



**The Role of Financial Awareness for Viable
and Sustainable Small-Medium Enterprises
in Kwa-Zulu Natal, Durban**

By

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DECLARATION

In conception and execution, I, Thabiso Sthembiso Msomi, declare that this dissertation is a reflection of my own work. This dissertation reflects academic work carried out by me and has not been submitted to any university or higher learning institution in any way for another degree. All information used from others published or unpublished work has been recognized.

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DEDICATION

I dedicate this piece of work to the great commissioner and author of all truth, Almighty God, my family, and my son.

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ABSTRACT

The objective of this study is to examine financial awareness for viable and sustainable small-medium-enterprises in Kwa-Zulu Natal, Durban. In this study, the researcher examined factors for SME sustainability and viability as they influence organisational survival. The specific objectives are outlined as follows: to examine the influence of financial awareness on SME viability and sustainability; to establish the relationship between financial accounting skills and sustainable SMEs; to establish the relationship between financial awareness and financial accounting skills; and to determine the Influences of budgeting and financial awareness on SME sustainability. The quantitative research method was adopted for this study and the purposive sampling technique was chosen to select the participants for this study. The study collected primary data from respondents who are owners of SMEs in the retail, construction, manufacturing sectors, etc. Data was analysed using SPSS. A total of 310 research questionnaires was administered and 304 research questionnaires were returned for analysis (giving a 98% response rate). A regression analysis and Pearson's correlation analysis were conducted to address the specific objectives of the study. The study identified access to market, access to finance and financial accounting skills as the independent variables, while SME sustainability was the dependent variable of the regression model. The findings suggest that access to finance has the largest absolute value (0.425), which indicates that access to finance uniquely accounts for the larger proportion of the variance in the regression model. The outcome of Pearson's correlation shows moderate correlation (r value is 0.531) between financial accounting skills and sustainable SMEs. Moreover, there was a weak correlation (r value is 0.457) between financial awareness and financial accounting skills. The outcome of the regression analysis suggests that budgeting has the largest absolute value (0.372), which indicates that budgeting uniquely accounts for the largest proportion of the variance in the regression analysis. The Exploratory Factor Analysis revealed nine factors that are significant to ensure sustainability and viability. The implication of the outcome is that access to finance and budgeting accounts for SME sustainability. Based on the findings from this research, it is recommended that SMEs owners should pay much attention to access to finance and budgeting in running their businesses. Again, employee performance reviews contribute to enhancing the financial accounting skills and knowledge of staff of SMEs as well. They should seek expert or professional advice before taking a loan and they should avoid loan sharks as

the interest charged by loan sharks are very high which may lead to potential debt trap. It is suggested that Government agencies should help SMEs to market their products and keep their businesses viable.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Small businesses have played a prominent part in driving the economic growth and development of all countries in terms of employment, contributing to Gross Domestic Product (GDP) and taxation (Hossain, 2020). It is estimated that in South Africa, while 98.5% of the economy of the country is made up of small and medium-sized enterprises (SMEs), SMEs are able to provide 28% of all employment (Langa and Govender, 2019). Small and medium-sized enterprises empower individuals to be creative in seeking innovative solutions to existing social issues that build employment opportunities, eliminate inequality and lead to economic development (Tuffour, Amoako and Amartey, 2020). However, small and medium-sized enterprises show a very "low survival rate, particularly in the first five years of trade (Hossain, 2020). Kgosana (2013) observed that "five out of seven small businesses" incorporated in South Africa crumbled in the first year of trade. Several factors may be attributed to the low survival rate, one of which one is a lack of financial awareness (Kuruville and Harikumar, 2018). Foley (2018) and Huston (2012) opine that persons with higher levels of financial awareness are twice as likely to pay lower interest rates at financial institutions. Small businesses are managed by persons who either have low financial awareness or high financial awareness (Saptono, 2018).

The levels of financial awareness of owners of small businesses influence their ability to grow and achieve sustainable results (Musie, 2015). In this regard, countries with a high population with low-level financial awareness are more vulnerable and marginalized. It is interesting to find small business relying on their personal credit and finance to manage their business operations. The management of small businesses largely depends on the skills and knowledge set of the owners. Basically, financial awareness helps a person to understand how money works in a business: how to make it, spend it and invest it wisely to improve the financial position. Guiso and Viviano (2014) are of the view that individuals who manage SMEs seem to lack knowledge on concepts of finance. Babiarz and Robb (2014), as well as Foley (2018) found that financial awareness helps the business to have financial resources in times of need. The level of financial awareness of owners of SMEs influences financial management skills (Ngwenya, Blaauw, Pretorius, Claassen and Schenck, 2020). Moreover, the lack of adequate

financial accounting skills in the enterprise negatively affects small businesses' growth and profitability. Whilst the lack of financial awareness is a factor behind small and medium enterprises' high failure rates, starting and sustaining a business in South Africa requires commitment and certain specific skills to ensure that the business is sustainable (Musie, 2015; Kuruvilla and Harikumar, 2018).

Financial awareness has been regarded as a prerequisite for the sector to improve the functioning of the SME sector because business owners make routine financial decisions that contribute to their success and development on a daily basis (Sucuahi, 2013; Hossain, 2020). To function effectively and to achieve planned business sustainability and growth, small and medium-sized businesses need to be equipped with the skills required to make successful financial decisions. Tuffour, Amoako and Amartey (2020) assert that a key economic finding has been that financial institutions are now more open to small investors, giving the customer a selection of financial products to choose from. The decision is not a simple one, however, as there are severe penalties that come with each incorrect financial decision made, resulting in the neural correlates of financial awareness being underscored (Ngek, 2016). Several governments globally have made financial education a priority in order to deal with the need to improve financial awareness and the skills required for entrepreneurs to manage the financial world (Roslan, Pauzi, Ahmad, Shamsudin, Karim and Ibrahim, 2018; Ngek, 2016). Furthermore, in economies achieving economic growth and development, financial understanding plays a crucial role.

Basically, financial awareness refers to the intensive education and experiences relating to financial concepts; the ability to apply such education and experiences; being able to make informed as well as more effective decisions regarding the management and use of money; and that it pertains to an individual's ability to work with numbers. Further, the challenge is that because of lack of education, separation between business account and personal accounts is a major issue (Bhattacharjee and Singh, 2017). However, the financial accounting skills alongside with factors that affect financial awareness can provide a framework with which questions collected can be analysed to identify the key predictors for the survival and viability of small and medium businesses.

The threat of failure and limitations to growth in the context of 'financial literacy' will help to create an understanding and suggest the necessary and appropriate intervention for the viability of SMEs in South Africa (Hossain, 2020). Derbyshire (2016) is of the view that "knowledge of financial concepts, knowledge of finance and the understanding is low" amongst small and medium businesses and the business owners also lack financial planning and management skills for their enterprises. Moreover, small and medium enterprises are mostly unable to afford the use of the services of professional accountants, financial advisors, lawyers and other professionals. In the developed countries services of professionals are the key source of advice to SMEs to remain viable while in developing countries like South Africa, access to professional service is minimal. In some cases, SMEs owners pay for the service of professionals using their own personal capital (Saptono, 2018).

In this study, the researcher explores financial awareness concepts such as budgeting, saving, investment and borrowing, which will help to establish the role and use of financial concepts in small to medium enterprises (SMEs). This study aims to examine the role of financial awareness in creating viable and sustainable small and medium enterprises. Specifically, this study will identify and examine the key predictors for the survival of small and medium enterprises in Kwa-Zulu Natal. This is imperative as the identification of the financial accounting skills required to sustain small and medium enterprises is urgently required for business growth in South Africa.

1.2 Problem Statement

The background to the study provides the basis for research to examine the key predictors of financial awareness and financial accounting skills in order to sustain the growth of small and medium businesses within the South African context. In South Africa, small and medium enterprises drive innovation, employment opportunities and contribute significantly to the Gross Domestic Product (GDP) (Viljoen, Blaauw and Schenck, 2019). Currently, around 5.6 million small and medium enterprises represent approximately 70% to 80% of the labour force in South Africa, representing 36% of the South African GDP (Smit, 2017). The contribution of small business to the socio-economic growth of South Africa is paramount and therefore a failure to improve financial awareness of small business can hinder the growth of the economy. Notwithstanding their contribution, large businesses can afford the use of

services of professionals to manage their accounts. However, small and medium businesses cannot afford the service of professional accountants, hence finding some key predictors to enable small and medium business owners to grow and survive is the significant part of this proposed research. Moreover, the owners of these enterprises have invested their own financial resources, effort and time to help generate additional income for their businesses. Therefore, the growth and sustainability of an enterprise are imperative and serve as the driving factors within the economy of a country in terms of the inherent risks of operating an enterprise; social issues such as general career attitudes; restricted access to financial resources; technological issues, etc. (Derbyshire, 2016; Bushe, 2019). Lings (2014) claims that there is a significant default rate of small to medium-sized enterprises in South Africa. It is predicted that 40% of all new businesses in the country will fail in their first year of existence, while 60% will fail in the second year and 90% will fail in the first 10 years of its existence (Bushe, 2019). This low rate of survival for local start-ups in South Africa is of serious concern.

Unfortunately, small businesses are unable to survive and grow because of a lack of financial accounting skill and a lack of knowledge on financial concepts, amongst other variables. In South Africa, small businesses have a greater ability to absorb the labour force than other “sized businesses and the average capital cost to create a job” in small and medium enterprise is “lower than in larger sized businesses” (Viljoen, Blaauw and Schenck, 2019). Unfortunately, small businesses are unable to survive and grow because of a lack of financial accounting skill and a lack of knowledge on financial concepts, amongst other variables.

The importance of financial awareness for the survival and growth of businesses in Kwa-Zulu Natal could help create a sustainable SME. Therefore, understanding the factors of their sustainability and growth is significant. In this regard, this research will focus on creating a sustainable and viable small and medium enterprise through financial awareness.

1.2.1 Research Gap

The research gap that will be addressed in this study is that some research findings do not look to have been well transferred to the workplace that produces a dual camp of knowledge-producer from the knowledge-user, thus creating a research gap.

The study intends to provide general insight into the type of issues at hand in a developing country, given that limited studies have been conducted on the same subject in South African. Hence, it will contribute to the topic as new understanding related to the role of financial awareness for the viability and sustainability of small-medium businesses in the world. In addition, the findings of the study will be relevant to strengthen the understanding of small and medium enterprises in Kwa-Zulu Natal particularly. Therefore, this study aims to fill the abovementioned gaps by providing information on the role of financial awareness for viability and sustainability by investigating the undisturbed one and replicating the existing one in small-medium businesses in Durban, Kwa-Zulu Natal, South Africa. Towards this end, the study provides insight into the role of financial awareness towards creating a viable and sustainable small and medium enterprise (SMEs) by exploring the key predictors for a viable and sustainable enterprise.

1.3 Aim and Objectives of the Study

1.3.1 Aim of the study

The study examines the role of financial awareness for the viability and sustainability of small-medium businesses in Durban, Kwa-Zulu Natal, South Africa.

1.3.2 Specific objectives are to:

- i. Examine the effect of financial awareness on SMEs' viability and sustainability;
- ii. Establish the relationship between financial accounting skills and sustainable SMEs;
- iii. Ascertain the relationship between financial awareness and financial accounting skills;
and
- iv. Determine the effect of budgeting and financial awareness on SMEs' viability and sustainability.

1.3.3 Research Questions

- i. What is the effect of financial awareness on SMEs' viability and sustainability?
- ii. What is the relationship between financial accounting skills and sustainable SMEs?
- iii. What is the relationship between financial awareness and financial accounting skills?
- v. What are the effect of budgeting and financial awareness on SMEs' viability sustainability?

1.4 Scope of the Study

The study will focus on small and medium enterprises in the Kwa-Zulu Natal province of South Africa because of the perceived collapse of small and medium enterprises vis-à-vis their contribution to the growth of the South African economy in terms of job creation and contributing to the GDP of the country. The study will look at the management skills, financial accounting skills and practices of the owners of SMEs. This will help to create a framework on the role of financial awareness for the viability and sustainability of SMEs, focusing on the Kwa-Zulu Natal province.

The estimated target population for the study is 700 small business in Kwa-Zulu Natal. Cochran's formula is adopted in research when the target population is unknown or too large (Hoaglin, 2016; Woolson, Bean and Rojas 1986). For this study, the modified version of the Cochran formula for sample size determination in small populations may be adopted. The sample size for this study will be 321 SMEs in Durban. The small and medium enterprises should fall within the category that distinguishes small businesses based on the number of employees, total gross assets and the range of maximum total turnover.

1.5 Justification for the Study

The rationale for this study is based on the fact that as SMEs would like to be viable and able to sustain their businesses in order to contribute their quota towards the development of South Africa. However, South Africa has high unemployment rate in world at the 35.2%, at the same time, SMEs provide close to 80% employment. The challenge is that they do not survive for that long because owners lack critical skills such as financial skills. It is then important to understand the factors that could assist in addressing this problem. Therefore, this study will explore factors that will help to create viable and sustainable small and medium enterprises (SMEs) in Kwa-Zulu Natal.

1.6 Significance of the Study

This study contributes to existing body of knowledge on financial awareness to enable the sustainability and viability of small and medium business in Durban, Kwa-Zulu Natal, South Africa. It also provides insight into the key predictors for the survival of small-medium

businesses. Quartey and Kotey (2019) focus on the sustainability of service delivery at a profitable level without subsidy, whilst Damayanti et al. (2018) also focused on creating sustainable growth in SMEs and Lussier (1995) looked at the “success versus failure (S/F) prediction model”. “Financial models use sales as a predictor” which is “not appropriate to use with start-up” small businesses. Moreover, Marom (2014) considered a financial model that uses sales to predict the success or failure of SMEs. The gap this study seeks to fill in the existing body of knowledge is by creating a framework that takes into consideration factors for creating not only sustainable SMEs, but also making SMEs viable in Kwa-Zulu Natal.

This study will benefit small business owners in terms of how owners of SMEs can manage their finances and add value to their businesses.

Government will also benefit by understanding these critical factors that the study will be identifying and examining.

The findings will help create awareness of the importance of finances on the success and survival of SMEs and will help with policy formulation on how to promote growth and development.

1.7 Organization of the Thesis

The thesis is organized into the following chapters:

Chapter 1: General introduction and summary of the study

This initial chapter outlines the general aims of the project, basic goals, research objectives and questions, the statement of the problem, the rationale for the study and the relevance of the thesis.

Chapter 2: Review of literature

Chapter Two discusses the latest literature on financial awareness, financial education, financial accounting, financial management practice, viability and sustainability, with a contextual study of SMEs in South Africa. It will also include an Empirical Review, SME success/failure prediction model, SME Challenges in South Africa, SME challenges in the global context, a Conceptual Framework and chapter summary.

Chapter 3: Methodology

The methodology used in this study is discussed in this chapter. It offers information on the research paradigm, which is the quantitative approach; the research procedure; sample and the data collection and analysis process.

Chapter 4: Data analysis

The results from the research study are discussed in this chapter. In addition to the literature concerned, data derived from the questionnaires are analysed, interpreted and presented.

Chapter 5: Discussion, conclusions and recommendations

This is the final chapter of the study which concludes the study, as well as provides recommendations to SMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews theories and empirical and conceptual work on financial awareness for viable and sustainable small-medium enterprises. Section 2.1 provides the contextual review. The following sections comprise the chapter: An Empirical Analysis in Section 2.2; the Conceptual Framework in Section 2.3; and the theoretical review is presented in Section 2.4. The review is important in identifying and filling the gaps in current research.

2.2 Conceptual Review

2.2.1 Classification of SMEs

The South African National Small Business Act (SANSB) (1996) qualifies small businesses as 'micro, very small, small or medium-sized enterprises' in four distinct categories (SMEs). The various categories are based on the number of workers, the highest net revenue and the overall gross assets.

Table 1: South African National Small Business Act Definition

Category	“Full time employed workers”	“Total Annual turnover”	“Total Gross Asset Value”
Micro	5	R0 – R200 000	R0 – R100 000
Small	20	R200 001 – R3, 000 000	R100 001 – R500 000
Very small	50	R3, 000 001 – R13, 000 000	R500 001 – R3, 000 000
Medium	200	R13, 000 001 – R26, 000 000	R3, 000 001 – R5, 000 000

Source: South African National Small Business Act 102 of 1996
(<https://www.gov.za/documents/national-small-business-act>)

2.2.2 Overview of SMEs in South Africa

In terms of employment, payment of taxes, etc., small businesses have played a prominent part in stimulating the economy of countries globally (Langa and Govender, 2019). Small businesses are a crucial element of "inclusive development and growth" in South Africa (Bhorat, Asmal, Lilenstein and Van der Zee, 2018). It is currently estimated that 98.5 percent of SMEs make up the economy, but only 28 percent of jobs are created by SMEs (Langa and Govender, 2019). Research indicates that "6.2% of entrepreneurs start their own business" because of the perceived profitability; 17.6% enter the current family business; 17.9% want other businesses to "increase their income and 5.6% want to work" from home (Musie, 2015). "52.1% of business owners have joined a 'business out of desperation' that is directly linked to unemployment; thus, they have started their own businesses" (Musie, 2015). Small businesses are primarily located in the informal sector and are responsible for the wages of those at the bottom of the distribution of wages spectrum (Bhorat et al., 2018). SME owners contribute to the GDP, jobs and revenue production in all economies (Aleksandr, Jaroslav, Ludmila and Pavla, 2016). SMEs are also stimulating growth through the production of jobs (Abay, Temanu and Gebreegziabher, 2015). The lack of options for jobs in the formal sector and the standard of living make it possible for individuals to start up small businesses without formal financial education. Consequently, certain people do not have previous business knowledge or sufficient experience.

Amra, Hlatshwayo and McMillan (2013) discussed that firms are heterogeneous in terms of the skills needed and the type of products they manufacture. This implies that it is possible for various SMEs to work in different sectors of a nation's economy. Amra, Hlatshwayo and McMillan (2013) suggested that in South Africa, approximately: "70% of people employed in the informal sector have lower than a matric and less than 4% have higher than matric. In the formal sector most people hold a matric or higher. 51% of informal sector firms employ low-skilled workers". This indicates that, having a post-matric qualification, the probability of a person being employed by small businesses is minimal.

A latest SEDA study (2019) on the growth of small businesses suggested that the "survivalist tendency" (businesses that do not survive for two years), the level of skills and education should be properly evaluated as a long-term indicator for the growth of the sector. While the

emphasis of this study is not on the educational level as to whether or not an individual has completed school, it helps to understand their contribution to the growth of small business as it is unrealistic for anyone to work in a formal environment. The share of owners with "lower than completed secondary schooling" decreased from "61% to 51%" in 2019 in growing small businesses and the share of owners within the "unskilled occupational groups" also decreased from "27% to 25%. In the meantime, in 2019, the number of small businesses rose in the first quarter by "4.4% to 2.55 million," compared to "2.44 million" in 2018 (SEDA, 2019). Small business jobs also accounted for 29% to 8 million, except for small business owners, which was projected to be 10.8 million persons, including owners. Small business employment accounted for nearly two-thirds of the "economy-wide" employment in South Africa of 16.5 million people (66% of all jobs). These figures indicate a transition from jobs in the informal sector to formal employment in the small business sector.

In the first quarter of 2019, small businesses reported by SEDA (2019) to be conducting business in Gauteng was at 35% of small businesses, followed by "15% in KwaZulu-Natal" and approximately "12% in Limpopo." Other provinces include the Western Cape (11.3%), Eastern Cape (7.1%), Northern Cape (1.0%), Free State (4.1%), North West (5.0%) and Mpumalanga (8.6% (SEDA, 2019). Generally speaking, in terms of the profitability of small and medium-sized enterprises, the nominal turnover of small and medium-sized enterprises rose by just 0.4% year-on-year in the first quarter of 2019. This low percentage of turnover has made it possible for small and medium-sized businesses to tightly manage their spending by cutting all operating costs, excluding labour and capital. Therefore, the level of profits of SMEs remained constant (SEDA, 2019).

Regrettably, funding remains one of the problems facing the small business sector in South Africa. Worldwide, the downturn in economic growth has contributed to a decrease in the financing of small businesses. The global economy decreased from 3.4% to 3.0% in 2019, which also impacted South Africa's economic growth productivity. Moreover, in South Africa, the current state of the economy in terms of sluggish growth, growing operating costs, such as energy prices, the "South African rand decline" against other foreign currencies and high levels of unemployment highlight the fact that larger businesses are also facing survival challenges (SEDA 2019).

In the South African Context, the effect of these difficulties on the economy could have an impact on the development and survival of small enterprises. In addition, small companies are already faced with the need to carry out sound business management skills, stay consistent in record-keeping, preparation, forecasting and monitoring of business growth, etc.

2.2.3 Financial accounting of SMEs

Financial accounting measures summarize and inform stakeholders and other interested parties about business activities as well as performance. The use of financial accounting data will help greatly to assess business performance (Nyathi, Nyoni, Nyoni and Bonga, 2018). The degree of financial accounting can be measured in net profits, revenue growth, financial ratios as well as cost reductions, according to Lucato, Costa and de Oliveira Neto (2017).

Net income is characterized as the remaining income after all operating expenditures, taxes, interest, as well as cost of goods sold has been accounted for. Net income demonstrates how well a corporation handles its earnings (expenses and earnings). Only if the SMEs hold their accounting records while transactions take place will net income be calculated (Rofiat, 2017). Studies conducted by Saunila (2016) and O'Neill, Sohal and Teng (2016) have shown that most small firms have no business records. This was due to a lack of financial awareness, as suggested by Ciemleja and Lace (2011). Financial accounting's function is to provide investors, management and creditors with financial details. To do this, it may be necessary for SMEs to maintain appropriate financial accounts.

Sarwoko and Frisdiantara (2016) assume that an increase in revenues of small businesses is a factor that provides an understanding of how the business sells over time. By using revenue metrics, businesses can calculate the growth of their sales over time. Sales may decline or increase at some stage. Increased revenue growth provides an indicator of a growing company, while a decrease in sales suggests that the business is not growing.

In order to better understand the sales trends, it is important to maintain a record of sales growth to ensure that the business owner makes a timely decision. One of the easiest and most efficient ways of measuring company results is to use the financial ratios. Ratios allow management and other stakeholders to assess the condition of the company and offer a clear

understanding of whether or not the business is legitimate to transact with (Yanto, Handayani, Solikhah and Mula, 2016). Expense reduction implies that the organization eliminates excessive expenditure.

Schroeder, Clark and Cathey (2009) and Rofiat (2017) state that a business may belong to an individual or group in which the assets and liabilities are also held by the owner. The company's generated profits raise the net interest of the owner, while the net interest is reduced by all expenses. Cost and income control and documentation are necessary to assess the financial capacities of every company. Financial and reporting measures provide mainly for the reduction of business owners' costs (Napier 2013). Acquiring the highest standard of financial accounting expertise is also indispensable.

2.2.4 Importance of Financial Accounting skills

For small businesses to be successful, business owners must have the appropriate skills and capabilities to run the business (Okoye, Uniamikogbo and Sunday, 2017). It is therefore very important for entrepreneurs in South Africa to develop all the skills needed to set up and run an enterprise effectively in order to make a meaningful contribution to the development and self-reliance of the economic growth of the country (Ngek, 2016). Marsidi (2019) observed that most SMEs do not maintain accurate accounting records. Coetzee and Buys (2017) are of the view that SME owners have failed to acknowledge the importance of a well-structured accounting system that would have allowed them to maintain accurate financial statements. The lack of accurate financial statements endangers the financial institutions' opportunities of a credit facility (Ezeagba, 2017). Bookkeeping is essential to the management of the business. Bookkeeping consists of the "identification, classification, summarization, storage, protection, retention and disposal of records for the preparation of financial statements" (Okoye, Uniamikogbo and Sunday, 2017).

Accounting and record-keeping scare some business owners (Aladejebi and Oladimeji, 2019). Ezeagba (2017) opined that recording revenues and expenses helps a business owner to monitor financial transactions appropriately. Poor record-keeping or the unavailability of financial records result from poor resource management and poor cash management (Madurapperuma, Thilakerathne and Manawadu, 2016). This contributed to the downfall of many small and medium-sized enterprises. The implementation of accounting records has a

substantial impact on achieving the objectives of the business (Ezeagba, 2017). Some South African business owners still do not realize the importance and advantage of keeping records. Although it is important to keep records in business monitoring, some SMEs do not take care to maintain records. Some of the reasons for not keeping records include time, cost, lack of awareness on the part of the business owners and the employment of untrained accountants (Musah, 2017). Olajide and Obialo (2020) found that certain business owners prefer to rely on their memories, instead of maintaining accurate account records, whereas certain business owners think that they will be exposed to more tax by ensuring consistent business records.

Anderson-Macdonald, Chandy and Zia (2014) iterate that no business activities can be efficiently carried out without the aid of financial accounting skills, which encompasses procurement and cash expenditure. Wijewardana (2018) argued that accounts provide managers with the information they need to make decisions and introduce them to the various users of accounting information as well as to the interest of those users of information.

The creation and understanding of financial accounting functions, such as the ability to maintain and use basic financial accounting records, is so significant for small and medium-sized owners to the degree that without them, they will possibly unknowingly consume their working capital (Radzi, Nor and Ali, 2017).

According to Marsidi (2019), financial accounting knowledge and skills are essential for the sustainability of small businesses. The lack of financial accounting skills by SMEs presents a problem such that the prospects of their survival are small, and the risk of inevitable failure or bankruptcy is high. Consequently, SMEs should both aspire to learn and acquire these essential skills.

Karagiorgos, Alexandra, Ignatiou and Terzidou (2020) define the importance of financial accounting skills as basic accounting skills which allow an individual to work efficiently and effectively with confidence and effectiveness in the performance of his or her daily business transaction recording functions. These included accounting, procurement and distribution, negotiation and determination of labour costs, quick budgeting, accurate receipts, record-

keeping of sales expertise, business sourcing, processing credit transactions and invoices. Others include good credit practice, cash payment receipts, cash transfers, cautious financial management and the management of working capital.

2.2.5 Financial awareness of SMEs

Financial awareness refers to the ability to know and understand the financial concepts and to implement knowledge in decision-making about money management and usage. Financial awareness helps a business owner to understand the products and services offered by financial institutions, including how to invest for future financial goals. Financial awareness is needed as a basic financial concept that helps a business owner to manage finance and help with short-term to long-term investment decisions (Damayanti *et al.* 2018). This suggests that business owners who are unaware of finance concepts might be challenged with making effective decisions to propel the growth of their business. Financial awareness impacts the behaviour of the business owner in terms of how to use money. It also help to understand the financial market and how new product development can meet the new needs on the financial market (Dalkilic and Kirkbesoglu 2015).

Eniola and Entebang (2017) studied the effect of financial awareness programs on owners of small and medium-sized enterprises. They found that better-performing SMEs had owners/managers with higher levels of financial awareness. Lusardi and Mitchell (2014) and Atkinson and Messy (2012) concluded that more than 57% of these business operators hardly participated in any business training program, despite the fact that more than 60% of them have little or no knowledge of financial awareness and therefore financial knowledge that is vital to the running of their businesses. These studies also found that the performance of small and medium-sized enterprises was moderately low. A strong financial base for owner-managers of small and medium-sized enterprises is a substantial barometer of progress and sustainability in the performance of small and medium-sized enterprises (Odoom, 2016). Furthermore, financial awareness has an effect on the accessibility and repayment of loans. The shortage of formal sector funding in South Africa is one of the causes of the high failure rate of new micro companies.

Xu, Shi, Rong and Yuan (2020) found that owners who received business advice and resources had seen an improvement in sales growth and market share in an overview of the impact of

business development services on the performance of small- and medium-sized businesses. The study also found that those who completed the education programs saw an improvement in sales and profits in their businesses, whereby 83.3% of those who had been trained had substantial increases in their earnings compared to 41.2% of those who had never been trained (Franco, Murillo and Tobón, 2017). Foley (2018) concluded that improved financial awareness helps to ensure a more regular financial reporting performance. Lower chances of redemption of loans and lower chances of voluntary closure are for small companies that more frequently produce a financial statement.

Esiebugie, Richard and Emmanuel (2018) claim that a low level of financial awareness is one of the problems facing SMEs. It was concluded by Chaulagain (2017) that financial awareness is a very powerful explanatory factor for the use of financial services. Low financial awareness would escape the comprehension and evaluation of financial products by SME owners, which reduces their service delivery and the productivity of their growth. In addition, financial awareness may make innovative use of budget control for owners and management (Xu, Shi, Rong and Yuan, 2020)

Dalkilic and Kirkbesoglu (2015) suggested that issues in the economy and financial markets promote the use of new financial products. Therefore, new products developed to “meet new needs in the financial markets increase the importance of financial awareness” (Eniola and Entebang, 2017). Since finance is at the centre of the social life of small business, owners makes it a necessity to manage financial situations (Dalkilic and Kirkbesoglu 2015). Financial awareness also influences a small business owner’s decision on which financial professional to consult during financial challenges of the business owner (Eniola and Entebang, 2017). Financial awareness helps in planning retirement for SME owners. Esiebugie, Richard and Emmanuel (2018) suggested that the level of education, as well as courses taken in business, influence financial product awareness. The lack of financial awareness might influence the decisions of an SME’s owner and impact on the growth of a business. In this regard, training of SME owners on financial awareness is imperative for business growth. The level of financial awareness needed can differ based on the type of SME. However, it is necessary for owners/managers to understand key financial reports and accounting concepts; the cash flow and profit; customised reporting to meet the specific needs of the type of SME; help to

identify weaknesses in functional areas of SMEs operation; monitoring of year-on-year income and expenditure; and finding automation options to save time and money.

2.2.6 Financial education of SME owners or managers

Financial education typically offers financial literacy in terms of the knowledge and skills required for budgeting, saving and investing and lending activities. The past financial transactions of a person are a precursor to financial behaviour and shows the financial expertise of the entity or owner of a company. CFPB (2019) argued that "financial education has an impact on financial literacy and financial behaviour." From an educator's viewpoint, what is learned and how it is delivered, along with the strategies for assessing the effects or progress of a study—knowledge gain, ability gain, behavioural and behavioural improvements, changes in actual financial well-being—are important in financial education (Kaiser and Menkhoff, 2017; Kaiser, Lusardi, Menkhoff and Urban, 2020). From the learner's point of view, in the application of experience and skills learned, what works and when it works best, it contributes to differences in the analysis and interpretation of financial knowledge (Kaiser and Menkhoff, 2017).

2.2.7 Overview of Financial management practices for SMEs

Financial management practices are generally calculated in terms of operating capital management, investment valuation, capital structure management, financial reporting and financial analysis, as well as the use of the accounting information system (Yogendrarajah, Kengatharan and Jeyan Suganya, 2017). Abe, Troilo and Batsaikhan (2015) indicated that efficient management of these variables may have a beneficial influence on the results. Contrarily, it contributes to lower financial results, which may lead to business failure (Jennifer and Dennis, 2015).

The portion of the management of working capital shall include payables, receivables, cash and inventory. Businesses typically have policy papers on the management of working capital which act as a guide for the development and assessment of the success of a business (Rathnasiri, 2015; Kasiran, Mohamad and Chin, 2016). Kasiran, Mohamad and Chin (2016) discussed the management of working capital for small and medium-sized enterprises in Malaysia. The utilization index, performance index and productivity index review of the study

indicated that small and medium-sized companies are ineffective in managing their working capital. Similarly, in South Africa, the incompetency of small and medium-sized enterprises in the management of working capital has also been established by Masocha and Dzomonda (2016). On the other hand, small and medium-sized enterprises in Germany have operated at an optimum level of working capital, which strengthens their financial performance (Czarnitzki and Hottenrott, 2011). These empirical research studies indicate that the effective and productive management of working capital will improve the operating efficiency of small and medium-sized enterprises.

Investment is one of the biggest problems facing most companies. Although there are banks or agencies that offer financing to businesses, especially small and medium-sized enterprises, the borrowing costs are high. As a consequence, it prohibits SMEs from borrowing. Small and medium-sized businesses therefore have restricted access to financing. Investment evaluation assesses whether it is worth investing in a business or a business program. By understanding the internal rate of return, the accounting rate of return, the SME profitability index and the payback period, the chances of obtaining funding are promising. In certain situations, the capital expenditure evaluation or the capital budgeting factor for the goals of key decision-makers in small and medium-sized companies is an important source of financing (Yogendrarajah, Kengatharan and Jeyan Suganya, 2017). Empirical studies have indicated that small and medium-sized enterprises in countries such as Poland, Ghana and Vietnam use their own resources without support from existing banks or agencies due to high capital costs (Yogendrarajah, Kengatharan and Jeyan Suganya, 2017).

Accounting records and books, labour and accounting processes are essential in organizing and delivering financial reports. Strong control structures and management control boost the financial performance of small and medium-sized enterprises (Yogendrarajah, Kengatharan and Jeyan Suganya, 2017). Ezeagba's (2017) research on SME financial reporting in Nigeria indicated that 'appropriate accounting books and documents, labor and accounting systems' are the obstacles that SMEs face when planning and delivering their financial reports. Consequently, it can be concluded that the inadequacy has created a skills enhancement deficit for successful financial reporting. The financial information provided by the financial and accounting systems is accounting information. This provides information on the statement of sales, the financial ratios of the financial statement and the balance sheet.

Effective accounting information has a beneficial impact on the efficiency of the SME (Esmeray, 2013).

2.2.8 Sustainability of SMEs

Sustainability is referred to as “adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today, while sustaining, protecting and enhancing the human and natural resources that will be needed in the future” (Imran *et al.* 2019). Sustainability has become a concern for SMEs because it integrates the business environment and the society and helps create a sustainable strategy for a business (Ciemleja and Lace 2011). Sustainability is the ability to “sustain the flow of valued benefits and services” over time. Quartey and Kotey (2019) opined that financial sustainability helps to operate sustained service delivery at a profitable level without depending on subsidized inputs. This ensures financial self-sufficiency over the long-term. Financial self-sufficiency “measures the extent to which the adjusted revenue covers adjusted costs” (Yaron and Manos, 2007).

According to Ciemleja and Lace (2011), economic processes may have an influence on a society's sustainable growth. Sustainable development includes social and economic influences. Sustainable performance models for small and medium enterprises should take into account factors for developing a co-ordinated and organized, three-dimensional framework, namely social, economic and environmental, ensuring value creation through a coordinated system. In addition, since chances of failure may be high at each stage of the SME business cycle, unique indicators and "other metrics selected by the enterprise which characterise the company's performance" may form part of the "financial and management accounting process" (Gross-Gołacka, Kusterka-Jefmańska and Jefmański, 2020).

The PESTEL approach analyses the SME sector extensively, taking into account "social, political, ecological, economic, technological, and legal factors in business environments" (Bushe, 2019). In general, the five phases of business cycle development are: Life, sustainability, success, start-up and maturity of capital (Giusto and Piger, 2017). The transition of stages demands sound and attentive management.

2.2.9 Viability of SMEs

The competitiveness of small and medium-sized companies is characterised in terms of financial viability (Aiken, Curtis and Heidrich, 2019). Financial viability is when reasonably adequate sales are generated to meet operating costs and debt and continues to ensure growth while retaining the "service level offered" by small and medium-sized enterprises (Dwivedi and Weerawardena, 2018). Financial viability assessment is an important part of any business. However, small and medium-sized businesses do not have the financial resources to employ the services of professional organizations to assess their financial viability. These practitioners also provide advice on three main issues: "liquidity, leverage and profitability ratios" (Smit *et al.*, 2013), which indicate whether the SME will be viable or not.

The determination of financial viability includes the financial statement audit, the results report, and the business plan (Registrar of Community Housing, 2010; Björklund, Abrahamsson and Johansson, 2017). The results of the evaluation shall decide the financial feasibility, the trends in company activities and projects for the future of SMEs. However, SME owners may lack the requisite expertise on financial accounting to establish a template for collecting information on their day-to-day operations. Metrics for the SME's ability to provide adequate financial details are the "extent to which the necessary information is provided" and the clarification of "financial variances, changes or events" in the financial statements where the reports do not provide potential information on the SME's financial condition (Registrar of Community Housing, 2010).

While small enterprises still exist, their survival is being threatened because of economic challenges. The start-up, maturity and success of small enterprises remain an issue in this respect. Lekhanya (2015) argued that a good understanding of the principles of sustainability and the development of small and medium-sized enterprises is useful for job creation in South Africa. Despite these differences, economic and social theories should be associated with the theory of survival and development. For small and medium-sized businesses to succeed, a certain level of financial understanding and expertise is required. SMEs should also consider their social dimension and patterns in order to tailor their goods and services to satisfy the needs of their clients.

2.2.10 Model for the prediction of the success/failure of SMEs

The deterioration of small and medium-sized enterprises goes beyond the owner and also concerns the governments responsible for providing a favourable climate and a regulatory structure for small and medium-sized enterprises to operate (Naheed, Nawaz and Ahmad, 2019). It is important to consider factors that lead to the success as well as failure of small and medium-sized enterprises. Failure happens "when the value of a firm falls below the opportunity cost of staying in business, meaning a decline in performance" in other words, when "the stock of a firm is cancelled due to either bankruptcy or liquidation" (Bushe, 2019). Words such as "insolvency", "end state" and "deviation by which the SME strays from the expected outcome and desire" have been used to refer to failure. Failure, therefore, does not have a universally agreed upon description.

There is a school of thought that suggests that SMEs are produced as a requirement (last resort) and not as a reasonable opportunity (first choice) and this school of thought always contributes to their failure (Olawale and Garwe, 2010). The most widely cited model for predicting success or failure is the Lussier (1995) and Lussier (1996) models, which indicated that when financial models are used, sales as a method for predicting the success or failure of small business start-ups are not acceptable. On the other hand, a financial model that uses sales to forecast performance or failure can be applied to SMEs (Marom 2014). It can be concluded that marketing and sales can affect the success/failure of small and medium-sized enterprises. However, an awareness or comprehension of financial systems or models is imperative for competitive and sustainable SMEs.

In order to guarantee the success of SMEs, Bushe (2019) proposed the continuous improvement of skills, the participation of SME management practitioners and the monitoring of environmental factors (such as consumer preferences, trending concerns, technology, etc.) that affect SMEs.

2.2.11 Challenges faced by SMEs in South Africa

Rampant corruption, complex regulatory standards, a lack of trained workers (du Plessis 2016) and insufficient infrastructure (Bhorat et al., 2018) are problems facing South African

small businesses. The lack of access to finance often hinders the sustainability of SMEs (Langa and Govender 2019). In addition, the problems that SMEs face are also linked to:

“Insufficient capacity to innovate; Tax regulations; Poor public health; Foreign currency regulations; Inflation; Access to finance; Policy instability; Inadequate supply of infrastructure; Corruption; Poor work ethic in national labor force; Restrictive labor regulation; Inadequate education of workforce; Government instability; Tax rates; Inefficient government bureaucracy; and crime and theft” (Schwab, 2017).

Small and medium-sized businesses are also faced with a lack of market access, the use of appropriate technologies and a lack of management skills (Jili, Masuku and Selepe, 2017). The lack of access to economic resources for SME owners to grow their businesses and constraints to "entry and growth" on the market are also some challenges faced by SMEs (Bhorat et al., 2018). Although these issues affect small business operations, compliance with the regulatory structure defined has a significant effect on SMEs. Companies in South Africa are estimated to invest R78.9 billion holistically, equivalent to "6.5% of the country's Gross Domestic Product (GDP)" (du Plessis 2016). The shortage of R&D transfers to SMEs is also a concern facing SMEs (du Plessis, 2016). Furthermore, inadequate and poor accounting information and a lack of formal accounting standards are often described as some of the problems facing SMEs (Chakraborty, 2015).

While the Government of South Africa introduced the Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprises (ISPESE) to resolve some of the difficulties faced by small businesses, adverse economic conditions hindered the progress of this strategy. In contrast, the "partial implementation"; the lack of a clear description of the implementation guidelines for many planned operations; and the "weak government-wide coordination and monitoring structures" made the strategy difficult to achieve the expected outcome (Stern and Mathe, 2018). Langa and Govender (2019) established the Integrated Small Business Growth Strategy, which centred primarily on the agencies appointed to address the three strategic foundations of SME development: growing funding for non-financial and financial services; generating demand for SME products/services; and reducing regulatory challenges.

These agencies include National Youth Development Agencies, etc. The Government's further involvement to resolve these SMEs through existing government agencies (Mahohoma 2017) includes: South African Accelerated and Shared Growth Initiative (SSGISA); the Small Enterprise Development Agency (SEDA); Khula Enterprise Finance Limited (Khula); and the Small Enterprise Funding Agency (SEFA) (DSBD). Despite these measures the agencies have suffered from "incompetence and corrupt practices" (Stern and Mathe, 2018).

Factors can also be directly linked to the difficulties faced by SMEs in terms of their financial literacy, namely the lack of comprehension of financial institutions' financial services, lack of fundamental financial know-how in financial management (Damayanti et al., 2018) and inappropriate record-keeping of financial actions (Saunila, 2016; O'Neill, Sohal and Teng, 2016). When small companies do not know how to conduct financial functions, i.e., handle cash flow, collect funds, invest money into ventures, return funds to sources and much more, their survival and competitiveness are threatened.

2.2.12 Global challenges faced by SMEs

Small businesses have encountered similar obstacles regardless of their geographical location. The most dominant are therefore the regulatory problems and lack of access to finance. Globally, SMEs account for approximately 90% of enterprises and approximately 50% of jobs and contribute approximately 33% to developing countries' GDP (Jili, Masuku and Selepe, 2017). In Africa, small and medium-sized enterprises are seen as critical to the growth of the African economy. However, very little financial support is provided to small and medium-sized enterprises (Muriithi, 2017). In addition, potential consumers have a negative impression of the goods or services provided by SMEs (Muriithi, 2017). Negative expectations may have an effect on the sales volume of goods and on the cash inflow of SMEs. Financial literacy is also a factor that influences SMEs globally (Musie, 2015) since a low financial literacy level affects their ability to develop and achieve sustainability. The dynamics of the global financial market and the capital financial structure involve a very comprehensive knowledge of financial literacy (which small and medium-sized businesses may lack) to ensure successful financial decision-makings. The growing variety of financial products and the volatility of the global economy have an impact on financial judgment (Musie, 2015). Human resources and their potential have an impact on the competitiveness of SMEs (Prasanna et

al., 2019). The intensity of the human resource base of the economy allows small and medium-sized businesses to implement quality management techniques as people are vital elements of manufacturing and distribution activities; facilitate the development of strategies to adapt to increasingly updated markets; and identify the obstacles of competitors (Prasanna *et al.*, 2019).

It is important to develop the skills and knowledge of small and medium-sized enterprises. Yoshino and Taghizadeh-Hesary (2016) postulate that SMEs encounter obstacles from "competitive pressures, capacity to adapt to rapidly changing market demand, technological change and capacity constraints related to knowledge, innovation and creativity." The capacity of many small and medium-sized enterprises not being realized was attributed to various reasons (Yoshino and Taghizadeh-Hesary, 2016), namely:

- 1) *Poor access to networks that can make a contribution to "inadequate information, know-how and experience on domestic and international markets;"*
- 2) *lack of economies of scale and scope;*
- 3) *higher transaction costs relative to large enterprises;*
- 4) *"increased market competition and concentration of large multinational enterprises due to globalization and market integration;"*
- 5) *lack of financial resources, innovative technologies, skilled workers, market access and market information;*
- 6) *lack of ability to compete with larger firms on R&D and innovation projects; (product, process, and organization).*

Despite these obstacles, numerous economies continue to be hugely reliant on SMEs to generate employment. In addition, despite perceived vulnerabilities, small and medium-sized enterprises have not "pushed aside the process of globalization and regional integration" but rather, their roles and contribution have changed and grown, allowing many to remain globally competitive and to remain a source of employment creation (Harvie and Charoenrat, 2015).

2.3 Empirical Review

The empirical review provides an understanding on factors that have been explored for financial awareness in small-medium enterprises. Turner and Endres (2017) did a study on sustainability factors for small businesses. This study did not apply a quantitative research

approach because it would not have helped to clearly “understand the experiences” of minority small business owners “regarding management strategies” that could contribute to the success of small businesses. Basically, quantitative research examines the relationship amongst “variables using statistical procedures”. Quantitative research is not suitable for measuring smaller participants. The researcher focused on small business owners who have sustained their businesses longer than five years and the use of “statistical methods was not suitable” for such a study (Al Bazie and Braganza, 2020). Thus, qualitative data was collected using semi-structured interviews conducted with successful minority small business owners. An analysis of 72 companies’ documentation, company websites, company social media pages, and interview notes comprised the method used to collect data. The findings suggest that “successful minority small firm owners contribute to the economy through job creation, which leads to growing economies”. However, the findings cannot be generalized to different geographical locations and might not be applicable to “varying industries”.

The Smart City Service Approach (du Plessis, 2016) was established to help recognize the problems faced by small and medium-sized businesses, as well as to identify the experts who can deliver these services to the small business sector. Jili, Masuku and Selepe (2017) undertook a study on the impact of small businesses in supporting the growth of the local economy in the Tourism and Hospitality sector in Umlalazi Local Municipality (ULM), Kwa-Zulu Natal, South Africa. The quantitative analysis approach was administered to 100 small business owners and employees. The results show that small businesses contribute to lowering unemployment and alleviating rural poverty. Small companies make a significant contribution to the growth of the local economy. However, they lack access to knowledge on getting government help to expand their businesses (Jili, Masuku and Selepe, 2017).

Bhorat et al. (2018) assessed the characteristics of small businesses across three dimensions, including firm, owner and employee characteristics. Their study showed that small businesses appear to be owned by males who are not young and white South Africans. These owners are extremely skilled and recruit comparatively more females and young people who are low-skilled Africans. In addition, Bhorat et al.’s (2018) study argued that small and medium-sized enterprises in South Africa are disenfranchised in terms of their economic position, “particularly in relation to comparative regions.” This indicates that small businesses in South Africa work in an atmosphere that is not favourable to their success. Appropriate policy action

aimed at supporting small enterprises is important in this respect for the development of employment for small enterprises.

Akpan, Udoh and Adebisi (2020) analysed budgeting as well as financial awareness in a survey by 54 medium-sized and large companies in Bahrain, which centred on budget planning and control, budgetary engagement and motivation and performance assessment. These researchers found that an improvement in the size of an organization contributes to a stricter budgeting method for better performance. Furthermore, the size and scope of the operations typical of the company influenced the nature of the budget.

Mahohoma (2017) explored the effect of "entrepreneurial competence" on the "performance of small and medium-sized enterprises in the eThekweni municipal area. In this research, 700 SMEs are members of the Durban Chamber of Commerce and Industry (DCCI) in 2015 and 2016. A 248-sample size was chosen, and a quantitative questionnaire was administered. The study indicated that the level of education of SME owners does not have an impact on the success of their companies. However, personality characteristics and leadership style may have an influence on the performance of SMEs. In addition, personal importance and conviction are not related to the success of small and medium-sized enterprises.

Moos and Sambo (2018) conducted a study on small car companies in South Africa. The study discusses the difficulties and support of government for their sector, indicating the failure of government support in terms of funding, lack of space and poor financial management, as well as insufficient infrastructure. While the government has departments to help these enterprises, corruption, insufficient supervision, etc. have been problems that obstruct the effectiveness of small business initiatives (Mahohoma, 2017).

Lekhanya (2015) explored the role of small and medium-sized enterprises in economic development and the results indicate that little has been done to enhance the sustainability and growth of small and medium-sized enterprises in South Africa. This is due to a lack of "deep understanding from a policy standpoint" and the lack of understanding among stakeholders on how to use small and medium-sized enterprises to build the jobs required in the country. This study applied a quantitative analysis approach to the collection of primary data from four provinces of South Africa and 230 people were engaged. The study found that

most SMEs would fail within "five years of their existence." The main explanation for this is "lack of access to funding, lack of management experience and human capital." In addition, the owners of small and medium-sized businesses do not have business management expertise, but rather "are ordinary entrepreneurs."

Chakraborty (2015) conducted an analysis of factors contributing to weak accounting and financial reporting practices and how these factors influence the development and survival of small and medium-sized enterprises in Bangladesh. In this sample, 10 banks and 15 small and medium-sized enterprises were selected. The respondents were in managerial positions. Bank concerns involve small and medium-sized businesses with different service lines, high credit risk, high loan recovery costs, high loan disbursement rates and the need for regulations. The study revealed, amongst other factors, that there is a lack of quality accounting information, a lack of systematic and efficient accounting practices, poor internal control, etc., which threaten the sustainability and growth of small and medium-sized enterprises. Adeyemi and Olawale (2018) claim that active internal control mechanisms have a huge impact on financial responsibility. In this regard, existing agencies and small and medium-sized enterprises should ensure an effective communication channel for the growth and survival of small and medium-sized enterprises.

The financial management practices of SMEs in Jaffne-Sri Lanka have been investigated by Yogendrarajah, Kengatharan and Jeyan Suganya (2017). Variables for financial management were assessed in terms of 'working capital management, investment evaluation, capital structure management, financial reporting and review, and the accounting information system,' while success was measured in terms of 'perceptions of SME owners' performance' (Yogendrarajah, Kengatharan and Jeyan Suganya, 2017) In this analysis, a stratified random sampling technique was used to pick 60 registered SMEs. To guarantee the reliability of data from selected small and medium-sized companies, Cronbach's Alpha was applied.

The results indicated that "the implementation of financial management practices between SMEs differs significantly" (Yogendrarajah, Kengatharan and Jeyan Suganya, 2017) The variables for financial management practices used in the analysis were also highly applied by small and medium-sized companies. In addition, "work capital management and the

management of capital structures have a great influence on the performance of SMEs" (Yogendrarajah, Kengatharan and Jeyan Suganya, 2017).

2.4 Conceptual Framework

A conceptual framework provides a structure for the researcher to construct his/her ideas on variables/predictors that interact with each other to create a "general system theory" (von Bertalanffy 1972; Pouvreau, 2014). Turner and Endres (2017) suggest the use of the "general system theory to explore new approaches" to social or organizational challenges. Additionally, the general system theory provides an "approach to improve processes" within the society (Sayin, 2016). The general system theory includes components such as:

"(a) objects, the variables within the system; (b) the attributes of the system and its objects; (c) the interrelationship between objects in a system; and (d) the existence of a system within an environment".

The review of literature indicates that small businesses are mostly found in the informal sector of the economy and are "survivalist". Through research, the experiences of SME owners can be capture with time, which will help create the needed frameworks of factors for the survival and growth of SMEs. The conceptual framework proposed consisted of factors identified in literature on financial awareness for viability and sustainability of small and medium enterprises which follows the "general system theory" and defines components of the framework in Table 2 as follows:

Table 2: Summary of factors for financial sustainability and viability of SMEs

Specific objective	Sustainability factors/attributes	Viability factors/attributes
Key predictors for viability and sustainability of SMEs	<ul style="list-style-type: none"> sustained service delivery to clients over time (Quartey and Kotey, 2019) 	<ul style="list-style-type: none"> access to financial resources engage the services of professionals (Bushe, 2019)

	<ul style="list-style-type: none"> ● access to market (Jili, Masuku and Selepe, 2017) ● R&D transfer (du Plessis, 2016) ● Efficient communication channel between established agencies and SMEs grow and sustain SMEs. 	<ul style="list-style-type: none"> ● template for capturing information on daily financial operations thus ensuring monitoring
Financial accounting skills needed for viable and sustainable SMEs	<ul style="list-style-type: none"> ● “prescriptive or normative”, that is provide a structure “for understanding existing accounting practice” for the purpose of its improvement. ● Internal control systems (Adeyemi and Olawale (2018). 	<ul style="list-style-type: none"> ● “Descriptive” or “positive” theories to provide an understanding of existing accounting practice to explain the behaviour of persons who prepare and use the “financial reports of businesses” and “not-for-profit entities”, and “to predict the accounting choices that preparers and users may make”.
Financial education skills needed	<ul style="list-style-type: none"> ● Financial knowledge gains, skill gains changes attitude and 	-

	behaviour (CFPB, 2019).	
Financial management skills needed	<ul style="list-style-type: none"> • Systematic accounting practices and internal control (Chakraborty, 2015). 	-
Financial awareness	<ul style="list-style-type: none"> • Savings and investment • Retirement plans 	

Source: Researcher (2021)

Table 2 shows the gap in knowledge in terms of financial sustainability and viability, which this study seeks to fill. The factors identified represents the key predictors underlining the proposed conceptual framework for this research. Based on the “general system theory”, Figure 1 presents the conceptual framework for this study as follows:

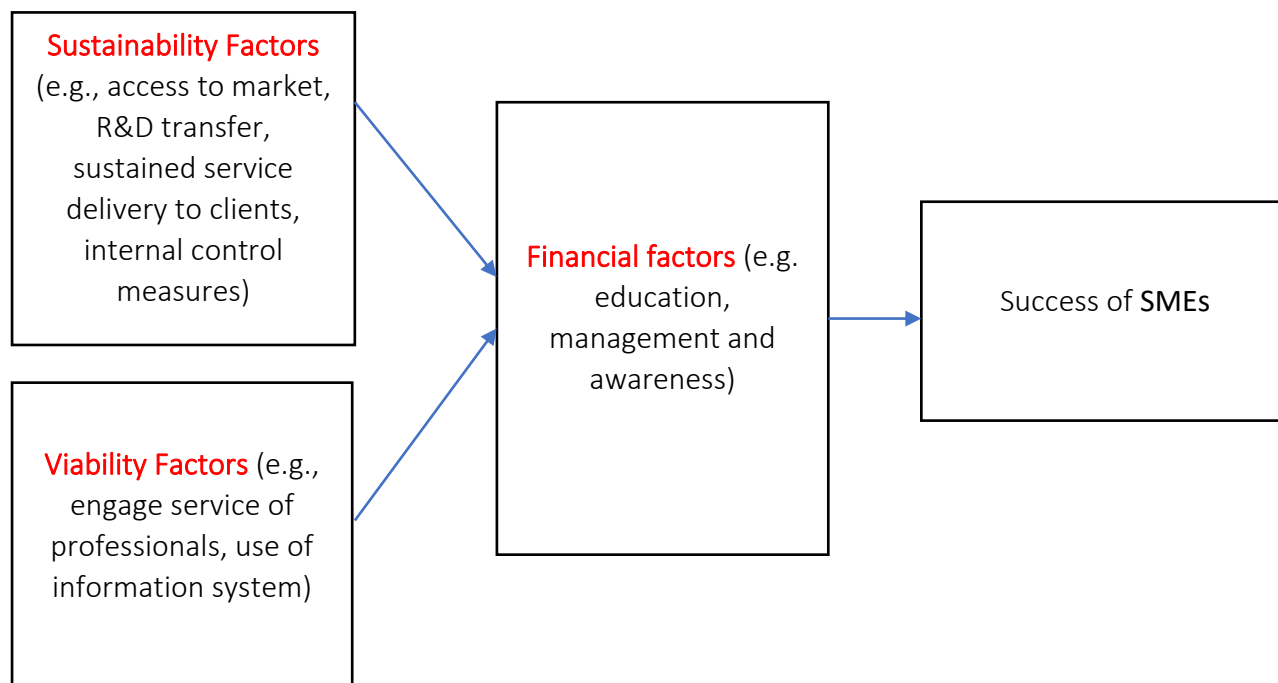


Figure 1: Conceptual framework

Source: Researcher’s design (2021)

Based on Figure 1, the objects of the proposed framework are the: sustainability object, viability object, financial object and success of SME object. Each of these objects have their related variables/factors and these objects interrelate with each other objects using a single headed arrow. In this context, the business environment is small and medium enterprises. It is apparent that SMEs are faced with related challenges and a generic framework which consists of factors makes it easily adaptable and applicable to any SME e.g., in automobile, tourism, agriculture, mining, manufacturing, “electricity, gas and water”, “construction”, “transport and communication”, “finance and business services”, “trade and accommodation”, etc (Ncube 2016; Msomi, Ngibe and Nyide, 2019).

2.5 Theoretical Review

Basically, finance is defined as a “body of facts, principles and theories” applied in the sourcing and using of money by an individual, organization and government. Similarly, finance has also been defined in terms of the functions performed by an individual/officer. These functions are: 1) Managing of cash inflow; 2) raising of funds; 3) investing of funds in projects; and 4) the return of funds to the sources (Donald, 2020). In performing these functions, it is relevant to make the right/good decision. Thus, the theory of accounting provides the basis for judging whether practices of a firm are “good” or “bad” or successful or not (Talpas, 2016). The following theories will be discussed:

2.5.1 Agency Theory

The Agency Theory describes the relations between two parties where one party, the owner or principal, delegates work to another party, the agent or manager (Zogning, 2017). The theory has been applied to several fields of study including economics, accounting, finance, political science and many more. The broad application of the theory means that it plays a significant role in a business structure and undoubtedly, it has been applied to explain organizational behaviour and the leadership behaviour of private and public enterprises (Zogning, 2017). Mostly, the owner wants a manager to act in his or her interest (Mitchell and Meacheam, 2011), which creates conflict of interest. In this regard, it is challenging to separate ownership and control in a firm with managers when there is lack of clear work contracts (Bendickson *et al.*, 2016). Usually, the challenge with the Agency Theory is the monitoring of what manager’s do that benefits the owners or shareholders of a business.

Different mechanisms have been adopted to resolve these challenges, namely: the use of performance-based incentive plans; threats of takeover bids; threats of dismissal; and direct intervention by stakeholders. The Agency Theory assumes that individuals are “self-interested” and they will usually behave “opportunistically” when their own interest is not in favour with the principal (Chrisman, 2019). Therefore, one could say that the Agency Theory is characterized by extrinsic motivation where individuals are motivated by an external reward (i.e., a separable outcome) (Madison, 2014). SME owners contribute immensely to job creation and they always prefer their managers to act in their interest. However, instituting a work contract is imperative.

2.5.2 Stewardship Theory

The Stewardship Theory postulates that “individuals seek to fulfil higher order needs through pro-organizational behaviour” and individuals will prefer to naturally align their “interests with those of the organization (and therefore its principals)” (Chrisman, 2019). The assumption that an individual will align their interest with that of the principal is sometimes unrealistic (Chrisman, 2019). This theory was suggested as the alternative to the Agency Theory as it resolves the limitation of opportunism. Chrisman (2019) mentions that Stewardship looks at “self-actualizing” or “other-serving”, rather than “self-interested” or “self-serving”. Stewardship Theory is characterized by intrinsic motivation, where individuals are motivated by intangible, higher order rewards (Madison, 2014).

2.5.3 Resource Dependence Theory

The Resource Dependence Theory describes how “organizations reduce environmental interdependence and uncertainty” (Hillman, Withers and Collins, 2009). The theory considers an organization as an open system and to understand its modus operandi, one must understand the ecology of the organization and its behaviour. The five pillars used by firms to minimize environmental dependencies are suggested by Pfeffer and Salancik (1978) and cited by Hillman, Withers and Collins (2009) as: “(a) mergers/vertical integration, (b) joint ventures and other inter-organizational relationships, (c) boards of directors, (d) political action, and (e) executive succession”. These pillars are interdependent in order to ensure unanimous decisions towards meeting the objective of an organization. The Resource Dependence Theory can be related to an open system that ensures some level of transparency and

accountability within an organization's governance structure. One could say that the Resource Dependence Theory is mostly used by large companies rather than SMEs.

2.5.4 General Systems Theory

The General Systems Theory is posited on the notion of "interactions" amongst different elements or components (Mele, Pels and Polese, 2010). The General Systems Theory includes components such as:

"(a) objects, the variables within the system; (b) the attributes of the system and its objects; (c) the interrelationship between objects in a system; and (d) the existence of a system within an environment".

Systems can be considered as closed, open or isolated. In open systems, there are exchanges amongst people or information with their external environment, whereas closed systems have no exchanges amongst people and information, but only an exchange of "energy". In an isolated system, there is zero exchange of elements. An open system facilitates interaction with other people in different sectors, which helps with the exchange of ideas to empower people. Within the context of creating sustainable and viable businesses, it is imperative to leverage expertise from different sectors towards empowering lesser or small businesses. Systems thinking when applied in SMEs helps to create knowledge, value, relationships and quality (Mele, Pels and Polese, 2010). The concept of cybernetics has been found useful in system theory to explain the social cohesion that exists in an open system. "Cybernetics" refers "to control and communication in the machine system" (Lai and Lin, 2017).

2.5.5 Pecking Order Theory

The Pecking Order Theory suggested by Myers (1984) postulates that managers of businesses prefer "internal financing to external financing" and "if the internal funds are inadequate", then "debt financing" is preferred over "equity financing" (Hsu, Chiang and Liao, 2013). Funding is one of the main concerns of most businesses and this makes it the most significant aspect of every business. Whilst debt financing involves borrowing money, equity involves selling a stake in a company in the hope of "securing financial backing". Lemmon and Zender (2010) indicated that firms prefer to "use debt financing" to fill "small financing" issues but resorts to "equity financing for large deficits". The Pecking Order Theory explains the capital

structure decision and financing behaviour of firms (Nguyen, Ho and Vo, 2019). Since most SMEs are challenged with securing funds from established agencies coupled with high interest rates, internal financing through owners' investments is imperative.

2.6 Theoretical Framework

In this study, Agency Theory provides a way to describe the relations between two parties, which is considered within the context of owner of a business and the manager of those SMEs (Zogning, 2017). Most importantly, owners of SMEs are interested in monitoring what SME managers do in their daily operation, which makes it suitable for this study. SME owners and their managers have developed certain skills that make them survive and maintain their businesses. By considering them in this study, it is possible to explore factors that make them survive and to know factors that have not worked. In terms of creating a sustainable business, one must also consider the service delivery to client's over time (Quartey and Kotey, 2019), communication with other established agencies and access to market (Jili, Masuku and Selepe, 2017). Therefore, the System Theory is also a suitable theory for this study.

Thus, the Agency Theory and the System Theory are used as the theoretical frameworks underpinning this study.

2.7 Summary of Literature Review

In this chapter, the categories of SMEs and a contextual review of SMEs in South Africa were provided. A theoretical review of financial accounting, awareness, management and viability and sustainability (Edgcomb and Cawley, 1994; Ciemleja and Lace, 2011; Lekhanya, 2015; Quartey and Kotey, 2019) was presented. Small-sized businesses' sustainable factors (Turner and Endres 2017), intelligent city services (du Plessis 2016), small businesses' position in the growth of the local economy (Jili, Masuku and Selepe 2017), small business characteristics of three dimensions, such as business, owners and employee characteristics (Bhorat et al., 2018) and the formality option model have been examined (Moos and Sambo 2018). The survival and growth of small and medium-sized enterprises (Lekhanya, 2015), success versus failure (S/F) forecasting model (Lussier 1995, 1996), continued improvement of skills and involvement of professionals in the management of small and medium-sized enterprises (SMEs) and monitoring of environmental variables (Bushe, 2019), financial management

practices and their impact on the performance of SMEs were explored (Abe, Troilo and Batsaikhan, 2015; Yogendrarajah, Kengatharan and Jeyan Suganya, 2017).

Several challenges faced by small and medium-sized enterprises have been outlined by scholars, namely du Plessis (2016), Bhorat et al. (2018), Langa and Govender (2019), Schwab (2017), Jili, Masuku and Selepe (2017), Stern and Mathe (2018). Some government interventions through established South African agencies (Mahohoma, 2017; Langa and Govender 2019) are also reviewed. In Africa, the challenges faced by small and medium-sized enterprises were also highlighted by Muriithi (2017). The "General System Theory" (von Bertalanffy, 1972; Pouvreau, 2014; Turner and Endres, 2017) assisted the researcher to identify the aspects of the proposed conceptual framework (shown in Figure 2), while the Agency Theory provided a way to understand the owners and managers of small and medium-sized enterprises. Following a review of the related literature, the identified gaps were presented in Table 2.

The next chapter will present the research methodology adopted for this study, which will be aligned with the objective of the study.

CHAPTER THREE: RESEARCH METHOD

3.1 Introduction

This chapter discusses the research methodology of the study. It focuses on the research design, target population, sampling design, data collection and data analysis. In this chapter, the sections presented include Section 3.2 which presents the research design. Section 3.3 describes the target population and sampling. Section 3.4 presents the data collection method. Section 3.5 offers a justification of methodology. Section 3.6 presents the approach to the research objectives. Section 3.7 describes the data analysis. Section 3.8 discusses validity and reliability. Section 3.9 presents the ethical consideration. Section 3.10 mentions the potential outputs and Section 3.11 presents the conclusion.

3.2 Research Design

The research should be designed to help collect the necessary and relevant information so that the information could be analysed in order to provide a solution. According to Khanyile (2016), the research design is defined as the structure to help answer the research questions and its objectives that were outlined in the study. The structure must provide a rationale for the choice of data collection method, its analysis and the data source. Fundamentally, the research design should consider the following:

(a) What is the research topic? (b) How will the topic be conveyed to the subjects? (c) Who are the participants? (d) Where will the participants be found? (e) How will the data be collected? (f) How will the data be organized? And (g) How will the results be interpreted and communicated?

In this study, the quantitative research approach will be used. Therefore, it follows the positivism research paradigm. In the quantitative research approach, the survey method will be used, which includes cross-sectional studies using a questionnaire, with the intent of generalizing from a sample to a population (Creswell, 2003). Closed-ended questions will be asked. The close-ended (that is, quantitative research) will be based on data collected from the five-point Likert scale closed-ended questionnaire.

In this study, the research design will assist in the data collection, measurement and the analyses. The questions formulated require owners of SMEs and their managers to read and

understand the questions. This is achieved through pilot questions to help remove any ambiguity in the questions. The study is quantitative, with only two open-ended questions. Welman and Mitchell (2005) stated that the research design can be “categorised into two broad types, namely quantitative and qualitative”. A quantitative research method uses numbers and statistics, while a qualitative research method deals with words and meanings. Additionally, the quantitative research method is the standard experimental method of most scientific disciplines, which is used to test or confirm theories and assumptions, whereas qualitative research is used to understand concepts, thoughts or experiences. The qualitative research method provides in-depth insights on topics that are not well understood. Qualitative research methods use open-ended questions to collect data in a different way. Instead of providing questions with only specific answers like a poll, it allows people to express themselves. In return, the researcher can investigate methodologies with greater accuracy and search through recordings to find new data.

In this study, the quantitative research approach will be used. Therefore, it follows the pragmatic research paradigm. In the quantitative research approach, the survey method will be used, which includes “cross-sectional studies using questionnaires, with the intent of generalizing from a sample to a population” (Creswell, 2003). Closed-ended questions will be asked. Questionnaire will be based on data collected from the five Likert scale close-ended questionnaire.

3.3 Target population and sampling

3.3.1 Target population

The landscape of SMEs in the eThekweni municipal region of KwaZulu-Natal involves construction, manufacturing, accountancy firms that provide service to small business enterprises, agriculture, transport and communication, trade and accommodation, financial services and retail (<https://clockworkapp.co.za/overview-smes-landscape-south-africa/>) (Ncube 2016; Msomi, Ngibe and Nyide, 2019). The number of SMEs in KwaZulu-Natal is countless, so the target population is the financial services sector, the agriculture sector, the manufacturing sector and the retail sector. There are more than 700 SMEs in KwaZulu-Natal that are members of the Durban Chamber of Commerce and Industry (DCCI) and SEDA (Mahohoma, 2017). DCCI and SEDA are organizations that deal with businesses in Durban.

Thus, the study focuses on SMEs in the KwaZulu-Natal Central Business District (CBD), Durban which employ between 10 and 200 employees, selected because the SMEs lack access to funding and face difficulty with sustaining their businesses. The unit of analysis of this study is the SME players. Table 3 below presents the target population and sample size.

Table 3: Target population and sample size

Nature of SMEs	Nature of Participates	Target sample size
Manufacturing	Owner of the SMEs or Manager	115
Construction	Owner of the SMEs or Manager	30
Agriculture	Owner of the SMEs or Manager	33
Retail sector	Owner of the SMEs or Manager	126
Total		321

Source: Author's compilation (2021)

3.3.2 Sampling techniques

Basically, a sample is a portion of a population (Etikan, Musa and Alkassim, 2016). Sampling is defined as a technique or process used by the researcher to gather an illustrative sample from a population of interest for the purposes of determining parameters or assessing individualities of the entire population (Bless, Higson-Smith and Kagee, 2007). Two types of sampling techniques are common, namely probability and non-probability sampling (Sekaran and Bougie, 2010).

Probability sampling is described as having the "unique quality that each unit in the population has a known, non-zero chance of being included in sample" (Etikan, Musa and Alkassim, 2016). It is described as "every participant has an equal chance of being selected"

from the population. Utilizing probability sampling, the population elements have a known non-zero chance of being selected through a random selection procedure.

In the case of non-probability sampling, it is not essential to use randomization to select a sample from the population of interest. Rather, the subjective method is used to decide which element should be included in sample. It is therefore a sampling technique where "samples are collected in a process which does not give all participants or units in the population equal opportunities to be included" (Etikan, Musa and Alkassim, 2016).

The three non-probability sampling techniques are convenience sampling, purposive sampling and quota sampling. By using non-probability sampling techniques, a researcher can choose a sample of subjects/units from a population. Despite the disadvantages of the non-probability sampling technique, it is useful when randomization is not possible particularly when the population is very large. Additionally, it can be useful when the researcher has limited resources, time and workforce.

The purposive sampling is also referred as judgment sampling. This sampling technique deliberately chooses its participants due to certain qualities they have. It is a non-random technique which needs no "underlying theories or a set number of participants". In this regard, the researcher can decide what "needs to be known" and then find participants who can meet those needs. The need could be knowledge, skills or experience (Bernard, 2002).

Data gathering is fundamental in research as it contributes to understanding the theoretical framework of a study. Selecting the method to obtain data and whom the data will be collected from should be done with "sound judgment", especially when "no amount of analysis" can compensate for "improperly collected data" (Muthukrishna and Henrich, 2019). Therefore, purposive sampling will be used as a technique because it enables the researcher to use his or her own judgment to decide on members of the sample. Thus, the researcher chooses what should be known and sets out to find persons who will volunteer the information based on their knowledge or experience. In this regard, the researcher can identify and select "information-rich" sources or cases (Palinkas, Horwitz, Green, Wisdom, Duan and Hoagwood, 2015). Therefore, having participants who share specific characteristics like work experience,

where they work within the SME sector, and many more are imperative to ensure homogeneity in samples (Etikan, Musa and Alkassim, 2016).

Cochran's formula is adopted in research when the target population is unknown or too large (Hoaglin, 2016; Woolson, Bean and Rojas, 1986). Cochran's formula is stated below:

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where:

n_0 = minimum sample size

Z = value of the selected alpha level (1.96)

P = the (estimated) proportion which has the attribute in question (0.5)

Q = is (1-p)

E = is the margin of error (0.05 which is calculated at 95% confidence interval).

$$\text{Minimum sample size} = \frac{((1.96)^2 (0.5) (0.5))}{(0.05)^2} = 385$$

Therefore, the sample size is 385.

However, for the purpose of this study, the modified version of the Cochran formula for sample size determination in small populations may be adopted. The formula is stated below:

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Here n_0 is Cochran's sample size recommendation, N (where N is assumed to be 2000) is the population size and n is the new, adjusted sample size. The sample size for SMEs in Durban based on this formula is calculated thus:

$$385 / (1 + (384 / 2000)) = 321$$

Therefore, the sample size for this study will be 321 SMEs in Durban.

3.4 Participants in the Research

Research participants are often referred to as subject in human research by being a target of the observations of the researcher. Participants were respondents who are owners or a suitable representative of the business owner at their business, namely SMEs in the manufacturing, construction, agriculture and retail sectors, were asked to complete the research questionnaire. The participants were asked to volunteer in this study. SME owners or a suitable representative of the business owner at their business were selected based on the fact that the business has between 10 and 200 employees.

The recruitment process was conducted by the researcher, who approached the business owners electronically (via email) to express the research intentions of the study. The respondents' email addresses were extracted from their websites and/or from the SEDA online database.

Initially, every potential participant identified in the DCCI catalogue was invited to participate via email. The questionnaires were written in English and were preceded by an online information/consent page which explained and gave a clear introduction of the questions and research to the respondent. If they chose to participate, the respondents clicked **yes** as act of signing the online information/consent form, after all responsibilities were clearly explained. Then, a link to the questionnaire was given, with confidentiality and anonymity being ensured. To follow up, after one week of the electronic distribution of questionnaires, an email reminder was sent to the participants.

3.5 Data collection method

Quantitative data was collected through questionnaires. The survey questionnaire was viewed as most suitable. According to Bryman and Bell (2014), the following are the advantages of self-completion questionnaires: "Advantages of self-completion questionnaires are: a) cheaper to administer, when compared to interviews; b) quicker to administer; c) no interviewer variability; and d) convenience for participants".

A quantitative research method was adopted for this study. The reasons for the choice are that it helps to collect data from a large population to identify factors for the sustainability and viability of SMEs within Kwa-Zulu Natal. Moreover, the quantitative research method

helps to generalise from the sample to the population. Additionally, it helps researchers to control the variables considered in the study. Hence, the use of a quantitative research method.

The quantitative analysis used the responses from the closed-ended set of questions on the Likert scale questionnaire. A Likert scale was measured on 5-point values starting from (1) “strongly disagree” up to (5) “strongly agree” to interpret the ranking levels. In the ranking, one (1) represented strongly disagree, two (2) meant disagree, three (3) stood for neither agree nor disagree, four (4) represented agree and five (5) represented strongly agree.

Closed-ended questions provide a set of answers from which respondents must choose one or more answers (Creswell et al., 2007). Data gleaned from these types of questions are easier to analyse. The advantages of closed-ended questions are: (a) these questions are easy to answer and relatively quick and can be answered quickly; (b) these questions can be easily coded for statistical analysis; and (c) sensitive questions are simply answered.

According to Saunders et al. (2012), closed-ended question types provide a number of options which the respondents are directed to choose from. The layout of the questionnaire is crucial as it specifies whether the participants completed the questionnaire. The design of the questionnaire should be appealing in order to encourage participants to reply and return the questionnaire. Saunders et al. (2012) argue that the layout of the questionnaire should not be too long, that it should be easy to examine and that the order of the questions should be simple to follow. The questionnaire must also be compiled in an interactive style (Kumar, 2011). The study used Likert-scale type questions, which provide an ordinal measure of a participant’s attitude.

3.5.1 Data collection plan

Data was collected upon approval from the Durban University of Technology’s (DUT) Faculty of Accounting and Informatics Research Committee and Ethics review committee.

The data was collected electronically via Survey Monkey. The link to the online letter of consent with a link to Survey Monkey were sent to the study respondents via email for ease of completion. The Survey Monkey strategy was employed for effectiveness and efficiency purposes. Survey Monkey is preferred to avoid physical contact due to the COVID-19

pandemic. Survey Monkey is a generally used electronic software to distribute questionnaires.

To follow up, after one week of the electronic distribution of questionnaires, an email reminder was sent to the participants. The total number of questionnaires the researcher's OneDrive and Dropbox with proper encryption for a period of 5 years. Afterwards, all data may be disposed of in accordance with instructions from the DUT Ethical Clearance Committee to ensure the safety and integrity of the data set.

3.6 Data collection instrument

The data collection instrument, which is the research questionnaire, is presented in Appendix I of this thesis.

3.7 Justification of methodology

A quantitative research method was adopted for this study. As presented earlier in Table 3, amongst the reasons for the choice is that it helps to collect data from a large population to identify factors for the sustainability and viability of SMEs within Kwa-Zulu Natal. Moreover, a quantitative research method helps to generalise from the sample to the population. In addition, it helps researchers to control the variables considered in the study. Hence, the use of a quantitative research method.

3.8 Approach to research objectives

The quantitative research method was used to achieve the following research objectives: to identify the key predictors that contribute to the viability and sustainability of small and medium enterprises in KwaZulu-Natal; to examine and establish the influence of financial awareness on SMEs sustainability; and to understand the financial management skills needed for viable and sustainable SMEs.

3.9 Data analysis

Data analysis describes how data was managed, organized and analysed to report on its findings. The quantitative data was analysed using the Statistical Package for the Social Sciences (SPSS).

Quantitative analysis uses the response from a closed-ended set of questions on the Likert scale questionnaire. The data is coded with numerical values in SPSS. For nominal data, the codes were one (1) and two (2), where one (1) represented “yes” and two (2) represented “no”. For ordinal data, a Likert scale was measured on 5-point values starting from (1) “strongly disagree” up to (5) “strongly agree” in order to interpret the ranking levels. In the ranking, “one (1) represents “strongly disagree”, two (2) means “disagree”, three (3) stands for “neither agree nor disagree”, four (4) represents “agree” and five (5) represents “strongly agree”.

The descriptive statistics describe the features of the study using graphs, bar graphs and pie charts. Furthermore, the inferential statistics draw interpretations from the studied sample to the large population, from which the sample is drawn.

3.10 Pilot study

Pilot study testing assists the researcher to identify vaguely or unclear statements from developed questionnaires (Moss, Mathews, Day, Smith, Seaman, Snowball and Halloran, 2017). As suggested by Whitehead, Julious, Cooper and Campbell (2016), the general rule of thumb for a pilot study is a minimum of 12 respondents. Therefore, in order to dispose of errors in the questionnaire, the researcher conducted a pilot study on 13 owners of SMEs who were purposively selected. A purposive sampling technique is found appropriate to allow the researcher to use their own judgement to select suitable representatives of the business owners, of which 5 were from manufacturing, 5 from the retail sector, 2 from agriculture and 1 from Construction. A pilot study conducted with 13 respondents (5% of the sample size) tested that the questionnaire would be simple to read, comprehend and answer and to measure the time it takes to complete the questionnaire. The link to the online letter of consent were sent to the respondents at first and if the participants agreed to participate, the link to Survey Monkey was sent to the study respondents via email for ease of completion. The 13 selected respondents for the pilot study will not constitute part of the 321 which are the targeted sample size.

The questionnaires were pre-tested to ensure that questions were free from errors. Statements that were not understandable and unclear were adjusted or discarded as

required. This was ensured before conducting the main study. Any change that was required, is permissible.

3.11 Validity and reliability

The validity and reliability indicate how well the research design, method used, and sample techniques give accurate results, as well as help to generalize the findings to a wider population. Bryman and Bell (2015) indicate that validity gives the indication to gauge a concept in terms of how it really measures that concept and reliability measures consistency. To guarantee reliability and validity, the Yamane formula will be employed in this study. A 5% of margin error was set by the researcher and was deemed as acceptable.

For quantitative validity, there are four types: face validity, content validity, criterion-related validity and construct validity (Struwig and Stead, 2001). *Face validity* describes whether the items on the “test appear to test what they claim to measure” (Struwig and Stead, 2001). In this research, face validity was addressed through “pilot testing” the research questionnaire and the feedback was used to refine the questions. *Content validity* is the “extent to which the questions reflect the theoretical content being measured” (Struwig and Stead, 2001). In this study, experts on the topic are approached to comment on the research questionnaire. *Criterion-related validity* “examines the relationship between two or more tests that may appear to be similar” (Struwig and Stead, 2001). For quantitative reliability, the stability reliability concerns whether the “measuring instrument” yields consistent “numerical results each time” it is applied, and this is achieved through the formulation of a clear and unambiguous theoretical foundation (Struwig and Stead, 2001). To guarantee reliability, the pilot study used Cochran’s alpha level of 0.05.

3.12 Ethical Consideration

Four ethical considerations include no invasion of privacy, no harm to participants, no lack of informed consent and no deception. Additionally, the participants were not asked to perform any acts or make statements that might cause embarrassment or harm to people. In this study, the consent of each participant was sought through a written letter of consent, which also stated the purpose of this study. Participants were asked to voluntarily participate. In addition, data collected from participants in the form of research questionnaires were screened by the research supervisor to ensure adherence to the ethical clearance required to

administer questionnaires, which was received from the Faculty of Accounting and Informatics, Durban University of Technology. All the participants' identities were not disclosed. The responses are given to the University for safe-keeping.

In this study, information that can be used to identify participants such as their names, names of business and other identifiable information were anonymous. This was ensured by using "code words" to refer to each participant. The information collected either through emails or hardcopy format was stored securely by the University and the document was protected with a password.

3.13 Potential outputs

As part of the contribution to academia, the thesis will be published in accredited journals and the hardcopy will be given to the DUT library. Specifically, from this research work, one research paper will emanate.

3.14 Chapter Summary

In this chapter, the research design was presented as the quantitative research method. The target population and sample were described. Primary data were collected using research questionnaires. Data was analysed using SPSS and the results presented using graphs and tables. Reliability and validity were ensured in this research. Additionally, ethical issues are considered, and the anonymity of participants was ensured.

The next chapter will present a discussion of the results obtained from the respondents.

CHAPTER FOUR: DESCRIPTIVE EFA REGRESSION ANALYSIS, INTERPRETATION AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the outcome of the survey analysis. The study aims to examine the role of financial awareness for the viability and sustainability of small-medium businesses in Durban, Kwa-Zulu Natal, South Africa. In this study, the unit of analysis is the small-medium businesses in KZN. Data collected from respondents were analysed using a statistical analysis package called the Statistical Package for the Social Sciences (SPSS).

4.2 Response Rate

A total of 321 questionnaires were administered to the study population. Three hundred and ten (310) questionnaires were returned. Six (6) of the questionnaires were not properly completed and were discarded. The remaining 304, which constituted a 98% response rate, were coded and analysed for this study. Section 4.2 presents an analysis of the demographics section of the research instrument.

4.3 Analysis of demographic information

This study elicited four (4) categories of demographic data from the survey respondents, namely gender, age group, marital status and educational background. The descriptive analyses of the demographic information are presented using frequencies and percentages shown in figures.

4.3.1 Gender

A total of 158, representing 52% of the survey respondents, were male, while 146 (48%) were female. This implies that the majority of the survey respondents were male. Figure 2 shows the graphic detail of the survey respondents' gender.

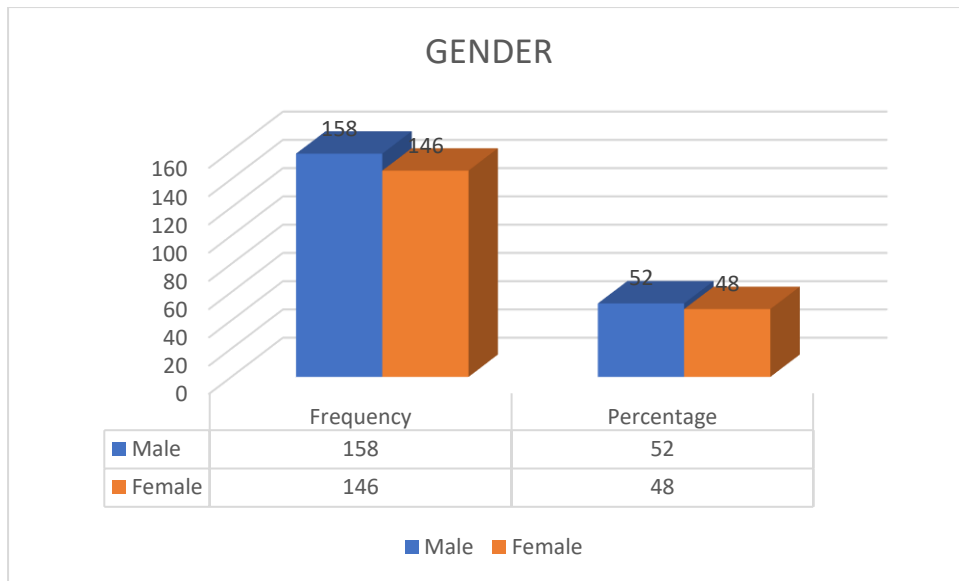


Figure 2: Gender

4.3.2 Age group

The survey respondents were asked to indicate their age category. The analysed data revealed that 16 (5.3%) were 20 years old and above; 92(30.3%) were 21-30 years; 119(39.1%) were 31-40 years; while 77 (25.3%) were above 40 years of age. The respondents' age groups are indicated in Figure 3.

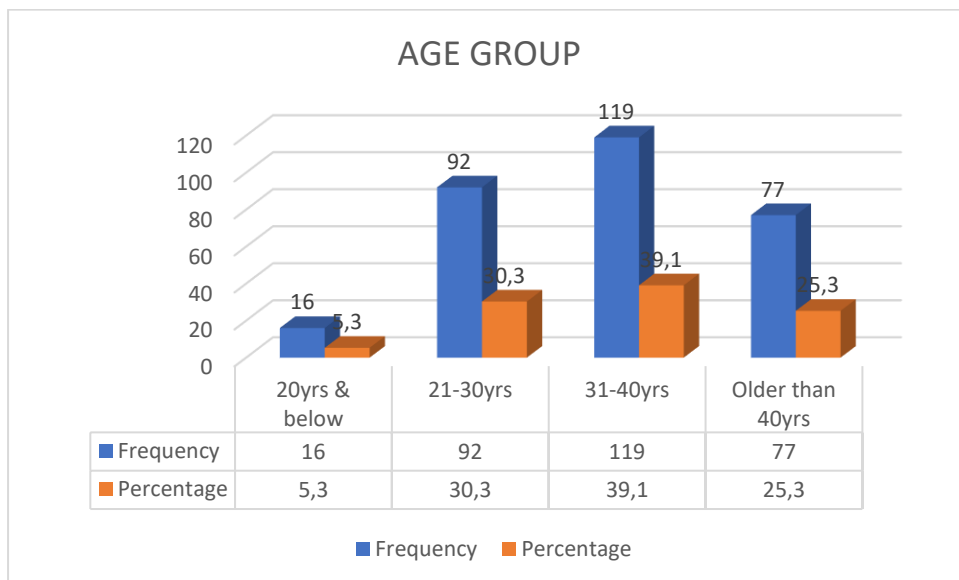


Figure 3: Age group

4.3.3 Marital status

The survey respondents were asked to indicate their marital status. The analysed data revealed that 135 (44.4%) were single, 137 (45.1%) were married, 20(6.6%) were divorced, while 12 (3.9%) were widowed. The respondents' marital status is indicated in Figure 4.

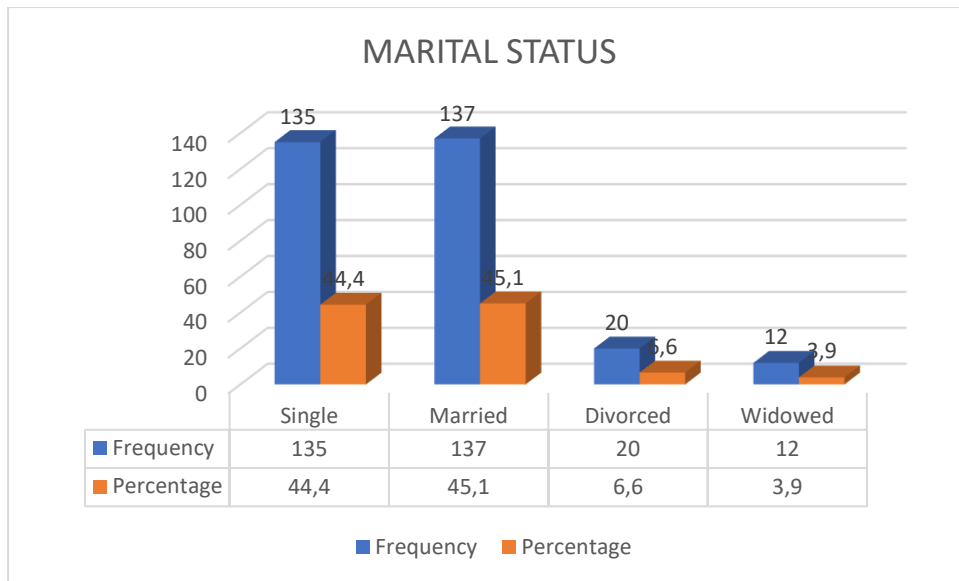


Figure 4: Marital status

4.3.4 Educational background

The survey respondents were asked to indicate their educational background. The analysed data revealed that 81 (26.6%) hold a matric certificate; 76 (25%) have a national diploma; 89(29.3%) a degree; 29(9.5%) a master’s degree; 25(8.2%) a PhD., while 4 (1.3%) hold other certificates. The respondents’ educational background is indicated in Figure 5 below.

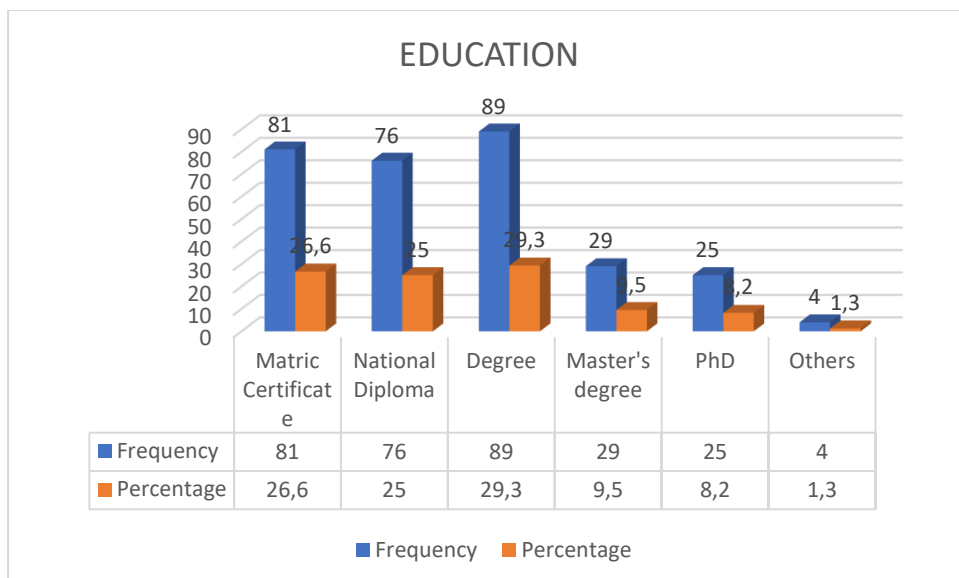


Figure 5: Educational background

4.3.5 Nature of the SMEs

The survey respondents were asked to indicate the nature of their SMEs. The analysed data revealed that 97 (31.9%) were in the retail sector, 72 (23.7%) construction, 48(15.8%) Agriculture, 86(28.3%) manufacturing, while 1(0.3%) other. The respondents' nature of SMEs is indicated in Figure 6.

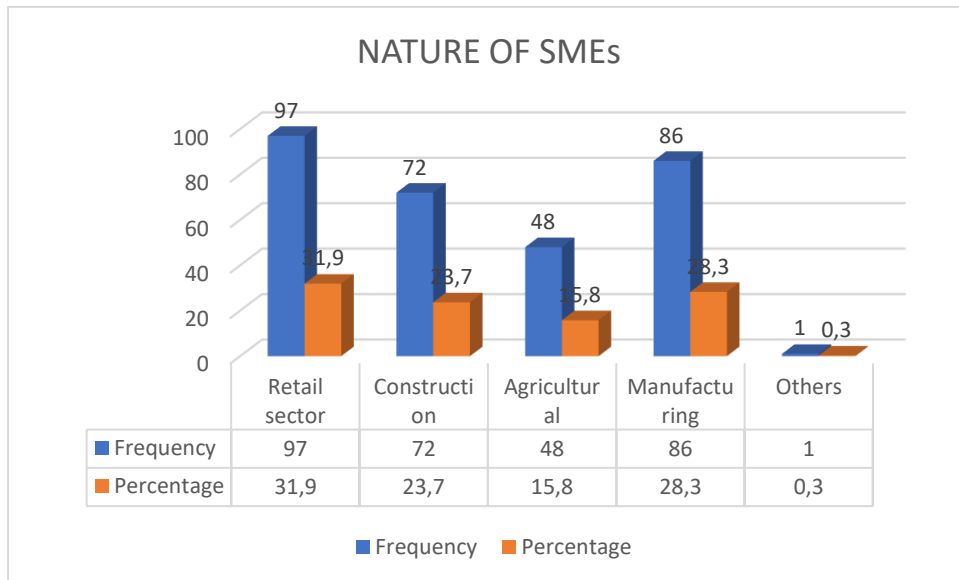


Figure 6: Nature of SMEs

4.3.6 Work experience

The survey respondents were asked to indicate their work experience. The analysed data revealed that 107(35.2%) had 1-5 years, 125 (41.1%) 6-10 years, 55(18.1%) 11-15 years, while 17(5.6%) had more than 15 years. The respondents' work experience is indicated in Figure 7.

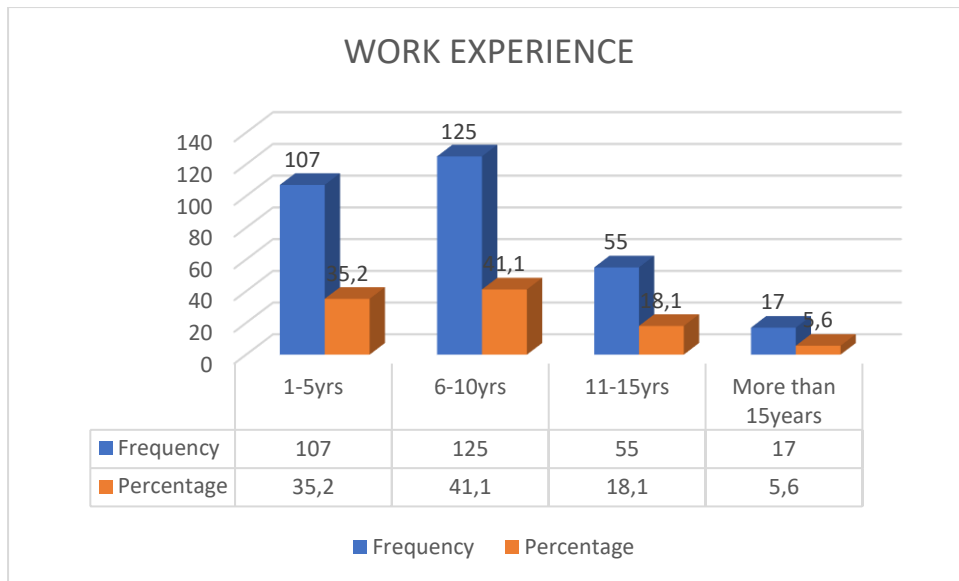


Figure 7: Work experience

4.3.7 Years in business

The survey respondents were asked to indicate their number of years in business. The analysed data revealed that 80(26.3%) had 1-2 years, 88 (28.9%) 2-3 years, 83(27.3%) 3-4 years, while 53(17.4%) had more than 5 years. The respondents' years in business is indicated in Figure 8.

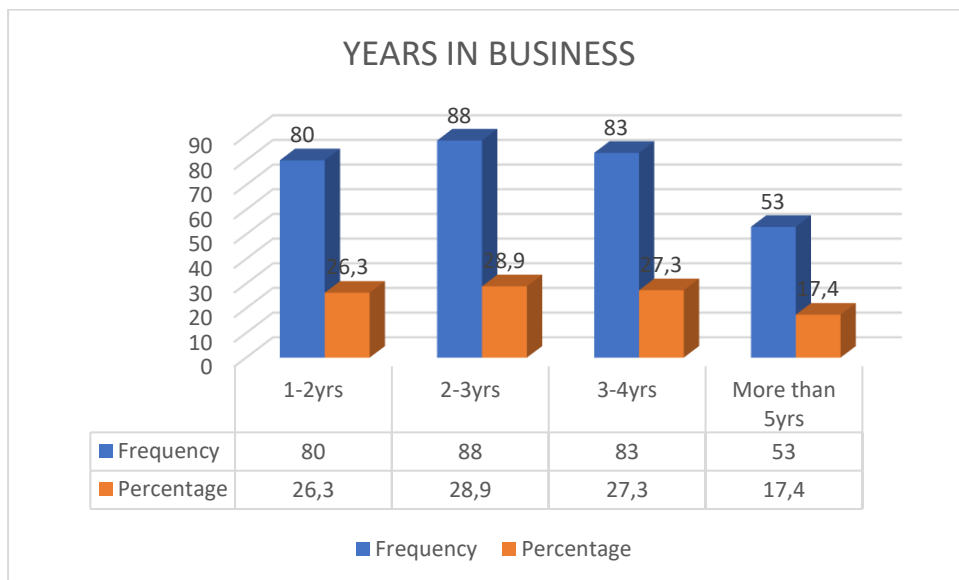


Figure 8: Years in business

4.3.8 Staff strength

The survey respondents were asked to indicate their staff strength (that is, the number of employees). The analyzed data revealed that 145(47.7%) had worked for 1-10 years, 50

(29.6%) for 11-20 years, 60(19.7%) for 21-40 years, while 9(3%) for more than 41 years. The respondents' staff strength is indicated in Figure 9.

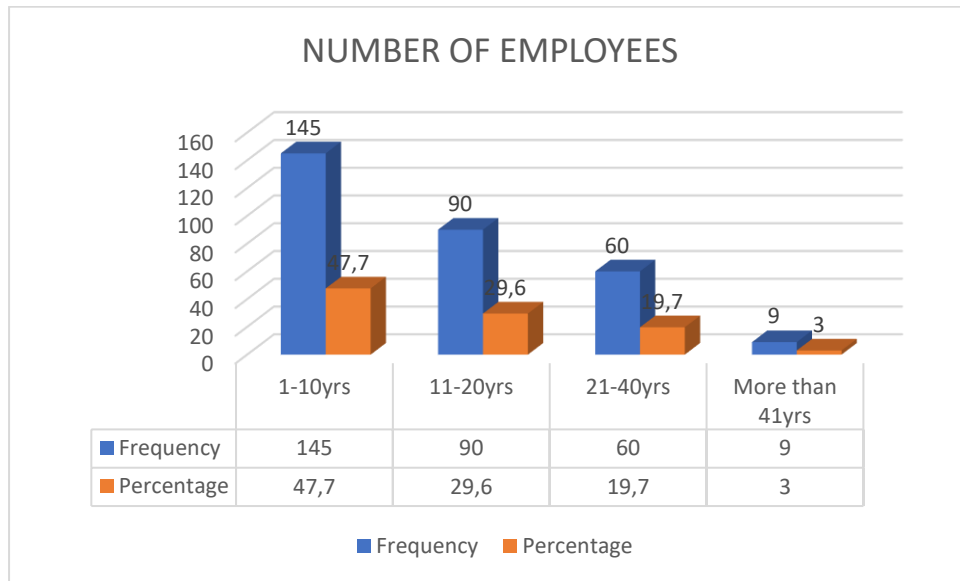


Figure 9: Staff strength

4.4 Descriptive analysis of the survey respondents' responses on predictors for SME sustainability

The analysis of the survey response on financial awareness and SME sustainability is presented in Table 4. The responses were presented in frequencies and percentages from the scale of strongly disagree, disagree, neutral, agree and strongly agree.

Table 4: Responses on analysis of survey responses

S/N	Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.1	Financial Awareness					
1.1.1	I can analyse the financial performance periodically	48 (15.8%)	65 (21.4%)	74 (24.3%)	86 (24.3%)	31 (10.2%)
1.1.2	I prepare monthly income statements	53 (17.4%)	82 (27.0%)	56 (18.4%)	80 (26.3%)	33 (10.9%)
1.1.3	I have received training on book-keeping	71 (23.4%)	80 (26.3%)	52 (17.1%)	63 (20.7%)	38 (12.5%)
1.1.4	My business has bought formal insurance for the business	57 (18.8%)	68 (22.4%)	55 (18.1%)	73 (24.0%)	51 (16.8%)
1.1.5	I can compute the cost of loan capital	9 (3.0%)	47 (15.5%)	93 (30.6%)	108 (35.5%)	47 (15.5%)

1.1.6	I have a savings account	0	20 (6.6%)	35 (11.5%)	61 (20.1%)	188 (61.8%)
1.1.7	I am aware of the required documents to get a loan from a bank to fulfil our financial needs	3 (1.0%)	46 (15.1%)	73 (24.0%)	122 (40.1%)	60 (19.7%)
1.1.8	I am aware of the costs and benefits of accessing credit	6 (2.0%)	49 (16.1%)	78 (25.7%)	118 (38.8%)	53 (17.4%)
1.1.9	I can calculate the interest rates and loan payments correctly	8 (2.6%)	30 (9.9%)	73 (24.0%)	124 (40.8%)	69 (22.7%)
1.1.10	I have the skills required to assess the financial outlook for the business	1 (0.3%)	40 (13.2%)	94 (30.9%)	117 (38.5%)	52 (17.1%)
1.1.11	I have skills for minimizing losses by minimizing bad debts	4 (1.3%)	33 (10.9%)	81 (26.6%)	105 (34.5%)	81 (26.6%)
1.1.12	I have basic accounting knowledge	6 (2.0%)	41 (13.5%)	74 (24.6%)	120 (39.5%)	63 (20.7%)
1.1.13	I am aware that decision making in management is an essential skill required for businesses as it determines the success business.	3 (1.0%)	15 (4.9%)	41 (13.5%)	124 (40.8%)	121 (39.8%)
1.1.14	I am aware of competition and always consider better ways to improve the business.	1 (0.3%)	20 (6.6%)	48 (15.8%)	97 (31.9%)	138 (45.4%)
1.2	Access to Finance for SMEs viability					
1.2.1	The financial services offered by the bank have led to an improvement in the business	20 (6.6%)	45 (14.8%)	116 (38.2%)	90 (29.6%)	33 (10.9%)
1.2.2	The financial services offered by the bank have improved our access to sophisticated technology	21 (6.9%)	51 (16.8%)	94 (30.9%)	105 (34.5%)	33 (10.9%)
1.2.3	The financial services offered by the bank have enabled us to pay utility bills	20 (6.6%)	44 (14.5%)	109 (35.9%)	99 (32.6%)	32 (10.5%)
1.2.4	The saving product provided by the bank is suitable for me	11 (3.6%)	43 (14.1%)	132 (43.4%)	104 (34.2%)	14 (4.6%)
1.2.5	The savings product offered by the bank is safe for us	5 (1.6%)	42 (13.8%)	93 (30.6%)	134 (44.1%)	30 (9.9%)
1.2.6	The loan product provided by the bank suits our needs	13 (4.3%)	49 (16.1%)	143 (47.0%)	82 (27.0%)	17 (5.6%)
1.2.7	The terms and conditions on bank loans are favourable to me	8 (2.6%)	38 (12.5%)	150 (49.3%)	81 (26.6%)	27 (8.9%)
1.2.8	The financial services provided by the bank are safe for us	10 (3.3%)	29 (9.5%)	122 (40.1%)	106 (34.9%)	37 (12.2%)

1.2.9	The account opening fees charged by the bank are affordable	6 (2.0%)	27 (8.9%)	82 (27.0%)	114 (37.5%)	75 (24.7%)
1.2.10	The cost of making a trip to the bank is affordable	11 (3.6%)	18 (5.9%)	61 (20.1%)	126 (41.4%)	88 (28.9%)
1.2.11	I lack access to information on getting government support to grow the business.	27 (8.9%)	57 (18.8%)	95 (31.3%)	83 (27.3%)	42 (13.8%)
1.3	SMEs viability and sustainability					
1.3.1	Reducing operating costs	7 (2.3%)	26 (8.6%)	71 (23.4%)	147 (48.4%)	53 (17.4%)
1.3.2	Increasing profit growth rates and growing market shares	7 (2.3%)	47 (15.5%)	68 (22.4%)	121 (39.8%)	61 (20.1%)
1.3.3	Increasing customer satisfaction	3 (1.0%)	19 (6.3%)	70 (23.0%)	139 (45.7%)	73 (24.0%)
1.3.4	Rapid confirmation of customer orders	3 (1.0%)	17 (5.6%)	85 (28.0%)	132 (43.4%)	67 (22.0%)
1.3.5	Rapid response to market demand	5 (1.6%)	19 (6.3%)	97 (31.9%)	125 (41.1%)	58 (19.1%)
1.3.6	Decreasing product or service delivery cycle time	10 (3.3%)	38 (12.5%)	153 (50.3%)	82 (27.0%)	21 (6.9%)
1.3.7	Profits as a percentage of sales	4 (1.3%)	23 (7.6%)	104 (34.2%)	138 (45.4%)	35 (11.5%)
1.3.8	Return on investments (ROI)	9 (3.0%)	34 (11.2%)	116 (38.2%)	89 (29.3%)	56 (18.4%)
1.4	SMEs Access to market					
1.4.1	I have access to market the product of my business	3 (1.0%)	18 (5.9%)	84 (27.6%)	148 (48.7%)	51 (16.8%)
1.4.2	Access to market is a challenge to my business	6 (2.0%)	71 (23.4%)	115 (37.8%)	78 (25.7%)	34 (11.2%)
1.4.3	Government assist in marketing my product to keep my business viable	40 (13.2%)	97 (31.9%)	82 (27.0%)	63 (20.7%)	22 (7.2%)
1.5	Budgeting by SMEs					
1.5.1	The business consistently prepares operational budgets on a predetermined basis, e.g. bi-annual, annual	20 (6.6%)	43 (14.1%)	57 (18.8%)	132 (43.4%)	52 (17.1%)
1.5.2	The business prepares the budget beginning of the financial year and review at the year end	21 (6.9%)	34 (11.2%)	78 (25.7%)	111 (36.5%)	60 (19.7%)
1.5.3	Budgets forms a basis for employment performance contracts	4 (1.3%)	36 (11.8%)	63 (20.7%)	138 (45.4%)	63 (20.7%)
1.5.4	There is strong alignment of the budget to the business strategy	1 (0.3%)	19 (6.3%)	105 (34.5%)	108 (35.5%)	71 (23.4%)
1.5.5	The business makes use of budgeting process such as	19 (6.3%)	43 (14.1%)	100 (32.9%)	99 (32.6%)	43 (14.1%)

	activity-based budgeting beyond budgeting, rolling budget instead of traditional budgeting					
1.6	Investment by SMEs					
1.6.1	The business invests its surplus cash to generate more income in the future	6 (2.0%)	16 (5.3%)	77 (25.3%)	87 (28.6%)	118 (38.8%)
1.6.2	Consideration of financial measures such as Net Present Value, Internal Rate of Return, is important prior to committing to any investment	13 (4.3%)	31 (10.2%)	129 (42.4%)	91 (29.9%)	40 (13.2%)
1.6.3	The business makes use of third party to conduct investment for the business	55 (18.1%)	66 (21.7%)	52 (17.1%)	66 (21.7%)	65 (21.4%)
1.6.4	Investing in e-commerce infrastructure such as internet website is significant to the success of the business	41 (13.5%)	39 (12.8%)	83 (27.3%)	93 (30.6%)	48 (15.8%)
1.6.5	The business invests in research and development initiatives	36 (11.8%)	70 (23.0%)	66 (21.7%)	95 (31.3%)	37 (12.2%)
1.6.6	The business invests in human capital development e.g., training of its staff	32 (10.5%)	32 (10.5%)	84 (27.6%)	69 (22.7%)	87 (28.6%)
1.7	Borrowing by SMEs					
1.7.1	The business considers cost of borrowing (i.e., interest rate before taking a loan)	25 (8.2%)	42 (13.8%)	60 (19.7%)	125 (41.1%)	51 (16.8%)
1.7.2	Financial ratios such as Debt to Equity are considered before taking out a loan	33 (10.9%)	39 (12.8%)	107 (35.2%)	83 (27.3%)	42 (13.8%)
1.7.3	The business splits long term and short debt to manage its balance sheet.	32 (10.5%)	52 (17.1%)	89 (29.3%)	99 (32.6%)	32 (10.5%)
1.7.4	Tax benefits are taken into consideration when deciding on optimal capital structure of the business	38 (12.5%)	44 (14.5%)	90 (29.6%)	88 (28.9%)	44 (14.5%)
1.7.5	The business is fully conversant with the process to acquire funding from different financial institutions	27 (8.9%)	40 (13.2%)	67 (22.0%)	105 (34.5%)	64 (21.1%)

The outcome presented in Table 4 in terms of **Financial Awareness** indicates that 24.3% of respondents who are owners of SME can analyse the financial performance of their businesses periodically. However, 27.0% disagreed with preparing monthly income statements. The outcome provides evidence that 26.3% disagreed with having received

training in book-keeping. It is also evident that 45.4% of respondents strongly agree to being “aware of the competition and always consider better ways to improve the business” and 61.8% strongly agreed to had savings accounts. It is evident that respondents agreed to their business having formal insurance (24.0%); owners can compute the cost of loan capital (35.5%); are aware of required documents to get a loan from a bank (40.1%); are aware of the costs and benefits of accessing credit (38.8%); owners can compute interest rates and loan payments correctly (40.8%); owners have the required skills to assess financial outlook for the business (38.5%); owners have skills to minimize losses by reducing bad debts (34.5%); owners have basic accounting knowledge (39.5%) and owners are aware that their decision-making in management is an essential skill required for their business, which determines its success (40.8%).

The respondents, in terms of **Access to Finance for SMEs viability**, were neutral on the outcome as follows: financial services offered by the bank have led to an improvement in the business (38.2%), financial services offered by the bank have enabled us to pay utility bills (35.9%), savings products provided by the bank are suitable (43.4%), loan products provided by the bank suits our needs (47.0%), terms and conditions on bank loans are favourable (49.3%) and lack access to information on getting government support to grow the business (31.3%). However, respondents agree as follows: financial services offered by the bank have improved our access to sophisticated technology (34.5%), savings products offered by the bank are safe (44.1%), financial services provided by the bank are safe (34.9%), account opening fees charged by the bank are affordable (37.5%) and the cost of making a trip to the bank is affordable (41.4%)

The respondents, in terms of **SMEs’ viability and sustainability**, were neutral on the outcome as follows: Decreasing product or service delivery cycle time (50.3%) and Return on investments (ROI) (38.2%); whereas respondents agree to the following: Reducing operating costs (48.4%), Increasing profit growth rates and growing market shares (39.8%), Increasing customer satisfaction (45.7%), Rapid confirmation of customer orders (43.4%), Rapid response to market demand (41.1%) and Profits as a percentage of sales (45.4%).

The respondents, in terms of **SMEs' Access to market**, disagreed on the outcome of Government assistance in marketing my product to keep my business viable (31.9%), Access to markets is a challenge to my business (37.8%) and owners have access to market the product of my business (48.7%).

The respondents, in terms of **Budgeting by SMEs**, were neutral on the outcome on the business makes use of budgeting processes such as activity-based budgeting beyond budgeting, rolling budgets instead of traditional budgeting (32.9%). Moreover, the respondents agreed on the following: business consistently prepares operational budgets on a pre-determined basis, e.g., bi-annual, annual (43.4%); business prepares the budget at the beginning of the financial year and reviews at the year-end (36.5%); Budgets form a basis for employment performance contracts (45.4%) and strong alignment of the budget to the business strategy (35.5%).

The respondents, in terms of **Investment by SMEs**, were neutral on the outcome on Consideration of financial measures such as Net Present Value and Internal Rate of Return as important before committing to any investment (42.4%). In addition, 21.7% of the respondents agreed that business makes use of a third party to conduct investments for the business and 21.7% disagreed. A further 30.6% agreed that Investing in e-commerce infrastructure such as internet websites is significant to the success of the business; 31.3% agreed on the business invests in research and development initiatives; and 28.6% and 38.8% strongly agreed on the business invests in human capital development e.g., training of its staff and the business invests its surplus cash to generate more income in the future, respectively.

The respondents, in terms of **Borrowing by SMEs**, were neutral on the outcome as follows: Financial ratios such as Debt to Equity are considered before taking out a loan (35.2%) and Tax benefits are taken into consideration when deciding on the optimal capital structure of the business (29.6%). However, respondents agreed on the following: business considers the cost of borrowing (i.e., interest rate before taking a loan) (41.1%); business splits long-term and short-term debt to manage its balance sheet (32.6%); and business is fully conversant with the process to acquire funding from different financial institutions (34.5%).

4.5 Descriptive analysis of the responses on viability factors for SMEs

The study inferred from Table 4 in terms of Investment indicates that SMEs engage “the third party to conduct investment for the business”. The third-party refers to the use of professionals. The outcome indicates that 18.1% strongly disagreed, 21.7% disagreed, 17.1% were neutral, 21.7% agreed and 21.4% strongly agreed with this statement. This suggests that 21.4% of respondents strongly agree with engaging professionals to make an investment decision to make their businesses more viable.

4.6 Descriptive analysis of the responses on sources of finance for SMEs

The outcome on the knowledge of established agencies to help SMEs grow is presented in Table 5, which shows the source of finance available for SMEs to carry out their business.

Table 5: Availability of the following sources of finance for SMEs

Source of finance	Frequency	Percent
Accelerated and Shared Growth Initiative for SA	49	16.1
Small Enterprise Development Agency	124	40.8
Khula Enterprise Finance Limited	45	14.8
Small Enterprise Funding Agency	40	13.2
National Empowerment Fund	23	7.6
Department of Small Business Development	23	7.6
Total	304	100.0

The output from Table 5 shows that 16.1% are aware of the available source of finance from the Accelerated and Shared Growth Initiative, 40.8% are aware of finance from the Small Enterprise Development Agency, 14.8% are aware of the available source of finance from Khula Enterprise Finance Limited and 13.2%, 7.6% and 7.6% are aware of the available source of finance respectively from the Small Enterprise Funding Agency, National Empowerment Fund and Department of Small Business Development.

However, when respondents were asked whether they lack “access to information on getting government support to grow the business” as indicated in Table 4 in terms of Access to Finance for SMEs viability, 8.9% of respondents strongly disagreed, 18.8% disagreed, 31.3% were neutral, 27.3% agreed and 13.8% strongly agreed. This suggests that a high percentage (31.3%) of respondents were neutral.

4.7 Descriptive analysis of the responses on where SMEs borrow money

Table 6 shows where businesses borrow their money to operate.

Table 6: Where businesses borrow money

Where business borrow	Frequency	Percent
Family and friends	128	42.1
Commercial banks	90	29.6
Venture capitalists	34	11.2
Government agencies	52	17.1
Total	304	100.0

The outcome shows that businesses borrow their money from Family and friends (42.1%), Commercial banks (29.6%), venture capitalists (11.2%) and Government agencies (17.1%). This result shows that most (42.1%) SMEs borrow money from family and friends.

4.8 Descriptive analysis of the responses on employee performance reviews

The study obtained responses on the impact of employee performance reviews on SMEs, as presented in Table 7. The responses were presented in frequency and percentage from the scale of strongly disagree, disagree, neutral, agree and strongly agree.

Table 7: Analysis of survey responses on Employee Performance Reviews

S/N	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.1	Able to meet deadlines	1 (0.3%)	12 (3.9%)	55 (18.1%)	109 (35.9%)	126 (41.4%)
1.2	Have problem-solving skills	11 (3.6%)	50 (16.4%)	51 (16.8%)	120 (39.5%)	71 (23.4%)
1.3	Being dependable	5 (1.6%)	9 (3.0%)	78 (25.7%)	101 (33.2%)	110 (36.2%)
1.4	Have good attendance	2 (0.7%)	13 (4.3%)	55 (18.1%)	116 (38.2%)	117 (38.5%)
1.5	Produce quality and accurate work	1 (0.3%)	12 (3.9%)	52 (17.1%)	87 (28.6%)	151 (49.7%)
1.6	Have good communication skills	2 (0.7%)	17 (5.6%)	50 (16.4%)	94 (30.9%)	140 (46.1%)
1.7	Collaboration skills and teamwork	3 (1.0%)	14 (4.6%)	43 (14.1)	127 (41.8%)	116 (38.2%)

The outcome of employee performance reviews shows that responses are skewed to Agree and strongly agree, as presented in Table 7. It is evident that respondents strongly agree on: Able to meet deadlines (41.4%), Being dependable (36.2%), Have good attendance (38.5%),

Produce quality and accurate work (49.7%) and Have good communication skills (46.1%). In addition, the respondents agreed on the following: Have problem-solving skills (39.5%) and Collaboration skills and teamwork (41.8%).

4.9 Descriptive analysis of the responses on surplus cash for SMEs

Responses were obtained on where businesses invest their surplus cash. The responses are presented in Table 8, which shows the frequency and percentage from the scale of strongly disagree, disagree, neutral, agree and strongly agree.

Table 8: Analysis of survey responses on surplus cash

S/N	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
2.1	Market securities (Johannesburg Stock Exchange)	43 (14.1%)	53 (17.4%)	138 (45.4%)	41 (13.5%)	28 (9.2%)
2.2	Commercial Banks	10 (3.3%)	38 (12.5%)	44 (14.5%)	94 (30.9%)	117 (38.5%)
2.3	Government Bonds	55 (18.1%)	52 (17.1%)	118 (38.8%)	59 (19.4%)	19 (6.3%)
2.4	Other Business enterprises	14 (4.6%)	20 (6.6%)	74 (24.3%)	90 (29.6%)	105 (34.5%)

The outcome on where businesses invest their surplus shows that most respondents were neutral in terms of investing in market securities (45.5%) and Government bonds (38.8%), whilst respondents strongly agreed to invest in other business enterprises (34.5%) and investing in Commercial Banks (30.9%).

4.10 Exploratory Factor Analysis (EFA)

The EFA was carried out to screen data and determine the factor structure of the items used to measure the variables in this study. By measuring the factors, the study identifies the key predictors that contribute to viable and sustainable SMEs in Kwa-Zulu Natal.

The Principal Component Analysis (PCA) was valuable in the determination of the factors to be extracted for the variables measured in this study (Ganiyu, Derera, Fields and Atiku, 2020). The EFA conducted provided clarity on factors that are moving together via factor extraction (Hadi, Abdullah and Sentosa, 2016). Items with loadings of .40 upwards were retained for this study. The sample size adequacy was ensured using the Kaiser-Meyer-Olkin (KMO). Kaiser

(1974) cited in Ganiyu et al. (2020, p.6) “suggests 0.5 as the threshold for the KMO, while the value between 0.5 and 0.7 is considered as mediocre; values between 0.7 and 0.8 are good; 0.8 and 0.9 are considered great value and 0.9 and above are considered excellent.” The reliability of the research instrument was measured using Cronbach’s alpha coefficient test of reliability. Table 9 illustrates the factor loadings of each item.

Table 9: Exploratory Factor Analysis

	Item factor loadings								
	1	2	3	4	5	6	7	8	9
BBS_1	.686								
BBS_2	.780								
BBS_3	.783								
BBS_4	.812								
BBS_5	.753								
AF_1	.540								
AF_2	.510								
AF_3	.524								
INV_5	.516								
INV_6	.449								
EPR_1		.720							
EPR_2		.406							
EPR_3		.744							
EPR_4		.790							
EPR_5		.805							
EPR_6		.819							
EPR_7		.763							
SC_4		.422							
FA_1			.765						
FA_2			.785						
FA_3			.774						
FA_4			.738						
FA_7			.560						
FA_8			.488						
FA_10			.475						
SMES_1				.651					
SMES_2				.592					
SMES_3				.774					
SMES_4				.626					
SMES_5				.631					
SMES_7				.614					
SMES_8				.547					
AF_4					.637				
AF_5					.722				

AF_6					.698				
AF_7					.742				
AF_8					.715				
AF_9					.667				
AF_10					.504				
Budgt_1						.747			
Budgt_2						.760			
Budgt_3						.696			
Budgt_4						.624			
Budgt_5						.764			
FA_5							.474		
FA_6							.403		
FA_9							.563		
FA_11							.548		
FA_12							.622		
FA_13							.452		
FA_14							.537		
INV_1							.439		
SC_1								.721	
SC_3								.829	
SAM_2									.730
SMES_6									.723
AF_11									.565
Cronbach's	.842	.876	.883	.874	.882	.906	.842	.749	.505
Eigenvalue	19.336	5.746	3.584	2.603	2.395	2.142	1.794	1.693	1.341
Variance (%)	29.748	8.841	5.514	4.004	3.684	3.295	2.760	2.604	2.062

KMO = .917; $X^2 = 13987.325$; df = 2080; p < 0.001

Table 9 revealed that five (9) factors emerged from the EFA. The outcome of the EFA revealed good reliability of all the factors extracted in this study. The Cronbach's alpha coefficient indicated that factor 1 has a Cronbach's alpha of .842, while factor 2 revealed a reliability of .876.

Factors 3, 4, 5, 6, 7, 8 and 9 have a Cronbach's alpha of .883, .874, .882, .906, .842, .749 and .505 respectively. The Eigenvalue for factor 1 which measures Borrowed by SMEs (BBS), Financial Awareness (FA), Investment (INV) factor is 19.336 and explained 29.748% of the variance. Factor 2 was used to measure Employees' Performance Reviews (EPR) and Surplus Cash (SC) factors and has an Eigenvalue of 5.746, with 8.841% of variance explained. Factor 3

which measures the FA factor revealed an Eigenvalue of 3.584 and explained a 5.514% variance.

Factor 4 which was used to measure SMEs has an Eigenvalue of 2.603 with 4.004% of the variance explained. Factor 5 which measures Access to Finance (AF) produced an Eigenvalue of 2.395 and explained 3.684% of the variance. Factor 6 measures Budgeting produced an Eigenvalue of 2.142 and explained 3.295% of the variance. Factor 7 which measures FA and INV produced an Eigenvalue of 1.794 and explained 2.760% of the variance. Factor 8 which measures SC produced an Eigenvalue of 1.693 and explained 2.604% of the variance.

Factor 9 which measures SMEs Access to Market (SAM), SME Sustainability (SMES) and AF produced an Eigenvalue of 1.341 and explained 2.062% of the variance. The KMO test of 0.917 is an indication of the study sample size adequacy. The Bartlett Test of Sphericity is significant at $p < 0.0005$.

4.11 Analysis of Research Questions

The study elicited responses on the following factors/variables: financial awareness, access to finance for SME viability, SME sustainability, SMEs' access to market, budgeting, investment and borrowing. The descriptive analyses of the responses to these factors were addressed with the research questions that were outlined in Chapter 1. Four research questions were formulated and answered in this study. Linear regression and Pearson's correlation coefficients were employed to answer the research questions. The research questions and the analysis are presented as follows:

4.11.1 Research Question One

Research Question One was framed thus: What is the effect of financial awareness on SME sustainability? To answer this research question, a linear regression analysis was conducted to establish the causal influence between the independent variables (i.e., access to market, access to finance and financial accounting skills) and the dependent variable (DV) (i.e., SMEs' sustainability). Table 10 showcases the summary of outputs from the regression analysis.

Table 10: Output of regression analysis on Financial Awareness (Access to market, Access to finance & financial accounting skills) as predictors of SMEs' sustainability

Variables in the equation	B	Beta	T	p-value	R ²	F	df	p-value
Constant	6.424		4.250	<.0005	.442	78.881	3; 299	<.0005
Financial accounting skills	.302	.309	6.141	<.0005				
Access to finance	.425	.444	8.788	<.0005				
Access to market	.373	.163	3.760	<.0005				

a. **Predictor: (Constant), Access to finance, Access to finance & Financial accounting skills; b. DV: SME's viability and sustainability**

The outcome shows the regression model with three independent variables that proxied financial awareness, where access to finance has the largest absolute value 0.425, which indicates that access to finance uniquely accounts for the larger proportion of the variance in the regression model.

4.11.2 Research Question Two

Research Question Two was formulated to establish what is the relationship between financial accounting skills and sustainable SMEs? Pearson's correlation coefficient was adopted to establish the level of relationship between the two variables. The rule of thumb for interpreting the strength of relationship (Moore, Notz and Flinger, 2013) based on the r value indicates the relationship between two variables as presented in Table 11.

Table 11: Rule of Thumb on strength of Association

Absolute <i>r</i> value	Strength of Relationship
$r < 0.3$	None or very weak
$0.3 < r < 0.5$	Weak
$0.5 < r < 0.7$	Moderate
$r > 0.7$	Strong

The outcome of the Pearson's correlation between financial accounting skills and sustainable SMEs is presented in Table 12.

Table 12: Output of Pearson's correlation on the relationship between financial accounting skills and sustainable SMEs

Construct A	Construct B	Pearson's correlation (<i>r</i>)	p - value
Financial accounting skills	Sustainable SMEs	0.531**	<.0005

****.** Correlation is significant at the 0.01 level (2-tailed)

The outcome indicates a moderate correlation (r value is 0.531) between financial accounting skills and sustainable SMEs at a p -value <0.0005 .

4.11.3 Research Question Three

In a similar vein, Question Three was stated as what is the relationship between financial awareness and financial accounting skills? Table 13 shows the outcome of the Pearson's correlation between financial awareness and financial accounting skills.

Table 13: Outcome of Pearson's correlation between financial awareness and financial accounting skills

Construct A	Construct B	Pearson's correlation (r)	p - value
Financial awareness	Financial accounting skills	0.457**	$<.0005$

****.** Correlation is significant at the 0.01 level (2-tailed)

The outcome indicates that there is a weak correlation (r value is 0.457) between financial awareness and financial accounting skills at a p -value <0.0005 .

4.11.4 Research Question Four

Research Question Four was formulated to establish what is the effect of budgeting and financial awareness on SME sustainability? Table 14 illustrates the summary of the regression analysis which was used to determine the causal influences amongst the variables measured in this study.

Table 14: Outcome of regression analysis of the effect of budgeting and financial awareness on SMEs' viability and sustainability

Variables in the equation	B	Beta	t	p -value	R^2	F	df	p -value
Constant	15.783		14.718	$<.0005$.232	45.411	2; 301	$<.0005$
Budgeting	.372	.337	5.172	$<.0005$				
Financial awareness	.148	.192	2.944	$<.0005$				

- a. Predictor: (Constant), budgeting & financial awareness;
- b. DV: SMEs' viability and sustainability

The outcome shows the regression model with two independent variables where budgeting has the largest absolute value of 0.372, which indicates that budgeting uniquely accounts for the largest proportion of the variance in the regression model.

4.12 Discussion of Research Objectives

Research objective One was to examine the effect of financial awareness on SMEs' viability and sustainability. Financial awareness was captured by access to market, access to finance, and financial accounting skills. According to Nyathi, Nyoni, Nyoni and Bonga (2018), financial accounting information helps in measuring the business performance. Lucato, Costa and de Oliveira Neto (2017) indicated that the net Income, sales growth, financial ratios as well as expense reductions are ways to measure business performance. Saunila (2016) indicated that small businesses do not keep records of their business transactions, which was confirmed in this study (see Table 4). Keeping records on business performance indicators requires the needed accounting skill as it provides financial information to investors, management and creditors. This study reveals that bookkeeping continues to be a challenge for SMEs, which agrees with the statement by Ezeagba (2017) that "inadequate accounting books and records" is a challenge still faced by SMEs when preparing and presenting their financial report. This study revealed that SMEs can compute the cost of loan capital and analyse financial performance periodically, which suggests that the owners of SMEs have the knowledge required in performing financial analysis. The outcome of this study indicated that access to market, access to finance and financial accounting skills are variables that influence SMEs' sustainability. However, it was noted that access to finance has the largest absolute value of 0.425, thus accounting for the larger proportion of the variance in the regression model for this study. This implies that SMEs should not only focus on access to market and financial accounting skills in running their businesses.

Research objective Two was to establish the relationship between financial accounting skills and sustainable SMEs. As indicated earlier by Nyathi, Nyoni, Nyoni and Bonga, (2018), business performance can be measured by financial accounting information such as net income, sales growth, financial ratios and reductions in expenses. This study revealed that SMEs are keen on reducing the operating costs of their businesses. Again, having the requisite skills for projecting profit growth rate, market shares, operating cost, customer satisfaction

and computing the return on investment (ROI) (see Table 4) aids in SMEs' sustainability. The study revealed that SMEs have basic accounting knowledge that help them acquire skills to prepare monthly income statements, calculate the interest rates and loan payments correctly, and compute the cost of loan capital, which demonstrates that SMEs have the requisite financial accounting skills. However, this study established a moderate correlation (r value is 0.531) between financial accounting skills and sustainable SMEs. This study can agree with Lucato, Costa and de Oliveira Neto (2017) on the ways to measure financial performance.

Research Objective Three aimed at ascertaining the relationship between financial awareness and financial accounting skills. According to Damayanti *et al.* (2018), these help business owners to manage their finance and investment decisions. This influences the behaviour of the business owner in terms of how to use money, understand the financial market and how new product development can meet the new needs on the financial market (Dalkilic and Kirkbesoglu 2015). According to Amoah (2016), financial awareness also influences a small business owner's decision on which financial professional to consult during financial challenges of the business owner. Bushe (2019) cited skills improvement, use of services of professionals in the management of SMEs and environmental variables such as customer tastes, trending issues, technology etc. as impacting the success SMEs. In this study, it is confirmed that SMEs engage the services of professionals to make an investment decision to make their businesses viable. Again, it is established that SMEs invest in the use of technologies (i.e., e-commerce infrastructure) in their businesses. In this study, it was established that there is a weak correlation (r value is 0.457) between financial awareness and financial accounting skills at a p -value <0.0005 .

Research objective Four was formulated to establish the effects of budgeting and financial awareness on SMEs' viability and sustainability. This study revealed that based on the regression model, budgeting has the largest absolute value of 0.372, indicating that budgeting accounts for the largest proportion of the variance in the regression model. This revelation seems to agree with the statement by Yogendrarajah, Kengatharan and Jeyan Suganya (2017) that capital budgeting factors are important sources of funding for SMEs. Although this study could not relate budgeting to the source of funding, it suggests that when the SME has the requisite knowledge on budgeting, it can facilitate investor decisions to invest in the SME.

Financial awareness on retirement plans for SME owners might be a challenge to ensure sustainable SMEs as this study could not establish a clear fact on the retirement plans of owners.

4.13 Implications of the study for Theory and Practice

The discussion of findings and implication of the outcomes are considered in terms of contributions to theory and practice.

Theoretical implications of the outcome on SMEs is that for SMEs to be sustainable and viable, access to market, financial accounting skills, access to finance and Budgeting are important concepts.

The practical implication of the outcome of the research on SMEs is that the findings suggest key predictors that contribute to the viability and sustainability of small and medium enterprises in Kwa-Zulu Natal. The study established the relationship between the factors and SME sustainability to aid SME owners on which factor combinations are relevant to their business success. It was discovered that access to finance and budgeting uniquely accounts for SMEs' sustainability. This revelation indicates that SMEs should consider finance and budgeting to make their businesses sustainable. Similarly, there is a moderate correlation between financial accounting skills and SMEs' sustainability. Additionally, there is a weak correlation between financial awareness and financial accounting skills, as observed in this study. It is noteworthy to indicate that the correlation between the factors only gives information on the degree of relationship, without a reference to the causal effect relationship between the factors. The nine factors that emerged from the EFA indicate good reliability of all factors considered in this study. These factors identified are significant to ensure sustainable and viable SMEs. The study reveals that 26.3% (80 respondents) disagreed with receiving training on book-keeping (see Table 4). This seems to conform to the assertion of studies (Saunila, 2016; O'Neill, Sohal and Teng, 2016) that the majority of small businesses do not keep records of business transactions. According to Nyathi, Nyoni, Nyoni and Bonga (2018), the use of accounting information assists in measuring the performance of the business and since record-keeping is not adhered to by the SMEs, it suggests that there is an ineffective way to measure business performance.

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This chapter presents the summary, recommendations and conclusions to this study on the role of financial awareness for viable and sustainable SMEs in Durban, Kwa-Zulu Natal, South Africa. The contribution of this study to existing knowledge, limitations of the study and possible areas of further research are also stated.

5.2 Summary of Findings

The study examines the role of financial awareness for the viability and sustainability of small-medium businesses in Durban, Kwa-Zulu Natal, South Africa. Specifically, the study established the influence of financial awareness on SME sustainability; analysed the influence of financial awareness on the viability and sustainability of small and medium enterprises in Kwa-Zulu Natal; identified the key predictors that contribute to the viability and sustainability of small and medium enterprises in Kwa-Zulu Natal; and recommends ways to assist owners of SMEs with financial awareness to run a successful small business. In order to achieve these specific objectives, data on the retail sector, construction, agriculture and manufacturing were collected and analysed using information from SMEs. A research questionnaire was administered to the owners of these sectors to elicit both qualitative and quantitative information which were analysed using SPSS to help achieve these objectives.

Chapter One presented background information on SMEs, the problem statement, the specific objectives, significance of the study and justification for the study. The rationale behind the study is that, unfortunately, small businesses are unable to survive and grow because of a lack of accounting skills, a lack of knowledge on financial concepts, etc. Considering this, the research focused on creating a sustainable and viable small and medium enterprise through financial awareness.

Chapter Two reviewed existing literature to establish the gap in knowledge on creating a framework for sustainable and viable SMEs in Durban, Kwa-Zulu Natal. Various theoretical frameworks were reviewed to create a conceptual framework for this study. Empirical reviews were also provided in order to understand the factors that have been explored on financial awareness in small-medium enterprises.

Chapter Three discussed the research methodology of the study which focused on the research design, target population, sampling design, data collection and data analysis, validity and reliability and ethical considerations.

Chapter Four presented the outcomes of the survey analysis to examine the role of financial awareness for the viability and sustainability of small-medium businesses in Durban, Kwa-Zulu Natal, South Africa. Data was collected from the respondents and analysed using a statistical analysis package called the Statistical Package for the Social Sciences (SPSS) to understand the outlined research objectives.

Research Question One was: to what extent do access to market and financial accounting skills influence SMEs' sustainability? The linear regression analysis was conducted to establish the influence between the independent variables (i.e., access to market, access finance and financial accounting skills) and the dependent variable (DV) (i.e., SMEs' sustainability). The outcome shows the regression model with three independent variables where access to finance has the largest absolute value of 0.425, which indicates that access to finance uniquely accounts for the larger proportion of the variance in the regression model.

Research Question Two established the relationship between financial accounting skills and sustainable SMEs. The Pearson's correlation coefficient was used to establish the level of relationship between financial accounting skills and sustainable SMEs. The strength of relationship r value indicated a moderate correlation (r value is 0.531) between financial accounting skills and sustainable SMEs at a p -value <0.0005 .

Research Question Three ascertained the relationship between financial awareness and financial accounting skills, in which the outcome indicated a weak correlation (r value is 0.457) at a p -value <0.0005 .

Research Question Four established the influences of budgeting and financial awareness on SMEs' sustainability, where the regression analysis to determine the influences amongst the variables measured indicated that budgeting has the largest absolute value of 0.372, which shows that budgeting uniquely accounts for the largest proportion of the variance in the regression model.

The Exploratory Factor Analysis conducted revealed good reliability of nine factors extracted in this study. The Cronbach's alpha coefficient indicated that factor 1 has a Cronbach's alpha of .842, while factor 2 revealed reliability of .876. Factors 3, 4, 5, 6, 7, 8 and 9 have a Cronbach's alpha of .883, .874, .882, .906, .842, .749 and .505 respectively.

5.3 Recommendations

Based on the summary of findings, the study put forward the following recommendations for SMEs:

- a) Access to market, access finance and financial accounting skills were identified as the independent variables, while SMEs' sustainability is the dependent variable of the regression analysis.
- b) Access to finance has the largest absolute value (0.425) that uniquely accounts for the largest proportion of the variance in the regression model. This suggests that SME owners should pay much attention to access to finance in running their businesses.
- c) There is a weak correlation between financial awareness and financial accounting skills. Thus, financial awareness does not correlate with financial accounting skills, which suggests that owners of SMEs can analyse the financial performance of their businesses periodically and they also have skills to minimize losses by reducing bad debts.
- d) Owners of SMEs have the required financial skills to minimize losses; have basic accounting knowledge; and are aware that decision-making in management is an essential skill required for businesses as it determines the success of the business.
- e) The outcome of Employee Performance Reviews shows that employees have good communication skills, produce quality and accurate work and meet deadlines. Additionally, they agreed to employees having problem-solving skills, collaboration skills and teamwork. The study recommends that Employee Performance Review factors should be considered as it contributes to enhancing the financial accounting skills and knowledge of the staff of the SME.
- f) Employees are encouraged to continuously enhance their skills through collaboration and teamwork. Moreover, the use of professional services should be strengthened to further improve the skills of employees in SMEs.
- g) The Government should aid SMEs to market their products and keep their business viable. According to Jili, Masuku and Selepe (2017), SMEs lack access to the market and the required technology to market their products.

- h) The lack of access to economic opportunities for SME owners to grow their businesses and constraints to “entry and growth” on the market remain challenges faced by SMEs (Bhorat *et al.*, 2018). From Table 4, it is evident that SMEs prefer to borrow money from family and friends, while Government agencies are mostly not preferred. The lack of preference to borrow from Government agencies might suggest a lack of confidence in government agencies. Similarly, it might suggest that SMEs are finding it difficult to comply with the established regulatory framework. It is significant to improve policies on borrowing money from Commercial banks, Venture capitalists and Government agencies to improve access to capital for the SMEs.
- i) Budgeting plays an important role in SME sustainability, more than financial awareness. It is therefore recommended that SMEs should give more attention to budgeting to ensure sustainable SMEs.
- j) More training or awareness is needed in book-keeping. This is because training equips SME owners with the needed skills to ensure accurate recording of business transactions, which is beneficial when SMEs need financial assistance from Banks.

5.4 Conclusion

Based on the findings of the study, the following conclusions were drawn:

- i. Access to finance uniquely accounts for the larger proportion of the variance in the regression model.
- ii. There is a moderate correlation between financial accounting skills and sustainable SMEs.
- iii. There is a weak correlation between financial awareness and financial accounting skills.
- iv. Budgeting uniquely accounts for the largest proportion of the variance in the regression model.

5.5 Limitation of the Study

The major limitation is that the responses were not categorized into the retail sector, construction, agriculture and manufacturing, which poses a challenge in knowing the financial awareness, access to market, etc. issues that were specific to each sector.

Although the level of financial awareness differs on the type of SME (that is, retail, manufacturing, etc.), the weak correlation between financial awareness and financial accounting skills needs further investigation. The study was limited in terms of finding the level of financial awareness needed by each sector of SME.

The demographic information was not correlated with the responses from the various categories, namely retail sector, construction, agriculture and manufacturing. Such correlation is recommended for future work.

5.6 Suggestions for further Research

Further research should consider comparative analyses of the retail sector, manufacturing, agricultural sector and other sectors within the SME sector in order to understand the influence of financial awareness, accounting skills, budgeting on SME sustainability.

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Appendix I: QUESTIONNAIRE

Topic: The Role of Financial Awareness for Viable and Sustainable Small-Medium Enterprises in Kwa-Zulu Natal, Durban.

PART A: DEMOGRAPHIC INFORMATION

Please mark 'X' in the box provided for answers applicable to you. (Only one answer should be given for each question).

1. Gender

Male Female

2. Age group

20 years or below 21 to 30 years 31 to 40 years older than 40 years

3. Marital status

Single Married Divorced Widowed

4. Educational background

Matric certificate National diploma Degree Master's Degree

PhD Other, specify _____

5. Nature of the SMEs

Retail sector Construction Agricultural Manufacturing

Other, specify _____

6. Work experience

1 to 5 years 6 to 10 years 11 to 15 years More than 15 years

7. How many years has the business existed

to 2 year 3 t years 5 to 6ars More n 7 years

8. How many employees worked in your business since it started

to 10 to 20 21 to More than

PART B: FINANCIAL AWARENESS ON SMES SUSTAINABILITY

Please indicate the option that best suits your opinion with an 'X', in a box which you deem appropriate.

Strongly disagree = 1

Disagree = 2

Agree = 3

Strongly agree = 4

S/N	Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.1	Financial Awareness					
1.1.1	I can analyse the financial performance periodically					
1.1.2	I prepare monthly income statements					
1.1.3	I have received training on book-keeping					
1.1.4	My business has bought formal insurance for the business					
1.1.5	I can compute the cost of loan capital					
1.1.6	I have a savings account					
1.1.7	I am aware of the required documents to get a loan from a bank to fulfil our financial needs					
1.1.8	I am aware of the costs and benefits of accessing credit					
1.1.9	I can calculate the interest rates and loan payments correctly					
1.1.10	I have the skills required to assess the financial outlook for the business					

1.1.11	I have skills for minimizing losses by minimizing bad debts					
1.1.12	I have basic accounting knowledge					
1.1.13	I am aware that decision making in management is an essential skill required for businesses as it determines the success business.					
1.1.14	I am aware of competition and always consider better ways to improve the business.					
1.2	Access to Finance for SMEs viability					
1.2.1	The financial services offered by the bank have led to an improvement in the business					
1.2.2	The financial services offered by the bank have improved our access to sophisticated technology					
1.2.3	The financial services offered by the bank have enabled us to pay utility bills					
1.2.4	The saving product provided by the bank is suitable for me					
1.2.5	The savings product offered by the bank is safe for us					
1.2.6	The loan product provided by the bank suits our needs					
1.2.7	The terms and conditions on bank loans are favourable to me					
1.2.8	The financial services provided by the bank are safe for us					
1.2.9	The account opening fees charged by the bank are affordable					
1.2.10	The cost of making a trip to the bank is affordable					
1.2.11	I lack access to information on getting government support to grow the business.					
1.3	SMEs sustainability					
1.3.1	Reducing operating costs					
1.3.2	Increasing profit growth rates and growing market shares					
1.3.3	Increasing customer satisfaction					

1.3.4	Rapid confirmation of customer orders					
1.3.5	Rapid response to market demand					
1.3.6	Decreasing product or service delivery cycle time					
1.3.7	Profits as a percentage of sales					
1.3.8	Return on investments (ROI)					
1.4	SMEs Access to market					
1.4.1	I have access to market the product of my business					
1.4.2	Access to market is a challenge to my business					
1.4.3	Government assist in marketing my product to keep my business viable					
1.5	Budgeting by SMEs					
1.5.1	The business consistently prepares operational budgets on a predetermined basis, e.g. bi-annual, annual					
1.5.2	The business prepares the budget beginning of the financial year and review at the year end					
1.5.3	Budgets forms a basis for employment performance contracts					
1.5.4	There is strong alignment of the budget to the business strategy					
1.5.5	The business makes use of budgeting process such as activity-based budgeting beyond budgeting, rolling budget instead of traditional budgeting					
1.6	Investment by SMEs					
1.6.1	The business invests its surplus cash to generate more income in the future					
1.6.2	Consideration of financial measures such as Net Present Value, Internal Rate of Return, is important prior to committing to any investment					
1.6.3	The business makes use of third party to conduct investment for the business					

1.6.4	Investing in e-commerce infrastructure such as internet website is significant to the success of the business					
1.6.5	The business invests in research and development initiatives					
1.6.6	The business invests in human capital development e.g., training of its staff					
1.7	Borrowing by SMEs					
1.7.1	The business considers cost of borrowing (i.e., interest rate before taking a loan)					
1.7.2	Financial ratios such as Debt to Equity are considered before taking out a loan					
1.7.3	The business splits long term and short debt to manage its balance sheet.					
1.7.4	Tax benefits are taken into consideration when deciding on optimal capital structure of the business					
1.7.5	The business is fully conversant with the process to acquire funding from different financial institutions					

1.7 Are you aware of the availability of the following source of finance for SME's [Tick your option]:

- 1) Accelerated and Shared Growth Initiative for South Africa (ASGISA)
- 2) Small Enterprise Development Agency (SEDA)
- 3) Khula Enterprise Finance Limited (Khula)
- 4) Small Enterprise Funding Agency (SEFA)
- 5) National Empowerment Fund (NEF)
- 6) Department of Small Business Development (DSBD)

1.8 Where does the business borrow money from? [Tick your option]

- 1) Family and friends
- 2) Commercial banks
- 3) Venture capitalists
- 4) Government agencies

PART C: PLEASE ANSWER THE FOLLOWING FACTORS FOR SMEs SUSTAINABILITY AND VIABILITY.

1. Employee performance review

Please state your agreement with the following qualities an SME owner should have in order to improve their business.

Strongly disagree = 1

Disagree = 2

Agree = 3

Strongly agree = 4

S/N	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.1	Able to meet deadlines					
1.2	Have problem solving skills					
1.3	Being dependable					
1.4	Have good attendance					
1.5	Produce quality and accurate work					
1.6	Have good communication skills					
1.7	Collaboration skills and teamwork					

2. Where does the business invests its surplus cash?

Strongly disagree = 1

Disagree = 2

Agree = 3

Strongly agree = 4

S/N	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
2.1	Market securities (Johannesburg Stock Exchange)					
2.2	Commercial Banks					
2.3	Government Bonds					
2.4	Other Business enterprises					

The end. Thank you for your co-operation.

Appendix 2: Letter to conduct research



INFORMATION AND CONSENT FORM

FACULTY OF ACCOUNTING AND INFORMATICS

MASTER OF ACCOUNTING: COST AND MANAGEMENT ACCOUNTING

29 September 2020

Dear Participant

I, Thabiso Sthembiso Msomi, am a master's student at the Durban University of Technology. Your valuable input is required for a research study on **The Role of Financial Awareness for Viable and Sustainable Small-Medium Enterprises in Kwa-Zulu Natal, Durban**. In this research, the researcher aims to identify and examine the key predictors for the survival of small and medium enterprises.

Title of the Research Study: The Role of Financial Awareness for Viable and Sustainable Small-Medium Enterprises in Kwa-Zulu Natal, Durban.

Investigator/s/researcher: Thabiso Sthembiso Msomi, ND: Accounting, BTech: Corporate Administration

Co-Investigator/s/supervisor/s: Odunayo Margret Olarewaju, PhD, CA(NIG), ACMA, CGMA

Brief Introduction and Purpose of the Study: The purpose of the study is to examine the role of financial awareness for viability and sustainability of small-medium businesses in Kwa-Zulu Natal, Durban-South Africa.

Outline of the Procedures: As you have been chosen to be part of the sample of this study, this form serves to provide further information about this research and your rights as a participant. Your participation is voluntary, and you may withdraw at any time. After reading this letter of information and consent, should you choose to participate please click on the checkbox at the bottom whereupon you will be directed to the questionnaire, SurveyMonkey, which you may choose to complete. Should you decide not to participate, you may close this

web page. Monkey surveys strategy has been used for collecting data from the sample of participants: SMEs owner or a suitable representative of the business owner. Monkey survey has been employed for effectiveness and efficiency purposes. The total questionnaires to be distributed by the researcher is 321.

After one week of the electronic distribution of questionnaire, an email of reminder will be sent to the participants. The researcher will provide responses via emails to any questions that the respondents had asked.

Risks or Discomforts to the Participant: There are minimal risk for participants or discomforts to you.

Benefits: This study will benefit small business owners in terms of how-to manage their finances and add value to their business. The benefit of the researcher will be research publications in accredited journals.

Reason/s why the Participant May Be Withdrawn from the Study: There will be no adverse consequences for the participants should you choose to withdraw from the study at any time.

Remuneration: You will not receive any remuneration for participating in the study.

Costs of the Study: You will not be expected to cover any costs towards the study.

Confidentiality: All information would remain confidential. The information will not be used for any other purpose other than this research study. There will be no identifying information mentioned in the write up of the dissertation.

Research-related Injury: There will not be any compensation for any research related injury because it is very unlikely that there will be any injury occurred while answering of the questionnaire.

Persons to Contact in the Event of Any Problems or Queries: Please contact me on 079 984 2643, my supervisor Dr Odunayo Margret Olarewaju on 031 373 5632 or the Institutional Research Ethics Administrator on 031 373 2375. Complaints can be reported to the Director: Research and Postgraduate Support, Dr Linganiso 031 373 2577 or researchdirector@dut.ac.za .

Once again, your participation of this study is voluntary. You may refuse to participate or withdraw from the study at any time with no negative consequences. Confidentially and anonymity of records identifying you as a participant will be maintained by the University.

Thank you for participating.

Your assistance is greatly appreciated.

Sincerely,

Mr T S Msomi

Student no.: 21521231

Cell no.: 0799842643

Appendix 3: CONSENT LETTER

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, **Thabiso Sthembiso Msomi**, about the nature, conduct, benefits, and risks of this study.
- I have also read and understood the above written information (Participant Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during this research which may relate to my participation will be made available to me upon request.

By clicking on the checkbox, I give my consent voluntarily to participate in this study.



DURBAN UNIVERSITY OF TECHNOLOGY

FACULTY OF ACCOUNTING AND INFORMATICS

MASTER OF ACCOUNTING: COST AND MANAGEMENT ACCOUNTING

08 September 2020

Dear Participant

I, Thabiso Sthembiso Msomi, am a master's student at the Durban University of Technology. Your valuable input is required for a research study on **The Role of Financial Awareness for Viable and Sustainable Small-Medium Enterprises in Kwa-Zulu Natal, Durban**. In this research, the researcher aims to identify and examine the key predictors for the survival of small and medium enterprises.

Outline of the Procedures: The data will be collected electronically via Survey Monkey. Monkey surveys strategy will be used for collecting data from the sample of participants: SMEs owner or a suitable representative of the business owner at their business. The link to the survey monkey will be sent to the study respondents via email and social media for ease of completion. Monkey survey will be employed for effectiveness and efficiency purposes. The total questionnaires to be distributed by the researcher is 321. The researcher estimated the time to complete the questionnaire as 20 minutes. A letter of information with the questionnaire outlining the purpose of the analysis will be attached, and confidentiality and anonymity will be ensured. Which explains and give clear introduction of the questions to the respondent. Distributed questionnaires will be written in English and accompanied by a consent letter, which explains and give clear introduction of the questions to the respondent. After one week of the distribution of questionnaire, a letter of reminder will be sent to the participants. The researcher will provide responses to questions the respondents had asked. National level 2 lockdown rules regulations gazetted in the national State of Disaster under Coronavirus COVID-19 lockdown will be adhered to will collecting data.

The findings of this study will benefit both small businesses in terms of how-to manage their finances and add value to their business. The benefit of the researcher will be research publications in both conference proceedings and accredited journals.

Your participation of this study is voluntary. You may refuse to participate or withdraw from the study at any time with no negative consequences. Confidentiality and anonymity of records identifying you as a participant will be maintained by the University.

Thank you for participating.

Your assistance is greatly appreciated.

Mr T S Msomi

Student no.: 21521231

Cell no.: 0799842643



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CHAPTER ONE

INTRODUCTION

1.0. Background to the Study

Small businesses have played a prominent part in driving the economic growth and development of all countries in terms of employment, taxation, etc (Hossain, 2020). It is estimated that in South Africa, while 98.5% of the country's economy is made up of small and medium-sized enterprises, SMEs are able to provide 28% of all employment (Langa and Govender, 2019). Small and medium-sized enterprises empower individuals to be creative in seeking innovative solutions to existing social issues that build employment opportunities, eliminate inequality and lead to economic development (Tuffour, Amoako and Amartey, 2020). However, small and medium-sized enterprises show a very "low survival rate, particularly in the first five years of trade (Hossain, 2020). Kgosana (2013) observed that "five out of seven small businesses" begun in South Africa crumbled in the first year of trade. Several factors may be attributed to the low survival rate, one of which one is a lack of financial awareness (Kuruvilla and Marikumar, 2018). Foley (2018) and Huston (2012) opine that persons with higher levels of financial awareness are twice as likely to pay lower interest rates at financial institutions. Small businesses are managed by persons who either have low financial awareness or high financial awareness (Saptono, 2018). The levels of financial awareness of owners of small businesses influence their ability to grow and achieve sustainable results (Musie, 2015). In this regard, countries with a high population with low-level financial awareness are more vulnerable and marginalized. It is interesting to find small business relying on their personal credit and finance to manage their business operations. The management of small businesses largely depends on the skills and knowledge set of the owners. Basically, financial awareness helps a person to understand how money works in a business: how to make it, spend it and invest it wisely to improve the financial position. Gulso and Viviano (2014) are of the view that individuals who manage SMEs seem to lack knowledge on concepts of finance. Babiarz and Robb (2014), as well as Foley (2018) found that financial awareness helps the business to have financial resources in times of need. The level of financial awareness of

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