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Article

Awareness of state-facilitated sources of finance among owner/managers of small and medium-sized enterprises in South Africa

Awareness of State-Facilitated Sources of Finance among Owner/Managers of Small and Medium-Sized Enterprises in South Africa

Emmanuel Oseifuah[1], David Charles Manda[2]

Abstract: The contribution of small businesses to job creation and economic growth in both developed and developing economies is widely acknowledged in the finance and economics literature. Despite their significant importance, numerous challenges inhibit their development and growth. A major barrier is lack of access to external finance, derived from three main sources namely banks, venture capital, and the government. Recognizing this challenge, the South African government have established numerous business support and assistance measures to help the SME sector obtain better access and affordable finance. However, recent studies claim that there is a general lack of awareness of state-facilitated sources of finance among SME owner/managers (Mago & Toro, 2013; Khan, 2014). The purpose of this study therefore was to investigate the level of awareness of state-facilitated sources of finance among owner/managers of small and medium-sized enterprises (SMEs) in South Africa, especially in rural communities. The data used in this study was obtained via a structured questionnaire administered to a randomly selected sample of 50 SMEs in the Thohoyandou Central Business District (CBD), Thulamela Municipality. This area is characterised by similar socio-economic environment like other rural communities in South Africa. The results show that most SMEs in the Thulamela Municipality have little knowledge of state-facilitated sources of finance. For example, only 26% of the sampled SMEs are aware of SEFA, Land Bank (46%) and Post Bank (34%). On the basis of these results, the study recommends that various state-facilitated sources of finance should make themselves more visible and accessible to the public.

Keywords: Small and Medium-sized Enterprises; South Africa; Sources of finance; Thulamela Municipality

JEL Classification: M21; M41

Introduction

The contribution of small businesses to job creation and economic growth in both developed and developing economies is widely acknowledged in the finance and economics literature (ACCA, 2009). As pointed out by Beck, Demirgüç-Kunt, Laeven, and Maksimovic (2006), access to finance allows SMEs undertake productive investments and contribute more to economic development and poverty alleviation. It follows that without finance, SMEs cannot expand to compete in international markets or even strike business linkages with larger firms. Abor and Quartey (2010) claim that in the South African context 91% of formal business entities are SMEs, and that these SMEs contribute between 52 to 57% to GDP and provide about 61% to employment. Despite their significant importance and contribution to economic growth, SMEs world-wide, and in SA in particular, are still faced with numerous challenges that inhibit their development and growth. Access to finance, especially from commercial banks has always been mentioned by SMEs both existing and potential entrepreneurs as the most serious barrier to business expansion and or business start-up (Harvie, Oum & Narjoko, 2011; Klonowski, 2012).

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In South Africa, the government white paper, *National Strategy for the Development and Promotion of Small Business in South Africa,* identified lack of access to finance as more prevalent in rural areas, particularly among start-up micro enterprises, women-owned SMEs and those owned by other formerly disempowered groups. This can been attributed to various factors including perceived high risk, lack of collateral, information asymmetry and reputational effects. In fact the theory of asymmetric information, as presented in the economics and finance literature by Nobelists (Akerlof, 1970; Spence, 1973, Stiglitz, 1975), contends that it is difficult to distinguish good from bad borrowers which normally results in adverse selection and moral hazards problems. The principal-agent theory further explains that the interest of the principal (lender) and the agent (borrower) diverge because both parties have different utility functions. This situation normally makes the principal and the agent prefer different actions because of the different risk preferences (Eisenhardt, 1989). These two theories explain the banks' lending behaviour given the existence of the agency problem as well as the fact that lenders are imperfectly informed about the characteristics of borrowers (Obamuyi, 2007).

Since finance is recognized as the life blood of businesses affordable and appropriate finance for SMEs can be beneficial in several ways: (1) facilitation of business start-ups, (2) enhanced financing of potentially viable investments vital for their expansion and growth, (3) availability of funds for business innovation and development of both new technologies and more productive ways of operation, (4) efficient allocation of resources in the economy, and (5) creation of employment and wealth (Confederation of British Industry, 2006).

Recognizing the constraint of lack of access to external finance by SMEs, the South African government has intervened in the financial market by creating agencies and setting up numerous business support and assistance measures to help the SME sector obtain better access to finance and to encourage business formation. The government currently provides funding to SMEs through a number of organisations such as Khula enterprise Finance Limited, National Youth Development Fund (formerly, Umsobomvu Youth Fund), National Empowerment Fund, Post Bank, Land Bank, among others. According to Klonowski, (2012), government intervention in improving access to finance is based on the assumption that significant imperfections exist within the market place that preclude the private sector from correcting these market distortions. Thus, such structural government programmes are aimed at closing liquidity gaps, which result when SMEs are unable to secure necessary capital.

It is expected that the provision of the various government-related funds and schemes will help SMEs to access the needed funds, grow and compete in the market. Nevertheless, the impact of such a support remains unclear until empirical studies from different perspectives are carried out. Therefore, a clear gap in the literature on access to finance by SMEs is the missing link of the level of awareness of state-facilitated sources of finance for SMEs (Mago and Toro, 2013; Khan, 2014). Thus, the purpose of this study is to fill the gap in the literature by investigating the level of awareness of state-facilitated sources of finance among SME owner/managers in rural communities and recommend the necessary policy response to correct the situation.

Background to Thulamela Municipality

Thulamela Municipality is the largest (in terms of population) of the 4 municipalities in the Vhembe District Municipality which was established in 2000 in terms of the Municipal Structures Act, 117 of 1998. The district comprises four local municipalities: Makhado, Musina, Thulamela and Mutale. It has a population of about 1. 3 million, and covers 25 597km^2 of the Limpopo Province (Local Government Handbook, 2014). Situated in the northern part of Limpopo province, Vhembe district is boarded by Capricorn, Mopani and Bela-bela District Municipalities in the southern, eastern and northern directions respectively. It also shares boarders with Zimbabwe in the north and Kruger National Park in the East. The District has a competitive advantage in the areas of agriculture, tourism and mining. Table 2 below presents the composition of Vhembe district in terms of local municipalities, geographical area, population distribution and households.

Table 1. Population and households in Vhembe district

Municipality	Population	% of Vhembe population	Area (km$^{2)}$	Number of households	Unemployment rate (%)
Thulamela	618 462	47. 8	5 834	156 594	43. 8
Makhado	516 031	39. 9	8 330	134 889	36. 7
Mutale	91 870	7. 1	3 886	23 751	48. 8
Musina	68 359	5. 2*	7 577	20 042	18. 7
Total	1 294 722	100. 0	25 597	335 236	38. 7

*Sources: Statistics South Africa Population Census 2011; * Rounding error. Local Government Handbook: A complete Guide to municipalities in South Africa, fourth edition (2014).*

The table indicates that of the total population of 1 294 722 in the Vhembe district, 47. 8%, 39. 9%, 7. 1% and 5. 2% live in the Thulamela, Makhado, Mutale and Musina municipalities respectively. Thulamela municipality being the largest of all four local municipalities in terms of population lies 70km east of Makhado and 180km north of Polokwane (the capital city of Limpopo). The overall unemployment rate for Vhembe district is 38. 7%. Mutale municipality has the highest unemployment rate of 48. 8%, followed by Thulamela (43. 8%), Makhado (36. 7%) and Musina, 18. 7%. These statistics, especially the unemployment rates, clearly indicate the urgent need and importance of growing a vibrant SME sector to absorb some of the unemployed population. Hence the need for awareness information dissemination to owner/managers for available and affordable government facilitated sources of finance for SMEs in these rural areas cannot be over-emphasized.

Definition of Small Business

The definition of small business varies from country to country. Various definitions have been provided based on varied criteria. Among the common criteria used are the number of employees, gross assets, turnover, and investment level. The most common denominator found in the definitions is employment, with varying levels of upper and lower size limits. This study uses the definition of small business provided by the National Small Business Act (1996):

"a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy".

The National Small Business Act classifies small businesses into four main categories using three parameters: full-time employees, turnover, and asset value. Table 1 shows this classification per industry sector.

Table 2. Classification of small business enterprises

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

Source: National Small Business Act (1996)

The table shows that the classification of small business is dependent upon the industry sector in which it operates. In rural areas, SMEs comprise a heterogeneous group of businesses usually operating in the agriculture, communications, service, trade, and manufacturing sectors. Typical examples of such businesses are village handicraft makers, transport, internet and secretarial businesses, small machine shops, clothing and textile making, hairdressing and barber shops, tourism, furniture, auto mechanics and retailing.

Aim of the Study

The aim of the study is to assess the level of awareness of state-facilitated sources of finance among SME owner/managers in South Africa

Objectives of the Study

The objectives of the study are:

- To determine the extent to which SME owner/managers are aware of state-facilitated finance programmes in South Africa;
- Ascertain the types and sources of finance which are used by SMEs, especially in rural communities;
- Suggest recommendations to assist policy makers especially with regard to educating SME owner/managers on sources of government-facilitated finance.

Literature Review

A growing body of literature have examined SME awareness and/or accessibility to finance in both developed and developing countries and demonstrated that SMEs find it very difficult in accessing finance (Mason & Kwok, 2010; Dauda & Nyarko, 2014), even though access to finance is believed to help a firm to prosper and grow (Butler & Cornaggia, 2009). According to Bouri et al. (2011), increasing access to financial sources to SMEs in developing countries could expand the economic situations through GDP growth, fostering innovation activity, and macroeconomic sustainability. Indeed, several authors stressed that access to finance is one of the enabling factors for fostering a conducive, economic environment (Isern et al., 2009). In a recent survey of SMEs, the South African Institute of Chartered Accountants (SAICA, 2015) identified a number of obstacles inhibiting SME growth in South Africa. These are government-generated red tape, B-BBEE codes, labour laws, raising growth finance, and tax laws. The study proposed a number of actions that government could consider to motivate SMEs to grow and employ. These include government sector speeding up payment in order to reduce cash flow pressure for SMEs and allow working capital to finance growth, tax incentives for growth and employment, a relaxation of labour laws for the SME sector, a reduction of red tape, and easier access to risk finance.

Kelley, Bosma, and Amorós (2010) writing in the Global Entrepreneurship Monitor (GEM) defined the availability of financial resources for SMEs in the form of equity and debt as one of the key factors for supporting and boosting entrepreneurial activities. Beck and Demirguc-Kunt (2009) also opined that financial availability not only aids in the growth of companies, market entry, and reducing business risk, but it can also enhance entrepreneurial and innovation activities among SMEs. Again, Beck, Demirgüç-Kunt, and Levine (2007) noted that firms with better access to finance are better able to invest in and exploit growth opportunities. In other words, increase in the awareness and access to capital would directly improve the aggregate economic performance. Nevertheless, SMEs particularly in developing countries face significant barriers in accessing financial sources. They are restrained by gaps in the financial system, for instance, not meeting the collateral requirements (Madichie and Nkamnebe 2010; Schans, 2013), high costs of administration (Chaya & Suhb, 2008), lack of experience in dealing with financial intermediaries (Rudjito, 2010), among others

Beck, Demirgüç-Kunt, and Levine (2007) analysed SMEs in 70 developing countries and found that SMEs in most developing countries are more constrained by financing obstacles because of the weaknesses in the financial and legal systems. Based on the findings, the authors concluded that governments should set up appropriate institutions, providing the regulatory framework and undertake market-friendly activist policies in order to reduce financing obstacles for SMEs. The authors also caution against too much involvement of governments in SME financing. In another study, Olomi, Mori, Mduma, and Urassa (2008) identified three main groups of constraints limiting SMEs access to finance in Tanzania. The first constraint is the capacity of the SMEs themselves in terms of their low level of knowledge and skills, under-developed business culture, lack of separation of business from family or personal matters, limited documented credit history and tendency for them not to explore all financing options available. The second constraint is the limited capacity for working with SMEs, including limited number of competent personnel and limited experience leading to design of simple, straight jacket products whose risks are low and easy to assess. The third group relates to deficits in the enabling environment in terms of laws that over protect borrowers at the expense of lenders, absence of national identification system and credit reference bureaus. In the case of Chile and Argentina, Torre et al. (2008), in their study found that banks in Chile and Argentina target SMEs due to the significant competition in the corporate and retail sectors. These banks perceive the SMEs market as highly profitable and with good prospects. The authors show that, banks in these countries are aware of challenges which arise in working with SMEs but they believe that cooperation with SMEs is a step forward for the banks to offer financing profitably. In the case of Poland, Klonowski (2012) reported that access to finance appears to be the largest challenge for entrepreneurial firms from the small to medium sized enterprise (SME) sector in that country. Furthermore, a study by Donati, Cinquegrana, and Sarno (2012) reported that small firms in backward regions in Italy are more constrained by lack of external finance than those in developed regions.

In the South African context, Fatoki and Smit (2011) identified internal factors (such as managerial competency, collateral, networking and business information) and those external to SMEs such as macro-economy, the legal environment, ethical perception, crime and corruption constraint new SMEs to access credits. It is therefore not surprising that the South Africa's National Development Plan (NDP), 2030 (cited in SAICA, 2015) proposes that for South Africa to overcome poverty and to reduce the proportion of people who are dependent on welfare payments from the state, the SME sector would have to grow significantly. To achieve this objective the NDP expects that by 2030, 90% of new jobs will be created by the SME sector. As such, dissemination of information and access to sources of soft credit finance, especially government-facilitated finance are crucial to grow the SME sector.

In an extensive review of key documents on SME finance over the decade 1994-2004, Angela Motsa and Associates (2004) provides further insight into the negative effect of inaccessibility to finance as a major challenge for SME development and growth in South Africa. The review identified several factors as obstacles faced by entrepreneurs in accessing finance, especially from banks: collateral, refusal to use own savings, blacklisting; and financial records and business plans, among others. Like many other researchers, Agwa-Ejon, and Mbohwa (2015) recognize that access to credit is generally difficult for the SME sector in South Africa.

The reviewed literature shows that SMEs face huge obstacles in accessing finance from banks. Most of the obstacles include information asymmetry, lack of collateral, blacklisting, legal and statutory constraints.

Methodology

Data for the study was collected using a structured questionnaire administered to a sample size of 50 SMEs in the Thohoyandou Commercial Business District (CBD). The questionnaire included information on age of enterprise, educational level and gender of owner, source of capital and level of awareness (by owner/managers of SMEs) of state-facilitated finance programmes for SMEs. The Microsoft Excel software was used to analyse the data. This area was chosen because it was representative of other areas with similar environmental challenges and opportunities faced in rural areas in South Africa, including access to capital funds for SMEs. However, despite this limitation the conclusions drawn from the study findings have not been significantly affected.

Both desk research and a questionnaire, complemented by interview were used to accomplish the objectives of this study. The desk research involved a review of relevant literature relating to sources of finance for SMEs. The overall objective was to explore the key information relating to SME finance in general and in rural areas in particular. Awareness of the sources of state-facilitated finance programmes for SMEs was also included. The study applied descriptive statistical survey method with data collected from primary sources. The questionnaire was administered to a sample size of 50 SMEs in the Thohoyandou CBD. The survey questionnaire was developed based on the study research objectives. The questionnaire included information on age of enterprise, educational level and gender of owner, source of capital and level of awareness (by owner/managers of SMEs) of state-facilitated finance programmes for SMEs. Literature review which was conducted on both primary and secondary resources included all main concepts which were used in this study to provide theoretical framework and background from which the study questionnaire was developed to gather the required empirical evidence.

The random sampling technique was employed to distribute the questionnaires to managers/owners of various SME businesses in Thohoyandou. For the purpose of reliability and validity of the data, the following measures were taken. First, the questionnaire contains a cover letter explaining the nature of the intended study. Second, the business owners/managers participated at their own will and were assured of the privacy and confidentiality of the information they would have provided as well as guaranteeing their anonymity.

The Microsoft Excel software was used to analyse the data. Ideally, a larger sample from various parts of the country would have been used to draw a representative conclusion. Due to time and cost constraints, the questionnaires were administered only to a sample of 50 SMEs in the Thohoyandou CBD. As mentioned earlier, apart from other considerations, this area was chosen because it is representative of other areas with similar environmental challenges and opportunities faced in rural areas in South Africa, including access to capital funds for SMEs. However, despite this limitation the conclusions drawn from the study findings have not been significantly affected.

Results and Discussion

The data was analysed by means of tables, pies and graphs quantifying the size and type of enterprise, type of ownership by gender, age, and legal status of enterprise. Awareness of state-facilitated finance programs and sources of capital were also analysed. The results are shown in figures 3-9.

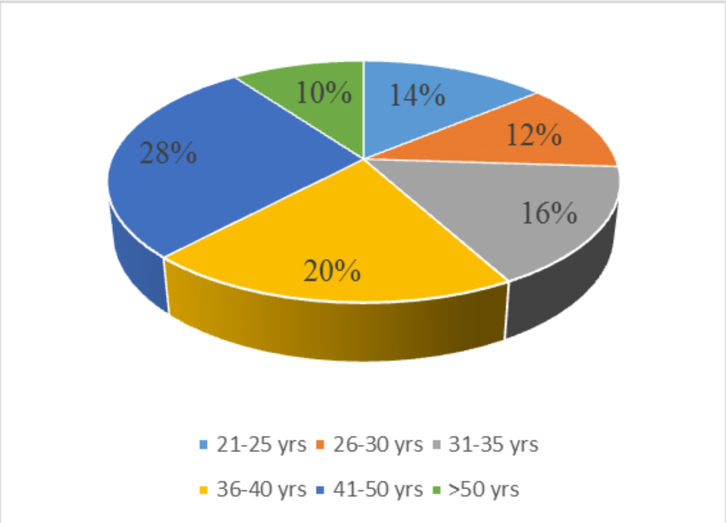

Figure 1. Age of owner/manager

Figure 1 shows that 42% of owner/managers are youth (21-35 years) and 48% are in the age bracket 36-50 year, while 10 are 50 years or older. This information is relevant because while young entrepreneurs (21-35 years) may need external assistance for financing gap to start business, one can argue that many elderly entrepreneurs tend to rely mostly on their family savings like pension and provident funds. In this case information and awareness of sources of funding including government facilitated sources of finance will be more appropriate for the young than it would be for the old entrepreneurs who may not need that funding even if they were aware of its availability. In this respect one can argue further that lack of awareness among old owner/managers of SMEs regarding availability of government facilitated sources of soft capital has no significant impact on the growth of their businesses.

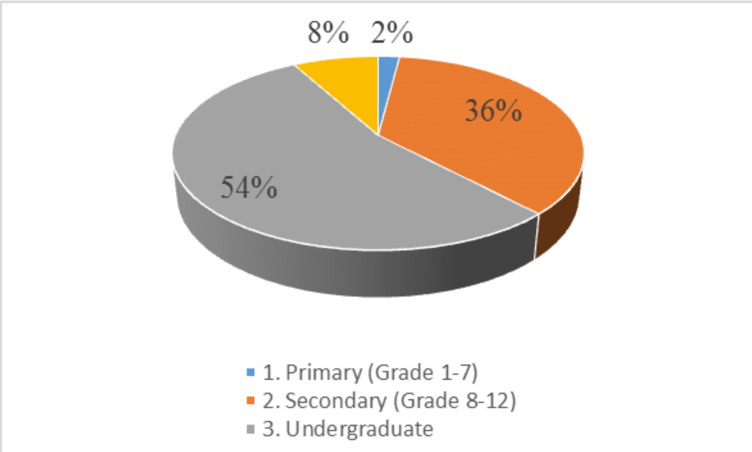

Figure 2. Level of education of owner/manager

According to figure 2, majority (62%) of SME owner/managers have tertiary education (undergraduate and postgraduate) and 36% have secondary education. The level of education attained is vital in assessing one's ability to search and assimilate any type of information. The general assumption is that SME owner/managers with tertiary education will be better informed about the availability of various sources of business finance including government facilitated finance, than their counterparts with only secondary education. As shown in figure 2 above, an impressive 62% of the respondents had a tertiary education. Subject to other considerations, if majority of this group is indeed unaware of the availability of government facilitated sources of finance, as the study assumes, one can only deduce that there is indeed a serious information dissemination problem which the service providers need to address. If this is the case, in partnership with the private sector, government together with specific service providers, need to facilitate more awareness and other training programs which must target the SME sector and other related stakeholders.

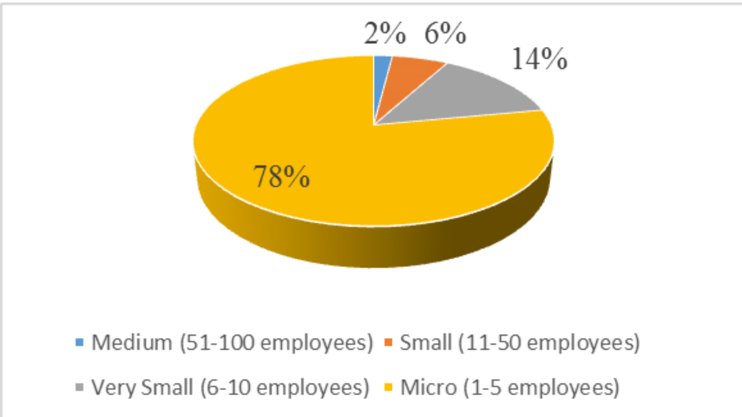

Figure 3. Type of enterprise

Figure 3 shows that an overwhelming majority (78%) of SMEs operating in the Thohoyandou CBD are micro enterprises (employing 1-5 full-time paid persons), 14% are very small (employing 6-10 full-time paid persons), 6% are small and 2% are medium enterprises. The analysis here clearly reveals the typical size of the SMEs that operate in the rural business environment in Thohoyandou and other similar business environment in South Africa. They are representatives of the informal

SMEs in South Africa which often have no access to the usual or traditional sources of finance from the banks. Apart from their family finance, the only other flexible sources of financing gap available to grow their business are those which are facilitated by government. Unfortunately, as revealed from both information analysed in figure 3 above and literature before, SMEs from rural environment are, in most cases, not aware of the availability of these government facilitated sources of soft financing gaps. Consequently, one can conclude that majority of these SMEs, especially those who rely on additional funding from external sources of finance, do not survive for long due to lack of that needed sustainable additional financial and other necessary support. Further one can argue that this situation could have been partially avoided or minimized if these SMEs which required that additional financial support were aware of the availability of the alternative and affordable government sources of finance.

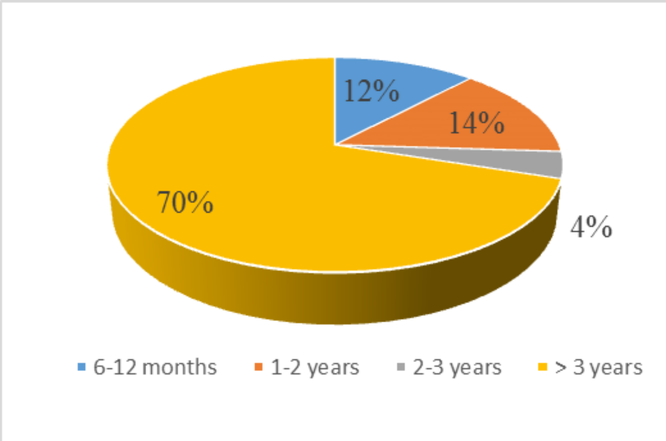

Figure 4. Age of enterprise

According to Figure 4, 70% of the enterprises are more than 3 years old, 4% are between 2 and 3 years old, 14% are between 1 and 2 years, while 12% are between 6 months and 1 year. The information here suggests that only 30% of the SMEs covered in the study were registered in the last 3 years while 70% have been in business for more than 3 years. The information is of interest as it seems to contradict the expectation that most of these SMEs should have been out of business after within 3 years or so. However the 70% in this case can only reliably assume to represent SMEs which were financed internally like from personal and family resources. The analysis and information captured in figure 7 later clearly seem to provide enough evidence to support this interpretation and conclusion.

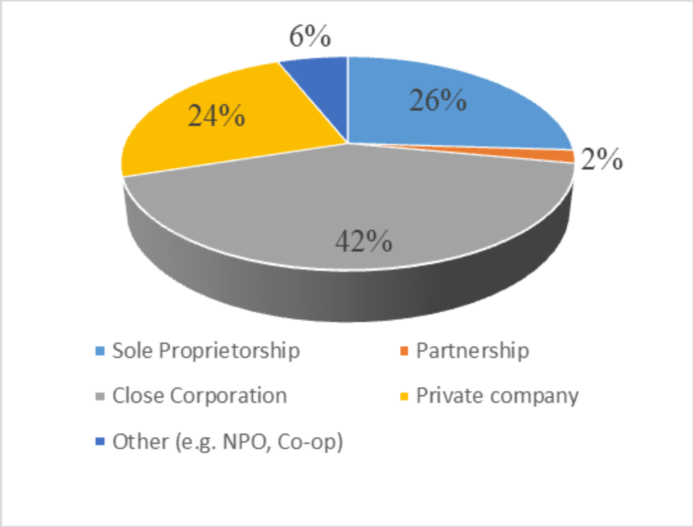

Figure 5. Legal status of enterprise

Figure 5 shows that 28% of the enterprises are either sole proprietorships or partnerships, 42% are close corporations while 24% of the sampled businesses are limited liability companies. This information is crucial as it shows that majority (66%) of the sampled SMEs had formal legal status. Normally one would expect financial service providers including government facilitated institutions to grant financing gap to registered businesses. Government objective for growing a vibrant SME sector can be two-fold; (i) to alleviate poverty by reducing the unemployed population and (ii) to increase the tax base by growing more businesses. As noted before, these SMEs lack of awareness about the availability of soft government sources of finance can only be a major obstacle to the growth of the SME sector, especially in the rural areas, in South Africa.

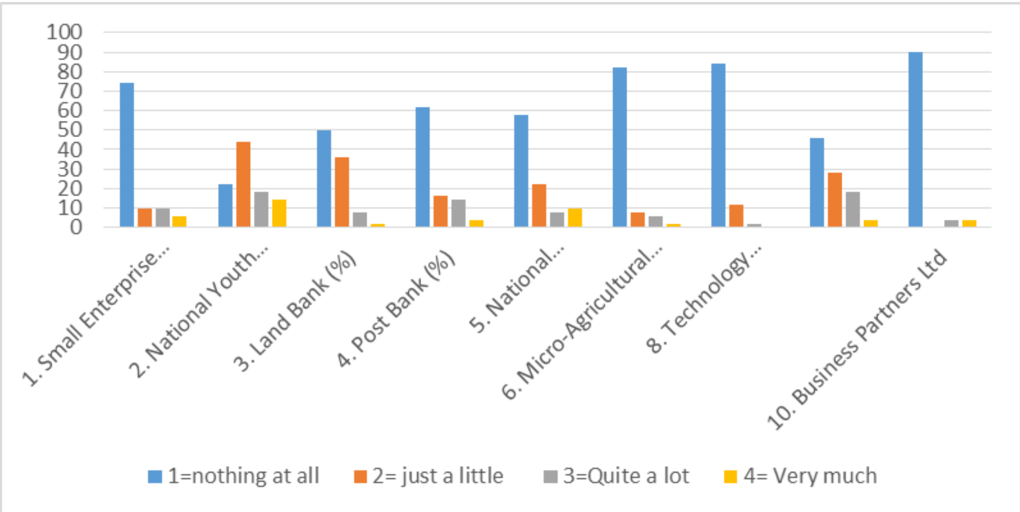

Figure 6. Level of awareness of state-facilitated finance programs

The analysis in figure 6 provides mixed results. Only 26% of SMEs are aware of Small Enterprise Finance Agency (SEFA) while 74% have no knowledge at all. On the contrary, 76% are aware of National Youth Development Agency (NYDA) and only 26% have no idea at all. An important and intriguing finding is that most SMEs interviewed have little knowledge of state-facilitated sources of finance – Land Bank (46%), Post Bank (34%), National Empowerment Fund (40%), Micro-

Agricultural Financial Institute of South Africa (16%), Technology Innovation Agency (14%) and Development Bank of Southern Africa (50%). From the analysis in figure 6 one can only ascertain and confirm that most SME owner/managers are not aware of the availability of state-facilitated sources of finance. Once again, based on this empirical evidence, government in partnership with the private sector and the affected specific financial service providers like Business Partners Ltd need to conduct awareness training programs for the SME business sector especially in the rural areas.

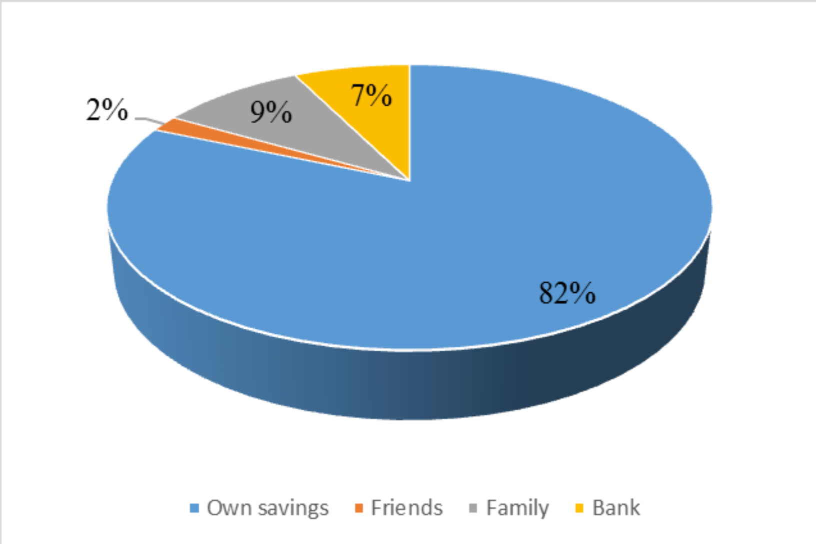

Figure 7. Sources of Finance

Figure 7, shows that the most common source of finance for SMEs is personal savings (82%) followed by family (9%), bank (7%), and friends (2%) respectively. Prior studies have shown that often SMEs in rural areas are financed from own or family savings like pension or provident funds. The above results seem to be consistent with the results of previous studies. To understand and interpret the SMEs' choice of sources of financing their businesses, other factors other than their awareness of availability government-facilitated sources of finance must be considered. In terms of owner/managers awareness of availability of state-facilitated sources of finance, two plausible interpretations can be provided. First, most owner/mangers are unaware of state-facilitated soft sources of finance and as such they have no other alternative sources to rely on but to use their own or family savings. Second, one can argue that even if these owner/managers were aware of state-facilitated soft sources of finance, since majority are risk-averse, they were likely to shun getting into debts and therefore prefer to use own/family savings. In this case it is only with the other evidence noted before that one can argue that among others, lack of SMEs awareness regarding the availability of government facilitated sources of finance contributed to SMEs in rural areas to rely on the only alternative source of finance which is personal and family savings. This situation requires constant evaluation of the effectiveness of information dissemination by government facilitated sources of finance service providers.

Conclusion

The purpose of this study was to investigate the theory that SMEs, particularly in rural areas in South Africa are, generally, not aware of state-facilitated sources of business financing. Clearly this is critical because based on evidence from the literature, success of government programmes like the National Development Plan (NDP) 2030 in South Africa to grow the SME sector, is dependent on availability of various sources of finance. As most SMEs in rural areas are, for various reasons, unable to access funding from traditional sources of finance, like the commercial banks, state-facilitated sources with less stringent requirements, are seen to be the alternative option. It is for this reason that the validity of the study assumption had to be investigated in order to recommend the necessary policy response to correct the situation.

Based on the research objectives, this study findings confirm that most SMEs in rural areas in South Africa are indeed generally unaware of the availability of state-facilitated sources of finance. Consequently, most of them rely on their personal or family savings. These study findings are generally consistent with those from other studies in the literature review.

Further, the study findings suggest that there is an urgent need for the state-facilitated finance providers to vigorously put on awareness training programs in order to disseminate information about the availability and range of their financial services that SMEs can access as and when required. It is also worth noting that some owner/managers, like pensioners, may be aware of state-facilitated soft sources of finance but they may shun getting into debts and in that case they may prefer to use own/family savings. It is noted that generally most small businesses in the world are funded from personal or family finance because the owners/managers are generally risk-averse, and the situation may not be different in South Africa. .

Recommendations

Based on the findings and conclusions, this study recommends vigorous education for existing and prospective entrepreneurs about state-facilitated sources of funds. This will go a long way in promoting SME development, poverty reduction, job creation and concomitantly economic growth in the Thulamela Municipality and the other parts of the country. For this purpose government, should form sustainable partnerships with private sector and specific state-facilitated finance service providers to organise awareness education programmes for SMEs and other related stakeholders.

Further, both government and the state-facilitated finance service providers should seek to understand any other relevant reasons why most SMEs in rural areas are not accessing the services as they should. This is important so that any other logistic challenges, like red-tape and cumbersome legal requirements or access to offices of those service providers can be rectified. The study findings should provide the basis for broader policy framework for dissemination of information regarding state-facilitated sources of finance for SMEs in South Africa.

Lastly, it is recommended that in order to mitigate any limitations cited in this study, further research must be conducted to include a much broader sample and population area in South Africa.

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