



Barriers of access to finance for small and medium enterprises within the construction and maintenance sector in Gauteng

By

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ABSTRACT

This study explored the barriers facing SMEs in the construction and maintenance sector in Gauteng when it comes to accessing funding for growth and expansion and proposes solutions to address the barriers. The aims of this study were to obtain an understanding of the challenges facing SMEs in the construction and maintenance in Gauteng, the extent to which these challenges affect the ability to secure finance as well as possible solutions to address the barriers and improve access to finance for SMEs in the construction and maintenance sector in Gauteng. A non-probability purposive sampling approach was used. Semi-structured interviews were conducted with 22 entrepreneurs who own and run businesses in the construction and maintenance sector in Gauteng. NVivo 14 was utilized to analyze the data. The study employed reflexive thematic analysis to explore challenges in accessing finance for SMEs in construction and maintenance in Gauteng province and the possible solutions to these challenges/barriers from the lived experiences of the SMEs. The analysis showed that SMEs take active initiatives in seeking capital for growth, purchases of equipment and tools for meeting the material as well as labour demands of their projects. Lack of equipment and finance was observed to be limiting their growth prospects in terms of access to markets and opportunities, retaining skilled workers, and weathering the competitive environment. Other challenges include managerial challenges and a lack of systems to manage businesses effectively. From the participant's responses, the financial institution's requirements do not seem to be well understood, particularly concerning collateral, cash flow requirements, and business performance.

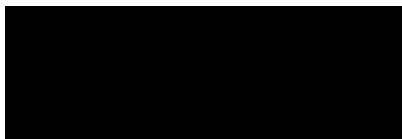
Keywords: Access to Finance, Access to Markets, Business Growth, Construction SMEs, SME Challenges.

DECLARATION

I, the undersigned, Nkateko Charmaine Mbambo, declare that:

- The research reported in this thesis, except where otherwise indicated, is my original work.
- This thesis has not been submitted for any degree or examination at any other university.
- This thesis does not contain other persons' data, pictures, graphs, or other information unless specifically acknowledged as being sourced from other persons.
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Signed



Date: 25 January 2024

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CHAPTER 1

INTRODUCTION AND OVERVIEW OF THE STUDY

1.1 Introduction

South Africa is a country wherein both the private and public sectors actively participate in directing the economy, and it is characterized by high levels of inequality, unemployment, and poverty. According to Statistics South Africa (2022), the official unemployment rate is currently 35.3%, the highest since the beginning of the survey in 2008. This translates into the challenge of having a significantly large proportion of the population living in poverty and inequality. The South African government has identified Small, Medium, and Micro Enterprises (SMMEs) as an essential means to address the rising levels of unemployment and stimulate economic growth. By definition, SMMEs refer to a separate and distinct business entity, together with its branches or subsidiaries, managed by one or more owners operating in any sector or subsector of the economy. The definition has a sub-sector which is referred to as Small and Medium Enterprises (SMEs) across the different sectors and subsectors distinguished by the number of employees and annual turnover thresholds. SMEs under the construction category employ between 11 and 250 employees and generate an annual turnover of less than R170 million as outlined by the (South African Government, 2018). For purposes of this study, the focus is on the SME sub-sector. To this effect, the public and private sectors have interventions to support the establishment and development of SMEs. This is because of the potential of SMEs to create sustainable jobs that can alleviate South Africa's triple challenge of inequality, poverty, and unemployment.

To grow sustainably, SMEs need access to markets, finance, and business support services like mentorship and related services. In a report by FinFind (2017), access to finance is among the primary challenges hampering the development and growth of start-ups, micro-very small, and medium enterprises countrywide and requires urgent solutions. The enabling ability of access to support for SMEs is apparent in the agencies, funding institutions, organizations, and support mechanisms put in place to provide financial and non-financial services to SMEs. As a result of decreased spending on infrastructure in South Africa, the construction sector has struggled to grow. Statistics South Africa (2020) reported that the public sector capital expenditure has been declining by R82 billion since 2016, representing a 29% decrease. This has severely impacted the construction sector, more so the larger construction companies like Group Five, Basil Read, and Esor Construction, which have had to file for business rescue. However, these

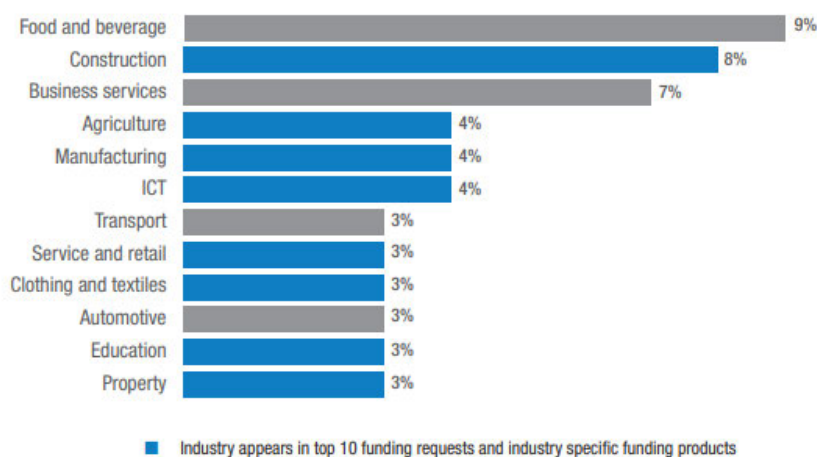
developments have opened the space for smaller contractors to set up shop and offer the needed services. In the report by Statistics South Africa (2020), the turnover of small construction companies has more than tripled from an estimated R50 billion in 2013 to a staggering estimated R163 billion in the year 2019. Continuous access to markets, affordable finance, and business support services are essential to sustain the growth. This study explores the barriers facing SMEs in the construction and maintenance sector in accessing funding for growth and expansion and proposes solutions to address the barriers. A study by Kersten, et al., (2017) confirms that access to finance can enable SMEs to improve their performance, which will aid economic growth and job creation.

1.2 Rationale of study

Despite efforts by the public and private sectors to provide financial and non-financial support to SMEs, access to these services continues to be a challenge. Access to finance for SMEs in the construction sector is of particular interest to the researcher due to the level of exposure in the industry and a keen interest in contributing to the advancement of SMEs in the sector.

Figure 1.1 demonstrates that the construction sector is the 2nd largest in requests for funding submitted to funders. This validates the need for funding by SMEs in the sector.

% OF SMME FUNDING REQUESTS BY INDUSTRY



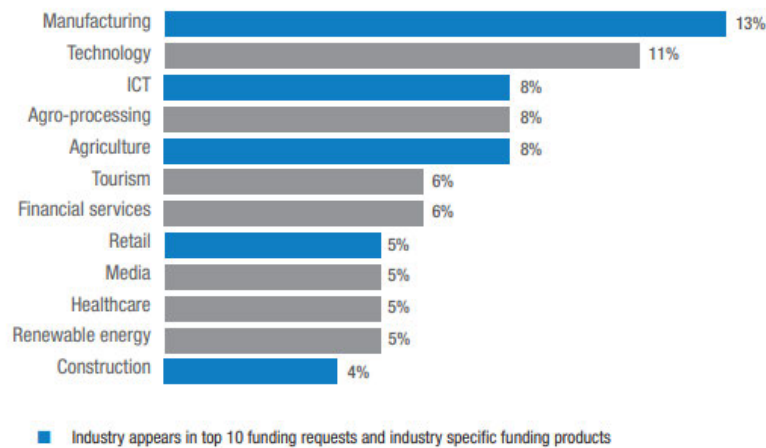
Source: Finfind data 2017

Figure 1.1 Percentage of SMME funding requests by industry

By contrast, Figure 1.2 demonstrates the availability of funding products tailored to suit the requirements of SMEs in the sector. Businesses require different types of funding products

according to the stage they are in their growth. The Organisation for Economic Cooperation and Development (OECD), through its Economic Research Institute for ASEAN, asserted that there is a need to bridge the growth capital gap required by SMEs at every stage of their development through diversified financial products (OECD/Economic Research Institute for ASEAN and East Asia, 2018).

INDUSTRY SPECIFIC FUNDING PRODUCTS



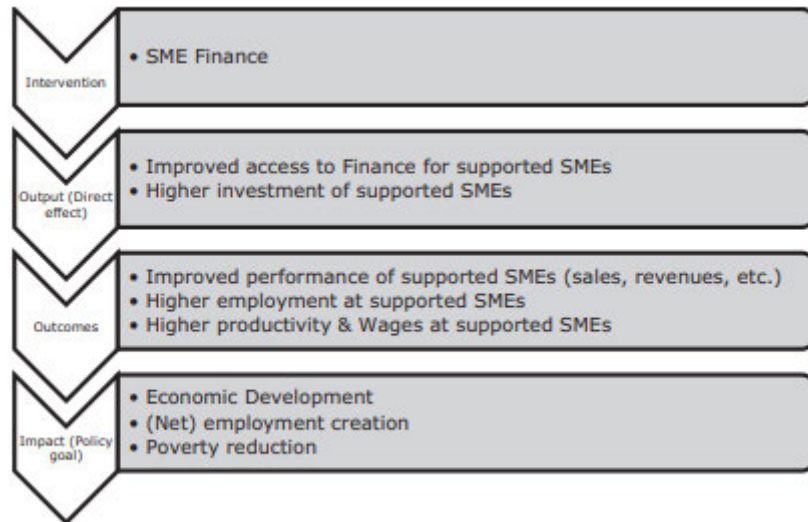
Source: Finfind data 2017

Figure 1.2 Industry specific funding products

In Figure 1.1 and 1.2, the need for financing by Small and Medium Enterprises (SMEs) in construction is met by a significantly low financial product availability. There needs to be more alignment between the demand and the supply of funding in the sector. The misalignment presents an opportunity to explore to what extent SMEs in this sector experience barriers when seeking funding, the availability of relevant funding products to meet their requirements, and recommendations to improve the accessibility of finance.

In investigating the barriers of access to finance faced by SMEs in the construction sector, the study contributes to understanding the nature and effect of these barriers and how they affect SMEs' access to growth capital and contribute to Gross Domestic Product (GDP). In recommendations to practice, the study provides information on how financiers and institutions can design products tailored to the growth needs and capacity of the SMEs.

The impact of the finance for SMEs intervention is illustrated in by the theory of change in Figure 1.3.



Source: Kersten, et al., 2017

Figure 1.3 Theory of change for SME finance

It explains in an outline form how funding programmes should work and the measurable outcomes and impact thereof. Reiterating that implementing these support interventions would lead to an improved contribution to the economy, the creation of employment, and poverty alleviation.

1.3 Preliminary literature review

SMEs in the construction and maintenance sector face challenges, including the rising cost of building materials, access to credit facilities, finance, high cost of credit, and contract failure rates (Windapo & Cattell, 2012). An earlier study found internal factors like managerial, financial, and technical skills gaps as challenges affecting SMEs (Thwala & Phaladi, 2010). These factors affect the growth and sustainability of SMEs in the sector.

A study by Kersten, et al., (2017) asserts that support structures to promote and provide access to finance to SMEs are an integral part of the strategies of government and private sector partners. These interventions include the private sector efforts through the commercial banks as well as the government through development finance institutions (DFIs) like the Small Enterprise Finance Agency (Sefa), Industrial Development Corporation (IDC) and National Empowerment Fund (NEF). With these support structures, access to finance remains a challenge for SMEs, as found by several research studies, including (WIID & Cant, 2021) and (Fatoki, 2021). Access to finance represents one of the external factors contributing to the high SMEs failure rate of 70%-80% in the first year of trading (Fatoki, 2014). Access to finance is

named as one of the reasons why SMEs discontinue business operations. The Global Entrepreneurship Monitor report found financial challenges to be a pressing problem for South African entrepreneurs relative to their regional counterparts. Relatively 50% of South African entrepreneurs were more likely to discontinue their business operations because of a lack of access to finance compared to the African average (Herrington, et al., 2017, p. 6).

According to the International Finance Corporation (2018, p. 6), "Small enterprises employ between 50 and 60 percent of South Africa's workforce and contribute around 34 percent of GDP". These numbers are with the current barriers facing SMEs. This then presents an opportunity for improvement, should considerable efforts be made to address the barriers faced by SMEs. Hove (2016) asserts that notwithstanding the barriers faced by SMEs in the country, they continue to be a critical component in the economy to drive the creation of jobs, generate income, alleviate poverty, contribute to the GDP, and stimulate the entrepreneurship ecosystem.

1.4 Problem statement

Access to finance is considered one of the barriers to the creation of sustainable businesses. For businesses in the construction and maintenance sector, this is in addition to a need for more managerial and technical skills and access to markets (Aigbavboa & Thwala, 2014). Previous studies have identified the barriers entrepreneurs face in growing sustainable businesses. To supplement the literature, industry-specific research on access to finance will enhance product development efforts and support offered. The research seeks to explore the barriers SMEs face in the construction and maintenance sector in Gauteng when accessing finance for expansion and growth purposes. The study investigates the nature and effect of these financial barriers and how they affect SMEs and contribute to the existing information and practice. The investigation will be done by interviewing the SMEs in the sector.

1.5 Research objectives

The study aims first to explore the barriers facing SMEs in the construction and maintenance sector in accessing finance in Gauteng. Secondly, look at the possible solutions to address the barriers.

To achieve the aim of the study, the following objectives need to be accomplished:

- An understanding of the key challenges facing SMEs in the construction and maintenance sector in Gauteng.
- The extent to which these challenges affect the ability to access finance.

- Solutions to address the barriers and improve access to finance.

1.5.1 Research questions

1. What are the key challenges faced by SMEs in the construction and maintenance sector in Gauteng?
2. How do these challenges affect their ability to access finance?
3. What are the possible solutions to improve access to finance?

1.6 Research methodology

1.6.1 Research approach

This research follows a descriptive qualitative research design to expand further and unpack barriers to accessing finance facing SMEs in the construction and maintenance sector. Although numerous studies in this area follow a quantitative approach, this is the most suitable approach given the aim and objectives of the study, which seeks to explore and expand on the challenges faced by drawing on the participants' experience. "With exploratory interviewing, we are not trying to precisely measure some variable, we are trying to gain penetrating insights into some important issue" (Stevens, et al., 2012, p. 55).

1.6.2 Unit of analysis and sampling

A non-probability and purposive sampling approach was used due to the accessibility and the specific characteristics required in the population sample. The sample of respondents interviewed includes entrepreneurs who own and run businesses in the construction and maintenance sector in Gauteng. For this study, the researcher intended to interview 25 entrepreneurs. The selected entrepreneurs have at least two years' experience in running their business and have at some point applied for finance.

Virtual interview sessions were scheduled according to the availability of the participants, and Microsoft Teams' web/application-based platform was used to conduct the virtual interviews.

1.6.3 Data collection

In addition to a literature review on barriers SMEs face in accessing finance and barriers faced by SMEs in construction, virtual interviews were conducted with SMEs in the construction and maintenance sector. Semi-structured and open-ended questions were used in the interviews. The questions asked in the interviews were grouped into related themes to aid the flow of the interview and to enable the grouping of the insights obtained.

The interviews sought to explore views and opinions based on the participants' experiences, an approach that is better suited because of the objectives and aim of the study. This data collection

method ensured that the researcher could steer the interview in the relevant direction to obtain key insights. The insights gained will enhance the availability of literature relating specifically to access to finance barriers faced by SMEs in this sector and highlight the solutions to help bridge the access gap.

To gain insights into the Development Finance Institutions (DFI) product offering and alignment to the SME requirements, desktop research, and content analysis were used to gather the information required as it is considered the most appropriate method to understand the types of financing products offered by government and private sector funders as well as the types of non-financial support provided.

Ethical considerations were taken into account wherein the participants were made aware of the voluntary nature of participation and their right to withdraw at any point in the study. They were also be made aware of the context of the research and the objectives thereof.

1.7 Data analysis

The interview schedule to be used in the interviews was grouped into themes to enable a more straightforward analysis of the data gathered. NVivo 14 was utilized to analyze the data. The interviews were transcribed into scripts for analysis. The data was grouped/coded into similar themes and analyzed. The findings informed the recommendations and conclusions by the objectives and aims of the study.

1.8 Expected implications

Based on the research findings, implications of the research seek to, firstly, provide SMEs with the strategies to improve their success when applying for finance. Secondly, provide the policymakers, funding institutions, and practitioners with an improved understanding of the barriers experienced by SMEs in the specific sector. This may assist in providing targeted support needed to improve the success rate of accessing finance. Entrepreneurs and funders may benefit from this qualitative study in their efforts to create and sustain businesses that will contribute to the growth of our economy by contributing to GDP and employment creation.

1.9 Timelines/work plan

The work plan for the proposed research.

Activity	Start Date	End Date	Status
Writing proposal	15 May 2022	15 June 2022	Completed
Revise proposal as per Supervisor's advise	1 March 2023	30 March 2023	Completed

Supervisor agreement	30 March 2023	31 March 2023	Completed
Ethical clearance	31 March 2023	30 June 2023	Obtained
Chapters: 1 Introduction	1 March 2023	31 March 2023	Completed
Chapter:2 Literature Review	1 April 2023	20 May 2023	
Chapter:3 Research methodology	21 May 2023	10 July 2023	
Data collection	12 July 2023	31 August 2023	Completed
Analysis	1 September 2023	30 September 2023	Completed
Chapter: 4 Findings and Discussion	1 October 2023	31 October 2023	Completed
Chapter: 5 Conclusion and Recommendations	1 November 2023	30 November 2023	Completed
Revision post Supervisor review	1 December 2023	21 December 2023	Completed
Editing	1 January 2024	26 January 2024	Completed
Submit for examination		1 February 2024	Completed

1.10 Outline of the chapters

Chapter One is an introduction to the study; this chapter elaborates on the background of the study. The chapter also outlines the problem statement and further states the study's research aims and questions. The introductory chapter serves as a roadmap of the dissertation as it directs and informs the reader on what to expect.

Chapter Two presents a review of literature relevant to the study. The literature is arranged and presented under several headings and sub-headings, including literature on the overview of the construction and property maintenance sector, challenges faced by SMEs in this sector, and the barriers to accessing finance.

Chapter Three provides a descriptive explanation of the research methodology. It begins with the research design followed by a brief description of the sample site, selection of participants, and data collection methods, including relevant information such as the instruments, data analysis, and measures taken that ensure issues of trustworthiness, validity, and reliability are addressed.

Chapter Four takes the reader through the findings from the semi-structured interviews. The chapter presents the findings in categorized themes. NVivo 14 software was used for data analysis to generate the themes. The study further integrated thematic analysis to structure and

analyze formulated themes appropriately. Each theme was supported by an extraction from the data to give credibility to the emergent themes. The discussion of the findings from the study was also incorporated into the chapter to develop a basis for the outcomes presented.

Chapter Five highlights and summarizes the findings, methodological procedure employed, implications, limitations, and conclusion. The researcher would like to see the outcomes of the study contributing to bridging the information gap between the seekers and providers for finance and recommending areas of improvement and innovation. The findings will also contribute to the body of literature relating to sector-specific barriers facing SMEs in accessing finance.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

The previous chapter provided an introduction and an overview of the study. This chapter reviews the literature on access to finance and challenges faced by SMEs in the construction and maintenance sector to provide an overview of the factors that give rise to barriers to accessing finance. The literature review chapter starts by providing an overview of the SME funding landscape and the role players in South Africa. The overview lays the necessary foundation, followed by the SME sector synopsis, and it also provides the spread in terms of SMEs in Gauteng and the sector focus of SMEs in the province. The synopsis is followed by an investigation into the challenges facing SMEs in the construction and property maintenance sector and how these challenges contribute to barriers to accessing finance. SMEs are said to have the potential to support job creation, contribute to GDP growth, reduce poverty levels and inequality, and promote entrepreneurship, innovation, and competitiveness in an economy, as cited (Saah, 2021). In this chapter, the researcher reviews previous studies to attain more information regarding the barriers to accessing finance for SMEs in the construction and maintenance sector.

2.2 Theoretical framework

In seeking to understand the barriers of access to finance for small and medium enterprises within the construction and maintenance sector in Gauteng, three related yet different theoretical perspectives are adopted which are the resource dependency theory, financial intermediation theory and the cultural economy theory. The three theoretical perspectives are explained by focusing on their main concepts, implications for access to finance for small and medium enterprises in construction and then the intersections of these three perspectives as they related to the study and their implications are discussed.

2.2.1 The Resource Dependency Theory

The Resource Dependency Theory (RDT) emerged in the late 1960s and early 1970s as a response to the limitations of traditional economic theories in explaining organisational behaviour. It was developed primarily by scholars such as Jeffrey Pfeffer and Gerald R. Salancik, who sought to understand how organisations interact with their external environments to secure the resources necessary for survival and success (Pfeffer & Salancik, 2015; Hitt, et al., 2016). The RDT suggests that organisations are dependent on external resources such as capital, information, and legitimacy to achieve their goals. These resources are often controlled by other organisations or institutions in the environment, leading to

interdependence and power dynamics (Pfeffer & Salancik, 2015). The theory argues that organisations seek to minimize their dependency by diversifying their resource base, forming strategic alliances, or exerting influence over resource providers (Pfeffer & Salancik, 2015). Key concepts within the RDT include resource scarcity, uncertainty, and environmental munificence, which shape the strategies organisations employ to manage their dependencies. Additionally, the theory emphasizes the role of power and dependence asymmetry in shaping organisational relationships and outcomes (Hitt, et al., 2016). The theory provides a valuable framework for understanding how organisations navigate their external environments and the challenges they face in securing critical resources for their survival and growth.

2.2.1.1 Interdependence of Organisations

The Resource Dependency Theory views organisations as open systems that rely on their environment for critical resources (Reimann & Ketchen Jr, 2017). In the context of construction SMEs, these resources can be financial capital, skilled labour, specialized materials, and equipment. No single construction company is self-sufficient. They collaborate with a network of other organisations, including banks, suppliers, subcontractors, and government agencies. This creates a web of interdependencies where each player relies on the others to achieve its goals (Thanki & Thakkar, 2018). Within the construction sector, SMEs are deeply interdependent with various external stakeholders. For instance, subcontractors depend on prime contractors for project opportunities, while prime contractors rely on subcontractors for specialized skills and labour (Thanki & Thakkar, 2018). Similarly, both contractors and subcontractors rely on suppliers for materials and equipment. This intricate network of interdependencies underscores the importance of effective resource management and relationship building for SMEs in the construction industry (Andreoni & Chang, 2019).

2.2.1.2 Power Dynamics and Resource Control

The theory implies that power dynamics exist within this network. The power resides with the organisations that control the critical resources. In financing construction, banks hold immense power as they control access to capital. This power imbalance can disadvantage SMEs when negotiating loan terms, interest rates, and collateral requirements (Reimann & Ketchen Jr, 2017). The Resource Dependency Theory highlights that organisations with greater control over critical resources wield power over those dependent on them. Power can manifest in various forms, including control over financial resources, access to information, expertise, or regulatory influence (Andreoni & Chang, 2019). Asymmetric power relationships often emerge when one party is more dependent on the other for essential resources. In the context of finance

within the construction sector, power dynamics significantly impact SMEs' ability to access funding (Aagaard, et al., 2015). Large construction companies, with established reputations and extensive networks, may have greater bargaining power with financial institutions compared to SMEs. These larger companies can leverage their relationships, track record, and collateral assets to negotiate favourable lending terms, leaving SMEs at a disadvantage (Aagaard, et al., 2015; Garrigós Simón, et al., 2017). Moreover, regulatory frameworks and industry standards can further consolidate power in the hands of established players, making it challenging for SMEs to compete on an equal footing.

2.2.1.3 SME Dependence and Vulnerability

Due to their limited size and resources, SMEs are particularly vulnerable to dependence on external actors, especially for financing (Reimann & Ketchen Jr, 2017). New entrants in the construction industry often lack a substantial financial track record. This, combined with the project-based nature of their work, makes them appear riskier to lenders compared to established companies (Thanki & Thakkar, 2018). This dependence on external financing creates a situation where SMEs are susceptible to the whims of lenders and have limited bargaining power. The concept of dependence is central to Resource Dependency Theory, emphasizing that organisations often find themselves in asymmetric relationships where they rely on external sources for critical resources (Aagaard, et al., 2015). For SMEs in the construction industry, dependence on external financing is particularly pronounced. These businesses often lack the internal capital reserves or access to alternative funding sources available to larger companies (Aagaard, et al., 2015). As a result, SMEs must rely heavily on banks, investors, or government programs for capital to finance their operations, projects, and growth initiatives.

2.2.1.4 Criticisms of the Resource Dependency Theory

The Resource Dependency Theory has been instrumental in understanding the dynamics of organisational relationships and the acquisition of essential resources. However, when applied to explaining access to financial capital for small and medium-sized businesses, several criticisms emerge. Among the primary criticisms of Resource Dependency Theory in the context of SME finance is its limited focus on financial factors and institutions (Hitt, et al., 2016). While RDT emphasizes the interdependence between organisations and their external environment, it may overlook the specific challenges faced by SMEs in accessing finance (Hitt, et al., 2016). Unlike large corporations that may have established relationships with financial intermediaries, SMEs often encounter barriers such as limited collateral, information

asymmetry, and risk perception, which may hinder their ability to secure funding from traditional sources (Hitt, et al., 2016).

Moreover, the Resource Dependency Theory may not adequately account for the unique characteristics of SMEs and their relationships with financial institutions. SMEs often operate in niche markets, with limited bargaining power and visibility compared to larger companies (Pfeffer & Salancik, 2015). As a result, they may face difficulty in attracting the attention of financial intermediaries and negotiating favourable lending terms. Additionally, SMEs' reliance on informal networks, personal relationships, and non-traditional sources of finance may not fit into the RDT's framework, which primarily focuses on formal organisational relationships (Pfeffer & Salancik, 2015). Furthermore, the Resource Dependency Theory may overlook the role of agency and strategic decision-making in SME finance. While the theory emphasizes the influence of external factors on organisational behaviour, it may underestimate the agency of SMEs in actively seeking out and managing their relationships with financial providers (Cao, et al., 2017). SMEs often employ various strategies to mitigate dependence on external finance, such as bootstrapping, alternative financing options, or strategic alliances, which may not align with RDT's perspective on dependence and interdependence (Mairura, et al., 2013).

The Resource Dependency Theory may not fully account for the dynamic nature of SME finance and the evolving landscape of financial markets (Reimann & Ketchen Jr, 2017). With the rise of fintech innovations, peer-to-peer lending platforms, and crowdfunding initiatives, SMEs have access to a broader range of financing options beyond traditional banks and financial intermediaries (Reimann & Ketchen Jr, 2017). These alternative sources of finance offer SMEs greater flexibility and autonomy but may introduce new challenges in terms of risk management, regulatory compliance, and market volatility, which may not be adequately addressed by the RDT (Reimann & Ketchen Jr, 2017). Thus, while the Resource Dependency Theory provides valuable insights into the complexities of organisational relationships and resource acquisition, its application to explaining access to financial capital for SMEs has limitations. Criticisms regarding its focus on financial factors, limited consideration of SME characteristics, and underestimation of agency highlight the need for a more nuanced understanding of SME finance that integrates insights from multiple theoretical perspectives. By addressing these criticisms, researchers and policymakers can develop more effective strategies to support SMEs' access to finance and promote inclusive economic growth.

2.2.1.5 Implications for SME Access to Finance

These core concepts of the RDT paint a clear picture of the challenges faced by construction SMEs in accessing finance. In considering the implications of the RDT perspective in understanding the plight of SMEs in construction in Gauteng in accessing finance, concepts proposed by the RDT such as information asymmetry, limited bargaining power, competition for scarce resources, collateral requirements, and focus on larger projects are considered.

Information Asymmetry: Lenders often operate with limited information about SMEs. Financial institutions may perceive SMEs as risky due to their lack of extensive financial history, limited collateral, and the inherent project-related uncertainties in construction. This information asymmetry creates a situation where banks are hesitant to lend, further restricting access to capital for SMEs (Aagaard, et al., 2015; Andreoni & Chang, 2019).

Limited Bargaining Power: The power dynamics inherent in the RDT disadvantage SMEs. Because of being highly dependent on banks for financing, SMEs have less leverage to negotiate favourable loan terms. Banks may impose higher interest rates, shorter repayment periods, and stricter collateral requirements, squeezing profit margins and hindering growth prospects (Aagaard, et al., 2015; Reimann & Ketchen Jr, 2017).

Competition for Scarce Resources: The construction industry is a competitive landscape. Numerous SMEs with varying levels of experience compete for a limited pool of financial resources available from traditional lenders. This competition intensifies the access issue, leaving smaller, less established ventures at a significant disadvantage (Reimann & Ketchen Jr, 2017).

Collateral Requirements: Traditional lenders often require substantial collateral to mitigate risk. However, many SMEs, especially those in the early stages of growth, lack significant assets to offer as security. This requirement can be a major barrier to securing loans (Garrigós Simón, et al., 2017).

Focus on Larger Projects: Traditional lending institutions may be more inclined to finance bigger construction projects with established companies as these ventures are perceived as less risky. This focus on larger projects leaves smaller, more specialized SME ventures underserved by the mainstream financial system (Turaki, 2020).

However, the dependence on external finance exposes SMEs to various risks and vulnerabilities. Financial institutions may impose stringent lending criteria, high interest rates, or collateral requirements, limiting SMEs' access to affordable funding (Turaki, 2020).

Moreover, economic downturns or fluctuations in the construction market can exacerbate SMEs' financial challenges, as they may struggle to secure loans or credit lines during periods of uncertainty. Additionally, dependence on a single source of finance can increase SMEs' susceptibility to disruptions if that source becomes unavailable or uncooperative (Turaki, 2020).

Addressing the barriers of access to finance for SMEs in construction requires a multifaceted approach that considers the dynamics of interdependence, power, and dependence outlined by the Resource Dependency Theory (Pfeffer & Salancik, 2015). Firstly, SMEs must actively diversify their resource base to reduce their reliance on any single source of finance. This may involve cultivating relationships with multiple financial institutions, exploring alternative financing options such as peer-to-peer lending or crowdfunding, or seeking government support through grants or subsidies (Pfeffer & Salancik, 2015).

Furthermore, SMEs can leverage strategic alliances and partnerships within the construction ecosystem to strengthen their bargaining power and negotiate more favourable financing terms (Thanki & Thakkar, 2018; Andreoni & Chang, 2019). Collaborating with larger companies, industry associations, or community organisations can provide SMEs with access to networks, expertise, and resources that enhance their credibility and attractiveness to lenders. Moreover, policymakers and regulatory authorities play a crucial role in creating an enabling environment that supports SMEs' access to finance in the construction sector (Dubihlela & Nqala, 2017). By implementing policies that promote financial inclusion, reduce bureaucratic barriers, and incentivize lending to SMEs, governments can help level the playing field and empower these businesses to thrive.

In conclusion, the Resource Dependency Theory offers valuable insights into the complex dynamics of organisational relationships and resource acquisition within the construction industry. By understanding the concepts of interdependence, power dynamics, and dependence, SMEs can develop strategies to overcome barriers and enhance their access to finance. Through proactive resource management, strategic partnerships, and supportive policy frameworks, SMEs can navigate the challenges of financing in the construction sector and unlock opportunities for sustainable growth and development.

2.2.2 The Financial Intermediation Theory

The Financial Intermediation Theory (FIT) has its origins in the field of economics, where scholars sought to understand the role of financial institutions in facilitating the flow of funds

between savers and borrowers (Bethune, et al., 2022). Developed over several decades, this theory offers valuable insights into the functions, mechanisms, and implications of financial intermediation in modern economies. The theory focuses on the role of financial intermediaries such as banks, venture capitalists, and government agencies in facilitating or impeding access to finance for SMEs (Ratnawati, 2020). This perspective would examine the processes and mechanisms through which funds are allocated and the barriers that SMEs encounter in dealing with these intermediaries (Ratnawati, 2020). At its core, the theory of financial intermediation addresses the fundamental question of how financial markets operate and how resources are allocated within an economy. Unlike traditional economic models that emphasize direct transactions between savers and borrowers, financial intermediation theory recognizes the existence of specialized institutions that mediate these transactions (Ratnawati, 2020).

One of the key propositions of the FIT is that financial intermediaries play a vital role in reducing transaction costs and information asymmetries in financial markets. These intermediaries, such as banks, credit unions, and investment firms, serve as conduits for channelling funds from surplus units (savers) to deficit units (borrowers) (Bethune, et al., 2022). By pooling funds from multiple savers, financial intermediaries achieve economies of scale and scope, allowing them to offer a wide range of financial products and services to borrowers at lower costs. Moreover, financial intermediaries act as information processors, gathering, analysing, and disseminating information about borrowers' creditworthiness, investment opportunities, and market conditions (Ratnawati, 2020). This informational role is crucial in mitigating the adverse selection and moral hazard problems that arise in lending and investment activities. By conducting due diligence, risk assessment, and monitoring of borrowers, financial intermediaries help allocate funds to the most productive uses and reduce the incidence of default and financial loss (Mairura, et al., 2013).

Another key proposition of the FIT is that financial intermediaries engage in maturity transformation and liquidity provision to meet the diverse needs of savers and borrowers (Havrylchuk & Verdier, 2018). Maturity transformation refers to the process by which financial intermediaries transform short-term liabilities such as deposits into long-term assets such as loans, allowing them to match the maturities of their assets and liabilities and provide liquidity to depositors while extending credit to borrowers for longer periods (Havrylchuk & Verdier, 2018). Furthermore, financial intermediaries play a critical role in managing liquidity risk and providing liquidity insurance to depositors and investors. Through mechanisms such as fractional reserve banking, reserve requirements, and access to central bank facilities, financial

intermediaries ensure that depositors can withdraw funds on demand while maintaining a prudent level of reserves to meet unexpected liquidity needs (Havrylchyk & Verdier, 2018).

The FIT also highlights the importance of regulatory and supervisory frameworks in safeguarding the stability and integrity of financial markets. Given the central role of financial intermediaries in the economy, policymakers implement prudential regulations, capital requirements, and disclosure standards to mitigate systemic risks, protect depositor interests, and maintain confidence in the financial system (Bethune, et al., 2022; Oshiohwemo & Mgbemena, 2022). Moreover, technological advancements and financial innovations have transformed the landscape of financial intermediation, giving rise to new forms of intermediaries such as fintech companies, peer-to-peer lending platforms, and digital banks. These developments have raised questions about the efficacy of traditional regulatory frameworks and the potential implications for financial stability, consumer protection, and market efficiency (Bethune, et al., 2022; Oshiohwemo & Mgbemena, 2022).

Thus, the theory of financial intermediation provides a comprehensive framework for understanding the functions, mechanisms, and implications of financial intermediaries in modern economies. By examining the role of financial intermediaries in reducing transaction costs, mitigating information asymmetries, and managing liquidity risk, this theory sheds light on the dynamics of financial markets and the interactions between savers, borrowers, and intermediaries. As the financial landscape continues to evolve, ongoing research and analysis are needed to assess the implications of technological innovations, regulatory changes, and market developments on the theory and practice of financial intermediation.

2.2.2.1 Criticisms of the Financial Intermediation Theory

The financial intermediation theory has been a cornerstone of understanding how funds are allocated in economies, but it's not without its criticisms, especially regarding its application to small and medium-sized businesses and their access to financial capital. While the theory provides valuable insights into the role of financial institutions in facilitating the flow of funds, it falls short in fully explaining the challenges faced by SMEs in accessing finance (Ratnawati, 2020).

One of the primary criticisms of the financial intermediation theory in the context of SME finance is its assumption of perfect competition and efficiency in financial markets (Bethune, et al., 2022). The theory suggests that financial intermediaries operate in competitive markets, where borrowers and lenders have access to perfect information and can freely enter or exit the

market (Bethune, et al., 2022). However, SMEs often face information asymmetries, limited access to financial markets, and discriminatory lending practices, which impede their ability to obtain financing on favourable terms (Bethune, et al., 2022).

Moreover, the theory tends to focus on the role of traditional financial intermediaries such as banks, overlooking alternative sources of finance available to SMEs. While banks remain a significant source of funding for SMEs, especially for debt financing, non-bank financial institutions, venture capital firms, angel investors, and crowdfunding platforms have emerged as important sources of capital for entrepreneurial ventures (Havrylchuk & Verdier, 2018). These alternative sources of finance offer SMEs greater flexibility, but they also pose challenges in terms of risk assessment, cost of capital, and availability of funding. Furthermore, the financial intermediation theory often overlooks the importance of institutional factors, regulatory constraints, and market imperfections that affect SMEs' access to finance (Havrylchuk & Verdier, 2018). In many cases, SMEs face regulatory hurdles, bureaucratic red tape, and legal barriers that limit their ability to raise capital or access formal financial services. Additionally, macroeconomic factors such as interest rate fluctuations, inflation, and currency volatility can impact SMEs' cost of capital and borrowing capacity, influencing their investment decisions and growth prospects (Clark, 2017).

Another criticism of the financial intermediation theory is its limited consideration of the relationship-based nature of SME finance. Unlike large corporations that have established relationships with banks and access to sophisticated financial products, SMEs often rely on personal connections, informal networks, and trust-based relationships to secure financing (Oshiohwemo & Mgbemena, 2022). These informal channels of finance are not adequately captured by the theory, yet they play a significant role in SMEs' access to capital, especially in emerging markets and underserved communities (Oshiohwemo & Mgbemena, 2022).

Another criticism lies in the inherent risk aversion of traditional financial institutions. SMEs, by their nature, are often young and lack a long track record of profitability. This makes them appear riskier borrowers in the eyes of banks, who rely heavily on credit scoring models that favour established businesses with a proven history of financial stability (Ratnawati, 2020). Consequently, SMEs face stringent loan approval processes and may be offered less favourable loan terms, hindering their growth potential. Furthermore, the theory assumes a one-size-fits-all approach to financial needs. SMEs often require financing that is tailored to their specific circumstances (Ratnawati, 2020). Traditional bank loans, typically structured with fixed

interest rates and rigid repayment schedules, may not be well-suited for the dynamic and often unpredictable cash flow patterns of SMEs. This mismatch leaves a gap in the financial landscape, making it difficult for SMEs to access the capital needed for investments, inventory management, or seasonal fluctuations (Ratnawati, 2020).

Another critique challenges the theory's emphasis on collateral. Traditional banks often require significant collateral to mitigate risk when lending to SMEs. However, small and growing businesses may not possess substantial assets to offer as security (Mairura, et al., 2013; Clark, 2017). This creates a dilemma whereby SMEs who need capital to grow are unable to access it due to the lack of collateral, further hindering their ability to build a strong financial track record. The rise of financial technology (FinTech) has also cast a light on the limitations of traditional financial intermediation (Babajide, et al., 2023). The FinTech companies leverage technology to offer a wider range of financial products and services, often with faster turnaround times and less stringent eligibility criteria. This disintermediation highlights the potential rigidity of traditional banks in catering to the specific needs of SMEs (Clark, 2017).

Thus, while the theory of financial intermediation provides a valuable framework for understanding the financial system, it falls short in fully explaining access to financial capital for SMEs. The risk aversion of traditional lenders, the mismatch between loan structures and SME needs, the emphasis on collateral, and the rise of FinTech alternatives all point to the limitations of the theory (Havrylchyk & Verdier, 2018). Criticisms regarding information asymmetries, alternative sources of finance, institutional factors, and relationship-based finance highlight the need for a more distinct understanding of SME finance that takes into account the unique challenges and opportunities faced by small and medium-sized businesses in accessing finance (Ratnawati, 2020; Bethune, et al., 2022). By addressing these criticisms and incorporating a broader range of factors, researchers and policymakers can develop more effective strategies to support SMEs' access to finance and promote inclusive economic growth.

2.2.2.2 Implications for SME Access to Finance

The financial intermediation theory offers important insights into the dynamics of access to finance for small and medium-sized enterprises in the construction sector. While the theory provides a framework for understanding the role of financial institutions in facilitating the flow of funds, its implications for SMEs in this industry are multifaceted. The theory suggests that financial intermediaries such as banks play a crucial role in channelling funds from savers to borrowers, including SMEs in the construction sector (Bethune, et al., 2022). The banks act as

key providers of credit and financial services, offering loans, lines of credit, and other financing options to support SMEs' working capital needs, project financing, and growth initiatives. However, SMEs in the construction sector may face challenges in accessing finance due to factors such as collateral requirements, risk assessment criteria, and market conditions (Oshiogwemo & Mgbemena, 2022). Moreover, the theory underscores the importance of relationships and trust in financial intermediation. SMEs in the construction sector often rely on longstanding relationships with banks, suppliers, subcontractors, and clients to secure financing and project contracts. These relationship-based networks can provide SMEs with access to capital, expertise, and business opportunities, but they may also limit their ability to diversify funding sources or negotiate favourable terms (Oshiogwemo & Mgbemena, 2022).

Additionally, the theory highlights the role of information asymmetries and risk management in financial intermediation. Banks and other financial institutions must assess the creditworthiness and risk profile of SMEs in the construction sector before extending credit (Havrylchyk & Verdier, 2018). However, SMEs may lack the financial transparency, track record, or collateral assets required to meet the lenders criteria, leading to credit rationing or higher borrowing costs. Moreover, the cyclical nature of the construction industry and the inherent risks associated with projects can further complicate risk assessment and lending decisions (Havrylchyk & Verdier, 2018).

The theory suggests that regulatory frameworks and macroeconomic conditions can influence access to finance for SMEs in the construction sector (Nnabugwu, 2021). Government policies, banking regulations, and monetary policies can impact the availability, cost, and terms of financing for SMEs, shaping their investment decisions and business strategies. Moreover, macroeconomic factors such as interest rates, inflation, and currency fluctuations can affect SMEs cost of capital and borrowing capacity, influencing their ability to undertake projects and manage cash flow (Nnabugwu, 2021). The financial intermediation theory provides valuable insights into the dynamics of access to finance for SMEs in the construction sector. By understanding the role of financial intermediaries, relationships, information asymmetries, and regulatory factors, policymakers, lenders, and SMEs can develop strategies to enhance access to finance, promote financial inclusion, and support sustainable growth in the construction industry.

2.2.3 The Cultural Economy Theory

The Cultural Economy Theory (CET) emerged in the late 20th century as a response to the limitations of traditional economic theories in explaining the production, distribution, and

consumption of cultural goods and services (Scott, 2017). Rooted in sociology, anthropology, and cultural studies, the CET seeks to understand how cultural factors shape economic activities and how economic forces influence cultural practices. It delves into the intricate relationship between culture, creativity, and economic activity (Scott, 2017). While its roots can be traced back to earlier thinkers like John Maynard Keynes, who acknowledged the importance of arts and leisure in economic well-being, the cultural economy emerged as a distinct field in the late 20th century (Pratt, 2009). Other origins of the theory can be traced to scholars such as Pierre Bourdieu, Arjun Appadurai, and Richard Florida, the CET challenges the notion of culture as merely a superstructure or by-product of economic processes (Scott, 2017). Instead, it suggests that culture is a primary driver of economic behaviour, shaping individual's preferences, identities, and social interactions. The CET highlights the interconnectedness of culture, economy, and society, emphasizing the importance of cultural capital, symbolic meanings, and social networks in economic transactions (Scott, 2017).

One of the central tenets of the cultural economy theory is the recognition of culture as a complex and multifaceted entity (Pratt, 2009; Douglass, 2016; Scott, 2017). It encompasses not just the high arts like opera and ballet, but also everyday practices, traditions, and expressions that define communities. This broad definition highlights the universal influence of culture on economic activity, from the design and marketing of products to the development of tourism industries, cultural elements are woven into the fabric of modern economies.

Furthermore, the theory emphasizes the role of creativity as a key driver of economic growth. Cultural industries, encompassing film, music, fashion, and design, rely on human creativity to generate innovative products and services (Pratt, 2009). These industries create jobs, attract investment, and contribute significantly to a nation's GDP. Additionally, creativity fosters innovation across various sectors, leading to the development of new technologies, products, and marketing strategies (Pratt, 2009). Another crucial proposition of the cultural economy theory lies in the concept of symbolic value. Beyond the practical utility of a product, consumers often place value on its symbolic meaning and cultural significance. This can be seen in the premium placed on designer clothing, the popularity of heritage tourism, or the success of locally crafted goods. Recognizing this symbolic value allows for a more nuanced understanding of consumer behaviour and the economic potential of cultural products (Pratt, 2009).

The theory also highlights the importance of social capital and networks within the cultural economy. Creative industries thrive on collaboration and the exchange of ideas. Strong social networks and supportive communities play a vital role in nurturing talent, facilitating access to resources, and promoting the work of artists and entrepreneurs (Douglass, 2016). Finally, the cultural economy theory acknowledges the potential for cultural production to drive social change and development. Creative expression can raise awareness about social issues, promote cultural understanding, and foster a sense of community identity (Scott, 2017). Cultural industries can also contribute to urban regeneration and revitalize under-developed areas, fostering a more inclusive and vibrant society. The cultural economy theory thus offers a compelling lens for understanding the intersection of culture, creativity, and economic activity (Scott, 2017). By recognizing the multifaceted nature of culture, the power of creativity, the role of symbolic value, the importance of social networks, and the potential for social impact, the cultural economy theory sheds light on a dynamic and increasingly important sector of the modern world. As societies move beyond a singular focus on GDP, the cultural economy provides a framework for appreciating the rich tapestry of economic activity woven with the threads of creativity and cultural expression (Pratt, 2009; Scott, 2017).

2.2.3.1 Criticisms of the cultural economy theory

While the Cultural Economy Theory (CET) provides valuable insights into the relationship between culture and economy, it is not without its criticisms. Critics have raised several concerns regarding the applicability, scope, and methodology of the CET, highlighting its limitations in explaining the complexities of cultural production, consumption, and exchange (Pratt, 2009; Douglass, 2016; Scott, 2017).

One criticism of the CET is its tendency to essentialize culture and overlook its diversity, dynamism, and contested nature. The CET often treats culture as a monolithic entity, focusing on dominant cultural forms and practices while neglecting marginalized or subaltern voices (Scott, 2017). This oversimplification can lead to a homogenized understanding of culture and overlooks the power dynamics, inequalities, and tensions inherent in cultural production and consumption. While the CET highlights the role of cultural capital, symbolic meanings, and social networks in economic transactions, it may overlook the broader economic forces, regulatory frameworks, and market conditions that influence SMEs access to finance (Scott, 2017). This narrow focus on cultural dynamics may obscure the systemic barriers and structural inequalities that constrain SMEs ability to obtain funding from traditional funding sources. Moreover, the CET has been accused of downplaying the role of economic structures,

institutions, and power relations in shaping cultural practices and outcomes (Douglass, 2016; Scott, 2017). Critics argue that the CET tends to prioritize cultural factors at the expense of economic determinants, overlooking the material conditions, market forces, and policy frameworks that influence cultural production, distribution, and access. This narrow focus on cultural dynamics may obscure broader structural inequalities and systemic barriers that limit participation in cultural economies (Douglass, 2016).

Furthermore, the CET has been criticized for its reliance on qualitative and interpretive methods, which may lack rigour and replicability compared to quantitative approaches (Cvetkovich, 2018). While the CET emphasizes the importance of understanding meanings, symbols, and social contexts in economic transactions, its reliance on subjective interpretations and case studies may limit its generalizability and explanatory power. Critics argue that the CET needs to incorporate more quantitative data and empirical analysis to validate its claims and insights (Cvetkovich, 2018). Additionally, the CET has been challenged for its normative assumptions and ideological biases. Critics argue that the CET often promotes a celebratory or romanticized view of cultural production and consumption, valorising creativity, authenticity, and self-expression while overlooking issues of commodification, exploitation, and cultural appropriation (Cvetkovich, 2018). Moreover, the CET's emphasis on cultural entrepreneurship and creative industries may prioritize market-driven solutions over social justice or cultural equity, reinforcing neoliberal ideologies of individualism and consumerism. While the CET offers valuable perspectives on the relationship between culture and economy, it is not immune to criticism. Critics have raised concerns about its essentialism, neglect of economic structures, methodological limitations, and normative biases. Addressing these criticisms requires a nuanced approach that acknowledges the complexity, diversity, and contested nature of cultural economies while integrating insights from multiple theoretical perspectives. By engaging in critical dialogue and interdisciplinary research, scholars can advance our understanding of the cultural dynamics of economic life and contribute to more inclusive and equitable cultural policies and practices.

2.2.3.2 Implications for SME access to finance.

The Cultural Economy Theory offers valuable insights into understanding the relationship between culture and economic activities, including access to finance for SMEs in the construction sector. By examining the cultural dimensions of economic behaviour and transactions, the CET sheds light on the dynamics and challenges faced by SMEs in securing financial capital in this industry (De Beukelaer & Spence, 2018).

One implication of the CET for SMEs in construction is the recognition of cultural capital and symbolic meanings in economic transactions. The CET highlights the importance of social networks, reputation, and cultural symbolism in shaping economic behaviour (De Beukelaer and Spence, 2018). In the construction sector, SMEs often rely on personal connections, trust-based relationships, and reputational capital to secure project contracts and financing. By leveraging their cultural capital and social networks, SMEs can enhance their credibility and attractiveness to lenders and investors, thereby improving their access to finance (Grodach, et al., 2017). Construction projects are not merely about bricks and mortar; they incorporate cultural significance. Historic preservation projects, sustainable construction initiatives, or community-oriented designs all carry symbolic value that resonates with specific audiences. The recognition of this can be advantageous for SMEs. By effectively communicating the cultural significance of their projects, they can attract investors and lenders who share similar values or seek association with positive social impact (Grodach, et al., 2017).

Moreover, the CET emphasizes the role of creative clusters and cultural intermediaries in driving economic innovation and development. In the construction industry, creative clusters such as architectural firms, design studios, and heritage preservation organizations play a crucial role in shaping aesthetic trends, technological advancements, and sustainable practices (Gu, 2015). SMEs that are embedded within these creative clusters can benefit from knowledge spill overs, collaborative opportunities, and market visibility, which can enhance their competitiveness and access to finance (Gu, 2015). Furthermore, the CTE underscores the importance of cultural authenticity, identity, and heritage in economic activities. In the construction sector, SMEs may specialize in heritage restoration, traditional craftsmanship, or culturally significant projects that contribute to the preservation and promotion of local culture and identity (Gu, 2015; Scott, 2017). By aligning their business strategies with cultural values and community aspirations, SMEs can differentiate themselves in the market and attract funding from cultural investors, philanthropic organizations, and government agencies that prioritize cultural preservation and social impact (Scott, 2017).

However, the CET also highlights the challenges and inequalities inherent in cultural economies that may impact SMEs access to finance in the construction sector. The CET's emphasis on cultural capital and symbolic meanings may exacerbate existing disparities based on race, ethnicity, gender, or socio-economic status (Douglass, 2016). SMEs owned by marginalized groups or operating in underserved communities may face barriers in accessing financial capital due to systemic biases, discriminatory practices, and limited access to cultural

networks and resources (Douglass, 2016). By examining the role of cultural capital, social networks, creative clusters, and cultural authenticity, the CET offers insights into the dynamics of economic behaviour and transactions in this industry. However, challenges such as systemic inequalities and cultural biases must be addressed to ensure equitable access to finance for all SMEs operating in the construction sector.

2.2.4 Integrating the three theoretical positions

Access to finance and capital is a critical challenge for SMEs in the construction and maintenance sector in Gauteng. To develop a more in-depth understanding of this issue, three theoretical frameworks—Resource Dependency Theory (RDT), Financial Intermediation Theory (FIT), and Cultural Economy Theory (CET)—offer valuable insights. By integrating these perspectives, the multifaceted nature of financial access for SMEs in this region can be more appreciated.

The RDT suggests that organizations must secure vital resources from their external environment to survive and thrive. For SMEs in the construction sector, access to finance is one of these crucial resources (Hitt, et al., 2016). The RDT emphasizes the importance of relationships and power dynamics between companies and their financiers. SMEs often rely on banks and other financial institutions for capital. However, the dependency on these external sources creates a power imbalance, where financiers can impose stringent conditions and higher interest rates (Cao, et al., 2017). Understanding this dependency helps in recognizing the importance of building strong, trust-based relationships with financial institutions and exploring alternative financing mechanisms, such as joint ventures or partnerships with larger companies, to mitigate dependency risks and enhance financial stability (Pfeffer and Salancik, 2015).

The FIT provides another lens by focusing on the role of financial intermediaries, such as banks, in facilitating access to capital. This theory highlights the functions of intermediaries in reducing information asymmetry, pooling resources, and managing risks. In the context of Gauteng's construction sector, financial intermediaries can offer specialized financial products tailored to the needs of SMEs, such as project financing or construction-specific loans (Nnabugwu, 2021). Additionally, the FIT underscores the significance of financial intermediaries in providing not only capital but also financial advisory services, which can help SMEs improve their financial management and investment decisions (Oshiogwemo and Mgbemena, 2022). By fostering closer collaboration between SMEs and financial intermediaries, tailored financial solutions can be developed to improve access to finance and

capital which is a critical challenge SMEs in the construction sector in Gauteng. By integrating these perspectives, the multifaceted nature of financial access for SMEs in this dynamic region can be more appreciated.

The CET, on the other hand, explores the cultural and social factors influencing economic activities. For SMEs in the construction sector, this theory sheds light on how cultural values, norms, and social networks impact access to finance (Scott, 2017). In Gauteng, cultural diversity and community ties can play a pivotal role in financial interactions. For instance, community-based lending circles or stokvels can provide alternative financing options rooted in trust and mutual support (Douglass, 2016). Moreover, understanding the cultural dynamics within the construction sector can help financial institutions develop more culturally sensitive approaches, thereby enhancing their engagement with SMEs and fostering a more inclusive financial environment (Douglass, 2016).

By integrating the Resource Dependency Theory, Financial Intermediation Theory, and Cultural Economy Theory, a comprehensive understanding of barriers of access to finance for SMEs in the construction and maintenance sector in Gauteng emerges. This multifaceted approach highlights the importance of relationship management, the critical role of financial intermediaries, and the influence of cultural factors. Such an integrated perspective can inform policies and practices aimed at improving financial access, ultimately supporting the growth and sustainability of SMEs in this dynamic industry.

2.3 SME funding landscape

The availability of affordable and appropriate finance for SMEs facilitates the establishment of start-up businesses, expansion and growth, innovation, and the development and deployment of new technologies (Oseifuah & Manda, 2017). Access to finance is regarded as challenging by SMEs due to the lack of knowledge of the products available, as well as the perception that the criteria used by lenders to assess funding applications is rigid (Cant, 2017). McKinsey & Company (2020) says that although funding is available for SMEs, the lack of awareness of funding opportunities and financial knowledge remains a stumbling block in accessing support. It was further found that the top 3 reasons for not utilizing support were that the applicants either were unaware of the support, knew about it but did not know how to access it, or did not qualify.

Therefore, to bridge the knowledge gap, the public and private sectors have established various financing sources to address SMEs' financial and non-financial needs. The sources can be

categorized into commercial banks, development finance institutions, and alternative funding sources for financial needs. These types of funding and the criteria will be discussed in detail below, followed by the types of non-financial support that improve funding readiness for SMEs.

2.4 Access to financial support

According to McKinsey & Company (2020), in a survey conducted in 2018, 6% of SMEs reported having received government funding, and 9% reported receiving funding from private sources. Recognizing the need for access to finance as a growth catalyst for SMEs, the South African government has set up agencies focusing on advancing financial and non-financial support to SMEs. The private sector also has initiatives that complement the product and service offerings to support SMEs. The support offered is expected to assist businesses in accessing the funds needed to start, grow, and sustain their businesses to compete in the market (Oseifuah & Manda, 2017).

2.4.1 Commercial banks

The South African commercial banks, including Standard Bank, Absa, First National Bank, Capitec, and Nedbank, have various financing options for SMEs. Commercial banks are a primary potential source of funds for SMEs in the construction and maintenance sector (Balogun, et al., 2016). The products available for SMEs through commercial banks include transactional and savings accounts, business loans, revolving facilities, working capital facilities, and asset finance (Standard Bank, 2023). In addition, other offerings include innovative tools such as those offered by First National Bank through their platform, which provides business toolkits, free accounting services, business registration services, and educational content (First National Bank, 2023). Notwithstanding that, banks also offer cash flow relief by granting of payment holidays and loan-restructuring arrangements.

Among the limiting factors in accessing funding from certain banks are their requirements. One such requirement to access funding is for the SME to have an existing relationship with that bank through transactional banking or lending with them (McKinsey & Company, 2020). This requirement automatically excludes unbanked businesses, further widening the access to finance gap.

2.4.2 National Development finance institutions

The organizations established by the government to provide funding support to SMEs include:

2.4.2.1 **Small Enterprise Finance Agency (SEFA)**

The Small Enterprise Finance Agency (**SEFA**) is an implementing agency of the Department of Small Business Development. The agency is a wholly-owned subsidiary of the Industrial Development Corporation Limited (IDC) and was founded on 1 April 2012 – in terms of Section 3 (d) of the Industrial Development Corporation Act, No. 22 of 1940 (IDC Act) – following a Cabinet decision and the 2011 State of the Nation Address to merge three agencies (Khula, the South African Micro-Finance Apex Fund and the IDC’s small business funding unit) into a single entity (Small Enterprise Finance Agency, 2023).

The Small Enterprise Finance Agency’s (SEFA) mandate is to foster the establishment, survival, and growth of SMMEs and co-operatives, thereby contributing towards poverty alleviation and job creation. This is done by providing loans and credit facilities to SMMEs and co-operatives, providing credit guarantees to SMMEs and co-operatives, and supporting the institutional strengthening of financial intermediaries to assist SMMEs and co-operatives, amongst other initiatives, effectively.

SEFA has a national presence, with its head office in Centurion, Gauteng. It operates as a development finance institution (DFI) to foster the establishment, development, and growth of SMMEs and co-operatives and to contribute towards poverty alleviation, job creation, and economic growth (Small Enterprise Finance Agency, 2023).

SEFA provides funding to businesses in the following sectors:

- Services - inclusive of retail and wholesale traders and tourism
- Construction (small construction contractors)
- Mining (small-scale miners)
- Manufacturing (including Agro-processing)
- Green industries (renewable energy, waste, and recycling management).
- Agriculture (focus on land reform beneficiaries and contract-farming activities)

SEFA provides financial and non-financial support to SMMEs and Co-operatives. The types of funding include asset finance, bridging loans, revolving loans, credit guarantees, term loans, and purchase order finance. The funding amount ranges from R50 000 to R15 000 000, with various repayment options.

In the 2021/2022 financial year, **SEFA** approved funding of R2.494 billion to SMMEs and Co-operatives and disbursed R2.322 billion to 76 129 SMMEs (Small Enterprise Finance Agency, 2022).

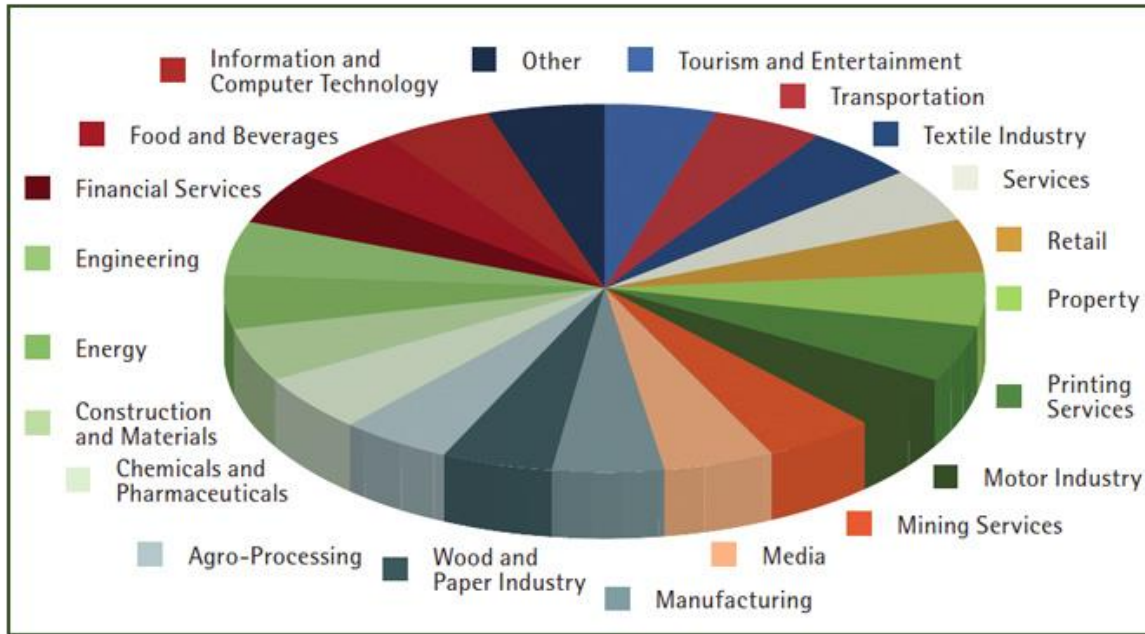
2.4.2.2 National Empowerment Fund

The National Empowerment Fund was established by the National Empowerment Fund Act No 105 of 1998 (NEF Act); the National Empowerment Fund (the NEF) is a driver and thought leader in promoting and facilitating black economic participation by providing financial and non-financial support to black-owned and managed businesses, and by fostering a culture of savings and investment among black people. The operations of the NEF are governed by the Public Finance Management Act No 1 of 1991 (PFMA), including the National Treasury Regulations, the King III Report on Governance for South Africa, and the Protocol on Corporate Governance in the Public Sector, 2002 as detailed in (National Empowerment Fund, 2022).

The NEF is the only DFI mandated to be a driver and thought leader in promoting and facilitating black economic participation. It has been undertaking this mandate for 18 years. It has achieved the provision of financial support worth more than R12.46 billion to 1,349 black-owned and managed businesses since its inception, in turn assisting these businesses in maintaining over 114 189 jobs. It also achieved this through various non-financial support tools provided to black-owned and black-managed businesses (National Empowerment Fund, 2022).

The NEF's mandate is to promote and facilitate black economic participation by providing financial and non-financial support to black-owned and managed businesses. The types of funding supplied include working capital finance, bridging finance, debt financing, revolving credit, specialized asset finance, quasi-equity, and purchase order funding. The loan amount ranges from R250 000 to R75 000 000. Co-funding arrangements are made with other financing institutions for projects that require funding above the R75 million threshold.

The sectors funded by the National Empowerment Fund are displayed in Figure 2.1.



Source: National Empowerment Fund, 2023

Figure 2.1 Sectors funded by the NEF

The NEF has offices in all the provinces in South Africa, with its head office in Johannesburg, Gauteng.

2.4.2.3 National Youth Development Agency (NYDA)

The NYDA was established to address challenges faced by the youth in South Africa. The Agency was established by an Act of Parliament (Act 54 of 2008). The Agency derives its mandate from the legislative frameworks, including the National Youth Development Agency Act, 2008 (Act 54 of 2008) (NYDA Act), the National Development Plan 2030, the National Youth Policy 2030, and the draft Integrated Youth Development Strategy (IYDS). The Agency assumed and improved the operational platform developed by the merger of the National Youth Commission and the Umsobomvu Youth Fund, which rendered the Agency operational with immediate effect. The NYDA Act no 54 of 2008 further mandates the NYDA to develop an Integrated Youth Development Strategy (IYDS) for South Africa and initiate, design, coordinate, evaluate, and monitor all programmes that aim to integrate the youth into the economy and society. (National Youth Development Agency, 2022).

The NYDA's mandate is to create and promote the coordination in youth development matters. Additionally, they provide micro-finance grants to young entrepreneurs and youth co-operatives. This is done through a nationwide chain of full-service branches and district offices nationwide.

The NYDA's Grant Programme encompasses both financial (Grant) and non-financial business development support (Voucher, Business management training, Mentorship, and Market Linkages). The grant funding ranges from R1 000 to R200 000. At the end of the 2021/2022 financial year, 2000 youth-owned enterprises received financial support from the NYDA, creating and sustaining 7,500 jobs.

2.4.3 Provincial Development finance institutions

From a provincial government perspective, there are also provincial-based DFIs whose mandate is to support companies based and operating within that province; the institutions and the funding products offered are detailed below:

2.4.3.1 Eastern Cape

The Eastern Cape Provincial government has established the Economic Development Fund to address economic development challenges. The fund is aimed towards activating economic growth and industrial development across the province, with the expectation of yielding financial, economic, and developmental returns in the medium to long term. Following which, the Eastern Cape Development Corporation (ECDC) was nominated as the implementing agency. The fund structure is designed to enhance its sustainability, with approximately 60% allocated towards initiatives that will yield defined returns on the investment and 40% towards initiatives such as SMME development, youth development programmes, and industry/value-chain activation. Which are expected to yield economic and development returns (Eastern Cape Development Corporation, 2023). The ECDC has offices and operates across the various regions in the Eastern Cape.

The ECDC has in the SMME development allocation, under its Enterprise Finance sub-unit and various funds, which include the Risk Capital Fund, Export Market Access Fund, Job Stimulus Fund, and Invaba Cooperative Fund, which provide funding across the multiple levels of a business's life cycle. The funding may be in equity, loan, or a blended equity and loan option. Other funding products include contract-based bridging loans and term loans. These vary from R10 000 – R5 000 000 in quantum, repayable over 1-120 months depending on the funding product as reflected in (Eastern Cape Development Corporation, 2023). The sector focus across the different funds includes construction, services (supply and delivery), agri-business (Agro-processing), tourism, ICT, Chemicals, Textile and Clothing, Timber and Forestry, Metals, Business Processing Out-Sourcing, and Arts and Crafts.

At the end of the 2021/2022 financial year, R32 million in loan disbursements were achieved, representing 78 SMMEs that have received funding; the funding contributed to the creation of

478 jobs. Under the Jobs Fund, R16,830 million was disbursed, resulting in the saving of 1,683 jobs. Under the Invaba Fund, R15,4 million was disbursed; in addition to this, R384 million value was realized under the Exports Market Access Fund, and R162 million in investments was facilitated.

2.4.3.2 Free State

The Free State Corporation (FDC) is the official economic development agency for the Free State Province. It was established in terms of the FDC Act No.6 of 1995, with a mandate to play a developmental role in the growth of the free state economy by providing support to SMMEs, trade, investment promotion and facilitation, and manufacturing. The corporation is classified as a Schedule 3D Provincial Business Enterprise in terms of the Public Finance Management Act (Free State Development Corporation, 2022).

The products offered by the FDC include start-up loans, expansion loans, acquisition loans, and bridging finance (Free State Development Corporation, 2023). The loan amount provided ranges from R50 000 to R5 000 000. The sector focus includes businesses in tourism development, franchising, business process services and offshoring, retail, ICT, agro-processing, chemical beneficiation, and mineral beneficiation.

During the 2021/2022 financial year, 10 SMMEs received business funding valued at R1.5 million.

2.4.3.3 Gauteng

Gauteng Enterprise Propeller (GEP) is an agency of the Gauteng Provincial Department of Economic Development. It is established in terms of the Gauteng Enterprise Propeller Act 5 of 2005. The formation of GEP was informed by the province's Growth and Development Strategy. The strategy identified SMME development as one of the key drivers in addressing the challenges of inequality, poverty, and unemployment. Therefore, the main objective of the agency is small business development through the provision of financial and non-financial support to small enterprises and co-operatives (Gauteng Enterprise Propeller, 2023).

The GEP provides Start-up finance, Contract finance, Growth and expansion finance, Franchise finance GEP, and Micro-finance (Gauteng Enterprise Propeller, 2023). In addition to these, there are also target funds such as the Township Economy Partnership Fund, Gauteng Rebuilding Fund, and SMME Crisis Partnership Fund. The target sectors include automotive, aerospace and defence transportation and logistics ICT and digital services with a focus on the gig economy, energy (with a focus on new technologies and diversifying the energy mix),

tourism and hospitality food, beverages, agro-processing, agribusiness, construction and infrastructure, financial services, cultural and creative services, and industrial cannabis.

2.4.3.4 Kwa-Zulu Natal

The Ithala Development Finance Corporation Limited (IDFC or Ithala) was established in 1958 as a development finance agency. It is wholly owned by the province of KwaZulu-Natal, with a mandate to assist the government in promoting economic development and empowerment. In its current form, Ithala functions through the promulgation of the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013 (Act No. 5 of 2013), under the oversight of the Board and reports to the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). Ithala is listed as a Schedule 3D Provincial Business Enterprise in terms of the Public Finance Management Act (No. 1 of 1999, as amended) (PFMA) as detailed in (Ithala Development Finance Corporation, 2021).

Ithala, as a DFI, is regarded as one of the key channels through which government funding and another small, medium, and micro enterprise (SMME) support interventions reach communities. Ithala is one of the pioneers of SMME development, the first institution to bank unbanked communities and establish shopping centres in rural areas, stimulating development in the remote regions of KwaZulu-Natal.

Ithala offers funding, entrepreneurial support and skills development to SMMEs and co-operatives. The funding includes asset-based finance, agriculture and agro-processing finance, commercial property finance, franchise finance, micro finance, procurement finance, and structured finance (acquisition and leverage). The funding amount varies between R1000 and R25 000 000 across various industries, including services, manufacturing, trade, retail, agriculture, tourism, and hospitality. Ithala also offers SMME parks that offer low rental leasing of properties and facilities management services for entrepreneurs, predominantly in Townships (Ithala, 2023).

In the 2020/2021 financial year, Ithala had 489 applications from SMMEs and co-operatives, the total value of which is R164 million, supporting the creation of 1578 jobs.

2.4.3.5 Limpopo

The Limpopo Economic Development Agency is established in terms of the Limpopo Economic Development Corporation Act, Act No. 5 of 1994, as amended, and complies with the Public Finance Management Act (PFMA) as a Schedule 3D agency. LEDA has been established as a special purpose vehicle, culminating from the amalgamation of four historical

agencies, namely Trade and Investment Limpopo, the Limpopo Business Support Agency, the Limpopo Agribusiness Development Corporation, and the Limpopo Economic Development Enterprise. It has been created to be a leader in supporting sustainable economic growth and job creation in the province through developing sustainable enterprises, increasing levels of trade and investment, and accelerating industrial diversification. The sectors of focus include the green economy, SMMEs and co-operatives, mineral beneficiation, Agro-processing, public transport, manufacturing, ICT, housing finance, skills development, and life insurance (Limpopo Economic Development Agency, 2023).

The LEDA offers business loans, asset finance, working capital, bridging/procurement finance, and franchising finance (Limpopo Economic Development Agency, 2023). These products aim to provide financial support to SMMEs and Co-operatives conducting business in the province.

During the 2021/2022 financial year end, funding to the value of R9,3 million was advanced to various businesses; this represented a 50% decrease from the previous year due to challenges relating to the COVID-19 pandemic.

2.4.3.6 Mpumalanga

The Mpumalanga Economic Growth Agency (MEGA) was formed in terms of the MEGA Act No.1 of 2010. To provide funding and promote foreign trade and investment in Mpumalanga to benefit Historically Disadvantaged Individuals (HDIs). MEGA is also responsible for funding SMMEs, housing, Agro projects, and farming in addition to promoting trade and investment in Mpumalanga (Mpumalanga Economic Growth Agency, 2023).

MEGA is the go-to agency for SMMEs and Co-operatives in Mpumalanga. It provides financial support through seasonal loans, livestock loans, revolving credit facilities, acquisition of plant and equipment, working capital, bridging loans, business loans, equity funding, and guarantees. These products are offered at different repayment terms and amount ranges (Mpumalanga Economic Growth Agency, 2023). The non-financial support provided by the agency includes mentorship programmes designed to improve business success.

During the end of the 2021/2022 financial year, R2,9 million was approved in business loans, in line with the annual target.

2.4.3.7 North West

The North West Development Corporation (NWDC) was established in 1999. The NWDC is an entity established to plan, finance, coordinate, promote, and carry out the economic development of the North West province in the commerce, finance, mining, and tourism

enterprise industries, as well as related activities that result in job and wealth creation in line with the National Development Plan of the Republic of South Africa (North West Development Corporation, 2022). The North West Development Corporation (NWDC) (Soc) Ltd is an established 3D entity in terms of Public Financial Management (PFMA) Act No. 1 of 1999, updated and revised in October 2012, and a Private Company by proclamation published in an extraordinary Provincial Government Gazette no. 5350 dated 03 February 1999.

The NWDC provides loans and bridging finance for SMMEs (North West Development Corporation, 2022). The bridging finance is available for SMMEs who have secured a contract, order, or tender with a public or private sector entity. The bridging finance is subject to signing a cession agreement with the NWDC; this is to ensure that that loan is repaid (North West Development Corporation, 2023).

2.4.3.8 Northern Cape

The Northern Cape Economic Development, Trade, and Investment Promotion Agency is the agency that aims to assist rural and enterprise development in the Northern Cape. To supplement this, the Department of Economic Development and Tourism (DEDAT) has partnered with the National Empowerment Fund to launch the Northern Cape Blended SMME fund. DEDAT and the NEF have jointly set aside R75 million to establish the Northern Cape Blended SMME Fund, which will provide concessionary funding to local entrepreneurs across all sectors of the provincial economy. The DEDAT R30 million contribution will fund non-refundable grants up to R4 million per transaction, 60% of which will comprise a refundable loan portion from the NEF's R45 million contributions to the Blended SMME fund. Only 60% of the loan must be paid back by applicants. The fund offers grant and loan funding for start-up and expansion purposes (National Empowerment Fund, 2021).

2.4.3.9 Western Cape

The Department of Economic Development and Tourism has launched an SMME Booster Fund, which supports projects and programmes by organizations and or municipalities aimed at helping SMMEs based in the Western Cape (Western Cape Government, 2023). The primary focus is SMMEs, which are women-owned, youth-owned, township-based, and those involved in the export market.

2.4.4 Private Sector Funding

The private sector also has funding options to assist SMMEs to grow and remain sustainable; these options include:

2.4.4.1 Masisizane Fund

The Masisizane Fund is an Old Mutual initiative that was formed in 2007. This was done in consultation with the South African National Treasury following the closure of the Unclaimed Share Schemes Trust. The initiative aims to support SMMEs and promote their long-term viability by providing enterprise development support through development and commercial funding (Masisizane Fund, 2023).

Masisizane Fund offers financial and non-financial support and focuses on development and commercial funding, socio-economic impact, and enterprise and supplier development programmes. The financial support includes debt, mezzanine, and equity funding to facilitate development and commercial transactions. The funding provided ranges from R250 000 to R20 000 000. Masisizane Fund's funding approach is sector-agnostic for qualifying businesses with exclusions for the alcohol and sin sectors. The non-financial support includes pre-investment business acceleration to improve funding readiness, post-investment incubation to support sustainable growth, SMME training, and Business Support. The SMME training and business support focuses on mentorship, financial management, financial reporting training, financial management tools, accounting services, business and technical training and good governance.

Masisizane Fund has, since its inception, deployed R851.8 million in funds, supported 395 SMEs in diverse economic sectors nationwide, and contributed to creating 13,260 jobs through direct and indirect investments.

2.4.4.2 Spartan

Spartan is an independent financier and a Registered Credit Provider in terms of Section 40 of the National Credit Act 34 of 2005 as amended and has been financing businesses since 1981. Spartan is also an Authorised Financial Services Provider, in terms of Section 8 of the Financial Advisory and Intermediary Services Act, 2002 (Act No,37 of 2002). Spartan funds SMEs that have been operational for 3years or more by providing a customized financing approach. The preference for SMEs is due to their commercial viability and growth potential. Other considerations for accessing funding include a minimum annual turnover generation of R10 000 000 or R5 000 000 to R10 000 000 should a contract or project of a large purchase order be in place.

Spartan Finance provides working capital finance, specialized asset finance, and growth finance. Some of the financing options can be structured as revolving facilities depending on the needs of the business (Spartan, 2023). The minimum loan amount offered is R1 000 000

with a maximum of R25 000 000. The repayment period is between 1 and 60 months, depending on the funding option.

Spartan offers finance across various industries and has found these to particularly benefit from their finance offering: manufacturing, construction, engineering, tech businesses, education, healthcare, business services, professional services companies, project-related businesses, contract-related businesses, digital media, and agribusiness. The exclusion list includes businesses that negatively impact people and the planet, including production or trade in weapons and munitions, production or trade in alcoholic beverages (excluding beer and wine) (primary), production or trade in tobacco (primary), gambling, casinos, and equivalent enterprises (primary), production or trade in radioactive materials, production, or trade-in unbounded asbestos fibres just to mention a few.

Spartan is based in Johannesburg, Gauteng, and funds South African-based SMEs, including those based in the country and operating outside South Africa.

2.4.4.3 Business Partners

Business Partners Limited was established in 1981 as the Small Business Development Corporation Limited through equal shareholding representation by the private and public sectors. Over the years, it has positioned itself as the entrepreneur's financier, empowering SMEs through tailor-made financing solutions, mentorship, technical assistance, and affordable business premises. Business Partners operates in South Africa, Malawi, Kenya, Namibia, Uganda, and Rwanda (Business Partners Ltd, 2023). In South Africa, Business Partners is located and operates across the various provinces.

Business Partners provides business finance, property finance, energy fund, property joint venture fund, mentorship, and technical assistance. Under the business funding offering, the funding amount ranges from R500 000 to R50 000 000. The funding can be used for expansion, equipment purchases, working capital, acquisitions, revamps, and property finance (Business Partners, 2023).

The sectors that Business Partners funds include manufacturing, motor trade, commercial property, leisure, retail, travel and tourism, and services industries. The exclusions include on-lending activities, underground mining, and primary agriculture operations.

At the end of their 2023 financial year, Business Partners had approved funding of R887.8 million and disbursed funding of R673,8 million. These funding approvals have facilitated 9,498 jobs across the 196 transactions approved.

2.4.5 Alternative and innovative sources of funding

In addition to the traditional sources of funding, there has been a wave of innovative funding solutions aimed at bridging the funding gap in South Africa.

2.4.5.1 Lulalend

Lulalend provides funding to SMEs using an innovative funding process that includes no paperwork, collateral, or hidden fees. The application process takes 8 minutes, and the processing takes less than 24 hours, provided all the required information has been submitted (Lulalend, 2023). The funding options include bridging finance, revolving capital facilities, equipment financing, inventory finance, trade finance, and refinancing. The funding can be repaid in 3, 6, 9, or 12 months, and funding ranges from R10 000 to R5 000 000.

2.4.5.2 The People's Fund

The People's Fund is a crowdfunding platform focussing on purchase order funding. It is aimed at businesses that have orders with public and private sector clients and need capital to deliver on these orders. The application process takes 5 minutes, and the processing time is 2-5 days. There is no minimum application amount, and the maximum loan amount is R1 000 000 (The People's Fund, 2023).

2.4.5.3 Vodacomb

Vodacom Financial Services, through Vodacomb, provides business-term funding to SMEs. The application process is online, and the processing time is 24 hours (Vodacom, 2023). The maximum loan size is R5 000 000 and can be used to fund working capital requirements, purchase equipment, or be used as a bridging facility as the business needs.

Other nonbank financial players have been active in the South African market.



Source: McKinsey & Company, 2020

Figure 2.2 Nonbank financial players

These are displayed in Figure 2.2 according to how many years they have been operating.

2.5 Access to non-financial support

Non-financial support is crucial in preparing SMEs to reach a point where their businesses are eligible for funding, or what is also termed funding ready. Funding readiness represents a point whereby the business has compiled the necessary documents required to apply and meets the criteria to be considered for funding. Funding readiness also requires compliance with regulatory requirements and specific industry-specific technical certifications. To this effect, the government has set up the below organization to address non-financial support. The private sector also has initiatives aimed at providing non-financial support for SMEs.

2.5.1 Small Enterprise Development Agency (SEDA)

The Small Enterprise Development Agency (Seda) was established in December 2004 through the National Small Business Amendment Act (Act No. 29 of 2004) as an agency under the Department of Trade and Industry (the DTI), now known as the Department of Trade, Industry and Competition (DTI). The establishment merged three entities: the Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre, and the Community Public Private Partnership (CPPP) programme. The GODISA Trust and the National Technology Transfer Centre were merged with Seda in April 2006, becoming the Seda Technology Programme (STP). The small enterprise support function of the South African Quality Institute and the technology-related activities of the Technology for Women in Business were incorporated into the STP in 2008, and the STP was fully integrated into Seda structures in 2009. In 2014, the mandate and functions of Seda were transferred from the DTI to the Department of Small Business Development (Small Enterprise Development Agency, 2022).

Through its provincial and regional offices and incubation network, Seda is responsible for providing business support services during the various stages of the business life cycle (Small Enterprise Development Agency, 2022). These services include business registration, business planning, facilitating of access to finance, mentorship, export readiness, access to quality control and assessment processes, and tender advice/procurement.

During the end of the 2021/2022 financial year, Seda reached 67,029 SMMEs and co-operatives through various entrepreneurship awareness sessions.

2.5.2 Incubators and Enterprise and Supplier Development Programmes

The South African private sector has numerous support programmes to stimulate the growth of SMEs. These programmes include incubators, enterprise and supplier development programmes and foundations. The most prominent incubators include Awethu's Project, Raizcorp, Riversands Incubation Hub, and The Enterprise Room (SME South Africa, 2022). Enterprise and supplier development programmes include Sasol Business Incubator, Edge Growth, Afrisam Enterprise Supplier Development, Murray and Roberts Enterprise Development, Telkom's Future Makers, Massmart Supplier Development (SME South Africa, 2020) as well as Property Point, to mention a few.

Due to the relevance to the SME sector being investigated, the support provided by Property Point to SMEs in the construction and maintenance sector will be highlighted below.

2.5.2.1 Property Point

Property Point started as Growthpoint Properties enterprise development initiative aimed at unlocking opportunities for SMEs operating in the property sector in South Africa (Property Point, 2019). It was established in 2008 and has developed a 2-year programme that provides entrepreneurs with the support needed to grow sustainable businesses. Property Point has, over the years, won numerous awards and has become an industry-wide initiative with programme intakes for other Real Estate Investment Trusts such as Attacq, Fortress, and Pareto. It provides entrepreneurs with skills and training to succeed in the property industry. It achieves this firstly through providing business development support, which entails brand creation, sales and marketing techniques, compliance, project management, human resources, skills development, and presentation skills. Secondly, improving access to finance by providing practical guidance on cash flow management, financial management, and costing and pricing management. Thirdly, it facilitates access to markets through business linkage facilitation, market research and analysis, and private sector procurement processes.

Since its inception, Property Point has reached numerous milestones, including awarding contracts amounting to R1.2 billion for programme beneficiary companies, creating of 2423 by beneficiary companies, and a median annual revenue growth rate of 44% from baseline to graduation of programme beneficiary companies.

2.6 SME sector overview

2.6.1 SME definition

The National Small Enterprise Act, 1996 (Act No.102 of 1996) as amended defines a *small enterprise* as a distinct and separate business entity, alongside any of its branches and

subsidiaries, managed by one or more owners, operating in any of the sectors outlined in Table 2.1. The act was subsequently amended to include new turnover threshold values in 2019.

Table 2.1 SMME Standard industry classification

Agriculture	Small	11-50	<17,0 million
	Micro	0-10	<7,0 million
Mining and Quarrying	Medium	51-250	<210,0 million
	Small	11-50	<50,0 million
	Micro	0-10	<15,0 million
Manufacturing	Medium	51-250	<170,0 million
	Small	11-50	<50,0 million
	Micro	0-10	<10,0 million
Electricity, Gas and Water	Medium	51-250	<180,0 million
	Small	11-50	<60,0 million
	Micro	0-10	<10,0 million
Construction	Medium	51-250	<170,0 million
	Small	11-50	<75,0 million
	Micro	0-10	<10,0 million
Retail, motor trade and repair services	Medium	51-250	<80,0 million
	Small	11-50	<25,0 million
	Micro	0-10	<7,5 million
Wholesale	Medium	51-250	<220,0 million
	Small	11-50	<80,0 million
	Micro	0-10	<20,0 million
Catering, Accommodation and other Trade	Medium	51-250	<40,0 million
	Small	11-50	<15,0 million
	Micro	0-10	<5,0 million
Transport, Storage and Communications	Medium	51-250	<140,0 million
	Small	11-50	<45,0 million
	Micro	0-10	<7,5 million
Finance and Business Services	Medium	51-250	<85,0 million
	Small	11-50	<35,0 million
	Micro	0-10	<7,5 million
Community, Social and Personal Services	Medium	51-250	<70,0 million
	Small	11-50	<22,0 million
	Micro	0-10	<5,0 million

Source: South African Government, 2018

Small enterprises are defined by the sector or sub-sector within which they operate per the standard industry classification. They are further classified per size (micro, small, and medium) as a function of the number of full-time equivalents of paid employees and total annual turnover.

This study will focus on the enterprises falling within the small and medium brackets as outlined by the Government Gazette No.41970, 2018. Small and medium enterprises under the construction category employ between 11 and 250 employees and generate an annual turnover of less than R170 million.

2.6.2 The number of SMEs in South Africa

The recovery of the SME sector post-COVID-19 pandemic has been negatively affected by certain events. These events include the 2021 looting across parts of the country, the 2022 floods in Kwazulu-Natal, increasing fuel prices, and the ongoing load-shedding crisis, which continues to disrupt the recovery rate. Despite this, the Small Enterprise Development Agency (2023) report highlights that there has been a significant rise in the total number of SMMEs, which has brought the level of SMMEs back to pre-COVID levels because of the 148,000 new

entrants into the sector. It was also noted that there has been a 17% increase in formal SMMEs annually, in contrast with most SMMEs still operating in the informal space. In addition, there has been a 6.1% increase in the nominal turnover of SMMEs in compared to the previous year, which indicates a contraction when compared to the consumer inflation of 7.7% in the same period.

Table 2.2 shows the overview of SMMEs as a function of the number of SMMEs, jobs provided, black ownership, and sector spread.

Table 2.2 SMME key indicators

KEY INDICATORS	2021Q3	2022Q2	2022Q3	q-o-q change	y-o-y change
Number of SMMEs	2 404 564	2 535 238	2 683 602	5.9%	11.6%
Number of formal SMMEs	677 786	680 830	792 838	16.5%	17.0%
Number of informal SMMEs	1 641 859	1 777 887	1 791 317	0.8%	9.1%
Number jobs provided	9 758 313	9 310 816	n/a	n/a	n/a
% operating in trade & accommodation	38.1%	39.5%	39.2%	-0.4% pts	1% pts
% operating in community services	13.5%	13.5%	14.6%	1.2% pts	1.2% pts
% operating in construction	13.1%	14.4%	14.4%	0% pts	1.3% pts
% operating in fin. & business services	16.0%	13.8%	12.1%	-1.7% pts	-3.9% pts
% black-owned formal SMMEs	73.6%	75.5%	75.7%	0.2% pts	2.1% pts
% contribution of SMEs* to turnover of all enterprises*	-55.5%	38.3%	36.1%	-2.1% pts	91.7% pts

Source: Small Enterprise Development Agency, 2023

It is worth noting that only 37% of the SMMEs in South Africa are formally registered with the Companies and Intellectual Property Commission (CIPC) and other registration channels, which include the local municipalities. In addition to this, a total of 30% are registered for tax, according to (Department of Small Business Development, 2023).

2.6.3 SME contribution to GDP

In addition to contributing to the GDP of the South African economy, SMEs also contribute positively to employment creation, bridging inequality, and poverty alleviation. The Organisation for Economic Cooperation and Development (2022) reports that SMEs contribute more than 40% to GDP. Saah (2021) found a solid relationship between economic results and SME activities in an economy. Therefore, SMEs can be regarded as economic development agents due to their contribution to economic growth and development. The contribution by SMEs to GDP has also contributed to the government's objectives of promoting the creation, development, and sustenance of SMEs as tools to achieve economic development (Bello, et al., 2018). The objective to help SMEs is seen by the wide range of support programmes initiated by the government and the private sector to assist and promote the growth of SMEs.

2.6.4 Employment creation

SMEs contribute to employment creation by employing skilled and unskilled workers and, as a result, generate income in the economy. According to the National Planning Commission (2012), 90% of the 11 million jobs to be created by 2023 will come from small to medium enterprises supported by the government. The stimulation of job creation is envisaged by creating an enabling environment and partnering with other stakeholders, such as the private, public, and civil sectors. It is also mentioned that by the first quarter of 2020, the SMME sector accounted for 63% of all the jobs in South Africa, which amounts to 10.4 million jobs out of 16.6 million. The jobs comprised 2.61 million SMME owners and 7.8 million SMME employees. Most of the SMME employees were employed in established and formalized SMME establishments.

2.7 Gauteng as a study area

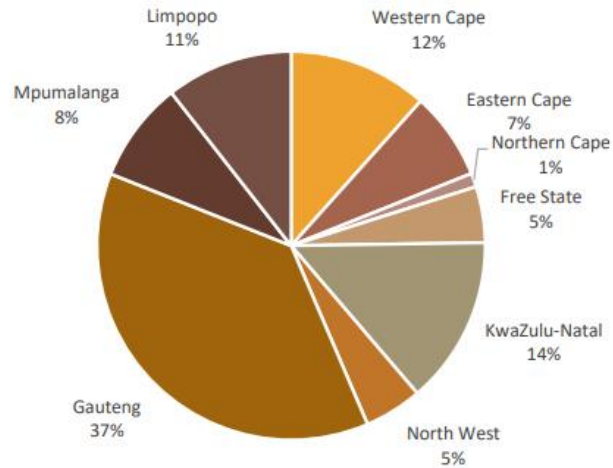
Gauteng, by size, is the smallest province in the Republic of South Africa. It is surrounded by four provinces: Limpopo, Mpumalanga, North-West, and Free State. Gauteng has the largest share of the country's population, at about 13 million, which makes up 24% of the total population (Statistics South Africa, 2016). The province is the country's economic hub, contributing over 34.8% to the gross domestic product. The focus for the Gauteng Provincial Government is to "Grow Gauteng Together", and the plan as outlined in (Gauteng Provincial Government, 2023) is to achieve this through:

- The acceleration of the province's economic recovery and reconstruction.
- Dealing with crime, corruption, lawlessness, vandalism mercilessly.
- Enhancing the living conditions of people living in the 26 townships, 6 provincially owned hostels, and over 700 informal settlements.
- Strengthening the capacity of the government to deliver quality services and improve communication with the residents of Gauteng.
- Improving the health and wellness of communities.

The construction and property maintenance sector has a vital role to play in the achievement of these priorities through the improvement of infrastructure required to create an enabling business environment and enhancement of the livelihoods of communities (the dtic, 2023).

2.7.1 Provincial and Sectoral Spread of SMEs

Gauteng is the province that has the largest number of SMEs at 38%; this figure aligns with the 35% share of the total South African economy. The provincial spread is displayed in Figure 2.3.



Source: Small Enterprise Development Agency, 2023

Figure 2.3 SME provincial spread

The sectoral spread of SMEs is characterized by four main dominant sectors as seen in Figure 2.4, which include trade and accommodation (39%), community services (15%), construction (14%), and financial and business services (12%).

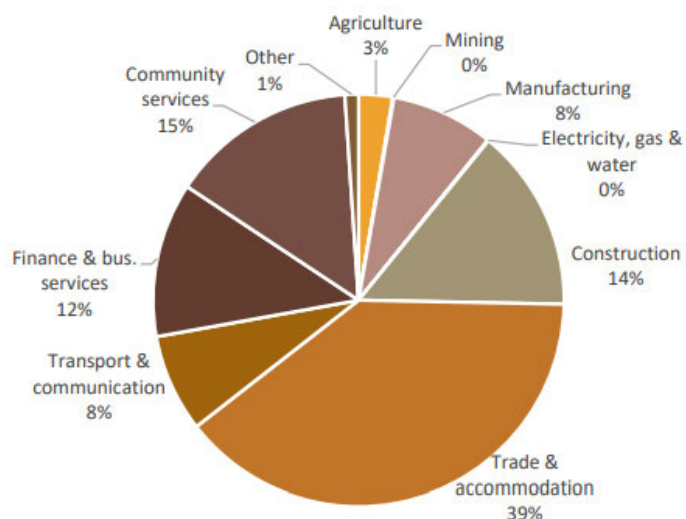


Figure 2.4 SME sectoral spread

Characterized by low barriers to entry, the construction sector has grown by 71000 enterprises between the 2021 and 2022 financial years, as reported in the (Small Enterprise Development Agency, 2023) report. It also accounts for 14% of the SMEs in the Gauteng province.

2.8 Description of SMEs in the Construction and Maintenance Sector

The construction and maintenance sector encompasses three segments, which include civil engineering, residential buildings, and non-residential buildings, as outlined in (Trade and Investment KZN, 2022). Civil engineering represents 49.6% of the industry segmentation and encompasses the construction and alterations to existing infrastructure such as hospitals, railways, dams, sewerage systems and mine shafts. Residential buildings account for 31.6% and include the construction and alterations of dwellings such as houses, flats, and apartments, and the installation of permanent fixtures, such as stoves and air conditioning. The remaining 18.8% comprises non-residential buildings, which refer to buildings and structures planned for industrial or commercial use, such as shopping centres, hotels, factories and schools. The construction sector comprises different activities ranging from site preparation, building activity, maintenance, and renting construction equipment to enable these functions. The SMEs operating in this sector play a significant role in contributing to economic growth and improving the quality of life for the country's citizens through infrastructure provision.

For this study, the SMEs in the Construction and Maintenance Sector operate in these areas as classified by (Statistics South Africa, 2012):

- Construction of buildings.
- Construction of roads and railways.
- Construction of utility projects.
- Construction of other civil engineering projects.
- Demolition.
- Site preparation.
- Electrical installation.
- Plumbing.
- Heat and air-conditioning installation.
- Other construction installations (Heating and air-conditioning systems, antennas, alarm systems, elevators, and escalators). Also included are insulation work (water, heat, sound), industrial process piping work, commercial refrigeration work, the installation

of illumination and signaling systems for roads, railways, airports, harbours, and the installation of certain plants such as manufacturing plants, electric power and transformer plants, telecommunication, and radar plants.).

- Painting and decorating.
- Shopfitting.
- Other building and completion and finishing (Glazing, floor and wall tiling, carpet laying, floor sanding, finish carpentry, acoustical work, the cleaning of exteriors.).
- Rental of construction machinery and equipment (with operator).
- Other specialized construction activities.

The construction sector is regulated by the Construction Industry Development Board (CIDB), established through the CIDB Act No. 38 of 2000. The board is responsible for monitoring and regulating the registration of projects and contractors and measuring those contractors' performance.

2.9 Overview and Outlook of the Construction and Maintenance Sector

The government is the biggest spender on infrastructure in the South African construction industry. According to Labour Research Service (2022), to curb the social and economic impact of the pandemic, the South African government diverted infrastructure spending and reduced traditional expenditure by 80%. According to Statista (2023), the construction sector made up about 3% of the GDP and contributed approximately R107 billion to GDP in 2022. This figure represents a decline compared to the previous year's R111 billion. South Africa is one of the countries on the African continent that is leading the generation of new construction projects. This can be attributed to the steady levels of upgrading public sector infrastructure and the capacity of the private sector concerning real estate, energy, power and transport (Construct Africa, 2022).

A study by Chiromo & Nani (2019) found that SMEs in the construction sector are among those that contribute the most to poverty reduction as opposed to those in the services and retail sectors. Furthermore, to support these SMEs further, the government should enhance the provision of funding and developmental training which is practical for operational enhancement and improve the regulatory frameworks that govern the SMME sector in South Africa.

2.10 Challenges faced by SMEs in the Construction and Maintenance Sector

SMEs have a critical role to play in creating jobs and the promotion of entrepreneurship and innovation. However, there are a set of challenges that SMEs need to overcome to achieve this. The common challenges facing SMEs are often cited as the need for appropriate technical skills, inaccessibility of markets, negative perception, lack of support, resources and infrastructure, management skills, operative training, education, and as well as access to finance (Muriithi, 2017). Additionally, SMEs fall in between the missing middle businesses. These are businesses that are neither large enough nor small enough to qualify for specific government grants, due to them being structured and resourced and not accessing funding from commercial banks because they need to meet specific requirements. An estimate by the National Credit Regulator found that close to 780,000 formal and 2 million informal companies are affected by the access to credit gap because of the inability to access funding (McKinsey & Company, 2020). The credit gap ranges between R86 and R346 billion per annum for formal and informal SMEs (FinFind, 2017).

In addition to these challenges, SMEs in the construction and property maintenance sector experienced these challenges as cited in the (Construction Industry Development Board, 2020); these include late payments of certified work, supply chain disruptions, postponements and delays in the awarding of priced projects/tenders, illegal construction site invasion, reduction in the workforce due to skills gaps, availability of funds to complete projects, lack of business continuity plans, increases in the cost of materials and labour, late payment by debtors for completed work. The effects of these challenges differ in severity depending on the CIDB grading, which categorizes SMEs in the construction and property maintenance sector according to their developmental stages.

There is a level of uncertainty in the sector because of increasing inflation, which increases costs, high-interest rates, supply chain constraints, and material and labour shortages, as shown in Figure 2.5.



Source: Deloitte, 2023

Figure 2.5 The effect of the market uncertainty on industry segments

The resultant effect of the uncertainty on the residential and non-residential segments can also be noted.

2.10.1 Postponements and delays of projects under construction

Like other industries, the construction and property maintenance sector experienced the negative impact of the COVID-19 pandemic. For this sector, it meant that onsite activities had to be stopped apart from essential services or those aspects of the job that could be done remotely. Additionally, the delays in implementing the public sector's infrastructure delivery plan and reduced demand from the private sector contribute to the postponement of projects under construction. This affects the SME's ability to plan, particularly from an operational and cash flow perspective. This is further compounded by the difficulty SMEs in the construction and maintenance sector experience securing projects (Wentzel, et al., 2016).

2.10.2 Illegal construction site invasion by syndicated organized crime.

Large-scale construction sites are susceptible to illegal occupation and hijacking by criminals and gangs, popularly known as the construction mafia who extort money. These individuals disguise themselves as local business forums, demand a share of the project revenue, and often force the construction companies to subcontract some of the work to certain members of the gangs. According to MBSA (2021), the modus operandi of the construction mafia are intimidation, extortion, arson, assaults, and, in some cases, murder. In some cases, they demand 30% of the total project cost as work allocation or protection for the construction project to continue.

These disruptions and blockages at construction sites have cost the economy over R63 billion from at least 183 projects in 2019 across South Africa and these invasions are continuing as reported in (Irish-Qhobosheane, 2022). The invasions at construction sites, although aimed at large construction companies, also affect the subcontracted SMEs to deliver services at these sites. Due to the weak law enforcement in the country, this has provided criminals and gangs the opportunity to target these construction sites for their enrichment at the expense of the businesses involved in the projects. This results in increases in expenditure on private security services, affecting the profitability of construction projects.

2.10.3 The supply and cost of construction material

The construction and property maintenance sector relies on the availability and accessibility of materials to continue work. The impact of the COVID-19 pandemic has exposed vulnerabilities

in the supply chain of engineering and construction commodities (Deloitte, 2023). The results can be seen in shipping and transport delays, increased costs, and constrained material production. Micro and macro-economic factors have impacted manufacturing and production facilities. As a result, the prices of construction inputs have increased by 40.5% between the February 2020 and August 2022 period, as reported in (Deloitte, 2023). The increases and volatility of the prices affect the cost of construction projects and the profitability thereof.

The sector is not shielded from the impact of the Russia/Ukraine war, which has impacted the prices of oil, steel, and other metals, which are crucial components in construction. Materials with energy-intensive production processes, such as bricks, cement, steel, ceramics, and plastics, which require additional energy to extract the minerals and manufacture, are at risk for more cost escalations (Turner and Townsend, 2022). The knock-on effect, in addition to the increased logistics and site operating costs, affects the margins in construction projects.

2.10.4 Managerial and planning skills gap

The competencies and capabilities that are included in the managerial capabilities are as revealed in (Anugwo & Shakantu, 2020) and include financial resourcefulness, the ability to generate profit, diversification of business capability, putting together a capable project team, expertise, and professionalism, multifaceted skills, willingness to learn new approaches and keep up with technological advancements. From a managerial and planning skills perspective, the gaps were ranked the highest in a study by (Aigbavboa & Thwala, 2014). These are essential skills in managing and completing construction and property maintenance within projected timelines and budgets. Entrepreneurship skills and the capability to manage business structure and resources are contributors to growing a sustainable business (Anugwo & Shakantu, 2020).

2.10.5 Technical skills gap and increased cost of skilled labour

The need for more skilled professionals and the capacity to deliver on projects are some challenges facing construction and maintenance SMEs (Aigbavboa & Thwala, 2014). The skills and capacity crisis negatively impacts the ability of contractors to survive and remain economically sustainable (Anugwo & Shakantu, 2020). The skills shortage in specialist trades is further worsened by professionals from the industry moving to other industries and the country. As a result, the cost to employ skilled labour increases due to a reduced supply.

2.10.6 Late payments for completed work.

The timeframe for payments to be made is stipulated in the agreements signed by the parties. Therefore, any payments not made within the stipulated timeframe after completion of the work and submission of the invoice as per agreed milestones can be considered late or delayed. The

reasons for late payments were found to include systematic challenges, contractual disagreements, lack of documented processes, sub-contracting challenges, lack of capacity to process the payments, and invoices being withheld from being paid in specific periods of the financial year; this is prevalent in the public sector (Department of Planning, Monitoring and Evaluation, 2020). Late payments affect the ability of SMEs to stay afloat and cover operational expenses. This has a domino effect and results in late payments to the suppliers of the SMEs, with 34% of them acknowledging paying their suppliers late (Plum Consulting, 2017). Other consequences of late payments include increased costs associated with obtaining working capital finance, depletion of capital reserves, escalation of administrative costs relating to collections and recoveries, decreased labour productivity, and the ability to take up additional work, which may be profitable, as summarised by (Bailey, 2018). Late payments inhibit the planning required to complete projects successfully. Sound financial planning ensures that projects have healthy cashflows required for the duration of the project to ensure optimum performance and successful completion (Djokoto, 2017).

2.10.7 Instability and unreliability of electricity supply

The construction and property maintenance sector relies on the availability of electricity to power machinery, tools, and lights. In the absence thereof, there are disruptions to work schedules, delays and rescheduling of projects, and damage to electrical equipment through power surges and voltage spikes (Infrastructure News, 2023). Loadshedding has a financial effect on construction projects through time and cost overruns as found by (Coetzee & Els, 2016). This can result in penalties for late completion and loss of income.

In addition to the rising costs of electricity, for the contractors that use alternative sources of power during load-shedding periods, there is an added cost of the supply and upkeep of generators as well as pollution associated with generators (Infrastructure News, 2023). The supply of reliable power is critical to business operations which contributes to the growth of the economy; therefore, load-shedding contributes negatively to economic growth (Lenoke, 2017).

2.10.8 Access to finance

In addition to the funding required for projects in line with their scope and timelines for execution, the challenges faced by SMEs in the construction and maintenance sector often result in the requirement for additional funding for cost overruns. Due to their size, these contractors are less able to absorb operational shocks in the short run due to limited capital, making them susceptible to operational disruptions (Bailey, 2018). Access to strong financial

and asset resources and a healthy cash flow were some of the contributors to the sustainability of SMEs in the construction and maintenance sectors as found in (Anugwo & Shakantu, 2020).

2.11 Barriers of access to finance by SMEs in the Construction and Maintenance Sector
Amongst the reasons identified as barriers to accessing finance by SMEs, inadequate collateral, lack of and bad credit history, poor business models, limited access to markets, and inability to produce financial statements are the common ones (FinFind, 2017). The low levels of awareness of the opportunities and lack of financial knowledge also contribute (McKinsey & Company, 2020).

2.11.1 Lack of collateral

The need for sufficient collateral is among the barriers for SMEs in the construction and maintenance sector (Jordaan & Coetzee, 2021). Lenders often require collateral to secure the loan provided to businesses. Collateral is often required due to the risky nature of SMEs and the unavailability of credit histories (Tala, 2021). Therefore, to obtain funding, the business owner must have personal or business assets to pledge as collateral (Balogun, et al., 2016). However, most SMEs in this sector may not have assets that can be used as collateral.

2.11.2 Limited and adverse credit history

Credit rationing by financial institutions has a negative impact on SMEs with limited access to resources (Mazanai & Fatoki, 2012). This is because credit checks are conducted by funders when assessing the level of risk an applicant presents by checking their credit conduct. The credit checks are done through a Credit Bureau, and a credit report is produced detailing the credit history and conduct of the applicant (FinFind, 2017). In addition to the credit checks, additional financial and non-financial information is required to complete the screening process. The poor financial recordkeeping practices in SMEs lead to information asymmetry, contributing to the decline of loan applications. This is because SMEs are often needing help to provide the information required by funders to assess creditworthiness (Jordaan & Coetzee, 2021). This makes it challenging to attain loans from lenders who rely heavily on credit scores when assessing and making lending decisions. Many SMEs in the construction and maintenance sector may have limited credit history or a poor credit score. The unavailability of the information required to assess the level of risk in lending to SMEs leads to institutions implementing turnover threshold limits, which disadvantage lower revenue-generating SMEs. This is a factor that is likely to contribute to the high rejection rates of loans to SMEs (McKinsey & Company, 2020).

2.11.3 Lack of financial literacy

Across the SME segment, financial, strategic, and operational skills have been identified as being crucial to the success of the business (Wolmarans & Meintjes, 2015). There is a lack of financial literacy, financial planning, and financial management skills in many SMEs (FinFind, 2017). It was also found by Schwarze (2008) that SME owners do not have the critical financial management skills needed for the survival and growth of their businesses; this sentiment was also echoed in (McKinsey & Company, 2020), which found that over 50% of SMEs do not keep financial records. This means that business owners may need to become familiar with financial statements, budgeting, cash flow management, and other financial aspects of running a business. This makes it challenging for them to navigate the funding application processes to obtain the funding they need. The effect is that they may not be able to make use of the financing available to them to scale their businesses (McKinsey & Company, 2020).

2.11.4 Lack of constant flow of projects

Delays, declines, and postponements in the awarding of projects/tenders are seen as a concern for SMEs in the construction and maintenance sector (Construction Industry Development Board, 2020). As a result, the revenue levels of SMEs are negatively affected. In assessing affordability, the income of the business is an important factor in the repayment ability. Inadequate income levels contribute to high credit risk in SMEs (Roman, 2011).

2.11.5 Poor financial recordkeeping

Financial recordkeeping is an essential part of running a business as it provides insights into the performance of the business. The financial records of a business are essential in the assessment of funding applications as lenders analyze those records (Nieman & Nieuwenhuizen, 2019). The lack of financial management skills and applying financial management principles are some of the contributors to failure in SMEs (Wolmarans & Meintjes, 2015). The financial performance of an organization is one of the considerations in the assessment of funding applications. Due to poor financial management skills, financial recordkeeping in SMEs is limited, contributing to the inability to access finance. As a result of unreliable financial information, should the business obtain the funding, it will be at a higher interest rate for the funder to offset the risk exposure (Foroughfard & Rahmati, 2019).

2.12 Chapter Summary

The literature reviewed in this chapter points to what access to finance entails in the context of SMEs. The chapter also discusses three theoretical perspectives namely the resource dependency theory, financial intermediation theory and the cultural theory, as well as how they intersect and their implications to the study. In addition, it also points to numerous challenges

in the construction and maintenance sector, which include delays and postponements of projects, illegal construction site invasions, the supply and cost of construction materials, access to finance, late payments of completed work, technical and managerial skills shortages, and infrastructure such as a stable supply of electricity. It also explained how these challenges compound SMEs' inability to access finance for growth and expansion in the construction and maintenance sector.

This chapter identifies how the challenges faced by SMEs in the construction and maintenance sector contribute to the barriers these SMEs face in accessing finance. The studies relating to access to finance barriers have a quantitative focus and, in addition, seldom focus on specific industries. This presented an opportunity to explore the challenges of the construction and maintenance sector SMEs and how they affect the ability to access finance. The study focuses on the Gauteng province due to its high concentration of SMEs in the country. A qualitative approach was chosen to support the descriptive nature of this study as a way of gaining insights into the challenges. The methodology employed in this study will be expanded upon in the next chapter.

CHAPTER 3 METHODOLOGY

3.1 Introduction

The previous chapter provided a review of the literature on access to finance and challenges faced by SMEs in the construction and maintenance sector to provide an overview of the factors that give rise to barriers in accessing finance and the supporting theoretical framework. This chapter outlines the research methodology that was used in conducting the study. The research methodology or strategy shapes the process of a research study from the planning phase to the data collection and the presentation of the findings (Denzin & Lincoln, 2018). It also reiterates the aims and objectives of the study, the research design and the strategy employed, the population and location of the study, sampling strategies, and the sampling size. It also incorporates the data collection method, validity and reliability, data analysis and ethical considerations, and the concluding summary.

3.2 Aims and objectives of the study

The research aims to specify what the researcher intends to achieve and the purpose of the research (Braun & Clarke, 2013). This study aims to obtain an understanding of the challenges facing SMEs in the construction and maintenance in Gauteng, the extent to which these challenges affect the ability to secure finance as well as possible solutions to address the barriers and improve access to finance for SMEs in the construction and maintenance sector in Gauteng.

The following questions guided the study:

- What are the key challenges faced by SMEs in the construction and maintenance sector in Gauteng?
- How do these challenges affect their ability to access finance?
- What are the possible solutions to improve access to finance?

To achieve this, the formulation of research objectives was done, and this included exploring the challenges faced by SMEs in the construction and maintenance sector in Gauteng, how the challenges affect their ability to access finance, and the possible solutions to improve access to finance for SMEs in the construction and maintenance sector in Gauteng.

3.3 Research design

There are two main research methods used for data collection, analysis and interpretation: quantitative and qualitative research. The research designs are defined by Creswell & Creswell (2017) as the types of investigations within qualitative, quantitative, and mixed methods

approaches that provide the road map for the techniques to be followed in a research study. This study employed a qualitative research approach using a descriptive research design by conducting semi-structured interviews to obtain the answers to the research questions. The selection of the qualitative method depended on the fact that the study required qualitative data to explain the challenges and barriers to accessing finance for SMEs in the construction and property maintenance sector in Gauteng. The method allows the researcher to obtain open-ended data to explore the participant's opinions, views, and beliefs about a specific topic (Adeoye-Olatunde & Olenik , 2021). This study employed the phenomenology philosophy, which is defined by (Neubauer, et al., 2019) as a form of qualitative research which focuses on gaining insights based on the experiences and situations of individuals within a population.

3.4 Population and location delineation of the study

According to (Small Enterprise Development Agency, 2023), the target population comprises 141 048 SMEs operating in the Gauteng province within the construction and maintenance sector. For this study, 25 SMEs in the construction and maintenance sector in the Gauteng province. This was made up of the business owners who are also the managers of the SMEs, males and females of various age groups. The business owners have also applied for funding at a particular stage of operating their business.

Gauteng was selected as the location of the study because it is the province with a majority of SMEs in the country. According to the Small Enterprise Development Agency (2023), 37% of the country's SMEs are based in Gauteng.

3.5 Sampling strategy

Sampling is the process in which select members of a broader population are selected to present the population to whom a phenomenon relates to improving the understanding thereof (Haenssger, 2019). It also involves how a research study is designed to obtain a smaller number of elements that represent the population targeted. There are two common sampling method categories namely, probability and non-probability sampling methods. Table 3.1 details the differences between the methods.

Table 3.1 Sampling design and techniques

<p>Probability Elements in the population have some known, nonzero chance or probability of being selected as sample subject</p>	<ul style="list-style-type: none"> • Systematic - elements selected at regular intervals depending on the size of the population and the number of units in the sample. • Stratified- process of stratification or segregation, followed by a random selection of subjects from a stratum. • Simple random - every element has a known and equal chance of being selected as a subject. • Cluster - population divided into clusters, and then a random sample is drawn for each selected cluster. • Multi-stage - selecting the sample in stages (taking samples from samples).
<p>Non-probability Elements in the population have some known, nonzero chance or probability of being selected as sample subject.</p>	<ul style="list-style-type: none"> • Purposive - confined to specific types of people who can provide the desired information, either because they are the only ones who have the information or they conform to some criteria set by the researcher. • Snowball - researchers identify a small number of individuals that have the characteristics of interest then use them as informants to identify others who qualify for the inclusion in the sample. • Convenience - information is collected from members of the population who are conveniently available to provide it. • Self-selection - occurs when you allow individuals to identify their desire to take part in the study.

Source: Construct (Creswell & Creswell, 2017)

In this study, a non-probability purposive sampling approach was used. The research aims and objectives guided the research sample. The approach was appropriate as it prescribed the criteria and characteristics the research participants must have and the ability to access the population sample from the incubator: Property Point. Property Point provides enterprise and supplier development programmes for SMEs in the construction and property maintenance sector. The purposive sampling strategy is ideal in a study requiring the research participants to have certain characteristics relevant to the research question (Haenssger, 2019).

3.5.1 Sample size

The sample size for data collection for this study was limited to SMEs in the construction and maintenance sector based in Gauteng. The research participants who made up the sample needed to fulfil the following criteria for inclusion in the study:

- 1) All research participants must own and manage a business operating in the construction and maintenance sector.
- 2) The location of the businesses owned and managed by the research participants must be in Gauteng.
- 3) The business must have been operational for at least two years to ensure that the participants have the relevant exposure regarding challenges in the industry.

- 4) All research participants must have sought and applied for external funding while running their business.

The researcher aimed to interview 25 research participants; however, 22 interviews were conducted and that represented the sample size as a result of the researcher reaching saturation. The data collected was enough to be representative because going to the 23rd participant would give the same information obtained from the other participants.

3.6 Data collection procedures

3.6.1 Development of interview schedule

The interview schedule was developed to enable the researcher to effectively examine the challenges experienced by SMEs in the construction and maintenance sector in Gauteng and the barriers of access to finance. The topics of the interview guide are said to be grounded in the literature and a preliminary framework to address the problem as well as to provide structure to how questions are asked during the interview process; this is an important step as the absence of grounding literature may undermine the quality of the data collection (Haenssger, 2019). To achieve this, a review of the literature was conducted to ensure that the researcher is aware of the issues relating to SMEs and the challenges they face as they grow their businesses and seek finance to sustain the growth. A funnelling technique was used to develop open-ended questions. In developing the questions, it was important to ensure that they were clear to understand. The questions were developed and linked to each of the three objectives. The questions were discussed with the research Supervisor, and recommended changes were taken into consideration in developing the final schedule used for the study.

3.6.2 Data collection strategy

There are two main ways by which data can be collected for research purposes: primary or secondary methods. Primary data is information collected by the researcher first-hand; secondary data is derived from secondary sources and may include published or unpublished work (Rabianski, 2003). Primary data is collected through four main categories: surveys, experiments, observations, and interviews, and secondary data through data types such as numeric data sets, regulatory cases, corporate annual reports, and government filings (Nicholson & Bennett, 2009).

In this study, primary data was collected using semi-structured interviews conducted as a data collection instrument. This ensured that completed responses were collected within a short period while covering the scope of the study adequately. Haenssger (2019) stated that semi-structured interviews are dynamic instruments and provide flexibility in terms of adapting and

altering questions as the interviews progress, as opposed to structured interviews and questionnaires can be classified as standardized and static instruments.

3.6.3 Interviews

A purposive sampling approach was chosen as it ensures that data is collected from participants with the characteristics that interest the researcher. Property Point was identified as the source of SMEs in the construction and maintenance sector. This is because Property Point provides enterprise and supplier development programmes to SMEs, primarily those in the construction and maintenance sector. The participants for the study were identified from the Property Point database of SMEs in the construction and maintenance sector. The participants varied in terms of the number of years in operating their businesses. This allowed the researcher to obtain data from incumbents in different levels of the business lifecycle, which will provide a firm reflection of the problem being investigated.

The researcher approached Property Point to discuss the study and obtain consent to access their programme beneficiaries to participate in the study; the signed consent was obtained Annexure: E. The Head of Research at Property Point facilitated the distribution of the consent form to the identified participants. A list of the participants who responded to the email expressing consent to participate was compiled.

The database provided included 39 SMEs operating in different trades within the construction and maintenance sector. These trades included general building maintenance, electrical and lighting works, plumbing, mechanical engineering, project management, quantity surveying, interior design.

Contact via email and phone calls was made with all the participants identified to reiterate the purpose of the study and confirm consent to participate, request the completion of the consent form, and schedule the preferred time for the interview. The interviews were conducted on Microsoft Teams to provide flexibility for the participants and the researcher. Of the 39 participants identified, 22 honoured the time scheduled and were interviewed.

Due to the availability of the participants, the interviews were scheduled and conducted over six weeks. The interviews varied between 30 – 45 minutes depending on the level of detail provided by the participants and further probing by the researcher.

At the beginning of each interview, the researcher provided a refresher on the purpose and objectives of the study, as well as confirmed consent to participate. The researcher reassured the participants that the information provided would be confidential and that the study was for

academic purposes only. The participants were reminded that their participation was voluntary and that they may choose to stop participating at any point during the interview. The researcher also requested permission from the participants to record the interview using the Microsoft Teams functionality. Consent to proceed with the interview and recording was obtained from all the participants.

The researcher recorded each interview and took notes during the interviews in addition to the limited transcription feature of Microsoft Teams. Following each interview, the researcher listened to the recording to review and edit the draft transcript.

3.7 Data analysis strategy

In qualitative analysis, the thematic analysis method was implemented to respond to the objectives of this research study. Thematic analysis refers to a collection of methods for systematically developing and providing insight into patterns of meaning called themes across a data set (Cooper & American Psychological Association, 2012). A *theme* is a pattern observed in the information which, at a minimum, describes and organizes possible observations and, at a maximum, interprets aspects of the phenomenon (Boyatzis, 1998). The methods enable the research to develop and make sense of collective or shared meanings and experiences concerning a phenomenon. Through these methods, several patterns of meaning can be developed across any data set while the purpose of thematic analysis is to develop those patterns relevant to a particular research question. Thematic analysis allows the researcher to decompose and investigate the data in numerous ways, such as examining patterns of meaning across the entire data set or examining a particular aspect of a phenomenon at a deeper level of analysis. In implementing this attribute of thematic analysis in this study, the obvious semantic meanings across the data relating to the primary inquiry of the study are reported. This is followed by interrogated latent meanings, referring to the assumptions and ideas embedded within what is explicitly stated at the semantic level (Cooper & American Psychological Association, 2012).

The thematic analysis method was implemented in this study using NVivo 14 software for data analysis. The reflexive thematic analysis that considers the researcher's values and background in the data analysis process is the approach used. The importance of choosing reflexive thematic analysis is that it allows the use of existing theories and concepts to inform data interpretation (Boyatzis, 1998). Furthermore, reflexive thematic analysis combines qualitative approaches to coding and theme development, including the researcher's subjectivity, while emphasizing the provisionality of knowledge fundamental since the primary researcher has

been immersed with SMEs and their dynamics. The thematic analysis method as implemented is summarized in Table 3.2.

Table 3.2 Implementing thematic analysis methodology

Analytic Phase	Description	Actions
Data familiarization	Immersion of oneself into the data to understand the content and richness of the data, its depth and breadth. Immersion also enables an initial search for semantic patterns in data.	<ul style="list-style-type: none"> ▪ The audio files of the interviews were transcribed and organized in Word files. ▪ Re-reading and checking patterns of responses, errors, and making corrections enabled familiarization with the data. ▪ Data descriptions were recorded in NVivo 14 as memos for usage in data analysis.
Initial Code Generation	Semantic coding—entails taking meaning from the data at their face value and assigning a code or identifier.	<ul style="list-style-type: none"> ▪ The transcribed data was organized for automatic coding by participant and sub-question. ▪ Initial reading led to the generation of semantic themes based on themes in objectives and subthemes appearing in the data and from the memos in the reading phase.
Generating latent codes and initial themes	This entails sorting semantic codes into initial themes and rechecking the semantic codes for coherence.	<ul style="list-style-type: none"> ▪ Checking for emerging concepts and assumptions through dimension reduction.

	Semantic code decomposition into concepts, looking for meaning within the broader context of data or pattern of discussion in the data.	<ul style="list-style-type: none"> ▪ Cluster analysis using NVivo 14. ▪ NVivo 14 concept mapping trees to analyze the usage of key concepts in the data. ▪ Initial themes generated through cluster analysis showing similarity in discussion patterns as well as emerging concepts (shown in figures).
Theme Review	It entails identifying coherent patterns at the level of the coded data. The themes are reviewed within the context of the broader dataset.	<ul style="list-style-type: none"> ▪ Re-reading the themes into the data and checking for content representation. ▪ Some themes were aggregated as sub-themes and merged into other themes.
Writing substantive reports	Generating a substantive theory of the points of interest told by the data.	<ul style="list-style-type: none"> ▪ Presented responses to the research questions based on the patterns observed in the themes. ▪ Substantive writing beyond simple description using results of latent thematic analysis.

Source: Adapted (Braun and Clarke, 2006) and integrated.

3.8 Credibility test for qualitative data

In thematic analysis, trustworthiness establishes the credibility, dependability, confirmability, and transferability of research findings (Creswell & Creswell, 2017). Credibility measures the truth value of qualitative research, that is, whether the study's findings are correct and accurate. This to some extent relies on the researcher(s) and their research methods. Credibility is thus achieved through triangulation, prolonged engagement with the data, persistent observation,

negative case analysis, and referential adequacy in the analysis and reporting of the findings. In this study, through NVivo 14 software, an audit trail of all the coding decisions and theme development through the use of text analysis tools and researcher's judgment were generated in the NVivo 14 log file. This log file keeps a detailed record of the research process, including decisions about coding theme development and changes implemented, allowing for analytical transparency and traceability of the analysis. Each theme reported in the findings was backed by adequate references extracted from the raw data, ensuring that the findings reported were established in the original perspectives of the study participants.

Triangulation is established through methodological integration, the use of software tools, and the researcher's subjective analysis of the data. Software tools included cluster analyses based on word similarities and auto-coding. These were compared using NVivo 14 coding similarity tools and reported in cluster analysis diagrams, ensuring that derived themes were robust to alternate methods of analysis. In the presentation of the findings in Chapter 4, general findings derived from cluster analyses and concept mapping of the patterns or similarities in the data were reported and followed by results found through reflexive thematic analysis by the researcher. This preliminary analysis was crucial in establishing patterns and observing whether the themes reported through reflexive thematic analysis existed in the data and were not created due to the researcher's biases. These methods ensure that the thematic analysis and results generated in this report can be reproduced if the same instructions and logged methods and decisions are followed.

3.9 Ethical considerations

It is vital to protect participants in all research studies by applying appropriate ethical principles. This is particularly so in qualitative research because of the in-depth nature of the study process, according to (Mohd Arifin, 2018). Due to the importance of ethical considerations during conducting research and ensuring that the dignity and safety of participants are protected, the University of KwaZulu-Natal Humanities and Social Sciences Research Ethics Committee ensures that ethical requirements are adhered to during the research process. As such, this research study required the review and approval of the Ethics Committee, and such was obtained.

The issues to be considered when conducting research include informed consent, respect for anonymity, and respect for privacy, as outlined in (Fouka & Mantzorou, 2011). This is how these three elements were adhered to during the research process.

3.9.1 Informed Consent

The participants were given information pertaining to the study, including the purpose and aims and how they are to participate in the study to enable them to make an informed decision to participate voluntarily. The consent form was shared with the participants for their noting and signature. The consent form used in the study has been attached as Appendix: A.

Respect for anonymity and confidentiality

The study required the participants to share their experiences relating to challenges in growing their businesses and accessing financial support. Therefore, it was important to emphasize that the information will be treated confidentially and will be anonymous. The participants engaged freely during the interview, meaning that the interview process created an environment within which they felt safe to share their experiences.

It was also emphasized that the participants could withdraw at any point during the interview should they wish to do so, without any negative consequence. None of the participants withdrew during the interview process.

3.9.2 Respect for privacy

The participants were not required to share any private and sensitive information that had the potential to leave the participants emotionally harmed or traumatized from the interview. The permission to record the interview using the Microsoft Teams feature was obtained from all the participants, and there were no objections.

Having considered the above principles, the researcher has taken possible measures to protect the participants from any potential social, psychological, or physical harm during the study and after the circulation of the results. To ensure compliance with the ethical requirements, the following steps were undertaken:

- 1) The gatekeeper's letter was obtained from Property Point.
- 2) The ethical clearance application was submitted and approved by the University of KwaZulu-Natal Humanities and Social Sciences Research Ethics Committee.
- 3) An informed consent was shared with the participants for their noting and signature.

3.10 Chapter summary

This chapter outlined the research methodology used to conduct the study. It covered the objectives of the study, the research design, and the research method employed to conduct the study. The discussion in this chapter also highlighted the population, location of the study,

sampling, sampling strategy and sample size. Furthermore, the method of data collection, the development of the interview schedule, the data collection strategy, and ethical considerations are covered in this chapter. Lastly, this chapter describes how the data will be analyzed. The next chapter specifies the data analysis process and outlines the findings of the research study.

CHAPTER 4

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

The previous chapter outlined the research methodology used to conduct the study. This chapter will focus on the presentation, interpretations, and discussion of the qualitative data. The findings are discussed taking into consideration previous research findings, literature available and identifying similarities and differences between this study and previous findings and literature. The purpose of this chapter is to present the results of data collected from the 22 study participants who presented themselves and participated in the interviews. Participants' numbers are used throughout the presentation of findings to maintain anonymity; the number range is P1-P22. Prominent themes were derived from the qualitative data and used in arranging sub-headings for better understanding. In this chapter, the data collected and processed to yield results are presented and analyzed for relevance to the research objectives. The outline of the chapter includes the description of study participants, participant's profile, response rate, findings including formulation of themes and sub-themes and the interpretation of the findings of the interviews conducted with the owners of the SMEs in the construction and maintenance sector in Gauteng.

4.2 Characteristics of participants

The research participants who made up the sample needed to fulfil the following criteria for inclusion in the study:

- 1) All research participants must own and manage a business operating in the construction and maintenance sector.
- 2) The location of the businesses owned and managed by the research participants must be in Gauteng.
- 3) The business must have been operational for at least two years to ensure that the participants have the relevant exposure regarding challenges in the industry.
- 4) All research participants must have sought and applied for external funding while running their business.

4.2.1 Interview participant's profile

Participant code	Gender	Position	Number of years in business	Length of interview
P1	Male	Managing Director	11 years	35minutes

P2	Female	Managing Director	6 years	58 minutes
P3	Female	Managing Director	9 years	37minutes
P4	Female	Managing Director	7 years	40minutes
P5	Male	Managing Director	8 years	21minutes
P6	Male	Managing Director	13 years	43minutes
P7	Male	Managing Director	3 years	25minutes
P8	Female	Managing Director	6 years	23minutes
P9	Female	Managing Director	16 years	32minutes
P10	Male	Managing Director	13 years	40minutes
P11	Female	Managing Director	9 years	33minutes
P12	Male	Managing Director	10 years	40minutes
P13	Female	Managing Director	4 years	35minutes
P14	Female	Managing Director	4 years	29minutes
P15	Female	Managing Director	3 years	30minutes
P16	Female	Managing Director	6 years	25minutes
P17	Male	Managing Director	3 years	34minutes

P18	Male	Managing Director	10 years	20minutes
P19	Male	Managing Director	17 years	53minutes
P20	Female	Managing Director	11 years	24minutes
P21	Male	Managing Director	11 years	43minutes
P22	Female	Managing Director	4 years	22minutes

4.3 Response rate

The study achieved a response rate of 88% from the purposively selected participants who were willing to participate.

Instrument	Planned	Actual	Percentage %	Shortfall %	Total %
Interviews	25	22	88	22	100
Total	25	22	88	22	100

Table 4.1 Response rate for the study participants (n=22)

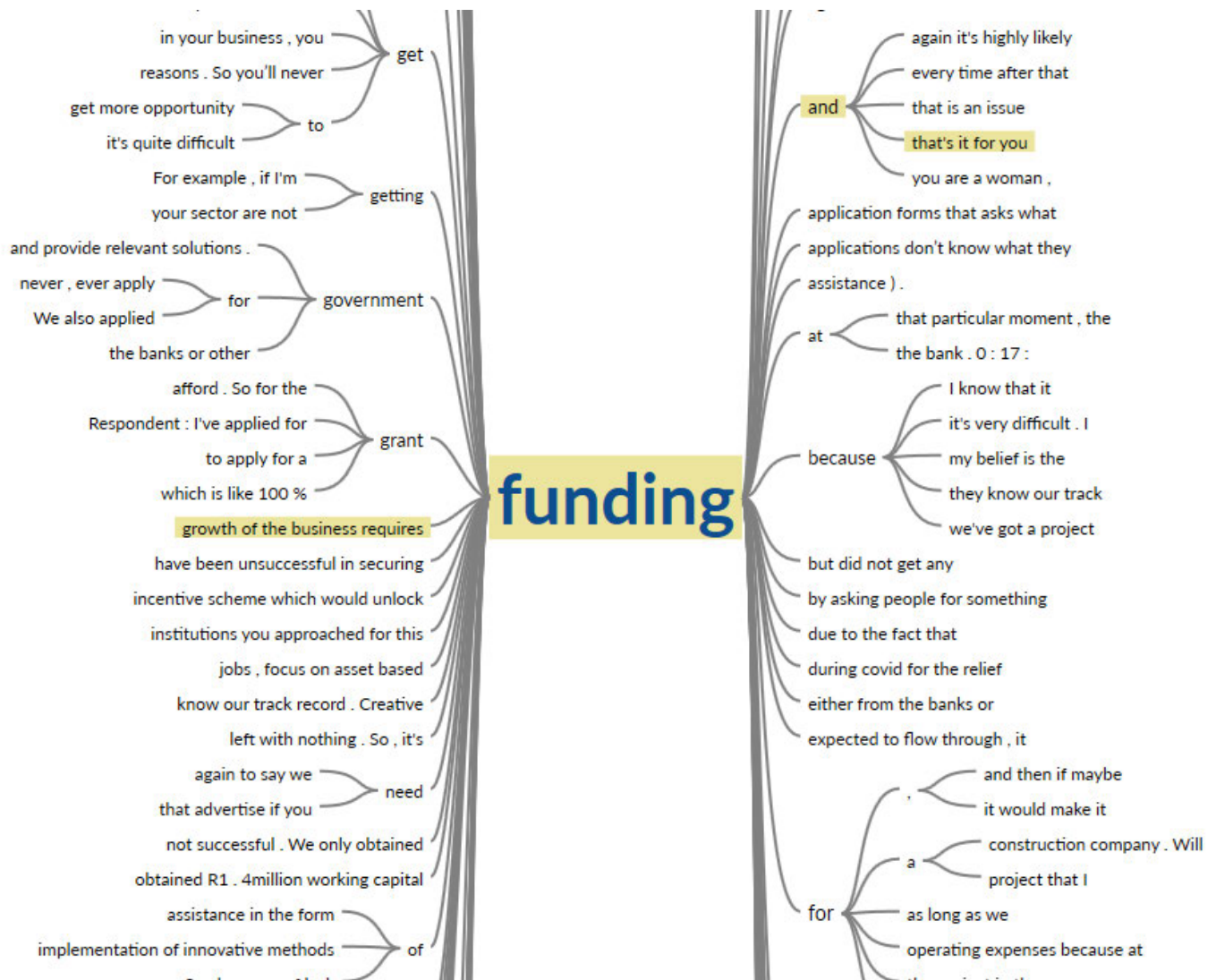
4.4 Preliminary data analysis

In this section, the preliminary discussion focuses on the key findings in the study concerning key challenges affecting SMEs in the construction sector, the key challenges with access to finance and possible solutions raised among participants towards navigating these challenges. The general profile of qualitative findings presented in this section are not associated with any subjective analysis of the raw data but using software methods to trace similarities based on key concepts, which is possible through NVivo 14. This is important to present a general mapping of how the data collected for analysis responds to the objectives of the study without the researcher's subjective analysis. The general findings seek to give a snapshot of the data considering the objectives of the study. The objectives are discussed briefly.

Objective 1: To understand the key challenges facing SMEs in the construction and maintenance sector in Gauteng. To meet this objective, concepts related to challenges are

nature of these key concepts, the use of concept maps for some of the key concepts are discussed in Figure 4.2, with a concept map presented for each concept.

4.4.1 Funding



Source: Author's construct using NVivo 14

Figure 4.2 Perspectives on funding

The entire tree was not transferred to this report for space considerations, although the entire concept map was used in the discussion. It is also important to note that in the semantic analysis of the data, concept maps were used to observe patterns in the raw data, with latent analysis following an in-depth reading of the transcripts to understand text and references within their broader discursive context. Concerning funding, the emerging ideas included “need for a sustainable model of funding (P9)”, “need for training, funding, readiness, confidence building and addressing gaps (P11)”, “lack of visibility to funding institutions (P15)”, “need to address

access to funding to unlock operational cash flows”, “challenges and problems in accessing funding”, “meeting the requirements for accessing funding for small businesses” and “growing business without accessing funding (P8, P12, P13) ”.

“There should perhaps be a sustainable model for SME based on the nature of the business. Funding structure to include a sustainable model for SMEs—funding with support in terms of access to markets, interlinks within the institutions to unlock opportunities”. **Participant 9**

“Training would assist so that when the opportunity presents itself, you are well equipped to go and apply for the funding. It will ensure that you have all the necessary information... training (funding readiness, confidence building, addressing gaps in the business)”.
Participant 11

“There is a lack of visibility by funding institutions so they should be more advertisements. There should be coordination between the government departments and funders (access to markets linked with the funding assistance)”. **Participant 15**

“Its growth, the growth of the business requires funding and that is for you to grow”.
Participant 8

“Collateral can be a lot for someone who doesn't have assets or rich parents. It is just a system to lock people out of accessing funding by asking for something that they don't have”.
Participant 13

“There is absolutely no way you can grow any business without accessing funding”.
Participant 12

“It's growth, the growth of the business requires funding and that's it for you to grow. Growth for us is more teams on the road and more teams on the road requires more vehicles, more vehicles require more tools”. **Participants 8**

Thus, concerns with funding are multifaceted involving both internal factors within the small businesses, such as limitations in capacity, skills and needed market confidence. However, it is also observed that external factors have their fair share, including access to sustainable funding opportunities, poor visibility of funding institutions to SMEs and lack of growth and therefore competitiveness in the respective sub-sectors. The central role of access to funding to grow the business was highlighted as participants highlighted that funding was required for growth and

purchasing the needed tools and equipment. However, collateral was highlighted as a limiting factor on growth since most SMEs had a small or insignificant asset base (**P13**).

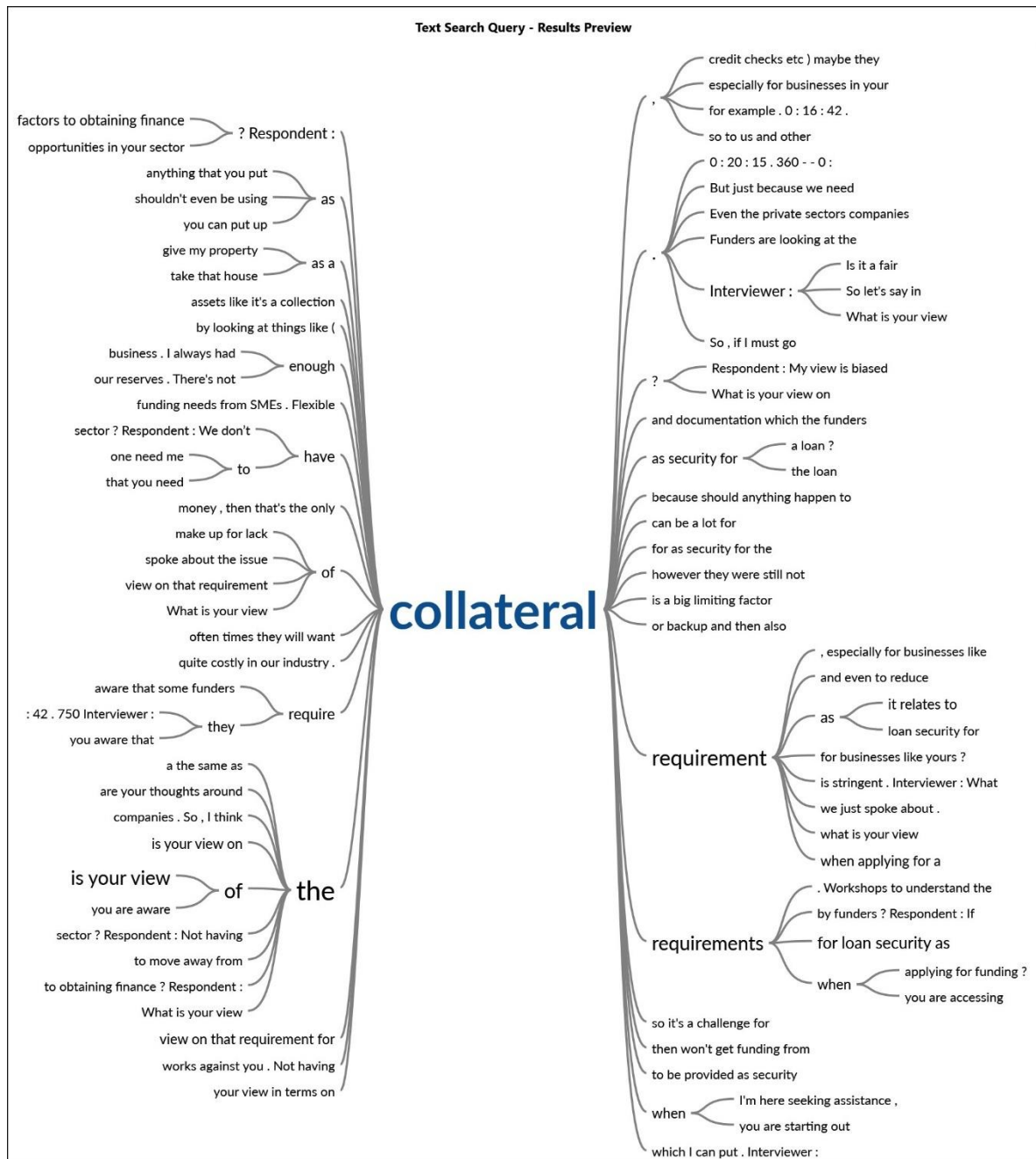
For SMEs in the construction sector, access to funding is a critical resource. The results highlight several internal and external factors affecting this access. Internally, SMEs face limitations in capacity, skills, and market confidence. Training and readiness, as mentioned by Participant 11, are crucial for equipping SMEs with the knowledge and confidence to apply for funding successfully. Externally, the lack of visibility to funding institutions, as noted by (**P15**), underscores a significant dependency on these institutions for financial resources. The RDT emphasizes the need for SMEs to build robust relationships with financial entities and enhance their visibility to reduce dependency risks and secure necessary funding (Pfeffer & Salancik, 2015). The proposal for a sustainable funding model that includes support and access to markets (**P9**) aligns with the RDT's principle of reducing dependency by diversifying resource acquisition strategies (Hitt, et al., 2016).

The FIT examines the role of financial intermediaries in facilitating access to capital (Bethune, et al., 2022). The results reveal challenges such as meeting funding requirements and the burdensome collateral demands that SMEs face. The FIT highlights the function of financial intermediaries in reducing information asymmetry and providing tailored financial products. However, the high collateral requirements (**P13**) indicate a gap between SMEs needs and the risk mitigation strategies of financial institutions. The call for a sustainable funding model (**P9**) and better coordination between government departments and funders (**P15**) suggests a need for financial intermediaries to innovate and offer more accessible, less collateral-intensive financial products. Moreover, the necessity of collateral for funding growth (**P12**) reflects the FIT's concept of intermediation inefficiency, where current lending practices fail to meet the unique needs of SMEs in the construction sector.

The CET explores the influence of cultural and social factors on economic activities (Douglass, 2016). The results reflect how cultural perceptions and social structures impact funding access. For instance, the lack of visibility to funding institutions (**P15**) can be interpreted through the CET as a cultural disconnect between SMEs and financial bodies. The suggestion for more advertisements and better coordination with government departments indicates a need for cultural bridging and better communication strategies to enhance visibility and trust (Douglass, 2016). The CET also highlights the social barriers SMEs face, such as the systemic requirement for collateral (**P13**), which can be seen as a mechanism that inadvertently favours established

businesses with greater assets, often influenced by historical and social inequities. This perspective calls for a culturally sensitive approach to financial intermediation, considering the unique socio-economic backgrounds of SME owners.

4.4.2 Collateral



Source: Author's construct using NVivo 14

Figure 4.3 Perspectives on collateral in accessing finance

The analysis of the data showed that collateral was perceived as a banking requirement for improving access to finance from SME applicants. Perspectives from the participants included

“collateral requirements as significant limiting factor (P22, P18, P12)”, collateral as required security for the loan (P5, P11)”, “insurance as a form of collateral (P4)”, “need for flexible collateral requirements”, “collateral as multifaceted, assets and cashflows (P5)

*“Collateral is a big limiting factor especially for businesses which are starting out and haven’t accumulated assets in their business. Also not having a consistent flow of projects makes funders doubt your ability to repay the money”. **Participant 22***

*“Because without proper documentation and then all the requirements that show profit in your business and then without anything you put as collateral then won’t get funding from the banks and so that is the biggest obstacle in so far as I see”. **Participant 18***

*“Our line of business is less risky, but we are still classified and treated like traditional construction companies. So, I think the collateral requirement is stringent”. **Participant 12***

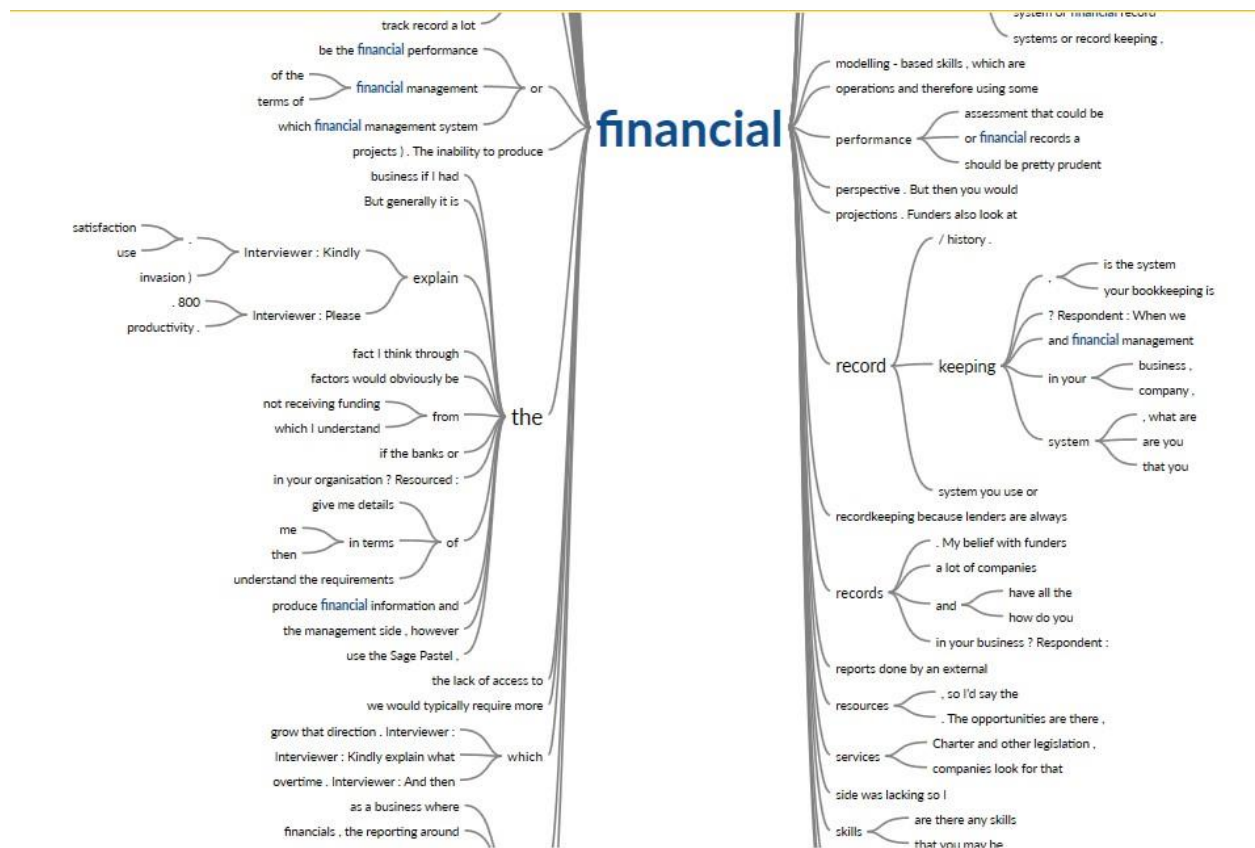
*“Insurance to make up for lack of collateral. Even the private sector companies that we work with as their vendors should provide funding because they know our track record”. **Participant 4***

*“I think that forms part of the red tape because we are still small businesses and from backgrounds that don’t afford us that advantage to have something that you can put up as collateral so it’s a challenge for small businesses especially for black owned businesses”. **Participant 11***

*“They take long to give the funding, and when you are applying for funding, they look at your account and if you are not doing any jobs, they think you won’t be able to pay them”. **Participant 5***

The general assessment of the perspectives on collateral shows that the participants understood collateral as an asset or security for taking a loan from any bank. However, the requirements were perceived as designed to limit SMEs by limiting access to funding. Collateral was also perceived as part of the requirements to access finance and needed financial backing through access to projects or streams of cashflows. These were stringent and limiting, with the participants calling for more flexible collateral arrangements such as proof of work/track record, taking into consideration the status of upcoming businesses, and inclusion regardless of one’s population group status.

4.4.3 Financials



Source: Author's construct using NVivo 14

Figure 4.4 Perspectives on financials by SMEs

In Figure 4.4, the perspectives among participants concerning business financials are presented using a concept map. The entire chart is not presented for space considerations. The key challenges that were observed included “*lack of knowledge in compiling financial information (P9)*”, “*financial performance, financial records, and financial track record (P17)*”, “*poor financial handling and management skills (P11)*”, “*financial challenges (P6)*” and “*need for businesses to improving financial recordkeeping (P7)*”.

*“It’s the lack of knowledge on how to approach funders and their requirements. Financial information, lack of knowledge in compiling financial information and lack of support in doing so”. **Participant 9***

*“The limiting factors would obviously be the financial performance, or financial records a lot of companies don’t have access to that. I think you’ll need to have a financial track record a lot of financial services companies look for that previous performance is obviously a measure of what finance you have access to”. **Participant 17***

*“Not having collateral or backup and then also not being well equipped on how these finance things should be structured. Some training on how to do your business plan and financial projections”. **Participant 11***

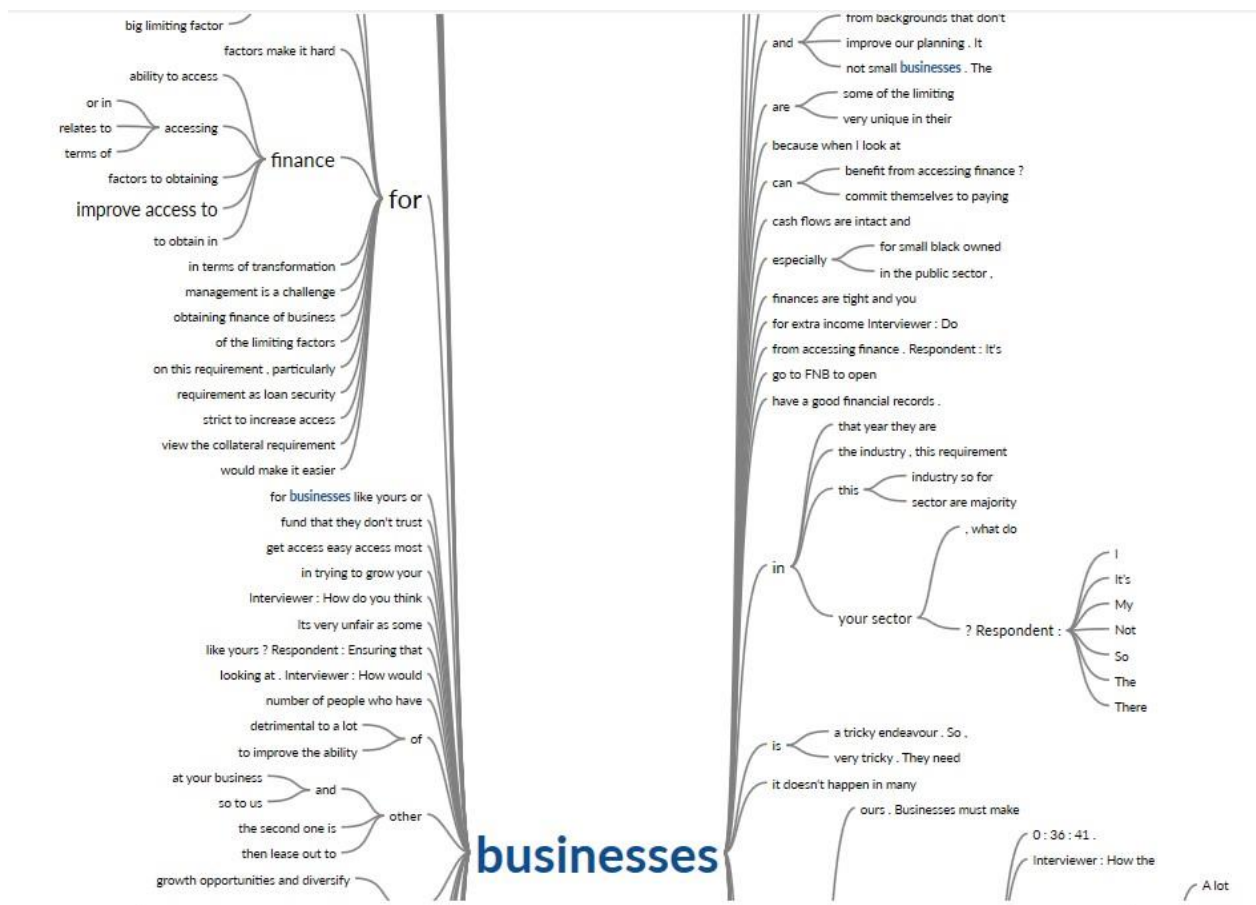
*“Depending on how long the job takes to be completed, for example we had a project which took 16 weeks to complete, so if you were to wait that long you are likely to face serious financial challenges throughout the project because you need certain things while waiting for those funds...”. **Participant 6***

*“Businesses should improve financial recordkeeping because lenders are always focusing on that before they can lend you money and having a clean financial record/history”. **Participant 7***

The general perspectives of financials related to SMEs show that the SMEs in the construction and maintenance sectors face financial challenges related to financial inflows, financial record keeping and management, financial projection and planning, and lack of collateral to access finance. The linkages between collateral and financial health are also apparent; without collateral, there are challenges with financial inflows (**P11**). Poor financial record-keeping explains the lack of a financial track record that can be useful in demonstrating financial capacity when applying for finance from lending institutions.

4.4.4 Businesses

The concept mapping of perspectives of SME businesses amongst participants in the study is presented in Figure 4.5, where, due to space considerations, a snapshot of the concept tree is displayed.



Source: Author's construct using NVivo 14

Figure 4.5 Perspectives on the state of SMEs and access to finance

Consideration of businesses and challenges in accessing finances included “*nature/form of business (P13)*”, “*requirements and regulations constrain financial access to small businesses (P18, P20)*”, “*informality, race and gender in business networking (P16)*”, “*need for business financial records (P17)*”, “*businesses lack financial management skills (P7)*” and “*finance is essential for unlocking business growth opportunities and possible diversification*”.

Participant 22

“They’ll say you’re in a service industry, you are not doing manufacturing. If you were having a factory and spending money on equipment because they want to fund tangible assets like the machines and creating thousands of jobs ... Preference for products instead of service-based businesses”. **Participant 13**

“Say maybe if the banks or the financial institutions were to maybe- change their regulations in terms of their requirements and then maybe make them less strict to increase access for businesses like hours. Businesses must make sure that they keep financial records and have all

*the documentation required to apply to increase their chance of being approved". **Participant 18***

*"I think also lack of finance management is a challenge for businesses and the cashflow. Securing projects like if there is no money coming into your account then they can't give you a loan...they can see you got a business, but if you're not making any money, they won't lend you any money. Also, we spoke about the issue of collateral". **Participant 7***

*"The list of requirements to be provided are more favourable towards big businesses and not small businesses". **Participant 20***

*"Our sector is conventionally known as male dominant and a particular kind of race alignment. So, it's white males, old. So, for young black businesses, there is quite a lot of telling evidence against that and I think most of it is just also around the informality in how people approach things in the industry". **Participant 16***

*"Ensuring that businesses have good financial records. My belief with funders is that they sort of have a specific standard operating procedure for selecting who to fund, my issue is that because especially small businesses are very unique in their financial operations and therefore using some sort of structured systems to evaluate small businesses is very tricky". **Participant 17***

*"It would help us unlock growth opportunities and diversify our businesses. We would also rely less on government and work because it negatively impacts our cashflow due to late payments. We would also be in a better position to create employment opportunities". **Participant 22***

Thus, participants believed banks generally considered SMEs in construction risky and preferred businesses with tangible assets instead of service providers, which automatically disqualified businesses in construction and maintenance. They were of the perception that requirements for qualifying for loan finance were stringent and made it challenging for SMEs to access finance, with the requirements being perceived as directed at benefiting large businesses in the sector. Thus, access to finance was provided as the reason for the lack of transformation since SMEs cannot organize the financial muscle to compete for bigger projects. Factors associated with the structure of the industry are also observed in the concept mapping, which include male dominance, informality in business conduct, and racial bias (P16). However, internal factors can also be noticed, such as the need for financial records and standard business management procedures, as opposed to perceptions of SME financial

management as unique. Banks employ standardized procedures and calculate risk based on business assets and proof of work or cashflows. Access to finance was also proposed as an enabler for SMEs in the construction sector to grow, diversify, and create job opportunities.

The results highlight the dependence of SMEs on external actors, particularly banks, for financing. This aligns with resource dependency theory, where SMEs lack the internal resources particularly capital to compete with larger companies (Hitt, et al., 2016). The perceived risk associated with construction projects further strengthens the banks' position of power. Statements like "They'll say you're in a service industry..." (P13) and "Participant 22...considered SMEs in construction to be risky..." illustrate this dynamic. SMEs, lacking the collateral or established track record preferred by financial intermediaries, struggle to access the resources they need for growth.

The results critique the limitations of traditional financial intermediation. The emphasis on "requirements and regulations" (P18) and "structured systems to evaluate small businesses" (P17) resonates with the theory's focus on rigid loan structures and standardized risk assessment models (Ratnawati, 2020). These models may not be well-suited for the unique cash flow patterns and project-based nature of construction work. The perception that "the list of requirements...are more favourable towards big businesses" (P20) suggests a system that disadvantages SMEs. This highlights the need for exploring alternative financing options beyond traditional banks (Oshioywemo & Mgbemena, 2022).

While not explicitly mentioned, the text hints at the potential role of the CET. The dominance of "male dominance and a particular kind of race alignment" (P16) suggests potential biases within the construction industry's social networks. This lack of access to informal financial networks or mentorship opportunities due to cultural factors can further hinder access to capital for certain demographics within the SME sector (Douglass, 2016).

4.4.5 Discussion of results

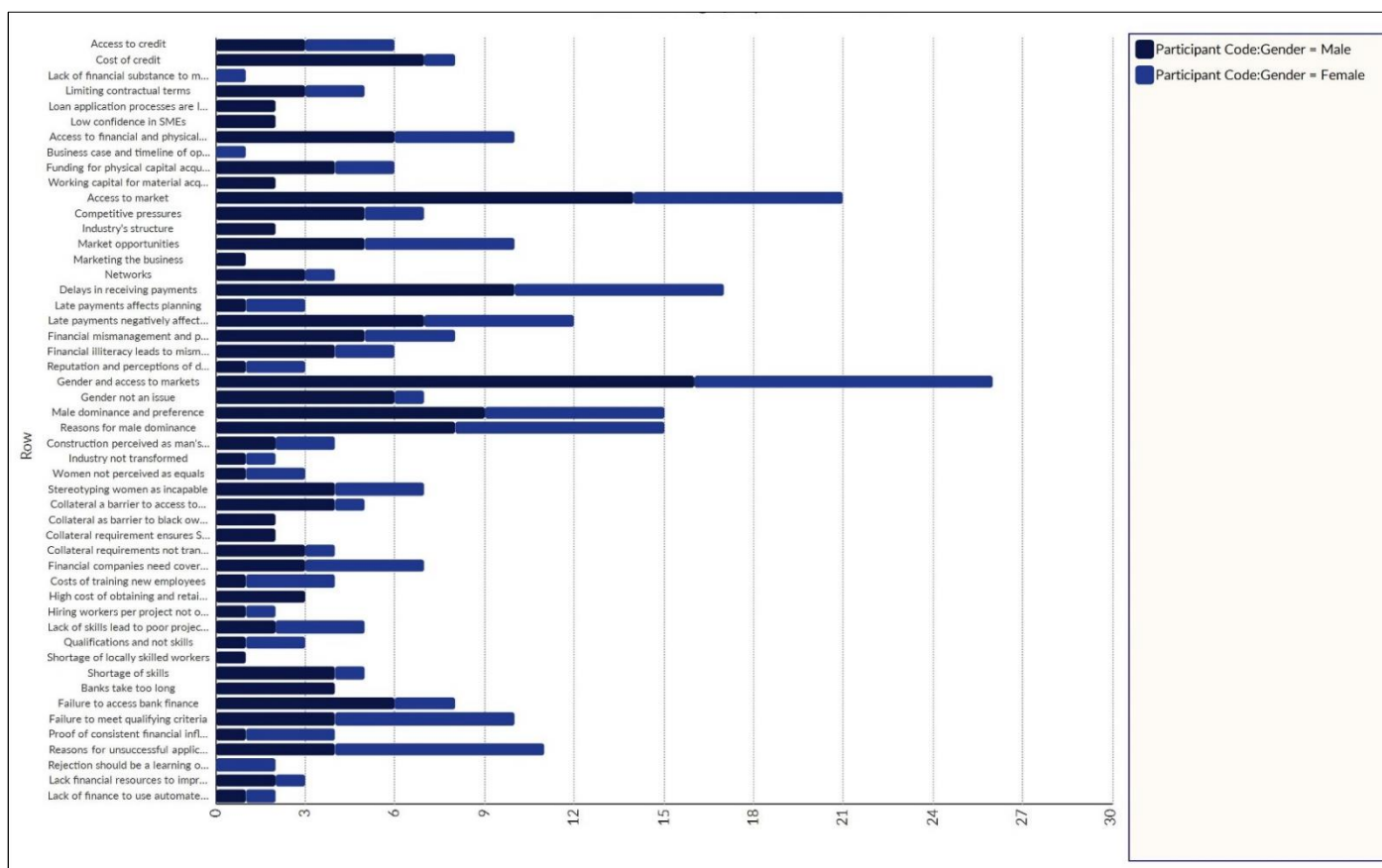
The preliminary findings of the concepts of funding, collateral, financials, and businesses show that internal and external factors impede access to finance. The highlighted barriers to funding, such as the need for a sustainable model of SME financing, the need for training, the lack of visibility of financial institutions to SMEs, and bank requirements, have been observed in various studies. Lack of financial resources was found among the factors limiting SMEs' investment in sustainability as a competitive advantage (Burlea-Schiopoiu & Mihai, 2019). The study argued that lack of access to financial, human, physical and informational resources make

it difficult for SMEs to implement sustainable-driven innovation. However, the concept of a sustainable financing model for SMEs in construction remains an uninvestigated area even though various issues have been discussed around SME sustainability (Babajide, et al., 2023; Fatoki, 2021; Fullwiler, 2016; La Torre, et al., 2019). The general findings further highlighted the multifaceted nature of financial collateral as substantial assets and financial inflows, with the former acting as security for the funds. At the same time, the latter is proof of the ability to meet financial obligations due to the loan. In a study on the collateral ability of SMEs in accessing finance, challenges with meeting collateral requirements were argued as a significant barrier to accessing development finance from financial institutions (Attrams & Tshela, 2022). The general findings also highlighted internal and external factors such as poor financial management among SMEs and perceptions of the construction sector as risky, as some of the reasons for the stringent financial requirements for loans. While SMEs are considered in studies to be the backbone of employment creation and achievement of socio-economic goals (Ribeiro-Soriano, 2017; Fatoki, 2021), lack of finance was observed as stifling growth potential. Furthermore, in the general findings, the role of the transformative effect of access to finance was highlighted by the lack of access to imposed barriers inhibiting industrial transformation and achievement of beneficial competition. In South Africa, capital concentration continues to be a significant issue in the construction sector (Cottle, 2014; Goja, et al., 2019).

4.5 SMEs Demographics and findings.

4.5.1 Gender and Years in Business versus challenges to finance.

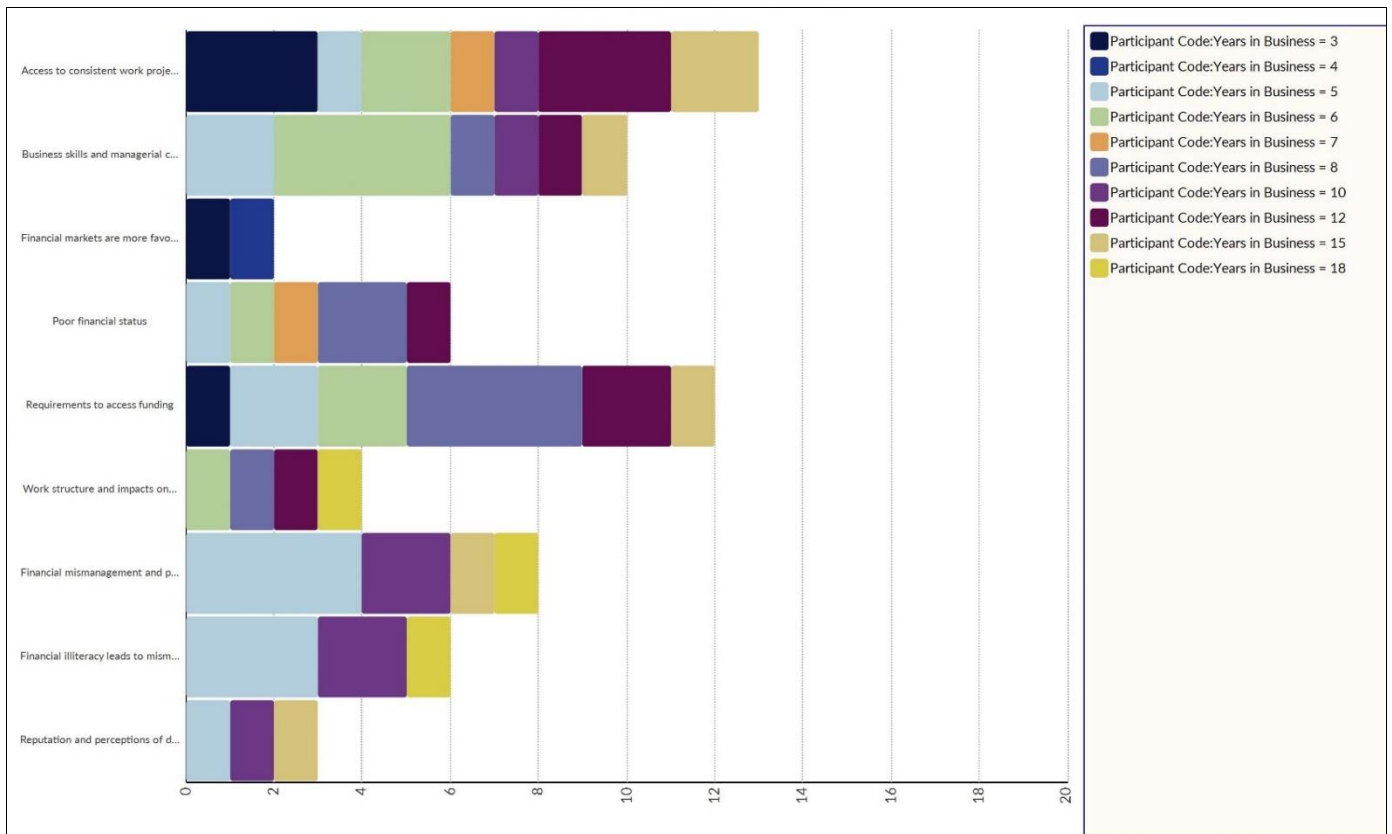
Figure 4.6 presents the gendered distribution of perceived challenges impeding access to finance. The figure showed that for both males and females, access to market opportunities, delays in receiving payments, gender and access to markets, the industry's perceived male dominance, and late payments affect cash flows. These considerations have to do with external factors perceived as affecting SME prospects, such as access to markets was believed to be constrain cash flows together with payment delays, and for female SME owners, male preference and informality in the industry's contracting system. Of lesser perceived status among both genders are factors relating to the business's internal configurations such as lack of financial substance, factors contributing to low confidence of banks in financial institutions, marketing their businesses, shortage of skills and poor operational systems.



Source: Author's construct using NVivo 14

Figure 4.6 Gender and challenges to accessing finance

Figure 4.7 compares the number of years a business has been in operation and perceived challenges to accessing finance. Access to consistent work projects linked to sustainable cashflows was critical across all participants, irrespective of the length of time the SME has been in business. The following important set of challenges were requirements to accessing funding, particularly considerations of collateral, which can be seen to be more important for SMEs that have been in the industry for longer periods of time, from at least eight years in years in business. Business skills and managerial concerns were not perceived as necessary among businesses in the industry for extended years compared to businesses with fewer years in the industry.



Source: Author's construct using NVivo 14

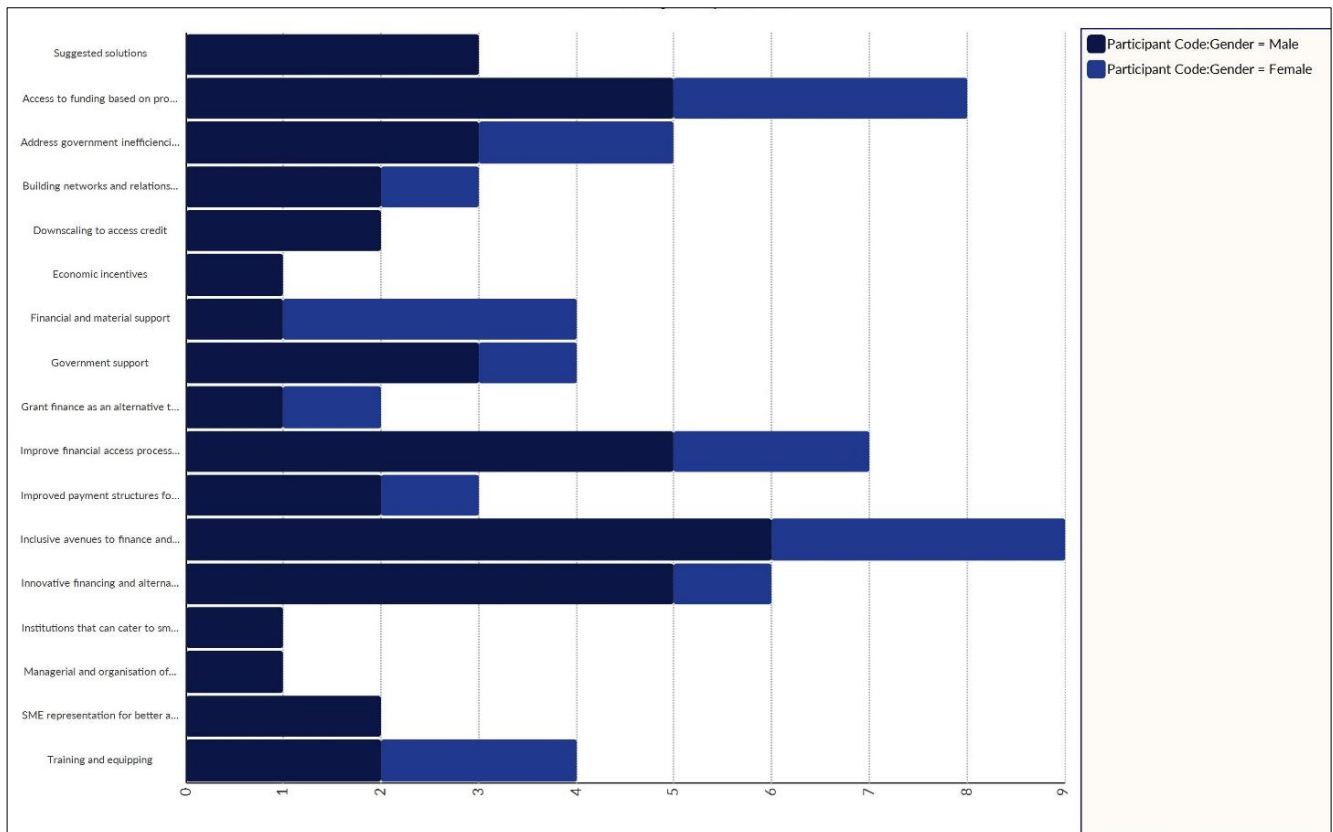
Figure 4.7 Years in business compared to perceived challenges to access to finance

Among businesses with at most 5 years in the construction industry, financial mismanagement and poor financial skills, financial illiteracy and mismanagement and business and managerial skills are important considerations limiting access to financing. In studies, financial formulation and decisions improve the feasibility of the business for SMEs (Britzelmaier, et al., 2020), whereas financial viability makes and assesses the amount of funds needed as an investment or working capital or as possible funds that can be obtained through financial institutions (Meric & Gersil, 2018). Thus, while external factors such as collateral requirements, access to markets, access to physical and financial capital and challenges with consistent access to work/projects are perceived barriers; the internal factors of the SMEs themselves are more important, particularly those related to financial awareness, knowledge of financial institution's requirements, financial literacy, and business management skills.

4.5.2 Gender and suggested solutions

From Figure 4.8, inclusive avenues to finance and funding, access to funding based on proof of work, improvement of financial access processes and conditions, innovative financing and alternative forms of collateral, and the need to address government-level inefficiencies and corruption were considered key solutions to addressing access to finance. In a study on SMEs in construction in Nigeria, a preliminary analysis of data found inadequate financial infrastructure, lack of collateral requirements, information barriers, lack of managerial know-how and cost of credit as limiting financial access (Turaki, 2020). In line with the present study (Turaki, 2020), found that low annual turnovers, poor cashflows and inconsistent work were among the factors that made it challenging to raise collateral or financial requirements of financial institutions. From Figure 4.8, participants proposed SME representation for better access to funding, which was corroborated in the study by (Turaki, 2020), where it was proposed that SMEs should form stronger associations to champion their cause to financial institutions to improve access to finance.

Figure 4.5.3, Gender and perceived solutions to barriers to accessing finance.

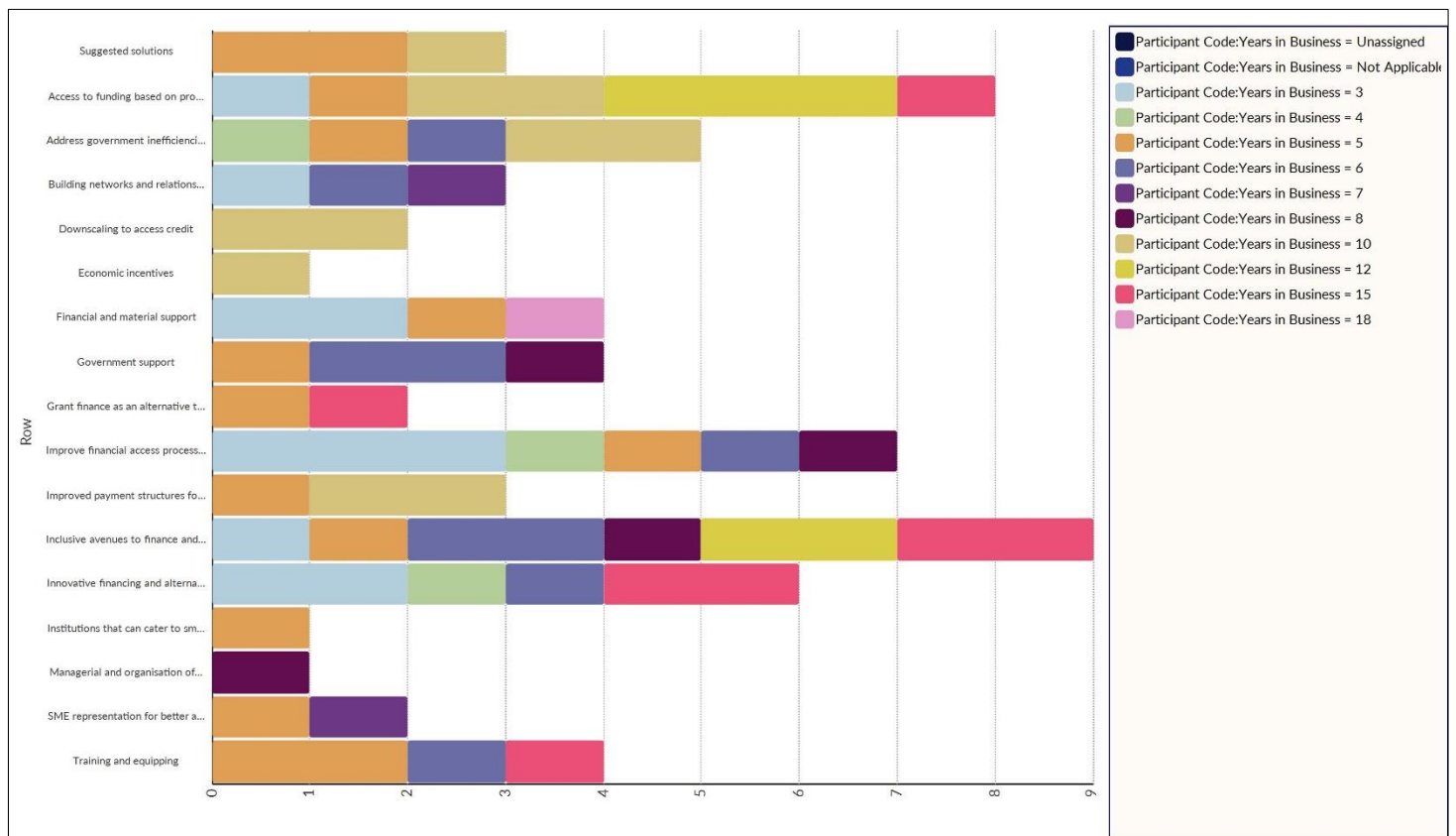


Source: Author's construct using NVivo 14

Figure 4.8 Gender and perceived solutions to barriers to accessing finance

In the suggested solutions, economic incentives were proposed by the participants to be directed at SMEs to improve their performance. In the study by (Turaki, 2020), economic incentives should be directed by the government towards financial institutions to promote lending for SMEs; however, this should be back with facilities for training and development of business capacity and better financial management among SMEs.

Figure 4.9 shows that the suggested solutions are related to the years an SME has been in business. Access to finance based on proof of work is favourable among companies with more years in the industry compared to companies with fewer time frames. The need to improve financial access processes and conditions can be seen to be important among companies with at most 3 years in the sector. The need for training and equipping, SME representation and need for institutions catering for SMEs is common among SMEs with at most 5 years in the industry.



Source: Author's construct using NVivo 14

Figure 4.9 Years in business and suggested solutions

These findings imply that SMEs cannot be categorized in the same bracket concerning barriers to financial access from financial institutions or crafting policy interventions or tools that may

be directed at improving their prospects. There is a need to understand the companies, their context, and their business models; given the competitive nature of the construction and maintenance sector, business survival with low access to loan finance may imply the resilience of the underlying business model.)

4.6 Objectives oriented findings

In this section, the findings obtained through the author’s application of thematic analysis are reported. Tables and charts are used to present and discuss the findings; the findings are positioned within the existing body of knowledge.

Objective 1: Key challenges facing SMEs in the construction and maintenance sector in Gauteng.

Objective 2: The extent to which these challenges affect the ability to access finance.

In the analysis of the data, key challenges affecting SMEs in the construction sectors were explained by two themes: challenges affecting business growth and nature of the key challenges, which focused on external factors and government inefficiencies and corruption. These themes are summarized in Table 4.1.

Table 4.1 Key challenges facing SMEs

Theme	Sub-theme	Emerging concepts
Key challenges affecting business growth.	Access to credit	Cost of credit (P1, P2, P5, P9, P21)
		Limiting contractual terms (P1, P2, P4, P9, P12)
		Credit unavailable for new market entrants (P2)
		Credit access limits contract size (P1)
		Challenges in qualifying for any credit lines (P9).
		Lack of financial substance to motivate for loans (P4).
		Low confidence in SMEs (P2).
		Poor credit score (P9)
Loan application processes are long (P9).		

Access to financial and physical capital	Business case and timeline of operations (P13) Funding for physical and capital acquisition (P2, P3, P9, P14, P22) Working capital for material acquisition (P1, P16)
Access to markets	Competitive pressures Industry structure Market opportunities Project costing Networks (P2, P16, P17, P18) Marketing the business
Delays in receiving payments	Late payments negatively affect cashflows (P9, P11, P12, P13, P14, P15, P16, P17, P18, P19) Late payments affect planning (P19).
Financial mismanagement and poor finance skills.	Financial illiteracy leads to mismanagement (P1, P2, P8, P13) Reputation and perceptions of default risk by banks (P2, P3, P13)
Gender and access to markets	Stereotyping (P8, P9, P11, P15) Male dominance and preference (P7, P12, P13, P15, P16, P17, P21) Gender not an issue (P1, P12, P19)
Reasons for male dominance	Construction is perceived as a man's job (P13, P16, P21) Women not perceived as equals (P3, P13, P14) Industry not transformed to accept female participation (P16, P17)

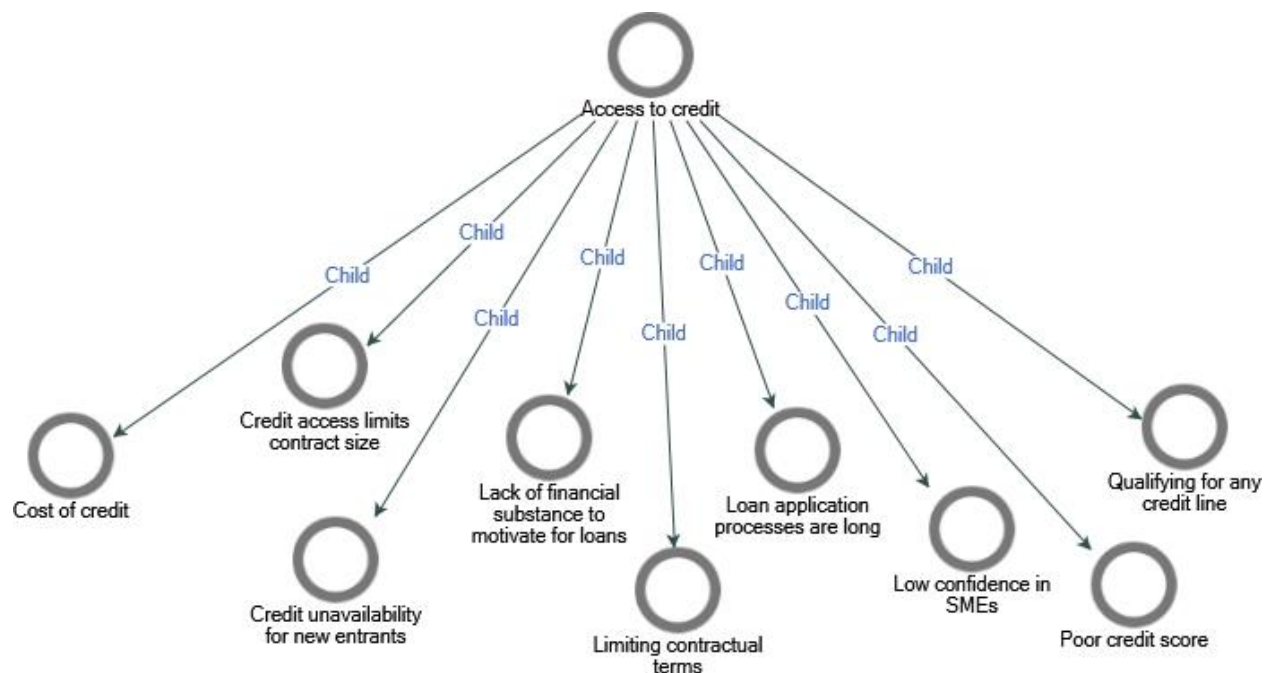
Perspectives on collateral	<p>Collateral as a barrier to accessing finance (P2, P6, P9, P21, P22)</p> <p>Collateral as barriers to black-owned SMEs (P1, P11)</p> <p>Collateral requirements ensure SMEs commitment (P15, P19)</p> <p>Collateral requirements not transformative (P13, P14, P16, P18)</p> <p>Financial companies need cover for risk (P2, P6, P7, P8, P9, P20, P21)</p>
Skills requirements and access to skilled workers	<p>Cost of training new employees (P6, P8, P13, P20)</p> <p>Lack of skills lead to poor project planning (P3, P4, P9, P10, P16)</p> <p>Qualifications and no accompanying skills among new graduates (P8, P10, P13)</p> <p>Shortage of locally skilled workers (P2, P17, P19, P21)</p> <p>High cost of obtaining and retaining skilled labour (P5, P8, P19, P21)</p> <p>Hiring workers per project basis not on a continuous basis (P4, P6)</p>
Working capital to put systems in place	<p>Lack of financial resources to improve business opportunities (P5, P8, P22)</p> <p>Lack of finance to use automated systems (P2, P3)</p> <p>Lack of working capital blocks access to credit (P2)</p> <p>Lack of working capital inhibits skills retention (P4)</p>
Unsuccessful applications for capital	<p>Failure to access bank-based finance (P1, P6, P2)</p>

Failure to meet qualifying criteria (P9, P17, P18, P20)
 Rejection should be a learning opportunity (P3, P4)
 Banks and funding agencies take too long (P5, P6, P16)
 Proof of consistent financial inflows (P4, P13, P18)

Source: Author's construct using NVivo 14

The key challenges identified as affecting business growth among the participants are access to credit, access to financial and physical capital, access to markets, delays in receiving payments, financial mismanagement and poor financial skills, gender, collateral, skills, and unsuccessful applications for capital. These findings are discussed in turn.

4.6.1 Access to credit



Source: Author's construct using NVivo 14

Figure 4.10 Access to credit among participants

Among the participants, credit was required for purchasing materials, financing cash flows, providing working capital during project execution and awaiting payments from clients. However, factors such as cost of credit (P1, P2, P5, P9, P12), limiting contractual terms (P1,

P2, P4, P9, P12), long loan application processes (**P9**), SMEs poor credit scores (**P9**), lack of financial substance to motivate for loans (**P4**), and challenges in qualifying for any credit lines (**P9**). These were observed to be internal factors associated with the inner workings or dynamics of the SMEs. There are also external factors which included financial institutions' low confidence in SMEs (**P2**), with credit access limiting contract size (**P1**).

Concerning the cost of credit, participants believed credit was cheaper and available at very low-interest rates, which implied being relegated to the margins of the construction and maintenance sector. Furthermore, the available credit was limited for SMEs to specific project sizes; beyond that, the requirements were described as challenging given the status of SMEs.

Concerning the cost of credit, participants 1, 2 and 9 believed that:

“So, on a smaller scale, it is manageable, but as you want to scale up and focus on bigger projects it becomes a bit of a challenge, so lack of enough capital and also access to facilities”.

Participant 1

“I think the common name is a 30-day facility. Hence, I am saying on a smaller scale we are offered, or we can afford facilities but capped to a certain amount so you can only do projects of a particular size”. **Participant 1**

“When we went to the bank to borrow money, it’s very difficult to get access to funding because my belief is the bank doesn’t trust most small companies, even though they give you money, they will penalize you with high rating on the interest. So, they make it very difficult for the small businesses to access the funding from the bank”. **Participant 2**

“The long list that prohibits SMEs from access to funding and that is an issue because if you look at the structure of how they are charging in terms of their interest rate, in terms of access to finance is actually quite high for SMEs”. **Participant 9**

The perception of limiting contractual terms among participants included financial caps with higher requirements for larger loan applications relegating SMEs to smaller projects (**P1**). Another participant stated that overdrafts were linked to the project timeline, with the facility reducing credit available as the project terminus date approaches. The high cost of credit, in the form of interest rates, were contract terms that dissuaded SMEs from seeking loans due to very high repayment costs (**P9, P12**).

“They link the overdraft to the length of your contract therefore if your contract is left with 12 months, they have linked the overdraft to 12 months, and that overdraft decreases by certain amount, let’s say R40,000 every month until the contract ends”. **Participant 12**

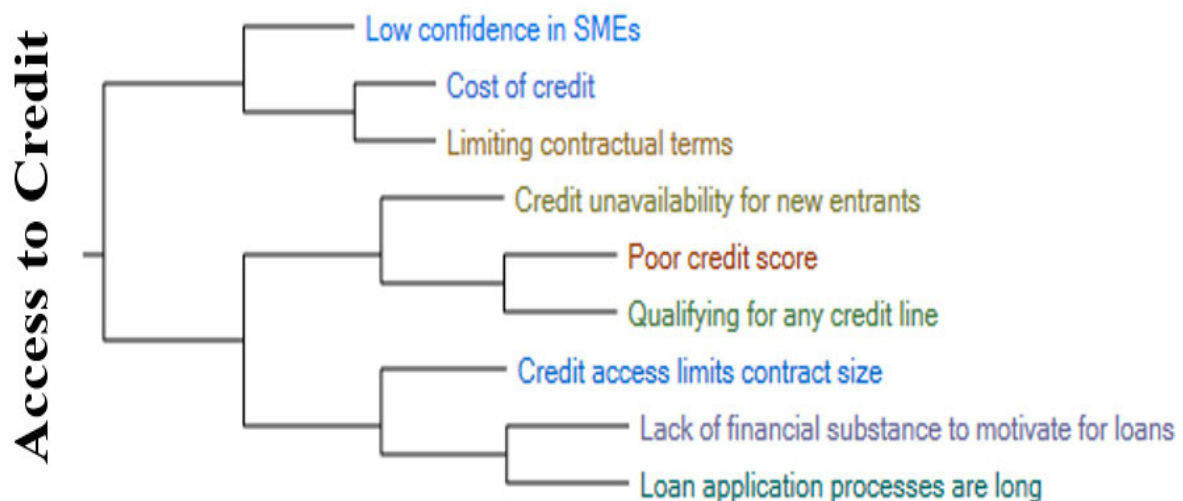
The summary of the remaining sub-themes concerning longer loan application processes and periods, cost of credit, credit score, availability of credit for new entrants, lack of financial ability/substance to motivate for loans and low confidence in SMEs. These are summarized in Figure 4.11. There are linkages between participants who were of the perspective that banks had low confidence in SMEs and limits placed on contract size by credit access. Credit unavailability for new entrants was also clustered together with the low confidence of banks in SMEs. Finally, it can be observed in Figure 4.11 that the lack of financial substance to motivate for loans was also linked to long application processes for access to loans. The lack of financial substance as motivation for loan applications may be the reason for the reported longer loan application processes, which constrain the businesses since they have no access to capital.

According to the RDT, organizations strive to minimize their dependence on external entities while also trying to exert control over resources (Hitt, et al., 2016). For SMEs in the construction sector, credit is a crucial resource required for purchasing materials, financing cash flows, and providing working capital during project execution. Internally, the high cost of credit, limiting contractual terms, long loan application processes, poor credit scores, lack of financial substance, and challenges in qualifying for credit lines are significant obstacles. These internal factors reflect the SMEs limited control over essential financial resources and their vulnerability in the financial marketplace. For instance, the high cost of credit and limiting contractual terms relegate SMEs to smaller projects, restricting their growth and increasing their dependency on smaller-scale financing. This scenario aligns with the RDT’s assertion that organizations become vulnerable when they rely heavily on external entities for critical resources (Pfeffer & Salancik, 2015).

Externally, financial institutions’ low confidence in SMEs further intensifies their resource dependency. The reluctance by banks to lend to SMEs, as reflected in high-interest rates and stringent loan conditions, indicates a power imbalance where financial institutions have significant control over the availability of financial resources. This external dependency limits the SMEs ability to scale up and undertake larger projects, reinforcing their marginal position in the construction sector (Pfeffer & Salancik, 2015; Hitt, et al., 2016). The perceptions by the participants underline the difficulties SMEs face in accessing affordable credit. For example,

(P1) notes the manageability of credit on a smaller scale but highlights challenges when scaling up due to lack of capital and access to facilities. The penalization of SMEs with high-interest rates, reflecting banks' distrust of small companies is discussed by (P2). The high cost of credit and extensive restrictions is emphasized by (P9), which deter SMEs from seeking necessary funds.

The results also demonstrate the limiting contractual terms and how they affect credit access. For example, overdrafts linked to project timelines reduce available credit as the project approaches completion, making financial planning and project execution challenging for SMEs. This practice highlights the power financial institutions hold in dictating the terms of resource allocation, further emphasizing the SMEs dependency (Oshiogwemo & Mgbemena, 2022). Finally, the linkage between long loan application processes and the lack of financial substance to motivate for loans illustrates a cycle of dependency and vulnerability. SMEs struggle to present strong financial credentials, leading to prolonged application processes, which in turn constrain their access to necessary capital. This cycle underscores the critical insights of the RDT regarding the impact of resource dependency on organizational stability and growth (Nnabugwu, 2021).



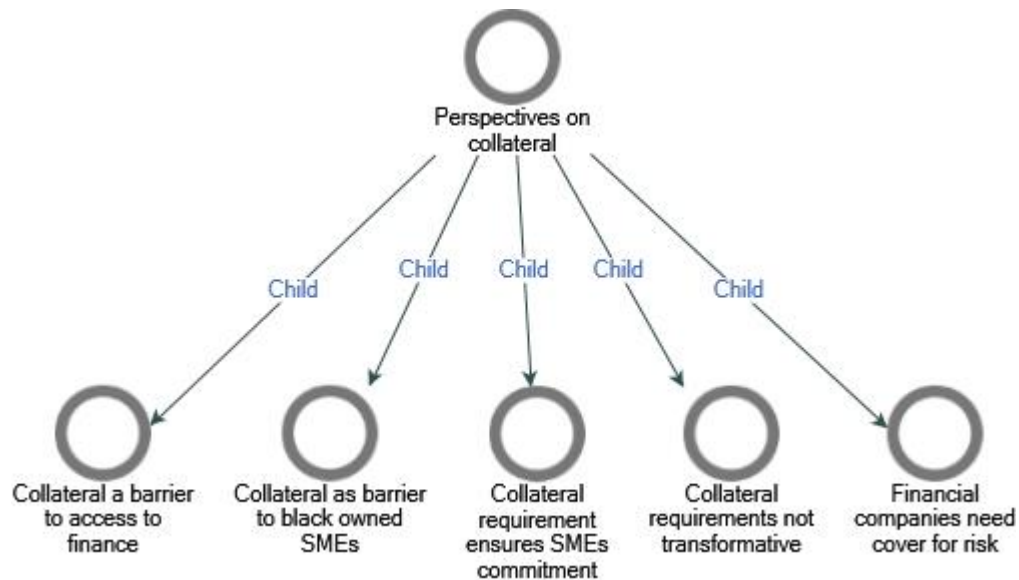
Source: Author's construct using NVivo 14

Figure 4.11 Cluster analysis - Access to credit

“Trust in a sense that if you walk into a new client and then they give you ... you start on the level of not being trusted, especially as an SME because our area is dominated by big companies which are mostly white only”. **Participant 6**

“It’s a challenge because sometimes you get government jobs, then you must buy materials yourself, then you don’t have the funds to get the material. You go through the banks, it takes a lot of time to get it, then the interest is very high”. **Participant 5**

4.6.1.1 Perspectives on collateral



Source: Author’s construct using NVivo 14

Figure 4.12 Perspectives on collateral among participants

In perceiving collateral as a barrier to access to finance, participants pointed to the need for assets (P2, P22), which most SMEs have not accumulated and concluded collateral as an unreasonable requirement disadvantaging SMEs (P21, P9). While the businesses are to stand as separate entities, the owners, desperate for financial access, end up releasing personal assets disconnected from the business as collateral (P6).

“We spoke to the Banker and said for us to grow the company we need finance. So, I said maybe please have an overdraft. So, the banker said to me, it’s not a problem, but now they need the asset from the company before they give us the money...so Nedbank didn’t give us the money, they said it’s going to be difficult because we don’t have any asset from the company”.

Participant 2

“It’s an unreasonable requirement, if I had assets to the value of R20 million, I wouldn’t be applying for R5 million funding. So basically, you need to have money to access money”.

Participant 21

“I’ll say that we’re providing that out of desperation, and we are providing assets which probably we shouldn’t even be using as collateral. But just because we need funds to do the project, we get to the point where we don’t have a choice to say that I can give my property as a collateral”. **Participant 6**

“My view is it’s actually disadvantaging small businesses because when I look at the banks, they’ve got these long requirements or the long list that prohibits SME to be able to access funding”. **Participant 9**

However, some participants believed that that while collateral was limiting to SMEs since they could not amass the asset requirements, it was a fair position on the banks since it justifies the risk they are assuming and signals the SME’s commitment to settle financial obligations due to the loan (P15, P20).

In this line of reasoning, participant 9, 15 and 20 stated that:

“I understand it’s a risk that they take in, so there should be some security for them”. **Participant 8**

“I think it’s fair because obviously if you would borrow money from them, you need to pay it back. I think it’s good because then small businesses can commit themselves to paying back. A lot of entrepreneurs can be reckless with money, they go and splash it on cars and all those things”. **Participant 15**

“With this one, it’s very tricky situation because the funders need to cover themselves for the risk that they take in providing funding. I mean I can understand from their side as well that if you don’t pay, they need to be covered”. **Participant 20**

The considerations of financing are broadly not understood among SMEs, the issue of collateral, financial soundness of business, its proof of work and managerial capacity. It seems from the participants, that these issues are considered separately hence the reference to the long list of requirements by participant 15 quoted above. In this line participant 19 stated that:

“It’s something that funders use to disadvantage business. I always had enough collateral however they were still not able to give me funding”. **Participant 19**

Finally, other participants believed it takes time to accumulate assets, and as such financiers must consider the state of small businesses entering the market. They believed that financial institutions and their financial options were not pro-small business (P1) particularly, black-

owned small businesses (**P11**) and therefore collateral requirements are not transformative to bring about a change in the structure of the construction and maintenance industry (**P13, P16, P18**).

Concerning accumulation of assets and collateral as limiting small black businesses, participant 1 and 11 believed that:

“I’m in this to accumulate so one must start somewhere. To start somewhere, you’ll need assistance in the form of funding, hence we stopped doing that. We stopped doing that because I don’t think they are pro-small business”. **Participant 1**

“I think that forms part of the red tape, because we are still small businesses and from backgrounds that don’t afford us that advantage to have something that you can put up as collateral, so it’s a challenge for small businesses especially for small black owned businesses”. **Participant 11**

Concerning collateral as inhibiting prospects for the transformation of the construction and maintenance sector, participants 13, 16 and 18 stated that:

“Collateral can be a lot for someone who doesn’t have assets or rich parents. It’s just a system to lock people out of accessing funding by asking people for something they don’t have”. **Participant 13**

“We don’t have collateral, so to us and other businesses in the industry, this requirement is a barrier when trying to access funding”. **Participant 14**

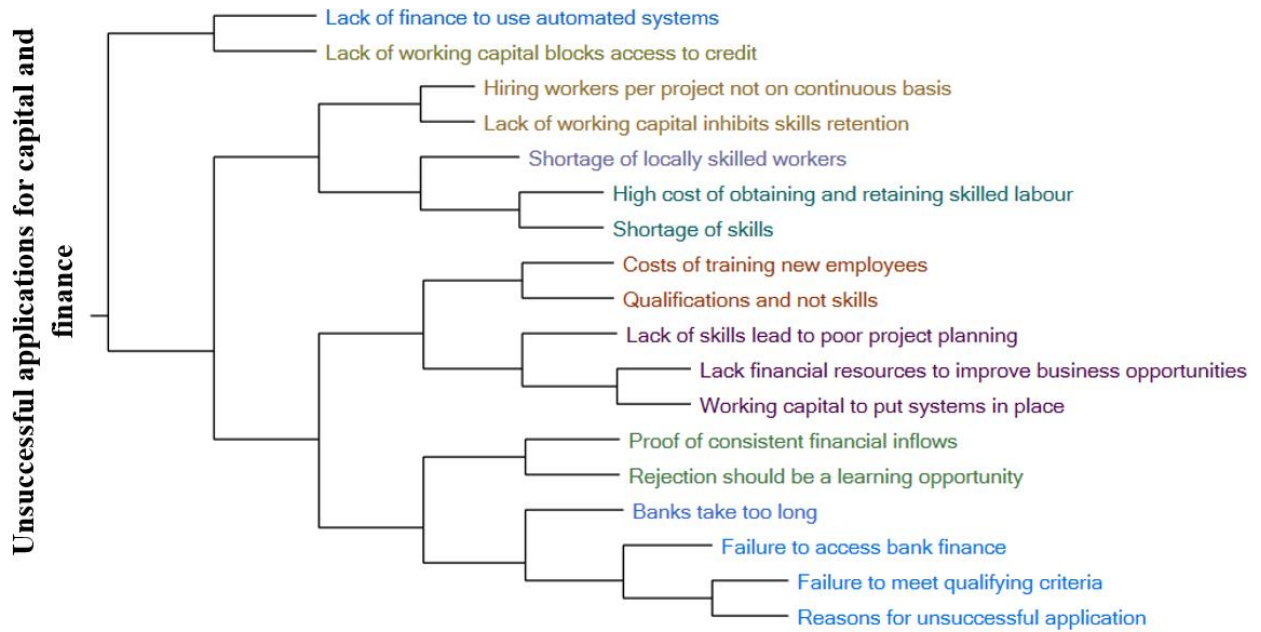
“I think from their side, because they’re taking a risk if you were to put yourself in their shoes, I guess you would do the same thing. I’ve just observed that banks like dealing with people who are well-off because obviously those people are not a high risk”. **Participant 18**

The experiences of the participants underscore how collateral requirements create a dependency that many SMEs cannot satisfy (Hitt, et al., 2016). SMEs often lack the necessary assets, making it difficult to secure financing. This dynamic places SMEs in a vulnerable position, dependent on external entities such as banks that control the resources they need for growth. The struggle (**P2**) had with Nedbank exemplifies this dependency and the resulting barriers when businesses lack sufficient collateral. Additionally, the admission by (**P6**) of using personal assets out of desperation reflects the heightened dependency SMEs have on banks and the lengths they go to in order to secure financing.

The FIT suggests that financial intermediaries facilitate the flow of funds from savers to borrowers, helping to mitigate risks associated with lending. From the banks perspective, requiring collateral is a risk mitigation strategy, ensuring that they can recover funds in the event that a borrower defaults (Havrylchuk & Verdier, 2018; Ratnawati, 2020). The banks requirement for collateral as a legitimate way to manage risk is recognized by (P8, P15, P20). The security requirement is acknowledged by (P8), while (P15) agrees that collateral can ensure responsible borrowing. However, this risk management approach often disregards the reality faced by SMEs, particularly those lacking significant assets. The theory explains the banks behaviour but also reveals a misalignment with the needs of small businesses, highlighting a systemic issue where the financial intermediary's risk aversion disproportionately affects SMEs.

The CET explores how economic activities are embedded within cultural practices and social structures. This theory can explain how cultural and socio-economic backgrounds influence the accessibility of financial resources (Pratt, 2009). The discussions from (P1, P11) highlight how systemic inequalities and historical contexts, particularly for black-owned SMEs, impact their ability to meet collateral requirements. The inherent disadvantages faced by black-owned businesses, rooted in broader socio-economic inequities is discussed by (P11). Similarly, (P13) points out that the collateral system perpetuates exclusion by demanding resources that many small business owners, especially those from less affluent backgrounds, do not possess. The view by (P16) that collateral requirements lock people out of funding access can be seen as an example of how financial systems reflect and reinforce existing social structures. The CET thus illuminates how access to finance is not just an economic issue, but one deeply entwined with social and cultural inequities.

4.6.1.2 Unsuccessful applications for capital and lack of working capital.



Source: Author's construct using NVivo 14

Figure 4.13 Factors contributing to unsuccessful funding applications

The cluster analysis in figure 4.13 summarizes barriers to access to finance from the experiences of applying for finance and financial management in their businesses. The items are grouped by coding similarity, putting together items that are related to the same concepts. It can be observed that proof of financial inflows is clustered in the same local cluster with reasons for unsuccessful applications. This agrees with previous findings on collateral requirements that banks require collateral and proof of financial inflows, and without the two, participants reported they did not manage to secure the required funding. In the second group in figure 4.13, bank criteria can be seen as a long vetting process, qualifying criteria, and application processes.

Concerning this second group of requirements, the opinions raised by participant are reproduced (only 1 in each group).

“I’ve applied at Barloworld and SEFA for working capital...they are still ongoing. I think the evaluation and adjudication period has taken the bulk of the time. I do check in every month on both”. **Participant 16**

“Yes, I did try to apply for funding, but the time frame they give me was too long to get the money for the material”. **Participant 5**

“We do get funding but not from a financial institution, because we’ve been declined 3 times by financial institutions”. **Participant 8**

“I’ve tried to from funding institutions, revolving facility with bank for R100,000 for working capital to be used for site establishment and SEFA for R1.2 million for plant and equipment didn’t meet the qualifying criteria, received a generic regret letter”. **Participant 11**

In the fourth group, factors associated with working capital availability are observed with considerations such as hiring workers per project not on a continuous basis, lack of working capital inhibiting skills retention, lack of financial resources to improve business opportunities and working capital to put systems in place. These factors demonstrate that small businesses cannot maintain stability of operations due to not having consistently talented personnel, cannot improve business opportunities and no proper business systems that makes the business meet the scrutiny of financial institutions. The outcomes in the findings are rejections when applying for finance from institutions.

“Another challenge is keeping the labourers as a small company, if you do not have a job, you can’t keep them because you can’t afford to pay for them without doing anything...when it’s time to get another job, I have to go out and source out some people again”. **Participant 4**

“I did struggle where we started the company because you are new in the market you never bought any material from anybody. They don’t give you any credit before they know you, so you must buy for cash for more than six months”. **Participant 2**

“Basically, for the reason that I don’t have the continuous pipeline of jobs, so for me, that expense of paying a R300 to R400 for a software every month and yet I’m not going to be using it every day, because even the generation of quotations is here and there”. **Participant 3**

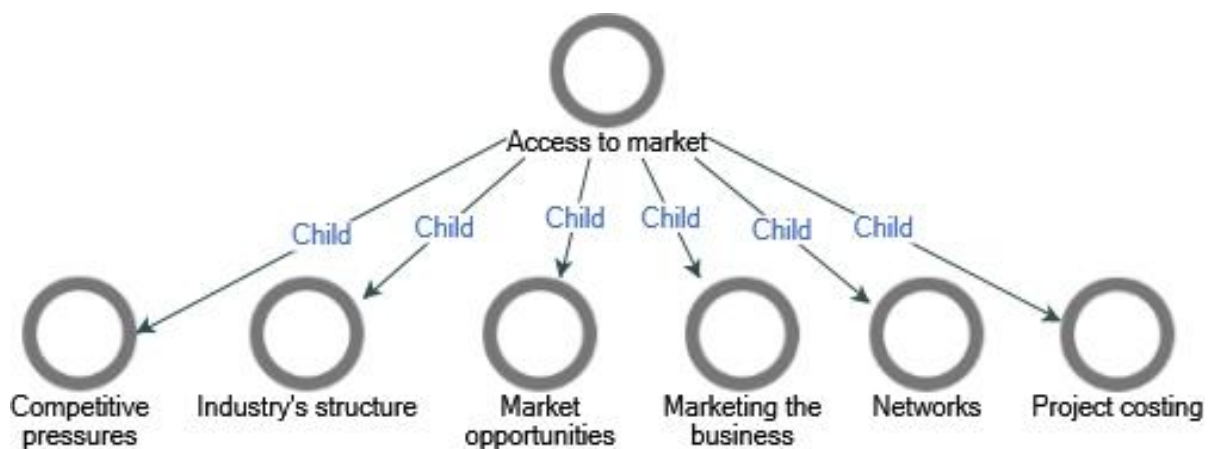
These various issues, blending the internal factors of the small businesses and the external factors relating to the characteristics of the financial institutions, their qualifying criterion, and requirements they put in place for risk incidence associated with loans, constitute barriers to access to finance depending on the status of SMEs. The cluster analysis highlights how SMEs are heavily dependent on financial institutions for access to working capital and other financial resources (Pfeffer & Salancik, 2015). The need for records of financial inflows and collateral, as observed, ties into the dependency SMEs have on banks. Without these records, SMEs often face rejections, as indicated by the experience of (P8) of being declined three times by financial institutions This dependency intensifies the vulnerability of SMEs, making it difficult for them

to stabilize their operations and retain skilled workers, as noted by (P4). Furthermore, the long vetting processes and stringent criteria set by banks (P16, P5) underscore the control that financial institutions exert over SMEs. This control can delay or altogether deny the necessary resources SMEs need to function effectively, thereby perpetuating their dependency.

The FIT suggests that financial intermediaries facilitate the efficient allocation of capital by managing risks and information asymmetries. Banks require collateral and records of financial inflows to mitigate the risks associated with lending to SMEs (Mairura, et al., 2013; Msomi & Olarewaju, 2021). The account by (P11) of receiving a generic regret letter due to unmet qualifying criteria illustrates how financial intermediaries operate to safeguard their interests. The long and stringent application processes described by (P16, P5) reflect the intermediaries' efforts to thoroughly screen potential borrowers, which can be seen as necessary for risk management but often places a significant burden on SMEs. Moreover, the inability of SMEs to consistently provide records of financial inflows or adequate collateral as discussed in the cluster analysis aligns with the FIT, which explains why financial institutions demand such assurances. However, this approach often overlooks the unique challenges faced by SMEs, such as their lack of established financial histories and assets, further inhibiting their access to finance (Msomi & Olarewaju, 2021). The CET explores how economic activities and access to resources are influenced by cultural and social contexts. The theory helps explain how systemic inequalities and historical contexts affect SMEs, particularly those from disadvantaged backgrounds. The narrative that SMEs face significant barriers due to lack of credit history or established relationships with suppliers (P2) underscores how cultural and social contexts impact financial access. Additionally, the experiences shared by (P11), who did not meet the qualifying criteria, reflect broader socio-economic disparities that often disadvantage certain groups more than others. The comment by (P3) on the impracticality of investing in business software without a steady stream of jobs highlights how cultural and economic factors influence business decisions and financial viability. This situation is indicative of the broader challenges SMEs face in maintaining operational stability and accessing necessary financial tools, further perpetuated by systemic structures that favour established, well-capitalized businesses.

4.6.2 Access to markets

The participants believed access to markets was a limiting factor that determined access to finance. Continuous financial inflow requires consistent workflows through access to projects. Access to markets was defined by competitive pressures, industry structure, market opportunities, project costing challenges, networks and marketing the business. Concerning competitive pressures, the participant's believed clients have a standard they need for the work, require suitable costing, have access to other SMEs and look for the lowest bidder. Furthermore, talented workers have a more considerable bargaining leverage since they can look for better compensation from competitive companies with better offers (P10, P16). The secondary competitive forces were from large companies which closed opportunities for SMEs (P2, P6, P8) and access to cost-saving opportunities such as supplier discounts (P8). Without access to markets, a stable client base or good talent or not being able to secure good talented workers, the SMEs are placed in a position where they cannot sustain their cashflows, stable projects/work and amass the needed proof to demonstrate before financial institutions in their bid to raise capital or finance.



Source: Author's construct using NVivo 14

Figure 4.14 Barriers to access to markets

Concerning competition, participants 10 and 16 believed:

“So, I think you need to know the client and their standard for you to be able to give them good project costing... because in most cases you don't end up getting the jobs, its either your prices are too high, because they don't look at what would have made to apply to be the weight but

they look at what your competitors charge. They in most cases, they take the lowest bidder”.

Participant 10

“I find the space quite competitive in the sense that as the number of people who have businesses in this industry, so for employees it’s easy for them to move from one company to the other because of their demand. And then I find that we would lose a lot of good people because we are not able to compensate them like the competitors would be able to”. **Participant 16**

Concerning competition from large companies, Participants 2, 6 and 8 believed that:

“Most companies they close small companies out, they don’t give us the access, it’s very difficult”. **Participant 2**

“You start on the level of not being trusted especially as an SME because our area is dominated by big companies which are mostly white only”. **Participant 6**

“Also issues with suppliers with the discount structures, I find the small guys, who are just starting out find it very difficult to compete with the guys who’ve been in the game for years who get bigger discounts from suppliers which makes their pricing competitive”. **Participant 8**

For SMEs in the construction sector, access to markets is crucial because it influences their ability to maintain consistent cash flows, secure projects, and demonstrate financial viability to lenders. The results emphasize several factors impacting market access, such as competitive pressures, industry structure, market opportunities, and the ability to attract and retain talented workers. According to the RDT, SMEs must manage dependencies on external entities like clients, suppliers, and competitors (Cao, et al., 2017). The competitive pressures shown in the results reveal that SMEs must meet client standards, offer competitive pricing, and attract skilled labour, which are essential for sustaining business operations. It is mentioned by (P10) that clients often choose the lowest bidder, forcing SMEs to lower their prices, which can impact their profitability and financial stability. Participant 16 notes the difficulty in retaining talented workers who might leave for better-paying competitors, further stressing SMEs vulnerability. Moreover, competition from large companies, as noted by (P2, P6, P8), exacerbates this dependency. Large companies have established reputations, stronger financial bases, and access to supplier discounts, giving them a competitive edge that makes it difficult for SMEs to compete effectively. This situation limits SMEs access to lucrative contracts and

market opportunities, thereby constraining their cash flows and growth potential. Without stable client bases or the ability to secure and retain talent, SMEs struggle to sustain operations and present a compelling case to financial institutions for funding.

The FIT examines how financial intermediaries, like banks, facilitate the allocation of capital by mitigating risks and managing information asymmetry between borrowers and lenders (Havrylchuk & Verdier, 2018; Ratnawati, 2020). The results indicate that the lack of market access and consistent cash flows hampers SMEs ability to secure financing. Financial institutions assess SMEs based on their financial stability, creditworthiness, and market positioning. Without access to steady projects and a stable client base, SMEs cannot generate the financial records or proof needed to assure lenders of their viability. The participants views highlight the challenges in securing funding due to competitive market dynamics. Participant 10's concern about project costing and competitive bidding underscores how inconsistent cash flows and low-margin projects affect financial health. Participant 16's remarks about talent retention further illustrate how market competition influences operational stability, which financial institutions consider when evaluating loan applications (Attrams & Tshela, 2022). The competition from larger companies, as discussed by (P2, P6, P8) adds another layer of difficulty. The large company's ability to secure better terms from suppliers and dominate market opportunities makes it hard for SMEs to compete and thrive. As a result, SMEs often lack the financial robustness needed to persuade banks and other financial intermediaries to extend credit on favourable terms.

4.6.2.1 Delays in receiving payments.

The participants generally agreed that late payments affected their businesses in two ways; through affecting planning and forecasting and the impact of payment delays on the cashflows. Concerning planning and forecasting, they stated that non-payment can result in discontinuation of work, which is costly to the SME since they work and buy materials using their resources and finances until it is completed to an extent (P13, P17). While payment delays make it challenging to plan and may push schedules, hence making task or project scheduling challenging. The consequent instability in project flow, affects staff retention and cashflows (P19).

“The only thing I remember on a project I was assisting on was that because of non-payment, the contractors actually refused to continue working so that project had to be stopped for some time until they started paying again”. Participant 13

“We also sometimes experience payment delays outside of our 30 days cycles for invoices”.

Participant 17

“Staff retention due to lack of flow of projects. Clients not paying on time or at all impacts the ability to plan as planning is based on invoices and funding expected to flow through, it affects the cashflow”. **Participant 19**

Many participants were concerned with the impact of late payments on their cash flows. They highlighted this as the major challenge to planning for new projects, retaining staff or having enough financial resources. A few of the participants quoted concerning payment delays and cashflow management stated that:

“We also experience payment delays, and it makes it really hard to pay salaries because guys are working and clients are taking a little longer than they used to pay, which means when month end comes, I always have to dip into my savings”. **Participant 15**

“The biggest challenge I would say is cash flow because in our industry, you work and then you submit claims and then hopefully you get paid. But then sometimes you find out that that is not the case, we then experience late payments sometimes nonpayment”. **Participant 18**

“Staff retention due to lack of flow of projects. Clients not paying on time or at all, this impacts the ability to plan, as planning is based on invoices and funding expected to flow through, it affects the cash flow”. **Participant 19**

With payment delays, SMEs cannot maintain a reserve of funds that can serve as proof for applying for finance from financial institutions. Thus, a combination of low reserves and delays in receiving of funds may be construed as a lack of cashflow management, making financial institutions doubt the availability of funds when interest obligations become due. This results in the SMEs being considered risky, and the cost of credit or requirements for access to finance is increased to guard against perceived financial risk. Affecting their overall ability to take on more projects to boost their growth.

Analysing the challenges posed by late payments on SMEs in the construction sector in Gauteng through the lenses of the RDT, FIT, and CET provides a multidimensional understanding of the issues and potential strategies to address them. The RDT suggests that organizations rely on external resources to operate and grow, making them vulnerable to the stability and availability of these resources (Pfeffer & Salancik, 2015). For SMEs, consistent cash flow is a critical resource for sustaining operations, planning, and growth. Late payments

disrupt this cash flow, leading to significant operational challenges. The results show that non-payment or delayed payments force SMEs to halt projects, disrupt planning and forecasting, and complicate staff retention (P13, P17, P19). These disruptions illustrate how dependency on external clients for timely payments makes SMEs vulnerable. The inability to predict cash flows accurately affects SMEs ability to procure materials, retain employees, and maintain operational continuity. To mitigate these dependencies, SMEs need to diversify their client base, establish stricter payment terms, or secure alternative financing sources that can buffer against delays in client payments.

According to the FIT, late payments affect SMEs cash flow stability, which in turn impacts their creditworthiness in the eyes of financial institutions (Ratnawati, 2020). The text indicates that SMEs struggle to pay salaries and fund new projects due to delayed payments (P15, P18). This instability can lead to low cash reserves, which financial institutions interpret as poor cash flow management, increasing the perceived risk of lending to these businesses. Consequently, banks may raise the cost of credit or impose stricter lending requirements to mitigate this risk. The FIT suggests that to address these challenges, financial institutions need to develop more flexible lending products tailored to the unique cash flow patterns of construction SMEs. Additionally, financial intermediaries could provide bridging financing options that allow SMEs to manage cash flow gaps caused by late payments.

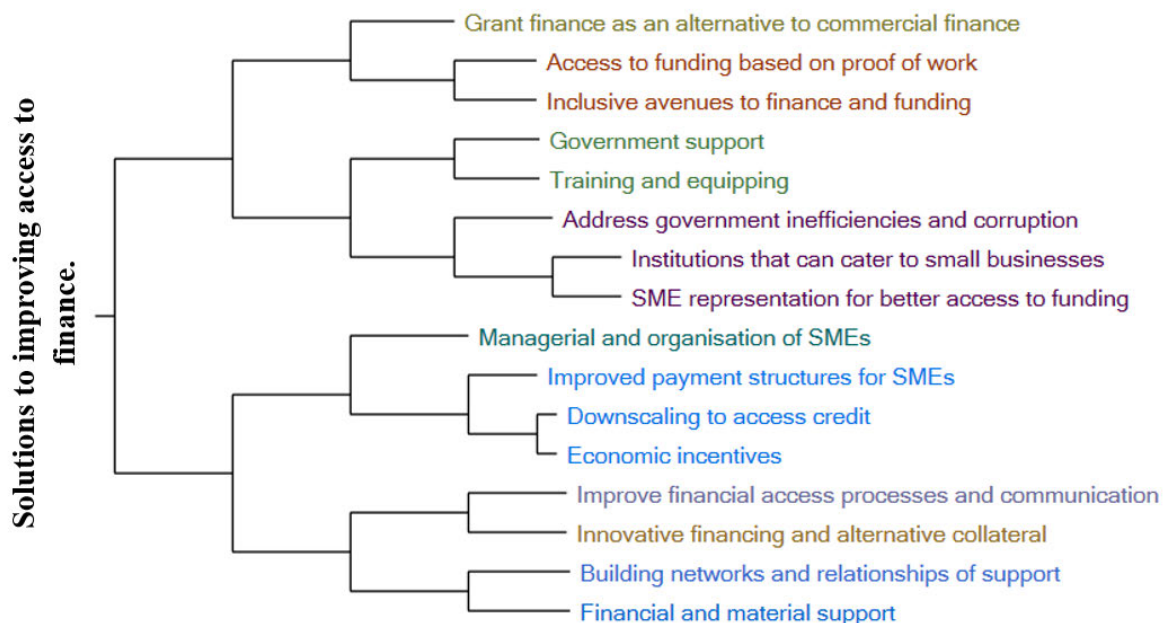
The CET explores the influence of cultural and social factors on economic practices and behaviours. In the context of SMEs facing late payments, CET can help us understand how industry norms and client relationships impact financial practices (Gu, 2015). The results highlight how delayed payments are a common issue in the construction industry, affecting SMEs planning and financial stability (P13, P17, P19). Cultural norms around payment cycles and client behaviour significantly influence SMEs operational realities. The CET suggests that fostering a cultural shift towards more timely and reliable payment practices within the industry could alleviate some of these challenges. This might involve industry-wide initiatives to standardize payment terms, advocacy for better payment practices, and educating clients on the importance of timely payments.

4.6.3 Suggested Solutions to barriers to accessing finance.

Objective 3: Solutions to address the barriers and improve access to finance.

In figure 4.6, the solutions as suggested from the perspectives of the participants are presented using a cluster analysis, based on the Jaccard's coefficient of text similarity index. The themes

arising from the data are grouped based on similarities in the coded text from the responses of the participants. In the first cluster, three themes share relative similarities; grant finance as an alternative to commercial finance, access to funding based on proof of work and inclusive avenues to finance and funding. These solutions represent participants' views on circumnavigating the barriers to finance imposed by lack of collateral. In the second group are solutions directed at addressing the internal shortcomings of SMEs through government support and training and equipping. In the third group are solutions directed at external factors affecting SME prospects, which are addressing government inefficiencies and corruption, development of institutions that can cater to small businesses and SME representation for better access to funding. The fourth group are factors that improve opportunities for SMEs to include managerial and organization of SMEs, improved payment structures to improve cashflows, downscaling projects to access funding and economic incentives directed at assisting the prospects for SMEs.



Source: Author's construct using NVivo 14

Figure 4.15 Cluster analysis of solutions to improving access to finance

In the last group are solutions directed at addressing the lack of access to finance and include the need to improve financial access processes and communication, innovative financing and alternative forms of collateral, building networks and relationships of support and funding and material support. The group of solutions and the extract from the participants' responses are presented in Table 4.2.

Table 4.2 Extracts from participants' responses of suggested solutions

Suggested Solutions	Extracts
<p>Grant finance as an alternative to commercial finance</p>	<p><i>“In 2019 we applied for municipal funding to the value of R43000 this was to purchase a drain machine and we were successful. We also applied for an NYDA grant to buy tools for the business in 2019 and were successful to the value of R50000”.</i> Participant 14</p> <p><i>“I’ve applied for grant funding and which is like 100% grant funding...so for the grant funding yes at least have been successful on three occasions during COVID, so the first one was in 2021”.</i> Participant 3</p>
<p>Access to funding based on proof of work</p>	<p><i>“I believe if government can have an algorithm that says this person has created so many jobs they have so many points by so doing those points afford them access to R100,000 for equipment, so it should drive solving the unemployment problem”.</i> Participant 1</p> <p><i>“Taking time to understand our business models. Thorough due diligence—understand the owners, credibility, their contribution and so forth). Reduce heavy charges and interest”.</i> Participant 14</p> <p><i>“even the private sector companies that we work with as their vendors should provide funding because they know our track record”.</i> Participant 4</p> <p><i>“The banks that we bank with, they should be helping us because they can see that we get businesses, they can see the money deposited straight into our accounts”.</i> Participants 5</p>

“But once we have someone to advocate for us and says ... we know this business they’ve done well and they can produce and that’s when you know you are able to access finance”.

Participant 9

**Inclusive avenues to
finance and funding**

“I think the one is to look at the business as a separate entity from its owners, especially because black people come from less privileged backgrounds of not having enough to have an asset base behind us or have funding whether it's been from our parents or family behind us, we do not have that”. ***Participant 12***

“The criteria or the ways of assessing risk should be redefined and in fact I think through the Financial Services Charter and other legislation, there is already a very big kind of move to get financial institutions to report on the performance of their books on inclusionary practices. So, I think if there's greater emphasis on that type of thing, it will kind of compel financial institutions to look a little bit broader”. ***Participant 16***

“I think within the funding structure, they should be perhaps a sustainable model for SME based on the nature of the business. Funding structure to include a sustainable model for SMEs (funding with support in terms of access to markets, interlinks within the institutions to unlock opportunities)”. ***Participant 9***

Government support

“Workshops to understand the SMEs market, also funders and government need to be accountable, because I've done a lot of workshops and training with departments in terms of transformation for businesses owned by people with disabilities

*and every workshop that I've gone to, it's the same people and were discussing the same thing and there's not progress in implementation of recommendations". **Participant 11***

*"I would appreciate if government can look at this and see if they can help small businesses with funding because it's very difficult. I do understand that the banks need their interest because they make money out of interest, but it will be important for government to give us that opportunity to lend us money".
Participant 2*

Training and equipping

*"I think some training would assist so that when the opportunity presents itself you are well equipped to go apply for the funding. It will help in ensuring that you have all the necessary information, and you have the confidence. Training (funding readiness, confidence building, addressing gaps in the business, specific focus areas), training would benefit the funders in better understanding funding needs from SMEs". **Participant 11***

*"I think what also contributed to me being successful is that prior I attended a Moody's finance capacity building course; we were being taught how to write a business plan or to write an application to request for a business funding". **Participant 3***

*"Even if maybe, they don't trust us as a small company that we can actually use the money in the right way, they can actually maybe give you some people who will train the small businesses, how to use money or if maybe they don't trust us they can buy what the business needs instead of giving us money".
Participant 2*

Address government

**inefficiencies
and
corruption**

“I feel there's a lot of red tape especially in the government side if you don't have a connection inside nothing happens like I've sent emails, nobody responds because you don't know anyone on the inside, that should stop. Websites are not updated properly with the latest offerings”. **Participant 13**

“It's so difficult to access the funding from government, they only give those who they know, there's the problem. If they give to me, I must pay someone to give me funding. Government is corrupt, is not doing the right thing”. **Participant 2**

“Eliminating corruption especially with government owned institutions. Rotate the officials who assess loan applications to prevent corruption”. **Participant 6**

**Institutions that can
cater to small businesses**

“In addition to the Nedbank loan, we opened a FNB account, and we were able to access a R100,000 revolving facility. I will also small businesses go to FNB to open an account with them because they work brilliant with the small businesses”. **Participant 2**

**SME representation for
better access to funding**

“There is a lack of visibility by funding institutions so they should be more advertisements. There should also be co-ordination between government departments and funders (access to markets linked with the funding assistance)”. **Participant 15**

“I think it will be the best that we get somebody who will believe in us and then help the small businesses with funding here. What we want the funding for, and then if maybe the fund that they

*don't trust businesses, they can also need the receipt or maybe negotiate on our behalf for what we need for". **Participant 2***

**Managerial and
organisation of SMEs**

*"I think certainly compliance to a certain degree must be a minimum, an acceptable degree that we also hold ourselves kind of accountable too and formalizing your business. So, kind of putting reporting structures in place such that you know you kind of have a view of what is my budget cycle? How does it compare to my actual, and then investing naturally in annual financials, the reporting around your financial performance should be prudent and formal. Because that gives you a view of how you are doing as a business where your financial health check. Are you collecting as much as you're spending, where can you improve?" **Participant 16***

**Improved payment
structures for SMEs**

*"I think there's a lot of solutions that if unlocked can solve a big chunk of the challenges that you seek to resolve. For instance, if you are going to pay a small business in 30 days, for me that doesn't make sense because you are simply saying a small business must carry your project for in fact, if you calculate it properly it's 60 days". **Participant 1***

**Downscaling to access
credit**

*"So, we are focusing on instead of doing one R200,000 project, let's do ten of them the outcome cumulatively in six months' time or in a year's time can put us in a different position. So, we spend more on sales, driving our sales funnel so that we do multiple smaller projects with the focus of maximizing the profits and find our scaling platform there". **Participant 1***

Economic incentives

“And we do it for incentives. I don't want people to see it and say because I'm this demographic, I should get access to funding. It should all be a national drive towards something so that when you access funds, since it's beneficial, it has an impact on the bigger scheme of things, not just the not just for personal gain”. **Participant 1**

**Improve financial access
processes and
communication**

“Say maybe if the banks or the financial institutions were to maybe change their regulations in terms of their requirements and then maybe make them less strict to increase access for businesses like ours”. **Participant 18**

“It would help if requirements can be streamlined and red tape is reduced. Also if we can just get feedback on what we need to improve as a company so that we can be able to access the finances that they are lending”. **Participant 20**

“Funders doing proper due diligence to assess suitability on a business-to-business basis and not using generic assessment criteria because we are all at different stages of growth and our business models are different. The development and implementation of innovative methods of funding such crowdfunding”. **Participant 21**

“It would help to make information accessible as well as the requirements for accessing funding, I don't think small business owners are really informed of the financing opportunities that exist”. **Participant 22**

**Innovative financing
and alternative
collateral**

“Insurance to make up for lack of collateral”. **Participant 4**

“Enterprise and supplier development funds are better suited to assist their businesses they give an opportunity to present your case and take time to understand the business, they are more risk averse, mix of grant and interest free loans” **Participant 11**

“DFI’s work under the premise of the mainstream banks by looking at things like (collateral, credit checks) maybe they can find creative ways”. **Participant 12**

Building networks and relationships of support

“So you need to sort of like prove yourself, but how I’ve overcome these challenges through relationship building. I build relationships with the key stakeholders and often they want to give me a chance and I’ve always proved myself. And through the work we get referrals and then it becomes a word of mouth”. **Participant 15**

“It was a lesson for us to bear in mind that the best thing to do for yourself is to have reputable suppliers that you make sure that they can pick you up whenever you need materials. So regardless of what happens, pay your suppliers and they will definitely pick you up when you need assistance”. **Participant 20**

“With some suppliers if I go to them and buy several times and then you know that I am consistent, to a point where even if I don’t have money, they can take a chance and supply the stuff and then hoping that I’ll come back and make the payment. So if there is that kind of trust and relationship, even if maybe, and I don’t have a access to funding at that particular moment, the struggle will be less, because if I wait to come and say I need this when I have an account or not, they can say take I know you

are trustworthy you'll come back and do the payment”.

Participant 6

Financial and material support

“Creative funding options like paying for the salaries of employees like during the time of the Covid-19 pandemic. And assistance with paying for compliance requirements in the construction sector, like COIDA and other membership fees”.

Participant 4

“Due to the 30 days payment terms with our client, it would be nice if institutions would fund the capital with favourable interest rates to purchase material to bridge the cashflow gap”.

Participant 8

“It can be a good thing because they can start buying the equipment and they can get the things the business needs. It would have a lot of impact, maybe it would be better if the only people who can help us is our government, at least to have finance, even if maybe they don't trust us as a small company that we can actually use the money in the right way, they can actually maybe give you some people who will train the small businesses, how to use money or if maybe they don't trust us they can buy what the business needs instead of giving us money”.

Participant 2

Source: Author's construct using NVivo 14

Given collateral challenges among SMEs, successful applications for grants present an opportunity for SMEs struggling with raising collateral or viable cashflows and other requirements posted by financial institutions. However, the analysis of the data showed that successful government or public sector grants were received by a very small subset of the sample, participant 3 and participant 14. The results presented in Table 4.2 also shows that the report size of grants received are small as compared to the capital and cashflow requirement being required by the businesses. This source of funds did not seem to be reported much in the

data, although a large segment of the participants believed government finance is barricaded by inefficiencies and corruption and not easily accessible as a viable alternative to finance from private banks and financial institutions (**P2, P6, P13**).

The participants suggested alternative collateral requirements including proof of work, inclusive financial avenues and SME representation directed at improving access to finance (**P1, P4, P5, P9, P14**). While collateral and cashflows are requirements for accessing finance which are key challenges across all SMEs represented in the study, proof of work concept can be a viable alternative since it demonstrates SMEs' performance in other problematic aspects such as managerial structure, planning, and project costing. In arguing for considerations of proof of work, participants raised calls for financiers to try and understand their business models, vendors to acknowledge their consistent transactions and to be included in considerations for financing certain SMEs that are doing well. Issues of an internal nature bearing upon the SMEs themselves were not widely represented such as the need for better management and organizational performance (**P16**), possible downscaling to access affordable credit fitting business assets and size (**P1**), use of economic incentives and no other criteria (**P1**), with most participants alluding to external intervention and assistance to solve perceived barriers to accessing finance.

4.7 The findings and the existing body of literature

In a report by McKinsey & Company (2020), it was noted that though financial products that can address the funding needs for SMEs in construction and maintenance were available, the SMEs lacked awareness of these products, with lack of financial knowledge remaining as one of the barriers to accessing this support. Most SMEs were either not aware of the support, knew about existing products or did not meet the qualifying criteria for the financial products (Cant, 2017; McKinsey & Company, 2020). Findings on key challenges to access finance for SMEs in this study showed that SMEs failed to meet the qualifying criteria for access to financial products. This was demonstrated in the theme that focused on unsuccessful applications for capital. It was also noted that SME owners would go to a bank requiring a loan motivated by their project needs, did not consider the underlying securitization for the required funds, neither the application window nor, most importantly cash flow necessary to meet financial obligations due to the obtained funding (**P4, P13, P18**). At most SME owners went to banks looking for money generically and would learn at the banks about the various financial products, the requirements for those financial products and the status of their business profiles relative to the finance being sought.

The findings from this study were clear regarding the challenges of SMEs in accessing funding and the consequent limitations in the growth of their businesses. However, SMEs were riddled with internal characteristics that limited their capacity to be perceived as viable clients for commercial institutions. Under the theme “financial mismanagement and poor finance skills” it was found that there were perceptions of financial illiteracy which engendered financial mismanagement (**P1, P2, P8, P13**) and that this had created low confidence from banks. Some participants reported on negative “reputation and perceptions of default risk by banks” (**P2, P3, P13**), which explains the high cost of credit (**P1, P2, P5, P9, P21**) since the perceived lending risk is higher. In a study on financial stability among SMEs in South Africa in various sectors including construction, financial awareness, budgeting, accounting skills and access to finance were positively associated with SME financial sustainability (Msomi & Olarewaju, 2021). In another study, the financial awareness of business owners was linked to sound financial management strategies directed at improving the growth and sustainability of SMEs (Menike, 2018). The fact that in the findings, it was observed that perceived barriers to accessing finance from financial institutions were considered as constraints imposed by the banks to stifle SME growth, demonstrates a lack of knowledge of financial institution’s requirements. According to the participants, banks’ response times were too long, stringent qualifying requirements, requirements for consistent financial inflows and perceptions of rejection as discrimination and not opportunities for learning and looking for more information or improving one’s business operations. Thus, it is the internal limitations of the SMEs such as poor financial skills of the owners, mismanagement of the businesses, lack of asset bases and failure to match financial requirements to business capacity measured through existing collateral, financial inflows, and business status.

4.8 Chapter summary

In this chapter, the findings of the data analysis and the findings from the reflexive thematic analysis were presented. The analysis showed that SMEs take active initiatives in seeking capital for growth, purchases of equipment and tools for meeting the material as well as labour demands of their projects. Lack of equipment and finance was observed to be limiting their growth prospects in terms of access to markets and opportunities, retaining skilled workers, and weathering the competitive environment. Other challenges include managerial challenges and a lack of systems to manage businesses effectively. From the participant’s responses financial institution’s requirements do not seem to be well understood, particularly concerning

collateral, cashflow requirements and business performance. In the next chapter, the findings are discussed considering the existing studies on barriers to access to finance for SMEs.

CHAPTER 5

CONCLUSION, RECOMMENDATIONS, AND IMPLICATIONS

5.1 Introduction

In the previous chapter, we discussed how the data was collected and prepared for analysis, detailing the analysis and interpretation of responses received. This chapter first gives a high-level overview of the study's objectives, highlighting the research questions. Then, it provides a summary of the questions that the study attempted to answer. Then, a focus on discussing the results observed as they relate to the literature on challenges faced by SMEs as they relate to access to finance, particularly for SMEs in the construction and maintenance sector. Then, an overview of the recommendations, implications, and limitations the study faced will be addressed, suggestions for further research will be given, and concluding remarks will be provided.

5.2 Discussion of findings

The study explored the barriers SMEs in the construction and maintenance sector in Gauteng face when accessing finance for business growth and the possible solutions to these barriers and challenges. In exploring these challenges and potential solutions, the study focused on the perspectives of the SME owners/representatives and their lived experiences in the construction and maintenance sector in Gauteng.

The first objective of the study sought to gain an understanding of the key challenges facing SMEs in the construction and maintenance sector in Gauteng regarding access to capital and finance for business growth. In response to this objective, a semantic analysis of the interview data from the participants provided several stated critical challenges from the participants. These broadly included access to credit, access to financial and physical capital, access to markets, delays in receiving payments, financial mismanagement, gender-related issues, lack of collateral, skills requirements, and access to skilled workers or technical help, and unsuccessful applications for capital from financial institutions.

The second objective sought to understand the extent to which these reported challenges affect the ability of SMEs in construction and maintenance to access finance or capital. In meeting this objective, analysis was directed towards understanding the specific reasons or perceived ways in which stated factors operated to inhibit access to needed finance. To this end, latent analysis was employed, and several factors were found, which included challenges in access to

consistent work, business and managerial skills incapacity, perception regarding financial institutions as being more aligned with the prospects of big companies when compared with small companies, poor SMEs financial status and capacity, not meeting requirements to access funding and work design and structure that impacts working capital management.

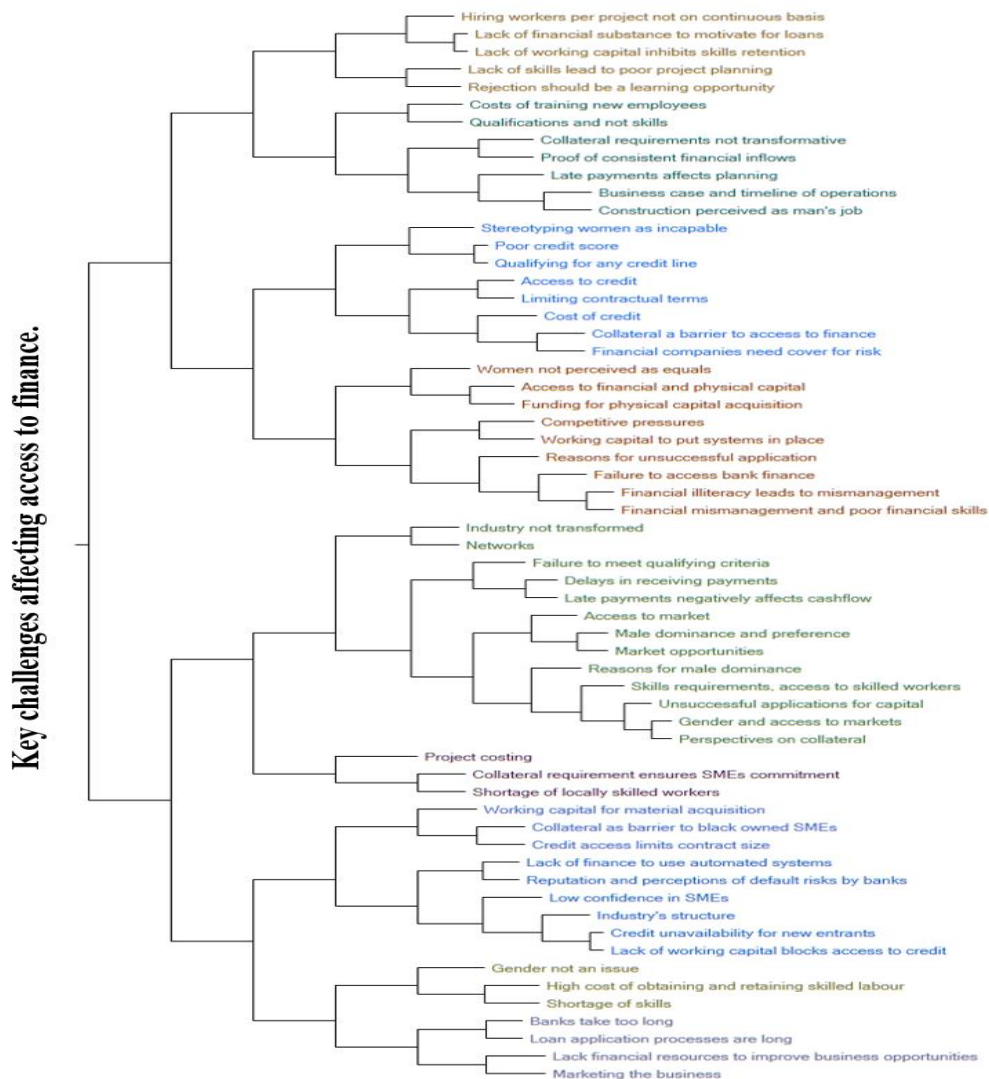
The third objective sought to explore the possible solutions to addressing the barriers to accessing capital and possible ways to improve access to finance. In addressing this objective, both semantic and latent reflexive thematic analysis was implemented. With semantic analysis, the possible factors were identified and listed, while latent analysis provided the underlying reasons, conceptions, and misconceptions regarding access to finance. This approach provided a comprehensive exploration of the perceived solutions and reasons behind those solutions to better project responses to the views of the SME participants. The solutions included financial and materials support from the private sector, government support, inclusive avenues to finance and capital, the need for better sector-level representation of SMEs, improvement in managerial and organizational aspects of SMEs, innovative financing, and alternative forms of collateral, economic incentives, and the need to address government level inefficiencies and corruption.

5.3 Methodological approach

The study employed reflexive thematic analysis to explore challenges in accessing finance for SMEs in construction and maintenance in Gauteng province and the possible solutions to these challenges/barriers from the lived experiences of the SMEs. In implementing thematic analysis to meet the objectives of the study, a two-step coding method was implemented depending on the stated objective. In the first stage, semantic analysis was implemented using NVivo 14 software, and in the second stage, the latent coding method relied heavily on the researcher's subjective domain and textual analysis. In the semantic coding stage, concept mapping using NVivo 14 tools, such as auto-coding and concept mapping trees using key terms from the research questions, was employed to organize the preliminary codes into themes. These were aggregated using text correlation analysis possible in NVivo 14's cluster and matrix coding into preliminary themes. The results of this analysis stage, the semantic level, were reported under general findings in Chapter 4. Latent analysis was directed at finding underlying meanings in the participant responses. This was important in understanding underlying, non-surface aspects addressed in the data. Themes generated through a latent analysis were reported as the objectives-centred findings of the study in conjunction with semantic analysis-generated themes.

5.4 Summary of the findings of the study

The exploration of the factors inhibiting access to finance for SMEs in the construction and maintenance sector in Gauteng was based on rich text interview data. The key challenges in accessing finance are summarized in the Figure 5.1.



Source: Author's construct using NVivo 14

Figure 5.1 Challenges affecting access to finance

The key challenges ranged from direct issues such as lack of collateral and access to markets influencing financial sustainability. Other indirect issues can also be observed in Figure 5.1, which include gender issues, skills, managerial issues, and other industry-specific and personality-related issues.

The challenges affecting the ability to access finance are perceptions of lending institutions being more favourable to big companies than SMEs, lack of access to consistent work projects hampering working capital sustainability, lack of business skills and managerial capacity, requirements to accessing funding from financial institutions, poor financial status and work structure and impacts on working capital.

The suggested solutions are multifaceted and are directed at financial institutions with suggestions such as access to funding based on proof work, the need to improve financial access processes and communication, and the use of inclusive avenues to finance and funding. Other solutions were directed towards external institutions soliciting possibilities for grant finance as an alternative to commercial finance, the need to address government inefficiencies and corruption, government support, the need for SME representation, the provision of training and support, and the need for building industrywide networks. Finally, internal SME business transformation such as downscaling to access credit, improving the managerial and organization of SMEs, economic incentives to encourage better business processes, and improved payment structures.

5.5 Implications of the study

In a recent study by (Msomi & Olarewaju, 2021), workshops, training, and seminars to improve the financial literacy of SMEs were recommended as a viable strategy. It was deemed necessary to help SME business owners deploy their accounting and budgetary skills and they will be exposed to loan requirements and conditions from financial institutions (Msomi & Olarewaju, 2021). From the findings of this present study, training and development to equip SMEs with managerial and financial literacy, information and management skills can improve the prospects of SMEs in terms of access to finance and dealing with financial institutions.

5.5.1 Implications to policy

Government support and policy initiatives, such as creating favourable policies that support small construction businesses, including tax incentives, subsidies, expenditure support schemes, and simplified regulatory processes. Government backed loan programmes specifically for small construction companies, offering favourable terms and low interest rates can improve access to finance and cash flow for small and emerging construction businesses, increasing their likelihood for survival and sustainability.

There is a need to improve access to market opportunities. Concerning government contracts, based on criteria suggested, such as proof of work, government bodies can allocate a proportion

of construction contracts to small and emerging businesses, thus ensuring a steady flow of income and vital growth opportunities.

5.5.2 Implications to practitioners

There is a need to establish collaboration between small businesses in construction and financial institutions. These collaborations lead to the design of risk mitigation measures and mechanisms that reduce perceived risk associated with lending to small construction businesses. As noted by the participants, the need for innovative financing and alternative forms of collateral can be implemented through the design of tailored financial products specifically catering to the needs of small construction businesses, such as flexible repayment schedules and lower capital requirements.

On the non-financial aspects, small businesses in construction and management should be encouraged to adopt sound and rigorous financial management practices to reduce the lack of cash flow or working capital, leading to increased default risk and, hence, high interest rates due to perceptions of the heightened risk of default from financial institutions. Financial literacy and capacity-building programs enhance the financial management skills of small business owners, helping them to navigate financial processes and requirements better. Capacity building can be achieved through training and workshops on business management, project costing, financial planning, and budgeting to improve the overall capacity of construction businesses.

There is also a role to be played by industry forums through networking and partnerships which can facilitate networking opportunities and partnerships between small and emerging construction businesses and larger enterprises to create mentorships and opportunities for skills transfers and access to shared information and other resources.

5.5.3 Implications to research

In the present study the concept of sustainable access to finance was raised in the discussion of the general findings. While studies have investigated SME sustainability, the concept of sustainable financing for SMEs in construction has not been investigated. This may be an important research area for future studies.

5.6 Limitations of the study

The results of the study are a preliminary exploratory analysis of barriers to accessing finance and are based on the perspectives of a non-representative sample of participants among SMEs in construction and maintenance in Gauteng province. The results of this study therefore cannot

be generalized to the population of SMEs and the study does not seek to extend the results beyond the specific context of the study participants.

The reproducibility of the study given the same data can be affected by the skills variability of the primary researcher(s). There are various strands of thematic analysis, with studies implementing variations of it (Boyatzis, 1998; Braun & Clarke, 2006; Guest, et al., 2011). The present study is no exception, implementing the analysis as suggested by (Boyatzis, 1998). However, some themes can be further aggregated or even decomposed; thus, coding consistency can differ if viewed from the perspective of a different researcher. To reduce the variation in results likely to emanate from variations in the implementation of the analysis, the use of methodological triangulation in the study, where using software tools, a preliminary analysis was conducted to test coding patterns with the underlying source data. It was observed that the two methods yielded similar conclusions on base themes.

The resource intensity of thematic analysis and challenges of working with large and rich data typical of the present study induce strain on the researcher; extended periods of coding and thematic deduction may result in the original meanings of themes being lost and may change. This implies that the interpretation of the themes may vary over the coding or analysis period, and the longer this period and the richer or broader the data, the more the likelihood of this problem. To reduce this challenge, methodological triangulation, shortening the thematic analysis coding period, and use of memos during thematic analysis were implemented.

Finally, thematic deduction or data reduction/simplification through identifying and coding themes may oversimplify the richness and complexity of the data. Thus, some nuances and intricacies may be lost during the abstraction process. This is worsened when the thematic analysis is conducted by someone other than the one who collected the qualitative data, and abstraction may lead to the loss of original meaning implied by the respondents during the interviewing or qualitative data collection phase. This further implies that the resultant analysis is highly context-dependent, with findings possibly not applicable to different settings or situations, and the relevance of themes can be specific to the environment, culture, and social or temporal context in which the study is conducted. The provision of a detailed description of the study context and setting in the methodological section helps position the context within which the results of the study can be understood and applied.

5.7 Conclusion

From the analysis conducted in this study, a combination of internal and external factors creates barriers in accessing to finance for small businesses in the construction sector. The internal factors are the characteristics of the make-up of the small business and their owners, such as financial knowledge, awareness, business managerial skills, project management and management of cash flows. External factors include the perceived risk of lending to small construction businesses, competition in the sector and the macroeconomic environment.

The study produced rich, thick data, with themes and topics raised in this study providing a basis for fruitful future studies. The exploratory analysis showed differences in perceived barriers to access by the length of time the company has been in business. While government support was found to be needed by SMEs in the study, there were differences in perceptions of the nature of government support depending on the number of years the business has been in operation. Future studies will require more comprehensive study designs so that more targeted and broader interventions can be designed to assist SMEs at different stages of growth.

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APPENDICES

Appendix A Consent form and information letter

Dear Potential Participant

My name is Nkateko Mbambo, I am a Master of Business Administration student at the University of KwaZulu-Natal Graduate School of Business and Leadership. As part of the requirements to complete the degree, I am required to complete a mini dissertation. I am interested in exploring “Barriers of access to finance for small and medium enterprises within the construction and maintenance sector in Gauteng”. My supervisor is Professor Jobo Dubihlela, from the Graduate School of Business and Leadership at the University of KwaZulu-Natal.

You are being invited consider participating in the study which involves exploring “Barriers of access to finance for small and medium enterprises within the construction and maintenance sector in Gauteng”. The aims and objectives of this study is to obtain an understanding of the key challenges facing SMEs in the construction and maintenance sector, the extent to which these challenges affect the ability to secure finance and explore solutions to address the challenges and improve access to finance. You are requested to participate in an individual semi-structured virtual interview that will take about 30-45 minutes to complete. All information that is shared in in this study will be treated as confidential and anonymous by myself as the interview facilitator and researcher.

Please note the following:

- The information you will provide will be treated confidentially and will be anonymous as no name or information can be linked to you personally.
- The information that will be shared in the interviews will be treated confidentially and will be recorded and reported anonymously.
- Reporting of research information will only be done at a group level.
- You have a choice to participate, not participate or stop participating in the research.
- There will be no negative consequences should you decide not to participate in the study.
- Your involvement is purely for academic purposes only, and there are no financial benefits involved.
- We request your permission to audio-tape/record the interview.
- Data will be stored electronically; password protected and will be discarded after 5 years.
- This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number: HSSREC/00005675/2023).

In the event of any problems or concerns/questions you may contact the researcher at 222112300@stu.ukzn.ac.za / [REDACTED] or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

If you are willing to participate, please indicate so by completing and signing the consent section below. You may keep this letter for your information.

--

CONSENT

I (_____) have been informed about the study entitled Barriers of access to finance for small and medium enterprises within the construction and maintenance sector in Gauteng by Nkateko Mbambo.

I hereby confirm that I understand the contents of this document and the nature of this research project, and consent to participating in this study.

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

If I have any further questions/concerns or queries related to the study, I understand that I may contact the researcher at 222112300@stu.ukzn.ac.za / [REDACTED]

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001
Durban
4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

Additional consent, where applicable

I hereby provide consent to:

Audio-record my interview YES / NO

Signature of Participant

Date

Signature of Researcher

Date

Appendix B Interview Schedule

SME questions

1. Which area in the construction and maintenance industry does your business specialize in?
2. Can you give details of the time you have been in this line of business?
3. Explain what you view as the key challenges you face in growing your business?
4. Kindly explain the financial management or recordkeeping system that you are using in your organization?
5. Give details on the times that you have applied for finance since the inception of your business?
6. What was the sizes of the last loan applications that you requested and what were the funds to be used for?
7. Can you explain the types of institutions where you previously applied for the small business finance?
8. What is your view of the collateral requirements for loan security as it relates to accessing finance opportunities in your sector?
9. What do you think are the most important limiting factors to obtaining finance?
10. How would the small and medium enterprises in the construction and maintenance sector benefit from having access to finance?
11. Do you believe that your gender has an impact on your ability to access markets and finance in your sector? If so, how?
12. In your view, what are the possible solutions to improve access to finance for businesses like yours?

Appendix C Turnitin report

Appendix D Ethical clearance



20 June 2023

Nkateko Charmaine Mbambo (222112300)
Grad School of Bus & Leadership
Westville Campus

Dear NC Mbambo,

Protocol reference number: HSSREC/00005675/2023

Project title: Barriers of access to finance for small and medium enterprises within the construction and maintenance sector in Gauteng

Degree: Masters

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 29 May 2023 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid until 20 June 2024.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

HSSREC is registered with the South African National Health Research Ethics Council (REC-040414-040).

Yours sincerely,



Professor Dipane Hlalele (Chair)

/dd

Humanities and Social Sciences Research Ethics Committee

Postal Address: Private Bag X54001, Durban, 4000, South Africa

Telephone: +27 (0)31 260 8350/4557/3587 Email: hssrec@ukzn.ac.za Website: <http://research.ukzn.ac.za/Research-Ethics>

Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

INSPIRING GREATNESS

Appendix E Gatekeepers letter



Prof Jobo Dubihlela
Graduate School of Business and Leadership
University Of KwaZulu-Natal
Westville Campus
Durban
3630

14th March 2023

Dear Prof Jobo Dubihlela

RE: PERMISSION TO CONDUCT RESEARCH

This letter serves to confirm that I, Desigan Chetty, Chief Operations Officer at Property Point Venture Catalyst NPC (Property Point), hereby acknowledge and approve the research of Nkateko Mbambo within Property Point for the completion of her MBA degree.

Sincerely,



Desigan Chetty
Chief Operations Officer

