Factors that Impact the Capital Budgeting Planning and Practices of Small Business Enterprises within the eThekwini Springfield Industrial Park

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Submitted in fulfilment of the requirements of the degree of Master of Accounting: Cost and Management Accounting

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Date Submitted: September 2020  30/09/2020

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DECLARATION

I, Naresh Roshan Nunden, declare that the content within this dissertation is my own work. All sources that I have used or quoted have been acknowledged in-text by means of completed references. This study has not been previously submitted in any form to the Durban University of Technology or to any other institution for assessment or for any other purpose.

30/09/2020
Naresh Roshan Nunden
Date

APPROVED FOR FINAL SUBMISSION

30/09/2020
Dr Naresh Sentoo
Date
DEDICATION

This dissertation is dedicated to, firstly, Sydney Munsami my dear friend, who introduced me to academia and, secondly, to my parents, Leela and late father, Nunden Somaroo, who instilled in me a good work ethic and, most importantly, humility.
ACKNOWLEDGEMENTS

This dissertation would not be possible without God, Shiva, for his guidance and patience during this journey.

I wish to thank my mentor and technical advisor, Mrs Verna Yearwood, for the encouragement, inspirational words and, most importantly, her time.

I wish to also thank my supervisor, Dr N Sentoo, for his guidance, perseverance and loyalty.

I wish to thank Mrs Mercy Mathews for her eloquent editing and Dr A Assensoh-Kodua for his expert data analysis.

I wish to thank Dr HL Garbharran for his guidance, motivation, expertise and advice.

I wish to thank Sara Bibi Mitha for her valuable skill in formatting word documents.

I wish to thank the respondents for their invaluable input into this study.

Lastly, I wish to thank the Department of Management Accounting, Head of department and my colleagues.
This study focused on the factors impacting the capital budgeting planning and practices of small business enterprises (SMEs) within the eThekwini-Springfield Industrial Park in Durban, KwaZulu-Natal, South Africa.

SMEs contribute an integral part to the gross domestic product (GDP) of South Africa, as well as beyond its borders. Studies have recognised the huge contribution of SMEs to reducing unemployment and boosting the economy whilst the formal sector shrinks. However, studies have also emphasised the failure rate of SMEs. The complexity of South Africa's economy poses challenges to SMEs in terms of the adoption of Capital Budgeting Processes.

Therefore, this study contributes to their capital budgeting planning and practices by focusing on firstly, staff participation and secondly, the influence of owners/managers. Based on a 108 SME sample, the study argued that the planning and practices of capital budgeting represent the most significant aid to the survival of these SMEs. However, minimal studies have investigated the capital budgeting area in SMEs.

The study used a quantitative research design, whilst a survey questionnaire was the primary data collection instrument applied. A purposive sampling method was adopted. The Partial Least Squares (PLS) and Structural Equation Modelling 5.0 (SEM) software were utilised to determine the statistical results. The findings revealed that both staff participation and management skills, as well as financial skills, played a critical role in the factors that impact the capital budgeting planning and practices of small business enterprises (SMEs).

Factors in relation to staff participation included the following: budget participation, communication, clarification of duties, stake and motivation in the process, as well as technical and computer literacy skills. The study also recognised the managers'/owners’ lack of business knowledge, financial skills, financial considerations, government incentives and networking abilities. The study ended by making recommendations for assisting the survival and growth of SMEs.
Keywords: Failure rate, Planning and practices, Influence of Owners/managers, Staff participation, SME, South Africa
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CHAPTER ONE:
INTRODUCTION, CONTEXT, SCOPE AND STRUCTURE OF THE STUDY

1.1 Introduction

Budgets are a foundation and compass of any business, manifesting in the practices of that business to give it the direction for actions and inactions (Cesaroni, Demartini and Paoloni, 2017: 316). If the management of small and medium enterprises (SMEs) have to maintain proper capital budgets, Burrell and Morgan (2019: 27) postulate that they need to follow a proper process to ensure their survival and possible growth. There is a high risk of SMEs failing soon after they are established. One of the causes of this occurrence is poor capital budgeting processes (Kamo, 2019; Thomas, 2014). To solve this problem, there is a need to establish good budgeting planning and practices for small businesses and identify factors that cause poor budgeting processes. This study explores the Capital Budgeting Theory (CBT) in an attempt to identify factors affecting the budgeting processes amongst SMEs within the eThekwini Springfield Industrial Park.

This introductory chapter provides an outline of the five chapters contained in this work in order to provide a scope for the reader. It begins with Chapter One, where the background, research problem, research questions as well as the significance of the study are outlined. This is followed by a literature review chapter which presents the theoretical aspects of the variables under study. The third chapter details the methodology and in the fourth chapter, the findings from the study as well as discussions are presented. Lastly, Chapter Five presents the conclusions and recommendations of the study based on the literature and primary research. The remainder of the current chapter orientates the rest of the study.

1.2 Background to the study

Small and medium enterprises (SMEs) contribute to innovation, generate employment and are key to the reduction of poverty and income inequality (Fatoki, 2019). The
contribution of SMEs is one of the reasons for the low rates of unemployment and high rates of economic growth in many developed countries (Awad-Warrad, 2018). In South Africa, SMEs account for approximately 42% of gross domestic product (GDP) and 47% of all employment (Moise, Khoase, and Ndayizigamiye, 2020).

According to Business Report (Lotter, 2014), the Minister of Small Business Development in South Africa, Lindiwe Zulu, stated her concerns that small businesses have a 37% chance of surviving in their first four years. The Head of Small Enterprises at Standard Bank, Ravi Govender, states that on average, 50% of all start-up businesses in South Africa fail within 24 months. Minister Zulu further emphasised in the Small Business Connect Report (2015) that “Business failure is often attributed to the lack of entrepreneurial knowledge, poor business skills, education, training, innovation and risk-taking factors”.

In addition, Minister Zulu noted that the importance of providing training, mentoring, counselling and advice to small business from professional, business-minded mentors, as well as retired astute business owners assisting new owners, is the proper framework for this sector. Sustainable small business development can only be achieved if the three spheres, namely government, the private sector and civil society, work together, with proper capital budgeting planning and practices (Chaney, 2019; Lotter, 2014).

According to Ouassini (2018), budgets are plans, normally revealed in monetary terms for the future (generally a year divided into months or quarters) which should take into account the strategy of the company, the policies of the country they work in, economic environment, inflation, etc. Budgets give the entity the chance to: a) Create a strategy for the future; b) Coordinate the activities and communications between the departments of the organisation; and c) Provide a way to control activities and evaluate the performance of the managers (or budget holders).

Capital budgeting has remained one of the most significant financial decision areas of most business enterprises, including SMEs (Nguyen, 2019), yet researchers still battle to establish the proper way of achieving this important principle, and South Africa is no exception. Therefore, a need exists to identify existing planning and practices within
these businesses, with specific attention to capital budgeting planning and practices. It is imperative that businesses plan in order to be successful and sustainable.

1.3 Research problem

One of the explicit purposes of the Ministry of Small Business Development in South Africa is to ensure that SMEs have an equitable opportunity to participate in the economy. It is important to note that SMEs in South Africa are not seen as scaled-down versions of large organisations since they differ from large firms. However, with limited resources for adopting new ways of working and increasing market pressure, SMEs must find ways of increasing their competitiveness, particularly in terms of their capital expenditure, product cost and pricing (Mannan, Khurana and Haleem, 2016: 204). Many SMEs cannot compete with larger companies in South Africa due to uninformed capital budgeting decisions (Imran, Salisu, Aslam, Iqbal and Hameed, 2019: 211).

Few studies have concentrated on analysing financial decision-making (which is derived from capital budgeting planning and practices) and its impact on small enterprises. Therefore, a need exists to identify what planning and practices exist within these businesses, with specific attention being paid to capital budgeting planning and practice. The generally accepted practices in capital budgeting planning (CBP) are: a) Participation of staff in capital budgeting planning and practices and b) Influence of management skills and owners on capital budgeting planning and practice.

1.4 Aim of the study

In today’s world of tough competition, coupled with the challenges of globalization and borderless markets enabled by technology (especially social media), a company needs special skills and commitment on the part of employees in order to survive. These are usually found in large companies that have the capital base to equip their employees with the necessary skills and knowledge. Unfortunately, such skills are not found in SMEs. This is a gap in SMEs and one needs to look at the factors that are overlooked in capital budgeting planning and practices.
The aim of this study is to identify the factors impacting the capital budgeting planning and practices of SMEs within the eThekwini Springfield Industrial Park. This study builds on the theoretical framework and investigates the different variables identified through the literature review.

1.5 Objectives of the study

In order to address the above aim, the following objectives will serve as a guiding map for the study:

- To determine the degree of staff participation in capital budgeting planning and practices within SMEs in the eThekwini Springfield Industrial Park;
- To ascertain the influence of management skills and owners on current capital budgeting planning and practice; and
- To recommend suitable training needs for capital budgeting planning and practices.

1.6 Research questions

Following from the above objectives, the study will attempt to address the following questions:

- Does the participation of staff in capital budgeting planning and practices within SMEs have any effect on their financial decision-making?
- What is the influence/impact of the skills of managers and owners on current capital budgeting planning and practice?
- What suitable training is relevant to capital budgeting planning and practices is recommended?

1.7 Significance of the study

Xu (2020) argues that capital budgeting decisions influence innovation, productivity, costs, revenues, capacity availability and quality. These decisions help to determine the enterprise’s competitive stance and long-term positioning. Small and medium
enterprises (SMEs), commonly known in South Africa as small, medium and micro enterprises (SMMEs), make little use of capital budgeting techniques (Xu, 2020).

Therefore, this study is twofold: a) It attempts to identify if there is a lack of usage of the factors that impact capital budgeting planning and practices of SMEs in the eThekwini Springfield Industrial Park in South Africa; and b) It aims to recommend suitable training needs, areas and aspects of capital budgeting planning and practices.

1.8 Research Methodology

Research methodology could be either quantitative or qualitative. Quantitative research methods attempt to maximize the objectivity, reliability and generalizability of findings, and are typically interested in prediction. Integral to this approach is the expectation that a researcher will set aside his or her experiences, perceptions and biases in order to ensure objectivity in the conduct of the study and the conclusions that are drawn (Holloway and Galvin, 2016:120).

Qualitative methods, on the other hand, focus on in-depth information and are not associated with numbers. It is about the quality of information collected. Holloway and Galvin (2016:120) assert that Qualitative methods are known to be systematic and subjective towards problem-solving and taking a structured approach.

1.8.1 Research design

Research is concerned with the effort to gain new knowledge and the research design is a complete plan for gaining answers to the research questions (Kumar, 2019:4).

Taking into consideration the aim of this study to identify the factors impacting capital budgeting planning and practices, based on the depth of information from a comparatively large population of 146, utilizing the quantitative methodology was appropriate (Krause 2017: 84). Krause (2017) illuminates that quantitative methods have a spectacular goal to collect objective information to establish the cause and impact of a programme. Since this study used a bigger sample size to make inferences, the research method employed was a quantitative analysis with the use of a
questionnaire. The use of quantitative analysis was the appropriate design in order to ensure measurability, accuracy and reliability of the findings.

1.8.2 Population/target population

This study targets a population size of 146 respondents. Sekaran and Bougie (2016:239) describe a population as an entire set of individuals or objects which may be finite or infinite in a certain situation. In studies like this, the population consists of the entire population of South African SMEs, but the example of a finite population is the number of selected SMEs in Durban where this study is being carried out. These are considered the target population. Gathering data from every individual in this population would be highly impossible and expensive. Hence, it would be appropriate to collect data from a sample of the population and, if this is impartial, the sample result could be used to make inferences about the population. In order for a sample to be impartial, it must be representative of the population and sufficiently large (Sekaran and Bougie, 2016:239). SMEs in the Springfield Industrial Park in Durban selected to answer the questionnaire and therefore constitute a non-random and purposive sample size.

1.8.3 Sampling method-purposive sample

A sampling design for research purposes is normally used in order to permit a detailed study of part of a population, as against the whole. The information derived from the ensuing sample is typically employed to develop useful generalisations about the population. The two major types of sampling techniques in social studies, such as the current study are probability and non-probability sampling (Sekaran and Bougie, 2016: 269).

In probability sampling, the elements in the population have some known chance or probability of being selected as sample subjects. They are chosen at random, while in non-probability sampling, the elements do not have a known or predetermined chance of being selected as subjects (Sekaran and Bougie, 2016: 269). They are selected for convenience or purpose. Non-probability sampling was used in this study as the
research follows a quantitative approach to allow the researcher the room to base assumptions on the perspectives and intuitions of the study sample.

Purposive sampling was adopted in this study because it is a sampling strategy that involves the selection of subjects who possess the necessary capability and knowledge to answer the research questions on hand (Sekaran and Bougie, 2016: 269). This means that the subjects will be carefully selected by the researcher due to their special knowledge regarding the variables under investigation. The justification for choosing this approach was to broaden the knowledge base regarding this study through the opinions of first-hand informants, based on their experiences. The population size was 146. However, a total of 108 respondents were targeted to participate in this quantitative study, using Sekaran and Bougie’s (2016: 269) table to calculate the sample number.

A letter of informed consent explaining the purpose of the study to participants was sent to them for their approval. Participants were informed that they could withdraw from participating in the study at any time, if they so desired. This was meant to reduce bias.

1.8.4 Elimination of Bias

According to Meyer, Niemann and Kotze (2017), the elimination of bias is one of the most important aspects in the research process, especially in the selection process of focused groups. Sekaran and Bougie (2016:34) averred that selection bias occurs during the identification of the study population. For the elimination of selection bias in this regard, the ideal population of the study was clearly defined and the recruitment process was a uniformed population with the same process of recruitment for all participants.

1.8.5 Measuring instrument

Research is generally premised on two approaches, namely, the qualitative and quantitative approaches. Qualitative research methods, as explained by Pretorius (2016), are designed to explain events, people and matters associated with themes scientifically and do not depend on numerical data. Quantitative research, on the other
hand, is concerned with numbers and is a statistical approach. This study will be based on the quantitative method as the researcher aims to survey the competitiveness and sustainability of SMEs. A descriptive research design was used to target a population of 146 registered small enterprises located in the Springfield Industrial Park in Durban. Non-probability sampling was used in choosing a purposive sample. A self-administered, Likert scale-type questionnaire was administered to SMEs owners or suitable representatives in order to measure the study variables.

A four point-Likert scale was used to design the questionnaires, which was given to respondents to answer within a certain time-frame at the selected area, after which an appointment was made for data collection. A scientific statistical analysis tool was used to analyse the data, which were codified into numeric values. The collected data for this study were analyses in a laboratory with the help of a Smart Partial Least Squares (SmartPLS) setting established on a computer system.

1.9 Delimitations/scope

The delimitations for the research relate to the population of SMEs in the study’s location, the area under investigation as well as the focus area of the aims and objectives.

The research is limited to small to medium enterprises in the Springfield area. This study addresses factors impacting capital budgeting planning and practices. Furthermore, it surveys the owners or suitable representatives of each business in the sample. Therefore, the accuracy of information given in the questionnaire is limited to the respondent’s knowledge of the capital budgeting planning and practices used in his/her business. It is also noted that the gender and age of the respondents were not included as this information was not necessary for this study. Since this is a quantitative study, the data instrument was limited to a questionnaire.

This study is restricted to determining whether or not small to medium enterprise owners/ managers or representatives are adequately managing their capital expenditure and if they have the necessary skills and knowledge to perform capital
budgeting planning and practices. The literature is also restricted to determine the degree of participation of staff in capital budgeting planning and practices.

Therefore, the findings of this study cannot be generalised to all types of small to medium enterprises in KwaZulu-Natal.

1.10 Anonymity and confidentiality

Anonymity and confidentiality are important to safeguard the participants of any study from being recognised or prejudiced for their opinions. Anonymity was ensured by not revealing participants’ names or their identities.

Confidentiality, on the other hand, is important to protect the research from landing in the wrong hands or with people who have not been permitted to partake in the study. Confidentiality was ensured by providing forms to bodies or individuals that are permitted to use the research based on specific procedures stipulated by the individuals involved and the regulations of the Durban University of Technology (DUT).

1.11 Ethical considerations

The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from the research activities (Blumberg, Frei, Fulgoni, Weaver, and Zeisel, 2017: 849). To have a sizable response rate, participants were given the assurance that nothing they said would be divulged to anyone, and that they were not asked to write their names on the questionnaires. The letter of informed consent, together with the questionnaires that were sent, did not require names or the identity of any participant.

1.12 Outline of Study

The following chapter guideline provides a strategy for the subsequent chapters of the dissertation. A broad overview is presented for each chapter.
Chapter 1 - Introduction

This introductory chapter presents an overall summary of the research project in its entirety. The chapter recognises the background of the research and breaks down the aim of the study into a chain of research objectives and research questions to guide the empirical data collection. This chapter also links the aim of the research to capital budgeting planning and practices within SMEs in the eThekwini Springfield Industrial Park.

Chapter 2 - Literature Review

Chapter 2 presents a review of literature related to the research objectives and aims. Literature is reviewed on capital budgeting planning and practices within SMEs in the eThekwini Springfield Industrial Park. The literature also presents a theoretical framework for the study.

Chapter 3 - Research Methodology

This chapter describes the research design and methodology that will be used to collect the primary data for the study. A validation is given for the chosen research methods as well as a description of the data analysis methods to be used. The ethical considerations of the study are also discussed in this chapter.

Chapter 4 - Results, Interpretation and Discussions of Findings

The penultimate chapter offers the findings of the study. The findings are arranged in both text and graphics as the data are both descriptive and inferential. This chapter attempts to link the literature review with the primary data in order to answer the research questions.

Chapter 5 - Conclusions and Recommendations

This chapter presents the conclusions and provides recommendations on how to simplify the challenges of capital budgeting planning and practices within SMEs in the
eThekwini Springfield Industrial Park. Recommendations for further research are also outlined in this chapter.

1.13 Conclusion

The introductory chapter discussed the background to the problem and the high failure of SMEs in South Africa. The chapter also presented the problem statement, research objectives, research questions, projected significance as well as the limitations of the study. Chapter Two will present the pertinent literature reviewed for this study.
CHAPTER TWO:
LITERATURE REVIEW

2.1 Introduction

This chapter outlines the literature review undertaken to realise the study`s aim and objectives. It affords the reader a way of classifying, synthesising and summarising past scholarship in line with studies that relate to the South African environment. The literature review of educational documents and resources from the internet reveals an adequate understanding of the capital budgeting process and practices of small medium enterprises (SMEs) within the eThekwini Springfield Industrial Park in Durban, South Africa.

In keeping with the objectives of this study, this chapter firstly provides a discussion of the theoretical framework against the background of Contingency Theory, followed by the appropriate contingency theory adopted. Secondly, the conceptual framework of the Capital Budget Theory (CBT) is outlined together with the capital budgeting planning process and practices of SMEs. Thirdly, this chapter outlines the steps of the capital budgeting process and relevant definitions. The current chapter also relate the importance of the SME profile of the eThekwini Springfield Industrial Park, Special Economic Zone (SEZ) and SME ownership. The following two objectives are addressed in the discussion of the aforementioned aspects:

- Staff participation in the Capital Budget process and practices in SMEs in eThekwini Springfield Industrial Park; and
- The skills and influence of managers/owners of SMEs in the capital budget process and practices in eThekwini Springfield Industrial Park.

2.2 Theoretical Framework

2.2.1 Background to the Contingency Theory

Contingency theory has historically sought to develop generalizations about the formal structures that would fit the use of different technologies. This focus was advocated by Woodward (1958), who argued that technologies directly determine organizational
attributes such as span of control, centralization of authority, and the formalization of rules and procedures.

Theorists, such as Lawrence and Lorsch (1967), found that companies operating in less stable environments operated more effectively, if the following were applied:

- organizational structure was less formalized; and
- organisations are more decentralized and more reliant on mutual adjustment between various departments in the company.

Likewise, companies in uncertain environments seemed to be more effective with a greater degree of differentiation between subtasks in the organization, and when the differentiated units were heavily integrated with each other.

On the other hand, companies operating in more stable and certain environments functioned more effectively if the organization was more formalized, centralized in its decision-making and less reliant on mutual adjustment between departments. Similarly, these companies probably do not need a high degree of differentiation of subtasks and integration between units (Lawrence and Lorsch 1967).

Burns and Stalker (1961) found similar results in their research, where organizations operating in more stable environments tend to exhibit a more mechanistic organizational structure, whereas companies operating in more dynamic and uncertain environments tend to show a more organic organizational structure.

Business leaders should, therefore, look at the contingencies of the environment, and assess whether or not the organization is capable of handling the uncertainties of the environment, as well as whether or not the organization is able to process the required amount of information (Burns and Stalker 1961).

To sum up, Burns and Stalker presented the highlights of the mechanistic and organic systems, as illustrated in Figure 2.1. It is clearly observed that the mechanistic system relies more on structured environments, whilst the organic system applies to unstructured environments which are highlighted in SMEs.
Figure 2.1 Mechanistic vs Organic Systems

Source: Burns and Stalker (1961: 103); Kessler, Nixon and Nord (2017)

2.2.2 Contingency Theory Adopted

The theoretical framework on which this study is grounded is the Contingency theory that is widely used to explain the characteristics of Management Accounting Systems (MAS) as financial, strategy tools in organisations (Macy and Arunachalam, 1995: 74). The theory has been extensively approved in the management accounting field of research studies (Nugroho and Hartanti, 2019; Kudanga, 2018; Lasyoud, Haslam and Roslende, 2018; Saenko, 2017).

Contingency theory asserts that the effectiveness of design and application of a MAS in financial strategy is contingent or dependent on the environment of the organisational setting in which these controls operate and function (Figure 2.2) (Macy and Arunachalam, 1995:74). The situational factors faced by the organisation are contingencies that may have an impact on the adoption and implementation of the MAS. Capital budgeting using a MAS, in this theory, is defined as ‘a system which supports managerial planning, evaluation, control activity and in a broader sense, facilitates financial strategy’ (Macy and Arunachalam, 1995:65). However, its
effectiveness in an organisation is considered dependent on a number of factors. The use of Contingency theory would suggest that organisations should align their systems and processes with their environment (external factors) and strategy (internal factors). The assumption underlying Contingency theory is that internal and external environmental factors affect organisations differently (Otley, 2016).

Figure 2.2 Contingency theory model
Source: Macy and Arunachalam (1995)

Accordingly, the effectiveness of an accounting system, such as capital budgeting, is dependent on the suitable match between the type of technology, environmental volatility, the size of the organisation, the features of the organisational structure and the organisation’s information system (Malenko, 2019). Bouwens (2017) argues that the adoption and success of the capital budgeting system depends upon specific contingent factors, such as product diversity, cost structure information, firm size, competition, business culture and evaluation tools. Bouwens (2017) also suggests that the effectiveness of a MAS depends on the extent to which the MAS’s distinctiveness meet the requirements of the various contingencies faced by the organisation. In this present study, Macy and Arunachalam’s (1995) Contingency model (Figure 2.2) has been adopted in order to examine and investigate the factors that may impact the capital budgeting planning and practices of small business enterprises within the
eThekwini Springfield Industrial Park. This Contingency theory informs the objectives of this study as follows:

- **Organisational structure** - *objective one* seeks to investigate the factors that impact the capital budgeting planning and practices of small business enterprises within the eThekwini Springfield Industrial Park;

- **Contextual factors** - *objective two* seeks to determine the degree of staff participation in capital budgeting planning and practices, i.e. to investigate the difficulties in the planning and practices that facilitate (technology, environmental fit, organisational structure and human resource management) the successful adoption and implementation of capital budgeting processes, using the SMEs in the eThekwini Springfield Industrial Park; and

- **Management Accounting System** - The *third objective* seeks to ascertain the influence of management skills of owners on current capital budgeting planning and practice. An example is the contingency relationship between the need to invest in a more enhanced financial management system, such as capital budgeting techniques and the organisational factors in increasing survival, sustainability and growth. (Al Breiki and Nobanee, 2019).

### 2.3 Capital Budgeting Theory

According to International Financial Reporting Standards (IFRS), a budget is a detailed plan for acquiring and using financial and other resources over a specified time as defined by Langenwalter (2019:44), who explains that it is a plan for the future expressed in formal quantitative terms in two forms: planning and operational control. Planning involves developing objectives and preparing budgets to achieve future objectives, whilst operational control relates to the various steps taken to attain these objectives.
Figure 2.3 illustrates the different types of budgets.

Figure 2.3 Types of budgets

This study focuses on the capital budget function. According to Danielson and Scott (2006:4), Capital Budget Theory (CBT) is grounded on the idea “that companies make investment decisions based on wealth maximization and increasing the value of the organization”. Mrongo, Iravo and Nyagechi (2016) note that researchers using CBT have traditionally stressed the financial appraisal and selection of investment vehicles as the basis for capital budgeting decisions. Capital budgeting is the process by which organizations determine which investments will generate long-term returns (Mrongo et al., 2016). Katabi and Dimoso (2016) note, however, that maximizing shareholder wealth should not be the sole goal of businesses, as owners should have significant autonomy to pursue multiple objectives.

Basch (2017) observes that capital investment decisions in small firms differ from those of large firms in several ways. Firstly, small business owners are concerned not only with wealth maximization but also with maintaining their independence, which may affect their investment selections (Danielson and Scott, 2006). Secondly, access to capital may pose an issue for small business owners, which may influence decisions...
regarding liquidity and maintaining cash reserves (Danielson and Scott, 2006). Thirdly, personnel constraints and a lack of investment expertise may limit small business owners’ ability to adequately analyse investment options (Danielson and Scott, 2006).

Viewing capitalization strategies from the perspective of CBT may provide insights into the impact of specific capital-related decisions in relation to sustainability. Additionally, by studying the specific investment choices made by small business owners, scholars are better able to understand the potential correlation between an owner’s decisions and his or her risk tolerance. Finally, the capital selections made by small business owners may shed light on the effect of a proprietor’s creativity on long-term survival, sustainability and growth.

2.3.1 Capital budget model and SMEs’ usage

The goal of the firm, and, therefore, all managers, is to maximize shareholder wealth. Capital budgeting is the analysis and evaluation of investment projects that normally produce benefits over a number of years. Capital budgeting is the planning process of long-term financing required for investment into different projects. The capital budgeting decision is important, because a firm’s future success will often depend on current investment decisions (Correia, 2019: 8-1).

To attain greater survival, sustainability, profitability and cost-effectiveness, companies use capital budgeting. This brings critical responsibilities for the managers or owners of the SMEs as their decisions regarding capital budgeting marks the future of their companies in terms of their productivity and growth (Oyelaran-Oyeyinka, 2020).

It has been recorded that only 10-20% of SMEs undertake the capital budgeting process, and these are mostly public limited companies, which have sufficient funds to invest in long-term projects. Approximately 20% of the automotive industry’s SMEs have adopted capital budgeting for taking investment decisions and dealing with the tough competition which requires investment in advanced technologies (Burgos, Kittler and Walsh, 2020). The SMEs for electronics also adopt capital budgeting for the same reason (Zainuddin, Ismail, Ahmad, Shariff, Mazalan and Ab Kadir, 2018).
Correia (2019:8-2) developed the following steps (Figure 2.4) in his Capital Model Budgeting process: *Step 1-* Identification of the project and investment proposal; *Step 2-* Selection of the asset; *Step 3-* Financial evaluation of the project on the basis of the firm’s objective to increase their market value and shareholder’s wealth; *Step 4-* Implementation of the project; and *Step 5-* Review of the performance in comparison to the standard results of the industry in this respect.

![Figure 2.4 Capital Budgeting Process](source)

**Figure 2.4 Capital Budgeting Process**

Source: Correia (2019: 8-2)

2.3.1.1 **Project / Investment Proposal**

As noted in Figure 2.4, step one looks at the investment proposal in which the manager or owner assesses the needs of the business in terms of growth. In the initial stage, the management needs to analyse the strengths and weaknesses of every project for foreseeing the potential of each option. The growth is not only for expansion purposes, but could also be replacement, as assets eventually start to cost more on maintenance than purchasing a new one (Bengtsson and Kurdve, 2016). The effect of globalization means that firms are more likely to face competition in respect of new products and may reduce the lives of existing products. However, firms that are able to compete and design products that are internationally in demand are able to grow their sales revenues significantly and derive substantial value from new products (Correia, 2019: 8-2).
2.3.1.2 Selection of Asset

Step two addresses the needs that were identified in step one. When the person responsible for financial decision making is in the process of decision making, there are various factors that need to be considered, such as capacity of machine and specialised maintenance facilities (Akinwande and Umeh, 2018). A further consideration in an asset’s useful life is the period of time (or total amount of activity) for which the asset will be economically feasible for use in a business. In other words, it is the period of time that the business asset will be in service and used to earn revenues (Rahman and Chattopadhyay, 2018).

2.3.1.3 Financial Evaluation techniques

![Methods of Capital Budgeting](https://businessjargons.com/capital-budgeting-techniques.html)

**Figure 2.5 Methods of Capital Budgeting**

Source: https://businessjargons.com/capital-budgeting-techniques.html

Step three of Correia’s model (2019) looks at the various financial appraisal techniques that management may adopt. These techniques can be categorised into two groups, namely, non-discounted (traditional method) and discounted techniques (modern methods). As noted in Figure 2.5, the traditional method includes the payback method, post pay-back method and accounting rate of return. The modern methods include, but are not limited to, the net present value, internal rate of return and profitability index. The modern methods take into account the time value of money and future cash flows.
discounted to the present value, whereas the non-discounted techniques do not (Correira, 2019:8-2).

Behringer (2016) iterates a simple rule that managers can use to make capital budgeting decisions: invest in all positive net present value projects, and reject those with a negative net present value. By following this rule, Capital Budgeting Theory says that firms will make the set of investment decisions that will maximize shareholder wealth. Moreover, because net present value is a complete measure of a project’s contribution to shareholder wealth, there is no need for the firm to consider alternative capital budgeting tools, such as pay-back period or accounting rate of return.

### 2.3.1.4 Implementation

Step four of the model in Figure 2.4 addresses the implementation phase. In this phase, a detailed implementation plan is set up and circulated down the organisation. The implementation, which is monitored by senior management, is essentially the task of operations staff. This stage can follow the common practice of project management. Which means that participation of staff will be necessary. A specific work breakdown structure (WBS) with different work packages and individual activities/tasks and time frames with respective staff should be established (Das, 2019:58).

### 2.3.1.5 Review and Control

Step five, in Figure 2.4, looks at the review and control once the project has been implemented. A project’s performance can be monitored shortly before and after the start of the implementation phase to detect and counteract previously unforeseen problems. In addition, monitoring during implementation assists detecting overruns in timing and expenditures so that problems can be addressed adequately. Finally, a post-audit mainly gathers lessons for the coming projects and, in a limited way, examines the quality of forecasts made by project initiators (Schönbohm. and Zahn, 2016). To audit the results, usually, financial estimates are compared to actual outcomes (Commerford, Hatfield and Houston, 2018). Post-audits are performed by 76 per cent to 85 per cent of corporations. However, for most of the companies, they are neither regular nor risk-adjusted or thoroughly documented (Coleman, 2017).
Companies often do not collect all the data required for a thorough post-audit (Parvatiyar, Moorthy and Donthu, 2020), thus making it a simplistic evaluation, ignoring the qualitative impact of investments.

However, small firms often operate in environments that do not satisfy the assumptions underlying the basic Capital Budgeting model (Burgos, Kittler and Walsh, 2020). Moreover, small firms may not be able to make reliable estimates of future cash flows, as required in discounted cash flow analysis. In the remainder of this section, these potential problems are presented in more detail, and an explanation is provided as to why modern methods analysis (e.g., net present value or internal rate of return) are not necessarily the single and best capital budgeting decision tool for every small firm (Magni and Martin, 2018). In order to make use of the various tools, the manager or relevant staff member needs to follow a capital budgeting planning process.

There are various financial appraisal methods of capital budgeting which can be adopted by SMEs (Olawale, 2017: 173), especially operating in the Springfield Industrial Park.

Once the techniques have been completed; the ‘Accept’ or ‘Reject’ criterion is used to analyse the projects. The project is accepted and implemented. The other most crucial factor that is considered regarding capital budgeting by the SME owners or finance managers included whether to adopt capital budgeting in view of their financial health and the “cost of capital” and its estimated value (Olawale, 2017: 197). Cost of capital is defined as the rate of return, which SMEs aim to get back on their investments in order to make sure that the lender’s minimum requirements can be met (Olawale, 2017: 197).

Researchers have argued that it is crucial for SMEs to make an appropriate evaluation of their potential investments by using capital budgeting techniques. These techniques effectively select potential investments (Olawale, 2017:197) because they enable capital to be allocated to productive investments. In relation to this discussion, the current study sought to identify the factors that impacts the Capital Budgeting Planning practices in SMEs in the eThekwini Springfield Industrial Park.
2.4 Importance of SMEs to eThekwini Municipality and the Country

Small and medium enterprises (SMEs) are commonly known in South Africa as small, medium and micro enterprises (SMMEs). However, for the purposes of this study, they will be referred to as SMEs. The SMEs within eThekwini include firms with a diverse range of operations or product lines. They include businesses run by the traditional families employing more than one hundred people and categorized under “medium sized enterprises” along with individuals who are self-employed, and mostly come from the lower strata of the society categorized under “micro enterprises which are informal in nature” (Durban Government, 2018). These SMEs are heterogeneous and operate in sectors of a diverse nature. They face several challenges in the administration of their business enterprises. The SMEs in eThekwini are operating in both the informal and formal economies. At the current stage, the region encompasses 11 769 permit holders who are operating in the informal economy (Kemp, Bowman, Blom, Visser, Bergoer, Fullard, Moses, Brown, Bornman and Bruwer, 2015:7). The informal circle of operation is mostly in the central business district of Durban, encompassing a population of middle-aged black women.

eThekwini’s industrial players, such as the National Framework for Local Economic Development (LED), Durban Automotive Cluster (DAC), and eThekwini Maritime Cluster (EMC) are also supporting the municipality’s initiative of special focus on the development of SMEs and have established many incubation programmes within the purview of the formal economy (George, Corbishley, Khayesi, Haas and Tihanyi, 2016: 730). Currently, there are more than 2 600 SMEs operating in the eThekwini Municipality receiving support from the government at various stages, including the establishment of the business, legal matters and registration of their taxes (Leuz and Wysocki, 2016: 355). However, SMEs still lack guidance in many areas, such as financial management, business management, human resources and marketing (Ellitan, 2017).
2.4.1 eThekwini Springfield Industrial Park profile

The Springfield Industrial Park is located within the city of Durban in the eThekwini Municipality, which is one of the busiest cities in the KwaZulu-Natal province of South Africa. Durban is in the third largest city of South Africa, with a population of around 3.5 million people (Durban Government, 2018) that spread over an area of 2 297 sq. km. It is classified as a Category A municipality. A category “A’ municipality means a municipality that has exclusive municipal executive and legislative authority in its area. This not only makes the Springfield Industrial Park a highly and efficiently managed South African business location, but also a destination for the attraction of all kinds of business activities (eThekwini Municipality, 2018). The municipality works with a vision of becoming the most liveable, sustainable and caring city of South Africa where there is harmony and prosperity within the citizenry, thus putting the Industrial Park at the heart for business attraction (Durban Government, 2018). The eThekwini Municipality operates on the following five basic core values: a) reducing poverty and bringing in equality and democracy within the city; b) becoming a smart city; c) becoming a caring city; d) creating short- and long-term sustainability; and e) becoming a city, which is successful economically (Durban Government, 2018).

The local economy of the eThekwini Municipality is considered as the province’s economic powerhouse and makes a significant contribution towards the overall economy of the country. The growth within the municipality is being continuously supported by the infrastructure of high quality and world-class industrial activities (eThekwini Municipality, 2018). The ensuing development of various industries, including the Springfield Industrial Park, has resulted in the modernization and establishment of infrastructural facilities to achieve the overall aims of government development of South Africa.

The gross domestic product (GDP) performance of eThekwini Municipality has been a significant contributor towards the GDP of South Africa. The municipality is posed as an economic centre of the country ranking second and contributing to the GDP through industrial growth of a significant amount in the region. The GDP of the eThekwini Municipality was R 302.3 billion in 2016 and recorded an annual growth of 1% in comparison to 2015 GDP (Durban Government, 2018). Therefore, industries, such as
those located within the Springfield Industrial Park, are important role players for the government of the country. Table 2.1 below reflects the broad categories of SMEs in South Africa.

**Table 2.1 Broad definitions of SMEs in the National Small Business Act**

<table>
<thead>
<tr>
<th>Enterprise size</th>
<th>Number of employees</th>
<th>Annual turnover</th>
<th>Gross assets, excluding fixed property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>Fewer than 100 to 200, depending on industry</td>
<td>Less than R4 million to R50 million, depending upon industry</td>
<td>Less than R2 million to R18 million, depending on industry</td>
</tr>
<tr>
<td>Small</td>
<td>Fewer than 50</td>
<td>Less than R2 million to R25 million, depending on industry</td>
<td>Less than R2 million to R4,5 million, depending on industry</td>
</tr>
<tr>
<td>Very small</td>
<td>Fewer than 10 to 20, depending on industry</td>
<td>Less than R200 000 to R500 000, depending on industry</td>
<td>Less than R150 000 to R500 000, depending on industry</td>
</tr>
<tr>
<td>Micro</td>
<td>Fewer than 5</td>
<td>Less than R150 000</td>
<td>Less than R100 000</td>
</tr>
</tbody>
</table>

Source: Adapted from National Small Business Act as cited by Sitharam and Hoque (2016)

**2.4.2 Springfield Industrial Park Special Economic Zone (SEZ’s)**

The eThekwini Municipality aims to bring in more foreign direct investments (FDIs) over the next decade in order to boost the development of the city. One of the ways in which it brings FDI is through the establishment of the special economic zones (SEZs). One of the SEZs is the Springfield Industrial Park where many SMEs are operating (eThekwini Municipality, 2018).

However, SMEs also come under the control of the general operating policies of the eThekwini Municipality, including their budgeting process. It is known as “Special Zone 63” in the eThekwini Municipality region. The aim of the municipality is to create an
inflow of approximately R4 billion investment prospects along with the creation of more than 4 000 job employment opportunities for the population. The sub-divisions of all the portions of the Springfield Industrial Park are built on an area of more than 900 square metres (eThekwini Municipality, 2018). The eThekwini Municipality allows the usage of the premises by the Springfield Industrial Park to set up units for shops, restaurants, spiritual and holy places, hotels which have licence, amusement parks, training institutes, crèches, social halls, SME industrial units and offices (eThekwini Municipality, 2018).

### 2.4.3 The types of ownership of SMEs

<table>
<thead>
<tr>
<th>Types Ownership of SMEs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprieter</td>
<td>49%</td>
</tr>
<tr>
<td>Partnerships</td>
<td>8%</td>
</tr>
<tr>
<td>Close Corporation</td>
<td>42%</td>
</tr>
<tr>
<td>Private Company Ltd</td>
<td>1%</td>
</tr>
</tbody>
</table>

![Types Ownership of SMEs](image)

**Figure 2.6 Ownership types of the SMEs operating in the Springfield Industrial Park**

Source: Rikhardsson and Yigitbasioglu (2018: 58)

There are various types of ownership of SMEs, such as sole proprietors, private companies limited, close corporations and partnerships, which are all prevalent in Springfield Industrial Park. As can be seen from Figure 2.4, sole proprietors constitute 49% of the Springfield Industrial Park’s SMEs whilst close corporations are 42%; and partnerships and private companies limited are 8% and 1%, respectively (Rikhardsson and Yigitbasioglu (2018). According to the financial management texts, it is noted that the liability of the SMEs’ ownership types is limited in nature in the case of the private...
companies, close corporations and partnership ownership types. On the other hand, the liabilities and risks are very high in the sole proprietorship ownership type. Thus, the sole proprietors are faced with high-level risks, which exceed their initial investments in their businesses (Egbide et al., 2019: 79).

Consequently, it will be feasible if most of the SMEs register as private companies, close corporations and partnership ownership types in order to access limited liability, instead of the unlimited liability, as is in the case of sole proprietorship (Rikhardsson and Yigitbasioglu, 2018: 43). However, the majority of SME owners in the Springfield Industrial Park in the eThekwini Municipality do not have access to enough capital and cannot afford to register as partnership ownership types. According to the financial management texts, it is noted that their inability to access capital may put them in danger of losing their private assets if their businesses shut down in the future and they face liquidation (Egbide et al., 2019: 67). As a point of note, the registration of close corporations is no longer an option.

The current study is based in the eThekwini Springfield industrial park which has combination of ownership types. However, decision making of the SME in CBP are elaborated in a later section.

2.5 Staff participation in the budgeting process

Olawale (2017) refers to planning as a thoughtful process by management to improve operations in order to use resources effectively and efficiently. This accelerates the rate at which financial decisions and corrections are made giving an SME a competitive advantage in a highly competitive globalised terrain.

The purpose of capital budgeting planning in SMEs is to identify goals and objectives for future financial performance and to further assist management in deciding on the operations and the resources that are needed to achieve the goals and objectives (Katabi and Dimoso, 2016).

Capital budgeting and planning in SMEs deals with making financial choices between expenditure and savings alternatives (Opoku, 2017). Opoku (2017) further argues that
due to the complex nature of capital budgeting planning and its subsequent impact, SMEs are better served if all stakeholders concerned are involved.

Khan (2016) found that SMEs performed better when staff actively participated in the capital budgeting planning in SMEs. In addition, the involvement of staff in decision-making in SMEs improved job satisfaction among the staff (Karadag, 2016).

In the process of determining the degree of staff participation in capital budgeting planning and practices within SMEs, it is first important to understand that SMEs usually provide less formal training than larger firms do to their workers, therefore, limiting participation in budgeting (Opoku, 2017).

Capital budgeting and planning has an impact on the financial performance of an SME (Opoku, 2017). Even more so, the participation of staff in capital budgeting and planning improves the performance of an SME (ten Rouwelaar, Schaepkens and Widener, 2020). If the staff fulfil the targets and, in this case, perform well, they will be rewarded and it increase their motivation.

This study on the staff participation in CBP relied on the theory of Hansen and Van der Stede (2004) to conceptualise the participation of staff in capital budgeting planning and practices (Figure 2.7). The theory highlights the factors of budget participation, influence of managers and organisational performance. The researcher embarked on determining the factors of budget participation, influence of managers and organisational performance. The three variables are highly significant with internally interdependent operating environments, which require the coordination of many diverse inputs and outputs. Thus, the need for greater communication channels.

Hansen and Van der Stede (2004) in their study emphasises the great need for open communication channels and exchange of information between the staff and the owners of the business. This is discussed further in their respective categories.
2.5.1 Budget participation

An important issue when undertaking capital budgeting and planning in SMEs is to decide whether the subordinates and all levels of management should be allowed to influence and be a part of the process. Hansen and Van der Stede (2004), therefore, theorise that participation measures the extent to which the planning and budgeting process is participative or bottom up. The allowing of participatory budgeting and planning processes at managerial level, is called budget participation (Hansen & Van der Stede, 2004). Using budget participation will help the researcher to achieve the first objective of this study, which is to determine the degree of participation of staff in capital budgeting planning and practices within SMEs in the eThekwini Springfield Industrial Park.

In addition, the study will use budget participation to investigate whether there are benefits to participations in SMEs in eThekwini. Studies have found that permitting subordinates to participate and be a part in setting the performance targets increases
their commitment, which subsequently improves the financial performance of an SME (Bohlin and Wiebe, 2016). The current study aims to determine whether budget participation exists in SMEs in the eThekwini Springfield Industrial Park.

In order for an SME to survive and be in control, it needs staff participation in capital budgeting planning. However, this needs to be complemented by special skills and commitment on the part of the staff (Chepngetich, 2016). The literature suggests that the participation of staff in capital budgeting and planning is usually found in large companies that have the capital base to equip their staff with the necessary skills and knowledge (Freedman, 2019). The evidence suggests that, because SMEs are rarely characterised with this participator caveat, their financial performance becomes jeopardized (Bhuiya, 2019). Even worse, the research on SMEs has found that lack of staff participation in capital budgeting and planning leads to a failure to link planning and budgeting (Measom, 2018). In addition, Khan (2016) found that the lack of employee participation in capital budgeting and planning among SMEs might amount to destruction in the financial system.

Therefore, the argument to be made, is that lack of staff participation in capital budgeting and planning could be one of the significant factors contributing to poor budgeting, and the implementation of strategic and operational plans among SMEs (Karadag, 2017). Therefore, a successful SME is one that creates an environment where staff are involved in capital budgeting planning as well as subsequent financial decision making within the organisation. To this effect, the following factors have been found to play a major role in achieving this aim.

2.5.1.1 Exchange of Information

Communication is the key to all strong, healthy and productive relationships, including professional relationships. The manner in which something is communicated is as important as what is communicated. The method a business chooses to communicate varies greatly depending on its message, audience and goals. (Khan, 2016).

Tjosvold, Wong and Feng Chen (2019) found that budgetary participation provided a setting in which managers can exchange information and ideas to make budgetary
planning and control more effective. Cadez, Dimovski and Groff (2017: 37) found that budget participation could facilitate information sharing between subordinates and superiors. It was also found that the information communication between superiors and subordinates in budgetary participation was both upward and downward.

Sims and Bias (2019:61) recognise that employee participation ‘emerges from a collective employee interest to elevate the physical security and motivated conditions under which staff are contracted to serve’. Employee Involvement (EI), conversely, is strongly related with ‘soft human resources management (HRM) (Marchington, 2016) and, more explicitly, productivity and efficiency concerns. Such schemes are promoted by management with a view to rallying the support and inferred knowledge of staff towards corporate goals (Bidian and Evans, 2019). Typically, the opportunity for staff to have any input into high-level decision-making is impeded (Marchington, 2016). The motivation for EI (Wirawan, Tamar and Bellani, 2019) therefore, differs fundamentally from participation in that it is not born of a desire to increase the influence of staff in relation to the employer but rather, it is concerned with issues of corporate efficiency (Pritchard, 2017). The study aims to determine whether the exchange of information is an important factor in the implementation of CBP, which achieves the first research objective of staff participation in the CBP.

### 2.5.1.2 Upward communication

Upward communication is a principal agency framework with two primary actors, namely, the principal and the agent. These are always used in the accounting literature to explain the rationale of upward communication. The principal is often the executive who delegates responsibility over certain tasks to a subordinate who functions as an agent. Therefore, the agency perspective finds that a significant reason for the existence of participation is the difference between the agent and the principal in the information level (Jiang, Probst and Benson, 2017: 399).

Communication between a staff and superior is argued to have incredible correlations for the survival and growth of the organization (Kamal Kumar and Mishra, 2017). Studies have emphasised the importance of staff-superior communication for efficient decision-making (Lehnert, Craft, Singh and Park, 2016). Staff having unrestricted lines
of communication with their superiors are more likely to personify strongly with the organization and contribute to productivity levels (Kang and Sung, 2017). Communication originating from the subordinates and targeted toward their immediate superiors is termed ‘upward communication’ by (Kamal Kumar and Mishra, 2017).

Given its prominence, the study focuses on immediate superiors for two reasons. Firstly, the staff-superior relationship is believed to be the most central interrelationship in the organization (Schuh, Zhang, Morgeson, Tian and van Dick, 2018). Staff differentiate between the support received from their immediate superiors and support from the top management (Li, Kim and Zhao, 2017). Secondly, prior research has indicated that immediate superiors are better suited to perform mentoring roles (Fleig-Palmer, Rathert, and Porter, 2018).

While immediate superiors are important both for essential and general reasons, it is often the case that employees prefer not to speak up (Harlos, 2016). The reasons behind their silence may lie with an individual’s character or situational fears. To illustrate, it could be the case that staff are reserved by nature and hence are not willing to communicate their concerns (Kamal Kumar and Mishra, 2017). Likewise, it could be argued that staff feel a sense of embarrassment in upward communication because of shyness (Li, Kim and Zhao, 2017). This limits the act of dialogue when faced with a cruel superior (Xu, Loi, & Lam, 2018), or conversely, with a superior who displays positive influence (Weiss and Morrison, 2019). The study aims to assess whether upward communication plays a role in the implementation of CBP which links to the first research objective of staff participation in the CBP.

2.5.1.3 Stake in the process and agreement before budget completion

Including staff that have a stake in drafting the budget may make them more likely to adhere to its goals and objectives. It is important to obtain agreement from all parties on the budget before it is completed. By explicitly seeking agreement from upper management, supervisors and staff, one ensures that everyone is held equally accountable for the successes and failures of the budget. Sending a copy of the final budget to all stakeholders jogs the memory of everyone who created the document.
and ensures that they have a chance to review what they have created (Freedman, 2019).

A coached process of ownership is where management initiates the participatory budget process and problem recognition, and then allow the staff to define the challenges, formulate solutions and drive necessary changes (Erlingsdottir, Ersson, Borell and Rydenfält, 2018). According to Bøe and Hognestad (2017), a distributed leadership style directed at supporting and enabling the staff’s plans, long-term self-leadership, norms and values will serve as a unifying force for the staff.

Empowerment is considered a vital motivator for staff participation and engagement in participatory budgeting (Omar, Weerakkody and Sivarajah, 2017). Omar et al. (2017) define empowerment as having the competence to participate in the budgeting system with enough skills, self-determination and ability. Marcotte (2018) notes that empowerment requires staff initiative and innovation.

Several studies have suggested that trust is as important to empowerment. Trust, defined as a willingness to be vulnerable, was found to contribute to managers taking more risks in their relationships with their staff through added delegation of authority (David, Schoorman, Mayer and Davis, 2016). Jones and Shah (2016) show strong backing that trust for an employee is a function of the staff’s perceived ability, goodwill and integrity, as well as the manager’s inclination to trust. The study intended to gauge if staff had any stake and agreement before CBP completion which ties in to the first research objective of staff participation in the CBP.

2.5.1.4 Motivation to participate

Budgets can be used to motivate staff to be more fiscally minded, to pay greater attention to detail and to think before one acts. Successfully using the budget as a motivational tool requires involving staff in the formation, use and monitoring of budget results. Consistency is critical. However, if the budget is not one’s focus, it will not be the focus of staff either. This can lead to de-motivation or other problems (Freedman, 2019).
Staff stability and experience is the ability of developing a long-term and consistent relationship between employee and SMEs. Staff create efficiency and effectiveness by promoting stable organizational relationships. Staff, who stay long enough, will become familiar with their customers, suppliers and colleagues (Gupta and Shaheen, 2017). Work experience is a significant factor only when merged with innovative thinking and the application of new techniques and technologies in production environments (Gryshova et al., 2019).

Good work should be recognized through communication. It is the key to an effective incentive programme because staff need to know what they can do to succeed. This involves a two-step communication process. Firstly, one should be clear and transparent about how staff can win rewards with a written plan. Secondly, Whitmore (2019) argues that office morale can be improved through daily work-life quality benefits and privileges. Staff, in turn, will work harder and smarter when their workdays are more pleasurable and rewarding. The employer can leverage the power of “workstyle” benefits, like the chance to earn work-from-home days, preferred parking spots and extra-long lunches (Whitmore, 2019). The study aims to assess whether motivation plays a role in the implementation of CBP, which helps to achieve the first research objective of staff participation in the CBP.

2.5.1.5 Downward communication

Downward communication (Jiang, Probst and Benson, 2017) suggests that, through the budgeting process, subordinates can gain additional information from superiors and others, including their duties, responsibilities and expected performance, which increases a subordinate’s effectiveness. As Cropanzano, Massaro and Becker (2017: 31) argue, discussions with superiors during the budgeting process can help to clarify the goals and methods of the subordinate.

However, some scholarly papers have focused on diverse sources of power that managers use to apply their influence and authority over staff. Kerzner (2017:92) posits that these stem from formal authority, control of resources, control of decision processes and control of information at times, managers use larger structural schemes and social interactions with their subordinates to persuade them (Lee and Edmondson,
2017). Very frequently, administrative managers retain data and give it out on a need-to-know premise. This creates weaknesses amongst subordinates which restricts detailed employee input, duty and dedication (Raina and Roebuck, 2016).

Gochhayat, Giri and Suar (2017) have found that insufficient and poor-quality information was the chief cause of problems with human performance. This has led to a declining organizational ability (Apalia, 2017). Management, as leaders, need to ensure that every employee has transparency and access to data, such as finances, products/services and organizational strategy (Raina and Roebuck, 2016). By improving the culture of transparency with the quantity, quality and timeliness of the information shared with staff, organizations may be able to advance performance (Alsaedi, Phalp and Ali, 2019). The researcher sought to ascertain if downward communication was a key element necessary in the implementation of CBP. The literature presented helps to answer the first research objective of staff participation in the CBP.

2.5.1.6 Clarification of duties and responsibilities

The budget officer implements budgeting and financial record keeping procedures to ensure efficient coordination of various departmental, grant, and designated accounts, maintains accurate information regarding the financial status of the cost centre, and advises the immediate supervisor regarding financial decisions (Measom, 2018).

Role profiles are defined as an extended job or set of jobs that have similar features. This provides employees with a clear career path so that they can distinctly see what additional skills are needed to progress in different roles (Porter-Bent, Council, Kinsella, Mahal, Meadows, Nagra and Council, 2016). Therefore, employers can benefit from greater flexibility allowing them to switch employees to roles with similar characteristics. A job title speaks to certain abilities and typical tasks based on training and experience. It also applies to the level of talents (Miao, Li, Yan, Gong and Chu, 2019).

Confusion regarding job roles can be a major source of workplace stress and conflict. It can also result in poor service delivery. It is important that one knows one’s job
responsibilities, work within one’s position specifications and clarifies work instructions, where necessary (Jalagat, 2017). One’s job description encompasses all possible responsibilities for one’s position and explains the duties in a clear and specific manner. Unfortunately, job descriptions are often incomplete and may result in one performing duties that are too challenging, too easy or otherwise incorrectly assigned. Whether one has been at one’s current job for 10 years or 10 minutes, such confusion is not unlikely (Measom, 2018).

Namhata and Patnaik (2019) assert that communication, whether upward or downward, play a very critical role in organizational success. The researcher surveyed whether the clarification of duties was a prevalent factor which was essential in the implementation of CBP.

2.6 Technical skills

Challenges, faced by SMEs, have primarily influenced their growth and development. These include, but are not limited to, the lack of a serious focus on sustainability, unawareness of staff, expertise, financial skills and qualified personnel required for sustainable growth within an organisation (Ngibe, Lekhanya and Garbharran, 2019). Additionally, the technical skills required for the capital budgeting process are not available in the staff of SMEs. The skill level of the owners as well as the staff of the SMEs is very low (Karadag, 2016). Most of the owners of the SMEs generally, and as specifically observed in the Springfield Industrial Park of eThekwini Municipality, are people from the nearby regions who have started business through their personal investment or borrowing from lenders. Kemp et al. (2015: 10) indicate that their education level is very low. Most of the owners are not even graduates. Therefore, their understanding of the financial budgeting systems is either nil or very basic. Furthermore, the internal staff employed in these small set ups are also low-skilled workers with no or limited financial knowledge. The staff are mainly responsible for day-to-day activities and maintenance, and usually do not have experience in capital budget implementations. Thus, the companies were fully dependent on outsourcing of the financial function (Jagoda and Samaranayake, 2017).
The argument that can be made is that a lack of technical skills in capital budgeting and planning could be one of the many contributing factors to the poor budgeting and implementation of strategic and operational plans among SMEs.

2.6.1 Manual versus Computerised Accounting system

Manual accounting implies that staff perform the whole Accounting cycle manually on a period basis with the view to assisting in decision-making. This manual system takes much time, resources and effort in medium to large organisations (Jusoh and Ahmad, 2019). On the other hand, computerised accounting implies that the only thing that staff do is record the transactions on the computer which processes the other steps of the accounting cycle automatically or by request. In this way, computers provide accurate calculations and detailed reports in quick response time for decision-making purposes (Jiang, 2017).

Atiase, Mahmood, Wangand and Botchie (2018) studied accounting systems among businesses in developing countries, focusing on Africa. They deduced that budget execution and accounting processes were either manual or supported by very old and inadequately maintained software applications and hardware. They also found that this had damaging effects on the functioning of organisations due to the consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting which negatively impact budget management.

Factors affecting the adoption of a computerised accounting system are influenced by the size of the business, importance of creativity and innovation, education level and computer training of the business manager and partners (Lutfi, Idris and Mohamad, 2016). The challenge of adopting a computerised accounting system is employing the right people who have the level of education to operate the system. Amanamah (2016) recommended that all SMEs should have a computerised accounting system in place in order to ensure proper accounting practices. This will result in several benefits for the business, such as timeous report writing, accuracy of information and a wide database of providers. This study aimed at surveying the methods used by SMEs in order to determine whether they enjoy such benefits.
2.6.1.1 Lack of Computer literacy

There are essential skills that one need to possess to be considered for one’s ideal role. While technical skills will vary by job description and industry, Cimatti (2016) asserts that there are some universal hard and soft skills that everyone needs to succeed in their careers. Employers look for two sets of skills when considering a candidate’s job application and interview performance - hard and soft skills.

Soft skills are a collection of capabilities and positive attributes that can advance work performance and productivity. Soft skills are linked to emotional intelligence which include skills such as communication and listening, positive relationships, cooperation and collaboration (Cimatti, 2016).

In contrast hard skills are specific, teachable abilities that can be defined and measured, such as typing, writing, mathematics, reading and the ability to use software programmes. From the ubiquitous Excel to Python and Tableau, data analysis is paramount in virtually every industry (Bishop, 2017).

Companies need skilled staff, who can organize and analyse data to give them meaningful insight on their sales, clients, finances, and virtually anything else that can be measured. Yet 36 percent of hiring managers felt that candidates lacked this skill. Potential employers can also gauge one’s skills from any training courses one has completed. Hence, one should be sure to add one’s Excel certification to one’s resume and LinkedIn profile as well (Bhuiya, 2019).

In order to effectively adapt CBP in business, both managers and staff need to be proficient in computer literacy. This is also needed in order to speed up the processes and accuracy in data capturing. This data becomes necessary when implementing the CBP. In order to do this, staff participation is vital. This study addresses computer literacy in SMEs in eThekwini Springfield Industrial park as one of the factors necessary for implementation of CBP.

When people perform the same work tasks day-in and day-out, they are stuck in a rut. They can dig themselves so deep into routine and boredom that they become less motivated and less creative and dissatisfied with their jobs. This leads to lowered
productivity and even higher turnover (Oakley, 2018). Freedman (2019) states that organisations can turn this downward trajectory around by rewarding staff with time during the workday to learn new skills that appeal to them, such as computer literacy skills. This will enhance their job satisfaction, improve their output and increase the abilities that one can call on to boost one’s business activities such as CBP.

Perceived behavioural control (PBC), as explained by Ajzen (2008), refers to the means and confidence levels that an individual has when using technology. A-Debai et al. (2013) and Ajjan et al. (2014) reflected that the influence of technology on continuance intention is not significant.

2.6.1.2 Necessity of keeping accurate records

The purpose of a business is to earn income for its owner. The owner relies on the profit from the business to provide for his or her family, grow the business, hire more staff, or purchase other businesses. For a business to be lucrative, the owner or manager needs very accurate, detailed information about the financial and operational actions of such business (Badway, Horn, and McCoy, 2017). This is achieved through budgeting and record-keeping. Accurate record keeping shows exactly where the business is financially, while proper budgeting predicts where the business will be in the future. Financial management depends on the availability of accurate information (Foster, Florea, Fahrenbruch, Blackwood and Rea, 2017).

The best way to have an accurate budget that can serve as a management tool is to use accurate information in preparing it. Record keeping is the process of maintaining accuracy. Teece (2018) posits accuracy in knowing where expenses occur and revenue is generated is valuable in making decisions that can lead to a more profitable business. Comparing the performance of the business with its performance in previous years or with that of similar businesses allows the manager to identify decisions that should have been made differently to generate a better profit (Goncharuk, 2018).

An information record-keeping system is affected by honesty from the staff. This reduces information asymmetry between the manager and staff in the budget. However, going from no recording information system to a coarse information system
increases honesty in managerial reporting (Abdel-Rahim and Stevens, 2018). However, Abdel-Rahim, and Stevens (2018) also report evidence that going from a coarse information system to a precise information system decreases honesty in managerial reporting.

Traditional Agency theory, however, assumes that staff suffer no disadvantage for distorting their information accuracy and will build slack into their budget to expand their increment and incentives (Zogning, 2017). From this perspective, budgetary slack is a type of opportunistic behaviour that reduces the value of participative budgeting to the firm (Abdel-Rahim, Majerczyk, Stevens and Wilhelm, 2019).

Conversely, Brunner and Ostermaier (2019) asserts that the extent to which staff truthfully communicate accurate information in the participative budgeting yields useful information for central management to use in production, marketing and capital budgeting decisions.

Keeping accurate records allows the business to regularly monitor the overall growth of the business, to identify income sources and track deductible expenses. Having accurate records assists in faster decision making and higher work-efficiency. This accuracy becomes crucial in the CBP. As part of the study the researcher sought to determine level of investigation and resolution of budget variances as one of the factors necessary for implementation of CBP.

2.6.1.3 Investigating of and resolve of budget and actual variances

Investigating and resolving budget variances allows the business to regularly monitor and control their business expenditure. Variance analysis helps to be proactive in achieving targets, identifying and alleviating potential risks. This precision is essential in the CBP.

Variance analysis, also defined as analysis of variance (ANOVA), involves calculating the difference between two figures. It is a tool that pertains to financial and operational data that aims to identify and determine the cause of the variance. In applied statistics, there are different forms of variance analysis. In project management, variance analysis helps maintain control over a project's expenses by monitoring planned versus
actual costs. Active variance analysis can help a company spot trends, issues, opportunities and threats to short-term or long-term success (Cross, 2019).

A variance encompasses the relationship between the budgeted and the actual income, costs of production as well as the effects of the differences on the performance of an organisation. Two types of variance results exist in terms of the variance effect; firstly, a favourable variance is achieved when the actual performance is better than the expected results. Secondly, an adverse variance is achieved when the actual performance is worse than the expected results (Akeem, 2017).

A threshold for the investigation of budget variances should be determined (Cross, 2019). By determining a consistent threshold for investigation, managers are not worrying about resources that are insignificant to the company and instead focus on larger issues. Freedman (2019) suggests that variances should be identified that are greater than the threshold for investigation to follow up on.

Many companies contrast from one another with respect to their staff. Finding individuals who are skilled and committed to their occupations in investigating and resolving variances turns into a basic fact that these sorts of staff can augment profitability and improve quality. In that setting, representative contributions turn out to be progressively critical to the continuance of the business (Bakotić and Rogošić, 2017).

The authors of numerous studies (Sila, 2020; Escrig-Tena, Garcia-Juan and Segarra-Ciprés, 2019) firmly argue that skilled workers are more productive and have a higher level of participation. It would then seem reasonable to expect that an increase in training will produce a resultant increase in employee involvement (Gutierrez-Gutierrez, Barrales-Molina and Kaynak, 2018).

Investigating and resolving budget variances is one of the various tasks that the staff would be responsible for when working with CBP. This study was aimed at determining staff participation in the investigation and resolving budget variances. To further make valid recommendations with the importance of staff participation in CBP and which will highlight the relevance of financial skills necessary.
2.7 Skills and influence of managers/owners

The key decision-makers of capital budgeting in the SMEs are the owners of the business and not the managers. It has been observed that either the owners carry out the capital budgeting process or they work in consultation with external experts on capital budgeting (Karadag, 2016). Most of the SME owners are unskilled and are not highly educated to carry out the process of capital budgeting. The SME owners operating in Springfield Industrial Park are from the local communities and lack both education and funding, which results in not carrying out the capital budgeting processes in more than 50% of the cases (Egbide et al., 2019: 65). In their study, Karogo, Nyaboga, Marwa and Waiguchu (2017) found that a relationship existed between the education level of entrepreneurs and their success in business. The relationship of was that the more qualified the entrepreneur was the greater success there was in business. According to Karogo et al. (2017) reflected results was in their intuition, good marketing strategies, good access to capital and customer needs. These are the essential factors required to answer the second research objective of this study, which is the influence of management skills of the CBP.

The capital budgeting planning process requires a lot of information from managers or owners in SMEs (Fatoki, 2017). Therefore, one of the positive influences that management or owners can bring into the capital budgeting and planning process is efficient sharing of information (Freedman, 2019). Managers and owners can provide useful information about the net output from the capital budgets and the potential risks (Sacks, Eastman, Lee and Teicholz, 2018:1). The influence of managers as a component of budgeting theory will be used to answer the second research objective of this study, which is to ascertain the influence of management skills and owners on current CBP. (Hansen & Van der Stede, 2004).

A consequence of information-sharing for instance is that the superior is able to improve the quality of decisions and design of capital budgeting planning (Opoku, 2017; Hansen & Van der Stede, 2004). Managers and owners coordinate and propose a more efficient and goal-specific incentive contract, which increases the subordinates’
motivation to achieve the budget. This will in turn, lead to improved financial performance within an SME (Orobia et al., 2019).

2.7.1 Decision-making of management

A larger percentage of SMEs have the ownership of the businesses as sole proprietorship and close corporations. Therefore, they are the sole decision makers of budgeting practices. The owners mostly opt for cash flow budgeting rather than capital budgeting in the SMEs (Orobia et al., 2019: 131). In most cases, capital budgeting was not even adopted by the owners due to their stand on financial viability; not having capital to invest in new projects; and a lack of knowledge regarding the entire process of capital budgeting (Egbide et al., 2019). Woods et al. (2016: 129) mention that the rest of the SMEs, which applied the capital budgeting process for their investment in new projects, did so through the assistance of external expert consultants.

Although there are few studies of individual job performance and decision-making in family firms. Chrisman, Devaraj and Patel (2017) suggest, in their study that productivity of family firms much are lower than that of staff of nonfamily run businesses. The focus on nonmonetary ambitions in family firms makes them less likely to offer incentives which researchers theorize that makes family firms less desirable places to work at (McLarty, Vardaman and Barnett, 2019).

However, the notion that family firm employees are less talented does not account for the effects of the unique social dynamics present within family firms (Duran, Kammerlander, Van Essen and Zellweger, 2016).

The rationale for human resources proficiency is rooted in the Agency theory, which speculates that managers will engage in self-centred goals, rather than the owner's goals, if their conduct is not monitored (Madison, Daspit, Turner and Kellermanns, 2018). Within family firms, however, owners and managers are often part of the same family. This role overlap implies that the goals of these individuals are assumed to be naturally aligned. Therefore, monitoring family - manager behaviour is often deemed unnecessary (Garcia, Sharma, De Massis, Wright and Scholes, 2019).
A noteworthy addition to the agency theory, however, acknowledges that family businesses are not immune to agency problems (Madison, Holt, Kellermanns & Ranft, 2016). De Massis, Wang and Chua (2019) validate that family firm’s performance increases when family managers are monitored, suggesting that family managers' behaviours within the family firm may also be a product of self-interest, despite being part of the family.

Madison, Daspit, Turner and Kellermanns (2018) highlight those family firm benefits of monitoring family managers. An implicit assumption based on the Agency theory is that nonfamily managers also require monitoring due to a perceived goal misalignment.

The timeous and decisive decision making of management will help satisfy the second research objective of this study, which is the influence of management skills of the CBP.

2.7.2 Financial Considerations

The business environment of South Africa is such that the first obstacle, faced by SMEs, is the non-availability of finances, not only for establishing the company, but also for any future investments (Kemp et al., 2015: 11). Access to finance is considered to be a hurdle for many start-up businesses (Seed Academy, 2016), including established SMEs (Ngibe, Lekhanya and Garbharran, 2019). The second consideration is disturbing, since it is highly likely that limited access to financing opportunities may have a direct influence on the sustainability of South African SMEs (Schmidt, Mason, Bruwer and Aspeling, 2017).

The barriers relating to the accessibility of finance has been highlighted regularly in research studies has been summarised in Appendix G. Some of these broad categories of barriers will be reviewed in section 2.7.2.1.
2.7.2.1 Availability of funds for SMEs

According to Karadag (2017), a firm’s demographic factors, its size, ownership type, age and sector all influence their access to finance. Additionally, any failure to declare assets, deliver accounting records, or ensure creditworthiness and financial performance will adversely influence financial institutions’ promptness to pledge to medium- or long term investments (Mutoko & Kapunda, 2017).

This scarcity to gain credit worthiness is a major limitation for manufacturing SMEs that wish to expand their activities (Seda Report, 2016). It is clear that SMEs present a high risk to the lender. Moreover, many SMEs have inadequate assets that can be used as collateral, and will suffer from poor mechanism (Abraham & Schmukler, 2017). Furthermore, Peprah (2016) asserts that the absence of financial support is also due to the owner’s flaws in drafting a well-prepared and explored credit proposal for the financial institutions.

SMEs are mostly lacking the required funds for long-term investments in various projects or technologies. Thus, in more than 50% of the cases, the SMEs do not adopt the capital budgeting process (Ogunsola, 2017: 63). The remaining SMEs, which adopt capital budgeting, do so because they have to invest in the new technologies in order to fight the cutthroat competition. This has been evident in the SMEs operating in the automotive, metal products, garments, plastics and rubber, and electronics industry (Orobia et al., 2019: 133). The availability of funds answers the second research objective on the influence of the owner’s skills in obtaining the necessary funding required to conduct CBP.

2.7.2.2 The terms of lending and conditions by the various financial institutions

Different financial institutions, especially private firms, provide loans to SMEs at a very high rate of interest, which deters SMEs from investing in long-term bigger projects or capital budgeting (Fatoki, 2017: 155). Although the lending rates of government agencies are very low, SMEs are largely not aware of the various policies, rules, and programmes pertaining to lending and are thereby not able to access the benefits
Ullah (2020) asserts that the harmful effect of corruption is a critical issue on a country’s economic growth, financial institutions and SMEs.

The project’s economic value in which the investments are made is another factor. In case the economic value of the investment project is high, it will require higher capital requirements and budgeting appraisal (Potashnik, Garina, Romanovskaya, Garin and Tsymbalov, 2017). The third obstacle is the lack of managerial skills and academic status in the owners or the employees in order to create viability or the expansion mode of the business in an effective manner (Woods, Paulus, Atkins and Macklin; 2016: 133).

A study by Egbide et al. (2019) also found that the failure of SMEs in South Africa was due to the lack of managerial and business skills of the owners. The terms of lending also link the second research objective which is the influence of owner’s skills on obtaining the best terms of lending required to conduct the CBP.

**2.7.3 Government Policies**

The Department of Trade and Industry (DTI) provides financial support to qualifying companies in various sectors of the economy. Financial support is offered for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment.

The government policies of the eThekwini Municipality are favourable towards the establishment and growth of SMEs and provide many business services to them, such as legal consultancy, registration services, etc., at minimal or no cost along with the other amenities. For instance, approximately 20% SMEs in the automotive industry have adopted the capital budgeting process for up taking investment decisions to deal with the tough competition. This process requires an investment in advanced technologies (Chepngetich, 2016). Due to government help, SMEs that adopt the capital budgeting process do so because they have to invest in the new technologies in order to fight cut throat competition (Wood et al., 2016: 133). The principle incentive schemes and taxation policies are briefly discussed below. Government programs and policies offered allows SMEs to remove any tax liability requirements and compulsory payments. Thus, making the necessary funds available to grow the SME via capital investment.
2.7.3.1 Automotive Investment Scheme (AIS)

The Automotive Investment Scheme (AIS) is an incentive designed to grow and develop the automotive sector through investment in new and/or replacement machinery models, tooling and components. This in turn will increase plant production volumes, sustain employment and/or strengthen the automotive value chain (eThekwini Municipality, 2017). Nevertheless, the funding support is still lagging behind the actual requirement for the SMEs in order to scale up their operations (Kadarag, 2017). One of the questions of the study was to determine whether SMEs are aware of the incentives offered by the government, which achieves the second research objective of owners’ managerial and business skills in the SME sector.

2.7.3.2 Taxation Policies

The taxation policies for SMEs by the eThekwini Municipality are very supportive towards the SMEs, especially those operating in the Special Economic Zones which are exempted from taxation for a long period of time, usually for 10-15 years on average (Kadarag, 2017). Since the Springfield Industrial Park comes under SEZ 63 in the eThekwini Municipality, the SMEs operating in this zone have been exempted from taxation for now. Thus, this exemption impacts the capital budgeting of the SMEs positively (Graham et al., 2015: 463). The second question in this segment of the study was to determine whether SMEs are aware of the exemptions offered by the government which achieves the second research objective of owners’ managerial and business skills in the SME sector.

2.7.4 Lack of Networking ability

Although the SMEs are operating in the same park or municipality, they were not connected with each other at any level. This non-connection hampers any type of exchange of business knowledge or experiences between the different entities. Thus, even this internal resource is being under-utilized by the SMEs (Orobia et al., 2019: 79).

Mutual production-distribution planning, among the supply network players, is considered a proper mechanism to support enterprises in dealing with the uncertainties
and dynamism linked to the current markets (Andrés, Sanchis Gisbert, Lamothe, Saari and Hauser, 2017). Enterprises, especially SMEs, should be able to overcome the incessant changes of the market by enhancing their agility. Carrying out shared planning allows enterprises to develop their readiness and agility for facing market volatility (Osei, Amankwah-Amoah, Khan, Omar and Gutu, 2019).

However, SMEs have limited access when incorporating improvement tools to deal with shared planning, and reducing their ability to respond to the competition. The problem is to provide SMEs affordable solutions to support collaborative planning, according to Andres, Poler, Saari, Arana, Benaches and Salazar (2018). The networking ability achieves the second research objective of owners’ improving managerial and business skills in the SME sector.

### 2.7.5 Business knowledge regarding the financial management skills

Most managerial skills, especially financial management skills, are lacking in the owners along with the knowledge that these skills must be acquired. The major cause of this problem was observed to be the background from which these owners hail; their education level and the lack of guidance or training institutes for providing such assistance to them (Orobia et al., 2019).

Consequently, most of the owners request the assistance of external consultants in capital budgeting for the lack of internal financial knowledge (Kirton and Greene, 2019). Due to the outsourced party not being accountable for the performance of the business, it is not within their contracted scope to do number crunching to provide analytical data and the party is not obligated to highlight concerns and issues (Abdel-Khalik, 2018: 676-708).

When such an integral aspect of the business is left in the hands of a staff member or an outsourced accountant, it is unlikely that the SME bosses will receive any or enough relevant support to help them make informed decisions (Lepistö, Dobroszek, Lepistö and Zarzycka, 2020). Hugonnier and Morellec (2017) caution that making the wrong decisions can cost the business dearly, such as decreasing their chances of accessing financial help from banks or investors.
SME owners who are more financially perceptive, are likely to investigate, study and arrange information to explore the feasibility of new business. This would secure the required financing which will enable survival, sustainability and growth (O'Connell, 2019). One of the research questions aimed to ascertain the owner’s/management business knowledge regarding the financial management skills on the implementation of CBP which links to the second research objective on owners’ managerial and business skills.

2.7.6 Knowledge to identify and resolve business challenges

The knowledge and capabilities of the owner are crucial for business performance and growth because the management structures and independence of small businesses cause owners to have a key role in business operations (Guritno, Suyono and Sunarjo, 2019). Entrepreneurship education plays a crucial and important role in providing the crucial skills for an owner to operate their daily business requirements, as well as how to face obstacles and challenges that they will face during their business life (Almahry, Sarea and Hamdan, 2018).

Regarding entrepreneurship education (EE), many researchers give entrepreneurship a significant focus in their studies (Almahry, Sarea and Hamdan, 2018). In addition, Rae and Melton (2017) state that EE should include skill-building and leadership programmes, new product development, creative thinking and technology innovation.

According to Nabi, Walmsley, Liñán, Akhtar and Neame (2018), individuals, who have work experience and educational background, have a set of various skills. These individuals are more likely to become entrepreneurs and make better business progress than others.

Three sets of success factors or skills that entrepreneurs should possess are identified, i.e., technical skills, business management skills and personal entrepreneurial skills (Harrison, Burnard and Paul, 2018). Technical skills include written and oral communication, technical implementation skills and organizing skills. Business management skills include decision-making, setting goals, human resources management, finance, accounting, marketing, customer relations, negotiating, growth
management and compliance with regulations (Abubakar, Elrehail, Alatailat and Elçi, 2019).

In terms of personal entrepreneurial skills, Kücher, Mayr, Mitter, Duller and Feldbauer-Durstmüller (2018) found that the failure of younger entrepreneurs is linked with deficiencies in their business management skills. Since business, situations are very complex and unpredictable entrepreneurs must build specific personality traits to be capable of facing these situations. The entrepreneur must act as a leader, inventor, accountant, marketing specialist and top sellers. One of the research questions aimed at assessing the knowledge and ability to resolve business challenges in CBP which achieves the second research objective on owners’ managerial and business skills.

2.7.7 Ability to control, lead, manage, direct and monitor the manpower

All SMEs’ staff are essential to their operations. This includes acquiring new people for the business and ensuring that they are productive additions to the SME (Martínez-Costa, Jiménez-Jiménez and Dine Rabeh, 2019). Effective human resource management matches and then develops the abilities of job candidates and staff with that of the needs of the firm. An effective personnel system will contribute to the key ingredients for survival, sustainability and growth (Chams and García-Blandón, 2019).

Human resource management is a complementary deed. At one end, one employs qualified people who are well suited to the firm's needs. At the other end, one trains and develops staff to meet the firm's needs. Most expanding small businesses fall between the two levels (Bornay-Barrachina, López-Cabrales and Valle-Cabrera, 2017).

Unfortunately, the problem is not limited to a lack of managerial and business skills in the owners of the SMES who are required to run, sustain and expand the business effectively. Nevertheless, the core problem is that the owners are not even aware about the skills, that they must acquire or are required for increasing the effectiveness and profitability of their business operations (Orobia et al., 2016:141).

As a business owner, one’s employees are one’s team, and the owner is their team captain. The owner’s job is to help them to be as productive as possible, both
individually and as a unit, which means motivating them to strive for greatness through enhanced personal performance and collaboration to individually and collectively contribute to the achievement of its objectives (Opoku, 2017).

One way to motivate employees is with monetary incentives, like salary increases and bonuses, but that is not the only, or, even necessarily, the best way. Whitmore (2019) call this good news because one may not always be able to fit financial rewards into one’s budget. The right non-monetary incentives motivate employees just as effectively because they allow one’s team to work for benefits that improve their work life and morale (Freedman, 2019).

Employee motivation is a two-way street. When one’s team is more engaged and effective, one becomes a better team leader. Whitmore (2019) posits that it does not always take money to help people fulfil their potential, just some time, effort and organization on one’s part. One of the research question aimed at evaluating the owners’/managers ability to manage, direct and monitor the manpower with the implementation of CBP. The literature achieves the second research objective on owners’ managerial and business skills.

2.7.8 Resource management for capital budgeting and planning

Managers in SMEs can use resource management to ensure the longevity of their financial operations, while others can use it to cultivate a competitive edge in the long-term (Peel & Bridge, 2019). Resource management is designed to set a firm’s financial course of action, identifying the financial strategies it will use to compete in the marketplace and how it will organise its internal financial activities (Batra & Verma, 2017).

Fatoki (2017) asserts that managing resources is, in effect, management’s game plan for strengthening the organisation’s financial position, pleasing shareholders and achieving financial performance targets. Thus, according to Opoku (2017), an SME whose management has poor resource management appears to be directionless and wasteful. There is a great link between resource management and capital budgeting and planning (Selig, 2018). Whilst capital budgeting and planning are of such
importance to the operation of an SME, Kengatharan (2017) emphasises that in too many cases, the participation of employees in planning and even decision-making is instrumental to improved financial performance.

The researcher sought to determine the nature of resource management required for CBP which ensures longevity of financial operations and can cultivate a competitive edge.

2.8 Conclusion

In keeping with the objectives of this study, this chapter, firstly, discussed the theoretical framework. Then the background of Contingency Theory was presented followed by the appropriate Contingency Theory adopted. Secondly, the conceptual framework of the Capital Budget Theory (CBT) was outlined together with the capital budgeting planning process and practices of SMEs. Thirdly, this chapter outlined the steps of the capital budgeting process and relevant definitions. The fourth aspect of the discussion was related to the importance of SMEs, the profile of the eThekwini-Springfield Industrial Park, Special Economic Zone (SEZ) and SME ownership. In the discussion of the aforementioned aspects, this chapter dealt with the two objectives of the study, which were:

- Staff participation in the capital budget process and practices in SMEs eThekwini-Springfield Industrial Park; and
- The skills and influence of managers/owners of SMEs in the capital budgeting process and practices in eThekwini-Springfield Industrial Park.

The next chapter focuses on the research methodology of this study.
CHAPTER THREE:  
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology adopted in this study. It highlights the strategy utilised in conducting this study. Research, according to Debela (2016), refers to seeking knowledge and constitutes one form of analysis via a logical search for relevant information on a certain topic. The aim of this research is to find alternatives to the issues through the application of scientific procedures to figure out the truth about the topic under consideration.

The chapter commences with a discussion of the methodological paradigm adopted for the study. The chapter presents the: research design; population; sample frame; sample design; and various data collection methods adopted. The study has aligned its analysis method to the quantitative methodology, using a pilot study and questionnaire as the data collection instrument. This is followed by a discussion of the issues relating to the quantitative and qualitative research design and methodologies. The data was analysed with the aid of the Smart Partial Least Squares (SmartPLS) software. Discussions on reliability and validity are included. Lastly, the study’s delimitations, limitations and ethical considerations are discussed.

3.2 Methodological paradigm

A quantitative study strategy is connected with the positivist viewpoint, the importance of which is on numbers with a final objective to evaluate the information through mathematical means, such as frequencies, inferences, standard and variance deviations, measures of central trend and several more. Qualitative methods focus on in-depth information and are not associated with numbers. It is about the quality of information collected. Qualitative methods are known to be systematic and subjective towards problem-solving and taking a structured approach (Booth, Sutton, and Papaioannou, 2016:162).
Considering that this study sought to assess the capital budgeting planning and practices amongst SMEs to determine their effectiveness or otherwise, a comparatively sizable target population of 146 respondents, utilising the quantitative methodology to draw inferences, was appropriate (Wager and Athey, 2018: 88). Wager and Athey explain that quantitative methods have a spectacular goal to collect objective information to establish the cause and impact of plans.

3.3 Research design

The initial step towards the development of a research methodology is the determination of a research design. Research design represents the plans which are pursued to address research objectives or questions (Sekaran and Bougie, 2016: 360). The selection of an appropriate research design helps the researcher to develop a clear research framework which guides the research method and acts as a basis for the explanations that will be done. Furthermore, the selection of a research design enables the researcher to predict the appropriate research decisions that are likely to be made and augment the validity of collected results. Therefore, the final research design provides a map for the collection, measurement, analysis and interpretation of data (Wang and Masalmeh, 2019).

There are mainly three types of research designs, namely, exploratory, descriptive and causal (Sekaran and Bougie, 2016: 360; Rezaei, 2019). As the term suggests, exploratory studies seek to explore relatively unknown topic areas. This type of research, because it follows a set of procedures supported in theory, allows for valid, astute and reliable findings in the social sciences (Reiter, 2017:129). Descriptive research consists of statistical methods that are used to identify patterns or trends in situations without establishing the causal relationship between the different elements. This type of research is adopted when the researcher wants to describe the nature and features of the trends under investigation (Sampumo, Rahmat and Diana, 2017). Causal studies are those that aim to show causality between different variables and occurrences. These types of studies are conducted to illustrate the cause and effect between dependent and independent variables (Watson, 2015:44). In the positivistic approach, the methods, which include experimental design, quasi-experimental design
and study methods, are considered as appropriate. Saunders, Hunt and Hollywood (2016:175) recommend that the experimental research strategy is appropriate for the sciences, especially in the laboratory setting, as opposed to the field setting.

This study was a cross sectional study whereby identical information was collected at a particular stage in time with a questionnaire. This research sought to determine if the planning and practices had an effect on CBP in SMEs in the eThekwini Springfield Industrial park. Therefore, it was exploratory in nature. Taking into consideration the simultaneous gathering of data within a very short space of time (Saunders et al., 2016:177), the quantitative method was deemed appropriate. The collected data for this study was analysed with the help of the SmartPLS setting established on a computer system.

3.4 Population and sample frame

Population is a term that sets aside the unit identified for the study. Chuene (2018: 193) defines a population as the totality of persons, events, organization units, case records or other sampling units with which the research problem is concerned. The units investigated in this study were staff members of SMEs in the eThekwini-Springfield Industrial Park. Owners or suitable representatives directly involved in capital budgeting planning and practices formed the population of the study. The study chose to focus on this group because they are purposely inclined to provide factual information regarding the study. The total number of staff constituting this kind of population could be unlimited and collecting data from each member could be almost impossible. Therefore, as a rule of thumb, a sample was chosen to investigate the study’s problem. This sample, when scientifically collected, provides useful information for generalisation (Campbell, Urbano, Davidson, Dettki, and Cagnacci, 2016).

3.5 Sample design

Sampling design for research purposes is normally used in order to permit a detailed study of part of a population, as against the whole. The information derived from the ensuing sample is typically employed to develop useful generalisations about the
population. The two major types of sampling techniques in social studies such as the current study, are probability and non-probability sampling (Tyrer and Heyman, 2016).

3.5.1 Probability versus non-probability sampling

In probability sampling, the elements in the population have some known chance or probability of being selected as sample subjects. They are chosen at random, while in non-probability sampling, the elements do not have a known or predetermined chance of being selected as subjects (Sekaran and Bougie, 2016: 242). They are selected purposely or for convenience. Non-probability sampling was used in this study as the research followed a quantitative approach to allow the researcher the room to base assumptions on the perspectives and intuition of the study sample. Hence, the advantages of probability sampling constitute the disadvantages of non-probability sampling and vice versa.

Non-probability sampling is any kind of sampling where the selection of elements is not determined by the statistical principle of randomness (Loosemore and Cheung, 2015:139). Thus, the difference between probability and non-probability sampling is that while probability sampling does involve random sampling, non-probability sampling does not involve random selection.

Purposive sampling was adopted in this study because it is a sampling strategy that involves the selection of subjects that possess the necessary capability and knowledge to answer the research questions on hand (Sekaran and Bougie, 2016: 243). This means that the subjects were carefully selected by the researcher due to their special knowledge regarding the issue under investigation. The justification for choosing this approach was to broaden the knowledge base regarding this study through the opinions of the first-hand informants based on their experiences. Sekaran and Bougie (2016:264) postulate that, if possible, for a targeted population of 146 respondents, the sample size should be around 108 respondents. The completed sample questionnaires were received representing a 74% response rate. This amounted to 108 completed questionnaires being received.
3.6 Data collection method

The principle purpose of research is to collect data that can be processed into information that can ultimately be used for decision-making. Two types of data are collected when navigating research: namely, primary data and secondary data. Secondary data are the kind of data that have already been collected in other studies and for other purposes and analysed (Johnston, 2017:624). Ultimately, much of the work has already been completed, and time that would have spent collecting this data in primary form is saved. The advantages of secondary data are that “it is economical; it saves efforts and expenses; is time saving; it helps to make primary data collection more precise and is in line with the secondary data; it helps to advance the understanding of the problem; and it provides a basis for comparison for the data that is collected by the researcher” (Johnston, 2017:624). Although this data may be more swiftly available and are already processed, it does not go a long way towards answering the research questions specific to the current study.

This study utilised a questionnaire as the primary data collection method. Data collection methods could range from a simple on-line strategy to the face-to-face administration of questionnaires. With the former, the respondents will have access to technology and can judge whether they are comfortable with its use, while the latter is based on directly meeting participants and giving them hard copies that will require them to tick applicable answers pertaining to their circumstances. The recruitment of participants for this study was implemented by directly meeting them to hand-deliver the questionnaires as almost every participant had a convenient way of meeting the researcher to make enquiries pertaining to the questions. This was followed with the sending of reminders to participants, together with reminders on their notice-boards and common rooms. This technique has been found to be efficient in encouraging participants to adhere to the request to assist the researcher (Jackson, Kim, Shrader, Blanco, Thomas, Ezekowitz, Ansell, Fonarow, Gersh, Go and Kowey, 2018:337).

3.7 Structure of the questionnaire (Appendix C)

This study used closed-ended questions based on a four-point Likert-scale that the participants responded to. These were carefully worded to obtain information for the
The factors used in the questionnaire have been used in similar studies and proven to be capable of gathering good information for the specific objectives within a short space of time. The questionnaire for the study consisted of the following four sections:

- **Section A:** Biographical data;
- **Section B:** Degree of participation of staff in capital budgeting planning and practices;
- **Section C:** The influence of the skills of managers and owners on the current capital budgeting planning and practices; and
- **Section D:** Factors that impact capital budgeting planning and practices within SMEs.

### 3.8 Pilot study

An evaluation of the validity and the reliability of the research questionnaire as well as the data collected is possible through a pilot study. A pilot study eliminates problems during the recording of the data (Saunders et al., 2016:308) as it is meant to improve the questionnaire so that during the actual collection of data, respondents will have no difficulties in answering the questions.

The questionnaires used in this research were pilot tested on 10 employees at SMEs in the eThekwini Springfield Industrial Park. These 10 employees did not form part of the actual sample. They were selected across different departments to serve as representatives. The responses from this pilot study were used to assess the effectiveness of the design of the questionnaires, and enabled the researcher to assess whether the responses provided were in line with the research objectives. Questions that were found to be inconsistent were refined so that respondents would have no problems in answering the questions during the main data collection process. It also helped in that there were no problems in recording the data (Saunders et al., 2016:308). The pilot study helped the researcher to obtain some assessment of the validity and reliability of the instrument as well as the data collected.
3.9 Reliability and validity

3.9.1 Reliability

Saunders et al. (2016:309) state that reliability can be determined by means of a test-retest and internal consistency. In order to determine the reliability of research, a researcher needs to consider participant error, participant bias, observer error and observer bias, which are all threats to the reliability of research. The researcher did not tamper with the study’s findings to ensure reliability. The researcher also requested that the participants be honest about the information they provided as their responses to the study.

Saunders et al. (2016: 429) states that reliability entails the repeatability of the whole data collection process utilizing the same tool while providing comparable results even in different research spaces. Reliability is an indicator of the stability of the measurement instrument through re-testing (Schmieder, Madjidi, Frazier and Juarez, 2016; 162). The pilot study conducted in this study ensured the credibility of the research instrument. Reliability was obtained by ensuring that the questionnaire was concise and relevant to reduce variance coefficients (Debela, 2016). This was done to make sure that the study may be replicated by other scientists when performed under various scenarios.

In case the observational techniques are unreliable, they are extremely likely to produce invalid data. Since the validity test of the data met the Cronbach alpha cut-off point of 0.70, the validity of the study’s questionnaire was confirmed.

3.9.2 Validity

Mazepus (2017: 57) states that validity is how well an observation on the behaviour of a study in which the researcher is interested is accurately recorded. The author maintained that validity is one part of credibility and pertains to the consistency of the observations (two or more); or the same observer on a separate occasion studying the same behaviour is expected to have the same data.
The sample size was large enough for the Central Limit Theorem to be applicable or “kick in”, i.e., \( N > 30 \) for sample distribution of the mean to be normal, thus confirming external validity (Studer, Paglino, Gandini, Stelitano, Triboli, Gallo and Andreoni, 2018: 90). The internal validity of the quantitative data was confirmed by the use of the SmartPLS software package. The Cronbach alpha coefficient (Cronbach alpha cut-off point of 0.70) of the Likert scale questions in the questionnaire was met. Content validity was achieved through developing the questionnaire following a thorough review of literature and pilot study to make sure that the questionnaire captures all the important aspects that were meant to be captured (Saunders et al., 2016:193; Ferguson, 2017).

Collis, Weber, Helmus and Sherman (2017:204) emphasize that the validity of a questionnaire as an investigation instrument entails the extent to which the questionnaire measures what it is supposed to measure. Zikmund (2016; 302) lists face validity or content validity, criterion validity and construct validity as some of the examples of validity types/forms. Content validity pertains to the adequacy of the questionnaire with regard to its content, that it is good enough to gather information that is required. It is about the sufficiency of the questionnaire in terms of content. To attain content validity, the numerous question items of the questionnaire were connected to the investigation under review.

Construct validity pertains to the level to which the questionnaire really meets the supposed situations as presumed by the researcher. By aligning the objectives to the questionnaire and the goals of the study, questionnaire items and questions allow the accomplishment of construct validity (through the SmartPLS test). Criterion-associated validity entails success along the data collection requirements and these involve forecasting or projections. Criterion associated validity implies that research questions might be used for predictive purposes (Saunders et al., 2016:19) as was the case with the current study. The verification of the link between the degree of employee discontentment and the performance management techniques was established throughout the pilot study.
3.10 Ethical Considerations

Ethical concerns depend on respondents, the study and the atmosphere under the study (Saunders et al., 2016). Permission to conduct this study was granted by the Durban University of Technology (DUT). Furthermore, the DUT research team accepted the research title after cautious ethical considerations. The following ethical issues were considered:

- **Obtaining the consent of participants:** Before the commencement of the questionnaire distribution, the researcher explained why the study was being undertaken and clarified that participation was voluntary and that the respondents were free to disengage from the study without any prejudice.

- **Ensuring confidentiality and anonymity of the respondents:** Confidentiality and anonymity were assured in the letter of consent and the data collected were kept anonymous, safe and secure. Furthermore, data were not made public apart from giving it in for analysis. To ensure maximum discretion, information was coded with no names connected.

- **Ensuring no damage to individuals:** The investigator was obliged to make sure that the nature of the study was not distorted to respondents, and that the self-respect and integrity of the respondents was not in any way infringed (Sekaran and Bougie, 2016:61). This was ensured by the letter of consent to the respondents and the kind of questions posited in the study.

3.11 Conclusion

This chapter spelt out the methodological paradigm used in the study. The following features of the methodology were revealed: research design; population; sample frame; sample design and various data collection methods. The study aligned its analysis method to the quantitative methodology, using a pilot study and questionnaire as data collection instruments. The data analysis used was via the SmartPLS software. The following aspects were discussed: reliability; validity; delimitations; limitations and ethical issues. The Positivism philosophy was employed as the overall philosophy guiding the study.
The next chapter presents, interprets and discusses the primary findings of this study.
CHAPTER FOUR:
DATA ANALYSIS

4.1 Introduction

This chapter is geared towards analysing the data that was collected for the study. It also presents the various methods that were followed to gather the data. It starts with how the study’s instrument was developed and progresses to the final analysis. Descriptive statistics and latent variables efficacy are amongst the results discussed. SmartPLS 3.0 was used to interpret the research results.

4.2 Questionnaire development

The study used a set of accounting concepts to build the questionnaire, which was empirically tested after a field survey. The questions were reworded basically for the current research in a very simple and methodological manner for easy comprehension, starting with a demographic inquiry with a limited set of response categories, to ensure its deals with only the targeted population.

A 4-point Likert scale, ranging from (1) strongly disagree, to (4) strongly agree, with no option for neutrality was used to measure the relative importance of factors. The questionnaire was then rolled out for data collection after a pilot test was conducted to amend any anomalies. The questionnaire was administered to employees and owners at Springfield Industrial Park - a clustered region of both SMEs and large scale companies, with follow-up calls and personal visitations.

4.2.1 Data collection

The data was collected in a succession of 10 – 15 batches, as respondents were scattered across the eThekwini Springfield Industrial business park where the study took place and had different appointment schedules for the researcher and his field workers. This made the exercise a bit difficult, especially as respondents were not permitted to enter into a discussion with other colleagues and respondents around the
questions, unless the researcher was very sure of their suitability to participate in the survey.

4.2.1.1 Sampling procedure

The survey was administered to respondents who were involved in the Capital Budgeting Process (CBP) of their various companies and, therefore, had experience to offer the required information for the study. They were made up of owners of businesses or suitable representatives who have been involved in the CBP for their organisation. Although participants included managers and owners of companies, basic terms in the questionnaires were explained to them, in addition to the letter of information that accompanied the questionnaire to explain the purpose of the study and their right to withdraw, if they so desired.

The list of companies used to target the respondents was compiled by the researcher from a personal visit to the Springfield Industrial area. The introductory letter explained the essence of the survey and assured the respondents of confidentiality of any information they provided. Out of the 146 questionnaires distributed, a total of 108 responses were received. The advantage of doing such a convenient and face-face survey was that several participants were swift to respond to the questionnaire. A few respondents requested extra time to complete the questionnaire. Moreover, the cost involved was lower, and various companies were all within walking distance from one another.

4.2.1.2 Questionnaire items

Four factors were measured by multiple item scales, adopted from financial and management accounting. These were re-worded for the current study. To ensure content and face validity, a pilot test was performed using 10 SME employees in the eThekwini Springfield Industrial business park

Several issues regarding semantic wording, consistency of format and length of texts were corrected to fine tune the questionnaire instrument. The questionnaire consisted of four aspects, including the demographic section. The questionnaire was linked to the literature review of the study. The demographic information included position,
academic pedigree, experience and number of employees at the work place. In order to be more precise, subjects were presented with 4-point Likert scale ratings. Tables 4.1 and 4.2 show these measurement items and their operational measurements.

**Table 4.1 Steps of Capital Budgeting Process (CBP)**

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>Selection of Asset</td>
<td>Financial Evaluation</td>
<td>Implementation</td>
<td>Review &amp; Control</td>
</tr>
<tr>
<td>Proposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.1 represents the Capital Budgeting model process that should be adopted by the SMEs in the Springfield Industrial Park. These include: **Step 1**- Identification of the project and investment proposal; **Step 2**- Selection of the asset; **Step 3**- Financial evaluation of the project on the basis of the firm’s objective to increase their market value and shareholder’s wealth; **Step 4**-Implementation of the project; and **Step 5** - Review of the performance in comparison to the standard results of the industry in this respect.
<table>
<thead>
<tr>
<th>Factor</th>
<th>Item</th>
<th>Measurement</th>
<th>Author(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree of staff participation in CBP within the SMEs in eThekwini Springfield Industrial Park (DPsCBP)</td>
<td>DPsCBP1</td>
<td>Staff are involved with steps 1, 4 and 5 of CBP</td>
<td>(Bhuiya, 2019).</td>
</tr>
<tr>
<td></td>
<td>DPsCBP2</td>
<td>Staff involved with steps 1, 4 and 5 of CBP are lowly skilled</td>
<td>(Kang and Sung, 2017).</td>
</tr>
<tr>
<td></td>
<td>DPsCBP3</td>
<td>Staff involvement in CBP will be a source of motivation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DPsCBP4</td>
<td>Staff involvement in CBP will yield an agreement before budget the completed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DPsCBP5</td>
<td>Staff involved in CBP have stake in the process.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DPsCBP6</td>
<td>Staff exchange information more effectively with upward and downward communication</td>
<td></td>
</tr>
<tr>
<td>DSsCBP7</td>
<td>Staff involved in CBP clarifies duties &amp; responsibilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSsCBP1</td>
<td>Staff involved in CBP are trained to keep accurate records.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSsCBP2</td>
<td>Staff involved in CBP are trained to investigate and resolve budget and actual variances.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSsCBP3</td>
<td>The organisation has a computerized accounting system (e.g., Pastel, etc.).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSsCBP4</td>
<td>The organisation has spreadsheet packages (e.g., Excel, Word, etc.). Marcotte (2018)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSsCBP5</td>
<td>Staff involved in CBP make use of computerized accounting systems (e.g. Pastel, etc.). Freedman, 2019.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSsCBP6</td>
<td>Staff involved in CBP make use of spreadsheet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factor</td>
<td>Item</td>
<td>Measurement</td>
<td>Author(s)</td>
</tr>
<tr>
<td>--------</td>
<td>--------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td></td>
<td>ISmCBP1</td>
<td>The manager’s/owner’s ability to control and lead the budgeting process impact CBP in the organisation.</td>
<td>Kadarag, (2017)</td>
</tr>
<tr>
<td></td>
<td>ISmCBP2</td>
<td>Typically, manager's/owners are involved with steps 2 of CBP</td>
<td>Egbite et al.</td>
</tr>
<tr>
<td>Practice (CBP) SMEs in eThekwini Springfield Industrial Park (ISmCBP)</td>
<td>ISmCBP3</td>
<td>The manager's/owner's involvement in CBP influences the process</td>
<td>(2019)</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>ISmCBP4</td>
<td>The manager's/owners involvement in CBP influences managing, directing and monitoring manpower</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISmCBP5</td>
<td>The manager's/owner's involvement in CBP influences knowledge and resource management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISmCBP6</td>
<td>The manager's/owner's involvement in CBP influence networking with other municipalities regarding best practice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial appraisal (mFAT)</td>
<td>mFAT1</td>
<td>Traditional Payback Period (PB)</td>
<td>Olawale (2017)</td>
</tr>
<tr>
<td>mFAT2</td>
<td>Accounting Rate of Return (ARR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>mFAT3</td>
<td>Net Present Value (NPV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DoMCBP1</td>
<td>DoMCBP2</td>
<td>DoMCBP3</td>
</tr>
<tr>
<td>---------------</td>
<td>--------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>mFAT4</td>
<td>Internal Rate of Return (IRR)</td>
<td>Availability of funds impacts CBP and practices in the SMEs.</td>
<td>Timeous decision making of the management impacts CBP and practices in the SMEs.</td>
</tr>
<tr>
<td>mFAT5</td>
<td>Discounted Payback Period (DPP)</td>
<td>The terms and conditions of lending by the various financial institutions impact CBP and practices in the SMEs (e.g., interest rates/lending rate).</td>
<td></td>
</tr>
<tr>
<td>mFAT6</td>
<td>Profitability Index (PI)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decisions of managers/owners (DoMCBP)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCoCBP1</td>
<td>Government policies impact CBP and practices in the SMEs (e.g., Incentives – Automotive</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial skills</strong> (ISmCBP)</td>
<td><strong>FCoCBP2</strong></td>
<td>Taxation policies impact CBP and practices in the SMEs (e.g., wear and tear allowances).</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>FSoCBP1</strong></td>
<td>The organisation outsources the Financial function (Including the CBP function)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>FSoCBP2</strong></td>
<td>The manager’s/owner’s knowledge of financial management skills impact CBP in the organisation.</td>
<td></td>
</tr>
</tbody>
</table>

### 4.3 Data Analysis

The descriptive statistics were used to present a summary of the sample respondents’ data. This data were presented as information in the form of percentages and graphs to analyse the sample respondents’ answers.
Table 4.3 Descriptive statistics of respondents’ characteristics

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Characteristics</th>
<th>Response</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your academic qualification?</td>
<td>Matric</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Masters/PhD</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>None</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>What is your professional qualification?</td>
<td>CA (SAICA/SAIPA)</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>ACCA</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>CIMA</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>CIS</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>None</td>
<td>64</td>
<td>60</td>
</tr>
<tr>
<td>Which of these best describes your job title?</td>
<td>Owner</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Account/Finance officer</td>
<td>46</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>none</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>What is your working experience in this company?</td>
<td>One year</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>2-5 years</td>
<td>46</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>More than 10 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
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<td>Other</td>
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</tr>
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<td>How many years have you been involved in the CBP in this company?</td>
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<td>19</td>
</tr>
<tr>
<td></td>
<td>2-5 years</td>
<td>26</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>More than 10 years</td>
<td>32</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Other</td>
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<td>0</td>
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<tr>
<td>How many employees does the company have?</td>
<td>1-4</td>
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<td>0</td>
</tr>
<tr>
<td></td>
<td>5-20</td>
<td>13</td>
<td>12</td>
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<td></td>
<td>21-36</td>
<td>24</td>
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<td>30</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>9</td>
<td>8</td>
</tr>
</tbody>
</table>

### 4.3.1 Demographic Information

Demographic information allows one to better understand certain background characteristics of an audience, whether it is their age, race, ethnicity, income or work situation;

The second objective in this study looked at the influence of management skills and owners on current capital budgeting planning and practice. Mahmoud (2016), and AlKulaib, Al-Jassar and Al-Saad (2016) investigated managerial judgement factors, academic education, age, job experience and the number of employees that impact
the capital budgeting process. The formation of a capable management team is essential to achieving goals. It is crucial in building the general administration of companies (Gryshova, Petrova, Tepavicharova, Diachenko and Gutsul, 2019). Section A of the questionnaire investigates the demographic information of the SMEs in eThekwini Springfield Industrial Park. Below is a discussion of findings derived from Section A of the questionnaire.

4.3.2 Descriptive statistics

Table 4.3 provides an account of the descriptive statistics of participants in this study. These are the valid responses of 108 sample subjects.

4.3.2.1 Academic qualification

As can be seen in Table 4.3, the highest percentage of academic qualifications are respondents with degrees which represent 39%. This is followed by the matric level at 28%. Whilst the diploma respondents are at 13%, respondents with no qualifications are at 11% and master's level formed the remainder at 9%. Although the degree respondents are in the majority, their specialisation may not be in the Accounting arena. Thus, the process of CBP may not be their forte. Consequently, the CBP financial analysis was being outsourced and staff participation was limited. This is evidenced in Table 4.4 which is under the financial skills on page 92 where respondents have indicated a 74% agreement with the CBP financial analysis process being outsourced.

Karogo, Nyaboga, Marwa and Waiguchu’s (2017) study, found that there was a relationship between the education level of entrepreneurs and their success in business. Their results indicated that respondents with a post-graduation qualification succeeded in their business activities. Karogo et al. (2017) concluded that academic education plays a vital role in business success.
4.3.2.2 Professional qualification

Owners or managers, through their professional qualifications, ensure the achievement of the targets and strategies set out in economic organizations and guarantees their sustainability and development (Gryshova, Petrova, Tepavicharova, Diachenko and Gutsul, 2019). According to Table 4.3, respondents who have no professional qualifications represent 60%, whilst the next four levels of respondents (40%) have professional qualifications in the various accounting sectors. Gryshova (2019) found that managers with higher education have a major impact on the sustainability and development of organizations. Thus, the process of CBP financial analysis is their forte. This essential factor will ensure that CBP will not be outsourced.

4.3.2.3 Job Title / Role

As Table 4.3 shows, the highest percentage of respondents (43%) were accounting or finance officers followed by general managers at 31%. The general staff represent 18% and the remainder are owners at 8%. The high level of respondents who are accounting or finance officers bodes well for SMEs with regard to financial control, analysis and planning aspects.

Porter-Bent, Council, Kinsella, Mahal, Meadows, Nagra and Council (2016) found that role profiles provide employees with a clear career path so that they can distinctly see what additional skills are needed to progress in different roles, such as CBP. Miao, Li, Yan, Gong and Chu (2019) emphasise that a job title relates to certain abilities and typical tasks based on training, experience and level of talents.

4.3.2.4 Work Experience

The structure of the sample with regard to overall years of service shows that 43% of the respondents have 2 to 5 years of service; 21% of them have more than 10 years of service; 18% have 6 to 10 years and 18% have 1 year of service. The alarming factor is that the majority of respondents have only 2 to 5 years’ experience. This finding does not bode well for the stability of SMEs. However, 21% of respondents have more than 10 years of experience.
Managers with 11–20 years of service have significantly different attitudes toward personal initiatives and responsibilities from “beginners” who have up to 10 years of service. The managers with 11–20 years of service have the inclination to assume that the management team does not function well. Therefore, they personally initiate a concept that leads to better business relations with employees which adds to the success of the organization. The managers at the beginning of their careers pay more attention to work processes than to interpersonal relations (Zubanov, Katić, Nešić and Berber, 2017).

4.3.2.5 Capital Budgeting Involvement

In terms of CBP involvement, 29% of the respondents have more than 10 years’ involvement; 28 % of them have 6 to 10 years; 24 % have 2 to 5 years and 19 % have 1 year of involvement. A further detailed measure was posed for the level of staff participation. The results are presented in Figure 4.1.

4.3.3 Capital Budgeting participation

Social capital occurs through people working together and attaining more than they could working as separate individuals. An aspect of capital budgeting common to all organisations was the participation of staff in setting the budget (Sharma and Frost, 2020). Staff support is considered one of the critical success factors in project management and effective staff involvement can significantly improve project success (Ahmed, 2019).

4.3.3.1 Number of Employees

In terms of the configuration of the sample with regard to number of employees employed at SMEs, 30% of the respondents have between 37-52 employees; 28 % of them have 53-66; 22 % have 21-36; 12% have 5-20 and 8% are other or casual employees.

It is satisfying to note that 58% of respondents have between 37-66 staff. This bodes well with job creation, poverty alleviation and assisting in the prosperity of the country. The number of employees is a factor which has a strong impact on the sustainability and development of the business. Of particular importance for positive economic
performance is the optimal number of management personnel. Therefore, it is important to continually adjust the balance of the required and available workforce. The innovation activities increase in terms of number of the employees (Gryshova et al., 2019).

4.3.3.2 Findings of Demographic Information

Following the analysis of the demographic descriptive statistics stated above, it was found that:

- With respect to academic qualifications, the majority of respondents had a degree. However, their qualifications were not in the field of Accounting;
- Forty percent of respondents had a professional qualification which was in the accounting field. This augurs well for carrying out the CBP process;
- Concerning the job title/role, the mainstream positions were accounting officers, finance officers and general managers. This represented 71% of respondents;
- Respondents with only 2-5 years of work experience represents 43%. This finding illustrates the lack of experience within the SMEs;
- The makeup of the respondents with regard to CBP involvement indicated 6 to 10 years' experience. This bodes well for carrying out the CBP process; and
- It was noteworthy to note that 58% of respondents had between 37-66 staff. The great number of employees has a strong bearing on the sustainability and development of the business.

4.4 Measurement model

This section quantifies the association between observations during the research and theories underlying the factors that impact the CBP of small businesses.

Objective 1: To determine the degree of staff participation in capital budgeting planning and practices within SMEs in the eThekwini Springfield Industrial Park
Figure 4.1 Degree of Staff Participation

The aim of this objective was to find out the degree to which staff are involved in and participate in CBP. The following responses are associated with the above statements/questions in Figure 4.1:

4.4.1 Capital Budgeting participation

As displayed in Figure 4.1, staff are involved with steps 1 (Investment proposal); step 4 (Implementation) and step 5 (Review and Control) of CBP. The percentage of staff who strongly disagreed were 13%; 16% disagreed, while a significant majority of 71% agreed. There were no responses to the option of “strongly agree”. The reason for this majority response of agreement is due to the operation of manual processes. These responses indicate the participation levels of the respondents.

The majority of respondents (92%) agreed unanimously that they were lowly skilled, whilst 5% disagreed and 3% strongly disagreed. Again, there were no responses to option strongly agree. Chepngetich (2016) asserts that special skills are required to perform the CPB process. However, respondents have confirmed their skills level to be low. This is an indication of the lack of CPB skills within the eThekwini Springfield Industrial Park SME sector.
4.4.2 Exchange of Information

Figure 4.1 reflects that the respondents strongly expressed that the exchange of information was more effective with upward and downward communication: 76% agreed, 12% strongly agreed, 7% strongly disagreed and the remaining 5% disagreed. With the 88% level of concordance between respondents, it seems that upward and downward communication levels were not prevalent and that there is call for more effective communication channels. Cadez, Dimovski and Groff (2017: 37) found that budget participation could facilitate information-sharing between subordinates and superiors. Tjosvold, Wong and Feng Chen (2019) also found that budgetary participation provided a setting in which managers can exchange information and ideas to make budgetary planning and control more effective.

4.4.3 Motivation to participate

Figure 4.1 reflects that staff involvement in CBP will be a source of motivation: 69% agreed, 7% strongly agreed, 15% disagreed and 9% strongly disagreed. The strong level of agreement indicates that staff are willing to be involved in the CPB process. Whitmore (2019) argued that office morale can be improved through daily work-life quality benefits and privileges. Staff, in turn, will work harder and smarter when their workdays are more pleasurable and rewarding. Budgets are used to motivate staff to be more fiscally minded, to pay greater attention to detail and to think before they act. The successful use of budgets as a motivational tool requires involving staff in the formation, use and monitoring of budgeted results (Freedman, 2019). Gupta and Shaheen, (2017) found staff stability and experience is the ability to developing a long-term and consistent relationship between employees and SMEs. Staff create efficiency and effectiveness by promoting stable organizational relationships.

4.4.4 Stake in the process and agreement before budget completion

This segment of Figure 4.1 is based on staff involved in CBP will have a stake in the process: 65% disagreed, 25% strongly disagreed whilst 10% agreed. There were no responses for the option “strongly agree”. The extraordinarily high level of 90%
combined disagreed and strongly disagreed respondents revealed a lack of any stake in the CBP.

The next aspect of Figure 4.1 is centred on staff involvement in CBP that will have an agreement before the budget is completed. The majority of the respondents (72%) disagreed, 23% strongly disagreed and the remainder of 5% agreed. Again, there were no responses on option strongly agree. The remarkably high level of 95% for combined disagreed and strongly disagreed responses revealed the non-existence of any agreement before the CBP was completed.

This finding does not reflect well from an SME and staff point of view. It shows a distrust of staff. The trust for an employee is a function of the staff’s perceived ability, goodwill and integrity, as well as the manager’s inclination to trust (Jones and Shah, 2016). Several studies have suggested that trust is important to empowerment (David, Schoorman, Mayer and Davis, 2016). Therefore, this lack of staff having a stake and agreement before budget completion in the CPB will contribute to SME challenges.

### 4.4.5 Clarification of duties and responsibilities

The final segment of Figure 4.1 on staff involvement in CBP clarifies duties and responsibilities. The majority (81%) of the respondents agreed, 9% disagreed, and 10% strongly disagreed. There were no responses on the option strongly agree. This finding suggests that duties and responsibilities are well communicated. The reason for this majority response is due to the use of manual processes. Thus, critical thinking is not required in the execution of tasks.

Jalagat (2017) found that misunderstandings regarding job roles can be a major source of workplace stress and conflict and can also result in poor service delivery. It is important that one knows one’s job responsibilities, work within one’s position specifications and clarifies work instructions, where necessary. A lack of clear duties and responsibility skills in CBP could be contributing factors to the poor implementation of strategic and operational plans amongst SMEs.
4.5 Technical skills

Technical skills of staff were gauged with the aid of the following questions and their relevant responses, as displayed in Figure 4.2.

![Figure 4.2 Technical Skills](image)

4.5.1 Necessity of keeping accurate records

The first question in Figure 4.2 enquires whether staff involved in CBP are trained to keep accurate records. The majority of the respondents (77%) disagreed, 15% strongly disagreed, 8% agreed, whilst there were no responses for the option “strongly agree”. The notably high level of 92% for combined disagreed and strongly disagreed responses revealed an absence of accurate record-keeping in the CBP process. Badway, Horn, and McCoy (2017) articulate that for a business to be lucrative, the owner or manager needs very accurate, detailed information about the financial and operational actions of the business. Therefore, accurate record keeping will contribute towards the successful implementation of strategic and operational plans amongst SMEs.
4.5.2 Investigating of and resolve budget and actual variances

In determining whether staff involved in CBP are trained to investigate and resolve budget and actual variances, the majority of respondents (71%) disagreed, 19% strongly disagreed, 10% agreed, whilst there were no responses for the option strongly agree. The significantly high level of 90% for combined disagreed and strongly disagreed responses revealed an absence of investigation and resolving variances. This step follows on from keeping accurate records. Hence, the accuracy of record-keeping is of paramount importance. Bakotić and Rogošić (2017) found that staff who are skilled and committed to their occupations in investigating and resolving variances can increment profitability and improve quality. In that setting, a representative contribution turns out to be progressively critical to the continuance of the business.

4.5.3 Computerized accounting system

Respondents were asked whether the organisation has a computerized Accounting system (e.g., Pastel, etc.) A total of 63% agreed and 37% disagreed. There were no responses for strongly agree and strongly disagree. The second part of the question enquired if the organisation had spreadsheet packages (e.g., Excel, Word, etc.); 68% of the respondents agreed whilst 32% disagreed. There were no responses for strongly agreed and strongly disagreed.

The notable result is that approximately two-thirds of the respondents, were aware that the SMEs have computerised Accounting systems and spreadsheet packages. Lutfi, Idris and Mohamad (2016) state that factors affecting the adoption of a computerised Accounting system are influenced by the size of the business, importance of creativity and innovation, education level and computer training of the business manager and partners.

The second component of the question was concerned with whether staff involved in CBP made use of computerized accounting systems (e.g., Pastel, etc.): 78% disagreed, and 22% agreed. There were no responses for strongly agreed and strongly disagreed.
A convincing majority of the respondents (81%) disagreed that they made use of spreadsheet packages (e.g., Excel, Word, etc.) and 19% agreed. There were no responses for strongly agreed and strongly disagreed.

Although two-thirds of the respondents have computerised accounting systems and spreadsheet packages, it is disappointing to note that the huge majority of staff do not make use of these. Amanamah (2016) recommends the employment of suitable people who have the appropriate level of education to operate the system.

The questionnaire enquired if staff involved in CBP are adequately trained in the use of computerized Accounting systems (e.g., Pastel, etc.). A majority of 80% disagreed, 15% strongly disagreed whilst only 5% agreed. There were no responses for strongly agreed. In terms of whether staff involved in CBP are adequately trained in the use of spreadsheet packages (e.g., Excel, Word, etc.), 81% strongly disagreed, 17% disagreed and only 4% agreed. There were no responses for strongly agreed. The almost 100% respondent majority indicated that they were not adequately trained in the use of computerised Accounting systems and spreadsheet packages. Additionally, the technical and computer skills required for the capital budgeting process are not available to the staff of the SMEs. The skill level of the owners as well as the staff of SMEs are very low (Karadag, 2016).

4.5.4 Conclusion of Objective 1

Following the analysis of staff participation in the descriptive statistics detailed above, it was found that:

- A majority of staff are involved in capital budgeting participation (steps 1 - Investment proposal; step 4 - Implementation and step 5 - Review and Control) of CBP. These processes being manually implemented and do not require critical thinking;

- Staff involvement was a bone of contention. The strong level of agreement indicates that staff were not involved but were willing to be involved in the CPB process;
• The significant high level of combined disagreed and strongly disagreed responses revealed the non-existence of a stake in the process and any agreement reached before the CBP was completed;

• Duties and responsibilities are well communicated. The reason for this majority response is the fact that these processes are manual. Yet gain, critical thinking is not required;

• The notable high level of combined disagreed and strongly disagreed responses revealed an absence of accurate record-keeping in the CBP process;

• Respondents revealed a significantly high level combined disagreed and strongly disagreed responses on the absence of investigation and resolving variances. This would result in improved time management and less on non-essential aspects of the business; and

• As noted above, two-thirds of the respondents have computerised Accounting systems and spreadsheet packages. However, staff do not make use of these resources. A further prominent factor is that staff were not adequately trained.
Objective 2: To ascertain the influence of management/owners on current capital budgeting planning and practice

For Objective 2, the following questions and responses were recorded:

4.6 Skills and Influence of Managers/Owners

![Figure 4.3 Decision-making of Managers/Owners](image)

4.6.1 Decision making of management

The first question in Figure 4.3 enquires if the timeous decision making of the management impacts CBP and practices in SMEs. Respondents strongly agreed (77%) and the remaining 23% agreed. There were no responses for the options strongly disagree and disagree. In terms of practices, managers/owners are involved with Step 2 – Selection of assets of CBP. Respondents strongly agreed with this question (84%) whilst 16% agreed. There were no responses for the options “strongly disagree” and “disagree”. Orobia et al. (2019: 131) note that the largest percentage of SMEs ownership are sole proprietorships and close corporations. Thus, they are the sole decision makers of budgeting practices. The owners mostly opt for cash flow budgeting rather than capital budgeting in their SMEs.
4.6.2 Terms and conditions of lending by the various financial institutions

In terms of Figure 4.3, this question enquires whether the terms and conditions of lending by the various financial institutions impact the CPB (e.g., interest rates/lending rate). Respondents agreed strongly (96%) and 4% agreed. No responses from options "strongly disagree" and "disagree" were logged. This finding is a clear indication of the challenges faced by SMEs in obtaining credit.

Various financial institutions provide loans to SMEs at a very high rate of interest, which deters SMEs from investing in long-term bigger projects or capital budgeting (Fatoki, 2017: 155). Although the lending rates of the government agencies are very low, the SMEs are largely not aware of the various policies, rules and programmes.

4.6.3 Availability of funds for SMEs

This question enquires if the availability of funds impacts CPB and practices in the SMEs. Once again 85% of the respondents strongly agreed and 15% agreed. This finding is a clear indication of the challenges encountered by SMEs in obtaining credit.

According to Karadag (2017), a firm’s demographic factors influence its access to finance. Additionally, Mutoko and Kapunda (2017) note that a failure to ensure creditworthiness and financial performance will adversely influence the financial institutions’ promptness to pledge to medium- or long-term, investments. This scarcity to gain credit worthiness is a major limitation for manufacturing SMEs that wish to expand their activities (Seda Report, 2016).
4.7 Financial consideration

![Bar chart showing responses to taxation and government policies impact on SMEs]

**Figure 4.4 Financial Considerations**

### 4.7.1 Taxation policies

In this aspect, the first question in Figure 4.4 investigated if the taxation policies impact CBP and practices in the SMEs (e.g., wear and tear allowances). The majority of respondents (73%) disagreed whilst 27% agreed. No responses were recorded for the options “strongly agree” and “strongly disagree”. The high level of disagreement indicates that respondents were not aware of these incentive schemes. Fatoki (2017: 155) found that the SMEs are largely not aware of the various policies, rules and programmes.

Since the Springfield Industrial Park falls under SEZ 63 in the eThekwini Municipality, the SMEs operating in this zone have been absolved from tax assessment for the present. Consequently, this exemption positively affects the capital planning of these SMEs (Graham et al., 2015: 463).
4.7.2 Government policies

The second question examined whether government policies impact CBP and practices in the SMEs (e.g. Incentives – Automotive Production Development Plan, Automotive Investment Scheme). The majority of the respondents (69%) disagreed and 31% agreed. No responses were recorded for the options “strongly agree” and “strongly disagree”. Yet again, the high level of disagreement indicates that respondents were not aware of these incentive schemes.

Kadarag (2017) asserts that funding support by government is still lagging behind the actual requirement for SMEs in order to scale up their operations.

4.8 Financial appraisal

![Financial Appraisal Graph]

**Figure 4.5 Financial Appraisal**

4.8.1 Financial Appraisal techniques

One of the questions investigated whether managers/owners were in involved in step 3 – Financial appraisal and to the usage of the financial appraisal techniques. The majority of the respondents (84%) agreed whilst 16% strongly agreed. This finding is a
clear sign that this process is extremely important with a combined agreement of 100%. No responses were recorded for the options strongly disagree and disagree.

The second part of the probe was to ascertain the usage of financial appraisal techniques. These were their responses:

- Traditional Payback Period (PB): 79% strongly agreed and 21% agreed;
- Accounting Rate of Return (ARR): 64% strongly agreed and 36% agreed;
- Net Present Value (NPV): 15% strongly agreed and 85% agreed;
- Internal Rate of Return (IRR): 14% strongly agreed, and 86% agreed;
- Discounted Payback Period (DPP): 5% strongly agreed, and 95% agreed; and
- Profitability Index (PI): 74% strongly agreed, and 26% agreed.

There were no responses for the options strongly disagree and disagree for each of the aforementioned aspects. It is noteworthy that respondents were very concerned about the outcome of the financial appraisal. Behringer (2016) presented a simple rule that managers can use to make capital budgeting decisions: invest in all positive net present value projects, and reject those with a negative net present value. By following this rule, Capital Budgeting theory states that firms will make the set of investment decisions that will maximize shareholder wealth.
4.9 Business knowledge

4.9.1 Ability to control, lead, manage, direct and monitor manpower

One question examined the manager’s/owner’s ability to control and lead the budgeting process. The majority of respondents (81%) disagreed and 19% agreed. No responses for the options “strongly agree” and “strongly disagree” were recorded. The high level of disagreement indicates that managers/owners lack the ability to control and lead the SMEs in the CBP.

A second question examined the manager’s/owner’s involvement managing, directing and monitoring the manpower. A majority of the respondents (77%) disagreed and 23% agreed. There were no responses for the option “strongly agree” and “strongly disagree”. The high level of disagreement indicates that managers/owners lack the ability to manage, direct and monitor the manpower of SMEs in the CBP.

Chams and García-Blandón (2019) found that effective human resource management matches and develops the abilities of job candidates and staff with the needs of the
SME. An effective personnel system will contribute to the key ingredients for survival, sustainability and growth.

4.9.2 Identify and resolve business challenges

The researcher examined the manager’s/owner’s influence in identifying and resolving business challenges: 76% of the respondents disagreed while 26% agreed. There were no responses for the options “strongly agree” and “strongly disagree”. The high level of disagreement points to the fact that managers/owners lack the ability to identify and resolve business challenges within the CBP process.

Almahry, Sarea and Hamdan (2018) state that entrepreneur education plays a vital role in providing the crucial skills for managers/owners to operate their daily business requirements, as well as to have the ability to face obstacles and challenges during their business lives.

4.9.3 Resource management for capital budgeting and planning

An examination of the managers’/owners’ involvement in resource management found that: 71% disagreed and 29% agreed. No responses for “strongly agree” and “strongly disagree” were logged. The high level of disagreement indicates that managers’/owners’ lack the ability to manage resources within the CPB process.

Fatoki, (2017) states that managing resources is, in effect, management’s game plan for strengthening the organisation’s financial position, pleasing shareholders and achieving financial performance targets. Thus, according to Opoku (2017), an SME, whose management has poor resource management, appears to be directionless and wasteful. There is a great link between resource management and capital budgeting and planning (Selig, 2018).

4.9.4 Lack of Networking ability

On the area of the manager’s/owner’s involvement in networking with other municipalities with regard to best practice the study found that: 12% agreed, 39% strongly disagreed and 49% disagreed. There were no responses for the option
strongly agree. The high level of disagreement indicates that managers/owners lack the ability to network with other municipalities.

Orobia et al. (2019: 79) state that SMEs operating in the same industrial/business park or municipality are not connected with each other at any level. This non-connection hampered any type of exchange of business knowledge or experiences between the different entities. Thus, even this internal resource was being not utilized by the SMEs.

4.10 Financial skills

Table 4.4 Financial Knowledge / Function

<table>
<thead>
<tr>
<th>The manager’s/owner’s knowledge of financial management skills impact CBP in the organisation.</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0%</td>
<td>10%</td>
<td>53%</td>
<td>37%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The organisation outsources the financial function (Including the CBP function).</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0%</td>
<td>11%</td>
<td>15%</td>
<td>74%</td>
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</tbody>
</table>

4.10.1 Knowledge of Financial management

This question investigated whether the manager’s/owner’s knowledge of financial management skills impacted CBP in the organisation: 53% of the respondents strongly agreed, 37% agreed, 10% disagreed and there were a 0% response for the option of strongly disagree. The deduction can be made that managers/owners do not have substantial awareness in the area of Financial Management.

Orobia et al.’s (2019) study found that the managerial skills, especially financial management skills, are lacking in the owners. The major cause of this problem was observed to be the background from which these owners hail, their education levels, and the lack of guidance or training institutes for providing such assistance to them.
4.10.2 Outsourcing of the Financial Management function

The final question investigated if the financial management function was outsourced. Seventy-four percent of the respondents strongly agreed, 15% agreed and 11% disagreed. There were no responses for the option of “strongly disagree”. The combined 89% of respondents with strongly agree and agree is confirmation of the lack of Financial Management skills within the SMEs.

Consequently, most owners request the assistance of external consultants in capital budgeting due to their own the lack of internal financial knowledge (Kirton and Greene, 2019). Abdel-Khalik (2018) states that the outsourced party is thus not accountable for performance of the business. It is also not within their contracted scope to do number crunching to provide analytical data and they are not obliged to highlight concerns and issues of the business.

4.10.3 Conclusion to Objective 2

Resulting from the evaluation of the influence of management/owners on the current capital budgeting planning and practice, it was found that:

- The largest percentage of the SMEs’ ownership are sole proprietorships and close corporations. Thus, they are the sole decision-makers of budgeting practices;
- The SMEs are largely not aware of the various policies, rules, and programmes offered by government agencies and tax incentives;
- SMEs’ demographic factors influence their access to finance and their failure to ensure creditworthiness;
- The financial appraisal process is extremely important with managers and owners and as is the outcome of the various methods;
- Managers/owners lack the ability to control and lead the SME in the CBP;
- Managers/owners lack the ability to identify and resolve business challenges within the CBP process;
Managers/owners lack the ability to network with other municipalities and other businesses.
Managers/owners do not have substantial awareness in the area of Financial Management; and
Most managers/owners request the assistance of external consultants in capital budgeting due to their lack of internal financial knowledge.

4.11 Validity

The questionnaire’s ability to measure what it was intended to measure was assessed through convergent and discriminant validity (Hair, Sarstedt, Ringle, and Mena, 2012; Hair, Risher, Sarstedt and Ringle, 2019:12). Convergent validity was assessed by the reliability of questions, composite reliability and variance extracted (Fornell and Larcker, 1981; Wamba, Gunasekaran, Akter, Ren, Dubey and Childe, 2017:359), while discriminant validity was assessed by the correlations among the questions (Fornell and Larcker, 1981; Wamba, Gunasekaran, Akter, Ren, Dubey and Childe, 2017:359) as well as variances and covariance among constructs (Igbaria et al., 1994; Bansal, Zahedi and Gefen, 2016:10).

This was done with PLS-SEM 3.0 software. Thus, a confirmatory factor analysis (CFA) of PLS was used to establish whether the widely accepted criteria were met. The reliability is the extent to which factors, measured with a multiple item scale, reflect the true scores on the factors relative to the error (Hulland 1999; Aibinu and Al-Lawati, 2010; Hair et al., 2019:12). This was done by the estimate of (1) internal consistency and (2) composite reliability (CR).

Discriminant validity indicates the extent to which a given factor is truly distinct from other factors (Suki, 2011; Vendemia, 2017:101). A commonly used statistical measure of discriminant validity is a comparison of the Average Variance Extracted (AVE), with the correlated squared root (Fornell and Larcker, 1981; Wamba et al., 2017:359) Appendix E. In order to pass the test of discriminant validity, the AVE of a factor must be greater than the square root of the inter-factor correlations (Fornell and Larcker, 1981; Wamba et al., 2017:359) (The AVE determines the amount of variance that a factor captures from its measurement items (Henseler et al., 2009; Henseler et al.,
The various factors used to determine how well CBP was applied in this study were determined, by examining the sign (positive or negative) and statistical significance of the p-value for its corresponding path, as displayed in Appendix E. Thus, DPsCBP shows a positive influence on CBP ($\beta=0.337$, $p=0.0292$). The influence and skills of managers on CBP (ISmCBP) also displayed a positive relation ($\beta=0.199$, $p=0.0001$) to underscore how managers are capable of impacting this process. The chosen miscellaneous factors also proved to impact (FCoCBP) at ($\beta=0.180$, $p=0.0001$), and, lastly, managers'/owners' use of financial appraisal methods (mFAT) also demonstrated a positive correlation ($\beta=0.041$, $p=0.0042$) to give some credence to the selected factors. Below is a tabular summary of these interesting outcomes from the experiment.

### 4.12 Empirical implications

The advancement in Management Accounting principles has enabled both users and researchers to compare generally acceptable Accounting practices, standards and information. Such an exchange of information translates for better analysis and experience. This prevents practitioners, owners and users from trading with a particular practice, which does not augur well for public scrutiny, thus providing an improvement in Accounting practice and engagement. SMEs are gaining greater strategic importance, moving from just a small family business to public and government sources of employment and economic indicator.

Hence, it is crucial to uncover the factors that compel employees and managers/owners to converge on a common practice such as CBP for business activities lending to the improvement of performance, as well as the possible clues to determine their future continuance usage. This study has revealed that the degree of staff participation in CBP (technical skills), influence and skills of managers/owners on CBP (miscellaneous factors and managers'/owners' use of financial appraisal methods, in that order) are important role players in influencing CBP amongst SMEs in the Springfield Industrial Area, Durban. The results of the study generally suggest
that, when the confidence of managers in staff are high, there is good participation levels from these staff.

This result generally gives credence to the argument that satisfaction is an important determinant of usage (Oliver, 1980; Bhattacharjee, 2001; Osah and Kyobe, 2017). Nevertheless, the study found managers’/owners’ use of financial appraisal methods to be the least determinant of CBP, and not miscellaneous factors. This outcome could be attributed to the fact that these managers/owners of SMEs have absolute control over their businesses. They however do as they please and refuse to use financial appraisal techniques, which is a good tactic for CBP.

4.13 Business implications

Business owners of SMEs are reminded by the results of this research that the degree at which they allow their employees to be involved in the CBP of their organisations is very important in determining their participation in the business, such as CBP. If they do not want their employees to be passive workers who only come in to take instructions, and wait for a pay cheque at the end of every month, but want them to be part and parcel of the organisation’s affairs, then they need to allow them to participate in the processes of the business.

Although this study looked at only one aspect of participation in the area of CBP, employee participation in organisations affairs is said to comprise multifaceted components. These components include participation in product development (Homburg and Rudolph, 2001; Zolkiewski, Story, Burton, Chan, Gomes, Hunter-Jones, O’Malley, Peters, Raddats and Robinson, 2017); the supplier's performance (Sheth, 1973; Lemon and Verhoef, 2016); and the relationship with individual customers and salespersons (interpersonal, also referred to as relationship satisfaction) (Manning and Reece, 2001; Wijaya, 2018). Understanding these differences could be useful to both SME owners and practitioners, to better understand decision-making processes. Regarding allowing their workers a degree of participation, it will also explain why different employees, given their level of experiences and skills, select different SMEs for employment.
The notion that customers actively participate in the process of co-creating value with firms is attracting increasing attention from academia (Prahalad and Ramaswamy, 2004; Lemon and Verhoef, 2016). Based on the strong influence of employees’ participation in SMEs found in this study, the current research can be viewed as adding value to existing knowledge and extending this stream of academic research in a new direction (i.e., businesses of SMEs and the usage of technology).

For instance, the concept of Perceived Behavioural Control (PBC) is explained to be the means by which an individual can use a technology and the confidence with which he or she is capable of performing a given behaviour (Ajzen, 2008; Hwang and Lee, 2019). In addition, this implies the perception of volitional control or the perceived difficulty towards the behaviour affecting the intent (Chang, 1998; Verma and Chandra, 2018). The findings of this research (The organisation has spreadsheet packages e.g., Excel, Word, etc.) which contributed to the explained variant (R²) of B=0.230 Appendix E proves that technology is a significant factor when it comes to the direct performance of CBP. This disproves the findings of Al-Debai et al. (2013), Ajjan et al. (2014) and Ratten (2016) that the influence of technology on continuance intention is not significant.

This outcome could be attributed to the computer and knowledge of technology, which are currently common skills amongst employees for getting a job. External control factors, such as financial resources, might be more important for employees, as opposed to internal control factors, such as abilities and skills (Thorbjønsen, Pedersen, and Nysveen, 2007; Tan and Ooi, 2018). Thus, managers should create learning environments and opportunities for their employees to gain such skills as they go a long way towards enhancing the performance of the organization.

4.14 Theoretical contributions

This research has investigated two objectives factors (the degree of participation of staff in CBP (Technical skills) and the influence and skills of managers/owners on CBP, (miscellaneous factors and managers/owners use of financial appraisal methods) in order to determine how they impact on CBP of SMEs in Springfield Industrial Park in the eThekwini municipal area of KZN.
The theoretical framework on which this study is grounded is the Contingency Theory which is widely used to explain the characteristics of Management Accounting Systems (MAS) as financial, strategy tools in organisations (Macy and Arunachalam; 1995: 74). This theory asserts that the effectiveness of design and application of MAS in financial strategy is contingent or dependent on the environment of the organisational setting in which these controls operate and function. The results have shown that CBP processes are dependent on the various functions and participation of staff, as discussed earlier.

4.15 Limitations

Research of SMEs generally have some intrinsic limitations and this study is no exception. Respondents to the survey were limited to business owners, managers or suitable representatives in the eThekwini Springfield industrial park, majority of whom had only 2-5 years work experience which represented 43% of respondents and have 49% CBP experience. This, therefore, limits the generalisability of the outcome, in addition to the limited size of the sample used (108). Though the study sought to select these respondents, based on their company size and experience, many refused to be part of the study, thus making the selection criteria purposive. This limits the scientific selection process as those who participated may have their own agenda for participating in the study, rather than being randomly or scientifically selected. Moreover, if the data were self-reported, there is no guarantee that participants would provide accurate information (Bhattacherjee, 2001; Wright, 2005; Osah and Kyobe, 2017). Future research studies should take the above limitations in account for better strategy in future.

4.16 Conclusion

The chapter introduced the study, developed the study`s questionnaire, analysed the measurements model (questionnaire) and indicated the warped and linear relationships between latent variables. This chapter also included a discussion of the empirical findings of the study, business implications, theoretical contributions and limitations of the study before concluding with a short summary of the outcome of the study followed by the sequence of sections. This study, has contributed to the body of
knowledge by showing that the degree of staff participation in CBP (technical skills), influence and skills of manager’s/owners business knowledge on CBP (managers'/owners’ use of financial appraisal methods) are important in the capital budgeting process of SMEs.

The next chapter will provide conclusions to the entire research, based on the aims and objectives of the research. It will also include recommendations by the researcher.
CHAPTER FIVE:
CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter, provides the conclusions based on the results of the study, which were presented in the previous chapter. It presents the implications of the study`s outcomes and how these relates to the real-world scenario. The chapter begins with the various factors that were investigated and their effectiveness in so-far as the current study`s objectives are concerned. Thereafter, the discussion moves on to their implications before presenting the recommendations. In the final chapter ends with a section on concluding remarks based on the study`s contribution to the existing body of literature.

5.2 Overview of the study

The aim of this study was to identify the factors impacting the capital budgeting planning and practices of SMEs within the eThekwini Springfield Industrial Park

The following objectives emanated from the aim:

- To determine the degree of staff participation in capital budgeting planning and practices within SMEs in the eThekwini Springfield Industrial Park;
- To ascertain the influence of management skills of owners on current capital budgeting planning and practice; and
- To recommend suitable training needs in terms of capital budgeting planning and practices.

The literature review in the second chapter explored the significance of the factors that impact the capital budgeting planning and practices of SMEs within the eThekwini Springfield Industrial Park. The literature review discussed the degree of staff participation and the influence of management skills and owners on capital budgeting planning and practices SMEs within the eThekwini Springfield Industrial Park. The chapter further reviewed the theoretical framework that underpinned this study.
The research methodology provided an overview of the research design, sample selection and data collection instrument used by the researcher to meet the research objectives. The study utilised a quantitative strategy, which was cross-sectional in nature.

A survey questionnaire was utilised which concentrated on issues surrounding the research objectives. The population size comprised 146 respondents in the Durban area. Non-random sampling, using purposive sampling, was adopted in order to attain the desired sample.

The data were analysed through PLS-SEM 5.0 software. Descriptive statistics provided a summary of the respondents’ data. The results were compared to previous literature cited in the literature review. The results were presented in several ways, such as tables and bar graphs.

5.3 Conclusions

This segment quantifies the link between the responses obtained during the research and theories underlying the factors that impact the CBP of SMEs.

Objective 1: To determine the degree of staff participation in capital budgeting planning and practices within SMEs in the eThekwini Springfield Industrial Park

5.3.1 Capital Budgeting participation

A significant majority of 71% of staff indicated participation in CBP. This majority response was attributed to the manual operational processes that did not require critical thinking. Thus, staff responded with a unanimous 92% agreement that they were lowly skilled in terms of CBP, computer literacy and financial skills.

5.3.2 Exchange of Information

With an accord of 88% respondents explicitly expressed that trading information was more viable with upward and downward communication. It seemed that upward and downward communication levels were not prevalent and that there is a call for more effective communication channels.
5.3.3 Motivation to participate

The strong level of agreement of 76% indicates that staff are eager to be involved in the CPB process. Therefore, budgets are used to motivate staff to be more fiscally minded, to pay greater attention to detail and to think before they act. Motivated staff create efficiency and effectiveness by promoting stable organizational relationships.

5.3.4 Stake in the process and Agreement before budget completion

The findings revealed an extraordinarily high level of 90% combined disagreement and strong disagreement in terms of respondents having any stake in the CBP. A further finding disclosed a remarkably high level of 95% combined disagreement and strong disagreement respondents to having any participation before the CBP was completed. The lack of staff having a stake and agreement before budget completion in the CPB will contribute to SME challenges.

5.3.5 Clarification of duties and responsibilities

The respondents recorded a 90% agreement level that duties and responsibilities are well communicated. This finding suggests that the reason for this majority response is due to the use of manual processes such as machine set-ups, planned and unplanned maintenance on machinery. Thus, critical thinking was not required in the execution of tasks.

5.4 Technical skills

Technical skills of staff were gaged with the aid of the following questions and their relevant responses:

5.4.1 Necessity of keeping accurate records

The particularly high level of 92% of respondents revealed an absence of accurate record keeping in the CBP process. This shows that the CBP process cannot be monitored. Additionally, it reveals the business’s inability to protect itself from claims, theft, employee lawsuits and loss of business.
5.4.2 Investigating of and resolving budgeted and actual variances

Ninety percent of respondents expressed a significantly high level of disagreement with the investigating and resolving of variances. This process follows the sequence from accurate record-keeping. Hence, the accuracy of record-keeping is of paramount importance. The resolving of variances timeously would result in improved time management in less essential aspects of the business.

5.4.3 Computerized accounting system

The noteworthy finding is that approximately two-thirds of the respondents, were aware that the SMEs have computerised Accounting systems and spreadsheet packages. It is disappointing to note that the majority of staff do not make use of the computerised Accounting and spreadsheet packages. Respondents indicated their low skill with respect to computer literacy. Additionally, staff were not permitted the use these computer packages for the capital budgeting process of the SMEs.

Objective 2: To ascertain the influence of management/owners on current capital budgeting planning and practice

For objective 2, the following questions and responses were recorded:

5.5 Decision-making of management

The findings of respondents who strongly agreed was 77% and the remaining 23% agreed that timeous decision making was conducted by owners/managers. Thus, owners/managers are the sole decision makers of budgeting practices. The owners mostly opt for cash flow budgeting rather than capital budgeting in the SMEs.

5.5.1 Terms and conditions of lending by the various financial institutions

The results of this segment were respondents who agreed strongly at 96% and 4% who agreed that the terms and conditions of the lending financial institutions posed
challenges in obtaining credit. These obstacles deter SMEs from investing in long-term bigger projects or capital budgeting. Although the lending rates of the government agencies are very low, the SMEs are largely not aware of the various policies, rules and programmes.

5.5.2 Availability of funds for SMEs

The respondents reflected a 100% response rate that the availability of funds impacts the CBP in SMEs. This finding is a clear indication of the challenges encountered by SMEs in obtaining credit.

5.5.3 Financial consideration

Financial considerations of owners/managers were assessed with the support of the following questions and their applicable responses:

5.5.3.1 Taxation policies

Since the Springfield Industrial Park falls under SEZ 63 in the eThekwini Municipality, the SMEs working in this zone have been absolved from tax duties and tariffs. The finding indicated a high level of ignorance which shows that respondents were not aware of these incentive schemes.

5.5.3.2 Government policies

The Department of Trade and Industry (DTI) provides financial support to qualifying companies in various sectors of the economy. Yet again, the majority (69%) of respondents were not aware of these incentive schemes. These findings were alarming in terms of the lack of business knowledge within the SME sector.

5.5.4 Financial appraisal

Financial appraisal techniques of owners/managers were evaluated with the aid of the following questions and their related responses:
5.5.4.1 Financial Appraisal Techniques

This finding reflected that the financial appraisal process was extremely important to the owners/managers who expressed an acceptance rate of 100%. The second part of the probe was to ascertain the usage of financial appraisal techniques. Respondents preferred the modern methods which include, but are not limited to, the net present value, internal rate of return and profitability index. The modern methods take into account the time value of money and future cash flows discounted to the present value as presented in Figure 4.5 on the financial appraisal model.

5.5.5 Business knowledge

Business knowledge of owners/managers was assessed with the support of the following questions and their correlated responses:

5.5.5.1 Ability to control, lead, manage, direct and monitor manpower

The high level of disagreement of 81% indicates that managers/owners lack the ability to control. The same result was recoded with the 77% level of disagreement that managers/owners lack the ability to manage, direct and monitor the manpower of SMEs in the CBP.

5.5.5.2 Identify and resolve business challenges

The high level of disagreement of 76% points to the fact that managers/owners lack the ability to identify and resolve business challenges within the CBP process. This lack of ability could spell disaster for the SMEs. This is not limited to undertaking the vital process of CBP, but also to solving customer complaints and time management to name just a few challenges.

5.5.6 Resource management

This finding follows on from the identification and resolving of business challenges. Yet again, the high level of disagreement of 71% indicates that managers'/owners' lack the ability to manage resources within the CPB process. Managing resources is, in effect, management's game in achieving financial performance targets.
5.5.7 Lack of Networking ability

The findings revealed an 88% disagreement, which indicates that managers/owners lack the ability to network with other municipalities and other business owners. This non-connection hampers any type of exchange of business knowledge, advice, referrals or experiences between the different entities. Thus, even this internal resource in the form of staff and owners/managers was being under-utilized by the SMEs.

5.5.8 Financial skills

Financial skills of owners/managers were evaluated with the support of the following questions and their associated responses:

5.5.8.1 Knowledge of Financial management

The findings revealed that the lack of Financial Management skills was prevalent amongst the managers/owners of SMEs. This was supported by the 90% level of respondents’ agreement. The major cause of this problem was observed to be the background from which these owners hail, their educational discipline and lack of guidance.

5.5.8.2 Outsourcing of Financial Management functions

The final question follows on from the knowledge of Financial Management. It was found that owners/managers lacked Financial Management skills. Therefore, it stands to reason that the financial management function was outsourced. The findings were confirmed by an 89% combined level of respondents’ who strongly agreed and agreed that the Financial Management function was outsourced by owners/managers.

5.6 Recommendations

The Training needs of CBP are important for SMEs because it enables the business to have improved performance, skills and knowledge. It further builds staff abilities and confidence. This will support efficiency and productivity in the SMEs.
This study has highlighted that although the respondents had academic qualifications, work experience was lacking in CBP. This was reflected in academic qualifications from matric to Masters/PhD being at a level of 89%. This did not match the average of 25% who have worked with CBP.

It is important to highlight that this study focused on various factors and the recommendations are presented below:

5.6.1 Participation in capital budgeting process

The findings in Section 4.4.1 indicated that there is a lack of CPB skills within the eThekwini Springfield Industrial Park SME sector. Therefore, it is recommended that owners/managers recruit employees with a formal Management Accounting qualification and who are engineering artisans. In addition, the recruitment process should be such that employees have the necessary skills such as the analytical ability, interpersonal skills and management experience required to support the CBP, since all ventures involve money and budgets are limited. Chepngetich (2016), asserts that special skills are required to perform the CPB process for reporting, analysis and final approval.

5.6.2 Exchange of Information

Respondents strongly expressed that the exchange of information was more effective with upward and downward communication. Section 4.4.2 recorded that upward and downward communication levels were not prevalent and that there is a call for more effective communication channels. The recommendation is made regarding the Implementation of the correct communication channels. This could be in the form of daily progress updates or weekly face-to-face meetings. The introduction of Network analysis or the Program Evaluation Review Technique (PERT) and Gantt Charts is suggested as well. These measures will keep staff engaged and productive. Cadez, Dimovski and Groff (2017: 37) found that budget participation could facilitate information sharing between subordinates and superiors. Tjosvold, Wong and Feng Chen (2019) also found that budgetary participation provided a setting in which
managers can exchange information and ideas to make budgetary planning and control more effective.

5.6.3 Motivation to participate

The findings in Section 4.4.3 documented that staff are willing to be involved in the CPB process. The recommendation made in this component is to create efficiency and effectiveness by promoting stable organizational relationships. Whitmore (2019) found that office morale can be improved through daily work-life quality benefits and privileges, like the chance to earn work-from-home days, preferred parking spots and extra-long lunches. Staff, in turn, will work harder and smarter when their workdays are more pleasurable and rewarding.

5.6.4 Stake in the process and agreement before budget completion

Section 4.4.4 found that it was not apparent that staff have any stake and agreement before the budget completion in SMEs within the eThekwini Springfield Industrial park. This shows a level of distrust of them from the staff point of view. The recommendation is made that staff need to have a stake and agreement with the CBP before completion. In order to facilitate this process a bottom-up approach is required. The bottom-up approach will include employee participation; meeting attainable and practical targets; frequent feedback on performance; monetary and non-monetary incentives. Jones and Shah (2016) supports that trust for an employee is a function of the staffs perceived ability, goodwill and integrity, as well as the owners’/manager’s inclination to trust.

5.6.5 Clarification of duties and responsibilities

The findings in Section 4.4.5 were encouraging in that duties and responsibilities are well communicated. These benefits were seen in productivity, team-building, creating better relationships and less problem solving. It is recommended that clear duties and responsibilities in CBP could be a positive contributing factor to the implementation of strategic and operational plans amongst the SME sector. Jalagat (2017) found that it is important that staff know their job responsibilities, position specifications and clarify
work instructions, where necessary. The clarification of duties and responsibilities will help form the basis for staff performance, promoting staff and identifying training needs.

5.6.6 Necessity of keeping accurate records

Section 4.5.1 revealed an absence of accurate record keeping in the CBP process. Therefore, the recommendation is made to maintain accurate record keeping which will contribute towards a successful implementation of CBP. The key starting point in keeping accurate records is employee attitude, computer literacy, organisational ability, timeous filing of data and simple housekeeping. The introduction of a Kardex system and an excel spreadsheet using the First in-first out (FIFO and Weighted average (WA) valuation methods is suggested. Badway, Horn, and McCoy (2017) express that for a business to be lucrative, the owner or manager needs very accurate, detailed information about the financial and operational actions of a business.

5.6.7 Investigating of and resolving budgeted and actual variances

In Section 4.5.2 respondents again revealed a significantly high level of combined disagreement and strong disagreement responses on the absence of investigation and resolving of variances. Thus, the recommendation is to educate and train owners/managers and staff to investigate and resolve variances. Owners/managers could enrol in basic Financial Literacy short courses such as Finance for Managers at training institutions such as the Durban University of Technology (DUT), Adult basic education training (ABET), Investec, Old Mutual, Damelin and Standard Bank to name a few. The impact is critical to the survival and growth of the business. Bakotić and Rogošić (2017) found that staff who are skilled and committed to their occupations in investigating and resolving variances can increment profitability and improve quality.

5.6.8 Computerized Accounting system

The findings in Section 4.5.3 noted that the huge majority of SMEs and staff do not make use of computerised Accounting and spreadsheet packages. The finding indicated that staff were not adequately trained in the use of computerised accounting systems and spreadsheet packages. The recommendation is that SMEs employ staff
with suitable Microsoft computer certificates and more advanced programming degree's. The recruitment of staff with such qualifications can be sourced from training institutions such as DUT, Information Technology (IT) and Durban Computer College (DCC). Existing staff can be also trained at these training facilities. Amanamah (2016) recommended in his study of SMEs that a computerised Accounting system be in place in order to ensure proper Accounting practices with adequately trained staff.

5.6.9 Decision-making of management

From the findings in Section 4.6.1 it has been noted that owners/managers are the sole decision makers of budgeting practices. However, the owners/managers mostly opt for cash flow budgeting rather than capital budgeting in the SMEs. The recommendation is that owners/managers maintain control of final decision-making whilst keeping in mind the options available. This would support owners/managers to adopt a system of free-wheeling opportunism. This system will enable SMEs to exploit opportunities as they arise. Orobia et al. (2019: 131) noted that the largest percentage of SMEs ownership are sole proprietorships and close corporations.

5.6.9.1 Terms and conditions of lending by the various financial institutions

As the findings indicated in Section 4.6.2 the terms and conditions are a barrier to SMEs obtaining credit. It is recommended that owners/managers optimise on the low lending rates and educate themselves with the rules and programmes offered by government agencies. The information on incentive programs can be obtained from the South African Revenue Services (SARS) or the Department of Trade and Industry (DTI). Additional information will become available through membership of the Durban Chamber of Commerce. Fatoki (2017:155) indicated that various financial institutions provide loans to SMEs at a very high rate of interest and strict terms such as payment terms, collateral, time lines and non-compliance consequences. SMEs can reduce their financial exposure by adopting the programs offered by government agencies.

5.6.9.2 Availability of funds for SMEs

The finding in Section 4.6.3 is a clear indication of the challenges encountered by SMEs in obtaining credit. This segment follows on from the terms and conditions of
lending by financial institutions. It is recommended that owners draft a well-prepared and explored credit proposal for the financial institutions. The help required to draft these proposals can be received from Business partners (SME toolkit) and the Independent Development Corporation (IDC). Mutoko and Kapunda (2017) note that the failure to ensure creditworthiness and financial performance will adversely influence the financial institutions’ promptness to pledge to medium- or long-term, investments. This difficulty in gaining credit worthiness is a major limitation for manufacturing SMEs that wish to expand their activities (Seda Report, 2016).

5.6.9.3 Taxation policies

The finding in Section 4.7.1 was that respondents were not aware of tax exemption schemes. It is recommended that owners keep themselves educated on the relevant tax exemptions and incentive schemes that affect SMEs. The information and advice on exemption programs can be obtained from SARS and the DTI. Fatoki (2017: 155) found the SMEs are largely not aware of the various policies, rules and programmes. SMEs that fall into a Special Economic Zone (SEZ) qualify for a tax exemption as presented in section 2.7.3.2 on Taxation polices.

5.6.9.4 Government policies

In Section 4.7.2 a majority of respondents were not aware of the financial support offered to SMEs. It is recommended that owners take full advantage of the financial support offered to SMEs by the DTI. The Automotive Investment Scheme (AIS) is an incentive designed to grow and develop the automotive sector through investment in new and/or replacement machinery models, tooling and components. Kagarag (2017) found that the funding support by government is still lagging behind the actual requirement for the SMEs in order to upscale their operations. Further financial support to SMEs can be obtained from the Small Enterprise Development Agency (SEDA).

5.6.9.5 Financial Appraisal

The findings in Section 4.8.1 recorded that majority of respondents were very concerned with the outcome of the financial appraisal. It is recommended that owners conduct financial appraisals for all projects as a prerequisite. The current financial
appraisal is performed by external financial consultants which needs to include the Behringer rule.

Behringer (2016) presented a simple rule that managers can use to make capital budgeting decisions: invest in all positive net present value, and reject those with a negative net present value projects. By following this rule, Capital Budgeting theory says that firms will make the set of investment decisions that will maximize shareholder wealth. This will greatly assist the SMEs with growth, survival and sustainability.

5.6.9.6 Ability to control, lead, manage, direct and monitor the manpower

The findings in Section 4.9.1 revealed that owners/managers lacked the ability to control, lead, manage, direct and monitor the manpower in the SMEs. It is recommended that owners/managers enrol in Human Resources and Management courses training at institutions such as DUT Business Studies Unit (BSU) and Richfield short courses. An effective personnel system will contribute to the key ingredients for survival, sustainability and growth. Chams and García-Blandón (2019) found that effective human resource management matches and develops the abilities of job candidates and staff with that of the needs of the SME.

5.6.9.7 Identify and resolve business challenges

The findings in Section 4.9.2 reflect that owners/managers lacked the ability to identify and resolve business challenges within the CBP process. It is recommended that SMEs adopt the CBP model to assist in identifying and resolving their business challenges. Additionally, a further recommendation is made that owners/managers enrol in Entrepreneurship and Management courses training at institutions such as DUT Business Studies Unit (BSU) and Richfield short courses. Almahry, Sarea and Hamdan (2018) state that entrepreneurial education plays a vital role in providing the crucial skills for managers/owners to operate their daily business requirements, as well as to have the ability to face obstacles and challenges during their business life.
5.6.9.8 Resource management for capital budgeting and planning

The findings in Section 4.9.3 show that owners/managers lacked the ability to manage resources within the CBP process. It is recommended that they adopt the CBP model to assist in resource management. It is further recommended that owners/managers enrol in Entrepreneurship and Management courses training at institutions such as DUT Business Studies Unit (BSU) and Richfield short courses. According to Opoku (2017), an SME, whose management has poor resource management, appears to be directionless and wasteful.

5.6.9.9 Lack of Networking ability

The findings in Section 4.9.4 revealed that managers/owners lacked the ability to network with other municipalities and business owners. It is recommended that owners/managers network with other business owners and municipalities. The events that could help with networking opportunities are trade fairs such as the KZN Industrial Technology Exhibition (KITE), African Air Expo and Durban Business Fair. Additionally, networking at trade/flea markets and advertising through trade journals such as Automotive News and Beverage World is suggested. Firms will reap the benefits of networking, such as shared knowledge and raising the business profile of SMEs. Osei, Amankwah-Amoah, Khan, Omar and Gutu’s (2019) study found that shared planning allows enterprises to develop their readiness and agility for facing market volatility.

5.6.9.10 Knowledge of Financial Management

It was noted Section 4.10.1 that owners/managers do not have substantial Financial Management awareness. The knowledge of Financial Management is integral to the overall success of the CBP of SMEs. It is therefore recommended that owners/managers enrol in Entrepreneurial and Management Accounting courses at training institutions such as DUT’s Business Studies Unit (BSU). Orobia et al.’s (2019), study found that managerial skills, especially Financial Management skills, are lacking in the owners/managers.
5.6.9.11 Outsourcing of Financial Management function

The findings in Section 4.10.2 confirmed that there is a lack of Financial Management skills within the SMEs. This segment follows on from the knowledge of Financial Management discussed in section 5.6.9.10. Consequently, the majority of owners request the assistance of external consultants to conduct the financial appraisal. However, financial consultants are expensive for SMEs. It is thus recommended that owners/managers enrol in Financial and Management Accounting courses at training institutions such as the Durban University of Technology (DUT). Successful completion of these courses will enable the financial function to be insourced. Owners/managers will be well versed with the CBP and Financial Management skills. Thus, saving on the cost of external consultants.

It is further recommended that the CBP model should be adopted as presented in Figure 2.4. The CBP model defines and aids visual communication with a set of tried and tested concepts. The CBP model was specifically developed to support financial analysis, specified sequential steps and the validation of its usefulness to long term capital investments.

5.7 Limitations

Research usually has some inherent limitations. The limitations of this study were as follows:

• The current study was limited to the eThekwini Springfield Industrial Park;

• Respondents to the survey were limited to business owners, managers or suitable representatives in the eThekwini Springfield Industrial Park;

• The sample used was 108 respondents and

• The selection criteria of respondents were purposive sampling and quantitative in nature.

5.8 Future Research

The findings and limitations of the study have highlighted aspects for future research.
• This study recommends that future studies should include other regions to determine factors that impact the capital budgeting planning and practices of SMEs in the same manner;

• A comparative study is recommended for SMEs to improve their knowledge of CBP in other regions;

• The sample size can be increased to cover a wider range of respondents; and

• The selection criteria of respondents can be qualitative and use a wide range of sampling methods.

5.9 Conclusion

This study has contributed to the existing body of knowledge by highlighting the factors that are important in the capital budgeting process of SMEs. The findings and recommendations can be very useful to the SMEs in the Springfield Industrial Park and other regions. The researcher recommends that SMEs should implement these factors to enhance their capital budgeting processes, sustainability and growth. It is anticipated that such implementation will enhance the efficiency and effectiveness of these SMEs in their service delivery to their respective communities. It is hoped that the findings of this study will motivate owners/managers of SMEs to depend less on manual processes and venture into technology to enhance the performance of CBP.
References


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Appendix A

2 November 2018

Dear Sir / Madam

YOU’RE OPINIONS: “FACTORS THAT THAT IMPACT THE CAPITAL BUDGETING PLANNING AND PRACTICES OF SMALL BUSINESS ENTERPRISES WITHIN THE ETHEKWINI-SPRINGFIELD INDUSTRIAL PARK.”

The researcher in the faculty of Accounting and Informatics at the Durban University of Technology currently engaged in an important project regarding “Factors that Impact the Capital Budgeting Planning and Practices of Small Business Enterprises within the eThekwin Springfield Industrial Park.”

Universities are under increasing pressure to serve the community at large and the needs of the business community in particular. We kindly request you to share your knowledge with us. We are well aware that you may be inundated with many similar requests. Nevertheless, the success of this project greatly depends on your cooperation.

You will notice that no confidential information is required. The purpose of this project, as explained in the questionnaire, is to learn more about the uses of “Factors that Impact the Capital Budgeting Planning and Practices of Small Business Enterprises within the eThekwin Springfield Industrial Park.”

Your co-operation in providing valuable feedback will serve the interest of sound education in Management Accounting. Service to the entire business community will at the same time be enhanced.

Please return the completed questionnaire before 15 June 2019.

Yours faithfully

........................... .........................
Roshan Nunden DR N Sentoo
Research Leader Promotor
Appendix B

**LETTER OF INFORMATION**

**Title of the Research Study:** “Factors that Impact the Capital Budgeting Planning and Practices of Small Business Enterprises within the eThekwini Springfield Industrial Park.”

**Principal Investigator/s/researcher:** Naresh Roshan Nunden, BCom: Hons Management Accounting

**Co-Investigator/s/supervisor/s:** Dr N Sentoo;DBA

**Brief Introduction and Purpose of the Study:**

The purpose of this study is to identify the Capital Budgeting planning and practices of Small and Medium Sized Businesses (SMEs) within the EThekwini Springfield Industrial Park.

**Outline of the Procedures:** You will be required to complete a survey questionnaire meant for only research purposes at DUT. The estimated time required to complete the questionnaire is just 10 minutes.

**Risks or Discomforts to the Participant:** There are no risk or discomfort whatsoever to you.

**Benefits:** You will receive advice on the Capital Budgeting planning and practices of Small Business (SMEs).
To the researcher, the study will be published in both conference proceedings and accredited journals.

**Reason/s why the Participant May Be Withdrawn from the Study:** There will be no adverse consequences for the participants should they decide to withdraw from the study.

**Remuneration:** You will not receive any remuneration from the study. However, should you decide to know the outcome, you are advised to consult DUT library.

**Costs of the Study:** You are not expected to incur any cost to this study whatsoever.

**Confidentiality:** Any information from your side for this study will remain absolutely confidential. All information will be coded and not linked to any person or business name.

**Research-related Injury:** The study does not involve any anticipated loss or injury, and therefore there is no budget for compensation while answering the questionnaire.

**Persons to Contact in the Event of Any Problems or Queries:**
(My cell number is 083 468 0559, and my supervisor is Dr. Sentoo: 078 676 1151 or the Institutional Research Ethics Administrator on 031 373 2375. Complaints can be reported to the Director: Research and Postgraduate Support, Prof S Moyo on 031 373 2577 or moyos@dut.ac.za).

**General:**
Potential participants must be assured that participation is voluntary and the approximate number of participants to be included should be disclosed. A copy of the information letter should be issued to participants. The information letter and consent form must be translated and provided in the primary spoken language of the research population e.g. IsiZulu.
CONSENT

Statement of Agreement to Participate in the Research Study:

• I hereby confirm that I have been informed by the researcher, Naresh Roshan Nunden, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: ________.

• I have also received, read and understood the above written information (Participant Letter of 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 the course of this research which may relate to my participation will be made available to me.

_________________________          _______          ____          ________________
Full Name of Participant   Date           Time          Signature / Right
Thumbprint

I, Naresh Roshan Nunden herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.
Please note the Following:

Research details must be provided in a clear, simple and culturally appropriate manner and prospective participants should be helped to arrive at an informed decision by use of appropriate language (grade 10 level)

- use Flesch Reading Ease Scores on Microsoft Word), selecting of a non-threatening environment for interaction and the availability of peer counselling (Department of Health, 2004)

If the potential participant is unable to read/illiterate, then a right thumb print is required and an impartial witness, who is literate and knows the participant e.g. parent, sibling, friend, pastor, etc. should verify in writing, duly signed that informed verbal consent was obtained (Department of Health, 2004).

If anyone makes a mistake completing this document e.g. a wrong date or spelling mistake, a new document has to be completed. The incomplete original document has to be kept in the participant’s file and not thrown away, and copies thereof must be issued to the participant.

References:


Department of Health. 2006. *South African Good Clinical Practice Guidelines*. 2nd Ed. Available at:

http://www.nhrec.org.za/?page_id=14
Appendix C

The Research Instrument: Questionnaire

SECTION A:

BIOGRAPHICAL PROFILE / COMPANY DETAILS

Please place a tick (√) in the appropriate box.

1. What is your academic qualification?
   - Matric
   - Diploma
   - Degree
   - (Masters/PhD)
   - None

2. What is your professional affiliation?
   - CA (SAICA/SAIPA)
   - ACCA
   - CIMA
   - CIS
   - None

3. Which of these best describes your job title?
   - Owner
   - Manager
   - Account/Finance officer
   - None

4. What is your working experience in this company?
   - 0 – 1yr.
   - 2 – 5yrs.
   - 6 – 10 yrs
   - More than 10 yrs
   - Other
5. How many years have you been involved in the capital budgeting process of this company?

- 0 – 1yr.
- 2 – 5yrs.
- 6 – 10 yrs.
- More than 10 yrs.
- Other

6. How many employees does the company have?

- 1-4
- 5-20
- 21-36
- 37-52
- 53-66
- Other
Typically, the capital budgeting process (CBP) in my organization involves the following steps:

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>Selection of Asset</td>
<td>Financial Evaluation</td>
<td>Implementation</td>
<td>Review &amp; Control</td>
</tr>
<tr>
<td>Proposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Motives/Justification</th>
<th>Asset Properties</th>
<th>Financial Analysis</th>
<th>Action</th>
<th>Monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up Requirements</td>
<td>Capacity</td>
<td>Initial Costs</td>
<td>Payment/Purchase plan</td>
<td>Variance Analysis</td>
</tr>
<tr>
<td>Expansion</td>
<td>Useful life</td>
<td>Operational Cash Flow(OCF)</td>
<td>Installation</td>
<td>Corrective Action</td>
</tr>
<tr>
<td>Replacement</td>
<td>Maintenance Contracts</td>
<td>Terminal Values</td>
<td>Training/Training Manuals</td>
<td>Revert to Step 2 &amp; 3</td>
</tr>
<tr>
<td>Renewal</td>
<td></td>
<td>Appraisal Techniques</td>
<td>Trials</td>
<td></td>
</tr>
</tbody>
</table>
Indicate your level of agreement with each of the following statements below:
Please place a tick (✓) in the appropriate box for Sections B, C & D.

**SECTION B:**

- Degree of participation of staff in capital budgeting planning and practices (CBP) within the SMEs of the eThekwini Springfield Industrial Park

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1 Staff are involved with steps 1, 4 and 5 of CBP. <em>(Table 1)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.2 Staff involved with steps 1, 4 and 5 of CBP are lowly skilled. <em>(Table 1)</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.3 Staff involvement in CBP will be a source of motivation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.4 Staff involved in CBP have a stake in the process.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.5 Staff involvement in CBP will have an agreement before the budget is completed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.6 Staff exchange information more effectively with upward and downward communication</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.7 Staff involved in CBP clarify duties and responsibilities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.8 Staff involved in CBP are trained to keep accurate records.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.9 Staff involved in CBP are trained to investigate and resolve budget and actual variances.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.10 The organisation has a computerized accounting system (e.g., Pastel, etc.).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7.11 The organisation has spreadsheet packages (e.g., Excel, Word, etc.).

7.12 Staff involved in CBP make use of the computerized accounting systems (e.g., Pastel, etc.).

7.13 Staff involved in CBP make use of the spreadsheet packages (e.g., Excel, Word, etc.).

7.14 Staff involved in CBP are adequately trained in the use of computerized accounting systems (e.g., Pastel, etc.).

7.15 Staff involved in CBP are adequately trained in the use of spreadsheet packages (e.g., Excel, Word, etc.).

SECTION C:

• Influence and skills of managers/owners on the current capital budgeting planning and practice (CBP) in SMEs of the eThekwini Springfield Industrial Park

8. Strongly disagree Disagree Agree Strongly agree

8.1 The manager’s/owner’s ability to control and lead the budgeting process impact CBP in the organisation.

8.2 The manager’s/owner’s knowledge of financial management skills impact CBP in the organisation.

8.3 Typically, managers/owners are involved with step 2 of CBP. (Table 1)

9. Typically managers/owners make use of financial appraisal techniques such as:

9.1. Traditional Payback Period (PB)

9.2. Accounting Rate of Return (ARR)

9.3. Net Present Value (NPV)
<table>
<thead>
<tr>
<th>9.4. Internal Rate of Return (IRR)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9.5. Discounted Payback Period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(DPP)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.6. Profitability Index (PI)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.1 The manager’s / owner’s Influence to identify and resolve business challenges impact CBP in the organisation?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.2 The manager’s/owner’s involvement in CBP influences managing, directing and monitoring the manpower.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.3 The manager’s/owner’s involvement in CBP influences knowledge and resource management.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.4 The manager's/owner’s involvement in CBP influence networking with other municipalities with regard to best practice.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SECTION D:**

**Miscellaneous factors that impact capital budgeting planning and practices within the SMEs of the eThekwini Springfield Industrial Park**

<table>
<thead>
<tr>
<th>11</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 Availability of funds impacts CBP and practices in the SMEs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.2 The terms and conditions of lending by the various financial institutions impact CBP and practices in the SMEs (e.g., interest rates/lending rate).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.3 Timeous decision making of the management impacts CBP and practices in the SMEs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.4 Government policies impact CBP and practices in the SMEs (e.g., Incentives – Automotive Production Development Plan).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
11.5 Taxation policies impact CBP and practices in the SMEs (e.g., wear and tear allowances).

11.6. The organisation outsources the financial function (Including the CBP function)?

The End

Thank you for your participation and invaluable input.
Appendix D

Faculty Research Office
Durban University of Technology
3 September 2018

Mr N.R. Nunden
Student Number: 19803276
Degree: MACC: Cost and Management Accounting
Email: roshann@dut.ac.za

Dear Mr Nunden

ETHICAL APPROVAL: LEVEL 2

Your email correspondence in respect of the above refers.
I am pleased to inform you that the Faculty Research Committee (FRC) at its meeting on 16 August 2018, has granted preliminary permission for you to conduct your research “Capital Budgeting planning and practices of Small and Medium Sized Businesses (SMEs) within the EThekwini-Springfield Industrial Park”.

You are required to present this letter to the DUT Research Office to obtain permission to conduct the research. Please also note that each of your questionnaires must be accompanied by a letter of information and a letter of consent for each participant, as per your research proposal.

A summary of your key research findings may be submitted to the FRC on completion of your studies.

Kindest regards.

Yours sincerely

Dr Delene Heukelman
Faculty Research Coordinator (Acting)
Appendix E

Validity in terms of study

All values of composite reliability and Cronbach’s alpha were above 0.7 (with the exception of DPsCBP_0.696) indicating that all factors have good reliability (Fornell and Larcker, 1981; Henseler et al., 2009; Bagozzi and Yi 2012; Henseler, Hubona and Ray, 2016). Though DPsCBP was just below 7.0, it was maintained for face validity.

Construct Reliability and Validity

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBP_</td>
<td>0.455</td>
<td>0.785</td>
<td>0.647</td>
</tr>
<tr>
<td>DPsCBP_</td>
<td>0.696</td>
<td>0.863</td>
<td>0.760</td>
</tr>
<tr>
<td>TSsCBP</td>
<td>0.741</td>
<td>0.809</td>
<td>0.710</td>
</tr>
<tr>
<td>lSmCBP</td>
<td>0.780</td>
<td>0.869</td>
<td>0.690</td>
</tr>
<tr>
<td>DoMCBP</td>
<td>0.785</td>
<td>0.881</td>
<td>0.715</td>
</tr>
<tr>
<td>FCoCBP</td>
<td>0.725</td>
<td>0.819</td>
<td>0.605</td>
</tr>
<tr>
<td>FSoCBP</td>
<td>0.764</td>
<td>0.799</td>
<td>0.789</td>
</tr>
<tr>
<td>mFAT</td>
<td>0.799</td>
<td>0.869</td>
<td>0.691</td>
</tr>
</tbody>
</table>

CBP (capital budgeting process), DPsCBP (degree of participation in capital budgeting process), TSsCBP (Technical skills for staff participation in CBP), lSmCBP (influence and skills of manager/owner in capital budgeting process), mFAT (managers/owners use of financial appraisal techniques), FCoCBP (financial considerations impacting capital budget process), DoMCBP (decision of managers/owners impacting capital budget process), FSoCBP (Financial skills impacting capital budget process)

values exceed the inter-factor correlations, it can, therefore, be inferred that discriminate validity was acceptable. This study, therefore, concludes that measurement scales have sufficient validity and demonstrate high reliability after calculating AVE as follows (Henseler et al. 2009; Henseler et al., 2016):
All values met the threshold, on their respective factors, to provide evidence of acceptable union. Therefore, this study passes the test of convergent validity, with the least being 0.664.

It also aims to find the overall predictive power of the model and shows the geometric mean of average Communality Index (CI) and average $R^2$, computed as follows (Tenenhaus et al., 2005; Hair et al., 2019:12).
Appendix F

Evaluation of structural model

Summary of the experimental result of CBP

<table>
<thead>
<tr>
<th>Effect</th>
<th>Cause</th>
<th>Estimate (β)</th>
<th>T-value</th>
<th>SE</th>
<th>P-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPB</td>
<td>DPsCBP</td>
<td>0.337</td>
<td>2.191</td>
<td>0.095</td>
<td>0.0292*</td>
<td>Effective</td>
</tr>
<tr>
<td>CPB</td>
<td>ISmCBP</td>
<td>0.199</td>
<td>6.249</td>
<td>0.102</td>
<td>0.0001***</td>
<td>Effective</td>
</tr>
<tr>
<td>CPB</td>
<td>FCoCBP</td>
<td>0.180</td>
<td>4.473</td>
<td>0.090</td>
<td>0.0001***</td>
<td>Effective</td>
</tr>
<tr>
<td>CPB</td>
<td>TSsCBP</td>
<td>0.218</td>
<td>2.351</td>
<td>0.094</td>
<td>0.0292*</td>
<td>Effective</td>
</tr>
<tr>
<td>CPB</td>
<td>DoMCBP</td>
<td>0.401</td>
<td>3.451</td>
<td>0.402</td>
<td>0.0001***</td>
<td>Effective</td>
</tr>
<tr>
<td>CPB</td>
<td>FSoCBP</td>
<td>0.201</td>
<td>5.420</td>
<td>0.350</td>
<td>0.0042**</td>
<td>Effective</td>
</tr>
<tr>
<td>CPB</td>
<td>mFAT</td>
<td>0.041</td>
<td>2.883</td>
<td>0.106</td>
<td>0.0042**</td>
<td>Effective</td>
</tr>
</tbody>
</table>

Note: SE (standard error), ns (not significant), *p<0.05, **p<0.01, ***p<0.001 (two-tailed t-tests)

CBP (capital budgeting process), DPsCBP (degree of participation in capital budgeting process), ISmCBP (influence and skills of manager/owner in capital budgeting process), TSsCBP (Technical skills for staff participation in CBP), FCoCBP (financial considerations impacting capital budget process), DoMCBP (decision of managers/owners impacting capital budget process), FSoCBP (Financial skills impacting capital budget process), mFAT (managers/owners use of financial appraisal techniques).
The study used a bootstrapping technique to obtain the corresponding T-values. Each corresponding path in the structural model and its effectiveness could be determined by examining the $\beta$ values and statistical significance of the T-values. With a significance level of 0.01, the acceptable T-value should be greater than 2.0 (Keil et al., 2000; Kim and Chai, 2017:49). The loadings suggest that the instrument had acceptable convergent validity (Hair, William, Barry, and Rolph, 2010; Bibi, Ahmad and Majid, 2018:129). The standard error (SE) denotes the permissible imperfection among the factors that should be allowed for any socio science.

model passes several stringent tests of convergent validity, discriminant validity, reliability, and collinearity. This proves that the questionnaire passes widely accepted validation criteria to suggest that results of the SEM, and thus the questionnaire, can be generally trusted as free from data measurement problems (Boston, McGrow, Schumacker and Lomax, 2004; Kline 2005; Jiang et al., 2019:944).
## Appendix G

### Summary of Relevant Literature review on finance accessibility for SA SMEs

<table>
<thead>
<tr>
<th>Source</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kauffmann (2005)</td>
<td>Access to financing opportunities is poor for SA SMEs because of the high risk of default. This results in the limited expansion of these business entities.</td>
</tr>
<tr>
<td>Grimm and Richter (2006)</td>
<td>Although there is an abundance of financing opportunities for SA SMEs, wide interest rate spreads and high costs of credit disqualify many from obtaining external funding.</td>
</tr>
<tr>
<td>Beck et al. (2009)</td>
<td>SA SMEs have limited access to financing opportunities, as most of Africa’s financial systems are characterized by shallowness, high costs, and high interest rates.</td>
</tr>
<tr>
<td>Chibanda et al. (2009)</td>
<td>There are low levels of equity and debt capital, while reliance on government funding is problematic.</td>
</tr>
<tr>
<td>Orobia et al. (2013)</td>
<td>Taking into account that SA SMEs’ daily volume of transactions varies, their net income (in most cases) cannot be guaranteed to repay debt (external financing).</td>
</tr>
<tr>
<td>Lekhanya and Mason (2014)</td>
<td>There are financing opportunities available to SASMEs; however, these entities do not “cash in” on these opportunities owing to red tape.</td>
</tr>
<tr>
<td>Nkonki-Mandleni and Anim (2014)</td>
<td>The biggest support, which cooperatives and/or small businesses require in all SA provinces, is financing.</td>
</tr>
<tr>
<td>Dept of Trade &amp; Industry (2015)</td>
<td>The lack of finance is one of government’s greatest challenges for co-operatives and/or small businesses.</td>
</tr>
<tr>
<td>Jere et al. (2015)</td>
<td>Financing opportunities are available for SA SMEs; however, access is granted to those business entities that can guarantee returns on investments.</td>
</tr>
<tr>
<td>Kanyane and Ilorah (2015)</td>
<td>The lack of financial support is a limiting factor, which adversely impacts the sustainability of cooperatives and/or small businesses.</td>
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<tr>
<td>Tengeh and Mukwarami (2017)</td>
<td>The growth challenges of native-owned spaza shops in selected townships in South Africa</td>
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<tr>
<td>Khambule and Mtapuri (2018)</td>
<td>Interrogating the Institutional Capacity of Local Government to Support Local Economic Development Agencies in KwaZulu-Natal Province of South Africa</td>
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