Pre-testing the questionnaire	32
4.7.3	Data gathering	33
4.8	Data analysis process.....	33
4.8.1	Analysis approach.....	34
4.9	Data quality.....	35
4.9.1	Validity of data	36
4.9.2	Reliability of data	36
4.9.3	Exploratory factor analysis.....	36
4.10	Data storage	37
4.11	Limitations	37
4.12	Conclusion.....	38
5	CHAPTER 5: Results analysis	39
5.1	Introduction.....	39
5.2	Sample	39
5.3	Demographics of the respondents	39
5.4	Construct validity – Factor analysis Kaiser Meyer Olkin (KMO) and Bartlett’s test for sphericity results.....	42
5.5	Exploratory factor analysis.....	44
5.5.1	Total variance explained	44
5.6	Reliability of instrument – Cronbach	48

5.6.1	Day-to-day financial management skills result for Cronbach alpha ...	48
5.6.2	Delegated financial management results for Cronbach alpha	49
5.7	Descriptive statistics for constructs/variables.....	50
5.7.1	Day-to-day financial management skills scores	50
5.7.2	Delegated financial management skills scores.....	53
5.7.3	Access to finance scores	55
5.8	Mean score comparison across groups	56
5.8.1	Score comparison per gender.....	56
5.8.2	Score comparison per age group.....	57
5.8.3	Score comparison per education level	57
5.9	Results from hypotheses tests.....	57
5.10	Conclusion.....	60
6	CHAPTER 6: Discussion of results	61
6.1	Introduction.....	61
6.2	Demographics	61
6.3	Relationship between day-to-day financial management skills and access to finance	61
6.4	Relationship between delegated financial management skills and access to finance	62
7	CHAPTER 7: Conclusion and recommendations.....	64
7.1	Introduction.....	64
7.2	Principal findings	64
7.2.1	Day-to-day financial management skills' effect on access to finance	64
7.2.2	Delegated financial management skills effect on access to finance ..	64
7.2.3	Hypothesised model	65
7.3	Recommendations.....	66
7.3.1	Practitioners.....	66
7.3.2	Academics	67
7.4	Limitations	67
7.5	Suggestions for future research.....	68
7.6	Conclusion.....	68
8	References	70

9 Appendices	78
Appendix 1: Research instrument	78
Appendix 2: Ethical clearance	81
Appendix 3: Code book	81

List of tables

Table 1: Five-point Likert scale.....	31
Table 2: Communalities of Financial Management Skills Construct	43
Table 3: KMO and Bartlett's test results	44
Table 4: Total variances explained.....	45
Table 5: Results for exploratory factor analysis	46
Table 6: Reliability statistics for day-to-day financial management skills	48
Table 7: Delegated Financial Management Skills reliability statistics	50
Table 8: Descriptive statistics for day-to-day Financial Management Skills	51
Table 9: Descriptive statistics for day-to-day Financial Management Skills components.....	51
Table 10: Descriptive statistics for delegated Financial Management Skills	53
Table 11: Descriptive statistics for delegated Financial Management Skills components.....	54
Table 12: Access to finance by gender.....	56
Table 13: Descriptive test for gender group.....	57
Table 14: Descriptive statistics for age group	57
Table 15: Descriptive statistics for education level	57
Table 16: Statistical test for model goodness of fit	58
Table 17: Logistic regression results for access to finance	59

List of figures

Figure 1: Concept model of the relationship between financial management skills and access to finance	25
Figure 2: Percentage of respondents on gender	40
Figure 3: Percentage of respondents per age group	40
Figure 4: Percentages of respondents based in highest level education	41
Figure 5: Percentage of respondents based on their position within the SMME	41
Figure 6: Reasons for failing to access finance from financial institutions	42
Figure 7: Day to day Financial Management Skills histogram	53
Figure 8: Delegated Financial Management Skills components histogram.....	55

1 CHAPTER 1: Introduction to the Research Problem

1.1 Introduction

One of the challenges faced by small, medium, and micro-enterprises (SMMEs) is access to finance (SEDA, 2016), defined by Chimucheka (2013) as the ability to readily receive credit, often from financial institutions to help run a business venture. Research studies suggest that there is a link between access to finance and the entrepreneur's financial management skills such as budgeting, cash flow management, influence access to finance (Hussain et al., 2018). Surprisingly, this link has not been adequately investigated in the literature. As a result, the study aims to investigate the influence of entrepreneurs' financial management skills on access to finance for SMMEs in South Africa.

1.2 Purpose statement

The objective of this research is to investigate the association between an entrepreneur's financial management skills and access to finance. These financial management skills are cashflow management, analysis and interpretation of financial results, long term financial decision skills, financial planning, working capital management, and capital budgeting skills and they will be analysed for the potential positive relationship they have with access to finance.

1.3 Context of the study (Background to research topic)

According to Adomako et al. (2016) and SME South Africa (2018), access to finance is crucial for SMMEs, because it affects their survival, performance, and growth. SMMEs refer to the combination of "Own-account", "Micro", "Small" and "Medium" scale businesses and includes all businesses with less than 50 employees (Bhorat et al., 2018). In South Africa, SMMEs struggle to access finance. In South Africa, the second most reported contribution to the failure of SMMEs, that comes after training and education is insufficient financial resources (Fatoki and Garwe, 2010). In addition to this, from the bank loan applications done by SMMEs in South Africa, 75% of them are frequently rejected (Herrington et al., 2002). FinMark (2006) further found that new SMMEs only have a 2% chance of accessing finance. Tuffour et al. (2020) established that SMMEs face challenges in financial literacy and management, human resource management and accessing credit, which further emphasises their need to access finance and possess financial management skills.

Chimucheka and Mandipaka (2015) postulate that the inadequacy or absence of management skills and competencies by SMME managers or owners culminates into their failure to access debt finance, as they are not confident of their capabilities to run a business. This lack of managerial skills is exhibited in lapses noted by financial institutions such as lack of budgeting, cashflow analysis, a credit record, collateral, bank deposit required by the bank, and below par business plans. Financial management skills enable SMMEs to make operational and strategic plans, draw up business plans and forecast cash flow information to obtain debt, and failure to produce these outputs, results in lenders hesitating to give them access to finance (Wolmarans and Meintjes, 2015). To further substantiate the need for financial management skills to access finance, Hussain et al. (2018), mentions that a link exists between inadequate financial management skills and a company's access to finance. Furthermore, Adomako et al. (2016) states that financial management skills enable quality financial decision making such as appropriate debt management, which could improve the creditworthiness of a firm. When a firm is creditworthy it can improve its chances of accessing finance. When owners or managers of SMMEs have inadequate financial awareness of their company's finances, they lack possession of the required financial management skills needed to manage the financial affairs of the firm (Tuffour et al., 2020). Financial affairs could include accessing finance which can be hindered by not having the correct requirements. A lack of financial management skills thus makes it problematic for the SMMEs to obtain finance because of lenders' requirements.

Financial literacy improves financial management practices which boosts the creditworthiness of a company and enables the owners or managers to prepare the relevant financial information that is required to access finance (Hussain et al., 2018). Financial literacy can be described as one's capability to make knowledgeable judgements and make appropriate decisions on financial resources, management and usage (Tuffour et al., 2020). From this we can deduce that financial literacy affects financial management skills. Thus, financial literacy among SMME managers or owners is imperative. It was also discovered that of the total owners of SMMEs who had applied for funding, 33% had been refused funding and were unaware of the requirements such as sufficient cashflow and a credible operating history needed to access finance (SME South Africa, 2018).

According to Pandula (2011), when compared to larger firms, SMMEs have greater financial constraints and are unlikely to obtain credit formally. The growth, survival, and performance of SMMEs is important for South Africa because they add to the economic growth, creation of jobs, and innovation (SEDA, 2016). Access to finance is a crucial aspect needed for SMMEs to grow and develop, even though it remains a major constraint for their growth in emerging economies (Harash et al., 2014). SA's unemployment rate is currently 32.5% (Statistics South Africa (StatsSA, 2020), which further shows the importance of SMME's success. It has also been indicated by other findings that SMMEs contribute significantly to the creation of jobs (SEDA, 2016). This indicates the importance of access to finance for SMMEs so that they can succeed and contribute towards employment in South Africa (SME South Africa, 2018). In addition, Harel et al. (2020), state that small businesses are a key growth driver of the economy, but their financial constraints can deter the ability of the businesses to reach their maximum growth potential which can affect the economy. To reiterate the importance of financial management skills to accessing finance, Wolmarans and Meintjes (2015), make a proposition that without forecast cash flows, strategic and operational plans and business plans, which are outputs of financial management skills, credit providers will be hesitant to offer them finance. Thus, it is vital to research how financial management skills affect entrepreneurs' ability to access finance in South Africa to clearly address the lack of access to finance.

1.4 Research problem and objective (Problem Statement)

The research question for the proposed study is "What is the relationship between entrepreneurs' financial management skills and access to finance". As suggested by Mamabolo et al. (2017), a single measure can be used to test overall financial management skills, however, it is important to also check how individual financial management skills influence access to finance. The research objectives are therefore:

- To determine the relationship between financial management skills and access to finance in Gauteng.
- To determine the relationship between cashflow management skills and access to finance in Gauteng.
- To determine the relationship between analysis and interpretation of financial result skills and access to finance in Gauteng.

- To determine the relationship between long term financial decision skills and access to finance in Gauteng.
- To determine the relationship between financial planning skills and access to finance in Gauteng.
- To determine the relationship between working capital management skills and access to finance in Gauteng.
- To determine the relationship between capital budgeting skills and access to finance in Gauteng.

1.5 Research problem and objective (Problem Statement)

Such a study can surface vital information necessary for would-be entrepreneurs who wish to start and sustain prosperous businesses. Also, the findings from the study can be used to show educators, the urgent need to incorporate financial management education in formal and informal entrepreneurship learning programmes. The knowledge gathered can also provide indicators that can be used to structure syllabuses with relevant content for entrepreneurship training/orientation in South Africa. Finally, establishing this relationship will assist SMMEs with insights into the importance of obtaining financial management skills to assist them in accessing finance for their businesses.

1.6 Delimitations

The study is limited to SMME managers or owners in Gauteng who have attempted to access finance from financial institutions and how their financial management skills affected their access to finance. The financial institutions looked at are; Standard Bank, FNB, Capitec bank, Nedbank and all other commercial banks.

1.7 Assumptions

A study by Bongomin (2017), argues that financial skills, management, and knowledge constitute financial literacy. When SMME owners are financially literate, they can evaluate financial products and make knowledgeable financial decisions. However, because of low levels of financial literacy, which is part of financial management skills, SMEs have had limited access to financial services which has restricted their role in economic development. Additionally, Okello et al. (2016),

stated that when individuals are financially literate, their financial decisions are wise which increases the chances of accessing finance from financial institutions. This study will contribute to the previous studies on accessing finance by SMMEs.

1.8 Research scope

The study investigated Gauteng's SMME owners and manager's financial management skills and how their skills affect access to finance from financial institutions such as FNB, Standard Bank, Nedbank and Capitec bank. The participants were SMME managers or owners from Gauteng who had attempted to access finance, because the researcher had access to databases that served SMMEs in Gauteng. The SMMEs each employed less than 50 employees. The financial management skills analysed were cashflow management, analysis and interpretation of financial results, long term financial decision, financial planning, working capital management, and capital budgeting skills.

1.9 Conclusion

The chapter served as the introduction to the research paper. It has highlighted the importance of financial management skills in accessing finance. It has also highlighted the importance of SMMEs accessing finance.

2 CHAPTER 2: Literature review

2.1 Introduction

This will be followed by critical review of the importance of SMMEs accessing finance; then a review of access to finance, its lack, the denial of it and the relationship between financial management skills and access to finance will be done, before finally making a conclusion.

2.2 Financial management skills

As stated in earlier chapters, access to finance implies ease of obtaining affordable finance (Chowdhury, 2017). This ease of accessibility to finance by SMMEs can be expedited by developing entrepreneur's individual characteristics and financial management skills. Entrepreneur characteristics imply one's education, skills, and network capability, whereas financial management skills is one's ability to handle money, within the context of stipulated standards required by financial institutions, such as business planning, record keeping, cashflow analysis, and issues of collateral (Chimucheka, 2013). These two concepts - entrepreneur characteristics and financial management skills, have been singled out as factors that influence entrepreneur access to finance from credit institutions. In this, Chowdhury (2017), has established that entrepreneurial characteristic significantly impact access to finance. Meanwhile earlier studies support the propositions by Chowdhury (2017), by equally showing that companies that are being run by individuals with experience and skills in management, business planning, and higher education have the capability to perform well which enables them to access finance easily (Hamildi, 2011; Zarook et al., 2013). This standpoint by several scholars is further backed by Bounds (2015), research findings, that enterprises owners lack business and management skills like financial management skills.

In summary, research findings suggest that the relationship between entrepreneur characteristics, financial managerial skills, and access to finance from credit institutions. Indeed, that such as relationship exists seems undoubted. Much of what may really remain is to probe the character of this correlation, which becomes the purpose of this study. To begin the review, it can be more expedient to begin from reviewing the parameters and perimeters surrounding the measurement of management skills. Such a review has the potential to surface vital information that can furnish the study with relevant tools for analysing the character of the target

population against the standards set up by credit institutions for SMMEs to access finance.

According to a study by Borat et al. (2018) , several parameters for measuring financial management skills can be derived which include factors such as being able to keep track records of transactions, reading the financial statement, estimating the rate of cash conversion cycle, and calculating profits or losses accurately. Comparatively, while Borat et al. (2018) did their study to assess how SMMEs in South Africa perform relative to the measure of entrepreneur characteristics and financial managerial skills, there lacks a robust study that can delve into how the lack of financial management skills by entrepreneurs hinders access by SMMEs to finance in South Africa. It appears much of the assessment by Borat et al. (2018) was hinged on highlighting these characteristics of entrepreneurs and how they help SMMEs to thrive. Although, a lack of access to finance is stated as a negative effects and shortfalls in fulfilling these characteristics, this matter is not pursued as a locus standi. Yet, this is a matter of grave importance because if the SMMEs are denied access to finance, then that will stop the activities of entrepreneurs at this level. For this reason, the key focus of this study is to explore how lapses in financial management skills among owners of SMMEs adversely affects access to finance. Therefore, while the study by Borat et al. (2018) concentrated on the assessment of the constraints of growth for SMMEs in South Africa, this study draws more attention on the correlations between financial management and how it hinders accessing finance in the similar social-economic setting of South Africa. In as much as can be captured from the study by Borat et al. (2018), it is more thorough, nevertheless, to furthermore derive more fundamental parameters in order to narrow the focus of this study as well as increase its depth, other studies such as those by Mamabolo et al. (2017); Kirsten (2018); and Phenya (2011) can be reviewed.

It may be of benefit to obtain a perspective on the basic concepts of skill and management from some of the authors mentioned in the preceding paragraph. For example, Mamabolo et al. (2017) defines skills as the ability to perform a task, acquired through human capital investment and can become more proficient through more training, development, and practice. Such a definition by Mamabolo et al. (2017) very well fits into the findings by Phenya (2011) who conducted a study that assessed owners/managers of small retail businesses in Dr. JS Moroka Municipality's skills in financial management. In addition, he found that among the

most important hallmarks defining skill in financial management among SMME entrepreneurs, was a practical ability to perform tasks rather than a theoretical exegesis of one's potential to run a business. Most entrepreneurs seeking access to finance from financial institutions possessed the later rather than the former. Consequently, further analysis by Phenya (2011), the assessment revealed that behind the fantastic business proposals presented by the entrepreneurs lay an underlying lack of capacity to practically sustain the sophistication of business in the real world. This entailed a lack of managerial skill.

Furthermore Kathryn (2005) defines skill as the awareness and capability that empowers an individual to do work. Additionally, Phenya (2011) says that this skill can be acquired from training and is proved by one's actions. It is of key importance to account that Phenya (2011) probes the entrepreneur's results in applying that skill to his enterprise. This is because credit institutions will not appreciate theoretical dissertations of one's ability to run a business, but evidence of results as seen from what the individual has done so far. This is part of the security measures set up by banks and other money lending institutions to guard against losses. Another key aspect of defining skill, highlighted by Phenya (2011) in enhancing the definitions by Kathryn (2005); is the sharpening of skill via training. On this wise, it seems for Phenya (2011), there not only has to be evidence of results but also proof of some form of training in enhancing skill. Skill is seen as enhanced ability or talent, consequently, in order to be acquired, there has to be some degree of training. This fundamental aspect of skill is echoed in the definition of skill by Perks and Smith (2006) as knowledge that is developed from informal or formal training and practice. Therefore, if entrepreneurs claim to have acquired skill, an indelible question rises as to whether they have papers to back up their claims over having received some form of training.

What stands out conspicuously about the study by Phenya (2011) in contrast to other studies is its special focus on the context of financial management as a skill. His study further points out that, this management in business is performed in terms of operation, finance, personal, strategic, relationship, and risk. Although Phenya (2011) addressed a myriad of matters touching access by SMME owners and their access to finance from financial institutions at different levels, he well narrowed his concentration on financial management which also happens to be the focus of this study. Therefore, his study becomes a safe base for establishing many parameters

and perimeters for the study. It is one pillar upon which many variables and constants will be derived to set up a springboard where most of the assessments and conclusions will be made.

Within the same line of defining management skill is enshrined another more specific definition encapsulating more particular pointers as to what skill implies in financial management. This definition is according to Wolmarans and Meintjes (2015). The two scholars highlight that financial management skills not only have to do with the general ability to account for resources prudently but must also include such specificities as decision-making, cashflow management, planning, and analysis (Wolmarans and Meintjes, 2015). As for Wolmarans and Meintjes (2015), it is prowess in these specific matters of the business which entails skill in financial management. One of the reasons they draw upon such an argument is because such skills in financial management are instrumental in the direct and indirect betterment of running an SMME. It is access to finance that really determines whether a business will go forward or not. For instance, in several developing countries, owners of SMMEs seem to lack necessary management skills and consequently their businesses have suffered irrecoverable setbacks and even collapse. Borat et al. (2018), revealed that a lot of entrepreneurs are still inexperienced in business and financial management in South Africa.

Much earlier, prior to the study by Borat et al. (2018), Finscope (2011) found that greater than half of South African SMMEs had not maintained any financial records, and among those who did, a staggering 81% had not obtained any record keeping support (Borat et al., 2018). This is clearly phenomenal, it indicates that Borat et al. (2018) findings 7 years later are still consistent with what Finscope (2011) found earlier. It seems there is not much improvement in financial literacy levels when it comes to more specific practices in business such as record keeping and cashflow analysis. Therefore, it behoves the interest of the study to probe more into the reasons for such a predicament and further indicate why skills in financial management play a vital part in the access to finance by SMMEs.

For the purposes of setting the study in perspective of relevant scope and context, it is inevitable that the variables and constants at stake are clearly spelt out and highlighted. This will enable a concise and methodical way of conducting the assessment of entrepreneurs' skills in matters of financial management. If this

analysis goes wrong, then it becomes impossible to draw inferences that can justify claims purporting the failure in accessing finance as a function of inadequate skill in financial management. For this purpose, one study can be adopted to help identify and spell out these crucibles. Key among the studies is that of Phenya (2011) which models a more robust assessment of the pointers to prowess in financial management by SMME owners.

Phenya (2011), conducted his study in a systematic way and made his assessments/analyses using a compendium of principles, concepts, and practices that model ideals of skill in financial management. He analysed the skill of financial management according to the following aspects: working capital management, long-term financial decisions, capital structure decision, cash flow management, investment decision-making, capital budget decisions, analysis of financial statements, and short-term financial planning. These matrices spell out a satisfactory framework for managing finances in a business. Yet other scholars went further and added to the list of these variables while equally conducting a similar assessment on a similar subject matter. Mamabolo et al. (2017) analysed financial management skills using the categories of pricing, raising capital, managing cash, cost calculation, financial results and interpretation of financial results, tax reports filing, financial software usage, billing management, bookkeeping and selling and buying shares. Since the study pursues a similar subject matter with special attention to the correlation between financial management skill and entrepreneur's access to finance, it becomes imperative that the study adopts some of the parameters as used in the studies of Phenya (2011) and Mamabolo et al. (2017). The two studies generally had similar findings. What marked out their differences was in the specificities and focus on the practices in among different entrepreneurs.

With such a rich background of underground assessments and deductions already made, it is from the foregoing that, for the benefit of this study the following indices will be adopted; cash flow management, analysis and interpretation of financial results, financial planning, long term financial decision, working capital management and capital budgeting. Phenya's (2011) and Mamabolo et al. (2017) studies therefore become instrumental in extrapolating tactics of research, study, and analysing the data in this study. Additionally, it becomes important to define these variables in more clear and detailed terms.

2.2.1 Long term financial decision skills

According to Edward and Pointor (1994), Long term financial decision is about acquiring and managing business funds within a longer duration. Edward and Pointor further mention that the most crucial aspect when making decisions is selecting the suitable combination of debt and equity and to determine the cost of capital correctly. Along the same lines of debate, Shafeek (2006) also makes an important observation backing up the propositions by Edward and Pointor, stating that, the lack of skill in formulating and implementing long-term financial decisions causes SMME owners to fail in penetrating systems that avail larger sums of money. In his study Shafeek found that there is a preference by equity lenders to offer large loans to SMMEs. In many instances it was found that a huge fraction of such finances, even if it were issued to SMME owners would not have found apparent or prospective relevance. Perhaps if SMME owners possessed skill on matters of long-term financial decisions and systematically plan how to expand their operations and manage them through pliable repayment plans, this would give them a better edge in accessing finances from equity lenders. This deduction is what provokes the interest of this study.

2.2.2 Investment decision making skills

Investment decision making is another index to measure financial management skill. Marx et al. (2010) define it as a practice whereby individuals or companies commit existing funds to financial or real assets to accumulate long term wealth. This is a significant business practice that secures the business against possible future collapse. It can be adapted to the study as a matrix in the business plan showing the SMME's degree of stability, resilience, and posterity. For purposes of the study, investment will be used to refer to fixed and current assets which will be studied in the light of capital budgeting and net working capital management. Therefore, in using this index, the study shall examine the level of skill among SMME owners by analysing their capital budgeting and net working capital.

2.2.3 Capital budgeting skills

Another critical business index in SMMEs is capital budgeting. Two scholars Brigham and Daves (2004) define it as a practice where, projects are analysed, and decisions are made on their inclusion in capital budgets. As an index, capital budgeting helps to measure the managerial skill of an SMME owner in that, while budgeting for capital

projects in the business, the degree of focus in the budgeting decisions is clearly seen in what the budget itself expresses. Other authors such as Uddin and Chowdhury (2009); Phenya (2011), hold capital budgeting not only as a mere index of financial management in business but even regard it as a theory. They state that according to this theory of capital budgeting, decisions and actions in capital budgeting must be made and executed to meet the ultimate business goal.

However, in perceiving capital budgeting as a theory, other authors argue that its view as being a theory is an exaggeration as that perspective may only apply in specific social and economic contexts. For instance, Danielson and Jonathan (2006) advance that, SMMEs may have the capital budgeting theory apply to them, but only within the constraints of certain dynamics. Considering this, a number of lapses are identified among SMMEs that limit its application as a theory. These lapses can become the hypothesised bottlenecks that management of SMMEs have, which limit their access to credit. Examples of these are restricted management resources, and the deficiency of financial management and accounting expertise.

2.2.4 Working capital management skills

Another index of assessing financial management skill among SMME owners is the working capital management. Phenya (2011) refers to working capital management as a process of investing in short-term assets such as accounts receivable, cash and inventory. The importance of working capital management cannot be overemphasised. Just as Phenya (2011) stressed its significant role in the management of short-term transactions and goals, another author – Padachi (2006), earlier contended for a similar proposition. In his analysis, Padachi (2006) argues that, in as much as it is crucial for all size businesses to have an efficient working capital management, it is extremely important for SMMEs to address the issue in a far more practical way. In such a limelight, prowess in the manner that SMME owners manage their working capital can be assessed in the way they handle crucibles in the operation of business such as working capital management. Within this index is enshrined a matrix of other business variables, tenets, and practices such as assets and liabilities, profit and liquidity, risk, and sustainability. Therefore, as a test of managerial skill among SMME owners over the working capital, is their technical know-how to discern when to engage risk for higher profits, while sustaining

a balance between them through liquidity. This can be conducted to prove their accreditation of skill in matters of management.

In yet another depth of perspective concerning management of working capital, different scholars and authors have developed a paradigm in addition to what Padachi (2006) advanced. Further into the search of working capital management is another indicator that reveals insight and skill of financial management. Among these authors include Smart et al. (2007), who postulate that, one eminent variable in assessing the technical know-how of an entrepreneur on working capital is the cash conversion cycle (in Phenya, 2011). Smart et al. (2007) states that cash conversion cycle is the business's ability to procure investments and then reconvert the purchase into liquid cash (in Phenya 2011). Smart and other authors have explained that any business with a healthy working capital and foundations of sustainability has the power to repurchase its investments, reconvert them into liquid cash and repeat this process over and over in a cycle. According to these scholars of business, this cycle forms the core of the business or the life of the business. It is crucial to understand whether the SMMEs maintain this lifeblood. Part of the means of deeply probing matters of how working capital is handled, is to search out the cash conversion cycle. Evidently if it is found that returns in a business cannot re-procure the initial investment of the business, it implies a weak cash conversion cycle. The reverse is also true; if the investment made into a business is not able to become liquid when in a quest to offload all the procured items for cash, then it implies that the cycle of the cash conversion is likewise weak. The study shall probe the depth to which such technical know-how is embedded in entrepreneurs that run SMMEs.

2.2.5 Cashflow management skills

In a continued exploration of necessary variables consisting of a satisfactory financial management framework, cash flow management is found to be another important index that can be used to estimate financial management skills among SMME owners/operators. In analysing cash flow management, two outstanding aspects of it emerge that point to its proper management or otherwise. These two aspects are cash budget and cash conversion cycle. The study by Phenya (2011) is important in this regard because it brings to the forefront the cash conversion cycle and budget usage to thoroughly analyse SMME owners' skill in cash flow management. It is by analysing these two instruments that one can estimate and judge the strength of cash

flow management of a business. Attril (2006) defines cash budget as a report of proposed cash outflows and inflows that is utilised to estimate a company's requirements for cash in the short-term period, in order to manage cash surpluses or shortages (in Phenya, 2011). This definition by Atril (2006) spells out critical areas of blockage or leakage in the fluidity of cash flow within the business. This is crucial and if not well reconciled in the business can lead to serious ramifications.

However, it is interesting to find that some studies have shown that most SMMEs that are profitable often experience cash flow problems (Global Entrepreneurship Monitor (GEM) (2004); Moore et al. (2008) as cited in Phenya, 2011). In the same vein, The Graduate School of Business (GSB) at the University of Cape Town states that half of small businesses experience challenges in cash flow while about 60% of them had used all their bank overdraft balances and had been unsuccessful in paying their wages (GEM, 2004). Such phenomenal observations and postulations reveal a disturbing complexion of affairs in the business world among SMMEs in South Africa. Due to such findings, Nieman, Hough and Nieuwenhuizen (2006) therefore, argue that the real solution does not really lie in SMMEs accessing finance but in first training entrepreneurs on cashflow management (in Phenya, 2011).

Nieman et al. (2006) unlike other scholars who merely propagate for more sympathy and lenience on the part of the finance institutions towards the SMME owners, sit on the other panel of debate. They point out that, the whole challenge lies with flaws among SMME owners. They believe that the lapses in technical skill in managing matters of cashflow pose a greater risk on the financial institutions rather than the SMME owners, should anything go wrong. This standpoint is echoed in another publication by the International Finance Corporation (2011) where, a survey conducted on financial institutions has categorically pointed out that, security in issuance of finance to SMMEs among Africans is among the top priority. It emerged strong that, losses incurred in the past due to failure of these SMMEs had a telling impact on the financial institutions who had raised their hopes in such investments. In the study, it remains to be examined how reconciling the left side of the equations where the SMME owners can possibly yield favourable response, on the right side from among the financial institutions. This study stands at the cross-roads in defining the moment where a critical assessment between entrepreneurs and their lenders, thereby establishing new types of relationships between them in Africa. This has the potential to boost and improve SMMEs in Africa.

2.2.6 Analysis and interpretation of financial results skills

Lastly but by no means the least tool of analysing financial management is the financial statement - another key index to show the strength of managerial skill among SMME owners. According to Beaumont-Smith (2007), analysing financial statements entails assessing and understanding the financial statements (Phenya, 2011). Beaumont-Smith explains that these financial statements constitute income statements, statement of financial position and cash flow statements. Financial statement analysis enables efficient assessment of financial health of a business and aids in informed decision making. Doing this can assist in revenue improvement, cost cutting and cash flow improvement (Peterson and Fabozzi, 2002; Phenya, 2011). Liquidity, debt, profitability, and activity ratios can be utilised in analysing financial statements (Beaumont-Smith, 2007, as cited in Phenya, 2011). Following the proper functioning of such internal mechanisms, investor confidence is built. The whole matter falls back upon how equipped the owners of SMMEs are with these skills that can navigate around the complex functionalities of financial statements. The study hinges upon using such perimeters as tools of assessment to probe the skill of financial management among the SMMEs in South Africa.

2.3 Access to finance

Access to finance is the ability to readily receive credit, often from financial institutions to help run a business venture (Chimucheka, 2013). This definition by Chimucheka (2013) will be adopted for the purpose of this study. This ability to readily receive credit from financial institutions is one fundamental aspect of commencing or sustaining a business venture at every level. However, although access to finance by SMMEs is key to the running of business ventures, there are factors that can prevent it. One among such factors is the entrepreneur's deficiency of financial management skills. According to Fraser et al. (2015) and Hussain et al. (2018), a lack of financial management skills impacts a company's access to finance which negatively influences its ability to obtain debt and equity which can lead to it being bankrupt. From such deductions, it clearly turns out that the lack of access to finance by SMMEs has repercussions on two levels; one is that the business is stalled from obtaining debt and equity which are almost inevitable to the continuity of a business; and the other is eventual bankruptcy which is the worse-case scenario. It is therefore necessary that owners of SMMEs acquire these financial management skills

because without them, they would be denied access to credit from financial institutions. This further reiterates the significant impact which financial management skills have on access to finance.

In a separate analysis, other authors such as Osano and Languitone (2015) and Fowowe (2017), indicate the hardships faced by SMMEs in Africa to access finance, and how that, subsequently has derived a state of serious financial lapse for SMMEs in developing countries. For example, Harash et al. (2014) conclude that SMMEs in developing countries often face a financing gap. Moreover, Harash et al. (2014) further contends that, the key sources of finance are internal resources, debt, and financial markets. These authors spell out that, whereas internal resources usually refer to the SMME's own capital from its owners, external resources refer to finance from debt and financial markets.

Osano and Languitone (2015) and Fowowe (2017) also point out that SMMEs usually face hardships in accessing finance from financial institutions. In further contributing to this observation made, authors such as Harel et al. (2020), state that small firms endure financial constraints that affect their growth and have less chances of accessing formal finance in comparison to the large companies and often depend on family and friends for finance. This is a most pitiful state of affairs for SMMEs in African developing countries. This failure to access finance from institutions resulting in dependence on family and friends predisposes the life of the SMME at greater risk of failure. There has been little found in literature to show that such an alternative source of credit does facilitate the financial help which the SMMEs need. With such an inconclusive review, there is no solid base to really provide for a formidable alternative should the SMMEs not be able to obtain credit from the financial institutions.

2.3.1 Importance of access to finance

Access to finance among SMMEs is an important factor in both their commencement, and sustenance. Access to finance is the ease with which SMMEs can obtain affordable external funds, suitable for their requirements (Chowdhury, 2017). This definition by Chowdhury (2017) highlights that, ease of obtaining external funds marks out the essence of access to finance. It is still a subject of debate in the field of business among SMMEs to verify whether business owners are able to obtain

external funds with relative ease or not. This is a matter of serious consideration because, access to such finance plays a vital position in the function of SMMEs. Such matters will be reviewed more severely in the paragraphs that follow.

One importance of access to finance by SMMEs is that it can offer a favourable basis for the self-sufficiency, vitality, growth, and resilience of the SMMEs besides encouraging the owners of the enterprises. According to Innovation for Poverty Action (IPA; 2015) an analysis was made through a survey conducted among SMMEs that had obtained finances from banks in Africa, and the conclusions drawn revealed that, access to finance is vital for growing SMMEs because it permits entrepreneur innovation, increased efficiency, expansion to new markets, and provide millions of jobs. The findings of such analysis by IPA (2015) reveal that the internal working of the individual SMMEs transformed in different but vital ways. For instance, some fundamental factors of prosperity in business were touched upon such as innovation, efficiency, and expansion. Since most SMMEs are often run by individuals who are commonly initiating business ideas attempting to prosper, it becomes imperative that such individuals sustain high levels of self-motivation and innovation. The conclusions drawn from the paper seems to suggest that access to finance by such businesses can offer the necessary support system for such positive outcomes to occur.

The availing of financial capital can offer an incentive much needed to boost morale for continuity of plans and aspirations among the owners of SMMEs. This kind of motivation can further open the entrepreneurs up for more innovation. They can become daring and create new business solutions and charter more competitive avenues of running their business in a modern world. The resultant effect of a business whose internal operations are saturated with innovation and efficiency is that the SMMEs are likely to expand or multiply. This multiplicity of SMMEs creates a harmony of flourishing networks that support each other making an agglomeration economy that is self-sufficient. The entire development would have been started by access to finance from institutions that believed in the aspirations of entrepreneurs.

Also, the analysis by IPA (2015) concerning the expansion and spread of SMMEs due to unlimited access to finances from financial institutions holds the key to unlocking the potential for national economic growth. Conclusions from the analysis of the study imply that, SMMEs have the potential to improve a country's economy.

In earlier research, Agupusi (2007) found that in South Africa from 1994 small businesses have been promoted as devices for socio-economic integration and economic growth. In the same line of thinking, Fowowe (2017) resounds this standpoint, stating that failure to access adequate finance inhibits the expansion of firms in Africa, further showing the importance of access to finance by SMMEs. Chimucheka (2013) moreover argues that a lot of entrepreneurial activity in South Africa takes place through SMMEs. Meanwhile, Nieman and Nieuwenhuizen (2009) further substantiate the statement by Chimucheka (2013) with their findings which show that SMMEs make up 97% of all South African businesses, thereby contributing a percentage to the Gross Domestic Product of 35%. As a result of this, Chimucheka (2013) states that, recently, the escalating levels of unemployment have resulted in the government and the private sector's renewed focus in promoting SMMEs. The purpose of SMMEs is not only aimed to be growth engines but to be a crucial contributor to creating jobs and reducing poverty, particularly to marginalised communities. It seems that SMMEs are now offering better options for national economic liberation.

Therefore, in view of this, there has been an establishment by the South African government of institutions and programmes that are intended to make an improvement to SMME's access to financial, infrastructural, marketing, informational, training, counselling, and technological resources (Chalera, 2007). With such renewed focus on SMMEs and their significant role in economic development, the arguments held by various scholars such as Chalera (2007), Nieman and Nieuwenhuizen (2009) and Chimucheka (2013) prove worthwhile. Therefore, it is becoming imperative for a study such as this one to explore the dynamics of interaction between SMME owners and financial institutions. This is because financial institutions are part of the driving force in the success and prosperity of most SMMEs in South Africa, and in some other developing countries.

2.3.2 Lack of access to finance

Even though access to finance is a vital aspect as has been reviewed in the section just before this one, according to (SEDA, 2016), generally SMMEs seem to be faced with many constraints in matters of accessing finance. A number of scholars have generally agreed that the failure to access finance is part of the main trials that are confronted by South African SMMEs and other developing countries (John and

Mbohwa, 2015; Osano and Languitine, 2015; GEM SA, 2019). This collective conclusion does not go without raising concern about the factors behind this calamity. If scholars severally agree that there is a constraint for SMME owners in accessing finances from financial institutions, then the problem seems to be underlying. It is part of the endeavour of this review to surface more variables that could be responsible for such a major conclusion.

In light of such concerns, there arises a hypothesis that SMME owners lack certain skills requisite to attract investor confidence from financial institutions. It seems that no matter how impressive the entrepreneurial ideas appear, the institutions vet the success potential using other parameters. Most fundamental among these parameters is financial managerial skills of the business owner. This emerges vividly clear when we see the relative ease with which those who fulfil such criterion access finances from these institutions. For example, some studies have shown that companies run by individuals with experience and skills in management, business planning, and higher education have the capability to perform well - a requisite that enables them to access finance easily (Hamildi, 2011; Zarook et al., 2013). As can be seen from findings and derivations by Hamildi (2011) and Zarook et al. (2013), it is evident that businesses run by business owners who were proficient in matters of financial management prospered. When probed about their financial management endowment, these business owners were found to be well equipped with experience, skill in management and some levels of higher education. This seemed to have impressed the financial institutions which gave them access to finance.

As a matter of critical importance, two significant issues arise in the review; one is that of vetting the SMME owners' investment of skill in management of finances; two is to see whether the lack or presence of such skill has a correlation to their access to finances from the financial institutions. This is the aim of the study. It may not be acceptable merely to assume that these SMME owners lack financial managerial skill before probing them, and it may also not be palatable to assume that these financial institutions prevent access to finance by the entrepreneurs purely on grounds of a lack of financial management skill. Therefore, it boards upon this study to first establish what the expression 'skill in financial management' really means and what these institutions are really looking for in prospective clients.

Even with the growing concern over the failure by SMMEs in accessing finance from financial institutions, it continues to be evident that SMMEs continue to suffer failure in accessing such finance. It is important to be reminded that access to such critical resources as finance is necessary for growth, sustenance, and survival of most SMMEs. Nevertheless, such resources are not being accessed by SMMEs. In the continued debate of highlighting this challenge, IPA (2015) observes that in most developing countries many of the SMEs are incapable of acquiring the financing needed to reach their maximum potential. Such significant data reveals a situation most severe among SMMEs regarding their blockade in accessing finance. Moreover, scholars such as Nieman and Nieuwenhuizen (2009) earlier had cited the failure to access finance as part of the leading trials faced by South African SMMEs. They categorically itemised this lack of finance to be more critical among the other difficulties such as marketing, pricing, competition, and trading space which are faced by South African SMMEs. Further still, along the same line of argument, another study by Foxcroft et al. (2002), illustrates that three quarters of bank loan applications by South African SMMEs are frequently denied while FinMark (2006) found that a meagre percentage of 2% of new South African SMMEs can access finances. If three quarters of SMME applicants of finance are denied access and only 2% are given access, then it emerges clear that majority of SMMEs are denied access to credit by financial institutions. All such arguments and assertions reveal that owners of SMMEs in South Africa are still struggling to access finance from financial institutions.

2.3.3 Denial to access finance

As established in the passage and furthermore with statistics by Foxcroft et al. (2002) and FinMark (2006) that the vast majority of SMMEs are failing to obtain finance from financial institutions in South Africa. This is a matter of grave importance and stands at the centre of concern for the study. The most important question whirled up as the reason for the denial by these financial institutions for access to finance of SMMEs in South Africa. To answer this question will really help the study put in perspective the association between financial managerial skill and access to finance. This is an important question in this review and eventual analysis. Several reasons can be found in literature explaining the reasons for denial of access to finance of SMMEs by financial institutions. Though it is proper to obtain views from the SMME owners

over the reasons for this state of affairs, perhaps, it may be even better, in this case, to obtain views from the institutions themselves.

Going by the views of financial institutions, one issue that has emerged is the risk of loss which can befall them after giving credit to SMMEs. According to the International Finance Corporation (2011), in the developing countries SMME financing can be a risk and expense for lenders, which results in an estimated one trillion USD financial gap. Such a loss is most serious and seems to have been the wake-up call on the financial institutions to be more careful when issuing out finances to SMMEs. This could perhaps explain the reason for their creation of a more complex and sophisticated financial screening mechanism.

Apart from the fear of insurmountable and irrecoverable losses, being a leading cause in stopping credit institutions from giving SMMEs access to credit, financial institutions have set up rigorous probing mechanisms filled with meticulous basic requirements. This hinders most SMME owners from penetrating such doors of financial opportunity. Upon establishing aspects such as huge losses incurred in the past, lenders have revisited their screening criteria. After doing so, they have established that most SMMEs lack the necessary requisites to qualify for accessing finance. Among some of the key requisites are those listed in the IPA (2011) study which include among others, reliable credit history, qualified collateral, financial managerial knowledge, and high default rates. In reality and practice, it is not easy for an SMME owner to meet all the requisites in the list of criteria. Consequently, this has set a very high bar for them to reach and as a result most of them (SMME owners) are denied access to finance.

Another factor denying the access to finance of SMMEs is the policy of alternative support put in place owing to the financial risk factor. The International Finance Corporation (2011) has established that, owing to the risk factor involved in lending to SMMEs, financial institutions, governments, and donors have resorted to providing policy and lending other products other than money, as a means of assisting SMMEs to improve their credit position. However, key to note is that the International Finance Corporation (2011) study says that there has not been rigorous measurement in the extent to which such programs effectively reduce the barriers to SMME financing. If these SMMEs could only break the barriers and easily access finances, all such alternatives would not be necessary.

Nevertheless, the fact that such alternatives as giving other forms of aid other than finance, have been set up to substitute for the risk of lending money cannot be overruled as one such an obstruction to accessing finance. While it is important to recognise the role of other alternatives in assisting SMMEs, the undeniable fact about business is that nothing can take the place of money. Even in the cash conversion cycle, which is the principle of liquidation and reinvestment, money is one of the key measures to the success of a business or else its failure. And since money is a medium of exchange, it becomes problematic to start a business without the principal capital called money. This is the challenge for SMMEs.

Apart from the resounding fear of credit institutions to suffer losses again due to crediting finance to SMMEs in Africa, The International Finance Corporation (2011) has also highlighted that, the lack of financial managerial awareness or financial management skills is one of the fundamental challenges noted as having created a barrier for SMMEs to access finance as highlighted by Chimucheka (2013). Another source also shows phenomenal results concerning the prevalent levels of financial illiteracy among owners of SMMEs in South Africa. For example, as for those in the informal sector, Statistics South Africa (2013) indicate that about 86% of SMME owners had no exposure to any financial literacy course. Financial literacy is an education about how to manage money prudently, in this wise to sustain a healthy operation of business. Further, the report shows that 78% of small informal businesses were maintaining any business accounts. According to their findings, there was no record keeping for most of these businesses owing to their belief that their businesses were small, or they did not see the importance of record keeping (Chimucheka, 2013). Most entrepreneurs were self-dependant and had not sought any external business advice.

All such lapses found in the business operations of SMMEs were accounted as being significant flows capable of crippling them and running into losses. The high percentage of financial illiteracy among the SMME owners entailed a lack of basic knowledge on how to successfully handle money in such a way as to make profit. The staggering 78% of those found to have not been keeping accounts, implied that if more finances were committed to their trust, they were likely to lose some of it under unexplained circumstances. The financial institutions asserted that most of these businesses were really running at a loss or at least where diminishing returns

without knowing it. And this was seen in the fact that they were not tracking their accounts responsibly. It is therefore this loss that the institutions were barring from entering their own operations.

Again, another principle of financial management capable of strangling a business is the risk entertained by most SMME owners, which was lack of expert advice. Instead of seeking advice from authentic and authorise sources, most entrepreneurs sought advice from people with relatively average knowledge on business matters. Finescope (2011) and Statistics South Africa (2013) reveal that as for those who sought business advice, they sought it mainly from friends and family. This demonstrates a predicament of limited knowledge of business and finance management and points to a likelihood of the businesses sustaining unsatisfactory credit record, filing and risk profile for such entrepreneurs. This in turn seems to make these SMMEs unattractive to accessing finance from accredited financial institutions.

Although much has been offered in literature to explain the denial of access to finance by SMMEs, the debate continues, as the indelible question remains as to why SMMES are failing to obtain finance from the financial institutions in South Africa. There still remain some unanswered questions. If South Africa has turned its focus to supporting SMMEs and is encouraging financial institutions to help them financially, then why has it continued to seem as if the policy is not working in favour of such a trajectory. Also, could it be possible that there are some hidden or unknown factors at play behind the institutions denying the access of SMMEs to finance. Critically, in answering such questions, the vital issue resolving the correlation between financial managerial skill of entrepreneur and access to finance can be answered. Therefore, it is the endeavour of the study to explore why and how the lack of financial management skills hinders access to finance by SMMEs.

2.4 Relationship between financial management skills and access to finance

As established before, research findings allude that there is a relationship between financial managerial skills and access to finance from credit institutions (Chimucheka and Mandipaka, 2015; Hussain et al., 2018). This reiterates the importance of entrepreneurs to possess financial management skills so that they can increase their chances of obtaining finance for their businesses. Based on their study on the relationship between financial literacy and access to finance, Hussain et al. (2018)

established that knowledge in financial management from financial literacy affects access to finance significantly.

According to Bongomin et al. (2017) research findings, the relationship between financial literacy and access to finance is significant and financial skills, management and knowledge constitute financial literacy. Furthermore, there was an assertion that financial management is vital for SMME survival and management since financial literacy skills educate and empower SMMEs (Bongomin et al., 2017). In light of such a proposition, other scholars such as Hussain et al. (2018), state that, financial management skills such as cashflow analysis are a type of financial literacy that improves financial management practices and boosts the creditworthiness of a company. Furthermore, Hussain et al. (2018) indicate that a firm's creditworthiness impacts its ability to obtain finance from formal lenders. This is a matter of serious implication upon a business because it determines its lender-confidence which consequently affects its measure of access to finance and thus marking out its limitations and possibilities.

Nkundabanyanga et al. (2014) state that financial literacy and access to formal credit are positively and significantly related. This means that when an entrepreneur is financially literate the possibility of accessing credit from financial institutions increase. This was also supported by Adamako et al. (2016) whose research findings state that a high level of financial literacy resulted in an increased positive relationship between access to finance and finance growth. Additionally, Hamildi (2011), confirmed that management's education levels and experience positively effect access to finance significantly. In a study by Okello et al. (2016), mention how financial literacy, improves financial decisions which enhances the prospects of accessing finance.

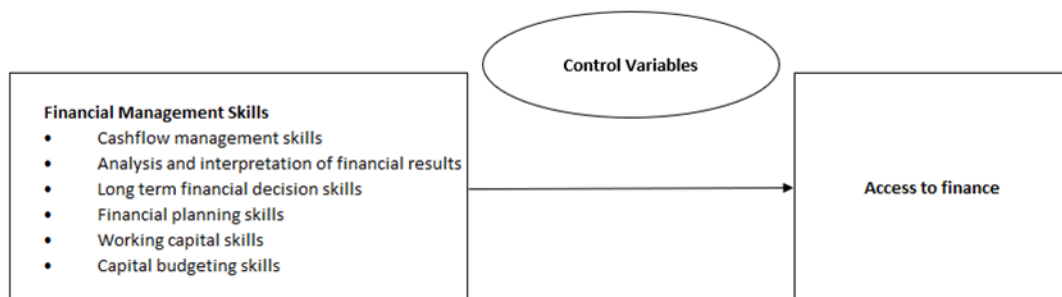
These findings seem to establish a relationship between financial management skills and access to finance which the study aims to focus on.

2.5 Conceptual model of relationship between financial management skills and access to finance

Figure 1 below shows the model which demonstrates the relationship between the variables in the study. It highlights the relationship between financial management

skills and access to finance. The model suggested the relationship between the different financial management skills categories which are cashflow management skills, analysis and interpretation of financial results, long term financial decision skills, financial planning skills, financial planning skills, working capital skills and capital budgeting skills and access to finance. Therefore, this research aims to establish the impact of financial management skills on access to finance.

Figure 1: Concept model of the relationship between financial management skills and access to finance



2.6 Conclusion

According to the literature reviewed, the prominent focus of most studies tilts much towards challenges experienced by SMMEs in accessing finance. The inadequacy of financial management has been highlighted as one prominent hinderance among SMMEs to accessing finance in some studies (Chimucheka, 2013; Phenya, 2011). The review has identified variables within financial management that have not been discussed against what financial institutions require to issue credit to SMMEs in South Africa. There are lapses and missing pieces in the nexus between SMMEs and financial institutions that require further probing. The scholars' arguments have provided a rich and important platform upon which much research can be conducted. What seems not to emerge clearly is the focus into the depth of financial managerial skill of SMME owners as being a factor largely hindering entrepreneur's access to finance from financial institutions within the specific context of South Africa.

3 CHAPTER 3: Research hypothesis

This chapter outlines the hypotheses for the research. The study focuses on SMMEs who have attempted to access to finance and the effect of financial management skills of that process.

There are different categories of financial management skills that can be used to measure the financial management skills as established by Phenya (2011) and Mamabolo et al. (2017). To reiterate the importance of financial management skills to accessing finance, Fraser et al. (2015) and Hussain et al. (2018) state that lacking financial management skills, have an impact on the company accessing finance. Considering the literature review and research objectives already discussed in Chapters 1 and 2, only one hypothesis was formed.

3.1 Hypothesis

Financial management skills (cashflow management, analysis and interpretation of financial results, long term financial decision skills, financial planning skills, working capital management skills, capital budgeting skills) are positively associated with access to finance.

4 CHAPTER 4: Research Design and Methodology

4.1 Introduction

This chapter outlines and discusses the research design and methodology that was utilised in the study to achieve the stated objectives, of establishing the influence of financial management skills on accessing finance by entrepreneurs. Included in this chapter is the research design, methodology applied, description of the population, the unit of analysis, sample, measurement instrument, data collection, data analysis, data quality and the limitations of the methodology used.

4.2 Research design

A quantitative approach using a positivism philosophy was utilised for this study. A positivism research philosophy was suitable for this study because it aimed to understand the influence of financial management skills on accessing finance by entrepreneurs. In addition, by using the designed methods to obtain data and facts in their pure form, it promised to yield knowledge that is accurate and unambiguous (Saunders and Lewis, 2012), which was suitable for this research.

A deductive approach was also used for this study as it started up from the existing research that allowed the formulation of the hypothesis then the collection and testing of the data, which was a suitable approach for the topic. A deductive research approach tests a theory's proposition by utilising a specific research strategy that was intended for data collection to test it (Saunders and Lewis, 2012), thus making it applicable to this research. The hypothesis drives the philosophy for the study.

The research design used was descripto-explanatory which is a research design that uses descriptive and explanatory data to explicate the selected variables and the relationship between them (Saunders et al., 2012). This was appropriate for the study as it provided more insight into the variables and tested the variable's relationship which in this case was financial management skills and access to finance. This enabled the study to achieve its main objective of the study, which was to establish the relationship between financial management skills and access to finance by entrepreneurs.

The research strategy employed in this research was a survey using a questionnaire and close-ended questions. Saunders and Lewis (2012) explain that a survey is

when data is collected structurally from a significant population, and it can be via structured interviews or questionnaires. This was appropriate as it enabled the collection of huge amounts of data in a cost and time effective manner. As it ensured confidentiality of participants, this minimised the researcher's bias as the responses were documented and not left for the researcher to interpret. Cross-sectional research is when a specific topic is studied at a specific time (Saunders and Lewis, 2012). Therefore, the data was only collected over a single specified time for the specific topic being researched. This was done from the 24th of August 2021 to the 18th of September 2021.

A mono method in the form of a quantitative study was used in this study. A mono method is when only one technique is used to collect data (Vizcarguenaga-Aguirre and López-Robles, 2020). A mono method was more beneficial because of its cost and time effectiveness, as there were no costs incurred in circulating the questionnaire and the data was also collected in less than two months. The researcher only conducted a survey questionnaire to collect the desired data.

4.3 Population

A population comprises of all group members that possess characteristics that are similar (Saunders and Lewis, 2012). The target population for this research was entrepreneurs in SMMEs in Gauteng. The target population was limited to Gauteng because the source of the data was mainly from organisations that services entrepreneurs in Gauteng. The organisations were Edge Growth, Business Partners Limited, National Empowerment Fund, Razor Capital, Gauteng Propeller Fund and NHBRC. Additionally, people within Gauteng also assisted in circulating the questionnaire to the target population. The questionnaire was also distributed via the internet using email and other social media platforms such as Facebook, Twitter, WhatsApp and Telegram. The respondents were also responsible for the financial function and their financial management skills were analysed based on their impact on obtaining finance.

4.4 Unit of analysis

A unit of analysis is an individual, groups, countries, technologies, and objects from where the data collection occurs and who is the intention of the study (Kumar, 2018).

Out of the mentioned units of analysis, the appropriate unit of analysis for this research was established to be on an individual level, which is a micro-level. This was so because the individual entrepreneurs who own and oversee the financial function in SMMEs were analysed in the study.

4.5 Sampling method and size

Sampling is a process where a part of a population is selected for investigation (Alvi, 2016), while a sample is a portion of the entire population (Saunders and Lewis, 2012). A sample was utilised for the study because it is impractical to investigate an entire population, therefore a smaller part of the population is considered for analysis (Alvi, 2016). Sampling could be utilised to generalise an existing theory or to make an inference with regards to a population depending on the sampling technique selected (Taherdoost, 2018).

A sampling frame is a population's entire list (Saunders and Lewis, 2012). For this study, it was impossible to confidently obtain a complete population's sampling frame of all SMMEs in South Africa, as the list would not have been complete. As a result of this, a non-probability technique was deemed to be more suitable. Non-probability sampling is a technique that is used for sampling, where every single unit of the population has an unequal opportunity of taking part in the research (Alvi, 2016). Therefore, for this research, a non-probability sampling technique known as purposive sampling was used to select the respondents. According to Saunders and Lewis (2012) purposive sampling is a sampling technique that allows one to use individual judgment in the choosing of cases that enable research questions in the questionnaire to be answered to meet the objective. In this case, the study was targeted at SMMEs and their unique characteristics. Therefore, the sample was collected from the population of registered SMMEs in Gauteng. All owners of SMMEs were given a chance to participate in the questionnaires via e-mail and other social media platforms like WhatsApp, Facebook, Telegram and Twitter.

Snowball method, which is also a non-probability sampling technique was also adopted in addition to purposive sampling. According to Saunders and Lewis (2014), the snowball method is a non-probability sampling method that allows the participants that have been selected using purposive sampling to refer and offer contact details of other potential respondents that are suitable to answer the

questionnaire. This was also consistent with Hussain et al. (2018), also utilised purposive and snowballing sampling methods to select the sample in their study. The method is suitable for use in instances where a complete list of the population is impossible to populate, which was the case in the study where it is not feasible to obtain the full list of SMMEs in Gauteng. Additionally, it was appropriate as it increased the number of respondents that answered the questionnaire.

According to Fugard and Potts (2015), when selecting a sample size, one should consider quantifying the number of participants needed to for confidence to be obtained at a particular level of power, that one can make an observation of the desired number of events. Referring to a desired power of 80% and based on this, the sample size of this study was determined to be 150. The sample size was determined by the number of SMMEs that are registered and operating in the South African province of Gauteng. The respondents were selected based on the criterion of running SMMEs and having had attempted to access finances from financial institutions and had gotten a yes or no decision.

4.6 Measurement instrument

The measurement instrument for this research was a survey using a questionnaire. A questionnaire consists of standardised questions, answered in the same order by respondents to enable consistent and coherent data collection for analysis (Roopa and Rani, 2012). Additionally, close-ended questions were utilised to limit respondents to answer questions using specific responses. The close-ended questions were suitable for this study as it permitted for the data collection of similar standard questions from respondents because it was self-completed, where there was no interviewer bias, it was convenient and inexpensive (Saunders and Lewis, 2012).

The questions were adapted from previously validated research instruments from Mamabolo et al. (2017) and Phenya (2011). The first part of the questionnaire introduced the questionnaire, highlighted the benefits and purpose of the study and asked for consent and also stipulated the anonymity of the questionnaire. This was followed by section A that constituted of three questions which asked about the qualifying criteria of the entrepreneur which helped in determining which respondents were suitable for the study. Then section B was on demographics of the participants

and had four questions which helped in getting more details of the respondents. This was followed by section C of the questionnaire which constituted of questions relating to the financial management skills that the entrepreneurs possessed. This was grouped into the cashflow management, analysis and interpretation of financial results, long term financial decisions, financial planning working capital management and capital budgeting skills. The last section was section D which had questions that related to accessing finance for their SMMEs. Section C and D contained questions used to answer the hypothesis questions. A sample of the questionnaire is provided in Appendix A. The questions in section C constituted of questions relating to financial management skills which were answered using a five-point Likert scale. Table1 below shows the Likert Scale applied.

Table 1:Five-point Likert scale

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

4.6.1 Design of questionnaire

The questionnaire consisted of constructs that were measured using questions developed from various articles of literature. These questions were organised logically and in an uninfluential way to the respondents (Saunders and Lewis, 2014).

The following constructs were included in the questionnaire:

- Financial management skills
- Cashflow management skills
- Analysis and interpretation of financial results skills
- Long term financial decision-making skills
- Working capital management skills
- Capital budgeting skills
- Access to finance

Additionally, the questionnaire covered the following in detail:

- If the entrepreneur has attempted to access finance.

- Reasons why entrepreneurs fail or obtained to access finance.
- Entrepreneur characteristics such as sex, race, level of education, province location, role in the business and number of people employed by the SMME.
- Entrepreneur financial management skills such as cash flow management, analysis and interpretation of financial results, long term financial decision, financial planning, working capital management and capital budgeting.

Financial management skills were developed from the literature from Wolmarans and Meintjes (2015); Hussain et al. (2018); Mamabolo et al. (2017) and Phenya (2011). The financial management skills adopted for this study was broken down into different categories of skills which all make up financial management skills. These are cash flow management, financial planning, analysis and interpretation of financial results, working capital management, long term financial decision and capital budgeting. There were no specific questions on the questionnaire that related specifically to the financial management skills.

4.7 Data collection process

4.7.1 Ethical clearance

It was a requirement of the Gordon Institute of Business Science to obtain ethical clearance before any data collection procedures are followed. An application was made online and submitted together with the methodology chapter and research questionnaire. This was handed in to the ethics committee after approval by the supervisor, Dr. Frank Magwegwe. The first application was approved on the 19th of July 2021. After which there were some changes made to the questionnaire and then a new application and approval was made on the 23rd of August 2021. The ethical clearance is attached as Appendix 2.

4.7.2 Pre-testing the questionnaire

After the ethical clearance was approved, the questionnaire was sent out for pre-testing. The questionnaire contains 33 questions. Pretesting of the instrument was conducted to confirm its validity, reliability and as a confirmation that the questions were easily understandable (Saunders and Lewis, 2012). To conduct the pretesting process, the questionnaire was distributed to 10 respondents that met the population

criteria. After this they were asked to give an encounter of their experience, in which if they had any problems, they were expected to communicate them. The expected time for completion was initially 20 minutes. There were a few wording changes that the respondents suggested and were applied to the questionnaire, but these did not change the original meaning of the questions. There was also feedback that the questionnaire was understandable and clear. The respondents also suggested that the time to answer the questionnaire was not more than 10 minutes and this was amended accordingly. These suggestions were fixed before the questionnaire was distributed to the larger sample. It also assisted in gauging the time needed to complete the questionnaire.

4.7.3 Data gathering

This questionnaire was answered via the internet, using Google Forms. A self-completed questionnaire allowed the respondents to read the questions and capture their responses themselves (Saunders and Lewis, 2012). The questionnaire was the same for every respondent. The survey was sent via email so that they could access the questionnaire via a hyperlink. The questionnaire was also distributed using social media platforms, specifically via twitter, Facebook, telegram and WhatsApp. Since snowballing was now also used, some participants sent the questionnaire to other potential respondents that met the criteria. Before the due date, follow ups were also made to try and get the highest response rate possible.

4.8 Data analysis process

To measure the above stated variables, precedent case studies were used to derive standard parameters. For instance, in assessing the reasons why entrepreneurs fail to access finances, the study by Bhorat et al. (2018) was used to assess the similarity between the reasons, except this was narrowed to the geographical location of Gauteng South Africa. In obtaining entrepreneur characteristics, precedence from a study by Chimucheka (2013) was used and analysis will be around similar parameters. Logistic regression was more suitable for this research because it estimates the likelihood of a dichotomous outcome (Anderson et al., 2003). It utilises previous experiences to determine the odds of an outcome (Anderson et al., 2003). In this study the likelihood of the outcome is the access to finance which is the dependent variable, and this will be influenced by the independent variables which are the financial management skills together with control variable like age, loan

amount and gender. Additionally, the dichotomous independent variable was access to finance which was measured by a “yes or no” answer on whether the entrepreneurs had successfully accessed finance or not. Apart from that, some standards from a case study by Phenya (2011) shall be adopted and used in the analysis of entrepreneur’s financial management skills. In that study, Phenya (2011) outlines a more categorical way that financial management can be done in an SMME by listing and explaining each aspect such as a planning for financial management, objectives of the business, long-term financial goals, capital structure decisions, investment decision-making, capital budgeting decision-making, working capital management, cashflow management, analysis of financial statements, and short-term financial planning. Finally, the requirements by financial institutions to issue finances to SMMEs shall be drawn from a publication by the innovation for poverty action (IFC Enterprise Finance Gape Database, 2011).

In prior studies different measurements were applied to measure access to finance. Nkundabanyanga et al. (2014) measures access to formal credit using amounts of finance received on credit and the number of times accessed. In contrast, Adomako et al. (2016) measured the satisfaction level of their access to finance by enquiring how their businesses have easy access to finance and how better financed they are in comparison to their competitors. Pandula (2011), measured the access to credit by analysing if the firm had access to bank credit. For the purpose of this study, access to finance will be measured by assessing if entrepreneurs have attempted to access finance from financial institutions.

4.8.1 Analysis approach

The research is a descripto-explanatory and therefore used both descriptive and inferential statistics and these were run via SPSS. Descriptive statistics summarizes into descriptive measures (Wegner, 2016). This allowed the description of the independent variable; financial management skills and the dependent variable; access to finance, and allowed for an analysis of trends, relationships, patterns, and profiles (Wegner, 2016).

All the data collected from the respondents, using Google Forms was extracted in an excel spreadsheet. The data was first filtered so that it excluded SMMEs who were not from Gauteng, whose SMMEs employed more than 50 employees and who had

not yet applied for finance from financial institutions, those who will be excluded when analysing the data. The data was cleaned, coded and sorted so that it could be run via SPSS. The answers were replaced by numerical values, and this is shown in the code book in appendix 3.

A logistic regression analysis was run through SPSS to test the relationship between the independent and dependent variables. Logistic regression was appropriate as the dependent variable was binary. This was appropriate to use for this study as this would show if there was any increase in the odds of accessing finance from formal lenders because an entrepreneur had high levels of financial management skills. This was tested through the hypotheses formed. Charts and frequency tables were also produced to enable further analysis of the data.

4.9 Data quality

Quality control was assured through the reliability of the instrument utilised and the data validity. As explained by Saunders and Lewis (2012) reliability is when an instrument can provide consistent information when utilised by different people or dissimilar times. To ensure reliability in the collection of data, the standard of content validity and construct validity shall be used during the formulation of questionnaires and interview guides. Saunders and Lewis (2012) point out that while content validity ensures adequate coverage of questions to solicit the relevant data, construct validity ensures that the questions asked in the research instruments probe deep enough to surface data for the constructs required by the researcher. Among the constructs to be probed in the study include the financial management skills and entrepreneur characteristics.

Furthermore, to test for reliability, the measure of internal consistency of the questionnaires was done. Devlin (2018), propounds that the consistency of questionnaire responses across all questions or subgroup questions is measured using internal consistency. The additional use of interview guide supplies an alternative source of data which will be used in triangulation of data collected. These parameters which are aimed at ensuring reliability of data will be considered at the stage of formulating questionnaires and interview guides.

Ethical clearance was conducted to ensure that ethical procedures were followed, and no participants were violated through the questionnaire in anyway. The questionnaire also asked for consent from the participants and ensured anonymity and confidentiality.

4.9.1 Validity of data

Kaiser-Meyer-Okin (KMO) index and the Bartlett's test of sphericity was performed to confirm if the factor analysis is suitable. The KMO is a statistical value that is utilised as an index that determines if a sample is appropriate for the performance of factor analysis (Matore et al., 2019). The general significance of the correlations of every item in the measurement instrument is tested by the Bartlett's test of sphericity (Matore et al., 2019). This study's questionnaire comprised of underlying variables for the purpose of getting insights into them. A questionnaire is measured for validity to establish if the research instrument is measuring what it intends to be measuring (Tavakol and Dennick, 2011). As a result, the questionnaire was tested for validity using the KMO index and the Bartlett's test of sphericity using SPSS.

4.9.2 Reliability of data

A research instrument's reliability is measured to determine if the instruments consistent (Tavakol and Dennick, 2011). To test for internal consistency of the scale items, the Cronbach alpha test was run. Gliem and Gliem (2003) state that it is essential to test for internal consistency reliability for scales when using Likert-type scales by calculating and reporting the Cronbach's alpha coefficient. Considering this, the Cronbach's alpha was calculated and reported only on the financial management skills construct as it was measured using the Likert scale. George and Mallery (2003) state that a coefficient that is 0.7 and above is appropriate, while that of 0.8 and above is good and that of 0.9 and above is excellent. Additionally, Gliem and Gliem (2003), recommend that 0.8 is a more reasonable and acceptable goal to achieve.

4.9.3 Exploratory factor analysis

Using the statistical tool SPSS, an exploratory factor analysis (EFA) was applied to the financial management skills questions to determine the association between the variables. An EFA is utilised to identify, decrease and arrange a lot of items in the

questionnaire into specific constructs for independent variables (Matore et al., 2019). The KMO, Bartlett's of sphericity, sample size and item communalities determine if the factor analysis is appropriate (Matore et al., 2019). In the study, the EFA was conducted after determining the KMO, Bartlett's test and items communalities.

For a small size of ($n > 150$) but less than 300 an EFA is suitable if the dataset had a high factor loading that is (> 0.8), (Gie Yong and Pearce, 2013). This was the case in the study and therefore, the EFA was conducted as it was suitable.

4.10 Data storage

The data collected shall be stored in two places to keep the data for the required minimum time of 10 years. Data will be stored on an external hard drive and on the cloud on one drive.

4.11 Limitations

There might be bias because of the utilisation of purposive sampling, which is a non-probability sampling method, which could lead to generalisation of the population inappropriately (Etikan, 2017). A claim that the population is represented by the sample cannot be made (Alvi, 2016). There is also a risk that the non-probability sampling technique used could run into sampling biases and systemic errors (Alvi, 2016). Since snowballing was also utilised as a secondary sampling technique, this could result in respondents who are not part of the population answering the survey which increases the possibility of having invalid data. To reduce this risk, the data was filtered to exclude the respondents that failed to meet the population criteria.

The questionnaire had limited questions, inadequate data and was self-completed which could have resulted in a lower response rate. Furthermore, there was no room to probe and prompt the respondents, which could have affected the quality of the obtained data. To reduce this risk, questions were designed in a clear and concise manner and pretesting was also conducted.

There was also a risk that the questions could be misinterpreted as the questionnaire was in English which is a second language to most of the South African population. Additionally, since the questionnaire was circulated online, there was no contact with the respondents, as a result there was no opportunity to explain or interpret the

questions if an individual had issues understanding the questions due to the language used. However, the assumption was that the targeted population would be able to understand the questions in English.

4.12 Conclusion

Chapter 4 outlined the research design and methodology of the study. It discussed the approach for collection and analysis of the data. The data's validity and reliability were also discussed together with the limitation and data quality.

5 CHAPTER 5: Results analysis

5.1 Introduction

This chapter presents the research results from data analysis. The layout of the chapter is firstly an analysis of the sample, then a look into the demographics of the sample, reliability and validity of research instrument, descriptive statistics for constructs, mean score comparison across groups, hypothesis results and lastly the conclusion.

5.2 Sample

Data was collected from 188 respondents which was more than the 150 expected sample size. However, the data collected had to be filtered to meet the sample criteria. The data was filtered on the SMME size, such that the SMME size employed less than 50 employees. Additionally, it was also filtered to include SMMEs from Gauteng province as the respondents had to be from Gauteng. Lastly it was filtered on whether the entrepreneurs had applied for finance from financial institutions. After the filtering, the sample was reduced to 167 responses. An analysis was also made on missing data and unanswered questions. As the survey was designed on google forms, it was designed such that all questions had to be answered before submission of the survey. This ensured that all questions were answered, therefore there were no unanswered or skipped questions. However, there was an answer selection on the sex and race that gave an option to answer the question as "Prefer not to say". There were 2 responses with that specific answer on the gender and they were deleted, leaving 165 participants that were used for the data analysis. The data was deleted because of the need to analyse the data using gender.

5.3 Demographics of the respondents

There were 66 (40%) females and 99 (60%) males that responded to the questionnaire. Of the entrepreneurs who took part in the survey, 8 (5%) were below 25 years, 32 (19%) were between 26 and 35 years, 76 (46%) were between 36 and 45 years, 38 (23%) were between 46 – 55 years and 11 (7%) were between 56 and 65 years. Figure 2 shows the graphical representation for gender, while figure 3 shows the graphical representation for age.

Figure 2: Percentage of respondents on gender

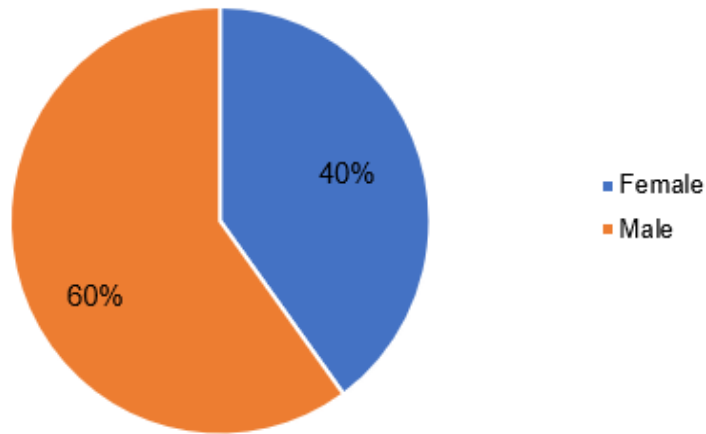
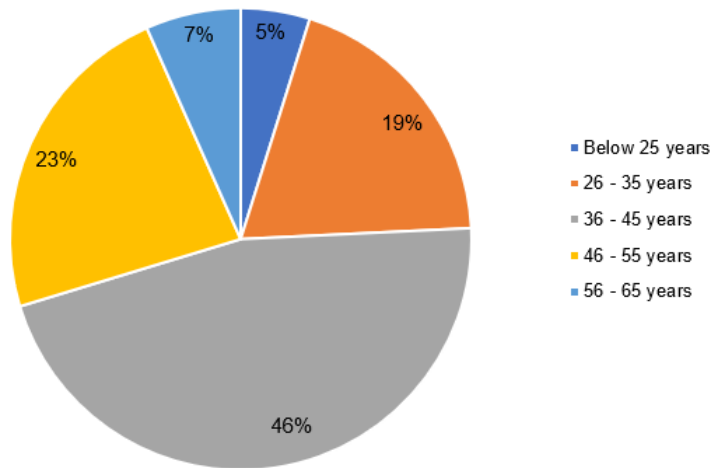


Figure 3: Percentage of respondents per age group



Data on the respondent's education level was also collected. 62 respondents (38%) had obtained a Matric or less, 37 (22%) had a certificate/diploma, 19 (12%) had a higher diploma, 21 (13%) had a bachelor's degree, 15 (9%) had an honor's degree, and 11 (7%) had a master's degree. This is demonstrated in figure 4 below.

Figure 4: Percentages of respondents based in highest level education

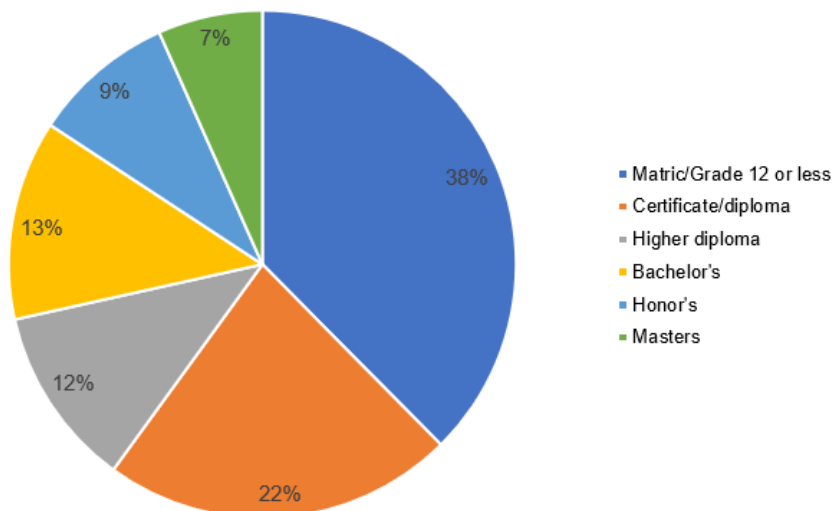
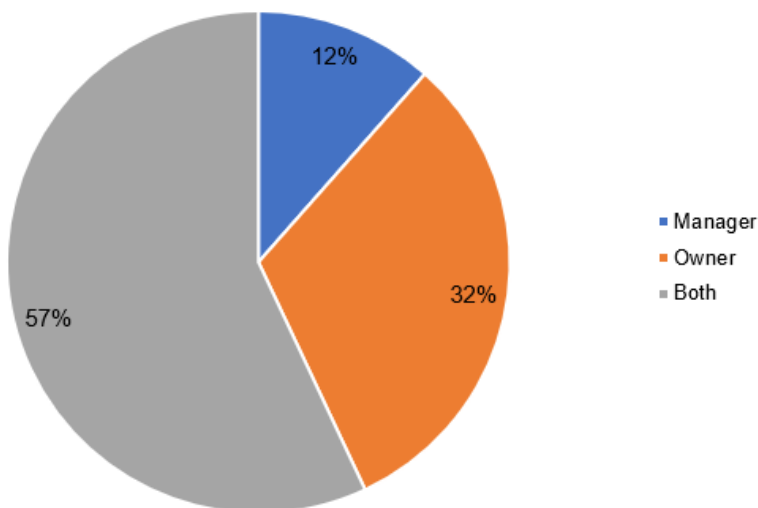


Figure 5 shows the graphical representation of respondents based on their position in the SMME. It shows that most participants were both owners and managers (57%) for the SMMEs that ran the finance function, followed by owners (32%) and lastly managers (12%).

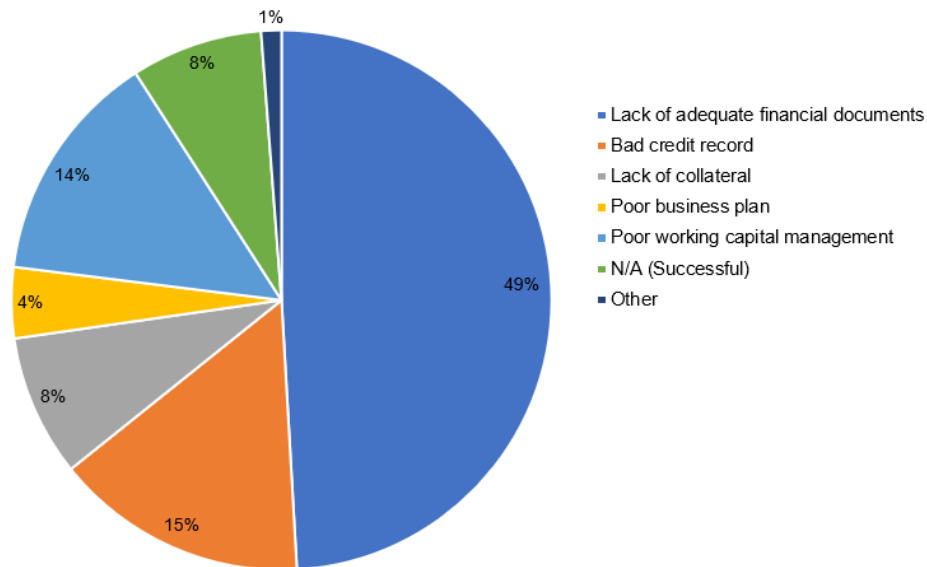
Figure 5: Percentage of respondents based on their position within the SMME



It was found that the main reason for entrepreneurs failing to access finance is because of entrepreneurs having inadequate financial documents when applying for finance (49%). This is followed by a bad credit record which is (15%), then poor working capital by (14%), then the lack of collateral is (8%), while (8%) obtained finance and therefore had no reasons of failing to access finance, (4%) had poor

business plans and both being a foreigner in the country, and mandate fit constraints with institutions were the least with (1%) each. These details are depicted in figure 6 below.

Figure 6: Reasons for failing to access finance from financial institutions



5.4 Construct validity – Factor analysis Kaiser Meyer Olkin (KMO) and Bartlett’s test for sphericity results

A validation of the concept of financial management skills was conducted before any statistical tests were done on the data. After conducting an exploratory factor analysis, the KMO and Bartlett test for sphericity determined the data validity.

The KMO for all the questions under the financial management skills variable is 0.953 which is higher than the proposed minimum of 0.6. Tabachnick et al. (2007) and Chan and Idris (2017) recommended that a KMO larger than 0.6 and a Bartlett’s Test of Sphericity that is less than 0.05 is suitable. The Bartlett’s Test of Sphericity is 0.000 which is suitable as the recommended indication that is suitable for the exploratory factor analysis is $p < 0.05$. This shows that the exploratory factor is suitable. This confirms the validity of all the items measuring financial management skills. The results generated are highlighted below in table 2 and table 3 below.

Table 2: Communalities of Financial Management Skills Construct

Construct	Observed Variables	Communalities - Extraction	KMO
Financial Management Skills	CMS1_C1. Do you manage cash inflow and outflow in the business?	0.743	0.953
	CMS1_C2. Do you manage the business's creditworthy?	0.593	
	CMS1_C3. Are you able to prepare a cash flow statement?	0.573	
	CMS1_C4. Do you make payments on behalf of the company?	0.756	
	AIFS_C5. Do you prepare and analyse financial results using ratios?	0.674	
	AIFS_C6. Do you make business decisions using financial results?	0.666	
	AIFS_C7. Are you able to read and understand the income statement and balance sheet?	0.562	
	AIFS_C8. Can you prepare financial statements?	0.767	
	LTFD_C9. Do you acquire and manage funds in the business over a year period?	0.636	
	LTFD_C10. Are you able to forecast?	0.762	
	LTFD_C11. Do you generate a cash budget?	0.560	
	FP_C12. Do you prepare business plans?	0.612	
	FP_C13. Do you prepare budgets for Income Statement and Balance Sheet?	0.757	
	FP_C14. Do you prepare a cash budget or forecast for the company?	0.841	
	WCM_C15. Can you identify the time taken to convert stock into cash and pay debts?	0.848	
	WCM_C16. Do you manage working capital (stock, debt, cash, and creditors)?	0.789	
	WCM_C17. Do you utilize working capital days to analyse working capital?	0.809	
	WCM_C18. Do you have an understanding of payment terms?	0.596	

	CB_C19. Do you plan and invest in projects that are in line with the business goal?	0.855	
	CB_C20. Do you use financial data to make capital investments.	0.795	
	CB_C21. Do you analyse expected cash from projects before investing?	0.849	

Table 3: KMO and Bartlett's test results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.953
Bartlett's Test of Sphericity	Approx. Chi-Square	3530.765
	df	210
	Sig.	.000

5.5 Exploratory factor analysis

The performance of an EFA investigated the dimensionality of the measure of financial management skills. This was appropriate because an EFA is a statistical procedure used to identify common factor patterns (Hayton et al., 2004). The results were presented in the two sections that follow.

5.5.1 Total variance explained

The exploratory factor reduction method was conducted and the results on the total variances explained are presented in table 4. The extraction method was the Principal Component Analysis. This was done for the financial management skills construct.

Table 4: Total variances explained

Component	Initial Eigenvalues			Extraction sums of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	13.024	62.021	62.021	10.945	52.120	52.120
2	2.016	9.598	71.619	4.095	19.499	71.619
3	0.742	3.533	75.152			
4	0.631	3.006	78.158			
5	0.563	2.681	80.838			
6	0.490	2.335	83.174			
7	0.440	2.095	85.268			
8	0.406	1.932	87.200			
9	0.383	1.826	89.026			
10	0.332	1.580	90.606			
11	0.288	1.371	91.977			
12	0.264	1.257	93.234			
13	0.239	1.140	94.374			
14	0.227	1.079	95.453			
15	0.207	0.987	96.440			
16	0.195	0.928	97.368			
17	0.152	0.723	98.091			
18	0.133	0.633	98.724			
19	0.131	0.623	99.347			
20	0.083	0.397	99.745			
21	0.054	0.255	100.000			

Extraction Method: Principal Component Analysis.

The results show two factors that were extracted from the Financial Management Skills variables. The first component had an (initial eigenvalue = 13.024) and accounted for 52.1% of the variances in the data that is measuring the Financial Management Skills construct. For the second component for the financial management skills dataset, (initial eigenvalue = 0.016), while accounting for 19.5% of the total data variances. Therefore, based on the Eigenvalue 1 rule that was specified, 2 components will be extracted (Hayton et.al, 2004). The rotated factor loadings were also used to confirm the 2 factors.

Factor loadings

Table 5 presents the results from the factor loadings for the financial management skills construct.

Table 5: Results for exploratory factor analysis

	Factor 1	Factor 2
WCM_C15. Can you identify the time taken to convert stock into cash and pay debts?	0.904	
CB_C19. Do you plan and invest in projects that are in line with the business goal?	0.903	
CB_C21. Do you analyse expected cash from projects before investing?	0.893	
FP_C14. Do you prepare a cash budget or forecast for the company?	0.891	
WCM_C17. Do you utilize working capital days to analyse working capital?	0.882	
AIFS_C8. Do you make business decisions using financial results?	0.853	
FP_C13. Do you prepare budgets for Income Statement and Balance Sheet?	0.846	
CB_C20. Do you use financial data to make capital investments.	0.836	
LTFD_C10. Are you able to forecast?	0.834	
WCM_C16. Do you manage working capital (stock, debt, cash and creditors)?	0.818	
AIFS_C5. Do you prepare and analyse financial results using ratios?	0.807	
AIFS_C6. Can you prepare financial statements?	0.696	
CMS1_C3. Are you able to prepare a cash flow statement?	0.692	
LTFD_C9. Do you acquire and manage funds in the business over a year period?	0.681	
FP_C12. Do you prepare business plans?	0.675	
AIFS_C7. Are you able to read and understand the income statement and balance sheet?	0.622	
LTFD_C11. Do you generate a cash budget?	0.529	
CMS1_C4. Do you make payments on behalf of the company?		0.869
CMS1_C1. Do you manage cash inflow and outflow in the business?		0.851
CMS1_C2. Do you manage the business's creditworthy?		0.701
WCM_C18. Do you have an understanding of payment terms?		0.695

Using the decision rule of when an item or question loads to a factor and if the factor loading is the same or larger than 0.40. Chan and Idris (2017) indicated the appropriateness of the decision rule. Laher (2010), also states that a factor loading of 0.30 is generally acceptable even though 0.40 is preferable. Additionally, if both

loadings are greater or equal to 0.40, the questions are dropped from the index. Four questions were deleted from the index. The deleted questions were AIFS_C6, AIFS_C7 and LTFD_C9 which had coefficient values above 0.6 while question LTFD_C11 had a coefficient value above 0.5 which are all above 0.4 and were loading on Factor 1. However, they were deleted from the constructs as they had loadings greater than 4 on both Factor 1 and 2. This is based on the decision rule mentioned above. Factor 1 seems to represent “day-to-day” financial management skills while factor 2 represents “authorised or delegated” financial management skills.

Factor 1 comprises of all the questions measuring the day-to-day financial management skills. All the questions under factor one had coefficient values that are greater than 0.6 which shows that they were highly associated. The loadings range from 0.529 to 0.904. This shows that all variables are significant and good measures of the day-to-day financial management skills construct.

Factor 2 comprises of questions measuring financial management delegation. The questions under factor 2 were also highly associated as shown by the coefficient values of all the questions which is above 0.6. The loadings of this factor range from 0.695 to 0.869. These results presented show the significance of the variables that are measuring the authorised or delegated financial management skills construct.

The hypotheses were initially formulated for financial management skills and for each of the financial management skills categories. They had been formulated based on scales created by Mamabolo et al., (2017) and Phenya (2011), however when the same scale was applied to Gauteng SMME’s respondents, and an exploratory factor analysis was run, only 2 factors were established: day-to-day financial management skills and delegated financial management skills. Based on these findings, only two categories of financial management skills were identified and only two hypotheses were formulated and tested. The new hypotheses formed are as follows:

H1: Day-to-day financial management skills are positively associated with access to finance.

H2: Delegated financial management skills are positively associated with access to finance.

Statement and Balance Sheet?					
FP_C14. Do you prepare a cash budget or forecast for the company?	22.76	178.779	0.899	0.831	0.969
WCM_C15. Can you identify the time taken to convert stock into cash and pay debts?	22.81	180.288	0.9	0.872	0.97
WCM_C16. Do you manage working capital (stock, debt, cash, and creditors)?	22.77	181.398	0.866	0.816	0.97
WCM_C1.7 Do you utilize working capital days to analyse working capital?	22.87	181.75	0.88	0.814	0.97
CB_C19. Do you plan and invest in projects that are in line with the business goal?	22.73	177.367	0.909	0.895	0.969
CB_C20. Do you use financial data to make capital investments.	22.73	180.599	0.875	0.824	0.97
CB_C21. Do you analyse expected cash from projects before investing?	22.75	178.179	0.908	0.887	0.969

5.6.2 Delegated financial management results for Cronbach alpha

The Cronbach alpha test was also performed on the delegated financial management delegation skills to test the reliability of the instrument. At a Cronbach alpha of 0.836 for 4 items which is greater than the generally accepted Cronbach's alpha of 0.65, it was determined that the reliability of the instrument is acceptable, this shows evidence of internal consistency with the reliability of the scale. Therefore, all the 4 questions under the delegated financial management skills were used to test its hypothesis. Table 7 shows the detailed results.

Table 7: Delegated financial management skills reliability statistics

Cronbach's Alpha	N of Items					
0.836	4	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CMS1_C1. Do you manage cash inflow and outflow in the business?		9.24	12.938	0.744	0.608	0.756
CMS1_C2. Do you manage the business's creditworthy?		9.87	13.031	0.618	0.384	0.81
CMS1_C4. Do you make payments on behalf of the company?		9.15	12.503	0.707	0.582	0.769
WCM_C18. Do you have an understanding of payment terms?		9.72	13.363	0.593	0.37	0.82

5.7 Descriptive statistics for constructs/variables

Descriptive statistics were run for each variable, and scores were calculated for each variable as well. Descriptive statistics tables and histograms were used to depict this information per variable.

5.7.1 Day-to-day financial management skills scores

The day-to-day financial management skills category consisted of 13 questions after running the exploratory factor analysis as discussed in section 5.4. Likert scales were used to measure the level of financial management skills. Table 8 shows the descriptive statistics of the overall day-to-day financial management skills score. The day-to-day financial management skills score shows that the respondents mainly disagreed or strongly disagreed that they had financial management skills ($M = 1.896$, $SD = 1.12$). The minimum score was 1 which represented “strongly disagree”. The respondents mainly disagreed that they had day-to-day financial management skills.

Table 8: Descriptive statistics for day-to-day financial management skills

	N	Minimum	Maximum	Mean	Std. Deviation
Financial management skills score	165	1	5	1.8960	1.121

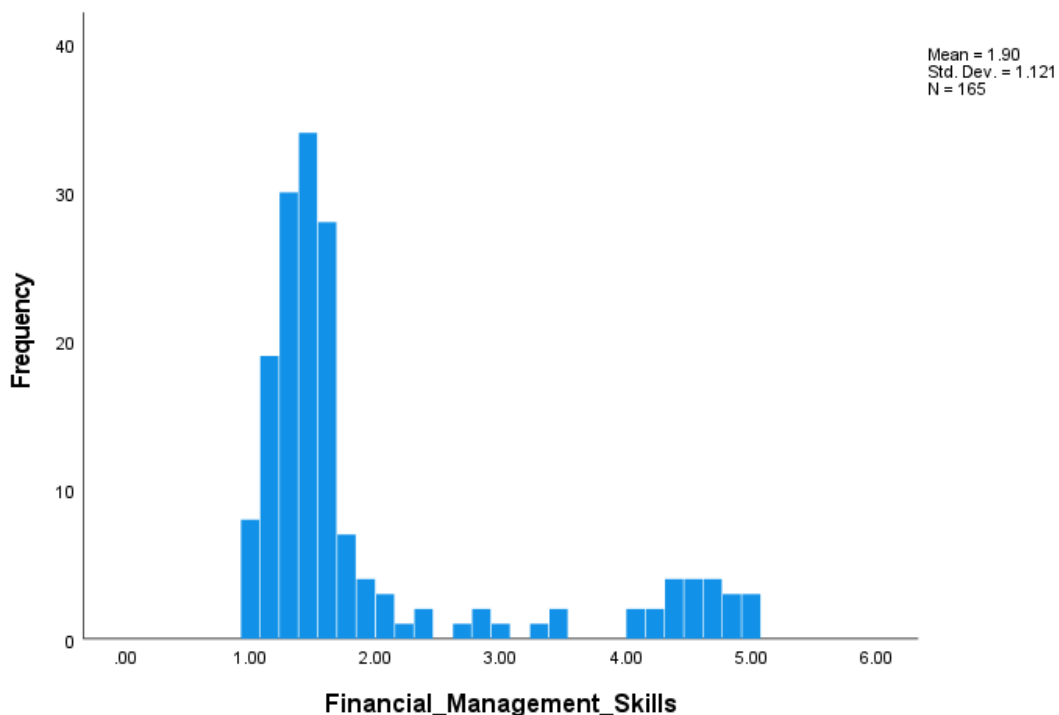
Table 9 below shows the descriptive statistics for the day-to-day financial management skills components. Furthermore, a histogram is used to further analyse the distribution of the data as shown in figure 7. The data looks to be skewed on the right as there was no zero score in data collection. This also confirms that most participants lacked financial management skills. It also confirms that ($M = 1.9$, $SD = 1.12$). The range of the mean ranges between 1.68 to 1.94 while on the other hand, standard deviation is between 1.098 and 1.442 which shows that there was no substantial variation from the arithmetic mean.

Table 9: Descriptive statistics for day-to-day financial management skills components

	N	Minimum	Maximum	Mean	Std. Deviation
CMS1_C3 Are you able to prepare a cash flow statement?	165	1	5	1.94	1.36
AIFS_C5 Do you prepare and analyse financial results using ratios?	165	1	5	1.81	1.098
AIFS_C8 Can you prepare financial statements?	165	1	5	1.68	1.2
LTFD_C10 Are you able to forecast?	165	1	5	1.92	1.297
FP_C12 Do you prepare business plans?	165	1	5	2.3	1.442
FP_C13 Do you prepare budgets for Income Statement and Balance Sheet?	165	1	5	1.88	1.266

FP_C14 Do you prepare a cash budget or forecast for the company?	165	1	5	1.88	1.327
WCM_C15 Can you identify the time taken to convert stock into cash and pay debts?	165	1	5	1.84	1.265
WCM_C16 Do you manage working capital (stock, debt, cash, and creditors)?	165	1	5	1.88	1.263
WCM_C17 Do you utilize working capital days to analyse working capital?	165	1	5	1.78	1.23
CB_C19 Do you plan and invest in projects that are in line with the business goal?	165	1	5	1.92	1.372
CB_C20 Do you use financial data to make capital investments.	165	1	5	1.92	1.285
CB_C21 Do you analyse expected cash from projects before investing?	165	1	5	1.9	1.34
Day-to-day financial management skills Score	165	1	5	1.8960	1.121
Valid N (listwise)	165				

Figure 7: Day to day financial management skills histogram



5.7.2 Delegated financial management skills scores

The delegated financial management category consisted of 4 questions after running the exploratory factor analysis as discussed in section 5.4. Likert scales were used to measure the level of financial management skills which range from 1 being “strongly disagree” to 5 which is “strongly agree”. Table 10 shows the overall delegated financial management skills score. The delegated financial management skills overall mean score is 3.16 with a standard deviation of 1.1679, which shows that the respondents were neutral that they had delegated financial management skills.

Table 10: Descriptive statistics for delegated financial management skills

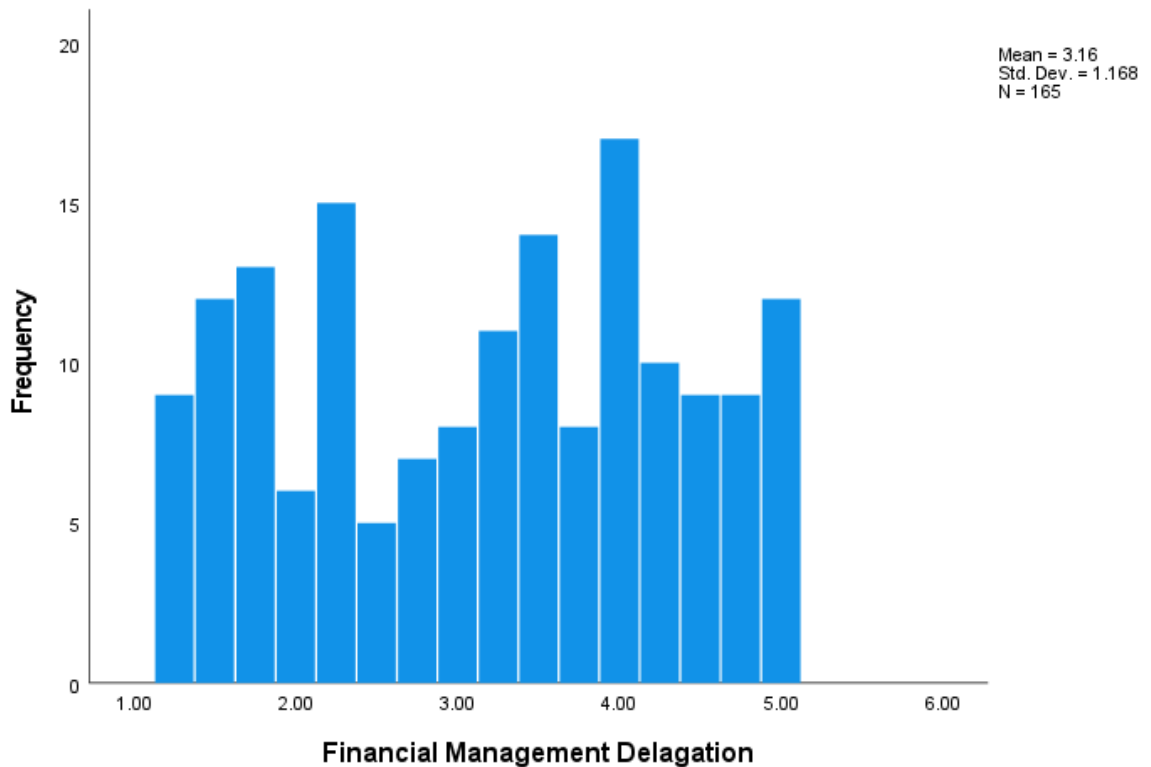
	N	Minimum	Maximum	Mean	Std. Deviation
Financial management Delegation Score	165	1.25	5	3.1636	1.1679

Table 11 shows the descriptive statistics for all the components of the delegated Financial Management Skills and these results are also confirmed in the histogram in figure 8. It also confirms that ($M = 1.9$, $SD = 1.12$). The range of the mean ranges between 1.68 to 1.94 while on the other hand, standard deviation is between 1.098 and 1.442 which shows that there was no substantial variation from the arithmetic mean.

Table 11: Descriptive statistics for delegated financial management skills components

	N	Minimum	Maximum	Mean	Std. Deviation
CMS1_C1. Do you manage cash inflow and outflow in the business?	165	1	5	3.42	1.33
CMS1_C2. Do you manage the business's creditworthy?	165	1	5	2.79	1.481
CMS1_C4. Do you make payments on behalf of the company?	165	1	5	3.51	1.447
WCM_C18. Do you have an understanding of payment terms?	165	1	5	2.94	1.46
Delegated financial management skills Score	165	1.25	5	3.1636	1.1679
Valid N (listwise)	165				

Figure 8: Delegated financial management skills components histogram



5.7.3 Access to finance scores

Based on the findings of the research, 150 entrepreneurs got a “no” as a response when they applied for finance at financial institutions while 15 entrepreneurs got a “yes”. This data was collected using binary data through a “no” or a “yes”. So, this means that 91% did not manage to access finance while only 9% managed to access finance for their businesses. When it comes to accessing finance, it showed that from 40% of female entrepreneurs that attempted to access finance, about 35% managed to access finance while about 6% failed to obtain the finance. For males, from the 60% that attempted to access finance, only about 4% managed to get the finance while 56% failed. This is shown in detail in table 12.

Table 12: Access to finance by gender

	Access to finance				Total	
	No		Yes			
Gender	n	%	n	%	n	%
Females	57	34.5%	9	5.5%	66	40.0%
Males	93	56.4%	6	3.6%	99	60.0%
	150	90.9%	15	9.1%	165	100.0%

5.8 Mean score comparison across groups

Data was analysed per each construct to compare the mean scores across different subgroups to understand the difference between responses for different demographics.

5.8.1 Score comparison per gender

Independent sample t-test was used to examine if the mean differences between male and female is statistically different. This was tested at a 95% level of significance and with the assumption that all assumptions were not violated. From the descriptive statistics table in table 13, we note that there are 66 female and 99 male participants that took part in the survey. For the financial management skills score, the females have a higher mean of 2.11 and standard deviation of 1.24 while males have a mean of 1.75 and standard deviation of 1.02. This means that their scores were significantly different. The females have better ability in the day-to-day financial management skills in comparison to males. When analysing the delegated financial management delegation score, the females have a higher mean of 3.38 and standard deviation of 1.17 while males have a mean of 3.02 and standard deviation of 1.15. This also shows that the means are statistically different between the males and the females for this construct. The females have better ability in delegated financial management delegation skills in comparison to males.

Table 13: Descriptive test for gender group

	Gender	N	Mean	Std. Deviation
Day-to-day financial management skills score	Female	66	2.11	1.24
	Male	99	1.75	1.02
Delegated financial management score	Female	66	3.38	1.17
	Male	99	3.02	1.15

5.8.2 Score comparison per age group

The chi-square test of independence tested if there is a difference between the age groups in accessing finance. The relation between these variables was insignificant, $\chi^2(4, N = 165) = 3.8, p = .439$, this is shown graphically in table 14. There was no significant association between age groups and accessing finance.

Table 14: Descriptive statistics for age group

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.765a	4	0.439

5.8.3 Score comparison per education level

To determine if there are differences between the education level in accessing finance, a chi-square test of independence was run. The relation between these variables was significant, $\chi^2(6, N = 165) = 50.5, p = .000$, this is shown graphically in table 15. There was a significant association between education levels and accessing finance.

Table 15: Descriptive statistics for education level

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	50.495 ^a	6	0.000

5.9 Results from hypotheses tests

A logistic regression analysis was performed in order to the hypotheses. Each hypothesis was tested, and the results are presented in this section.

This hypothesis seeks to address the main objective of the research which is to ascertain if Financial Management Skills are associated with access to finance for entrepreneurs. A logistic regression test was performance using the day-to-day Financial Management Skills and delegated financial management variables as independent variables and success of loan application as the dependent variable while age, gender, and loan amounts were the control variables. This was to determine if these variables can predict the likelihood of accessing finance. This was conducted using SPSS. The loan application response had binary response of “0” for No and “1” for yes.

Initially when running the model, the covariates included in the model were age, gender, race, loan amount, education level, financial management skills and financial management delegation. This was done using the pre-existing categories. This resulted in an error on the model on the estimation being terminated at iteration 20 because the maximum iteration number would have been reached and as a result it failed to populate the final solution. The data was recoded to the following new categories on age, loan amounts:

- Age – Less than 35 years, 35 to 55 years, and 55 years and older.
- Loan amount – Less than 50k, R50k to R100k, R100 to R150k and above R150k.

The final model was now run using the new recoded categories for age, loan amount, gender, financial management skills and financial management delegation skills. The reference categories are male (gender), 55 and older (age group) and above R150k (loan amount).

The model fit and significance were determined using the Hosmer and Lemeshow tests. The results are in table 16. When the value of Chi-squared is large (with small p-value < 0.05) it is an indication of a poor fit and small Chi-squared values (with larger p-value closer to 1) is an indication of a good logistic regression model fit. It is an important step to take to make analysis of the goodness of fit for a model prior to accepting its validity (De Irala et al., 1997). The p-value is 0.968 and the chi-square is 2.368, which indicates a good fit.

Table 16: Statistical test for model goodness of fit

Test Statistic	Chi-square	df	Sig.
Hosmer and Lemeshow Test	2.368	8	0.968

The results from the logistic results indicated that only having day-to-day financial management skills is a significant predictor of access to finance. Age, delegated financial management skills, loan amount, income and gender are not significant predictors of access to finance. The detailed results are in table 17.

Table 17: Logistic regression results for access to finance

	β	S.E.	Wald	df	Sig.	Exp(β)	95% C.I.for	
							Lower	Upper
Age Groups			4.06	2	0.131			
Less than 35	-8.176	6.656	1.509	1.000	0.219	0.000	0.000	130.16
36 - 55	-1.256	5.586	0.051	1.000	0.822	0.285	0.000	16182.78
Financial Management Delagation	1.413	1.866	0.574	1.000	0.449	4.109	0.106	159.28
Day-to-day financial management skills	4.266	1.701	6.288	1.000	0.012	71.226	2.539	1998.36
Loan Amount			3.725	3.000	0.293			
Less than R50k	0.395	1.971	0.040	1.000	0.841	1.484	0.031	70.72
R50k - R100k	6.057	3.734	2.631	1.000	0.105	427.208	0.283	644417.72
R100k - R150k	6.488	4.090	2.517	1.000	0.113	657.402	0.217	1991410.06
Female	0.306	1.470	0.043	1.000	0.835	1.359	0.076	24.24
Constant	-23.054	11.939	3.729	1.000	0.053	0.000		

a. Reference category for gender – male, Age group – 55 and older, Loan amount – Above R150k

An odds ratio of 71 means a 1 unit change in day-to-day financial management skills is associated with a $((71-1) * 100\% = 7000\%$ increase in the odds of accessing finance. The wide CI suggests a very low level of precision for the odds ratio.

Results:

Hypothesis 1 (Day-to-day financial management skills)

Null hypothesis 1: Day-to-day financial management skills are not positively associated with access to finance.

Alternate hypothesis 1: Day-to-day financial management skills are positively associated with access to finance.

The results show that entrepreneurs with high levels of day-to-day financial management skills have significantly higher odds of accessing finance compared to those with lower levels. This shows that day-to-day financial management skills significantly affect the odds of an entrepreneur accessing finance from a financial institution. Therefore, we reject the null hypothesis.

Hypothesis 2 (Delegated financial management skills)

Null Hypothesis 2: Delegated financial management skills are not positively associated with access to finance.

Alternate Hypothesis 2: Delegated financial management skills are positively associated with access to finance.

The delegated financial management skills have no impact on accessing finance for entrepreneurs. Therefore, we accept the null hypothesis.

The control variables which are age, gender and loan amounts are not significant predictors of access to finance.

5.10 Conclusion

In conclusion, based on the statistical results performed in chapter 5 day-to-day financial management skills influence entrepreneurs accessing finance.

6 CHAPTER 6: Discussion of results

6.1 Introduction

The purpose of this chapter is to discuss the results of the research from the previous chapter (Chapter 5). The chapter will first have an overall overview on the demographics. This will be followed by the discussion of results for each hypothesis, then the updated conceptual model and lastly the conclusion.

6.2 Demographics

The demographic variables, age, loan amount, education level and gender were found to not be significant predictors of access to finance in the study. This is contrary to Hamildi (2011)'s study on management skills and accessing finance, who found that the higher an SME owner or manager's education level is, the better their chance to access finance.

6.3 Relationship between day-to-day financial management skills and access to finance

The main objective of this research was to understand the relationship between financial management skills and access to finance by entrepreneurs. We performed exploratory factor analysis on the items measuring financial management skills and two factors were identified; day-to-day financial management skills and delegated financial management skills. In this study, day-to-day financial management skills refer to skills such as the ability to prepare and analyse financial statements, forecasting, budgeting, working capital management, preparation of cash flow statements and budgets, and using financial data to make business decision. The first hypothesis that was tested is:

H1: Day-to-day financial management skills are positively associated with access to finance.

According to the logistic regression results in Table 17, it was found that entrepreneurs with high levels of day-to-day financial management skills have significantly higher odds of accessing finance from financial institutions. The findings from the previous research supports my finding that day-to-day financial management skills significantly positively affect access to finance by entrepreneurs.

For example, Hussain et al. (2018) and Chimucheka and Mandipaka (2015) found that there is a positive relationship between an entrepreneur's financial management skills and accessing finance.

As previously established before that financial skills, financial management, and financial knowledge constitute financial literacy, financial literacy has a positive effect on access to finance. A study on lending terms, financial literacy, and formal credit accessibility by (Nkundabanyanga et al., 2014) found that the relationship between financial literacy and access to formal credit is both significant and positive. Additionally, Hussain et al. (2018) did research on the relationship between financial literacy and access to finance and based to their findings, knowledge in financial management aided in effective decision making by SMMEs which improved access to external finance. Consistent with this are findings from Hamildi (2011) that validate that management experiences and education levels significantly and positively affected access to finance.

Similarly, Adomako et al. (2016), in their study on the moderating influence of financial literacy on the relationship between access to finance and firm growth in Ghana, found that a high financial literacy results in a more positive relationship between obtaining finance and financial expansion. Consistently, Bongomin et al. (2017) found that, financial literacy significantly affects access to finance by entrepreneurs in countries that are still developing. This supports the research results that financial literacy from financial management skills significantly affects access to finance for SMMEs in Gauteng.

6.4 Relationship between delegated financial management skills and access to finance

We performed exploratory factor analysis on the items measuring financial management skills and two factors were identified; day-to-day financial management skills and delegated financial management skills. In this study, delegated financial management skills refer to finance related tasks such as cashflow management skills and working capital skills that an individual is delegated to execute for the business. The second hypothesis that was tested is:

H 2: Delegated financial management skills are positively associated with access to

finance.

The result that delegated financial management skills do not significantly influence access to finance is not consistent with literature. Hussain et al. (2018) in their study established that cashflow analysis, which is a financial management skill, is a type of financial literacy that enhance financial management practices, and this ultimately increases a company's creditworthiness. Nkundabanyanga et al. (2013), established that there is both a positive and significant relationship between financial literacy and access to credit finance. Likewise, Hussain et al. (2018) found in their study on financial literacy and access to finance, that financial literacy enhances access to finance which also boosts the growth of a company.

In light of such a proposition, other scholars such as Hussain et al. (2018), state that, financial management skills such as cashflow analysis are a type of financial literacy that improves financial management practices and boosts the creditworthiness of a company

7 CHAPTER 7: Conclusion and recommendations

7.1 Introduction

The objective of this research was to investigate the relationship between financial management skills and access to finance from financial institutions by SMMEs. This chapter will highlight the principal findings of the research then discuss the recommendations to practitioners and academics. This will be followed by the limitations and suggestions for future research and lastly the concluding remarks.

7.2 Principal findings

The research aimed to establish the effect of financial management skills on access to finance by SMMEs. After conducting an exploratory factor analysis, two categories of financial management skills were established, which are day-to-day and delegated financial management skills. A logistic regression model was run to test the relationship of those two categories of financial management skills with access to finance. The findings are summarised in the section below.

Theoretically, the research study has contributed to literature by further validating the positive relationship between financial management skills and access to finance. The study has added to literature as there were more studies on the effect of financial literacy and access to finance hence the results from the findings are very useful.

7.2.1 Day-to-day financial management skills' effect on access to finance

Based on the research results from the data collected and analysed from SMMEs in Gauteng, it was found that there is a significantly positive relationship between day-to-day financial management skills and access to finance from financial institutions by entrepreneurs. The result showed a high odd ratio at a significant level. The results propose that when an entrepreneur has a high level of day-to-day financial management skills, they have greater chance of accessing finance from financial institutions in comparison to those with lower levels of day-to-day financial management skills.

7.2.2 Delegated financial management skills effect on access to finance

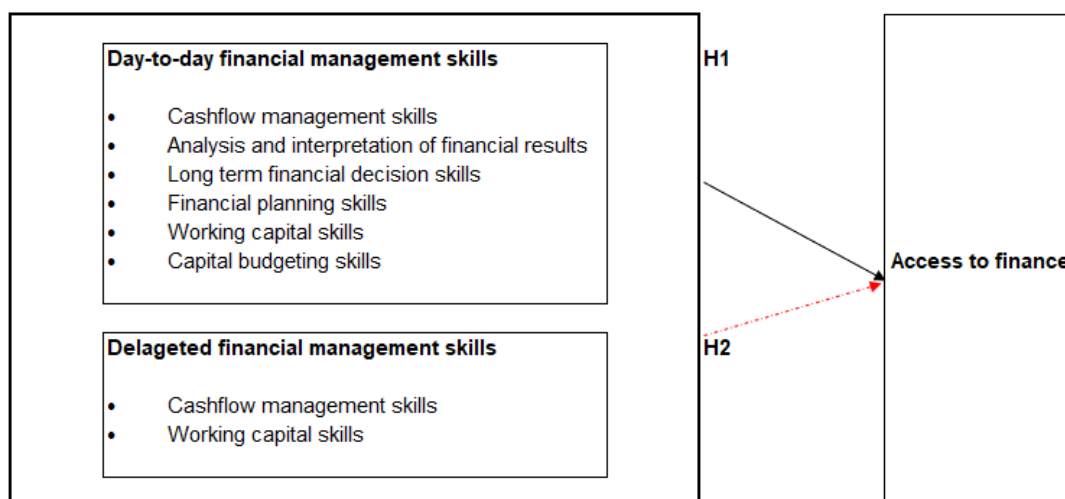
When analysing the data collected during the study, the second hypothesis that

delegated financial management skills are not positively associated with access to finance was not supported by the data. The contradiction to literature might be because the delegated financial management skills of the respondents did not actually have any effect on them getting any finance from financial institutions. The findings indicated that having delegated financial management skills did not increase the odds of entrepreneurs accessing finance.

7.2.3 Hypothesised model

Figure 9 below shows the updated and validated model illustrating the results from the hypotheses showing the relationship between day-to-day financial management skills and delegated financial management skills to access to finance. This summarises the results of the hypotheses that were tested.

Figure 9: Financial management skills effect on access to finance hypothesised model



After an exploratory factor was conducted, the financial management categories were narrowed down from cashflow management skills, analysis and interpretation of financial results, long term financial decision skills, financial planning skills, working capital skills and capital budgeting skills to only two factors which are day-to-day financial management skills and delegated financial management skills. The relationship between financial management skills was now tested using day-to-day and delegated financial management skills. The research findings established indicated that there is a significant positive relationship between day-to-day financial

management skills and access to finance. Additionally, the findings also indicated that there is no significant positive relationship between delegated financial management skills and access to finance.

The model depicts how H1 shows a positive effect of day-to-day financial management skills on access to finance by entrepreneurs. As a result, the null hypothesis was rejected. H2 shows that there is no significant effect of delegated financial management skills on access to finance. Conclusively, we fail to reject the null hypothesis.

7.3 Recommendations

The insights gained from the research have resulted in recommendations for different practitioners and academics.

7.3.1 Practitioners

Business schools and educators should offer both theoretical and practical financial management skills to upcoming and existing entrepreneurs. In addition to this they should add a financial management education curriculum for business studies so that entrepreneurs can gain more insight from this.

Entrepreneurs should seek to improve their financial management skills in order to improve their ability to prepare financial statements, cashflow management, working capital management, and record keeping so that they can have an improved chance of obtaining finance from financial institutions. Having this skill will also enable them to plan effectively and make improved financial decisions. Entrepreneurs should also train their managers who oversee the financial function so that they can increase their financial management skills. Obtaining finance will improve their success rate and survival of their businesses. Furthermore, it will improve the growth and profitability of their businesses.

Government should provide financial management programmes through their organisations that oversee entrepreneur initiative. They should also increase awareness to upcoming and existing entrepreneurs on the importance of financial management skills and how improving those skills could have a positive impact on them accessing finance for their businesses from financial institutions. They should

also offer the financial management skills training programmes to SMMEs in different communities. Government and policy makers should also offer free assistance to entrepreneurs who want to access finance so that they can advise them on the requirements and the financial management skills required to meet the requirements of the institutions. There should be consideration to educate and train entrepreneurs in the financial management skills. It should be made easily available to both inspiring and existing entrepreneurs.

7.3.2 Academics

When conducting the study, a significant positive relationship between day-to-day financial management skills and access to finance was established. However, when the logistic regression model was run, the odds ratio was very high and furthermore, the confidence interval was wide. This suggested very low precision for the odds ratio which could have been caused by the sample being heavily skewed to the response “No” to having accessed finance. An increase in the sample size could possibly improve this.

There was no literature specifically for delegated financial management skills, there is need to consider investigating more in that regard. There is also a lot of literature on financial literacy which is part of financial management skills, there is also a need to further increase more knowledge and research on financial management skills and its effect on accessing finance to add onto the body of literature.

7.4 Limitations

The study used a sample size that was small and also utilised purposive and snowballing methods which is a non-probability sampling technique. Generalisation of the population therefore becomes inappropriate as it might not be a fair representation of the population. For future studies, they could consider increasing the sample size and use probability sampling technique so that they can generalise the results to the population. They could also extend the study to other provinces or to the entire country.

Due to the questionnaire being self-completed, there was no room to probe and prompt the respondents, it could have possibly affected the quality of data obtained. The questions could also have been misinterpreted. When analysing the data, the

researcher questioned why the data was heavily skewed to the “No” response when the respondents were answering if they had accessed finance. In as much as the questions were validated and clear further answers would have clarified the finding.

The conducted study was cross sectional, which presents a possibility that the respondent’s views and financial management skills may transform over the coming years.

Another limitation that was previously mentioned, is a very high odd ratio and a wide confidence interval from the regression model which could question precision for the odds ratio which could have been caused by the sample being heavily skewed to the response “No” to having accessed finance. However, besides this happening the results from the study significantly exhibited that when an entrepreneur has high day-to-day financial management skills the odds of them accessing finance from financial institutions is high.

7.5 Suggestions for future research

In future, the research methods can be improved in some areas when performing similar research. There should be a consideration to use a sample size that is larger than what was used in this research to overcome the skewness of the data. Probability sampling techniques could also be used to ensure there is no sample bias and there is fair representation of the sample selected. By increasing the sample size and using a probability sampling technique it will enable generalisation of the research findings. In future research, they should also consider using longitudinal studies, to get more insights and understanding of the relationship between financial management skills and access to finance.

Future researchers should also consider performing more research on the relationship between the delegated financial management skills and access to access to finance as the result findings were a nonsignificant relationship between the two which is not consistent with literature.

7.6 Conclusion

Findings from this study have revealed that having day-to-day financial management skills significantly increased the odds of accessing finance from financial institutions

for entrepreneurs. This meets the research objective that aimed to establish the positive relationship between financial management skills and access to finance.

8 References

- Adomako, S., Danso, A., & Ofori Damoah, J. (2016). The moderating influence of financial literacy on the relationship between access to finance and firm growth in Ghana. *Venture Capital*, 18(1), 43–61. <https://doi.org/10.1080/13691066.2015.1079952>
- Agupusi, P. (2007). *Small Business Development and Poverty Alleviation in Alexandra, South Africa*. School of Development Studies, University of East Anglia, Norwich, UK.
- Alvi, M. (2016). A Manual for Selecting Sampling Techniques in Research. University of Karachi, Iqra. University. *Munich Personal RePEc Archive*, 2016, 1–56.
- Anderson, R. P., Jin, R., & Grunkemeier, G. L. (2003). *Understanding Logistic Regression Analysis in Clinical Reports: An Introduction*.
- Beaumont-Smith. 2007. *Basic business finance*. Pretoria: Van Schaik.
- Bhorat, Haroon., Asmal, Zaakhir., Lilenstein, Kezia., & University of Cape Town. School of Economics. Development Policy Research Unit. (2018). *SMMEs in South Africa: understanding the constraints on growth and performance*.
- Bongomin, G. O. C., Ntayi, J. M., Munene, J. C., & Malinga, C. A. (2017). The relationship between access to finance and growth of SMEs in developing economies: Financial literacy as a moderator. *Review of International Business and Strategy*, 27(4), 520–538. <https://doi.org/10.1108/RIBS-04-2017-0037>
- Bongomin, G. O. C., Ntayi, J. M., Munene, J. C., & Nabeta, I. N. (2016). Financial Inclusion in Rural Uganda: Testing Interaction Effect of Financial Literacy and Networks. *Journal of African Business*, 17:1, 106-128. <https://doi.org/10.1080/15228916.2016.1117382>
- Bounds, M. (2015). Corrigendum: *Skills required for the management of Black-owned small enterprises in Soweto* Corrigendum: *Skills required for the management of Black-owned small enterprises in Soweto* Correspondence to:

- Brigham, F. & Daves, R. (2004). *Intermediate financial management*. Mason, OH: Thomson.
- Chalera, C. S. (2007). *An Impact analysis of South Africa's national strategy for the development and promotion of SMMEs*. University of Pretoria. (Online). Retrieved from <http://upetd.up.ac.za/thesis/available/etd-05022007-102936>
- Chan, L. L., & Idris, N. (2017). Validity and Reliability of The Instrument Using Exploratory Factor Analysis and Cronbach's alpha. *International Journal of Academic Research in Business and Social Sciences*, 7(10). <https://doi.org/10.6007/ijarbss/v7-i10/3387>
- Chimucheka, T. (2013). Overview and performance of the SMMEs sector in South Africa. *Mediterranean Journal of Social Sciences*, 4(14), 783–795. <https://doi.org/10.5901/mjss.2013.v4n14p783>
- Chimucheka, T., & Mandipaka, F. (2015). Challenges Faced By Small, Medium And Micro Enterprises In The Nkonkobe Municipality. *International Business & Economics Research Journal (IBER)*, 14(2), 309. <https://doi.org/10.19030/iber.v14i2.9114>
- Chowdhury, M. (2017). FACTORS AFFECTING ACCESS TO FINANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) OF BANGLADESH. *The USV Annals of Economics and Public Administration*, 17(2(26)), 55–68.
- Cooper, C. R., & Schindler, P. S. (2008). *Business research methods (10th ed.)*. Boston: McGraw-Hill.
- Danielson, G. & Jonathan, A. 2006. *The capital budgeting decisions of small business*. Philadelphia, PA: St Joseph's University.
- De Irala, J., Fernandez-Crehuet Navajas, R., & Serrano del Castillo, A. (1997). Abnormally wide confidence intervals in logistic regression: interpretation of statistical program results 1. In *Rev Panam Salud Publica/Pan Am J Public*

Health (Vol. 2, Issue 4).

Devlin, A. (2018). Measures and Survey Research Tools. *The Research Experience Planning Conducting and Reporting Research*, 1–48.

Edward, W.D. & Pointor, P. (1994). *Introduction to corporate finance*. New York: Oxford.

Etikan, I. (2017). Sampling and Sampling Methods. *Biometrics & Biostatistics International Journal*, 5(6), 215–217.
<https://doi.org/10.15406/bbij.2017.05.00149>

Fatoki, O., & Garwe, D. (2010). Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. (2010). In *African Journal of Business Management* (Vol. 4, Issue 5, pp. 729–738).

Finmark Trust. (2006). *Fin Scope Small Business Survey Report*. (Online). Retrieved from <http://www.finmarktrust.org.za>

FinScope South Africa. (2011). Small Business Survey 2010. *FinMark Trust*. [Online]. Retrieved from <http://www.finmark.org.za/wp-content/uploads/2016/01/FS-Small-Business-reportFNL2.pdf>

Fowowe, B. (2017). *Access to finance and firm performance: Evidence from African countries* &. 7, 6–17.

Fraser, S., Bhaumik, S. K., & Wright, M. (2015). What do we know about entrepreneurial finance and its relationship with growth? *International Small Business Journal: Researching Entrepreneurship*, 33(1), 70–88.
<https://doi.org/10.1177/0266242614547827>

Fugard, A. J. B., & Potts, H. W. W. (2015). Supporting thinking on sample sizes for thematic analyses: a quantitative tool. *International Journal of Social Research Methodology*, 18(6), 669–684. <https://doi.org/10.1080/13645579.2015.1005453>

George, D., & Mallery, P. (2003). *SPSS for Windows step by step: A simple guide*

and reference. 11.0 update (4th ed.). Boston, MA: Allyn & Bacon.

Gie Yong, A., & Pearce, S. (2013). A Beginner's Guide to Factor Analysis: Focusing on Exploratory Factor Analysis. In *Tutorials in Quantitative Methods for Psychology* (Vol. 9, Issue 2).

Gliem, J. A., & Gliem, R. R. (2003). *Midwest Research to Practice Conference in Adult, Continuing, and Community Education*.

Global Entrepreneurship Monitor (GEM). (2004). South Africa: *Executive report*. Cape Town: Graduate School of Business, University of Cape Town.

Hamildi. (2011). *Management Skills and Accessing to Finance: Evidence from Libya*' s. 1–11.

Harash, E., Al-Timimi, S., & Radhi, A. H. (2014). The Influence of Accounting Information Systems (AIS) on Performance of Small and Medium Enterprises (SMEs) in Iraq. *Journal of Business and Management*, 3(4), 48–57. <https://doi.org/10.12735/jbm.v3i4p48>

Harel, R., Schwartz, D., & Kaufmann, D. (2020). Funding Access and Innovation in Small Businesses. *Journal of Risk and Financial Management*, 13(9), 209. <https://doi.org/10.3390/jrfm13090209>

Hayton, J. C., Allen, D. G., & Scarpello, V. (2004). Factor Retention Decisions in Exploratory Factor Analysis: A Tutorial on Parallel Analysis. In *Organizational Research Methods* (Vol. 7, Issue 2, pp. 191–205). <https://doi.org/10.1177/1094428104263675>

Foxcroft, M., Herrington, M., Wood, E., Kew, J., & Segal, N. (2003). *Global Entrepreneurship Monitor (Gem) - South African Executive Report 2002*.

Hussain, J., Salia, S., & Karim, A. (2018). Is knowledge that powerful? Financial literacy and access to finance: An analysis of enterprises in the UK. *Journal of Small Business and Enterprise Development*, 25(6), 985–1003. <https://doi.org/10.1108/JSBED-01-2018-0021>

IFC Enterprise Finance Gape Database, 2011.

Innovation for Poverty Action paper, 2011.

Innovation for Poverty Action (IPA) paper, 2015.

International Finance Corporation (2011),

John, A. E., & Mbohwa, C. (2015). Financial challenges faced by SMMEs in Gauteng South Africa. *24th International Association for Management of Technology Conference: Technology, Innovation and Management for Sustainable Growth, Proceedings (IAMOT 2015)*, 520–532.

Kathryn, K. 2005. *Concise Oxford Dictionary*. Cape Town: Oxford.

Kirsten, C. L. (2018). The role of financial management training in developing skills and financial self-efficacy. *The Southern African Journal of Entrepreneurship and Small Business Management*, 10(1), 1–8.
<https://doi.org/10.4102/sajesbm.v10i1.211>

Kumar, S. (2018). Analysis in a Business Research. *Journal of General Management Research*, 5(2), 70–82.

Laher, S. (2010). Using exploratory factor analysis in personality research: Best-practice recommendations. *SA Journal of Industrial Psychology*, 36(1).
<https://doi.org/10.4102/sajip.v36i1.873>

Mamabolo, M. A., Kerrin, M., & Kele, T. (2017). Entrepreneurship management skills requirements in an emerging economy: A South African outlook. *The Southern African Journal of Entrepreneurship and Small Business Management*, 9(1), 10.
<https://doi.org/10.4102/sajesbm.v9i1.111>

Marx, J., De Swardt, C., Beaumont-Smith, M. & Erasmus, P. (2010). *Financial management in South Africa*. Third edition. Cape Town: Pearson.

- Matore, M. E. E., Khairani, A. Z., & Adnan, R. (2019). Exploratory factor analysis (EFA) for adversity quotient (AQ) instrument among youth. *Journal of Critical Reviews*, 6(6), 234–242. <https://doi.org/10.22159/jcr.06.06.33>
- Nieman, G., Hough, J. & Nieuwenhuizen, J. (2006). *Entrepreneurship: A South African perspective*. Pretoria: Van Schaik.
- Nieman, G. & Neuwenuhuizen, C. (2009). *Entrepreneurship: A South African Perspective*. Pretoria: Van Schaik.
- Nkundabanyanga, S. K., Kasozi, D., Nalukenge, I., & Tauringana, V. (2014). Lending terms, financial literacy and formal credit accessibility. *International Journal of Social Economics*, 41(5), 342–361. <https://doi.org/10.1108/IJSE-03-2013-0075>
- Osano, H. M., & Languitone, H. (2015). Factors influencing access to finance by SMEs in Mozambique: case of SMEs in Maputo central business district. *Journal of Innovation and Entrepreneurship*, 5(1). <https://doi.org/10.1186/s13731-016-0041-0>
- Padachi, K. (2006). Trends in working capital management and its impact on firms' performance: An analysis of Mauritian small manufacturing firms. *Journal of Finance and Economics* 2(2):45–58.
<https://doi.org/10.24104/rmhe/2017.03.01008>
- Pandula, G. (2011). AN EMPIRICAL INVESTIGATION OF SMALL AND FINANCE: THE CASE OF AN EMERGING ECONOMY. In *Proceedings of ASBBS* (Vol. 18).
- Perks, S. & Smith, EE. 2006. *A theoretical overview of training and entrepreneurial skills*.
- Peterson, P. & Fabozzi, J. (2002). *Analysis of financial statements*. New York, NJ: Wiley. Retrieved from [L-G-0000644586-0002386196.pdf \(e-bookshelf.de\)](https://www.e-bookshelf.de/L-G-0000644586-0002386196.pdf)
- Phenya A. (2011). *An Assessment of the Financial Management Skills of Small Retail Business Owners/Managers In Dr. Js Moroka Municipality*. Retrieved

from

http://uir.unisa.ac.za/bitstream/handle/10500/4878/dissertation_phenya_a.pdf?sequence=1&isAllowed=y

- Roopa, S., & Rani, M. (2012). Questionnaire Designing for a Survey. *Journal of Indian Orthodontic Society*, 46(4_suppl1), 273–277.
- Saunders, M., & Lewis, P. (2012). *Doing Research In Business Management*, 1–29, Essex: Pearson Education Limited.
- Saunders, M., Lewis, P., & Thornhill, A. (2012). *Research Methods for Business Students*. Pearson Education Ltd., Harlow.
- SEDA. (2016). *The small, medium and micro enterprise sector of South Africa*. Retrieved from <http://www.seda.org.za/publications/publications/the%20small,%20medium%20and%20micro%20enterprise%20sector%20of%20south%20africa%20commissioned%20by%20seda.pdf>
- Shafeek, S. (2006). *An investigation into problems facing small-to-medium sized enterprises in achieving growth in the Eastern Cape, South Africa*. Unpublished master's thesis, Rhodes University, Cape Town.
- SME South Africa. (2018). *An assessment of South Africa's SME Landscape*. Retrieved from [SME SA report | IOA \(inonafrica.com\)](http://www.inonafrica.com)
- Statistics South Africa. (2013). Survey of Employers and Self-Employee, 2013. Microdataset. Statistics South Africa, Pretoria. Retrieved from [South Africa - Survey of Employers and Self-Employed 2013 - Overview \(uct.ac.za\)](http://www.uct.ac.za/south-africa-survey-of-employers-and-self-employed-2013-overview)
- Statistics South Africa. (2021). Retrieved from http://www.statssa.gov.za/?page_id=737&id=1
- Tabachnick, B. G., Fidell, L. S., & Ullman, J. B. (2007). *Using multivariate statistics*.
- Taherdoost, H. (2018). Sampling Methods in Research Methodology; How to Choose a Sampling Technique for Research. *SSRN Electronic Journal*, September.

<https://doi.org/10.2139/ssrn.3205035>

- Tavakol, M., & Dennick, R. (2011). Making sense of Cronbach's alpha. In *International journal of medical education* (Vol. 2, pp. 53–55). <https://doi.org/10.5116/ijme.4dfb.8dfd>
- Tuffour, J. K., Amoako, A. A., & Amartey, E. O. (2020). Assessing the Effect of Financial Literacy Among Managers on the Performance of Small-Scale Enterprises. *Global Business Review*. <https://doi.org/10.1177/0972150919899753>
- Uddin, Md. M., & Chowdhury, A. Z. Md. R. (2009). Do We Need to Think More about Small Business Capital Budgeting? *International Journal of Business and Management*, 4(1), 112–116. <https://doi.org/10.5539/ijbm.v4n1p112>
- Vizcarguenaga-Aguirre, I., & López-Robles, J. R. (2020). Mono, mixed or multiple strategy approach: a descriptive study of the latest published articles in the International Journal of Project Management. *3rd International Conference on Research and Education in Project Management*, 53(9), 1689–1699.
- Wegner, T. (2016). *Applied Business Statistics: Methods And Excel-Based Applications (4th ed.)*. Cape town, South Africa: Juta and Company Ltd.
- Wolmarans, H. P., & Meintjes, Q. (2015). Financial management practices in successful Small and Medium Enterprises (SMEs). *The Southern African Journal of Entrepreneurship and Small Business Management*, 7(1), 88. <https://doi.org/10.4102/sajesbm.v7i1.8>
- Zarook, T., Rahman, M. M., & Khanam, R. (2013). Does the Financial Performance Matter in Accessing to Finance for Libya's SMEs? *International Journal of Economics and Finance*, 5(6). <https://doi.org/10.5539/ijef.v5n6p11>

9 Appendices

Appendix 1: Research instrument

Proposed Questionnaire:

Dear Respondent

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research on the influence of financial management skills on accessing finance by entrepreneurs. To that end, you are asked to complete a survey on the given link. This will help us better understand how financial management skills influence accessing finance by entrepreneurs and should take no more than 20 minutes of your time. Your participation is anonymous and only aggregated data will be reported. Your participation is voluntary, and you can withdraw at any time without penalty. All data will be reported without identifiers. If you have any concerns, please contact my supervisor or me. Our details are provided below. By completing the survey, you indicate that you voluntarily participate in this research. If you have any concerns, please contact my supervisor or me.

Our details are provided below:

Researcher: Nicolla Magede

20803495@mygibs.co.za /+27 78 709 2721

Research Supervisor: Dr. Frank Magwegwe

magwegwef@gibs.co.za / +27 11 771 4000

Section A: SMME Criteria for the entrepreneur

Please place a tick (√) or a mark (x) in the box (cell) that represents your SMME criteria information.

1. How many people do you employ?	
Less than 5	
6-20	
21-49	
50-200	
More than 201	
2. What is your position/role in the business?	
Owner	
Manager	
Both	
3. Which province are you based in?	
Gauteng	
Limpopo	
Northern Cape	
Eastern Cape	
Western Cape	
Mpumalanga	
Northwest	
Freestate	
KwaZulu-Natal	

SECTION B: Demographic

Please place a tick (√) or a mark (x) in the box (cell) that represents your appropriate demographic information.

4. What is your age?	
Below 25 years	
26-35 years	
36-45 years	
46-55 years	
56-65 years	
66 years and above	
5. What is your gender?	
Male	
Female	
Prefer not to say	
6. What is your highest education qualification?	
Matric/Grade 12 or less	
Certificate/diploma	
Higher diploma	
Bachelor	
Honors	
Masters	
PHD/Doctorate	
Other	
7. What is your race?	
Black	
White	
Asian	

SECTION C: Financial management skills possessed by owner/manager that affect access to finance.

You are kindly requested to agree or disagree with each statement to indicate your level of proficiency in the under-mentioned skills sets by using agreement/disagreement with what the statement is suggesting. The ratings are as follows:

1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

FINANCIAL MANAGEMENT SKILLS					
Cashflow management skills	1	2	3	4	5
1. Do you manage cash inflow and outflow in the business?					
2. Do you manage the business's creditworthiness?					
3. Are you able to prepare a cash flow statement?					
4. Do you make payments on behalf of the company?					
Analysis and interpretation of financial results	1	2	3	4	5
5. Do you prepare and analyse financial results using ratios?					
6. Do you make business decisions using financial results?					
7. Are you able to read and understand the income statement and balance sheet?					
8. Can you prepare financial statements?					
Long term financial decision	1	2	3	4	5
9. Do you acquire and manage funds in the business over a year period?					
10. Are you able to forecast?					
11. Do you generate a cash budget?					
Financial planning	1	2	3	4	5
12. Do you prepare business plans?					
13. Do you prepare budgets for Income Statement and Balance Sheet?					
14. Do you prepare a cash budget or forecast for the company?					
Working capital management	1	2	3	4	5
15. Can you identify the time taken to convert stock into cash and pay debts?					
16. Do you manage working capital (stock, debt, cash and creditors)?					
17. Do you utilize working capital days to analyse working capital?					
18. Do you have an understanding of payment terms?					
Capital budgeting	1	2	3	4	5
19. Do you plan and invest in projects that are in line with the business goal?					
20. Do you use financial data to make capital investments.					

21. Do you analyse expected cash from projects before investing?					
--	--	--	--	--	--

Appendix 2: Ethical clearance

**Gordon Institute
of Business Science**
University of Pretoria

Ethical Clearance
Approved

Dear Nicolla Magede,

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.

[Ethical Clearance Form](#)

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

Appendix 3: Code book

How many people do you employ? *

Less than 5	1
6 to 20	2
21 - 49	3
50 - 200	4
More than 201	5

What is your position/role in the business? *

Owner	1
Manager	2
Both	3

Which province are you based in? *

Gauteng	1
Freestate	2

KwaZulu Natal	3
Limpopo	4
Eastern Cape	5
Western Cape	6
Northwest	7

What is your age? *

Below 25 years	1
26 - 35 years	2
36 - 45 years	3
46 - 55 years	4
56 - 65 years	5
66 years and above	6

What is your gender? *

Female	1
Male	2
Prefer not to say	3

What is your highest education qualification? *

Matric/Grade 12 or less	1
Certificate/diploma	2
Higher diploma	3
Bachelor's	4
Honor's	5
Masters	6
CA SA	7
PHD/Doctorate	8
Other:	9

What is your race? *

Black	1
White	2
Asian	3
Colored	4
Prefer not to say	5

22. What are the sources of finance in the company? *

Personal funds	1
Financial institutions	2
Government funding	3
Friends and family	4
Other	5

23. Have you attempted to access finance from financial institutions? *

No	0
Yes	1

24. How much money have you applied for? *

R0 - R50 000	1
R50 001 - R100 000	2
R100 001 - R150 000	3
R150 001 - R200 000	4
R200 001 - R250 000	5
R250 001 - R300 000	6
More than R300 000	7

25. Was your application successful? *

Yes	1
No	2

26. If your attempt to access finance was unsuccessful what reasons were provided? *

Lack of adequate financial documents	1
Bad credit record	2
Lack of collateral	3
Poor business plan	4
Poor working capital management	5
N/A (Successful)	6
Other:	7