BUSINESS GROWTH CHALLENGES AND OPPORTUNITIES FACING SMALL AND MEDIUM ENTERPRISES IN THE SEDIBENG REGION

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Date: March 2020

DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree

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ABSTRACT

Keywords: Business, challenegs, growth, opportunities and small and medium enterprises.

The role of small and medium enterprises (SMEs) is to stimulate economic growth and competitiveness in many countries. The same applies to South Africa, where the SME sector has grown tremendously to become the engine and the lifeblood of the economy by becoming a contributor to social and economic development through employment creation and constant input to the gross domestic product. However, despite these contributions, South African SMEs face numerous challenges and opportunities which might negatively or positively impact their prospects for growth, success and sustainability. This study aimed to investigate the business growth challenges and opportunities facing SMEs in the Sedibeng Region. Through a review of literature, some challenges were identified, namely, the limited access to financial, managerial competencies, economic variable, regulations and laws, crime and corruption and lack of appropriate technology and high cost of production. Despite these challenges, SMEs are faced with some opportunities which have been created by the government to facilitate their growth, with examples including the SEDA, Ntsika Apex Fund, Khula, the National Small Business Act, Black Economic Empowerment, National Development Plan (NDP) and the Local Economic Development (LED). A four-section questionnaire was then developed using adapted measurement scales and distributed to 230 SMEs in the Sedibeng region. Respondents were selected using the non-probability convenience sampling technique. The collected data were analysed using the Statistical Packages for the Social Sciences (SPSS (Version 25.0). After testing for validity and reliability, descriptive statistics were applied in testing the perceptions of respondents towards the challenges, opportunities and business growth. Exploratory factor analysis (EFA) was applied to assess the factor structure of the collected data. Pearson correlations were used to test for the strength and direction of associations between challenges, opportunities and business growth. Regression analysis was applied in testing whether challenges, opportunities and business growth (business sustainability and external business aspects).

Two SME challenges, namely, crime and technology and economic aspects, were extracted in the EFA. Additionally, two SME opportunity factors, namely 'information technology' and 'environment' were extracted in the EFA. In the same procedure, two SME growth factors, namely, external business aspects and business sustainability, were extracted. Pearson correlation

analysis revealed positive and significant associations between all challenges, opportunities and business growth factors. In the regression analysis, both challenges and opportunities positively and significantly predicted SME growth. The study concludes by suggesting recommendations for limiting the impact of the identified challenges on business performance.

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LIST OF ACRONYMS

SMEs	Small and Medium Enterprises
SEDA,	Small Enterprise Development Agency
NDP	National Development Plan
LED	Local Economic Development
PESTEL	Political, Economic, Social, Technological, Legal and Environmental
UNIDO	United Nations Industrial Development Organisation
BRICS	Brazil, Russia, India, China and South Africa
OECD	Organisation for Economic Cooperation and Development
VAT	Added Value Tax
GDP	Gross Domestic Product
BEE	Black Economic Empowerment
RBV	Resource Based View
RSA	Republic of South Africa
EFA	Exploratory Factor Analysis
KMO	Kaiser-Meyer Olkin

CHAPTER 1
INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Small and medium enterprises (SMEs) play a vital role in a country's economic development. Most often, SMEs are described by economists as job creators and the fuel of a country's economic engine (Abor & Quartey 2010:219). Therefore, there is a need to invest in SMEs since they have great potential to grow an economy. To invest in SMEs, it is important to assess their opportunities and challenges since these are the factors that have modelled their business growth. South Africa, as one of the leading economies in Africa, has invested greatly in SMEs. Their main objective in the South African economy is to improve the country's economic growth through increased competitiveness and by generating employment and redistributing income (Smit & Watkins 2012:6324).

There is no universal definition of SMEs since different countries adopt different definitions of an SME (Kachlami & Yazdanfar 2016:967). Some countries define an SME by using the turnover to determine the size of the enterprise (Lokhande 2011:40). Ayyagari, Beck and Demirguc-Kunt (2007:415) define an SME as an essential element in its strategy to foster economic growth, employment and poverty alleviation in a country. From these different definitions, one can see that they have SMEs as a vital element to foster the economic growth of a country.

SMEs are the engines of economic growth, contributing to the GDP, employment creation (Mncina 2016:2) and innovation (Sandada 2012:28).

SMEs have been described as an essential factor in sustaining the economic growth and development of most economies (Pooe, Mafini, & Okoumba 2015:2). According to Mncina (2016:2), they contribute to a country's national product by either manufacturing goods of value, or through the provision of services to both consumers or other enterprises, which further contributes between 52% to 57% of the country's GDP. The percentages above portray that SMEs contribute to the wealth of the economy. The presence of them in an economy portrays healthy and necessary competition against big business that might exploit and have monopoly power in the economy (Stan 2014:170).

SMEs play a significant role in the economy by creating employment opportunities (Katua 2014:465) and transcend social inequality (Stan 2014:170). The SME sector contributes to 61% of the country's employment (Wiese 2014:2), and also engages in private initiatives by which workers receive technical training (Keskin, Sentürk, Sungur & Kiris 2010:185). As a source of innovation and new ideas, they enable opportunity-driven entrepreneurs to generate new business ideas, mobilise resources and ultimately create jobs (SBP Alert 2009:2).

SMEs are known for pioneering and originating new knowledge which they test before it disseminates to large businesses or industries (Muriithi 2017:39). Through their entrepreneurial spirits business founders or owners risks to identify and seize opportunities and turn them into workable and market-driven products. Hence, SMEs provide a foundation for long-term growth dynamics and the transition towards larger enterprises.

Since SMEs are vital for economic growth, they stand at the centre of all growing economies. However, there are several challenges and opportunities which they face to grow their business. Some of these are access to finance and credit (Imbadu 2016:2, Mazanai & Fatoki 2012:31); management competence; economic variables (Smit & Watkins 2012:6326); regulations and laws (Sandada 2012:39); and crime and corruption (Olawale & Garwe 2010:732).

SMEs that lack start-up capital cannot afford an acceptable and affordable space to start the necessary business plan, which is a key obstacle to their growth (Agwa-Ejon & Mbohwa 2015:521). It is also believed that the access to credit for SMEs in South Africa is very difficult for most of the informal sector (second economy) when compared to most of the formal sector (first economy) (Agwa, Ejon & Mbohwa 2015:521). However, information solutions can provide sufficient credit information and also help to reduce the risk for credit, thus helping large financial institutions to lend money to some SMEs (Turner, Varghese & Walker 2008:25).

Olawale and Garwe (2010:731) defined managerial competencies as a set of knowledge, skills, attitudes and behaviours that contribute to personal effectiveness. According to Agwa-Ejon and Mbohwa (2015:521), about 90% of SMEs fail due to lack of managerial experience and competence. Olawale and Garwe (2010:731) further add that in South Africa, lack of education and training in start-up firms had reduced management capacity. Furthermore, it leads to low levels of entrepreneurial creation and the high failure rate of new firms.

Economic variables affecting the growth of SMEs include inflation, interest rates, fiscal and monetary policies of the government and foreign exchange rates (Liu & Shrestha 2008:752-753). Economic variables influence the growth of SMEs by affecting the demand for their goods and services (Cant & Wiid 2013:708). South Africa's current economic environment is characterised by high inflation rates, high-interest rates, low growth rates (low consumption) and declining exchange rates (Olawale & Garwe 2010:731).

South Africa's regulations and laws pose a challenge to the growth of SMEs, especially when it comes to laying-off staff when the firm can no longer afford to keep them, or when the staff are unproductive (Imbadu 2016:2). According to Mahadea (2008:8), South Africa has red tape compliance costs, which have the potential to make SMEs behave in ways that can damage South Africa's economic prospects. Olawale and Garwe (2010:731) state that SMEs face difficulties and incur high costs to hire skilled labour in South Africa. They further add that labour could only be hired according to the Employment and Minimum Wage Regulations, which can be a challenge for SMEs.

Crime is another challenge to SMEs in South Africa because it directly affects business through the theft of money and property, and indirectly through reduced business confidence, and loss of investment (Mahadea 2008:9). According to Image (2016:2), the high crime rate in South Africa forces SMEs to increase spending on security, which further increases operating costs as well as the overall cost of doing business.

SMEs in South Africa also face opportunities for their business growth, such as government initiative or support (Zulu 2014:5). The South African government is supporting the growth of SMEs by investing in a plethora of initiatives to reduce the gap between the first economy and the underdeveloped second economy (SBP 2009:2). According to SBP Alert (2009:2), the government has established institutions such as the Small Enterprise Development Agency (SEDA) and Khula Enterprise Finance established in December 2004 (Bureau for Economic Research 2016:6) and 1996 (Khula Enterprise Finance Ltd 2007: 5) respectively to provide SMEs with loans of less than R10 000.

Given the above challenges and opportunities facing SMEs, this study should add value to the growth of several SMEs. It focuses on these challenges and opportunities facing the business growth of SMEs in the Sedibeng region of South Africa.

1.2 PROBLEM STATEMENT

Although SMEs are vital to economic growth and are at the centre of all growing economies, most of them still face a multitude of challenges. These challenges, such as the access to finance and credit (Rogerson 2008:64), management competence, economic variables (Smit & Watkins 2012:6326), labour laws and crime and corruption (Olawale & Garwe 2010:732), resulting in their high business rates. According to Finmark Trust (2015:5), a recent survey done by SBP revealed that of the surveyed 500 SME owners in South Africa, 35% of them reported to have their survival or existence threatened, and 49% have exhibited either a stagnant or shrinking turnover.

Despite these challenges faced by SMEs, several opportunities exist for them. The government of South Africa has increased its budget to support SMEs in different areas of the country (Agwa, Ejon & Mbohwa 2015:522). Currently, many provincial support programmes have been established by the government to support SMEs (Mago & Toro 2013:19). Several convincing reasons have been put forward about these challenges and opportunities, and several approaches have been employed to address them (Zulu 2014:5) as well as maximise the opportunities outlined in the introduction of this study. The challenges and opportunities faced by SMEs justify the need for a detailed study that focuses on these for their growth in business. This is especially so, given that recent rates of 80% of new businesses fail in the first year and 10% remain in business for the next five years (Zulu 2014:5).

According to Agwa *et al.* (2015:521), SMEs in the Gauteng province of South Africa suffer from a shortage of finance, which informational asymmetry is the likely cause of this problem. Cant and Wild (2013:707) also investigated the challenges affecting South African SMEs but did not combine both the challenges and the opportunities affecting their growth. Thus, this research will concentrate on identifying the major challenges and major opportunities that affect their business growth in Sedibeng Region in the Gauteng province of South Africa.

1.3 OBJECTIVES OF THE STUDY

This study sought to explore the following objectives:

1.3.1 Primary objective

The primary objective of this study was to investigate the business growth challenges and opportunities of Small and Medium Enterprises in the Sedibeng region, South Africa.

1.3.2 Theoretical objectives

The following theoretical objectives were set for the study:

1. To review the literature on SMEs;
2. To review the literature on SMEs in South Africa;
3. To review the literature on the business growth of SMEs;
4. To conduct a literature review on the business growth challenges of SMEs; and
5. To conduct a literature review on the business growth opportunities of SMEs.

1.3.3 Empirical objectives

The following empirical objectives were set for the study:

1. To identify the challenges faced by SMEs in the Sedibeng Region;
2. To identify the opportunities that exist for SMEs in the Sedibeng Region;
3. To identify the factors driving the business growth of SMEs in the Sedibeng Region
4. To determine the effect of the challenges faced by SMEs in the Sedibeng region on their growth;
5. To determine the effect of the opportunities presented to SMEs in the Sedibeng region on their growth;

1.4 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

Since the current research was a study aimed at exploring the challenges and opportunities facing SMEs and examine their effect on business growth in the Sedibeng region, two theories together with one theoretical framework will be employed, namely, theories of a firm business life cycle, and the resource-based view, and PESTEL framework. These offer better approaches to understand and analyse the activities that bring about the business growth of SMEs.

1.4.1 The business life cycle theory

Yazdanfar and Öhman (2014:556) describe the life cycle as a phase of a firm's organisational operations and structures. The life cycle theory of the firm is commonly used to describe the progression of a successful firm through growth phases (Penrose 1952:806). This theory describes that the firm will grow following predictable patterns (Owen & Yawson 2010:427) from birth, survival, success, decline and renewal (Wang 2005:7).

1.4.1.1 Existence stage

The existence stage is also known as the entrepreneurial stage or the birth stage (Lester & Parnell 2008:542). This stage marks the beginning of the firm's development (Samadiyan & Rezaei 2012:2313). Firms at this stage never gain customers' acceptance; rather, the firm's strategy at this stage is to stay alive (Churchill & Lewis 1983:33). SMEs' fight for survival in the economy through innovations and respond to the changes in the customer's needs and wants. It supports its existence by focusing on viability and identifying a sufficient number of customers (Lester & Parnell, 2008:542). Its organisational structure is very simple, and decision-making and ownership are in the hands of one or a few members (Samadiyan & Rezaei 2012:2313). SMEs, at this stage, focus on profit-oriented activities and sustainable future for the business. Promotion is very high, and the business is focused on attracting first-time buyers.

1.4.1.2 Survival stage

This stage is characterised by firms that seek to grow (Samadiyan & Rezaei 2012:2313) and develop some structure formalisation and establish their own distinctive competencies (Lester & Parnell, 2008:542). At this stage, goals are formulated routinely; the generation of adequate revenue to continue operations and finance sufficient growth to stay competitive are the primary goals (Lester & Parnell, 2008:542). Sales are high, and SMEs increase their stock to meet their customers' needs and wants. They also enhance competition through cost reduction. Firms at this stage may either grow in size and profit and move to the following stage or remain at this stage for a while to obtain its return on investment and finally go out of business (Churchill & Lewis 1983:37).

1.4.1.3 Success stage

Lester, Parnell and Menefee (2008:40) referred to this stage as maturity. SMEs at a success or maturity stage have a more formal organisation structure based on functional lines (Scott & Bruce 1987:50), when "job descriptions, policies and procedures and hierarchical reporting relationships have become much more formal" (Samadiyan & Rezaei 2012:2314). As SMEs move through the stage of success, they enjoy the superior financial performance and high profitability; and they reduce unit costs of products with economies of scale (Langston 1999:273). Competitors enter the market with better competitive strategies and sales begin to increase slowly (Langston 1999:273).

1.4.1.4 Decline stage

At this stage, sales and profit margins begin to decline as too many competitors fight for the remaining market (Langston 1999:274). Firms begin to stagnate as markets dry up, and product demand decreases (Madhani2010:491). Politics and power become characteristics of this stage (Mintzberg 1984:219) as personal goals become a top priority for organisational members rather than their organisational goals (Samadiyan & Rezaei 2012:2314). Control and decision-making are in the hands of many people (Samadiyan & Rezaei 2012:2314), and organisational members focus more on internal power struggles and lose focus on the customer (Lester, Parnell & Menefee 2008:40).

1.4.1.5 Renewal stage

SMEs that are seeking renewal always experience three change processes: unfreezing, learning, and refreezing (Schein, 1999:115). They need to be very dynamic to face the ever-changing business environment. The change process begins from the survival stage, where the SMEs have to engage in fierce competition (Schein, 1999:117).

1.4.2 The resource-based view theory

The Resource-based View (RBV) is a theory that focuses on the ability of the firm to utilise its resources effectively (Parnell 2014:7). It provides an internal analysis by which managers identify the firm's resources which could represent strength or weakness to the firm (Pearce & Robinson 2003:126) as well as the resources that will generate core competencies that sustain the firm's competitive advantage (Pearce & Robinson 2005:151). This theory focuses on a firm's resources rather than strategies that are common to all firms within the industry (Lynch 2006:217).

According to Barney (1991:105), a firm must have the following four attributes for it to attain a sustainable competitive advantage.

1.4.2.1 Valuable resources

"Firms' resources can only be a source of competitive advantage or sustained competitive advantage when they are valuable" (Barney 1991:105). Resources are valuable to firms as they allow them to choose strategies that exploit opportunities and neutralise threats from competitors (Lynch 2006:221). A firm's resources must allow the firm to reduce inherent weaknesses or outperform rivals by utilising a value-creating strategy (Amit & Shoemaker 1993:37).

1.4.2.2 Rare resources

If the resources are available to competitors, they can easily exploit them, which will no longer be a source of competitive advantage to the firm (Lynch 2006:221). It follows, therefore, that the more exceptional the firm's resource, the higher the perceived value. A resource must, therefore, be rare to have a high value to the firm and thus a competitive advantage. Valuable firm resources are used to implement strategies, which could be required in the mix of human capital, physical capital and organisational capital (Barney 1991:106).

1.4.2.3 Imperfectly imitable resources

A firm's resources need to be costly for competitors to imitate (Lynch 2006:221). Singular control over resources could become a competitive advantage to a firm. According to Barney (1991:106), valuable and rare resources may be a source of competitive advantage if its competitors cannot possess or obtain the resources. Knowledge-based resources are more difficult to imitate by rival firms (Conner & Prahalad 1996:488).

1.4.2.4 Substitutable

According to Barney (1991:111), although it may not be possible for a firm to imitate a rival firm's resources exactly, it may be able to substitute a similar resource that will help it to implement the same strategy.

1.4.3 The PESTEL framework

The theoretical framework of this study will be founded upon and make use of the PESTEL framework, which SMEs use to analyse their external environment and know their challenges and opportunities. PESTEL is an acronym for political, economic, social, technological, legal and environmental (Rastogi & Trivedi 2016:385). Issa, Chang and Issa (2010:75) describe PESTEL as a framework used by a firm to analyse, understand and get a "big picture" of its external business environment, thus enabling the firm to take advantage of the opportunities and minimise the threats it faces.

1.4.3.1 Political factors

These are government policy or factors which determine the extent to which a government may influence the economy (Rastogi & Trivedi 2016:385). They are concerned with government regulations SMEs must adhere to (Issa *et al.* 2010:75) such as trade, taxation, labour, environmental legislation (Bonnici 2015:1), fiscal policy and trade tariffs (Rastogi & Trivedi 2016:385). SMEs must consider laws and regulations for their own countries. The government's decisions can affect SMEs directly or indirectly, which could be a challenge or an opportunity to the SME. Commercial restrictions and political stability are also imperative factors that could act as challenges or opportunities for the growth of the SMEs (Bonnici 2015:1).

1.4.3.2 Economic factors

Economic factors are determinants of a country's economic performance that directly impacts and have long-term effects on the firm (Rastogi & Trivedi 2016:385). The economic factor is concerned with the growth of an economy (Cadle, Paul & Turner 2010:4), inflation rate, interest rates, foreign exchange rates, taxation charges (Rastogi & Trivedi 2016:385) and a firm's cost-related matters (Issa *et al.* 2010:76). Economic factors have a great impact on the profitability and overall attractiveness of SMEs (Bonnici 2015:2). This is because it would affect the customer's purchasing power and change the economy's demand and supply models.

1.4.3.3 Social factors

These factors take into consideration all events that socially affect the market and community such as career altitudes, cultural expectations, healthy consciousness, global warming, norms, population dynamics (Rastogi & Trivedi 2016:385), demographic trends, language, consumer

tastes, education standards, gender roles, and living standards, (Ho 2014:6479). SMEs need to monitor the social trends to reposition its products or services to fit the changing expectations of customers (Bonnici 2015:4). SMEs must adhere to the social factors (guiding principle or code of ethics), which may be a challenge or an opportunity for the growth of SMEs (Issa *et al.* 2010:76).

1.4.3.4 Technological factors

Since technology often becomes outdated within a short period, it is important to consider exploring new frontiers (Bonnici 2015:5) which could be a competitive advantage to a firm (Thompson & Martin 2005:170). These pertain to innovations in technology that may favourably or unfavourably affect the operations of the firm as well as the market (Rastogi & Trivedi 2016:385). Innovation in technology is created by entrepreneurs who seek to push the boundaries of present limitations (Bonnici 2015:5). These refer to the amount of technological awareness in the business environment, automation, research and development (Rastogi & Trivedi 2016:385) as well as technological infrastructures (Ho 2014:6479). Technology is one aspect that is used to create a competitive advantage for the firm.

1.4.3.5 Environmental factors

These factors include all those that influence the surrounding business environment such as climate, weather, geographical location, ground conditions, ground contamination, nearby water sources, global changes in climate, environmental offsets (Rastogi & Trivedi 2016:385) and pollution (Cadle *et al.* 2010:5). Companies are expected to make sustainable development a reality about the growing sensitivity toward environmental issues, which could be a major challenge for SMEs as they search for ways to balance economic, environmental and social performance (Issa *et al*. 2010:76).

1.4.3.6 Legal factors

These factors include legal aspects concerning employment, quotas, taxation, resources, imports and exports. Certain laws affect the business environment in a certain country that SMEs must adhere to like consumer laws, safety standards and labour laws, among others (Rastogi & Trivedi 2016:385). Legal compliance has become such an important issue, which has led to business analysis to ensure compliance with particular laws or regulations in the business environment (Cadle *et al.* 2010:5).

1.5 METHODOLOGY

Research methodology has been defined by Williams (2007:66) as "the general approach the researcher takes in carrying out the research project". Since the current study was to identify the challenges and opportunities facing SMEs and how they affect the business growth in the Sedibeng region, a quantitative research approach was employed for the study.

1.5.1 Literature review

A general review of the literature on SMEs, business growth and the challenges and opportunities facing their growth were elaborated in the study. The literature review provided an insight into what has been previously studied and will answer practical questions raised by existing studies. It also assessed the current state of research on the topic. This study made use of literature from relevant books, dissertations and theses, journals, papers presented at professional meetings, electronic databases (Ebsco-Host, Emerald/Mbc, Nexus/Nrf, Sage Online, Science Direct and Wiley) and internet search engines (Google Search and Google Scholar).

1.5.2 Empirical research design

Pandey and Pandey (2015:18) defined a research design as "a master plan specifying the methods and procedures for collection and analysing the needed information." A quantitative approach was used in this study. The researcher opted for a quantitative research design because structured questions were used to obtain information from a large number of respondents (Burns & Bush 2014:146).

1.5.3 Target population

Springer (2010:100) defined the target population as people of interest identified in a particular study. The target population for this study includes managers or owners of SMEs in the Sedibeng region, Gauteng province of South Africa. It consisted of the following SMEs: retail trade (stationery), wholesale trade, manufacturing, construction, transport/distribution, accommodation and restaurant (guest houses, bed and breakfast), food industry, agriculture/forestry/fishing, garden services, repairs of home appliances, wedding planner, travel and tours services.

1.5.4 Sample frame

Maziriri (2016:9) defined the sample frame as a realistic version of the study population which can easily be identified and accessed by the researcher. The sample frame for this study constituted SMEs from Boipatong, Bophelong, Evaton, Orange Farm, Sebokeng, Sharpeville, Tshepiso, Vanderbijlpark and Vereeniging.

1.5.5 Sampling technique

Convenience sampling technique was used for this study. According to Etikan, Musa and Alkassim (2016:2), convenience sampling is a method of non-probability where members of the target population are included for the study with regards to certain practical criteria, such as availability at a given time, easy accessibility, geographical proximity or the willingness to participate. Onwuegbuzie and Collins (2007:286) define convenience sampling as a non-probability method by which the members of the target population are chosen with regards to their availability and willingness to participate in the study. For this study, research was carried out on SMEs that were accessible in the Sedibeng region.

1.5.6 Sample size

The sample size is the actual number of elements included in a study as a sample to represent the population characteristics (Singh & Masuku 2014:6). The sample size of this study was based on historical evidence from Brink, Cant and Ligthelm (2003:7), Olawale and Garwe (2010:733), Agbenyegah (2013:264), Wiese (2014:47) and Lekhanya (2016:74) on the challenges and opportunities of SMEs. They used a sample size of 300, 100, 570, 450 and 150, respectively. Based on the above, a sample size of 230 SMEs in the Sedibeng region was deemed adequate for this study.

1.5.7 Data collection method and measuring instrument

The researcher used a structured questionnaire to obtain information from the respondents. Questionnaires were delivered physically to the managers and owners of SMEs in the Sedibeng region which they completed and returned to the researcher. The questionnaire comprised four sections, namely: Section A: demographic profile of respondents; Section B: challenges faced by SMEs; Section C: opportunities faced by SMEs; and Section D: the growth of SMEs.

The items on the questionnaire were measured using a 5-point Likert scale type that was anchored by 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

1.6 DATA ANALYSIS

Data analysis for this study was conducted using the Statistical Package for Social Sciences (SPSS) version 24.0 to accomplish its research objectives. A descriptive analysis (percentages, frequency tables and graphs) was used to analyse the data. The data were coded in an Excel spreadsheet, and the cleansing carried out.

Once the data were collected, descriptive statistics were used to break down the questionnaire responses into meaningful data. Furthermore, correlation and regression analyses were utilised to analyse the data. The regression analysis was used to test the effect or relationship between the variables (business growth and the selected challenges).

1.7 RELIABILITY AND VALIDITY

Reliability refers to the ability of measures to obtain similar scores for the same construct or objects across time, across different evaluators or the items forming the measures (Churchill, Brown & Suter 2010:257). The Cronbach alpha was employed to ascertain the reliability of this study.

A test cannot be considered reliable if it is not valid; hence validity is an integral part of reliability (Ngo Ndjama 2015:10). Burns and Bush (2014:146) define validity as the truthfulness of responses to a measure in a study.

1.8 ETHICAL ISSUES

Churchill, Brown and Suter (2010:42) define ethics as moral principles and values that govern the activities conducted by individuals or groups. This study adhered to the following ethical issues:

- Permission was be obtained from the owners or managers of the SMEs in writing.
- Participation in the study was voluntary; that is, the owners or managers of the SMEs were not forced to participate in this study.
- The owners or managers personal data were processed fairly and lawfully and used only for the purpose of the study.

- The owners or managers personal responses were not ascribed to any individual. All data were computed in aggregate and not linked to any owners or managers.
- The questionnaire did not contain the names of the owners or managers - their anonymity was maintained throughout the study.
- There was the maintenance of professional competence in data collection and analysis.

CHAPTER CLASSIFICATION

Chapter 1: Introduction and background of the study

This chapter focuses on the overview of the entire study, which includes the introduction and background of the study, problem statement, research objectives, research questions and research methodology.

Chapter 2: theoretical background of small and medium-sized enterprises

This chapter presents the definitions, structure, challenges of SMEs, as well as the opportunities they face. It also illustrates the model of the study and theoretical review.

Chapter 3: Research Methodology and Design

This chapter articulates on the research design, sampling methodology, data collection and data analysis procedure of the study.

Chapter 4: Data analysis and presentation

Chapter four focuses on the data analyse, interpret it and present research findings.

Chapter 5: Conclusions and Recommendations

This chapter presents the conclusions of the research and recommendations based on the main objective of the study.

CHAPTER 2
THEORETICAL BACKGROUND OF SMALL AND MEDIUM-SIZED ENTERPRISES

2.1 INTRODUCTION

The preceding chapter of this study provided an introduction and background as well as an outline of the objectives and methodology of the study. Since the current research is essentially about SMEs, it is imperative that an understanding of SMEs from the perspective of previous literature needs to be set as a base of the overall study. The chapter uses a wide range of sources from local and international literature as it reflects on the various issues on SMEs. The first part discusses a worldwide perspective of SMEs, which will entail the definitions of SMEs from different authors and definition by regions. This is followed by a discussion of SMEs in the Republic of South Africa, in terms of their definitions and contributions to the economy. After that, it discusses SMEs' challenges, which are access to finance, managerial competencies, economic variable, regulations and laws, crime and corruption and lack of appropriate technology and high cost of production. Despite the challenges, SMEs are faced with some opportunities which are in form of institutions put in place by the government to facilitate their growth like the SEDA, Ntsika Apex Fund, Khula, the National Small Business Act, Black Economic Empowerment, National Development Plan (NDP) and the Local Economic Development (LED). Finally, the business growth of SMEs, which entails business life cycle theory, resource-based view theory and the PESTEL framework. The chapter is designed to impart an understanding of SMEs worldwide and in South Africa. Therefore the purpose of this chapter is to conduct an in-depth literature review on SMEs, its challenges, opportunities and growth.

2.2 A WORLDWIDE PERSPECTIVE OF SMEs

SMEs are dominant in number in most economies (Smit & Watkins 2012:6325) and have been described as an essential factor in sustaining the economic growth and development of most economies (Pooe, Mafini & Okoumba 2015:2). They play an important role in First World countries like the United States of America and the United Kingdom and account for an estimated one-third of industrial employment (Smit & Watkins 2012:6325). The prosperity of SMEs is considered far more important in Third World countries than in First World countries because they

dominate economically active enterprises. The United Nations Industrial Development Organisation (UNIDO) postulated that SMEs in African countries represent over 90% of private businesses (Mofokeng 2015:10).

The importance of SMEs is acknowledged internationally, which makes its definition to be a challenging task, as every country has its own definition. There is no universal definition of SMEs (Hove 2012:35, Mafni, Pooe & Loury-Okoumba 2016:261) since different countries have different definitions to an SME (Kachlami & Yazdanfar 2016:967). Some countries defined an SME using the turnover to determine the size of the enterprise (Lokhande, 2011:40). However, the number of employees is necessary but complex and dynamic (Ncube 2015:8), for example, in an advanced country like USA 50 employees would be considered smaller (relative to the economy's size) than a 50 employee size in a developing country like South Africa (Ahiawodzi & Adade 2012:37). Falkena (2000:26) defined SMEs as any enterprise which consists of individuals who operate a small business or which have been established for promoting the interests of small business concerns, whether or not incorporated or registered under the law.

According to the National Credit Regulator (2011:22), SME definitions can be broadly categorised into two: "economic definition" and "statistical definition".

Under the economic definition, a firm is regarded as small if it meets the following three criteria:

- The firm has a relatively small share of their market place.
- The firm is managed by owners, or part-owners, in a personalised way and not through the medium of a formalised management structure.
- The firm is independent in that it is not part of a larger enterprise.

On the other hand, the statistical definition is used in the following three main areas:

- by quantifying the size of the small firm sector and its contribution to the economy through its GDP, employment and exports;
- by comparing the extent to which the small firm sector's economic contribution has changed over time; and
- by comparing the small firms' economic contribution with other countries' economic contribution.

The "economic" and "statistical" definitions, however, have several weaknesses. For instance, the economic definition, which states that a small firm is managed by its owners or part-owners in a personalised manner and not through the medium of a formal management structure, is incompatible with its statistical definition of a small manufacturing business, which might have up to 200 employees (Yon & Evans 2011: 2).

National Credit Regulator (2011:22) stated that the United Nations Industrial Development Organisation's (UNIDO) definition is a significant issue for policy development and implementation and depends primarily on the purpose of the classification. For the purposes of policy development, UNIDO generally advises nations to take into account the quantitative and qualitative indicators for an SME definition.

Table 2.1 summarises the main qualitative indicators that may be used to differentiate between SMEs and large companies.

Table 2.1: Application for Qualitative Indicators

Category	SMEs	Large Companies
Management	• Proprietor entrepreneurship • Functions-linked personality	• Manager-entrepreneurship • Division of labour by subject matters
Personnel	• Lack of university graduates • All-round knowledge	• The dominance of university graduates • Specialisation
Organisation Sales Buyer's relationships Production Research development	• Highly personalised contacts • Competitive position not defined and uncertain • Unstable • Labour intensive	• Highly formalised communication • Strong competitive position • Based on long-term contracts • Capital intensive, economies of scale • Institutionalised

Category	SMEs	Large Companies
	● Following the market, intuitive approach	
Finance	● Role of family funds, self-financing	● Diversified ownership structure, access to anonymous capital market

Source: National Credit Regulator (2011:22)

In addition, SMEs are generally found to have the following (Wiese 2014:10):

- SMEs must be formally registered with the government- or other registration bodies;
- they are obligated to pay taxes and social security charges;
- SMEs must be able to allow their employees to take sick- and annual leave while receiving compensation;
- they must be able to provide skills training for their employees;
- SMEs must be able to invest in the capital with a payback of longer than twelve months period;
- they are able and inclined to contribute to the local community and the economy at large.

Table 2.2 further illustrates the regional definition of SMEs.

Table 2.2: Regional Definition of SMEs

	EU	USA	ASIA (Malaysia)	EGYPT	GHANA	BRIC					
						BRAZIL		RUSSIA	INDIA	CHINA	RSA
						industry	comm				
Number of employees											
Micro	<10	0	<5	1-4	Up to 5	Up to 19	Up to 9	0	0	0	<20
Small	<50	<100	5-50	5-14	6-29	20-99	10-49	15-100	0	<300	50-99
Medium	<250	<500	51-150	15-49	30-99	100-499	50-99	101-250	0	300-2000	100-200
Turnover											
Micro	$3m	0	RM250000	0	$10k	0	0	0	<Rs50 m	0	<R150k
Small	$13 m	0	RM250000-RM10m	0	$100k	0	0	400m RUB max	Rs50-60m	<Y30	R2m-R4.5m
Medium	$67 m	0	RM10m-Rm25m	0	$1milion	0	0	1B RUB max	Rs60-99m	Y30-Y300m	R4.5m-R50m

Source: (National Credit Regulator 2011:23)

Table 2.1 shows that the definition of an SME can significantly differ from country to country. The label BRICS is used for five countries: Brazil, Russia, India, China and South Africa (Morazán, Knoke, Knoblauch & Schäfer 2012:3). The BRICS countries, together with a few other countries (EU, USA, Malaysia, Egypt and Ghana), are used to illustrate the differences between countries' employee and turnover ranges. According to the Organisation for Economic Cooperation and Development (OECD) (OESD 2000:2), the definition of SMEs is non-subsidiary, independent businesses with a certain number of employees. OESD further stated that the number of employees varies across countries and according to national statistical systems. For example, the figure above illustrates that the European Union's upper limit is 250 employees, while the United States with less than 500 employees, China with less than 2000 employees and South Africa with less than 200 employees. Turnover (financial assets) are also used to define SMEs. In the European Union, SMEs must have an annual turnover of 67 million dollars while in South Africa the turnover should be between R150000 to R50 million.

2.3 SMEs IN SOUTH AFRICA

SME is defined by the National Small Business Act of South Africa (1996:2) as a separate and distinct business entity, which includes co-operative enterprises and non-governmental organisations managed by one or more owners which, including its branches or subsidiaries if any, is predominantly carried on in any of the economy's sector or subsector and which can be classified as a micro, very small, a small or medium enterprise.

The National Small Business Act of South Africa further categorises SMEs in South Africa into distinct groups, namely; survivalist, micro, very small, small and medium, hence the use of the term "SMME" for small, medium and micro-enterprises. Nevertheless, the terms 'SMME' and 'SME' are used interchangeably in South Africa. The SME definition uses the number of employees (which is the most common mode of definition) per enterprise size category combined with the firm's annual turnover categories and the gross assets excluding fixed property. This is summarised in Table 2.3.

Abor and Quartey (2010:221) outlined the following definitions for the various enterprise categories as per the National Small Business Act of South Africa.

- **Survivalist enterprise:** These are enterprises which generate income less than the minimum income standard or the poverty line. This category is considered pre-entrepreneurial, and it includes hawkers, vendors and subsistence farmers. (In practice, survivalist enterprises are often categorised as part of the micro-enterprise in the industry).
- **Microenterprise:** This involves enterprises with whose turnover is less than the VAT (-added value tax) registration limit (that is, R150000 per year). These enterprises usually lack formality in terms of registration, include household industries, minibus taxis and spaza shops, and normally employ not more than five people.
- **Very small enterprise:** This entails enterprises that employ less than ten paid employees, except construction, electricity, manufacturing and mining sectors, in which the figure is 20 employees. These enterprises operate in the formal market and have access to technology.
- **Small enterprise:** These are enterprises with an upper limit of 50 employees. Small enterprises are generally more established than very small enterprises, and they usually exhibit more complex business practices.

- **Medium enterprise:** This involves enterprises with a maximum number of 100 employees, or 200 employees for the construction, electricity, manufacturing and mining sectors. These enterprises are often characterised by the decentralisation of power to an additional layer of management.

Table 2.3: Definition of SMEs in the National Small Business Act

Size of the Enterprise	Number of Employees	Annual Turnover	Gross Assets, Excluding Fixed Property
Medium	Fewer than 100 to 200, depending on Industry	Less than R4m-R50m depending upon Industry	Less than R2m-R18m depending on Industry
Small	Fewer than 50	< R2m-R25 m depending on Industry	< R2m to R4.5m depending on Industry
Very Small	Fewer than 10 to 20 depending on Industry	< R200 000-R500 000 depending on Industry	<R150 000-R500 000 depending on Industry
Micro	Fewer than 5	<R150 000	<R100 000

Source: (National Credit Regulator 2011:25)

Figure 2.3 depicts that small enterprises are those that employ 0-50 employees, while medium enterprises employ between 100 and 200 employees depending on the industry. SMEs are sub-divided according to the number of employees with 0-50 employees for small companies, 50-250 employees for medium companies and more than 250 employees for large companies.

2.4 ECONOMIC CONTRIBUTIONS OF SMEs

SMEs are generally regarded as the engine of economic growth and equitable development in developing economies. They play a pivotal role in the economy by giving much relief to the economy (Imbadu 2016:2). SMEs are labour intensive, capital saving and capable of helping create most of the one billion new jobs. According to Mncina (2016:2), SMEs contribute to a

country's national product by either manufacturing goods of value, or through the provision of services to both consumers or other enterprises which further contributes between 52% to 57% of the country's GDP. The above portray that SMEs contribute to the wealth of the economy. The presence of SMEs in an economy portrays healthy and necessary competition against big business that might exploit and have monopoly power in the economy (Stan 2014:170). The wide recognition of SMEs leads to economic development and reduction of regional disparities (Xheneti & Bartlett 2012:607) by curtailing rural-urban migration (Ahiawodzi & Adade 2012:34).

SMEs play a significant role in the economy by creating employment opportunities (Katua. 2014:465) and transcending social inequality (Stan 2014:170). They contribute 61% of the country's employment (Wiese 2014:2). SMEs also engage in private initiatives by which workers receive technical training (Keskin, Sentürk, Sungur & Kiris 2010:185). SMEs as a source of innovation and new ideas enable opportunity-driven entrepreneurs to generate new business ideas, mobilise resources and ultimately create jobs (SBP Alert 2009:2). They provide economic stability; however, they require a permissive environment which can allow an SME to survive and grow (Omoruyi 2015:18).

This section discusses the contributions of SMEs to the economy, which contribute to the GDP, employment and innovation.

2.4.1 Contribution to gross domestic product

SMEs' contribution to the economy of South Africa cannot be understated (Omoruyi 2015:24). Sandada (2012:12) states that SMEs make a significant contribution to the economy's productivity and national competitiveness of production systems and as a result, increase the growth of GDP of the economy. SMEs contribute between 52% to 57% of the country's GDP (Abor & Quartey 2010:223, Sandada 2012:26, Imbadu 2016:2 & Mncina 2016:2), which implies that they contribute to the wealth of the economy.

2.4.2 Contribution to employment

Large firms are becoming efficient and lean, leading to restructuring and downsizing, hence reduce labour and increase the economy's unemployment (Hove 2012:38). SMEs play a significant role in the economy by creating a balanced share of new jobs (Katua 2014:465; Omoruyi 2015:25; Mafini, Pooe & Loury-Okoumba 2016:261) and transcending social inequality (Stan 2014:170).

The SME sector contributes 61% of the country's employment (Wiese 2014:2). Furthermore, SMEs employ more labour-intensive production processes than large firms. Accordingly, SMEs contribute significantly to the provision of productive employment opportunities, the generation of income and ultimately, the reduction of poverty in the economy. SMEs also engage in private initiatives by which workers receive technical training (Keskin, Sentürk, Sungur & Kiris 2010:185). SMEs as a source of innovation and new ideas enables opportunity-driven entrepreneurs to generate new business ideas, mobilise resources and ultimately create jobs (SBP Alert 2009:2). It is through the promotion of SMEs that individual nations and the international community at large can make progress towards poverty alleviation.

2.4.3 SMEs as innovators

The modern business competitive environment has forced many SMEs to be more innovative in their business strategy. SMEs significantly contribute to innovative activities by inventing and innovation of new ideas, introducing new technology (Muriithi 2017:39), new products, and adapting existing products to the needs of their customers (Sandada 2012:28). They provide room for pre-incubating, incubating and introducing and commercialising new products to the business environment. SMEs are known for pioneering and originating new knowledge that can be tested before it disseminates to large businesses or industries (Muriithi 2017:39). Through their entrepreneurial spirit, business founders or owners can take risks to identify and seize opportunities and turn them into workable and market-driven products. Hence, they provide a foundation for long-term growth dynamics and the transition towards larger enterprises.

2.5 CHALLENGES FACED BY SMEs IN SOUTH AFRICA

According to Mbonyane and Ladzani (2011:550), SMEs constitute more than 80 per cent of the business sector in South Africa, yet an average of 50 per cent of these SMEs fail to grow. These authors further mentioned that some of the SMEs started in the early 1990s are no longer in existence or not growing beyond the survivalist stage.

This section discusses the challenges faced by SMEs in South Africa. These are access to finance, managerial competencies, economic variable, regulations and laws, crime and corruption and lack of appropriate technology and high cost of production.

2.5.1 Access to finance and credit

SMEs face huge hurdles when it comes to accessing finance and credit mainly because financial institutions are less likely to grant start-up capital to finance business (Imbadu 2016:2), the reason being that the majority do not have collateral and are new entrants into business with limited capital (SEDA 2012:49; Arthur-Aidoo, Aigbavboa & Thwala 2016:3). All businesses require financial resources or startup capital to fund business growth (Olawale & Garwe 2010:731). Chadhliwa (2015:25) stated that finance is a binding force that holds together all aspects of a business. SMEs that lack the start-up capital, cannot afford an acceptable and affordable space to start the necessary business plan, which is a key obstacle of growth of an SME (Agwa-Ejon & Mbohwa 2015:521). According to Mbonyane and Ladzani (2011:553), the lack of finance availability delays the growth of SMEs, the reason being that they need loans to finance their operations, especially during the early years of inception or the birth stage (Sandada 2012:35). It is also believed that the credit access for SMEs in South Africa is very difficult for most of the informal sector (second economy) when compared to most of the formal sector (first economy) (Agwa, Ejon & Mbohwa 2015:521) because of the inability to provide collateral security (Sandada 2012:35). However, sufficient credit information is available to help reduce the risk for credit and thus help large lenders to lend money to some SMEs (Turner, Varghese & Walker 2008:25). Olawale and Garwe (2010:731) stated that in South Africa, about 75% of SMEs' bank loan applications are rejected, which means that new SMEs may not be able to survive or grow without finance.

2.5.2 Managerial competencies

Chadhliwa (2015:23) stated that SMEs attract motivated managers and business owners who may not be able to compete with larger enterprises. Most SME owners often lack experience and training for the management of their business activities (Mbonyane & Ladzani 2011:553; Chimucheka & Mandipaka 2015:312). Olawale and Garwe (2010:731) defined managerial competencies as a set of knowledge, skills, attitudes and behaviours that contribute to personal effectiveness. According to Agwa, Ejon and Mbohwa (2015:521), about 90% of SMEs fail due to lack of managerial experience and competence. In South Africa, lack of education and training in new firms has reduced management capacity (Olawale & Garwe 2010:731) and ability to be aware of the business cycle (Arthur-Aidoo, Aigbavboa & Thwala 2016:4). SMEs managers and owners, therefore, need to be aware of the business life cycle to be able to determine the extent to which

the business has taken, and is able to identify, opportunities to expand. However, the owners' inability to identify the business life cycle stages will lead the business to stagnant growth or failure. The lack of managerial competencies places significant constraints on SMEs' development, leading to low levels of entrepreneurial creation and the high failure rate of new firms. The characteristics of an owner or manager's personality, managerial skills and style can act as a barrier to growth. An entrepreneur's negative attitude towards change can, therefore, act as a challenge to the growth of SMEs (Smit & Watkins 2012:6326).

2.5.3 Economic variables

Smit and Watkins (2012:6326) stated that SMEs' success or failure is tied in with the country's economic conditions as the SME sector's market growth and the macroeconomy are usually at the same rate; therefore SMEs usually experience difficulty if there is an economic downturn. Economic variables have a direct impact on the economy's consumption patterns and the growth of SMEs. These variables are made up of inflation, interest rates, fiscal and monetary policies of the government and foreign exchange rates (Chadhliwa 2015:25). South Africa's current economic environment is characterised by high inflation rates, high-interest rates, low growth rates (low consumption) and declining exchange rates (Olawale & Garwe 2010:731), which affect demand and supply of goods and services, sales, revenue and the market potential for new SMEs.

2.5.4 Regulation and laws

SMEs are faced with high start-up costs, cumbersome licensing and registration procedures, which are an unnecessary burden to and challenges to its growth (Sandada 2012:39). Chadhliwa (2015:25) stated that in South Africa, there are 18 procedures in licensing and registering a business, and it takes 176 days to deal with licensing procedures. Furthermore, South Africa's labour laws pose a challenge to the growth of SMEs, especially when it comes to laying-off staff when the firm can no longer afford to keep them, or when the staff are unproductive (Imbadu 2016:2). According to Mahadea (2008:8), South Africa has red tape compliance costs, which have the potential to make SMEs behave in ways that can damage South Africa's economic prospects. Olawale and Garwe (2010:731) stated that SMEs face difficulties and incur high costs to hire skilled labour in South Africa. They further added that labour could only be hired concerning the Employment and Minimum Wage Regulations, which can be a challenge for SMEs.

2.5.5 Crime and corruption

Crime and corruption are great challenges to SMEs in South Africa, directly affecting a business through the theft of money and property, and indirectly through reduced business confidence, and loss of investment (Mahadea 2008:9). The malpractice of crime and corruption forces SMEs to divert their well-intended finances to non-financial activities. According to Imbadu (2016:2), the high crime rate in South Africa forces SMEs to increase security spending, which further increases operating costs as well as the overall cost of doing business.

2.5.6 Lack of appropriate technologies and high costs of production

Technological innovation is a chief contributor to the growth and survival of SMEs (Baloyi 2010:39; Olawale & Garwe 2010:731; Omoruyi 2015:37). Some SMEs do not have access to the required technologies because most technologies are expensive and out of reach for most of them (Chadhliwa 2015:24). The inability to gain access to information technology has a negative effect on their survival and growth. SMEs that can gain access to technology usually make use of foreign technology with shared ownership or lease these technologies, which is as a result of the difficulty in obtaining a local patent. Furthermore, they are unable to enjoy the benefits of ownership and do not fully utilise the technology (Chadhliwa 2015:24). New SME entrants may find it costly or difficult to acquire the necessary technology due to the inability to access capital. According to Olawale and Garwe (2010:731), new SMEs are affected by the cost of production. For instance, in South Africa, the rising cost of inputs like the cost of electricity and petroleum can constrain growth. It is necessary to monitor the costs of production to reduce wastage as well as determine the most efficient means of production.

Olawale and Garwe (2010:731) state that information technology helps to maximise business opportunities to achieve sales. According to Omoruyi (2015:37), information is one of the most valuable assets in any organisation because of its ability to assist SMEs in decision-making that improves their day-to-day operations. The authors further stated that internet-based information and communication technology provides the opportunity for SMEs to improve their competitiveness.

2.6 OPPORTUNITIES FACED BY SMES IN SOUTH AFRICA

SMEs operate in a time where there is growing uncertainty and face challenges in terms of global economic and political stability, accelerating change in technology, new laws and regulations (Abor & Quartey, 2010:224). Gopaul and Manley (2015:307) stated that the assistance provided by national and local governments to SMEs can therefore not be denied, which is crucial in not only decreasing the SME failure rate but also ensuring the success of new and growing SMEs. For example, organisations such as the Small and Medium Industries Development Corporation (SMIDEC) in Malaysia (Khan & Khalique 2014:42), the Soros Economic Development Fund which operates internationally (Open society foundations 2016:5), the World Bank Group and SEDA (Small Enterprise Development Agency) in South Africa are all focused on providing assistance in developing nations (Gopaul and Manley (2015:307).

In South Africa, the government has invested in projects aimed at reducing the gap between rural, micro-enterprises and rich, high-end SMEs (Gopaul & Manley (2015:307) by creating an enabling environment for SME survival, sustainability and growth (Nehen, 2012:3368).

According to Nehen (2015:3368), an institutional framework was established consisting of support agencies such as Ntsika Enterprise Promotion Agency to provide non-financial support and training in accordance with the National Small Business Strategy. On the financial support section, Apex Fund and Khula Enterprise Finance were put in place to make available microfinance loans of less than R10 000 to SMEs. The National Small Business Act was conceded in 1996 to be in charge of policy, and the terms and conditions pertaining to the sector were built into the black economic empowerment (BEE) Codes of Good Practice.

The government also established institutions like the National Development Plan (NDP) to increase the quality of life through the reduction of inequality and the elimination of poverty, and the Local Economic Development (LED) intended to provide all stakeholders with an opportunity to create, develop, participate and share in the benefits of economic progress (Mowers 2016:28).

2.7 BUSINESS GROWTH IN SMEs

This section reviews the literature associated with the growth of SMEs. There are three theories that are discussed. The first theory is associated with business growth is the business life cycle theory, which entails the stages of business growth, which are the existence stage, the survival

stage, the success stage, the decline stage and the renewal stage. The second theory is the resource-based view theory, which entails the valuable resources, rare resources, imperfectly imitable resources and non-substitutable. And finally, the PESTEL framework which is the political, economic, social, technological, environmental and legal factors affecting the external business environment.

2.7.1 The business life cycle theory

Yazdanfar and Öhman (2014:556) described the life cycle as a phase of firm organisational operations and structures. The life cycle theory of the firm is commonly used to describe the progression of the successful firm through growth phases (Penrose 1952:806). The theory of a life cycle of a firm describes that it will grow following predictable patterns (Owen & Yawson 2010:427) from birth, survival, success, decline and renewal (Wang 2005:7).

2.7.1.1 Existence stage

The existence stage is also known as the entrepreneurial stage, the birth stage (Lester & Parnell 2008:542) or seed-stage (Testi 2015:1). This stage marks the beginning of the firm's development (Samadiyan & Rezaei 2012:2313), which is about basic existence and making the business viable (Blackman 2017:1). SMEs at this stage, progress through the development and conception of their new business. SMEs, at this stage, never gain customers' acceptance; the firm's strategy at this stage is to stay alive (Churchill & Lewis 1983:33). SMEs fight for survival in the economy through innovations and responding to the changes in the customer's needs and wants. SMEs support its existence by focusing on viability and identifying a sufficient number of customers (Lester & Parnell 2008:542). SMEs, at this stage, focus on profit-oriented activities and sustainable future for the business. Promotion is very high at this stage, and the business is focused on attracting first-time buyers. The organisational structure is very simple, and decision-making and ownership are in the hands of one or a few members (Samadiyan & Rezaei 2012:2313). This means that management is done via direct supervision and the basic skills of the owners or managers. Grönroos (2010:21) stated that the managers or owners might be faced with managerial responsibilities as challenges (an increased number of employees). He further advocates a solution, which is to install a business manager with administrative experience and knowledge of extended product runs.

2.7.1.2 Survival stage

As SMEs move past start-up or the existence stage, cash flow remains critical – it is all about survival and generating cash for growth. The survival stage is characterised by firms that seek to grow (Samadiyan & Rezaei 2012:2313) and develop some structure formalisation and establish their own distinctive competencies (Lester & Parnell 2008:542). The organisational structure is hierarchically informal, but a more functional approach is imminent due to job descriptions becoming increasingly specialised (Greiner 1972:42). Capable functional managers are needed to take over some of the responsibilities of the owners to maintain organisational performance (Grönroos 2010:22). Grönroos (2010:22) further stated that sustained growth is likely to incur functional shocks and crises when challenged with a state of change or create a function-specific task system.

Goals are formulated routinely; the generation of adequate revenue to continue operations and finance sufficient growth to stay competitive are the primary goals at this stage (Lester & Parnell 2008:542). They also focus on establishing a strong customer base and market presence, along with tracking and conserving cash flow. Sales at this stage are high, and SMEs increase their stock to meet their customers' needs and wants. They also enhance competition through cost reduction. Grönroos (2010:23) stated that as sale revenues increases, the firm is potentially in a position to invest a considerable amount of assets into fuelling growth. Firms at this stage may either grow in size and profit and move to the following stage or remain at this stage for a while to obtain its return on investment and finally go out of business (Churchill & Lewis 1983:37).

2.7.1.3 Success stage

Lester, Parnell & Menefee (2008:40) referred to this stage as maturity. SMEs at a success or maturity stage have a more formal organisation structure based on functional lines (Scott & Bruce 1987:50), management is decentralised, well-staffed and experienced, and has extensive and well-developed systems (Grönroos 2010:23). "Job descriptions, policies and procedures and hierarchical reporting relationships have become much more formal" (Samadiyan & Rezaei 2012:2314). As SMEs move through the stage of success, they enjoy superior financial performance and high profitability and reduce unit costs of products with promotional expenditures being spread over larger sales volumes (Langston 1999:273). Financial management and organisation development issues become increasingly relevant and urgent to

SMEs. Competitors enter the market with better competitive strategies and sales begin to increase slowly (Langston 1999:273). The SMEs' profits at this stage face pressure from competitors, and begin to decline (Wang 2005:8).

2.7.1.4 Decline stage

Once an SME has established itself in the marketplace with a competitive advantage over its rivals, investment opportunities may be available to further exploit for growth. Without any opportunity for further growth, the maturity stage can turn into stagnation and decline, as competition intensifies from existing rivals or new entrants into the market. The decline stage experiences a fall in sales and profit margins, as too many competitors fight for the remaining market (Langston 1999:274). Firms begin to stagnate or fall as markets dry up, and product demand decreases (Madhani2010:491). Politics and power become characteristics of this stage (Mintzberg 1984:219) as personal goals become a top priority to organisational members rather than the organisational goals (Samadiyan & Rezaei 2012:2314). Control and decision-making are in the hands of many people (Samadiyan & Rezaei 2012:2314), and organisational members focus more on internal power struggles and lose focus on the customer (Lester, Parnell & Menefee 2008:40). Managers or owners of SMEs might find it hard to attract or keep good team members because leading-edge competitors woo them away.

2.7.1.5 Renewal stage

SMEs can avoid their businesses facing the decline stage by planning strategies that result in new markets being tapped and satisfying previously unmet demand. SMEs seeking renewal always experience three change processes: unfreezing, learning, and refreezing (Schein 1999:115). SMEs need to be very dynamic to face the ever-changing business environment. The change process begins from the survival stage, where the SMEs have to engage in stiff competition (Schein 1999:117). Figure 2.1 illustrates the stages of business growth.
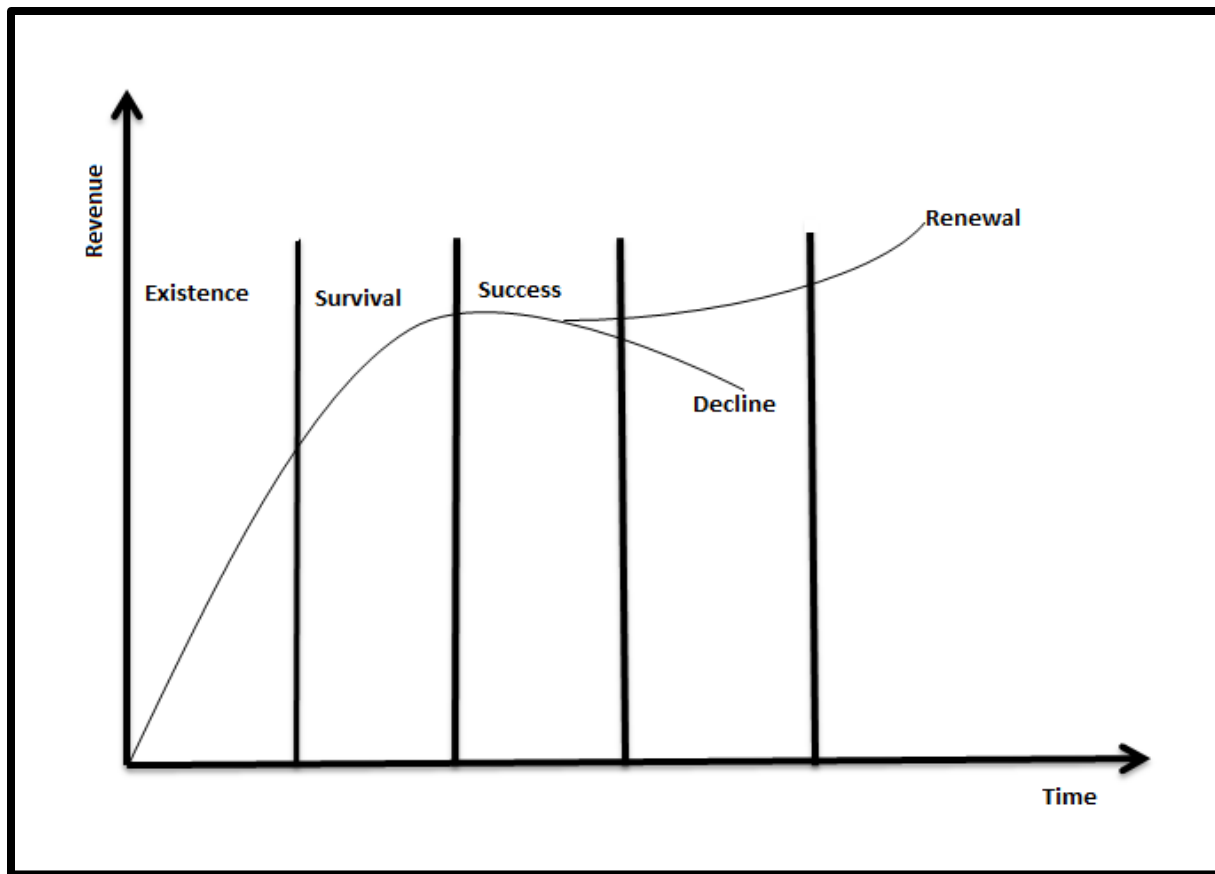
Figure 2.1The stages of business growth

Source: Adapted from Mosley (2015:4)

Figure 2.1 illustrates the five stages of a business life cycle, from existence (introduction) to renewal. From the above figure, the first stage is the existence (introduction) phase. This is where the SMEs begin their operations as a business, usually by launching new products or services. This stage is usually faced with low sales and low revenue; businesses focus on marketing to their target consumer segments by advertising their comparative advantages and value propositions. The next stage is the survival (growth) stage. From the diagram above the curve begins to rise, which depicts that the SMEs are experiencing rapid sales growth. The rapid sales depict that the SMEs have started achieving some profits, and the cash flow becomes positive. The third stage is the success (maturity) stage. The curve shows that SME growth is at its highest height, which means that the market has matured. The figure also shows the curve falling at the success stage, which means that sales are beginning to decrease. The SMEs profit margins get thinner, while cash flow stays relatively stagnant. Hence, the SMEs can extend their business life cycle during this phase by reinventing themselves and investing in new technologies and emerging markets. The fourth phase

is the decline stage of the business life cycle, and the curve begins to fall, which means there is a decrease in sales, profit, and cash flow. During this phase, SMEs accept their failure to extend their business life cycle by adapting to the changing business environment. SMEs lose their competitive advantage and either exit the market or renew their business operations. The final stage of the business life cycle is the renewal stage. They can extend their business life cycle during this phase by reinventing themselves and investing in new technologies and emerging markets. This allows them to reposition themselves in their dynamic industries, and hence refresh their growth in the marketplace.

2.7.2 The resource-based view theory

The Resource-based View (RBV) is a theory that focuses on the ability of the firm to utilise its resources effectively (Parnell 2014:7). Madhani (2010:4) stated that RBV analyses and interprets organisations' resources to understand how they achieve sustainable competitive advantage in the market place. The theory provides an internal analysis by which managers identify the firm's resources, which could represent strength or weakness to the firm (Pearce & Robinson 2003:126) as well as the resources that would generate core competencies that are sources of sustaining the firm's competitive advantage (Pearce & Robinson 2005:151). This theory focuses on a firm's resources rather than strategies that are common to all firms within the industry (Lynch 2006:217). It also focuses on the concept of difficult-to-imitate attributes of the firm as sources of superior performance and competitive advantage among other firms.

According to Barney (1991:105), a firm must have the following four attributes for it to attain a sustainable competitive advantage: valuable resources, rare resources, imperfectly imitable resources, and non-substitutable resources.

2.7.2.1 Valuable resources

Firms' resources can only be a source of competitive advantage or sustained competitive advantage when they are valuable (Barney 1991:105). Resources are valuable to firms as they allow them to choose strategies that exploit opportunities and neutralise threats from competitors (Lynch 2006:221). A firm does not gain any advantage if the resources it possesses do not add or enhance the value of the firm. A firm's resources must allow it to reduce inherent weaknesses or outperform rivals by utilising a value-creating strategy (Amit & Shoemaker 1993:37).

2.7.2.2 Rare resources

A firm's resources must be difficult to find among the existing and potential competitors of the firm. If the resources are available to competitors, they can easily exploit them, which will no longer be a source of competitive advantage to the firm (Lynch 2006:221). Hence, a firm's resources must be rare in the market place. It follows, therefore, that the more exceptional the firm's resource, the higher the perceived value. A resource must, therefore, be rare to have a high value to the firm and thus be a competitive advantage.

Valuable firm resources that are not rare cannot be the sources of the competitive advantage (Mweru & Muya 2015:216). To achieve a competitive advantage, a resource must be valuable and rare among existing and potential competitors. Valuable firm resources are used to implement strategies which could be required in the mix of human capital, physical capital and organisational capital (Barney 1991:106).

2.7.2.3 Imperfectly imitable resources

Imperfect imitability is the inability for competing firms to copy or imitate the resources of a firm (Madhani 2010:5). A firm's resources need to be costly for competitors to imitate (Lynch 2006:221). Singular control over resources could become a competitive advantage to a firm. According to Barney (1991:106), valuable and rare resources may be a source of competitive advantage if its competitors cannot possess or obtain the resources. They can be a source of sustainable competitive advantage only if firms that do not hold these resources cannot acquire them. Resources which are knowledge-based are more difficult to imitate by rival firms (Conner & Prahalad 1996:488).

2.7.2.4 Non-substitutable resources

Non-substitutability of resources implies that a firm's resources cannot be substituted by another alternative resource (Madhani 2010:5). According to Barney (1991:111), although it may not be possible for a firm to imitate a rival firm's resources exactly, it may be able to substitute a similar resource that would help it to implement the same strategy.

2.7.3 The PESTEL framework

The theoretical framework of this study is founded upon and makes use of the PESTEL framework, which the SMEs use to analyse its external environment to know its challenges and opportunities. PESTEL is an acronym for political, economic, social, technological, legal and environmental (Rastogi & Trivedi 2016:385). Issa *et al*. (2010:75) described PESTEL as a framework used by firms to analyse, understand and get a "big picture" of its external business environment, thus enabling the firm to take advantage of the opportunities and minimise the threats it faces.

2.7.3.1 Political factors

The political environment of a country or region has a great impact on the growth and sustainability of SMEs. Political factors are government policy, which determines the extent to which a government may influence the economy or a certain firm (Rastogi & Trivedi 2016:385). Chen (2010:24) also stated that political factors refer to the laws and regulations passed by governments that can affect the viability of SMEs in the Sedibeng district. The factors are concerned with government regulations SMEs must adhere to (Issa, Chang & Issa 2010:75) such as trade, taxation, labour, environmental legislation (Bonnici 2015:1), fiscal policy and trade tariffs (Rastogi & Trivedi 2016:385). SMEs must consider the laws and regulations of their own countries. The regulatory environment can be a major hurdle to the survival and growth of small and new businesses (Chen 2010:24). Commercial restrictions and political stability are also imperative factors that could act as challenges or opportunities for the growth of the SMEs (Bonnici 2015:1). Rigid labour regulations (labour cost and taxation) from the government and trade unions can discourage SMEs from hiring new workers and also prevent new SMEs from entering the market. Steyn (2015:32) stated that government spending could influence the supply of money and affect capital markets. Chen (2010:24) mentioned that close to one-third of SMEs managers and owners said that labour regulations were a serious problem in South Africa. The author further mentioned that objective indicators suggest that labour regulations are more rigid in South Africa than in many other middle-income countries. SMEs in the Sedibeng district may be wary of the laws and regulations.

2.7.3.2 Economic factors

According to Rakesh (2014:21), economic factors refer to those that affect the overall state of the country or region's economy. These factors are determinants of a country's economic performance that directly impact and have long term effects on the firm (Rastogi & Trivedi 2016:385). The economic factor is concerned with the growth of an economy (Cadle *et al.* 2010:4), inflation rate, interest rates, foreign exchange rates, taxation charges (Rastogi & Trivedi 2016:385) and a firm's cost-related matters (Issa *et al.* 2010:76). Steyn (2015:32) states that the economy assists in reviewing trends found in economic development, access to venture capital, level of interest and situations in the labour market. Economic factors have a significant impact on industry structure (Rakesh 2014:21) and impact on the profitability (Steyn 2015:33) and overall attractiveness of SMEs (Sammut-Bonnici & Galea 2015:2). This is because it would affect the customer's purchasing power and change the economy's demand and supply models. Steyn (2015:33) further stated that the opportunity for SMEs to exploit a growth strategy may depend on the demand, which would exist in a growing economic environment and not in a recession. The author further stated that South Africa has enormous potential for investment and growth, which may positively affect the economic environment and assist SMEs in launching successful products.

2.7.3.3 Social factors

Social factors are the most difficult area to understand as they deal with human behaviours which focus on people's needs and motivations (Steyn 2015:33). These factors consider all events that socially affect the market and community such as career attitudes, cultural expectations, health consciousness, global warming, norms, population dynamics (Rastogi & Trivedi 2016:385), demographic trends, language, consumer tastes, education standards, gender roles, and living standards, (Ho 2014:6479). Social factors influence the ability of SMEs to obtain resources, market their goods and services, and function within society (Rakesh 2014:21). This helps them identify the challenges and opportunities for their business organisation.

SMEs in the Sedibeng district need to monitor the social trends to reposition their products or services to fit the changing expectations of customers (Sammut-Bonnici & Galea 2015:4). They must adhere to the social factors (guiding principle or code of ethics), which may be a challenge or an opportunity for their growth (Issa *et al.* 2010:76).

2.7.3.4 Technological factors

Technological factors are elements which affect trends on technological change, the maturity of technology and investments of technology (Steyn 2015:34). The technological factors involve new activities utilised by SMEs to develop new knowledge used to create the output of products and processes.

Technological changes serve SMEs with many new opportunities as well as challenges, causing existing systems to be obsolete. According to Rakesh (2014:21), the changing technology may affect the demand for an SME's product and services, its production process, and raw materials. Since technology often becomes outdated within a short period, it is important to consider exploring new frontiers (Sammut-Bonnici & Galea 2015:5) which could be a competitive advantage to the SMEs in the Sedibeng district. These pertain to innovations in technology that may favourably or unfavourably affect the operations of the firm as well as the market (Rastogi & Trivedi 2016:385). Innovation in technology is created by entrepreneurs who seek to push the boundaries of present limitations (Bonnici 2015:5). These refer to the amount of technological awareness in the business environment, automation, research and development (Rastogi & Trivedi 2016:385) and technological infrastructures (Ho 2014:6479). Technology is one aspect that is used to create a competitive advantage for the firm. Technology plays a vital role in SMEs being able to achieve economies of scale, improving quality, and prevailing over labour shortage. Use of appropriate technology in the manufacturing process would bring down production cost and improve productivity.

2.7.3.5 Environmental factors

Environmental factors include all those that influence the surrounding business environment such as climate, weather, geographical location, ground conditions, ground contamination, nearby water sources, global changes in climate, environmental offsets (Rastogi & Trivedi 2016:385) and pollution (Cadle *et al.* 2010:5). Companies are expected to make sustainable development a reality concerning the growing sensitivity toward environmental issues, which could be a major challenge for SMEs as they search for ways to balance economic, environmental and social performance (Issa *et al.* 2010:76).

2.7.3.6 Legal factors

Legal factors include legal aspects concerning employment, quotas, taxation, resources, imports and exports. There are certain laws that affect the business environment in a certain country that the SMEs must adhere to, such as consumer laws, safety standards and labour laws, among others (Rastogi & Trivedi 2016:385). Legal compliance has become such an important issue which has made a business analysis to be carried out to ensure compliance with particular laws or regulations in the business environment (Cadle *et al.* 2010:5). Certain laws affect the country's business environment, while others affect some policies that SMEs maintain for themselves.

Business firms and SMEs across the globe today confront an interesting array of legal issues such as trade policies. Some governments believe that a nation should erect trade barriers to protect its companies' products. However, some countries join the World Trade Organization (WTO) to mitigate such laws. Hence, more countries seem to believe that free trade across countries serves the best interests of an individual country's economy and its citizens.

2.8 CONCLUSION

This chapter aimed to conduct an in-depth literature review on business growth challenges and opportunities for SMEs. The first section analysed the literature on the worldwide perspective of SMEs, which entails the definitions of SMEs from different authors and definitions by regions. The major theme emerging from this literature is that there is no universal definition of SMEs and different countries have different definitions of an SME about turnover, size and the number of employees. The second section scrutinised literature that focused on SMEs in South Africa and their definitions and contributions to the economy. It elaborated on the definition of SMEs according to the National Small Business Act of South Africa. The section further looked at how SMEs contribute to the economy by increasing its Gross Domestic Product (GDP), employment creation and innovators of new products. Challenges faced by SMEs was discussed, which are access to finance, managerial competencies, economic variable, regulations and laws, crime and corruption and lack of appropriate technology and high cost of production. Despite the many challenges, the government still endeavours to offer them support to facilitate their growth with growth facilitating institutions like SEDA, Ntsika Apex Fund, Khula, the National Small Business Act, Black Economic Empowerment, National Development Plan (NDP) and the Local Economic Development (LED). The final section analysed the business growth of SMEs, which entails

business life cycle theory, resource-based view theory and the PESTEL framework. The literature moreover imparted an understanding of SMEs worldwide and in South Africa. The next chapter discusses the research methodology employed in this study.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 INTRODUCTION

In the previous chapter, attention was given to a literature review. It attempted to broaden the understanding of SMEs' challenges and opportunities. It begins with a worldwide perspective of SMEs, which entails the definition of SMEs, their contribution to the economy, and challenges and opportunities to business growth.

The purpose of this chapter is to describe the procedures used to answer the research objectives outlined in chapter one**.** This chapter provides a detailed discussion of the research methodology employed for this study. It begins with a discussion on the research paradigms (positivism, phenomenological and postpositivism).

The discussion switches focus to an elaboration of the research paradigms (positivism, phenomenology and pragmatism). Moreover, the chapter addresses the available research approaches as well as strategies and the one employed in this study. It further outlines the sampling design of the study, which showcases how the respondents were recruited. Furthermore, it discusses the different methods used to collect primary data and the statistical analyses utilised to derive meaning from the data. The discussion switches focus to the data analysis, data validity and data reliability and lastly the ethical considerations followed in this study. This chapter is important because it sheds light on how the actual research was conducted and the generation of authentic results after the data collection part of the overall research.

3.2 RESEARCH PARADIGM

According to Kuyini (2017:26), a paradigm is a philosophical way of thinking or a researcher's worldview. Elshafie (2013:4) defined a paradigm as the basic belief system or worldview. Furthermore, paradigms are patterns of beliefs and practices that regulate inquiry within a discipline by providing lenses, frames and processes through which investigation is accomplished (Healy & Perry 2010:118). In general, a paradigm is the researcher's worldview, which constitutes the abstract beliefs and principles that shape how a researcher sees the world, and how the researcher interprets and acts within that world (Kivunja & Kuyini 2017:26). Additionally, a

paradigm is essential for research because it is the conceptual lens through which the methodological aspects of a study are examined to determine the research methods that will be used and how the data will be analysed. There are three major paradigms, namely, positivism, phenomenology and pragmatism.

Positivism was propounded by the French philosopher Auguste Comte who defined positivism as a worldview that is grounded in what is known in research methods as the scientific method of investigation (Kivunja & Kuyini 2017:30). Saunders, Lewis and Thornhill (2016:135) stated that positivism relates to the philosophical stance of the natural scientist and entails working with an observable social reality to produce law-like generalisations. Aliyu, Bello, Kasim and Martin (2016:81) argued that positivism could be regarded as a research strategy and approach that truth and reality are free and independent of the viewer and observer.

Lien, Pauleen, Kuo and Wang (2014:191) viewed phenomenology as how the 'lifeworld' is built and the experience of conscious acts. Similarly, phenomenology focuses on research respondents' lived experience that is their recollections and interpretations of those experiences, being particularly concerned with generating meanings and gaining insight into those phenomena (Saunders, Lewis & Thornhill 2016:140). Furthermore, Gallagher (2012:7) suggests that this philosophy of phenomenology is centred on observing individuals' perceptions of a specific matter. Hence phenomenology is associated with qualitative research.

Saunders, Lewis and Thornhill (2016:135) consider that pragmatism as concepts are only relevant where they support action, hence the research which starts with a problem and aims to contribute practical solutions that inform future practice. In addition, pragmatism is aimed at evaluating research findings based upon their practical, social, and moral consequences as well as their bearing on the human condition. Giacobbi, Poczwardowski and Hager (2014:21) further stipulated that pragmatism typically uses one or more methods deemed appropriate to the specific research question being asked while simultaneously considering the consequences of such inquiry.

This study made use of the positivism research paradigm. This was deemed suitable because it applies to the use of statistical approaches to explain social science issues through extensive data collection and analysis.

3.3 RESEARCH APPROACHES

A research approach focuses on the method used to conduct the study. In general, a research approach is a plan and procedure that consists of the steps of broad assumptions to a detailed method of collecting, analysing and interpretation of data (Creswell 2013:3). There are three major approaches in research, which are qualitative, quantitative, and mixed methods (Chetty 2015:1).

Creswell (2013:3) stated that qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. Leavy (2017:266) described qualitative research as inductive approaches to knowledge building used to learn about the social phenomenon by robustly unpacking the meanings people ascribe to activities, situations, events, people or artefacts; or building a depth of understanding of social life dimensions. The qualitative research approach includes case studies which involve collecting data from records, documents, and interviews. Also, the qualitative research approach addresses the research objectives through techniques that allow the researcher to provide elaborate interpretations of market phenomena without depending on numerical measurement.

In contrast, Apuke (2017:41) describes the quantitative research method as the explaining of an issue or phenomenon through gathering data in numerical form and analysing them with the aid of mathematical methods in particular statistics. Quantitative research method makes use of statistical analysis to facilitate the connection between what is known and what can be learned by the study. Besides, quantitative research is characterised by deductive approaches to the research process, and aimed at disproving or lending credence to existing theories. Hence, it involves measuring variables and testing relationships between variables to reveal patterns, correlations, or causal relationships; results in statistical data (Leavy 2017:266). In general, a quantitative research method involves gathering absolute data, such as numerical data, so that it can be examined in as unbiased a manner as possible.

On the other hand, mixed methods research is an approach which involves the use of both quantitative and qualitative data, integrating the two forms of data, and using distinct designs that may involve philosophical assumptions and theoretical frameworks (Creswell 2013:3). The

combination of qualitative and quantitative methods provides a more complete understanding of a research problem than either method carried out individually.

A quantitative research approach was deemed suitable for this study. It was appropriate because it enhances the accuracy of results through detailed statistical analyses. The results obtained from these research tools in a quantitative approach are easily quantifiable, and the instruments have a potentially high degree of accuracy. Leavy (2017:266) asserts that the quantitative research approach is descriptive in nature, and requires large samples that help in generalising the results of the population.

3.4 RESEARCH DESIGN

Saunders, Lewis and Thornhill (2016:726) defined research design as a framework for data collection and analysis to answer a research question and meet research objectives. Pandey and Pandey (2015:18) also defined a research design as a master plan specifying the methods and procedures for collecting and analysing the needed information for a study. The research design depicts the structure of the investigation in such a way that the research objectives can easily be attained. There are several basic research design approaches applicable to quantitative research studies, namely, experimental methods, descriptive, correlations, observations, and surveys. Creswell (2014:41) described the experimental method as a process seeking to determine if a specific process influences an outcome. It assesses the researcher's ability to provide two distinct treatments to two different focus groups and determine their respective scored outcomes. Experiments include true experiments inclined to the random assignment of subjects to treatment conditions, and quasi-experiments, which involves the selection of research respondents on a non-random basis.

The descriptive method embraces the study of the descriptive characteristics of a study's population or phenomenon. Its purpose is to produce an accurate representation of persons, events or situations (Saunders et al. 2016:715). Curtis, Comiskey and Dempsey (2014:3) viewed correlational research as a method concerned with establishing relationships between two or more variables in the same population or between the same variables in two populations. It is used when two or more research constructs are related. Meanwhile, the observation method is a process where

the respondents are merely observed without any interruption by the observers (Sreejesh et al. 2014:19). This method involves an objective observation of respondents' behavioural patterns (Williams 2011:3).

Lastly, a survey research method involves the structured collection of data from a sizeable population (Saunders et al. 2016:728). Although the term 'survey' is often used to describe the collection of data using questionnaires, it also employs the use of observations or interviews as techniques to gather primary data from the identified sample population (Zou, Sunindijo & Dainty 2014:318). Primary data are gathered first hand from the respondents to answer the research question being investigated. More so, surveys are conventionally conducted by meeting the respondents physically.

Drawn from the above view, the survey method was deemed suitable for this study. This is because the present survey provides a quantitative or numeric description of trends, attitudes or opinions of the respondents. Moreover, the method permits a faster and more convenient data collection, as well as adequate statistical-oriented analysis of the information gathered from the respondents. In addition, the survey method leads to a better generalisation of results across larger scopes of studies (Nardi 2015:12).

3.4.1 Sampling design

Sampling design is a process that involves six stages which are defining the target population, selecting a sample frame, choosing sampling techniques, determining sample size, collection of data and assessing the response rate (Wiid & Diggines 2011:196). Figure 3.1 was used as a premise for the sampling design in the current study.
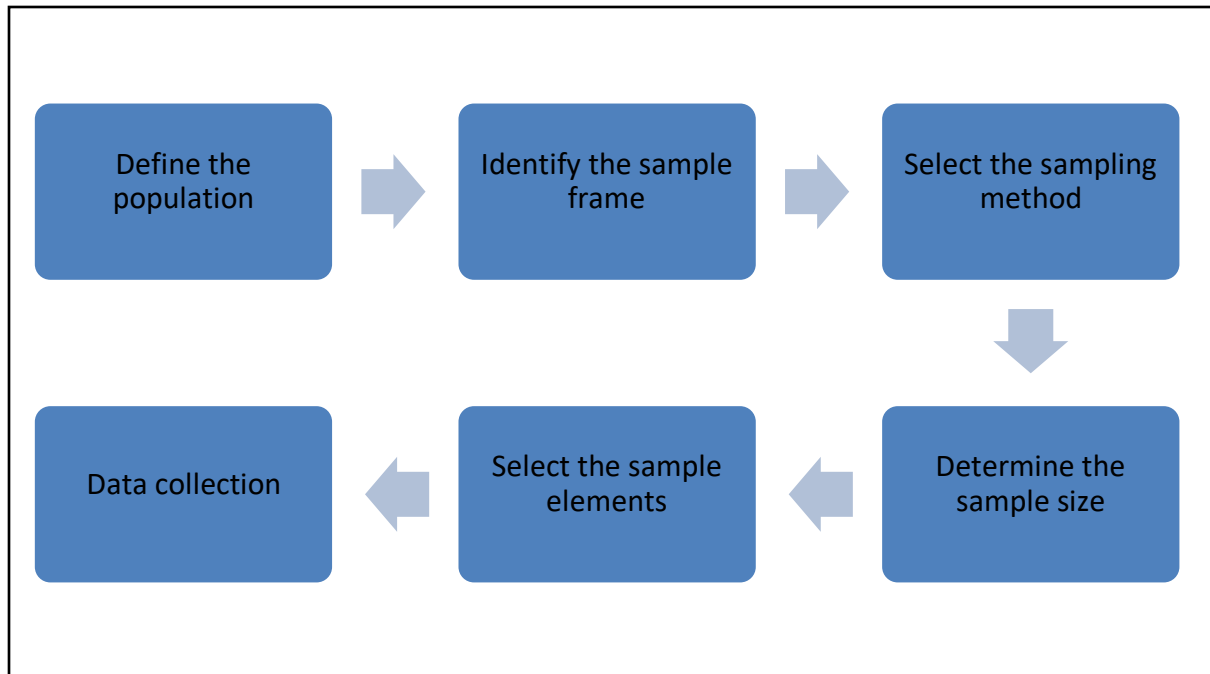
Figure 3.1: Framework for Sampling Design

Source: Wiid and Diggines (2011:196)

3.4.1.1 Target population

Mcquarrie (2012:190) defined population as the total set of people from which the results of the sample are supposed to reflect. Whitley and Kite (2012:485) also defined the target population as a group of people to whom the results of the study will be applied. The target population for this study includes managers and owners of SMEs in the Sedibeng region, Gauteng province of South Africa. The Sedibeng region has a population of about 794,605 inhabitants, comprising the following towns: De Deur/Walkerville, Devon, Eikenhof, Evaton, Heidelberg, Meyerton, Nigel, Sebokeng, Vaal Marina, Vaal Oewer, Vanderbijlpark, Vereeniging and Vischkuil. The region is made up of three municipalities, namely: Emfuleni Local Municipality, Lesedi Local Municipality and the Midvaal Local Municipality.

The target population consists of the following SMEs: retail trade (stationery), wholesale trade, manufacturing, construction, transport/distribution, accommodation and restaurants (guest houses, bed and breakfast), food industry, agriculture/forestry/fishing, garden services, funeral services, repairs of home appliances, wedding planner, travel and tours services.

3.4.1.2 Sample size

Sample size determines the statistical precision of the research findings. It provides a basis of the estimation of sampling error. The sample size is the actual number of elements included in a study as a sample to represent the population characteristics (Singh & Masuku 2014:6). According to Andrew, Pedersen and McEvoy (2011:49), researchers should aim at collecting a sample that is large enough to be representative of the population but not too large as to incur unnecessary cost. The authors further stated that there are several strategies available to select an accurate sample size, which is census data, the literature in the field, published formulas and tables. The sample size of this study is based on the historical sampling technique. The historical sampling technique is regarded as the most appropriate method to determine the sample size of this study. This is because it offers an indication of the suitable estimation of the size of a sample, which is derived from past studies on the challenges and opportunities of SMEs' literature. Table 3.1 illustrates the sample size determination.

Table 3.1 Sample size determination

Year	Authors	Scope of study	Sample size used
2003	Brink, Cant and Ligthelm	Problems experienced by small businesses in South Africa	300
2010	Olawale and Garwe	Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach	100
2013	Agbenyegah	Challenges facing rural entrepreneurship in selected areas in South Africa.	570
2014	Wiese	Factors determining the sustainability of selected small and medium-sized enterprises	450
2016	Lekhanya	Determinants of survival and growth of small and medium enterprises in rural KwaZulu – Natal	150

Source: Author's compilation (2018).

The table above depicts a historical sampling technique from Brink, Cant and Ligthelm (2003:7), Olawale and Garwe (2010:733), Agbenyegah (2013:264), Wiese (2014:47) and Lekhanya (2016:74) on the challenges and opportunities of SMEs. They used a sample size of 300, 100, 570, 450 and 150, respectively. Based on the above, a sample size of a minimum of 200 SMEs in the Sedibeng region was deemed adequate for this study.

3.4.1.3 Sampling approach

According to Leavy (2017:268), sampling is viewed as the process of determining who or what is in the study by selecting several individual cases are from a larger population. Berndt and Petzer (2013:349) also defined sampling as the process of choosing a sample with the view of concluding on the selected population. Furthermore, sampling can be implemented by applying two distinct approaches known as probability and non-probability sampling (Kabir 2018:171). Alvi (2016:12) stated that probability sampling is also known as random sampling or representative sampling. In probability sampling, every member of the population has a known probability of being selected in the sample. Similarly, Showkat and Parveen (2017:1) stated that in probability sampling, each member of the population has an equal chance of being chosen. The authors further stated that simple random sampling, stratified random sampling, systematic random sampling, cluster sampling and multi-stage systematic sampling are types of probability sampling.

On the other hand, non-probability sampling is defined as a sample that has not been selected using a random selection method (Bryman 2012:187). In nonprobability sampling, the elements have an unequal chance of being selected and included in the study sample (Sekaran & Bougie 2016:247). Kabir (2016:173) added that "non-probability sampling is any sampling method where some elements of the population have no chance of selection or where the probability of selection can't be accurately determined". Hence this study made use of a non-probability sampling technique, the reason being that sampling relies on the researcher's personal judgment in the process of selecting respondents (Rabele 2011:62).

3.4.1.4 Sampling techniques

Convenience sampling technique will be used for this study. Kumar (2014:368) defined convenient sampling is a non-probability sampling designed which is primarily guided by the researcher's convenience in selecting the respondents in terms of easy accessibility, known contacts, geographical proximity, readiness to undertake the study or being part of the group. Etikan, Musa

and Alkassim (2016:2), also stated that convenience sampling is a method of non-probability where members of the target population are included for the study with regards to certain practical criteria, such as availability at a given time, easy accessibility, geographical proximity or the willingness to participate.

That notwithstanding, purposive sampling is another sampling technique in research. According to Etikan et al. (2016:2), a purposive sampling technique is also known as judgment sampling. The authors further stated that the purposive sampling technique is the researcher's deliberate choice of a participant due to the qualities the participant possesses. Saunders et al. (2016:724) defined the purposive sampling technique as a non-probability sampling approach in which the judgment of the researcher is used to select the cases that make up the sample in a study. Kabir (2016:173) mentioned that the purposive sampling technique is characterised by a researcher's discretion and judgment in the choice of respondents to partake in the study. Purposive sampling is suitable for small numbers of individuals or groups which may well be sufficient for understanding human perceptions, problems, behaviours, needs and contexts, which are the main justification for a qualitative research approach.

The convenience sampling technique was deemed necessary for this study. It is also ideal because the members of the target population are chosen based on their availability and willingness to participate in the study.

3.5 DATA COLLECTION

This section discusses the data collection procedures and the design of the questionnaire.

3.5.1 Procedures

The SMEs were identified on the yellow pages online directory. Two hundred (200) SMEs were contacted using emails and phone calls to set up appointments before administering the questionnaire. This study made use of a structured questionnaire to obtain information from the respondents. The questionnaires were self-administered by the researcher using a face-to-face and a drop-and-collect method. Self-administered questionnaires were preferred because of their cost-effectiveness and easy to administer. This data collection procedure provides a better response rate

from the respondents of the survey. The method of data collection also ensured a greater possibility of anonymity and greater convenience for respondents since they could complete the questionnaire at their own pace and time (Sandada 2012:180).

The collection of data was conducted between December 2018 and April 2019. The extended period of four months was attributed to the distribution of the questionnaires. Four hundred (400) questionnaires were printed and distributed to the respondents of the survey. Respondents who were unable to complete the questionnaires on sight were given two weeks to complete it, depending on the flexibility of their schedules.

3.5.2 Questionnaire design

A questionnaire is a survey research design which uses lists of questions to collect quantitative data and designated as the most popular way to gather primary data from respondents (McNabb 2013:12). Data were collected with the aid of a questionnaire to determine the business growth challenges and opportunities of small and medium enterprises in the Sedibeng region. Figure 3.2 depicts the steps employed to design a questionnaire in this study:
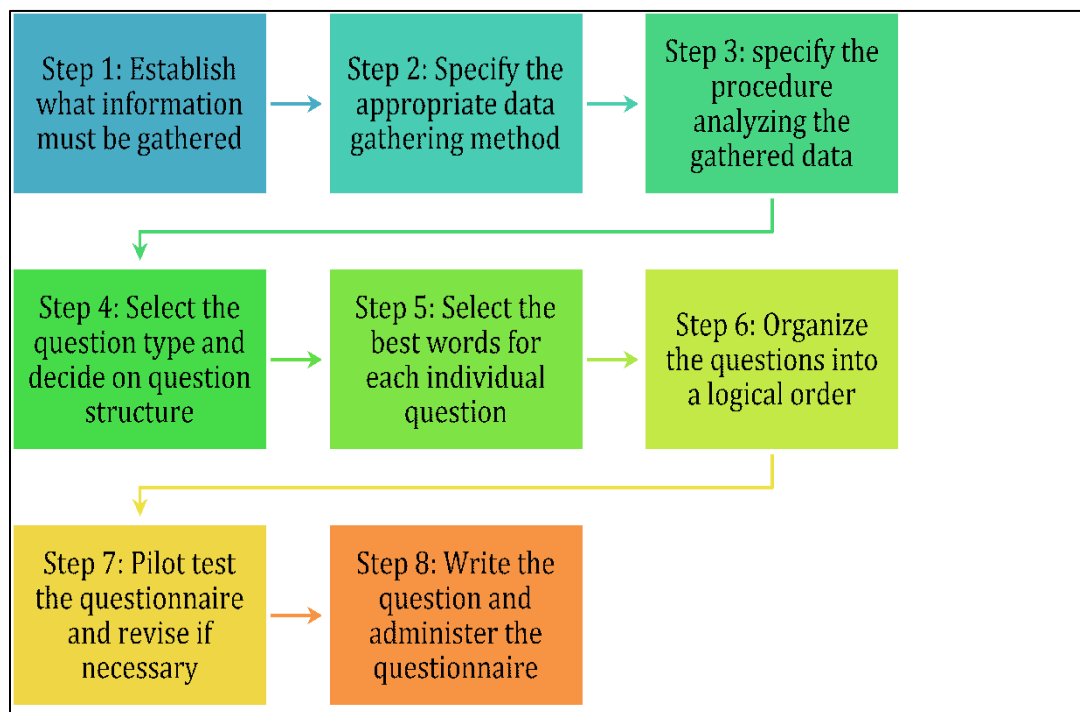
Figure 3.2: Questionnaire construction procedure

Source: McNabb (2013:149)

The questionnaire was designed in a structured format which appeared to be short and not overcrowded. The questions were derived from questionnaires used in dissertations, theses and journal articles. The questionnaire was divided into four sections as outlined below:

Section A covered elements of the demographic profile such as gender, age, educational level, race, number of employees, years of existence and the business involved.

Section B contained 14 questions based on the challenges encountered by the SMEs and was adapted from several previous studies (Ackah & Vuvor 2011:55; Department for Business, Innovation and Skills 2012:138; Gustavo-Nahum 2013:736; Wiese 2014:127). The respondents were requested to indicate their level of challenges they face in their business using a five-point Likert scale where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

Section C of the questionnaire comprised 7 questions which aimed at determining the level of opportunities encountered by SMEs and adapted from several previous studies (Bullock & Hughes 1997:21; Soini & Veseli 2011:65; Department for Business, Innovation and Skills 2012:121). The respondents were required to identify the level of opportunities they face in their business using a five-point Likert scale where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

Section D consisted of 10 questions that elicited information on the level of business growth encountered by the SMEs and adapted from several previous studies (Bullock & Hughes 1997:22; Department for Business, Innovation and Skills 2012: 128; Ncube 2015:164). The respondents were required to identify the level of growth they face in their business using a five-point Likert scale where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

3.6 DATA ANALYSIS

This section discusses the data analysis procedures applied in this study, namely, descriptive statistics, exploratory factor analysis, Pearson correlations and regression analysis.

3.6.1 Descriptive statistics

Descriptive statistics refer to the assessment of primary data through properties such as frequencies, the mean, and the standard deviation (Sekaran & Bougie 2016:391). Descriptive

statistics is a generic term for statistics that can be used to describe variables (Saunders et al. 2016:715). In this study, descriptive statistics used include frequencies, percentages and mean scores. They were used to determine the profile of targeted SMEs as well as the demographic elements of respondents (c.f. chapter 4.2).

3.6.2 Exploratory Factor Analysis

Exploratory factor analysis (EFA) is a cluster of common methods used to explore the underlying pattern of relationships among multiple observed variables (Baglin, 2014:1). Osborne (2015:1) stated that the EFA examines relationships between individual variables (like items on a scale) and seeks to extract latent factors from the measured variables. It is useful for assessing the questionnaire scales dimension that measures underlying latent variables. In this study, the EFA was applied to check the factor structure of data in section B (challenges facing SMEs), section C (Opportunities facing SMEs) and section D (Business Growth) (c.f. chapter 4.4).

3.6.3 Pearson Correlations

Pearson correlations as a statistical test that assesses the strength of the relationship between two numerical data variables (Saunders, Lewis & Thornhill, 2016:723). According to Samuels (2014:1), Pearson correlation measures the existence and strength of a linear relationship between two numerical data variables. The correlation is derived by measuring the variations in one numerical data variable as another variable also varies (Sekaran & Bougie 2016:286). Correlation is measured between -1 and +1 with 0.1 classified as small, an absolute value of 0.3 is classified as medium and of 0.5 is classified as large (Samuels 2014:1). If the outcome is significant, then it is concluded that a correlation exists. The Pearson correlation coefficient was used in this study to measure the degree and direction of linear association between the constructs, namely, the three dimensions: challenges facing SMEs, opportunities, and business growth (c.f. chapter 4.5).

3.6.4 Regression Analysis

Regression analysis is a statistical technique used to analyse relationships between one independent and one dependent variable (Mooi 2014:194). Collis (2011:62) viewed regression analysis as a statistical technique that facilitates to predict someone's score on one variable based on their scores observed in several other variables. In this study, regression analysis was applied to assess the significant impact or influence of independent variables on the dependent variables,

namely, challenges facing SMEs, opportunities and business growth. It was also applied to identify the variables that provide the best explanation for the portion of the total variance in the scores of the dependent variables (c.f. chapter 4.6).

3.7 RELIABILITY AND VALIDITY

This section discusses the procedures implemented to ensure that the study had acceptable validity and reliability.

3.7.1 Reliability

Reliability could be defined as the degree to which measures are free from random or unstable errors, and therefore provide consistent data (Heale & Twycross 2015:66). Akib, Najib and Ghafar (2015:64) added that the reliability refers to the consistency of test results. This study made use of Cronbach's alpha (α) coefficient as a measurement of reliability, which determines how all the items on an instrument relate to all other instrument items as well as the total instrument. Cronbach's alpha coefficient is a statistic used to measure the consistency of responses across a set of questions designed to measure a particular concept (Saunders et al. 2016:714). It consists of an alpha coefficient value should range between 0 and 1 (Tavakol & Dennick 2011:53). Values of 0.7 or above would be considered reliable for the study (Bryman & Bell 2012:4500). In other words, the higher the correlation coefficient, the greater the reliability of the measuring instrument. In this study, all measurement scales had Cronbach alpha values greater than 0.7, which signifies that there was satisfactory reliability in this study (c.f. chapter 4.7).

3.7.2 Validity

The term validity includes two aspects, which are i) what is to be measured, and ii) how consistently it is measured (Akib, Najib & Ghafar 2015:64). Burns and Bush (2014:146) define validity as the truthfulness of responses to a measure in a study. Drost (2011:114) mentioned that validity is concerned with the meaningfulness of research components and describes the extent to which an instrument accurately measures the target it was designed to measure. In this study, validity analysis of the measurement instrument was undertaken with respect to face, content and construct validity.

Face validity is an aspect of validity examining whether the item on the scale, on the face of it, reads as if it indeed measures what it is supposed to measure (Sekaran & Bougie 2016:392). Face validity was measured by the research supervisors' assessment of the questionnaire to ensure that all scales measured exactly the elements stated in the problem statement and therefore lead to accurate results.

Content validity is the extent to which the measurement device (the questionnaire) provides adequate coverage of the investigative questions (Saunders et al. 2016:450). Also, content validity considers whether the instrument adequately covers all the contents that it should concerning the variable in the study (Heale & Twycross 2015:66). In general, content validity answers the question "Does the instrument cover the entire domain related to the variable, or construct it was designed to measure?" To achieve content validity in this study, the questionnaire included a variety of questions that adequately assessed all aspects of the views of SME managers/owners challenges, opportunities and growth of their businesses. The questions were based on information gathered during the literature review to ensure that they were representative of what SME managers/owners should know about the three constructs.

Construct validity refers to whether inferences can be drawn about test scores related to the concept being studied (Heale & Twycross 2015:66). Sekaran and Bougie (2016:390) added that construct validity testifies to how well the results obtained from the use of the measure fit the theories around which the test was designed. Moutinho and Hutcheson (2011:327) indicated that construct validity is divided into convergent validity and discriminant validity. Carlson and Herdman (2012:18) referred to convergent validity as the extent to which two measures capture a common construct. Engellant, Holland and Piper (2016:39) defined discriminant validity as the extent that measures different constructs diverge or minimally correlate with one another. To proceed, the indication of construct validity was based on a reliable and structured questionnaire that measured the challenges and opportunities of SMEs in the Sedibeng Region. Thomas, Nelson and Silverman (2011:197) mentioned that correlation can be used in establishing construct validity. In this study, construct validity was tested using factor loadings computed in the EFA, correlations and regression analysis. The results (c.f. chapter 4.4) showed factor loadings above the minimum cut-off value of 0.5, as well as positive relationships between the various constructs, which attests that construct validity was acceptable in this study (c.f. chapter 4.5 & 4.6).

3.8 ETHICAL CONSIDERATIONS

Ethics may be viewed as an "ethos" or "way of life", "social norms for conduct that distinguish between acceptable and unacceptable behaviour" (Akaranga & Makau, 2016:1). Fouka and Mantzorou (2011:4) concur by saying that ethics involve requirements on daily work, the protection of the dignity of subjects and the publication of the information in the research. Ngo Ndjama (2015:74) added that honesty and integrity are fundamental to the ethical conduct of research, and it is of particular importance in researchers' duties to protect the rights of human subjects.

For this study to be rendered ethical, the researcher observed the respondents' rights to anonymity, confidentiality and informed consent. Confidentiality was assured by the nondisclosure of respondents' information without permission and by not revealing respondents' identities when reporting the results. The questionnaire did not entail identifiable information about respondents, such as the names of the managers/owners of the SMEs or SME's name; questionnaires were only numbered after data were collected.

Verbal permission was obtained from the respondents and their verbal consent was obtained before they completed the questionnaires. The respondents were informed of their right to consent voluntarily, decline to participate and to withdraw from the research at any time without penalty. They were informed about the purpose of the study that the study is a Master's degree research project conducted for academic purposes. In addition, the respondents were informed of the procedures used to collect data and were assured that there was no potential risk of disclosure.

3.9 CONCLUSION

This chapter is intended to discuss the research methodology, which forms the foundation of any research study. The chapter shows that the study employed the positivism research paradigm in which a quantitative approach was selected since it intends to collect numeric data. A cross-sectional survey design was determined to be the strategy suitable for conducting the study, followed by the determination of the study target population (SMEs), sample frame (operating SMEs confined to the Sedibeng district) and the sample size (n= 230). Notwithstanding the data collection procedure (a four-section questionnaire adapted from previous studies was used as the

data collection instrument). Moreover, data analyses methods used include descriptive statistics, exploratory factor analysis, Pearson correlation and regression analyses. Finally, the chapter discusses various ethical considerations followed in this study. The next chapter discusses the analysis of data and the interpretation of results

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

The previous chapter provided a detailed description of the methods and techniques that have been considered to conduct the analysis of the collected data. The current chapter aims to provide an in-depth analysis of the data captured and to interpret the results. The data analysed were collected from the managers and owners of SMEs in the Sedibeng region. It was first coded on a Microsoft Excel spreadsheet, which was then exported to SPSS (Version 24.0) format to conduct the analysis. After that, the reliabilities of measurement scales are discussed, followed by the application of mean scores to show the perceptions of respondents towards each research construct. The chapter further presents the results of the correlation analysis between the constructs to show the associations between the research constructs. Followed by the results of regression analysis are presented to determine the relationships between independent variables and the dependent variables. Lastly, the discussion of the reliability and validity of the constructs.

4.2 DESCRIPTIVE STATISTICS

This section represents the results emerging from the descriptive statistics of the first part of the data analysis. It includes results about the demographic profile of all the respondents (SME owners or managers) in the study, which consists of constructs such as gender, age, level of education, race, number of employees, years of existence, stage of growth. The study makes use of graphical representations and statistical commentary to discuss the results.

4.2.1 Demographic Details of Respondents

This section discusses the demographic details of respondents in section A of the questionnaire, which consisted of gender, age category, level of education and the race of the respondents.

4.2.1.1 Gender

Figure 4.1 provides the distribution of the sample in terms of gender.
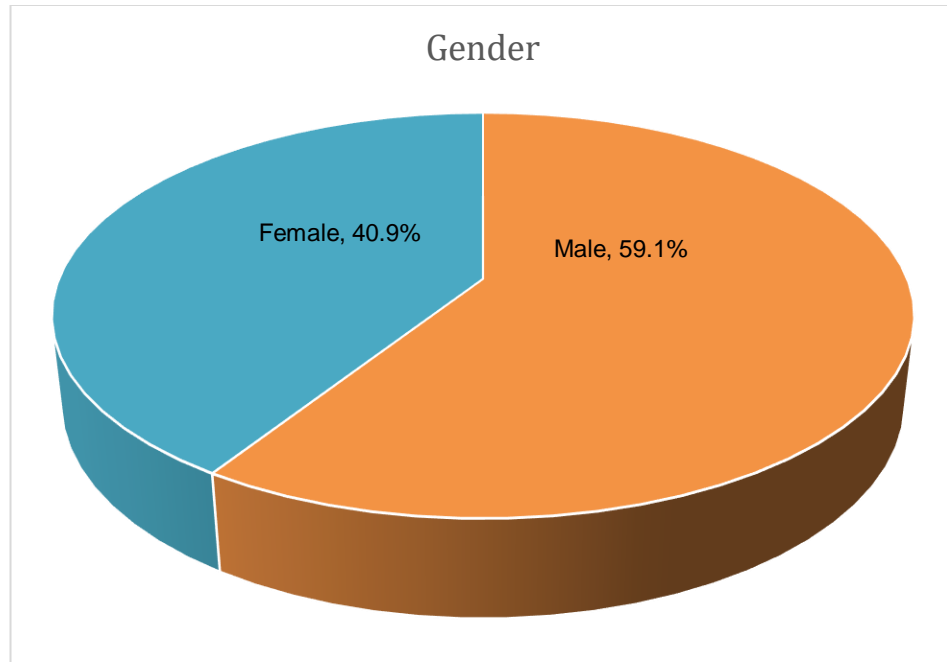
Figure 4.1: Gender of Respondents

Figure 6.1 presents a graphical representation of the gender composition of the respondents. Males constitute 59.1 percent (n=136) and females constitute 40.9 percent (n=94) of the sample. The next subsection discusses the distribution of the sample according to age.

4.2.1.2 Age category

Figure 6.2 represents the percentage of respondents based on their reported age categories.
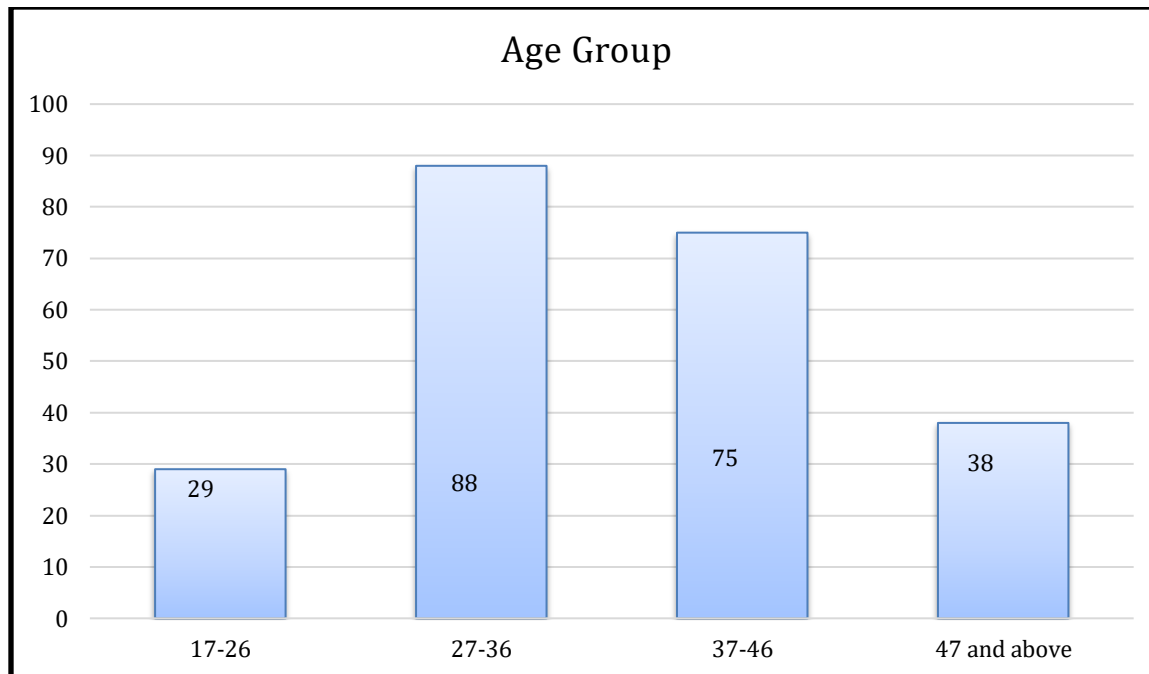
Figure 4.2: Age of Respondents

The majority of respondents were between 27 and 36 years of age (n=88; 38.3%), followed by those who were between 37 and 46 years old (n=75; 32.6%), those who were 47 and older (n=38; 16.5%) and lastly respondents between 17 and 26 years old (n=29; 12.6%).

4.2.1.3 Level of education

Respondents were requested to provide information on their level of education and Figure 6 presents the frequencies and percentages of the responses.
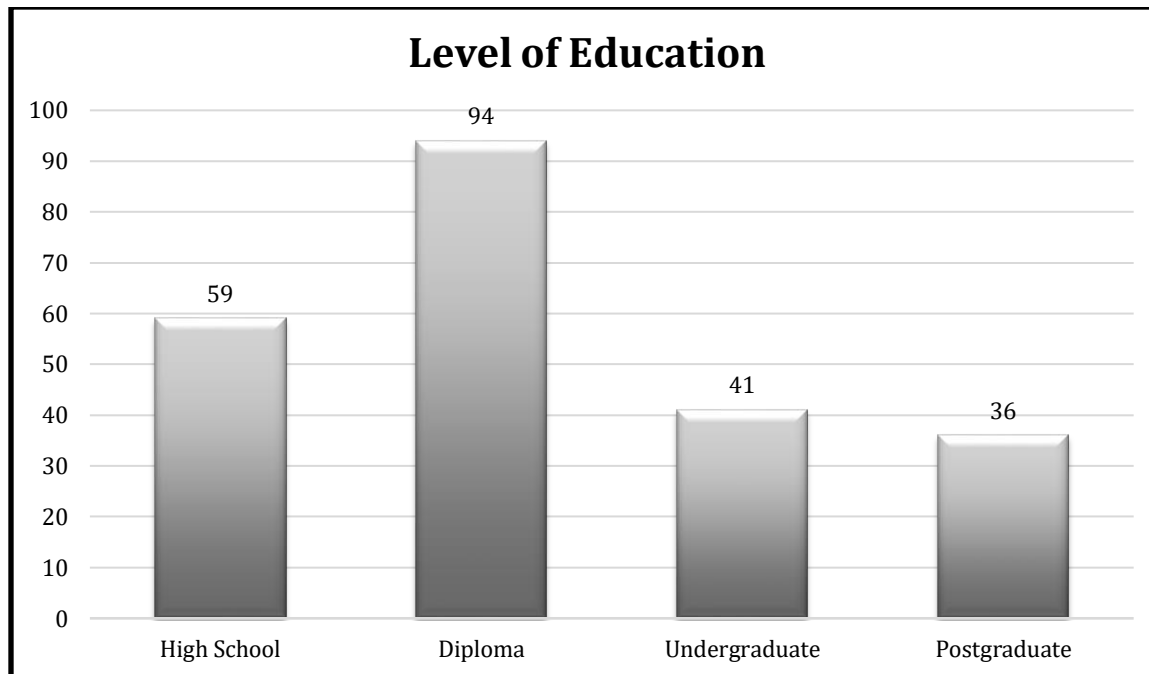
Figure 4.3: Level of Education

Figure 4.3 depicts the respondents' level of education. Approximately 25.7 percent (n=59) of respondents are high school certificate holders. The results further indicate that 40.9 percent (n=94) of them hold a diploma. The respondents with an undergraduate degree are 17.8 percent (n=41), and 15.7 percent (n=36) of the respondents are postgraduates.

4.2.1.4 Race

Figure 4.4 depicts the racial distribution of SME owners and managers. This section represents the race of SME owners and managers based on five categories, namely: Black, Coloured, Indian, White and others.
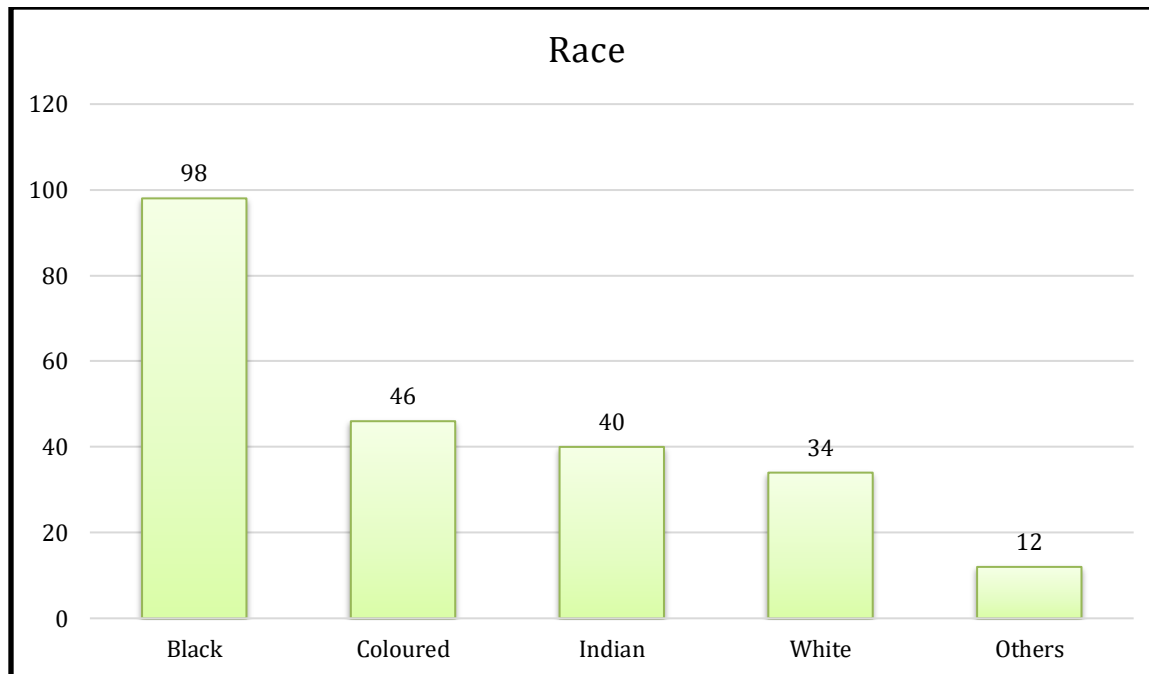
Figure 4.4: Race

Figure 6.4 provides the breakdown of the respondents' ethnicity. The majority were Black (42.6%; n= 98). The study reveals that Coloured were 20 percent (n=46). Indian comprised 17.4 percent (n=40). Whites constituted 14.8 percent (n=34) whilst others comprised 5.2 percent (n=12).

4.2.2 Profile of SMEs

This section discusses the analysis of the profile of all SMEs that were part of the survey. The main constructs identified consisted of the number of employees, years of existence, type of business and stages of growth.

4.2.2.1 Number of Employees

The respondents were requested to provide information based on the number of employees they hired. Figure 4.5 provides an illustration of this in each SME.
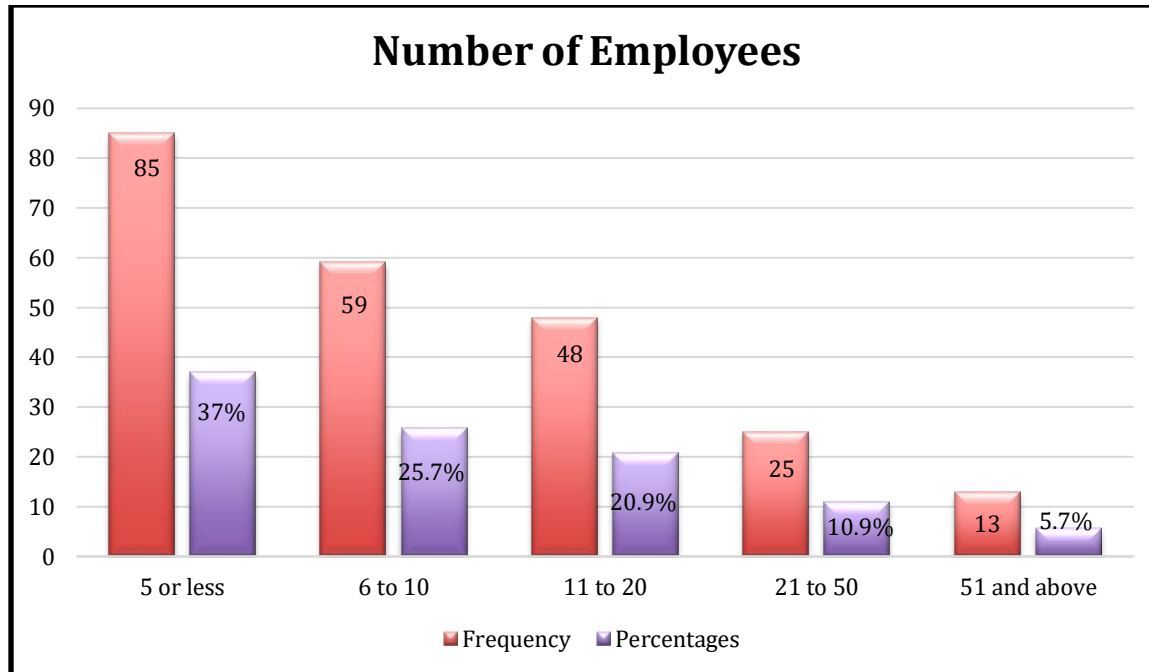
Figure 4.5: Number of Employees

The majority of the businesses 37.0 percent (n=85) were SMEs with five or fewer employees, followed by 25.7 percent (n=59) with 6 to 10 employees, 11 to 20 employees were represented by 20.8 percent (n=48), 10.9 percent (n=25) for employees between 21 and 50 and the least with 5.7 percent (n=13) representing SMEs with 50 and above.

4.2.2.2 Years of Existence

Respondents were requested to provide information based on the number of years of existence in the business.
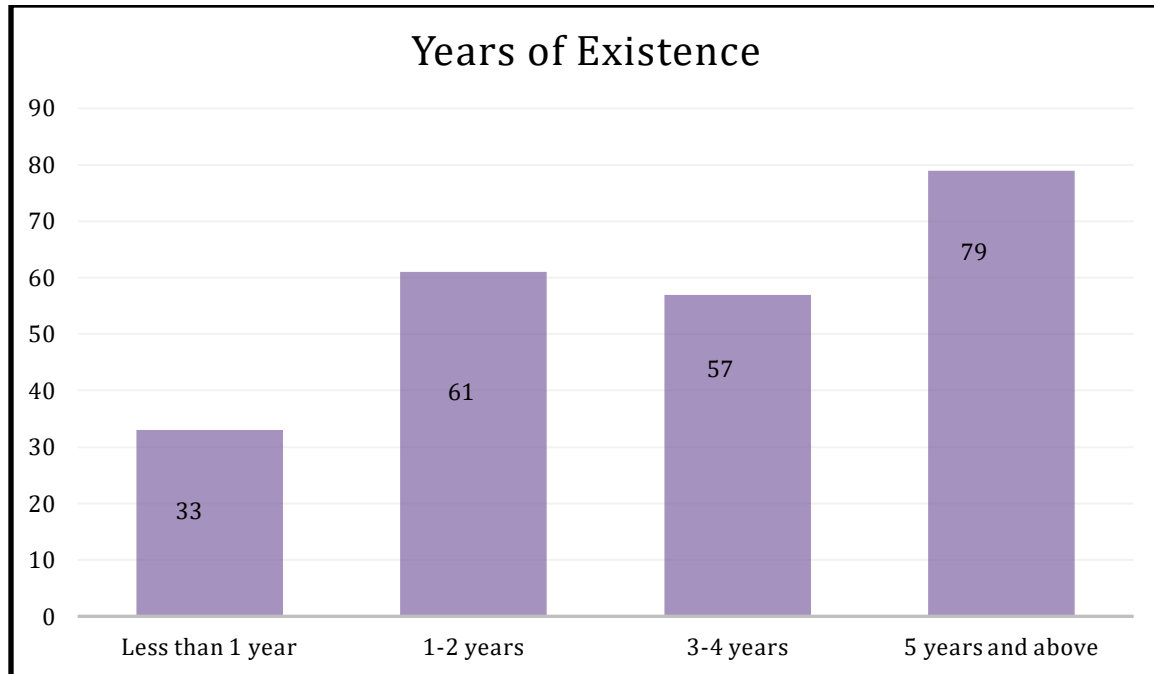
Figure 4.6: Years of Existence

It was shown that 34.4% of SMEs (n=79) had been in business for five years and above, whilst 26.5% (n=61) were in operation for 1 to 2 years, and 24.8% (n=57) for three to four years, while 14.3% of SMEs (n=33) had been in business for less than one year. It appears then that the bulk of SMEs have been in existence for five years and above.

4.2.2.3 Business Type

Figure 4.7 indicates the type of business in which the SMEs were engaged.
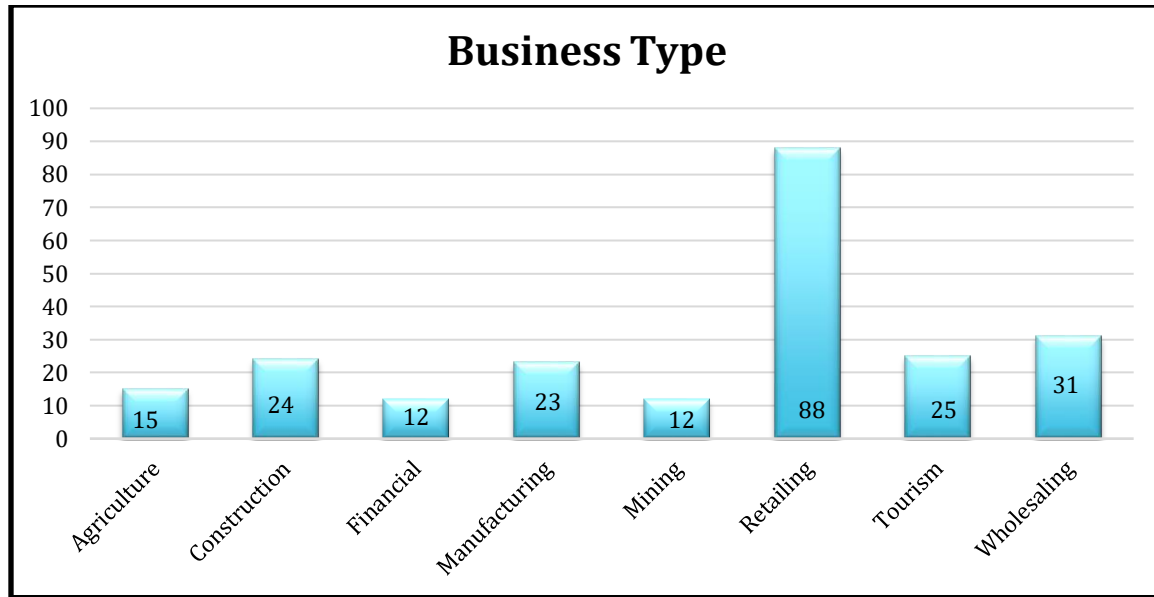
Figure 4.7: Business Type

Most of the respondents are managers or owners of a retail business (38.3%; n=88); followed by wholesaling (31.5%; n=31); tourism (10.9%; n=25); construction (10.4%; n=24); manufacturing (10.0%; n=23); agriculture (6.5%; n=15); financial (5.2%; n=12); and mining (5.2%; n=12).

4.2.2.4 Stages of growth

Insightful readings were obtained on the evaluation of SME growth. Figure 4.8 indicates the stages of growth in which the respondents SMEs are facing.
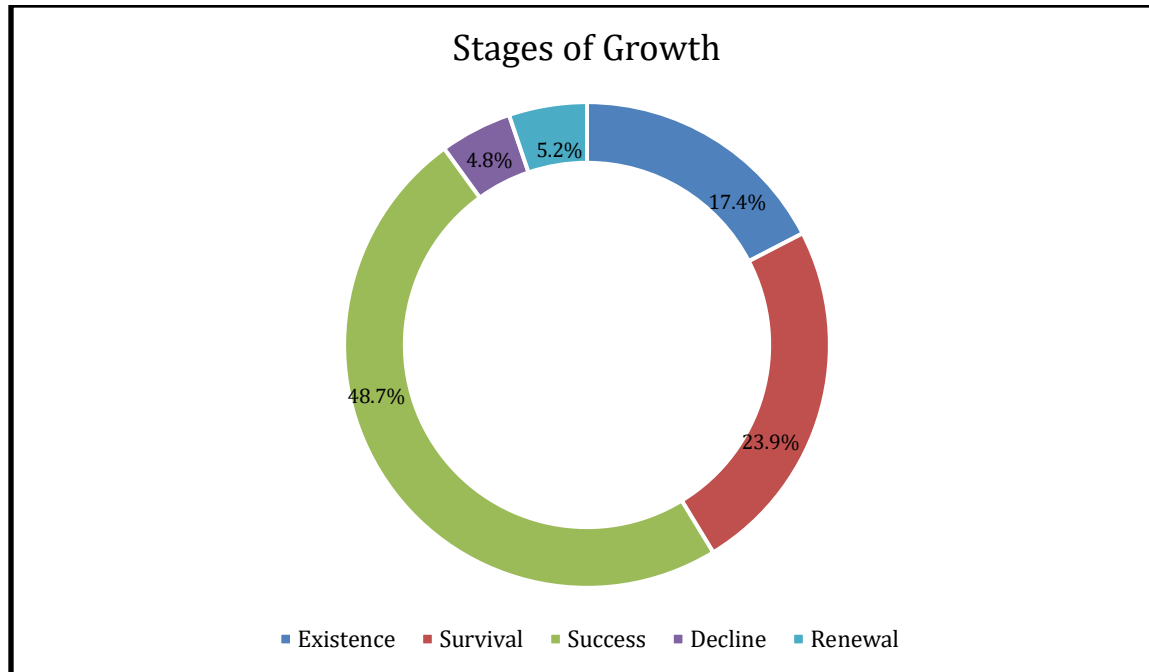
Figure 4.8: Stages of growth

From the pie chart above it was observed that most SMEs are in the success stage (48.7%; n=112), followed by 23.9% (n=55) of SMEs in the survival stage, the existence stage (17.4%, n=40), the renewal stage (5.2%; n=12), and the decline stage with 4.8% (n=11).

4.3 EXPLORATORY FACTOR ANALYSIS

The first empirical objective of the study was to identify the challenges faced by SMEs in the Sedibeng region. These were identified using the exploratory factor analysis (EFA) procedure. The EFA is a procedure used to examine relationships between individual variables (like items on a scale) and seeks to extract latent factors from the measured variables (Osborne 2015:1).

A Kaiser-Meyer Olkin (KMO) test of sampling adequacy and the Bartlett's test of sphericity were performed to assess whether the data captured were suitable for EFA. The KMO was 0.868 for the challenges scale, 0.795 for the opportunities scale and 0.834 for the SME growth scale. These values were above the 0.5 minimum threshold suggested by Kaiser (1974). The Bartlett's test yielded significant chi-squares of 1375.869 (df=91) for the challenges, 688.625 (df=21) for the opportunities scale, and 1165.66 (df=45) for the SME growth scale. These test results were significant at p=0.000; < 0.05. Since the results of the Bartlett's and the KMO tests were above the

recommended thresholds, it was determined that data structure was factorable, hence EFA could be performed. The results of the Bartlett's and the KMO tests are presented in Table 4.1.

Table 4.1: The KMO measure and the Bartlett Test Results

| CONSTRUCTS | KMO MEASURE | BARTLETT'S TEST | | |
		Approximate Chi-Square	Degrees of freedom	Significance level
Challenges facing SMEs	0.868	1375.869	91	0.000
Opportunities facing SMEs	0.795	688.625	21	0.000
SME growth	0.834	1165.66	45	0.000

The next sections show the results of the EFA procedure performed on the challenges facing SMEs, the opportunities and the growth of SMEs scales respectively.

4.3.1 Exploratory Factor Analysis for the Challenges Facing SMEs Scale

In line with the procedure undertaken by Yong and Pearce (2013:80), the default measure was to retain items with factor loadings greater than or equal to 0.50, with an eigenvalue either equal to or greater than 1. The factor extraction procedure produced a four-factor structure. Table 4.2 presents the results of the rotated factor solution for the business growth challenges scale.

Table 4.2: Four-factor SMES challenges scale

| ITEM CODE | Description | Factor | | | |
		1	2	3	4
B1	The business has experienced challenges of failures	-.182	.756	.197	-.152
B2	Access to finance and credit is very important for a business	.313	.544	.404	-.085
B7	Lack of education and training leads to business failure	.349	.668	.112	.341
B8	Inflation, interest rates, fiscal and monetary policies of the government and foreign exchange rates have a negative impact on our business	.303	.701	.045	.010
B9	Minimum wage rate is an obstacle to the business	.401	.671	.198	.137
B10	Theft and vandalism affects the business	.473	.670	.074	-.047
B3	The business's finance is obtained from a personal source (that is family or personal savings)	.082	.108	.442	-.742
B4	The business's finance is obtained from bank loans	.022	.111	.434	.738
B5	Any business owner can raise capital with good business ideas	.048	.125	.838	.005
B6	The business can succeed within a year or two if the business owner is talented	.338	.214	.564	.028
B11	Our business has been a victim of crime	.649	.443	.106	-.021
B12	Crime increases cost of replacement and repairs of your business	.760	.219	.219	-.257
B13	Lack of the necessary technology negatively impacts our business	.867	.130	.010	.007

ITEM CODE	Description	Factor			
		1	2	3	4
B14	Lack of Internet-based information and communication technology is an obstacle to business growth	.795	.184	.212	.195
Eigenvalue		5.586	1.399	1.376	1.098
Reliability (Cronbach Alpha)		0.848	0.842	0.500	-0.540
Total variance explained		39.903	9.992	9.827	7.840
Cumulative variance explained		39.903	49.895	59.722	67.562

As revealed in Table 4.2, four challenges facing SMEs with eigenvalues greater than one were extracted in the EFA. Factor 1 consisted of four items, was labelled as Crime and technology, had an eigenvalue of 5.586 and contributed to 39.9% of the variance. Factor 2 consisted of six items, was labelled as Economic aspects, had an eigenvalue of 1.399 and contributed to 9.992% of the variance in SMEs challenges. The remaining two both contributed a total of 17.667% to the variance. However, these two factors were discarded from the study because their reliabilities were below 0.7. Hence the two factors were not considered in any further analysis in this study.

Concerning the reliabilities of the two factors considered in the study as measured using the Cronbach alpha coefficient, the accepted factors had reliabilities above 0.8. These values were in line with the recommendation by Bryman and Bell (2012:4500) that Cronbach alpha values above 0.7 are acceptable for measuring reliability. Item B5 and B6 were dropped to improve the reliability of the scale.

4.3.1 Exploratory Factor Analysis for the Opportunities Facing SMEs Scale

Table 4.3 presents the results of the rotated factor solution of the opportunities facing SMEs scale.

Table 4.3: Two-factor SMEs opportunities scale

ITEM CODE	Description	Factor	
		1	2
C1.	The government's support has a positive impact on your business	.102	.877
C2.	Our business is a means of job creation	.180	.828
C6.	The use of Information and communication technology is a competitive advantage to the business	.531	.639
C3.	Our business uses technology such as computer	.873	.141
C4.	The business uses computers for record-keeping	.860	.114
C5.	The business appreciates the use of new information technology opportunities	.774	.230
C7.	Scanners are used at the business's sales point	.636	.217
Eigenvalue		3.602	1.224

ITEM CODE	Description	Factor	
		1	2
Reliability (Cronbach Alpha)		0.822	0.718
Total variance explained		51.455	17.479
Cumulative variance explained		51.455	68.933

As revealed in Table 4.3, two opportunities facing SMEs with eigenvalues greater than one were extracted in the EFA. Factor 1 consisted of four items, was labelled as Information technology, had an eigenvalue of 3.602 and contributed to 51.455% of the variance. Factor 2 consisted of three items, was labelled as Environment, had an eigenvalue of 1.224 and contributed to 17.479% of the variance in SMEs opportunities. The reliabilities of the two factors measured using the Cronbach alpha coefficient were 0.822 and 0.718 for factors 1 and 2.

4.3.2 Exploratory Factor Analysis for the SME business growth scale

The EFA was also conducted for the SME growth scale. One item (D4) was removed from the scale because of cross-loadings. Table 4.4 illustrates the results of the rotated factor solution of the SMEs business growth scale.

Table 4.4: Three-factor SMEs Business Growth scale

ITEM CODE	Description	Factor		
		1	2	3
D1.	The government supports the growth of our business	.184	.836	-.116
D2.	The growth of SME increases business sustainability	.227	.821	.251
D3.	The business owners skills influences sustainable business growth	.276	.653	.348
D5.	The business incurs high taxes	-.009	.120	.887
D6.	The taxes affects the growth of the business	.468	.097	.706
D7.	The population where the business operates affects the growth of the business	.708	.125	.412
D8.	Health consciousness affects the customers buying power	.808	.366	-.032
D9.	Change in climate and weather affects customers buying power	.842	.239	.117
D10.	Increase in imports affects the growth of the SME	.823	.176	.127
Eigenvalue		4.799	1.32	1.204
Reliability (Cronbach Alpha)		0.866	0.754	0.663
Total variance explained		47.986	13.199	12.041
Cumulative variance explained		47.986	61.185	73.225

As illustrated in Table 4.4 three SMEs' growth with eigenvalues greater than one were extracted in the EFA. Factor 1 consisted of four items, was labelled as External business aspects, had an eigenvalue of 4.799 and contributed to 47.986% of the variance. Factor 2 consisted of three items,

was labelled as Business sustainability, had an eigenvalue of 1.32 and contributed to 13.199% of the variance in SMEs growth scale. Factor three had an eigenvalue of 1.204 and contributed 12.041% to the variance. However, factor three was discarded from the study because its reliability was 0.663 (below 0.7). Hence this factor was not considered in any further analysis in this study.

4.4 PERCEPTIONS OF RESPONDENTS TOWARDS THE BUSINESS GROWTH CHALLENGES AND OPPORTUNITIES FACING SMES IN THE SEDIBENG REGION.

This section discusses the perceptions of respondents towards the challenges and opportunities facing SMEs in the Sedibeng region. The analysis of mean scores and the standard deviation was used to achieve this. A higher mean score was taken to point out an agreement with the question, whereas a lower mean score meant that respondents disagreed with the statement.

4.4.1 Descriptive Statistics for Economic Aspects facing SMEs

The scale of results for the analysis of the descriptive statistics for the economic aspects facing SMEs are reported in Table 4.6.

Table 4.5: Mean Scores and Standard Deviations for Economic Aspects facing SMEs Scale

Item	Item Description	N	Mean $\bar{x}$	Std. Deviation SD
B1	The business has experienced challenges of failures	230	2.87	1.491
B2	Access to finance and credit is very important for a business	230	3.76	1.302
B7	Lack of education and training leads to business failure	230	3.27	1.584
B8	Inflation, interest rates, fiscal and monetary policies of the government and foreign exchange rates have a negative impact on our business	230	3.46	1.343
B9	The minimum wage rate is an obstacle to the business	230	3.51	1.552
B10	Theft and vandalism affects the business	230	3.60	1.397
Overall scale		230	3.41	1.445
Likert Scale: 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree				

As depicted in Table 4.6, reveals that most of the respondents agreed that the economic aspects scale has an impact on the business growth of SMEs as shown by the overall mean score ($\bar{x}$=3.41; SD=±1.445). The respondents were neutral when asked if their businesses have experienced challenges of failures ($\bar{x}$=2.87; SD=±1.491). Most respondents agreed that access to finance and

credit is very important for a business (x̄=3.76; SD=±1.302). The respondents were neutral on the lack of education and training leads to business failure (x̄=3.27; SD=±1.584). They further concurred that inflation, interest rates, fiscal and monetary policies of the government and foreign exchange rates have a negative impact on their business (x̄=3.46 ; SD=±1.343). They confirmed that the minimum wage rate is an obstacle to the business (x̄=3.51; SD=±1.552). Most (x̄=3.60; SD=±1.397) agreed that theft and vandalism affect the business. These results make it clear that respondents agreed with the statements on the economic scale and confirm that they are a crucial element to the growth of SMEs.

4.4.2 Descriptive Statistics for Crime and Technology challenges facing SMEs

The scale of results for the analysis of the descriptive statistics for the Crime and technology challenges facing SMEs are reported in Table 4.5.

Table 4.6: Mean Scores and Standard Deviations for the Crime and Technology challenges of SMEs' Scale

Item	Item Description	N	Mean x̄	Std. Deviation SD
B11	Our business has been a victim of crime	230	3.46	1.422
B12	Crime increases the cost of replacement and repairs of your business	230	3.89	1.205
B13	Lack of the necessary technology negatively impacts our business	230	3.72	1.272
B14	Lack of Internet-based information and communication technology is an obstacle to business growth	230	3.63	1.408
Overall scale		230	3.675	1.327
Likert Scale: 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree				

Table 4.5 focuses on the analysis for the crime and technology scale which shows that most respondents agreed that crime and technology influence the business growth of SMEs, as shown by the overall mean score (x̄=3.675; SD=±1.327). Most of the respondents were neutral that their business had been a victim of crime (x̄=3.46; SD=±1.422). However, most (x̄=3.89; SD=±1.205) agreed that crime increases the cost of replacement and repairs of their business. They also agreed that the lack of necessary technology negatively impacts their business (x̄=3.72; SD=±1.272). The respondents finally confirmed that lack of Internet-based information and communication

technology is an obstacle to business growth ($\bar{x}=3.63$; SD=±1.408). Therefore, the results make it clear that respondents generally agreed with the statements on the crime and technology scale and confirm that these factors are a crucial element to the growth of SMEs.

4.4.3 Descriptive Statistics for Environmental Aspects facing SMEs

The scale of results for the mean score analysis for environmental aspects facing SMEs is reported in Table 4.7.

Table 4.7: Mean Scores and Standard Deviations for Environmental aspects of SMEs' Scale

Item	Item Description	N	Mean $\bar{x}$	Std. Deviation SD
C1	The government's support has a positive impact on your business	230	3.23	1.550
C2	Our business is a means of job creation	230	4.00	1.236
C6	The use of Information and communication technology is a competitive advantage to the business	230	3.61	1.449
Overall scale		230	3.61	1.412
Likert Scale: 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree				

Table 4.7 indicates that respondents are positive about the influence of environmental aspects on the growth of SMEs, as shown by the overall mean score ($\bar{x}=3.61$; SD=±1.412). It was also observed that most respondents were neutral on the government's support that has a positive impact on the respondents' business ($\bar{x}=3.23$; SD=1.550). Most agreed that their business is a means of job creation ($\bar{x}=4.00$; SD=±1.236). On the question of the use of information and communication technology as a competitive advantage to the business, the respondents agreed ($\bar{x}=3.61$; SD=±1.449). Therefore, most agreed with the statements on the environmental aspects facing SMEs scale, which indicates its importance to the growth of SMEs.

4.4.4 Descriptive Statistics for Information technology Aspects facing SMEs

The scale of results for the mean score analysis for environmental aspects facing SMEs is reported in Table 4.8.

Table 4.8: Mean Scores and Standard Deviations for Information technology aspects of SMEs Scale

Item	Item Description	N	Mean $\bar{x}$	Std. Deviation SD
C3	Our business uses technology such as computer	230	3.47	1.321
C4	The business uses a computer for record-keeping	230	3.55	1.248
C5	The business appreciates the use of new information technology opportunities	230	3.84	1.258
C7	Scanners are used at the business's sales point	230	3.07	1.386
Overall scale		230	3.48	1.303
Likert Scale: 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree				

Based on the results in Table 4.8 a majority of the respondents agreed that information technology has a great influence on the growth of SMEs, and is shown by the overall mean ($\bar{x}$=3.48; SD=±1.303). Most of the respondents agreed that their business uses technology such as computers ($\bar{x}$=3.47; SD=±1.321) and that the business uses the computer for record-keeping ($\bar{x}$=3.55; SD=±1.248). They perceive positively that the business appreciates the use of new information technology opportunities ($\bar{x}$=3.84; SD=±1.258). They were neutral about the use of scanners at the business's sales point ($\bar{x}$=3.07; SD=±1.386). Therefore, most respondents agreed with the statements on the information technology facing SMEs, which indicates its importance for the growth of SMEs.

4.4.5 Descriptive Statistics for Business Sustainability Aspects facing SMEs

The scale of results for the mean score analysis for business sustainability aspects facing SMEs is reported in Table 4.9.

Table 4.9: Mean Scores and Standard Deviations for Business Sustainability Aspect Scale

Item	Item Description	N	Mean $\bar{x}$	Std. Deviation SD
D1	The government supports the growth of our business	230	3.46	1.422
D2	The growth of SME increases business sustainability	230	3.72	1.288
D3	The business owner's skills influence sustainable business growth	230	3.95	1.130
Overall scale		230	3.71	1.280
Likert Scale: 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree				

The results in Table 4.9 show that business sustainability is another important element to the growth of SMEs, as shown by the overall mean score ($\bar{x}$=3.71; SD=±1.280). However, most respondents were neutral that government supports the growth of their business, shown by the mean score ($\bar{x}$=3.46; SD=±1.422). They ($\bar{x}$=3.72; SD=±1.288) agreed that the growth of SME increases business sustainability. They also agreed that business owners' skills influence sustainable business growth ($\bar{x}$=3.95; SD=±1.130). These results make it clear that respondents agreed with the statements on the business sustainability scale and confirmed that they are a crucial element for the growth of SMEs.

4.4.6 Descriptive Statistics for External Business Aspects facing SMEs

The scale of results for the mean score analysis for external business aspects facing SMEs is reported in Table 4.9.

Table 4.10: Mean Scores and Standard Deviations for External Business Aspect Scale

Item	Item Description	N	Mean $\bar{x}$	Std. Deviation SD
D7	The population where the business operates affects the growth of the business	230	3.86	1.423
D8	Health consciousness affects the customers buying power	230	3.49	1.503
D9	Change in climate and weather affect customers buying power	230	3.67	1.358
D10	Increase in imports affects the growth of the SME	230	3.80	1.362
Overall scale		230	3.71	1.412
Likert Scale: 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree				

An analysis of Table 4.10 shows that most of the respondents agree that external business aspects are important elements in the growth of SMEs, as acknowledged by the overall mean score ($\bar{x}$=3.71; SD=±1.412). Most respondents ($\bar{x}$=3.86; SD=±1.423) agreed that the population where the business operates affects the growth of the business. They also agreed that health consciousness affects the customers buying power ($\bar{x}$=3.49; SD=±1.503) and that the change in climate and weather affects customers buying power ($\bar{x}$=3.67; SD=±1.358). It was also made clear that an increase in imports affects the growth of the SME ($\bar{x}$=3.80; SD=±1.362). Most respondents agreed with the statements on the external business scale, which indicates that external business aspects are important to business growth.

4.5 CORRELATION ANALYSIS

Associations between various constructs were tested using the Pearson correlation analysis. The Pearson correlation is a statistical test that assesses the strength of the relationship between two numerical data variables (Saunders, Lewis & Thornhill 2016:723). The Pearson coefficient of correlation is represented by "r", and measures the degree of the linear relationship between two variables such as x and y (Nikolić, Muresan, Feng & Singer 2012:65). In this study, the Pearson correlation is derived by measuring the variations in one numerical data variable as another variable also varies (Sekaran & Bougie 2016:286) and used to determine the association between challenges, opportunities and the growth of SMEs. Correlation is measured between -1 and +1 (Gogtay & Thatte 2017:78). The different levels of correlations are explained as follows; r= < 0.3 = weak correlation, r ≥0.3 <0.5 = moderate correlation, r ≥0.5 < 0.7= strong correlation, r≥0.7= very strong correlation and r= 1=perfect correlation, that is, between a factor/variable and itself.

The results are presented in Table 4.11.

Table 4.11: Correlations: Challenges, Opportunities and SMEs' Growth.

Factors		Economic	Crime & Tech	Env	IT	Bus Sust	Ext Bus
Economic aspects	Pearson Correlation	1					
	Sig. (2-tailed)	.000					
Crime and Technology	Pearson Correlation	.627**	1				
	Sig. (2-tailed)	.000					
Environmental	Pearson Correlation	.558**	.467**	1			
	Sig. (2-tailed)	.000	.000				
Information Technology	Pearson Correlation	.437**	.612**	.462**	1		
	Sig. (2-tailed)	.000	.000	.000			
Business Sustainability	Pearson Correlation	.667**	.670**	.503**	.508**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
External Business	Pearson Correlation	.497**	.617**	.497**	.607**	.542**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed).							

The associations between the research constructs considered in this study are indicated in Table 4.11. Positive correlations were observed between the various constructs under consideration in this study. There was a significant strong positive correlation (r=0.627; p=0.00) between economic challenges and crime and technology challenges. This result implies that the economic challenges facing SMEs are likely to increase when crime and technology problems increase.

Second, it was revealed that there was a significant strong positive correlation (r=0.558; p=0.00) between economic challenges and environmental opportunities. This result indicates that economic challenges increase when environmental opportunities increase. The next correlation revealed that there was a significant moderate correlation (r=0.467; p=0.00) between crime and

technology challenges and economic opportunities. The result depicts that when the crime and technology-related challenges facing SMEs increase, economic opportunities also increase.

Third, Table 4.11 illustrates that there was a moderate positive correlation (r=0.437; p=0.00) between economic challenges and information technology opportunities, which shows that when economic challenges increase, information technology increases. The next result indicates that there is a significant strong positive correlation (r=0.612; p=0.00) between crime and technology challenges and information technology opportunities, which result implies that when crime and technology challenges increase, information technology opportunities increase. With regard to environmental and information technology opportunities, it was revealed that there was a moderate positive correlation (r=0.462; p=0.00) between them. The result shows that when environmental opportunities facing SMEs increase, information technology increases.

Fourth, Table 4.11 depicts that there is a significant strong positive correlation (r=0.667; p=0.00) between economic challenges and business sustainability. This means that when economic challenges facing SMEs increase, business sustainability increases. On the crime and technology and business sustainability aspect, it was revealed that there is a significant strong positive correlation (r=0.670; p=0.00) between them. The result implies that when crime and technology challenges increase, business sustainability increases. The environmental opportunities facing SMEs and business sustainability shows that there is a strong positive correlation (r=0.503; p=0.00) between the constructs. This implies that when environmental opportunities facing SMEs increase, business sustainability also increases. Lastly, there was a strong positive correlation (r=0.508; p=0.00) between information technology opportunity and business sustainability. The result shows that when information technology facing SMEs increases, business sustainability increases.

Last but not least, there was a moderate positive correlation (r=0.497; p=0.00) between economic challenges and external business-facing SMEs. This result depicts that when economic challenges facing SMEs increase, business sustainability increases. The constructs of crime and technology challenges and external business aspects facing the growth of SMEs shows that there was a significant strong positive correlation (r=0.617; p=0.00) between them. The result implies that when crime and technology challenges increase, the external business aspect increases. Next, there

was a moderate positive correlation (r=0.497; p=0.00) between environmental opportunities facing SMEs and external business aspects. It was realised from the result that when environmental opportunities facing SMEs increase, external business increases. There was also a significant strong positive correlation (r=0.607; p=0.00) between information technology opportunities and the business aspect facing the growth of SMEs. The result implies that when information technology opportunities increase, business aspects also increase. Finally, there was a significant strong positive correlation (r=0.542; p=0.00) between business sustainability and external business aspects facing the growth of SMEs. The results imply that when business sustainability increases, external business aspects increase.

4.6 REGRESSION ANALYSIS

Regression analysis is a statistical technique used to analyse relationships between one independent and one dependent variable (Mooi 2014:194). Collis (2011:62) viewed regression analysis as a statistical technique that facilitates to predict someone's score on one variable based on their scores observed in several other variables. Regression analysis is used to find out the significant impact or influence of independent variables on the dependent variable. Regression analysis using the 'enter' method was performed to identify the variables that provide the best explanation for the portion of the total variance in the scores of the dependent variables.

4.6.1 Regression Model 1: SME Challenges and Business Sustainability.

Table 4.12 presents the regression model summary of SME challenges and business sustainability.

Table 4.12: Regression Model 1: SME Challenges and Business Sustainability

Independent variables: SME Challenges	Dependent variable: Business Sustainability						
	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig P	Collinearity Statistics	
	β	Std. Error				Tolerance	VIF
Constant	.527	.199		2.654	.009		
Economic aspects	.440	.062	.407	7.108	.000	.606	1.649
Crime and Technology	.458	.063	.415	7.251	.000	.606	1.649
R= 0.741 Adjusted R^2 = .545 F=138.345 p<0.05[*]							

As shown in Table 4.12, SME challenges (R^2 =0.545) accounted for almost 55% of the variance explained in business sustainability. The economic aspects factor was statistically significant (β=0.407; t=7.108; p= 0.000) in predicting business sustainability. This result implies that the strengthening of economic challenges provides greater opportunities for SME business sustainability. Crime and technology challenges also significantly predicted business sustainability (β=0.415; t=7.251; p= 0.000). This result denotes that business sustainability among SMEs thrives when there are more intensive crime and technology challenges. There is limited evidence of this kind of result since most previous other studies concluded that crime and technology is a major problem affecting SMEs (Cant & Wiid 2013:712; Akinwale, Adepoju & Olomu 2017:89)

The results obtained could be explained by:

Firstly, the impact of the economic aspect and crime and technology challenges would depend on the level of impact it has on the business. For instance, it could be faced with a low level of crime and technology and lack of education and training, which does not affect the business sustainability.

Secondly, the SME owners or managers may counter crime and technology by beefing up security (security guards, alarm systems, buglers and CCTV cameras). Customers would have peace of mind to shop where there is high security.

Thirdly, the SME owners or managers may lack education and training but have an entrepreneurial mindset, which leads to business sustainability. They are constantly looking for new ways to boost and grow their business by "price lock", which is buying two products and getting the third one free. They get involved with cutting down prices to increase turnover.

4.6.2 Regression Model 2: SME Challenges and External Business Aspects.

Table 4.13 presents the regression model summary of SME challenges and external business aspect.

Table 4.13: Regression Model 2: SME Challenges and External Business Aspects

Independent variables: SME Challenges	Dependent variable: External Business Aspects						
	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig P	Collinearity Statistics	
	β	Std. Error				Tolerance	VIF
Constant	1.124	.206		5.442	.000		
Economic aspects	.176	.064	.181	2.739	.000	.606	1.649
Crime and Technology	.500	.066	.504	7.629	.000	.606	1.649
R= 0.633 Adjusted R^2 = .395 F=75.807 p<0.05[*]							

As shown in Table 4.13, SME challenges (R^2 =0.395) accounted for almost 40% of the variance explained in external business aspects. The economic aspects factor was statistically significant (β=0.181; t=2.739; p= 0.000) in predicting an external business aspect. This result implies that the strengthening of economic challenges provides greater opportunities for SME external business aspects. Crime and technology challenges also significantly predicted the external business aspect (β=0.504; t=7.629; p= 0.000). This result denotes that external business aspects among SMEs thrive when there are more intensive crime and technology challenges. This result contradicts another study by Mahadea and Pillay (2008:445) that indicated an inverse relationship between SME challenges and business sustainability. The authors stated that SME owners or managers have little control over external factors, among which crime in its various forms features prominently as a serious obstacle to business development and human safety.

The results obtained in this study could be explained as follows:

Most SMEs do not operate in isolation but within a given environment which might shape their performance, survival, profitability and of course, sustainability. The SMEs owners and managers have an association/union, which encourages them to pull their resources together to fight a common challenge. SMEs which cannot access credit from banks can easily get it from their unions. SMEs in a particular area could come together to combat crime and technology challenges, which could be achieved by contributing to financial security and CCTV cameras. The government would clean up the area when they are aware of the level of crime involvement. This would attract

more customers to shop because they are confident in their safety. In order for SMEs to grow, there is a need for them to be able to adapt to the challenges which arise. The SME owners or managers constantly scan the business environment to ensure alertness to both favourable and adverse external conditions. As the SME owners or managers have an entrepreneurial mind-set they are conscious of what they sell to the customers, for instance, they switch their goods and services according to the customers' taste and fashion (selling warm clothes in winter and sell food which is not harmful to the health of customers).

4.6.3 Regression Model 3: SME Opportunities and Business Sustainability

Table 4.14 presents the regression model summary of SME opportunities and business sustainability.

Table 4.14: Regression Model 3: SME Opportunities and Business Sustainability

Independent variables: SME Opportunities	Dependent variable: Business Sustainability						
	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig P	Collinearity Statistics	
	β	Std. Error				Tolerance	VIF
Constant	1.117	.245		4.565	.000	.787	1.271
Environmental aspects	.390	.069	.341	5.651	.000	.787	1.271
Information Technology	.338	.058	.351	5.809	.000	.787	1.271
R= 0.591 Adjusted R^2 = .344 F=60.979 p<0.05[*]							

As shown in Table 4.14, SME opportunities (R^2 =0.344) accounted for 34% of the variance explained in business sustainability. The environmental aspects factor was statistically significant (β=0.341; t=5.651; p= 0.000) in predicting business sustainability. This result implies that the strengthening of environmental aspects provides greater opportunities for SME business sustainability. This result is in line with Tsai, Tsai and Chang (2013:72) that environmental aspects have a direct effect on business sustainability. Information technology opportunities also significantly predicted business sustainability (β=0.351; t=5.809; p= 0.000). This result reveals that business sustainability among SMEs thrives when there are more intensive information technology opportunities. This result is consistent with previous studies conducted by Sitharam

and Hoque (2016:283), which also found that information technology improves the performance and hence the sustainability of SMEs. Wawira (2013:41) also found that information technology influences sustainable growth in SMEs.

The results obtained in this study could be explained by the following:

The government supports the growth of SMEs by providing financial and non-financial institutions. The application of information technology improves performance and thus, business sustainability. SMEs that adopt the use of information technology tools in storing information, as well as communicating with customers, business partners and suppliers who facilitate business transactions and enhance their overall performance and sustainability, leading to a better performance in reducing the operating expenses as a whole.

4.6.4 Regression Model 4: SME Opportunities and External Business Aspects.

Table 4.15 presents the regression model summary of SME opportunities and external business aspects.

Table 4.15: Regression Model 4: SME Opportunities and External Business Aspects

Independent variables: SME Opportunities	Dependent variable: External Business Aspects						
	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig P	Collinearity Statistics	
	β	Std. Error				Tolerance	VIF
Constant	.978	.207		4.728	.000		
Environmental aspects	.283	.058	.275	4.860	.000	.787	1.271
Information Technology	.417	.049	.480	8.485	.000	.787	1.271
R= 0.654 Adjusted R^2 = .423 F=84.945 p<0.05*							

As shown in Table 4.15, SME opportunities (R^2 =0.423) accounted for 42% of the variance explained in external business aspects. The environmental aspects factor was statistically significant (β=0.275; t=4.860; p= 0.000) in predicting the external business aspects. This result implies that the strengthening of environmental aspects provides greater opportunities for SME external business aspect. This result is in line with Tsai, Tsai and Chang (2013:72), that

environmental aspects have a direct effect on business sustainability. Information technology opportunities also significantly predicted external business aspect (β=0.480; t=8.485; p= 0.000). This result is consistent with a previous study conducted by Nguyen, Newby and Macaulay (2015:220), which also found that the adoption of information technology mitigates business risk by satisfying customer requirements, industry standards, quality improvement, cost reduction, or efficiency.

The results obtained in this study could be explained by:

The government's support is an opportunity for SMEs as organisations created by the government, as job creators in the economy to help accommodate the ever-changing population of the business environment. SME owners and managers who usually have the drive to grow their business constantly would involve in activities that keep their customers. Customers usually have disposable cash to buy from SMEs, and these businesses, in turn, provide layby services and credit facilities to customers. Information technology tackles the external business environment by getting closer to customers and suppliers through phone calls and emails. SMEs are involved with advanced technology, which is used for records, which lessens the risk of losing data.

4.7 VALIDITY AND RELIABILITY

This section reports on the validity and reliability tests conducted in the study.

4.7.1 Scale Reliability

Reliability can be defined as the degree to which measures are free from random or unstable errors, and therefore provide consistent data (Heale & Twycross 2015:66). To ensure reliability, the following actions were implemented:

- Reliability can be ensured by writing questions clearly and making test instructions that are easily understood.
- To ensure reliability, a questionnaire should have enough questions to assess competence.
- For test results to be consistent, it is important also for the target population to be consistent. All the respondents have to be given the same amount of time to complete the questionnaire. For example, if some respondents who hurriedly complete the questionnaire to attend to clients

while others complete it at leisure in their offices could impact reliability. Hence it is important to deliver the questionnaires and pick them up later.

- Ensure that respondents are familiar with the question types. If respondents are new to the type of question, they may not show their true competence because of their unfamiliarity to the questionnaire.

In this study, reliability was tested using the Cronbach alpha. The scale reliabilities are shown in Table 4.16.

Table 4.16: Reliability Statistics

Scale	Cronbach Alpha Value
Economic aspect	0.842
Crime and technology	0.848
Environmental aspect	0.718
Information technology	0.822
Business sustainability	0.754
External business aspects	0.866

As revealed in Table 4.16, all scales attained Cronbach alpha values above the 0.7 threshold recommended by Bryman and Bell (2012:4500). Therefore, the measurement scales used in this study were deemed to be reliable.

4.7.2 Scale Validity

Burns and Bush (2014:146) define validity as the truthfulness of responses to the measure in a study. Haradhan (2017:14) viewed validity as the extent to which an instrument measures what it asserts to measure. Hence, it is the degree to which the results of the study are truthful. It is important to consider scale validity in research because if the results of a study are not deemed to be valid, then they are meaningless to the study. If it does not measure what the researcher wants to measure then the results cannot be used to answer the research questions.

The following actions were taken to ensure that the measurement scales were valid:

- The goals and objectives for the study were clearly defined and operationalised.

- The appropriate methodology for the study was chosen, taking into account the characteristics of the study.

- The most suitable sample method for the study was selected.

- The respondents were not pressured in any way to select specific choices among the answer sets on the questionnaires.

Validity was tested using three methods:

4.7.2.1 Exploratory factor analysis

Validity was ascertained through an Exploratory Factor Analysis (EFA) where a Kaiser-Meyer Olkin (KMO) test of sampling adequacy and the Bartlett's test of sphericity were performed to assess whether the data captured were suitable for EFA (refer to Table 4.1). The values were above the 0.5 minimum threshold suggested by Kaiser (1974). These test results were significant at $p=0.000; < 0.05$. Since the results of the Bartlett's and the KMO tests were above the recommended thresholds, it was determined that data structure was factorable. The validity of the scale was also assessed by the computation of the Cronbach alpha coefficient for the scale, which was acceptable with a value above 0.70 (cf., Tables 4.2, 4.3, 4.4 and 4.16).

4.7.2.2 Correlation analysis

Validity was tested by the correlation among the variables. There was a significant positive correlation between thems. Correlation analysis was carried out using Pearson's correlation coefficients were a positive correlation of less than (1) one was considered a valid instrument. Positive correlations between challenges, opportunities and SMEs growth were illustrated in Table 4.11.

4.7.2.3 Regression analysis

Regression analysis is used to find the significant impact or influence of independent variables on the dependent variable. Regression analysis was performed to identify the variables that provide the best explanation for the portion of the total variance in the scores of the dependent variables. The results of the regression analysis illustrated a positive relationship between the independent variables (economic aspects, crime and technology, environmental aspect, information technology, business sustainability and external business aspects) and the dependent variables

(sustainable business aspects and external business aspects). (Refer to Tables 4.12, 4.13, 4.14, and 4.15).

4.8 CONCLUSION

This chapter dealt with analysing the information collected from the respondents using a structured questionnaire (as stipulated in chapter three) and discussed the outcomes. The analysis of the demographic details of respondents shows that all groups of respondents are sufficiently represented in this study. Exploratory factor analysis was performed on sections B, C and D of the questionnaire, and helped identify six underlying factors (two challenge factors, two opportunities factors and SME growth factors). After that, correlation analysis helped establish that there was a positive correlation between the challenges, opportunities and business growth (economic aspects, crime and technology, environmental aspect, information technology, business sustainability and external business aspects). Correlation analysis showed that these SMEs challenges and opportunities have a positive impact on business sustainability and their external business aspects. In the regression analysis, the two challenges and two opportunities predicted business sustainability and the external business aspects. The results show that the challenges do not affect the growth of the business or business sustainability. SMEs encountering these challenges are fully aware of the individual impact of the challenges. Hence they put in measures to mitigate the impact of these challenges on their business growth and sustainability. The reliability of section B (challenges facing SME), section C (opportunities facing SME) and section D (SME growth) was determined using Cronbach alpha values. The results of the Cronbach alpha of the three sections of the questionnaire were acceptable. The validity of the three sections was also established. The next chapter provides conclusions and recommendations.

CHAPTER 5
CONCLUSIONS, RECOMMENDATIONS, LIMITATIONS AND IMPLICATIONS FOR FURTHER RESEARCH

5.1 INTRODUCTION

This final chapter discusses the conclusions, recommendations, limitations and implications for further research. It first provides a review of the study as well as the realisation of the objectives of the study. Conclusions are based on theoretical and empirical objectives. The chapter further provides practical recommendations to SMEs on how they can tackle their growth challenges and how they can maximise their growth opportunities based on the factors considered in this study. Thereafter, it acknowledges the limitations of the study, which exposes the shortcomings of the entire research. Lastly, the chapter provides some suggestions and directions for future research that stem from this study.

5.2 REVIEW OF THE STUDY

This study examines the business growth challenges and opportunities facing SMEs in the Sedibeng region. It is divided into five chapters. The first chapter sets the tone of the research, established in the introduction and background of the study, then highlights the core problem that motivated the need to undertake this research. The chapter further discusses the research objectives, the research methodology, design and ethical considerations. Chapter two reviewed literature on the worldwide perspective of SMEs and SMEs in the South African context in terms of definitions and their contribution to the economy. It further discusses the challenges, opportunities and the theories used to ground the study. Chapter three chapter discusses the research methodology employed in the study in terms of the research paradigm, research design, sampling design, procedures for data collection research ethics and the different approaches selected for data analysis. Chapter four discusses the actual data analysis and interpretation of results obtained. Chapter five concludes the study by discussing the conclusive remarks regarding the results. It also provides recommendations designed to enhance the results and limitations as well as the implications for further research.

5.3 REALISATION OF THE OBJECTIVES OF THE STUDY

The study intended to achieve both theoretical and empirical objectives. The following theoretical and empirical objectives were set:

- To review literature on SMEs;
- to review literature on SMEs in South Africa;
- to review literature on the business growth of SMEs;
- to conduct a literature review on the business growth challenges of SMEs; and
- to conduct a literature review on the business growth opportunities of SMEs.
- to identify the challenges faced by SMEs in the Sedibeng Region;
- to identify the opportunities that exist for SMEs in the Sedibeng Region;
- to identify the factors driving the business growth of SMEs in the Sedibeng Region
- to determine the effect of the challenges faced by SMEs in the Sedibeng region on their growth;
- to determine the effect of the opportunities presented to SMEs in the Sedibeng region on their growth;

The first to the fifth theoretical objective is realised in Chapter two, which discusses the worldwide perspectives of SMEs (its regional definition as well as the economic and statistical definitions). Chapter two also reviewed SMEs in South Africa and discussed its definition in South Africa and its contribution to the economy, SMEs' challenges, opportunities and some business growth theories.

The first, second and third empirical objective is realised in chapter four, section 4.4 mean scores for items used for each of the SME challenges, opportunities and business growth were analysed. The values of the mean scores represent the perceptions of respondents towards each of the challenges, opportunities and business growth which are based on the Likert scale.

The fourth and fifth empirical objectives were realised in Chapter five, Section 4.5 and 4.6, in which Pearson correlations and regression analysis are used to determine the effect of the SME challenges and opportunities on business growth.

5.4 CONCLUSIONS BASED ON THE THEORETICAL OBJECTIVES

This part of the chapter provides conclusive observations based on the following theoretical objectives stated in this study, which were:

5.4.1 Conclusions on the literature review on the worldwide perspective of SMEs

The first theoretical objective focuses on a literature review on the worldwide perspective of SMEs conducted in chapter two of the study. It acknowledges that SMEs are dominant in numbers in most economies and have been described as an essential factor in sustaining the economic growth and development of most economies. It reveals that there is no universal definition of SME, and its definition differs from country to country. Some countries defined SME using the turnover to determine the size of the enterprise. SMEs also have economic and statistical definitions, which states that in the economic definition, a small firm is managed by its owners or part-owners in a personalised manner and not through the medium of a formal management structure, and is incompatible with its statistical definition of a small manufacturing business which might have up to 200 employees.

The second chapter further defines the definition of SMEs in terms of the region that is BRICS (Brazil, Russia, India, China and South Africa), together with a few other countries (EU, USA, Malaysia, Egypt and Ghana). They were used to illustrate the differences between countries' employees and turnover ranges. The definition of SMEs is non-subsidiary, independent businesses with a certain number of employees. However, the number of employees varies across countries and according to national statistical systems. For instance, the European Union's upper limit is 250 employees, while the United States stipulates less than 500 employees, China with less than 2000 employees and South Africa with less than 200 employees. Turnover (financial assets) are also used to define SMEs. In the European Union, SMEs must have an annual turnover of 67 million dollars while in South Africa the turnover should be between R150000 to R50 million. It is therefore concluded that the definition of SME differs from country to county; in an advanced country like USA 50 employees is considered smaller (relative to the economy's size) than a 50 employee size in a developing country like South Africa.

5.4.2 Conclusions on the literature review on SMEs in South Africa

The second theoretical objective focuses on reviewing the literature on SMEs in South Africa, giving details of SMEs in a South African perspective and their contribution to the economy. The literature points out that the National Small Business Act of South Africa further categorises SMEs in South Africa into distinct groups, namely, survivalist, micro, very small, small and medium. Hence the use of the term "SMME" for small, medium and micro-enterprises. Nevertheless, the terms 'SMME' and 'SME' are used interchangeably in South Africa. The SME definition uses the number of employees (which is the most common mode of definition) per enterprise size category combined with the firm's annual turnover categories and the gross assets excluding fixed property. Hence, small enterprises are those that employ 0-50 employees, while medium enterprises employ between 100 and 200 employees depending on the industry. SMEs are sub-divided according to the number of employees with 0-50 employees for small companies, 50 - 250 employees for medium companies and more than 250 employees for large companies.

Another dominant theme in literature was on SMEs as an economic contributor. They are generally regarded as the engine of economic growth and equitable development in developing economies. SMEs play a pivotal role in the economy by giving much relief to the economy (Imbadu 2016:2). They are labour intensive, capital saving and capable of helping create most of the one billion new jobs. It was pointed out that SMEs contribute to the economy through the gross domestic product, employment and as innovators of new products and services. It was confirmed that SMEs provide economic stability, although they require a permissive environment which can allow it to survive and grow.

5.4.3 Conclusions on the literature review literature on the business growth challenges of SMEs

The third theoretical objective focuses on conducting a literature review on the challenges associated with the business growth of SMEs. This is achieved in chapter two. The reviewed literature clarifies the nature of all challenges that may directly affect the growth of an SME. Challenges such as access to finance, managerial competencies, economic variable, regulations and laws, crime and corruption and lack of appropriate technology and high cost of production are emphasised as major problems encountered. In most cases, these challenges harm both business

growth and business sustainability. Consequently, based on the literature review, it is concluded that these challenges must be closely monitored to ensure that business growth and business sustainability is optimised.

5.4.4 Conclusion on the literature review on business growth opportunities of SMEs.

The fourth theoretical objective focuses on conducting a literature review on the business growth opportunities of SMEs. The literature reinforces the impact that opportunities have on SMEs. It reveals that the government has created financial and nonfinancial institutions to mitigate the failures or challenges faced by SMEs. It is important, therefore, to understand the opportunities facing SMEs and their origin, and how the South African government has invested in projects aimed at reducing the gap between rural, micro-enterprises and rich, high-end SMEs by creating an enabling environment for SME survival, sustainability and growth.

5.5 CONCLUSIONS RELATED TO THE EMPIRICAL OBJECTIVES

This section discusses conclusions drawn from the empirical objectives.

5.5.1 Conclusions pertaining to the SME challenges.

The first empirical objective intended to identify the challenges faced by SMEs in the Sedibeng Region. To address this objective, an EFA was performed on the collected data. Two challenges, namely crime and technology and economic aspects were identified as the major challenges facing SMES in the Region. Further analyses performed included the use of descriptive statistics to assess the perceptions of SME managers and owners regarding the challenges facing SMEs in the Sedibeng Region. Analyses of mean scores show favourable and positive responses towards the two dimensions of SME challenges, namely, economic aspects and crime and technology . It is therefore concluded that most SMEs in this Region are aware of these challenges and therefore put measures in place to mitigate their effect on businesses.

5.5.2 Conclusions regarding the SME opportunities in the Sedibeng Region

The second empirical objective sought to identify opportunities for SMEs in the Sedibeng Region. This objective was also realised by performing EFA on the data collected. The procedure resulted in the identification of two opportunities, namely environmental aspects and information technology. Further tests included the analyses of descriptive statistics to determine the perceptions

of SME managers and owners regarding these opportunities. Analysis of mean scores showed favourable and positive responses towards the two dimensions of SME opportunities. The study, therefore, concludes that two major opportunities that are available for SMEs in the Sedibeng Region are environmental aspects and information technology. Most SMEs in the region are presently taking full advantage of the existence of these opportunities.

5.5.3 Conclusions regarding the SME growth drivers in the Sedibeng Region

The third empirical objective sought to identify the factors driving the business growth of SMEs in the Sedibeng Region. An EFA was performed this objective to on the data collected, and two growth drivers were identified, namely, business sustainability and external business aspects. Further analyses included the descriptive statistics in determining the perceptions of SME managers and owners regarding these SME growth drivers. Analysis of mean scores showed favourable and positive responses towards the two dimensions of SME growth drivers. The study, therefore, concludes that two major growth drivers are available for SMEs in the Sedibeng Region. Most SMEs in the Region is presently taking full advantage of the existence of these growth drivers.

5.5.4 Conclusions regarding the effect of the challenges faced by SMEs in the Sedibeng Region on their growth

The fourth empirical objective tested the effect of the challenges faced by SMEs in the Sedibeng Region on their growth. The objective was tested using Pearson correlations and regression analysis. Pearson Correlations showed that the two SME challenges, namely, economic aspects and crime and technology, are positively correlated with business growth drivers, namely business sustainability and external business aspects. In the regression analysis, the two challenges positively predicted business sustainability and external business aspects. Crime and technology challenges emerge as the stronger challenge influencing external business aspects. SMEs do not operate in isolation but within a given environment, which might shape their performance, survival, profitability and of course, sustainability. The SME owners and managers have a professional association/union, which encourages them to pull their resources together to fight a common challenge. It is therefore concluded that SME challenges positively influence the drivers of business growth within SMEs in the Sedibeng Region.

5.4.5. Conclusions regarding the effect of the opportunities presented to SMEs in the Sedibeng Region on their growth

The fifth empirical objective intended to test the effect of the opportunities faced by SMEs in the Sedibeng Region on their growth. The objective was tested using Pearson correlations and regression analysis. Pearson Correlations showed that the two SME opportunities, namely, environmental aspects and information technology, are positively correlated with business growth drivers, namely business sustainability and external business aspects. In the regression analysis, the two opportunities positively predicted the growth drivers (business sustainability and external business aspects). Information technology opportunity emerged as the stronger challenge influencing external business aspects. SMEs owners and managers get closer to customers and suppliers through phone calls and emails. SMEs are involved with advanced technology, which is used for records, which lessens the risk of losing data. It is therefore concluded that SME opportunities positively influence the drivers of business growth within SMEs in the Sedibeng Region.

5.6 RECOMMENDATIONS

The results of the study are critical for SMEs that aim to succeed in their industry. This section proposes recommendations based on the results of the empirical objectives in section 5.5. This section is important because it provides practical suggestions to improve the operations of SMEs with respect to the issues considered in this study.

5.6.1 Recommendations regarding SME challenges and business sustainability.

The following recommendations are proposed to reduce the effects of SME challenges and business sustainability:
- The SME owners/ managers could limit the prevailing crime and technology by beefing up security (security guards, alarm systems, buglers and CCTV cameras).
- The government should support the SMEs to acquire bank loans, monitor them and provide training and workshops on managerial, marketing and financial skills for running the business and solicit feedback from the end-users.

- The owner/managers of SMEs should recruit and develop capable managers that are competent and equipped with, among other things, leadership, awareness and appreciation of diversity and change in management skills.

- SME should be compliant with government legislation and policies regarding issues such as taxes, labour laws, environmental laws and company ownership, amongst others.

5.6.2 Recommendations regarding SME challenges and external business aspects

The following recommendations are proposed to reduce the effects of SME challenges and external business aspects:

- SMEs in the Sedibeng Region could form networking and strategic alliances with their suppliers and other SMEs within the industry. Hence, they would gain access to new/overseas markets, increase sales and revenue, access external sources of funds, gain technological know-how, and become more resilient and stronger to withstand domestic and foreign competition.

- SMEs should, therefore, deploy the relationship marketing strategy. The relatively small customers of SMEs make them more suitable for long-term customer relationships. Hence, the long-term relationships with customers would provide a platform for customer loyalty and in turn, reduce the cost of operation.

- SMEs that operate in a common area should create associations/forums/unions which encourage them to pull their resources together to fight a common challenge. For instance, SMEs which cannot access credit from banks can easily get it from their unions. This will also enable them to help each other with the skills and knowledge required for that particular business. They could also facilitate workshops among themselves.

- SMEs in a particular area could come together to combat crime and technology challenges, which could be achieved by contributing to financial security and CCTV cameras.

- The government could clean up the area when they are aware of the level of crime involvement.

- In order for an SME to grow, there is a need for them to be able to adapt to arising challenges. SME owners or managers should constantly scan the business environment to ensure alertness to both favourable and adverse external conditions.

- As SME owners or managers have an entrepreneurial mindset they should be conscious of what they sell to the customers, for instance, switching their goods and services according to

customers' taste and fashion (e.g. selling warm clothes in winter and selling food which is not harmful to the health of customers).

- The South African tax regimes and regulations should be reviewed and improved in order to create a suitable business climate for SMEs' growth and prosperity.

5.6.3 Recommendations regarding opportunities and business sustainability.

The following recommendations are proposed to maximise the effects of SME opportunities and business sustainability:

- The government should support the growth of SMEs by providing financial and non-financial institutions. It should play a leading role in educating SME owners and managers on the incentives available to them and how to access them. These incentives should be delivered through an establishment that cares for the success and sustainability of SMEs in South Africa as a whole.

- The government should restrict importation and empower local manufacturers, hence consume "Proudly South African" goods.

- SMEs should adopt the use of information technology tools in storing information, as well as communicating with customers, business partners and suppliers to facilitate business transactions, and enhance the overall performance and sustainability of SMEs, leading to a better performance in reducing the operating expenses as a whole.

- Technology should be integrated into all SME business operations in order to maximise the turnover level and competition within the industry.

- SMEs should development training sessions to update the technological competency of employees and train them on new technology trends.

5.5.4 Recommendations regarding SME opportunities and external business aspects.

The following recommendations are proposed to maximise the effects of SME opportunities and external business aspects:

- Owners/managers of SMEs should improve their managerial skills in order to be able to analyse the market for better business opportunities, so promoting capacity building for the growth of their businesses.

- As a job creator of jobs in the economy, SMEs help to accommodate the ever-changing population of the business environment. It is therefore imperative for the government to create more platforms to support the growth of SMEs.

- SME owners and managers should constantly have the drive to grow their business and hence involve in activities that would keep customers like price cuts, laybys and credits facilities.

- SMEs should invest more in information technology which would help tackle the external business environment by getting closer to customers and suppliers through phone calls and emails. SMEs should be involved with advanced technology be used for records as this lessens the risk of losing data.

- SMEs should always invest in market research and development and innovation to increase their competitiveness. This could be achieved by embarking on market intelligence, which would enable them to understand the needs and wants in the marketplace. Such an understanding would assist in delivering superior value to customers more than their competitors can do, hence increasing customer retention rates.

5.7 LIMITATIONS OF THE STUDY

The present study provides several useful insights on the business growth challenges and opportunities facing SMEs. However, despite the relevance of the results obtained, some limitations should be highlighted so that they can be addressed in the future. There were a few factors which may have, to some extent, negatively impacted on the results obtained, one of which was related to the scope of the study. The study's results are restricted to a small sample size of 230 respondents who were based only in the Sedibeng region. Besides, there existed a lack of monitoring by the researcher during the data collection process since the questionnaire was self-administered. It is possible, therefore, that some of the respondents may not have provided truthful responses, which could have adversely affected the accuracy of the results in the study. The use of a convenience sampling method could also have affected the study through sampling bias.

5.8 IMPLICATIONS FOR FURTHER RESEARCH

The current study has several implications for future research. Firstly, a similar study could be conducted in another geographical location or region in South Africa since the views of respondents differ depending on the context. This could enlighten both academics and business

practitioners on the effect of business growth challenges and opportunities. Larger sample sizes could be used to conduct this study in future. It could also be replicated in larger corporations apart from SMEs. Further research could make use of more robust statistical approaches such as structural equation modelling since the study is multifactorial in nature, involving more than one independent variable.

5.9 CONTRIBUTIONS OF THE STUDY

This section discusses the theoretical and practical contributions to the study.

5.9.1 Theoretical Contributions

There is a need to study the challenges and opportunities that affect the growth path followed by SMEs. Chimucheka and Mandipaka (2015:313) stated that an effective legal and regulatory framework promotes competition among SMEs by avoiding excessive restrictive licensing requirements and allows international and regional banks with better SME-lending tools to enter the market. The authors further mention that this will curb collateral and lending issues, where the voluntary formation of small groups of underprivileged people and is meant to provide loans to those SMEs without collateral, which is normally a hindrance to access finance by small businesses. This will help ease some of the challenges faced by SMEs as they will then work together in solving other challenges.

5.9.2 Practical Contributions

This study has relevance in that it adds value to the knowledge of the challenges as well as the opportunities facing the business growth of SMEs. Owners and managers of SMEs can, therefore, allocate more resources to providing solutions to those challenges that emerged as most important in this study. crime and technology challenges can improve business sustainability when the managers and owners of SMEs in the Sedibeng Region put in measures that will mitigate the effect of the challenges to the business. It is mostly believed that people need to study in order for a business to grow, but it is not the case here, as most people have the entrepreneurial spirit and talent to grow their businesses. That notwithstanding, information technology opportunities assist in reducing human errors and queues, better accountability and easy access to audit. The recommendations suggested in this study may also be adopted to ease the impact of these challenges and opportunities facing the business growth of SMEs.

5.10 CHAPTER SUMMARY

SMEs have been identified as an essential factor in sustaining the economic growth and development of most economies in South Africa and the world at large. This is because of the contributions they make to the economy by adding to the country's GDP, employment and innovation. Despite the contributions they make, they are faced with challenges and opportunities which may hinder or benefit their business growth. However, this study aimed at investigating the challenges and opportunities facing the business growth of SMEs in the Sedibeng region. This study found out that crime and technology and economic aspects challenges provide greater opportunities for SME business sustainability and external business aspects. This study further found out that the strengthening of information technology and environmental aspects provides greater opportunities for SME business sustainability and external business aspects.

The results of this investigation provide a reasonable basis for the adoption of best practices in enhancing the opportunities and mitigate the effect of the challenges on the business growth of SMEs. The relevance of this investigation is worth noting in that it contributes to the body of SMEs and can be used by SME owners and managers as a diagnostic tool for business growth.

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Vaal University of Technology
Your world to a better future

QUESTIONNAIRE

Dear respondent,

This research examines the challenges and opportunities of small and medium enterprises (SMEs) in business growth in the Sedibeng Region. Be informed that your cooperation and contribution in completing this questionnaire is greatly appreciated. Be assured that response will be held in confidence. Thank you for your time.

SECTION A: PERSONAL INFORMATION (Mark an X on the appropriate block)

A1.   Gender

Male	Female
1	2

A2.   Age

17-26	27-36	37-46	47 and above
1	2	3	4

A3.   Education

High School	Diploma	Undergraduate	Postgraduate
1	2	3	4

A4.   Race

Black	Coloured	Indian	White	Other (specify)
1	2	3	4	5

A5.   Number of employees

5 or less	6-10	11-20	21-50	51 or above
1	2	3	4	5

A6.   Years of existence

Less than 1year	1-2 years	3-4 years	5 years and above
1	2	3	4

A7.   Please specify the business you are in?

Agriculture	Construction	Financial	Manufacturing	Mining	Retailing	Tourism	Wholesaling
1	2	3	4	5	6	7	8

A8.   At which stage of business growth is your business at

Existence stage	Survival stage	Success stage	Decline stage	Renewal stage
1	2	3	4	5

SECTION B: CHALLENGES (Please mark an X on the appropriate Likert scale; 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree).

B1.	The business has experienced challenges of failures	1	2	3	4	5
B2.	Access to finance and credit is very important for a business	1	2	3	4	5
B3.	The business's finance is obtained from a personal source (that is family or personal savings)	1	2	3	4	5
B4.	The business's finance is obtained from bank loans	1	2	3	4	5
B5.	Any business owner can raise capital with good business ideas	1	2	3	4	5
B6.	The business can succeed within a year or two if the business owner is talented	1	2	3	4	5
B7.	Lack of education and training leads to business failure	1	2	3	4	5
B8.	Inflation, interest rates, fiscal and monetary policies of the government and foreign exchange rates have a negative impact on our business	1	2	3	4	5
B9.	Minimum wage rate is an obstacle to the business	1	2	3	4	5
B10.	Theft and vandalism affects the business	1	2	3	4	5
B11.	Our business has been a victim of crime	1	2	3	4	5
B12.	Crime increases cost of replacement and repairs of your business	1	2	3	4	5
B13.	Lack of the necessary technology negatively impacts our business	1	2	3	4	5
B14.	Lack of Internet-based information and communication technology is an obstacle to business growth	1	2	3	4	5

SECTION C: OPPORTUNITIES (Please mark an X on the appropriate Likert scale; 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree).

C1.	The government's support has a positive impact on your business	1	2	3	4	5
C2.	Our business is a means of job creation	1	2	3	4	5
C3.	Our business uses technology such as computer	1	2	3	4	5
C4.	The business uses computer for record keeping	1	2	3	4	5
C5.	The business appreciates the use of new information technology opportunities	1	2	3	4	5
C6.	The use of Information and communication technology is a competitive advantage to the business	1	2	3	4	5
C7.	Scanners are used at the business's sales point	1	2	3	4	5

SECTION D: SME GROWTH (Please mark an X on the appropriate Likert scale; 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree).

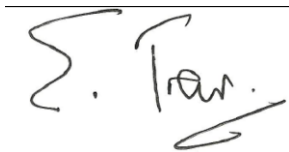| D1.	The government supports the growth of our business	1	2	3	4	5
D2.	The growth of SME increases business sustainability	1	2	3	4	5
D3.	The business owners skills influences sustainable business growth	1	2	3	4	5
D4.	SME's growth is measured by sales and profit	1	2	3	4	5
D5.	The business incurs high taxes	1	2	3	4	5
D6.	The taxes affects the growth of the business	1	2	3	4	5
D7.	The population where the business operates affects the growth of the business	1	2	3	4	5
D8.	Health consciousness affects the customers buying power	1	2	3	4	5
D9.	Change in climate and weather affects customers buying power	1	2	3	4	5
D10.	Increase in imports affects the growth of the SME	1	2	3	4	5

Thank you for your time.

APPENDIX 2: LANGUAGE EDITING DECLARATION

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10 January 2020.

LANGUAGE EDITING

This is to certify that I language-edited the dissertation "Business challenges and opportunities facing small and medium enterprises in the Sedibeng region," by Nadege Ngonkem Ngobena for the MTech: Business Management degree in the Faculty of Management Sciences, Vaal University of Technology.

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