THE DETERMINANTS OF THE FINANCIAL BOOTSTRAPPING STRATEGIES USED BY RURAL SMALL, MEDIUM AND MICRO ENTERPRISES IN FETAKGOMO MUNICIPALITY, LIMPOPO PROVINCE, SOUTH AFRICA

By

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DISSERTATION

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ABSTRACT

The purpose of this study was to examine the determinants of the financial bootstrapping strategies used by rural based small, medium and micro enterprises (SMMEs). The study was guided by the following objectives, (1) To investigate the financial bootstrapping strategies used by rural entrepreneurs, (2) To examine the effect of the education of the owners on the financial bootstrapping strategies used by rural entrepreneurs, (3) To determine the effect of the age of the owners on the financial bootstrapping strategies used by rural entrepreneurs and (4) To investigate the effect of the gender of the owners on the financial bootstrapping strategies used by rural entrepreneurs. The research followed a quantitative research method with a descriptive research design. A sample of 104 rural SMMEs participated in the survey. Data was collected through the use of self-administered questionnaires in a survey. The participants in the study were rural SMME owners in Fetakgomo Municipality in the Limpopo province of South Africa. The study utilised the convenience and snowball sampling techniques to obtain data from the respondents. Data analysis included descriptive statistics, factor analysis, T-test and regression analysis. The Cronbach's alpha was used to measure reliability. The results indicated that rural SMMEs have a low usage and adoption rate of bootstrapping finance. The research also found that rural SMMEs mainly utilised owner's finance as the primary bootstrapping method. The results of the T-test showed significant differences between gender and bootstrapping methods as well as between the level of education and the bootstrapping methods used by rural SMMEs. However, there was no significant difference between age of the owners and bootstrapping methods used by rural SMMEs. Recommendations were proposed for the government to create an enabling environment for rural SMEs by embarking on a variety of strategies to raise awareness on the importance of bootstrapping finance. Rural SMME owners were recommended to enrol for a certificate course in financial management to sharpen their skills.

Keywords: entrepreneurs' characteristics, financial bootstrapping, rural area, SMMEs, South Africa.

DECLARATION

I declare that the dissertation hereby submitted to the University of Limpopo, for the degree of Master of Commerce in Business Management has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

Nchabeleng Lekgathole Maurice (Mr) 23 August, 2017

Signature ……………………………......

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CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

Abor and Quartey (2010:218) point out that small, medium and micro enterprises (SMMEs) are of great socio-economic significance. SMMEs can play a crucial role in minimising the high levels of unemployment in South African which currently stands at 27.1% (Statistics South Africa, 2016). Mahembe (2011:24) notes that in South Africa, the terms SMME and small and medium enterprises (SMEs) are often utilised interchangeably. According to Amra, Hlatshwayo and McMillan (2013:2), “growing and successful SMMEs are viewed as offering a critical contribution to the policy goals of poverty alleviation, employment creation and promotion of economic growth in South Africa.” Abor and Quartey (2010:218) add that the activities of SMMEs contribute approximately fifty percent (50%) of the gross domestic product (GDP) of South Africa. South African rural areas are currently experiencing serious problems in terms of unemployment and poverty. SMMEs support the rural economy by providing income generating activities. The creation and sustainability of SMMEs can help to reduce rural poverty and unemployment in South Africa (Pooe & Mafini, 2012:91).

However, notwithstanding the undoubtedly active role SMMEs play, South Africa's new enterprise development is unsatisfactorily low as compared to other countries (Turton & Herrington, 2013). Total Entrepreneurial Activity (TEA) in South Africa took a nose dive from a high 9.1% in 2011 to 7.3% in 2012 which is extremely lower than other sub Saharan countries (Turton & Herrington, 2013). The rate of enterprise creation is particularly weak in the rural areas. In addition, the low survival rate of SMMEs is very low in South Africa. Approximately seventy percent (70%) percent of SMMEs fail in the first year of operation and thus struggle to reach the growth stage (Scheers, 2010:221). The survival rate of rural SMMEs is relatively lower than the ones operating in towns and major cities (Abor & Quartey, 2010:219). The high failure rate of SMMEs negatively impacts on the ability of the government to leverage this sector to reduce the development challenges facing South Africa (Turton & Herrington, 2013).

Low enterprise creation rate and high rate of enterprise failure in South Africa can be attributed to limited access to finance (Chimucheka, 2013:787). Internal finance is often inadequate for SMMEs. Atieno (2009:33) remarks that SMMEs need external funds to maintain a healthy liquidity status. A significant number of SMMEs are unable to access external finance. This problem is most severe among rural SMMEs in South Africa (Arko-Achemfuor, 2012:127). According to Lam (2010:269), "*financial bootstrapping is a method for meeting the need for resources by firms without reliance on long-term external finance from equity or debt holders*". Financial bootstrapping is a strategy used in managing and easing the financial problems encountered by SMMEs. This suggests that financial bootstrapping can be of significance to rural SMMEs in two ways: (1) it can reduce the need for external finance and (2) it can provide alternative sources of resources.

A review of the literature on rural entrepreneurship in South Africa (Pooe & Mafini, 2012; Mugobo & Ukpere, 2012; Arko-Achemfuor, 2012) and financial bootstrapping strategies of SMMEs (Pretorius, 2007) showed that there is limited empirical evidence on the financial bootstrapping strategies employed by rural SMMEs in South Africa. Owners' characteristics such as education, age and gender can influence financial decisions and performance of firms (Neeley & Van Auken, 2010:5). This study intends to examine the influence of owners' characteristics on the financial bootstrapping of rural SMMEs in South Africa.

1.2 PROBLEM STATEMENT

Rural SMMEs are crucial for the overall performance of the economy. Rural SMMEs help to reduce rural unemployment and poverty. However, the creation rate of rural SMMEs is very low, yet at the same time literature record a low survival rate of these SMMEs. Low enterprise creation rate and high rate of enterprise failure in South Africa is attributed to limited access to start-up capital (Arko-Achemfuor, 2012; Mugobo & Ukpere, 2012). Thus, rural SMMEs must find creative ways to obtain resources. In this case, financial bootstrapping is a creative way of obtaining resources in a situation where access to formal, conventional external finance is limited. Schofield (2015:2) views bootstrapping finance as a simple and sustainable source of capital for start-ups.

Thus, there is the need to understand the financial bootstrapping strategies employed by rural SMME owners.

1.3 AIM OF THE STUDY

The aim of the study is to determine the financial bootstrapping strategies used by rural SMMEs. In addition, the study intends to examine the influence of owners' characteristics (specifically gender, level of education and the age of the SMME owner) on the bootstrapping strategies used by rural SMMEs.

1.4 THE OBJECTIVES OF THE STUDY

The objectives of the study are:

- To investigate the financial bootstrapping strategies used by rural entrepreneurs.
- To examine if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of gender.
- To determine if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of age
- To investigate if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of education.

1.5 RESEARCH QUESTIONS

- What are the financial bootstrapping methods used by rural entrepreneurs?
- Is there a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of gender?
- Is there a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of age?
- Is there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of education?

1.6 HYPOTHESES

H_{o1} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the level of gender of the owner.

H_{a1} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the level of gender of the owner.

H_{o2} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

H_{a2} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

H_{o3} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the education of the owner.

H_{a3} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the education of the owner.

1.7 DEFINITION OF KEY CONCEPTS

- **SMMEs**

In South Africa, a SMME is officially defined by Section 1 of the National Small Business Act of 1996 as amended by the National Small Business Amendment Acts of 2003 as: *"a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in Column I of the Schedule14."* The schedule sets a limit to the number of employees, the gross asset value and the turnover for SMMEs in South Africa (Government Gazette of the Republic of South Africa .2003). The term "entrepreneur" is often used as a synonym for a "small business owner". The two terms are used interchangeably in this study.

- **Rural area**

According to the Rural Development Framework for South Africa (1997:1), rural areas can be defined as sparsely populated areas in which people farm or depend on natural resources, including the villages and small towns that are dispersed through these areas. In addition, they include the large settlements in former homelands, created by the apartheid removals, which depend for their survival on migratory labour and remittances."

- **Financial bootstrapping**

Freear, Sohl, and Wetzel (1995) define bootstrap financing as "*highly creative ways of acquiring the use of resources without borrowing money or raising equity financing from traditional sources*." Bootstrapping is recognised, by some scholars, as a resource dependence management strategy (Vanacker, Mamigart, Meuleman & Sel, 2011:15).

1.8 SIGNIFICANCE OF THE STUDY

Access to external debt and equity markets is limited for SMMEs, especially in the rural areas. Thus, rural SMME owners need to find innovative ways of obtaining external resources. The findings of this study can enlighten rural SMMEs' on the different innovative strategies and non-conventional methods of financing. Understanding how rural SMME owners can start, manage and grow their businesses without stressing about external funding can go a long way in improving their survival and growth rates. At the empirical level, the study will broaden the literature on financial bootstrapping employed by entrepreneurs from a developing country perspective. The study is also significant as it attempts to address the issue of gender differences in the creation of a new venture. Lastly, the study will also be of value to other stakeholders in the small business sector in South Africa, especially those that provide financial and non-financial support for SMMEs.

1.9 OUTLINE OF CHAPTERS

This study is structured into seven chapters as follows;

CHAPTER ONE: INTRODUCTION

This chapter focused on the introduction and background to the study. In addition, the aim and objectives of the study were highlighted. The preliminary literature review enabled the researcher to identify the research gap, which this study can fill. The chapter concluded by discussing the significance of the study.

CHAPTER TWO: RURAL SMMEs AND DEVELOPMENT

This chapter will starts by defining rural areas in in South Africa. This will be linked to the developmental challenges facing South Africa, such as poverty, unemployment and income inequality. The role of the SMME sector in mitigating such challenges will be discussed. The chapter unfolds by discussing the SME definition from an international and a South African perspective. It is important also to define rural SMEs. The chapter will conclude by discussing the challenges affecting rural SMMEs.

CHAPTER THREE: ACCESS TO FINANCE

Chapter three aims to outline the financial needs of SMMEs. Access to finance is a notable challenge common to most SMMEs. The chapter will discuss the different sources of finance that can be utilised by rural SMEs. In the chapter, the theoretical background is also provided in order to assist in understanding the capital structure of SMMEs. The chapter will conclude by discussing the challenges faced by rural SMEs in accessing debt and equity finance.

CHAPTER FOUR: BOOTSTRAPPING AND SMEs

The chapter will define financial bootstrapping. The resource dependency theory will explained as the basis to understand bootstrapping. The chapter will also review the literature on the influence of owners' factors on bootstrapping strategies.

CHAPTER 5: RESEARCH METHODOLOGY

This chapter provides the research methodology for the study. The choice of research design will be explained. The data collection and analysis methods will also be discussed.

CHAPTER SIX: RESEARCH RESULTS

This chapter concentrates on the presentation of the results of the empirical study.

CHAPTER SEVEN: CONCLUSIONS AND RECOMMENDATIONS

The chapter explains the conclusions and recommendations of the study. In addition, the limitations and areas for further study will be discussed.

1.10 SUMMARY

This chapter focused on the introduction and the problem statement of the study that seek to investigate the financial bootstrapping strategies utilised by rural SMMES in Fetakgomo Municipality. In addition, the research questions objectives and hypotheses were provided. The chapter also explained the significance of the study and the outline of chapters. The next chapter will review the literature on SMMEs in South Africa with emphasis on rural small business.

CHAPTER TWO

RURAL SMEs AND DEVELOPMENT

2.1 INTRODUCTION

The present chapter serves to discuss the SMMEs in South Africa with emphasis on rural areas. In addition, this chapter also seeks to outline some of the vital contributions that these SMMEs bring to the rural communities and the economy at large. Finally, the chapter will discuss the different problems encountered by rural SMMEs in South Africa.

2.2 THE RURAL AREA IN SOUTH AFRICA

Demarcating what is a rural area and what is an urban area is a complex issue in South Africa (Collinson, Tollman & Kahn, 2007:77; Laldaparsad, 2011). In South Africa, there is no uniform definition for a rural area (Gaede & Versteeg, 2011:100; Jacobs & Hart, 2012:9). According to the Rural Development Framework for South Africa (1997:1), "*rural areas can be defined as sparsely populated areas in which people farm or depend on natural resources, including the villages and small towns that are dispersed through these areas*. *In addition, rural areas include large settlements areas in former homelands, created by the apartheid removals, with the people depending on migratory labour and remittances for their survival*." According to the study conducted by Kok and

Collinson (2006), Limpopo province and Northern Cape are the two provinces where majority of the population is based in the rural areas. On the other hand, the results of the same study indicated that Western Cape and Gauteng provinces have the most urbanised population.

Rural areas in South Africa exhibit high levels of poverty compared to other societies in the world. Rural areas in South Africa are infested with poverty, unemployment and deteriorating infrastructure among others (Gopaul, 2009:1; Meyer, 2014:616). Jacobs and Hart (2012:5) note that approximately 43% of South Africa's population falls under rural areas and 71% of that population are subject to poverty. Rural areas in South Africa have always been neglected and consequently, a huge number of rural individuals migrate to urban areas. This phenomenon leaves rural areas undeveloped and uninhabited (Meyer, 2014:616). Hence, most households in rural areas are headed by women and rely on subsistence farming and government grants to sustain a living (Gopaul, 2009:7). The area being researched namely, Fetakgomo, is a rural area that is located 75 km from Polokwane city. As such, Fetakgomo community is not an exception to the plight of other rural areas as discussed above.

Rural development and revitalisation need to be treated as an urgent matter in South Africa if the above mentioned problems are to be addressed (Meyer, 2014:613). However, according to Tenaw and Islam (2009:4), "*an efficient, sustainable and widely accessible rural financial system remains a stumbling block as a major development challenge in most of the developing countries*."

2.3 DEVELOPMENTAL CHALLENGES FACING SOUTH AFRICA AND THE EFFECT OF SMMEs

The term development is too complex to define as it is generally a multi-construct concept. According to Fatoki (2014:271), development is a term used to measure the quality of life and economic wellbeing of the citizens of any nation, community or area. Development should give a clear insight of the changes to variables such as unemployment, poverty as well as income inequality (Todaro & Smith, 2009; Tridico, 2010:999). Poverty, unemployment and growth inequalities remain the greatest challenges in a post-apartheid South Africa. These triple developmental challenges are dragging South Africa behind as far as meeting its projected goals as detailed by the National Development Plan (NDP) 2030. This calls for serious intervention by sectors concerned, especially the private sector, as the public sector is failing to meet the needs of the growing South African populace.

2.3.1 Unemployment

Unemployment remains one of the toughest challenges in South Africa (Lekhanya, 2015:413). Employing the narrow definition, the unemployment rate in South Africa stands at 27.1% (Statistics South Africa, 2016). The narrow definition counts as unemployed people, all the jobless persons who want work and who are searching for work. The broad definition drops the search criterion and counts as unemployed all jobless persons who report that they want work even if they did not search in the reference period (Malakwane, 2012:7). The broad definition put the unemployment rate in South Africa at 36.1% in 2016 (Statistics South Africa, 2016). The narrow definition of unemployment is the one which is commonly used in South Africa (Brynard, 2011:68). Oluwajodu, Blaauw, Greyling and Kleynhans (2015:1) and Malakwane (2012:9) note that unemployment is a socio-economic challenge that results in the loss of economic welfare. Table 2.1 below shows the unemployment statistics of selected developed and developing countries in Asia, Europe, America and Africa.

Table 2.1: Unemployment rates of South Africa and some selected countries

Country	Unemployment rate (%)
South Africa (1)	27.1 (2016)
UK (2)	4.8 (2017)
U.S.A (3)	4.7 (2017)
China (4)	4.0 (2017)
Ghana (5)	5.2 (2016)
Nigeria (6)	12.1 (2016)

Source: (1) Statistics South Africa, 2016; (2) UK Office for national statistics, 2017; (3) United States Bureau of Labour Statistics, 2017; (4) Trading Economics, 2017; (5) Ghana Statistical Service, 2016; (6) Nigeria National Bureau of Statistics, 2016.

Table 2.1 shows the unemployment statistics among different regions: Asia, Europe, America and Africa. As indicated above, South Africa has one of the highest rates of unemployment levels in the world. Malakwane (2012:9) notes that the unemployment challenge has been growing since the 1990s. Youth unemployment remains a threat in South Africa (Klasen & Woolard, 2009:2; Kingdon & Knight, 2007:815). Worryingly, Herrington and Kew (2014) review that "*in South Africa, 4.6 million people are looking for and cannot find jobs while another 2.3 million people have given up looking for work*." Apparently, unemployment is more severe and well pronounced in the rural areas (Gopaul, 2009:6).

There has been a misconception that it is large firms that create jobs in the economy. In a bid to answer the question "who creates jobs"; the findings of a study by Birch (1981) revealed that small businesses create more jobs than large firms. This assertion has stimulated interest in the development of a vibrant SME sector worldwide. Brynard (2011:67) argues that policies should be inclined towards job creation in order to reduce the problem of joblessness in communities. At present, the government of South Africa considers job creation and rural development as its two main priorities. The creation and sustainability of small businesses can help to reduce South Africa's high unemployment rate and ensure rural development (Meyer, 2014:613).

Abor and Quartey (2010:218) remark that sixty one percent (61%) of all employment in South Africa can be linked to small business activities. SMEs stand as a source of employment for the impoverished populace, especially in the rural areas (Fatoki, 2014:272). As indicated by Kongolo (2010: 2291), SMEs provide the majority of private jobs in most countries. Mbuyisa and Leonard (2015:859) believe that given enough support, SMEs can flourish and become a dependable source of employment in South Africa. The SME sector is reckoned for its role as a nursery for entrepreneurship activities, which results in employment creation (Ayanda & Laraba, 2011:200). More importantly, rural SMEs are responsible for employing the marginalised groups such as youth and women in abandoned rural areas.

2.3.2 Poverty

There is no single definition of poverty. Mamman, Kanu, Alharbi and Baydoun (2015:13), define poverty as "*a multidimensional phenomenon related to the inadequacy or lack of social, economic, cultural and political entitlements*". Poverty remains the world's number one enemy (United Nations, 2016). According to Meyer, (2014:613), a significant number of people in developing countries live below the World Bank poverty rate of $1.25 per day.

Table 2.2: Poverty levels of South Africa and some selected countries

Country	Poverty level (%)
South Africa [(1)]	9.4 (2015)
United Kingdom [(2)]	4.3 (2015)
United States of America [(3)]	4.5 (2015)
China [(4)]	6.3 (2015)
Ghana [(5)]	28.6 (2015)

Nigeria [6]	62.0 (2015)

Source: Human Development Report, 2015 [1,2,4,5,6], Worstall, 2015 [3]

In South Africa, poverty is most severe in the rural areas. According to Malakwane (2012:24), "*the presence of shacks, homelessness, unemployment, poor infrastructure and lack of access to basic services scattered around the country is a clear manifestation of soaring levels of rural poverty in South Africa*." Evidence suggests that South Africa displays two faces when it comes to poverty and development. These faces are; (1) characteristics of a developed country with some very rich people and (2) characteristics of a lowly developing country with dire levels of poverty (United Nations Development Program Report, 2010:23). In most cases, people especially in rural areas live in squalid conditions without access to running water and proper sanitation. As such, the majority of rural people are forced to rely only on monthly government social grants, which often, are not enough for the whole month (United Nations Department of Economics and Social Affairs, 2014).

SMEs play a critical role in poverty alleviation (Mbuyisa & Leornard, 2015:858). Fiseha and Oyelana (2015:280) note the importance of SME sector in poverty eradication in rural areas. SME activities reduce poverty in rural areas by cutting the rural-urban migration, as well as, absorbing the lowly skilled rural individuals (Ayanda & Laraba, 2011:201). Furthermore, SME activities in the rural areas afford the owner and their close relatives a decent life. In this regards, Mamman, *et al*., (2015:5) indicate that SMEs offer the rural people both dignity and financial independence, hence, less reliance on government social grants.

2.3.3 Income Inequality

The income inequality in South Africa stems from the apartheid regime system in the 1990s (Van Der Berg, 2011:120). A study by Keeton (2014:26) revealed that South Africa is one of the countries with the highest levels of income inequality in the world. Mbuyisa and Leonard (2015:856) find that in 2006 blacks constituted 79.4% of the population and 76.8% of households, earn only 41.2% of total income in South Africa. On the other hand, whites earned 45.3% of that income but constitute only 9.2% of the population. The Gini coefficient is an internationally accepted measure of income inequality. A Gini coefficient of zero expresses perfect equality, where all values are the same. A Gini coefficient of 1 (or 100%) expresses maximal inequality among values (Statistics South Africa, 2016). Table 2.3 shows the Gini index of South Africa and some selected countries.

Table 2.3: Gini index of South Africa and some selected countries

Country	Gini index
South Africa	65.0
United Kingdom	38.0
United States of America	41.1
China	37.0
Ghana	42.8
Nigeria	43.0

Source: Human Development Report 2015

As indicated by table 2.3 above, South Africa has the highest income inequality in the selected countries. Rural SMEs improve the equitable distribution of income by employing the neglected rural folks (Abor & Quartey, 2010:223). Consistently, Sharafat, Rashid and Khan (2014:70), argue that SMEs in rural areas are sparsely distributed therefore acting as an important vehicle for equitable income distribution. Self-employment enables the rural populace to earn a decent income the same way as those absorbed by the formal sector through employment.

2.4 DEFINITION OF SMEs

The term “SME” defies a once-off definition that cut across all sectors and nations (Bouazza, Ardjouman, & Abada, 2015:102; Abor, & Quartey, 2010:219). According to Mahembe (2011:22), defining a SME proves to be a daunting task as each country adopts its own definition. However, most definitions employ the quantitative and qualitative classifications (Berisha, & Pula, 2015:18; Etuk, Etuk & Baghebo, 2014:657). A comparative analysis of how SMEs are defined by region is provided in the discussion below. The discussion focuses on definitions of SMEs in the United States of America, European Union, Asia and Africa respectively.

2.4.1 Definition of SMEs in United States of America

The United States Small Business Administration (2015) qualitatively defines a small business as a business that is organised for profit, has an office and operates primarily in the United States of America (USA), is independently owned and operated and is not dominant in its field of business on a national basis. In the USA, there are size limits or standards used to quantitatively define a small business. The size standards depict the largest size that a business can be to be classified as a small business. The size standards use the number of employees, the turnover and the total asset value to determine a small business. However, the size standards vary according to sectors. The upper limit for the number of employees for a business to be classified as an SME in the United States of America is 500.

2.4.2 Definition of SMEs in the European Union

The European Union also uses the qualitative and quantitative measures for the definition of a small business. Qualitatively, an SME must not be dominant in its field of business and must not be a subsidiary of a large firm. Quantitatively, a micro enterprise should have employees of less than ten, turnover of less than or equal to two million Euros and a balance sheet total of less than or equal to two million Euros. A small business should have less than fifty employees, turnover of less than or equal to ten million Euros and a balance sheet total of less than or equal to ten million Euros. A medium size enterprise must have less than 250 employees, turnover of less than or equal to fifty million Euros and a balance sheet total of less than or equal to forty-three million Euros (European Commission, 2015).

2.4.4 Definition of SMEs in China

China is not an exception to the complexities faced by other countries in defining an SME. However, as indicated by Mahembe (2011:23), in China a small business is quantitatively defined as an enterprise which employs 300 and above employees with a turnover of above Y30 million and a medium sized enterprise is defined as a business employing 300-2000 employees and having a turnover of Y30-Y300 million.

2.4.3 Definition of SMEs in Ghana

In Ghana a small business is defined as an entity employing 6-29 employees with an assert turnover ratio of $100 000 and a medium scale business is defined as an entity which employs 30-99 employees with an assert turnover of $1 million (Mahembe, 2011:23).

2.5.6 Definition of SMEs in the South African Context

The National Small Business Act of South Africa 1996 as amended in 2003 defines a small business as "*a separate and distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards, and can be classified as an SME by satisfying the criteria mentioned in the schedule of size standards*" (Government Gazette of the Republic of South Africa, 2003). The Act also provides for a schedule of size standards in quantitatively defining a small business.

Therefore, the definition of SMEs in South Africa is in line with international definitions and also takes into consideration both, qualitative and quantitative factors. The quantitative measures vary slightly according to the sectors. However, the definition is the same for the retail, wholesale and service sectors, which are the focus of the study.

Table 2.4 presents the quantitative definition of SMEs in South Africa.

Table 2.4: Schedule of size standards for the definition of SMEs in South Africa

Size class	**Employees (less)**	**Turnover less than or equal to (Rand)**	**Balance sheet less than or equal to (Rand)**
Micro	5	0.20m	0.10m
Very small	20	4.00m	0.60m
Small	50	19.00m	3.00m
Medium	200	39.00m	6.00m

Source: Government Gazette of the Republic of South Africa (2003).

The section above discussed how SMEs are defined differently world-wide. It was noted that each country adopts a definition which is congruent to its policies. However, more importantly, SMEs are defined qualitatively and quantitatively in the existing literature. South Africa, like other countries uses the quantitative definition as its official definition. This definition is widely used for policy formulation.

2.5 Rural SMEs in South Africa

Rural SMEs in South Africa share similar characteristics with the rest of SMEs in general. However, most of the rural SMEs are owned by people with less capital whose main goal is to meet their daily needs. Evidence suggests that most rural SMEs are not aware of the government bodies, which assist SMEs in various ways. Furthermore, rural SMEs tend to be located in semi deserted growth points with poor infrastructure that is dilapidated buildings and poor road network. Consequently, rural SMEs in South Africa do not grow at all hence painting a bleak picture on their job creation potential. Abor and Quartey (2010:222) note that most rural SMEs are operated by people involved in agricultural activities. In addition, most rural SMEs tend to be evenly distributed in the retail and service industries. This is mainly attributed to the fact that, these industries have fewer barriers to entry and exit in terms of capital requirements and expertise.

2.6 CHALLENGES FACED BY RURAL SMEs

Rural SMEs are not an exception to the general challenges faced by other SMEs. Regardless of various roles SMEs play towards economic prosperity of nations, a number of challenges affect their ability to realise their full potential (Mukata & Swanepoel, 2015:77). The ability of SMEs to survive and grow into large firms is threatened by elements in the business environment (Bouazza et al., 2015:101).

2.6.1 Business Environment

Eruemegbe (2015:478) describes the business environment as anything that influences the operations, decisions and performance of a business. The business environment is dynamic in nature (Adeoye & Elegunde, 2012:195). In order to remain competitive, businesses ought to keep pace with the changes in the business environment. The business should employ checks such as environmental scanning, on an on-going basis, to closely monitor the business cycles. Firms which fail to adapt to the dynamics of the business environment risk experiencing business failure. The internal and external environments constitute the two facets of the business environment (Fatoki & Garwe, 2010:731).

2.6.1.1 Internal environment

The internal environment consists of variables for which a business has control over such as finance, managerial skills, entrepreneur characteristics, location and networking among others. A firm has to critically identify its strengths and weaknesses, so as, to improve its competitive advantage (Bouazza *et al*., 2015:101).

- **Finance**

Limited access to start-up funding is a major drawback for a significant number of SMEs (Okpara & Wynn, 2007:31; Padachi, Howorth & Narasimhan, 2012:125). Similarly, Turner, Varghese and Walker (2008:15) report that financial resources and funding remain a business detriment experienced by small businesses. Unfortunately, this challenge is mostly felt by rural SMEs (Ladzani & Netswera, 2009:225). A plethora of literature indicates that entrepreneurial businesses in rural areas are owner-financed due to the inability to access external funding. Abor and Biekpe (2006:17) stress that such problems cripple the innovative ability of SMEs. This negatively affects rural SMEs' growth and sustainability. Govori (2013) notes that most SMEs rely on funds from relatives and friends, which are often insufficient to attain the desired growth.

- **Managerial Skills**

Fatoki and Garwe (2010:731) state that "*managerial competencies are sets of knowledge, skills, behaviours and attitudes that contribute to personal effectiveness*". Most small business lack vital managerial skills in both urban and rural areas. The lack of management skills hinders SMEs' growth and development in most developing countries (Abor and Quartey, 2010:218). Rural SMEs are neglected by business consulting firms, which target mostly large businesses (Ahiawodzi & Adade, 2012:40). Most rural SMEs fail to attract and retain qualified managers who often demand high salaries (Mahadea, 2008). Furthermore, training and skills development programmes normally come at a high cost that most rural SME owners find unaffordable. Consequently, the skills shortage continues to be a random challenge faced by a number of rural SMEs (Mahembe, 2011:7).

- **Location**

The location where a business is situated plays a crucial role on its financial performance and growth. The most viable locations tend to be those in urban areas because they are geographically convenient to customers and suppliers (Fatoki & Garwe, 2010:731). Hence, most rural SMEs remain disadvantaged as far as location is concerned. In South Africa, the high level of rural-urban migration is greatly destroying the market for rural SMEs. This has resulted in abandoned areas, poor service delivery and deteriorating economic activities. In most cases, the infrastructure in these rural areas is dilapidated thereby hindering business growth for rural SMEs (Fatoki & Garwe, 2010:732). Furthermore, Fjose, Grünfeld and Green (2010:18) note electricity and power cuts as some of the key issues weakening the growth prospects of SMEs in Africa. Most rural SMEs in South Africa are not an exception to this challenge.

- **Entrepreneur characteristics**

The education level of SME owners plays a critical role in the survival of their ventures. Martínez *et al*. (2010:42) note that a significant number of SME owners in developing countries are lowly qualified. This is severe in rural areas where mostly school dropouts start most SMEs. Furthermore, most entrepreneurs in rural areas are “survivalist” in nature, as most of them are concerned mainly about taking care of their everyday needs from the business proceeds. This greatly hinders growth and performance of SMEs since there is nothing left to expand the business.

2.6.1.2 External environment

- **Economic variables**

Economic variables consist of elements such as the exchange rate, interest rate, inflation rate and unemployment, monetary policy as well as the fiscal policy (Cant & Wiid, 2013:708). Changes in these variables undoubtedly affect the rural small businesses in some way. For example, continuous hikes in South African interest rates make the cost of borrowing to be high for businesses, hence hindering the growth prospects of SMEs. On the other hand, the exchange rate plays a crucial role as well. At the present, the South African rand has lost value compared to the United States of America dollar (Hsing, 2016:1). This is a serious challenge for SMEs that import raw materials from United States of America.

- **Legal and regulatory framework**

SMEs suffer red tape, which is automatically a hindrance towards their growth (Levie & Autio, 2011: 1411). As indicated by Hallward-Driemeier (2009), the majority of SMEs end up giving up on their growth motives in order to avoid cumbersome tax burdens. According to Ocloo, Akaba and Worwui-Brown (2014:294), although there has been some positive transformation in the regulatory environment, SMEs' development still lags behind in Africa. In addition, most SMEs in rural areas complain that they do not have access to government subsidies. Padiaychee (2016:55) remarks that the majority of rural SMEs are not aware of government bodies, hence cannot access loans and business advice. This negatively influences their performance and eventually leads to failure.

- **Crime**

According to Small Enterprise Development Agency (2016:10), crime is increasingly becoming one of the severe socio-economic problems South Africa has to resolve as a matter of urgency. As stressed by Cant and Wiid (2013:709), the high crime rate in South Africa makes business unviable since SMEs continuously lose wares to criminals. Crime makes the business environment unsafe for business operations. However, a major determining factor for crime is the high levels of joblessness most prevalent in rural areas; hence chances of criminal activities are high in rural areas (Ucha, 2010:51).

2.7 SUMMARY

This chapter discussed the composition of the rural areas from a South African perspective. In addition, the chapter deliberated on the active role SMEs play towards economic acceleration and growth. It was important to define a SME, and this was achieved through a literature review of how the term is defined worldwide. It was discovered that there is no universal way to define SMEs. However, SMEs are defined qualitatively and quantitatively worldwide, which is the approach used in South Africa. The chapter also highlighted the contribution and the challenges faced by rural SMEs. It was established that the establishment of SMEs creates jobs for the local communities. However, these SMEs also have constraints that hinder their progress. One of the primary constraints facing rural SMEs is access to finance. The next chapter will focus on the financing options available to SMEs in South Africa.

CHAPTER THREE

FINANCING OPTIONS AVAILABLE TO SMEs

3.1 INTRODUCTION

It was discovered from the previous chapter that difficulties in obtaining external funding is a problem encountered by a significant number of SMEs. This chapter will discuss the financing needs of SMEs and the theories related to how a firm can choose among the different sources of finance. The chapter will conclude by introducing the bootstrapping method as an alternative, innovative and creative source of finance that can be used by SMEs.

3.2 RESOURCE DEPENDENCY THEORY

As indicated by Pfeffer and Salancik (1978), the Resource Dependency Theory (RDT) stresses the importance of different resources towards the efficient running of a business. RDT argues that a firm cannot survive in isolation, but is bound to interact with other firms in order to obtain resources. Networking is the most crucial aspect in the RDT. On that account, firms should strive to maintain healthy relationships with other firms to ease the flow and exchange of resources from one firm to another. The RDT further assumes that there is interdependence among firms with different resources, and this forbids a firm to be a stand-alone entity, lest it attracts failure. Barney (2001) points out that "*resources include all assets, capabilities, organisational process firm attributes and firm information knowledge used by a firm to conceive and implement strategies.*" Kraaijenbrink, Spender and Groen (2010) remark that resources give businesses a cutting edge that is crucially a gateway to business success. Resources in an expanded form include assets such as, plant and machinery, financial resources and good management.

Bolingtoft et al. (2003) explains that to establish and sustain a small firm, the entrepreneur needs to have access to different types of resources (i) human capital; (ii) physical capital; and (iii) financial capital, each playing different, but equally important roles during the life cycle of a SMME. Bolingtoft et al. (2003) further argue that a significant number of firms fail due to the inability to organise enough resources for the entity. Similarly, Timmons and Spinelli (2007) note that decisions about resource acquisition stand as one of the key aspects in entrepreneurship. Ebben and Johnson (2006) believe that the use of bootstrapping financing is best explained the RBT. This is based on the account that bootstrapping financing solely depend on networking for it to be success, which is one of the key elements emphasised by the RDT.

3.2.1 The Financial Needs of SMEs

Financial resources form a critical element for any firm. Oke and Aluko (2015:23) argue that easy access to financial resources is essential for firm growth. Extant literature indicates that access to financial resources is the most pressing challenge faced by SMEs (Ladzani & Netswera, 2009:225). Most critical is the introductory phase where SMEs need capital to market their businesses and to secure lucrative strategic locations. Mostapha (2016:169) notes that most SMEs fail to take off from the introductory stage due to financial constraints. However, the financial needs differ from one firm to another given that the sectors, in which SMEs operate in, differ. More commonly, all new start-ups require financial resources to acquire fixed assets, maintain a positive working capital and for product development and to cover initial losses.

3.2.1.1 Fixed asset acquisition

Fixed assets include land, buildings, and machinery acquired by a firm to generate more income (Machirori, 2012:47). Fixed assets can be used as collateral security to secure a loan from banks (Berger & Udell, 2006:2949). However, a significant number of SMEs in South Africa suffer from undercapitalisation, especially in fixed assets due to financial constraints. The author of this study notes that rural SMEs need capital to renovate the buildings which are in most cases dilapidated. For rural SMEs involved in agriculture, capital is needed to obtain equipment as well as delivery vans to transport products to markets, which are mostly located in urban areas.

3.2.2.2 Working capital

Samiloglu and Akgün (2016) define working capital as funds required to maintain day-to-day expenditures of a business. A firm needs sufficient financial resources to ensure the smooth flow of its everyday activities. Working capital forms the lifeblood of a firm, hence, it should be constantly monitored in order to ensure an optimum level is maintained (Padachi, 2006:47). Working capital is important for the financial health of an SME. SMEs need working capital to take advantage of sales in raw materials, and for gaining cash discounts. According to Garcia-Teruel and Martinez-Solano (2007:166), failure to monitor financial resources in a firm closely, can result in business failure. However, working capital should be kept at an optimal level, as too much or too little working capital is not healthy for the business. For instance, Muya and Gathogo (2016:1087) argue that having too much working capital increases the opportunity cost to the business.

3.2.3.3 Product development and initial loses

Research and development forms a critical component of product development (Yoshino & Taghizadeh-Hesary, 2016:7). For SMEs in information technology, product development can tack a number of years. It implies that the more the number of years taken in the product development phases, the more is capital needed. According to Barringer and Ireland (2012), during the start-up phase a huge amount is required for expenses such as developing the product, advertising costs, acquiring premises and registration costs in the case of registered businesses. Barringer and Ireland (2006:231) note that is important for SMEs to have sufficient capital at product development phase. Therefore, SMEs need extra capital to keep them afloat.

3.3 CAPITAL STRUCTURE

The financing options available for SMEs are either equity or debt (Demirguc-Kunt, Maksimovic, Beck & Laeven, 2006:933). As indicated by Fatoki and Asah (2011:170), the proportion of the capital structure is determined by many factors such as firm characteristics and entrepreneur characteristics, among others. The proportion of these two sources of finance forms its capital structure. According to Fatoki (2014:749), capital structure is a combination of debt and equity employed by a firm to power its business activities. This enables the firm to realise its objectives and targets, since it facilitates the smooth running of the business. It is crucial for SMEs to choose their capital structure carefully as this have a bearing on the profitability of their ventures (Salehi & Biglar, 2009:97). For example, the author of this study believes that a capital structure dominated by debt finance can choke the firm in terms of interest rates since they need to be repaid. While, on the other hand, a capital structure dominated by external equity funding can dilute the ownership of the venture and results in complexity in decision-making. However, it is usually challenging to decide or estimate what can be an optimal level of capital structure.

3.4 THEORETICAL FRAMEWORK FOR SMALL BUSINESS FINANCING

The decision to determine the proportions of capital structure proves to be a challenging task for many managers. Wrong decisions concerning the proportion of capital structure can be costly to a firm. Discussed below are the three primary theoretical principles relevant for explaining the capital structure of SMEs.

3.4.1 The Static-Trade off Theory

According to Modigliani and Miller (1958), the market value of a firm is not influenced by the selection of a certain capital structure. Modigliani and Miller (1958) further add that it is rather the firm's assets, which determine its value not the sources of finance. Modigliani and Miller (1963) introduced the tax aspect to explain capital structure. On that account, Modigliani and Miller (1963) argue that firms can benefit more by using a capital structure dominated by debt finance. This is explained by the fact that tax expenses which come with debt finance can later be reclaimed and converted into income which is advantageous to the firm. On that note, Modigliani and Miller (1963) argue that it can be possible for a business to use all debt finance to finance its business operations.

3.4.2 The Agency Theory

The Agency theory cannot be underestimated when trying to explain and understand the capital structure employed by firms. The Agency theory tries to explain conflicts arising due to differences in the composition of the capital structure held by firms (Jensen & Meckling, 1976:306). Jensen and Meckling (1976) argue that different parts representing different sources of finance end up in conflict in most cases caused by the way they perceive how risk is distributed among the parties involved. In different firms, conflicts usually arise between shareholders and managers and between equity owners and owners of debt funds. A conflict between managers and shareholders arise because managers have a view that they do not maximise as much gains as compared to shareholders even though they invest much in the day-to-day running of the business. On the other hand, as indicated by Machirori (2012:51), "the debt contract results in asymmetric distribution of the gains. Meaning that, if an investment is profitable above the face value of debt, most of the gain is captured by equity holders, while if investment fails, debt holders bear all the consequences because of the limited liability of the equity holders."

3.4.3 The Pecking Order Theory

Myers (1984:575) believes that firms cannot have something which they say is the optimal capital structure. However, the Pecking Order Theory argues that new start-ups usually utilise capital supplied by the owner before they can think of attracting investors or apply for loans. In the case that firms wish to expand their business operations, Myers (1984) found out that a significant number of small business prefer to use debt rather than external equity. The pecking order theory advises new start-ups to utilise internal funds such as owner's salary, savings and small loans from family and friends before trying to explore external funding options. In support of the Pecking Order Theory, the literature indicates that most SMEs make use of internal finance through borrowing from friends or family and by using their own credit cards (Padachi et al., 2012:125). Abdulsaleh and Worthington (2013:36) concur by pointing out that SMEs utilise savings from the owner as well as retained profits.

3.5 EQUITY FINANCING

Equity represents the money invested into the business by the owner/s. According to Fatoki (2014:p750), "*equity can be described as any financing vehicle that has a residual claim on the firm, and does not create a tax advantage from its payments; has an infinite life; does not have priority in bankruptcy, and provides management control to the owner.*" Abdulsaleh and Worthington (2013:40) assert that equity financing is more preferable over debt financing especially for start-up SMEs who do not have collateral security. Equity finance describes the net worth of a business (Eniola & Entebang, 2015:336).

3.5.1 Internal Equity

Abdulsaleh and Worthington (2013:40) refer to internal equity as funds provided by the owner or director of the company, and from retained profits from the business (Eniola & Entebang, 2015:336). Fatoki (2014:750) adds small loans from family members as another source of internal equity. As indicated by Abdulsaleh and Worthington (2013:40), internal equity is used mostly by SMEs during their start-up phase. The availability of internal equity depends largely on the wealth of the owners and the profitability of the business. Internal equity is advantageous to SMEs because it offers them flexibility to make decisions and to maintain control and direction of the venture. Ou and Haynes (2006:156) believe that equity financing is beneficial for SMEs in that there is no interest to be paid and that it improves SMEs credibility when they would like to borrow money from banks. Manyani, Onias, Hove, Mudzura and Chiriseri (2014:10) argue that retained earnings as a form of internal equity is usually a challenge for most new start-ups that have just began trading. When internal equity finance is insufficient, the firm can attempt to attract external equity.

3.5.2 External Equity

Sometimes internal equity cannot be sufficient to cover the day-to-day needs of a growing business venture. In that case, managers have to consider looking for external equity. However, it is important for SMEs to consider the degree of control and independence when making a decision on sourcing external equity. According to Eniola and Entebang (2015:336), in most cases external equity is obtained in exchange of a certain amount of ownership in the business. External equity sources available to SMEs are venture capital, business angels and the stock exchange.

- **Venture capital**

Fatoki (2014:751) describes venture capitalists as formal businesses that invest in the growth and start-up of entrepreneurial businesses. According to Terker and Terker (2016:630) venture capital can be explained as financial support awarded to new start-ups to transform them into profitable ventures. On the other hand, Mostapha (2016:p171) defines venture capitalism as *"an activity by which investors support entrepreneurial talent; with finance and business skills to exploit market opportunities and, thus, obtain long term capital gains*." Venkatesh, Kumari, Thenmozhi and Balasubramanie (2010:50) note that venture capitalists strictly monitor the businesses concerned to safe guard their investment. Abdulsaleh and Worthington (2013:41) indicate that venture capitalists have an appetite to invest in high risky/high return businesses.

- **Business angels**

Mason and Harrison (2015) view business angels a wealthy group of individuals who takes risk by investing in highly profitable ventures to have a shareholding in the business. Abdulsaleh and Worthington (2013:42) endorse business angels as an important source of finance for SMEs. Terker and Terker (2016:633) argue that business angels are valuable sources of finance for SMEs, especially those which are left out by venture capitalists. Furthermore, Terker and Terker (2016:633) note that business angels invest to help new start-ups with skills and expertise to ensure a swift take-off and survival of the business. There is a growing recognition for business angels as important sources of finance for SMEs (Mostapha, 2016:171). It can be deduced, that external equity increases the financial muscles of SMEs and tends to benefit from expertise brought by these investors.

3.5.3 Equity Gap

Regardless of the desirability of equity as a source of funding, extant literature indicates that sometimes it is difficult for SMEs to attract investors. This results in an equity gap. An equity gap depicts a scenario where in the firm's life cycle, usually in the beginning; there is a shortage of equity investments (Baldock & North, 2012). Harding and Cowlings (2006:116) further note that discussions on the equity gap for SMEs have been on-going for many decades. There is a perceived structural failure within the capital market to meet the long-term investment needs of new SMEs. Harding and Cowlings (2006:117) further confirm the existence of an equity gap for SMEs. The equity gap is most prevalent in rural SMEs. Rural SMEs have a low credit rating hence external equity investors do not see potential growth and profitability in these ventures (Coleman & Okyere, 2016:273).

3.6 DEBT FINANCE

Debt finance is granted to a business with the understanding that the business will repay at a given date (Abdulsaleh & Worthington, 2013:43). Debt finance is transactional; it involves an agreement between owners of capital and the borrower. To part with their liquidity, the owners of capital charge an interest rate which the borrower agrees to pay back at a stipulated time. Eniola and Entebang (2015:336), debt finance can be obtained formally or informally. Formally, this include applying for loans from banks while on the other hand, debt can be obtained from family, friends, directors and trade credit among others. Abdulsaleh and Worthington (2013:40) warn that SMEs should weigh between short and long-term debt as each comes with a different cost structure. The need for debt finance arises when firms want to invest in big projects that require more capital. To secure this kind of capital, collateral security is the most qualifying criteria used especially by banks in order to award the loan. A study by Gichuki, Njeru and Tirimba, (2012:6) indicates that debt finance forms a small proportion in the capital structure of rural SMEs since they do not have collateral security to secure loans from formal institutions like banks. According to (Bosse & Arnold, 2010), a significant number of SMEs are funded using owner financing methods.

3.6.1 Types of Debt

Debt finance comes in different forms. The primary sources for borrowed capital for small business and start-ups are discussed below.

3.6.1.1 Trade credit

Trade credit can be one of the creative ways for raising capital for rural SMEs. Trade credit involves an agreement entered into by the supplier and the firm where the supplier agrees to supply raw materials, which the firm has to pay later (Andrieu, Stagliano & Van der Zwan, 2015:2). Megginson *et al*. (1994) define trade credit as the purchase of inventory, equipment or supplies on an open account with the agreement from the retail or wholesaler involved. Trade credit is the most common source of capital for SMEs that is available to small business when there is no other debt financing available to them. According to Martínez-Sola *et al.* (2014), majority of small businesses do not encounter challenges to obtain trade credit because most suppliers view it as a profitable way of doing business. This transaction is recorded as a current liability in the business books, while the suppliers record the transaction under receivables (Abdulsaleh & Worthington, 2013:43). Thus, trade credit usually takes the form of payment after the business has sold, extended credit terns for instance two months to pay and lease of equipment. The trade credit allows the business to commence its activities without using its own funds so that it can provide its business and later repay the creditors after realising the sale. The ability to access this form of debt capital depends largely on the record of accomplishment and performance of the business. However, suppliers tend to be less strict than banks when they consider giving out trade credit (Cassia & Vismara, 2009:46). SMEs are encouraged to maintain good long-term working relationships with their suppliers lest the suppliers terminate the contractual agreements. This type of debt capital is available to both new and existing business in short-, medium- and long-term, timeframes.

3.6.1.2 Commercial banks loans

According to Baily and Elliott (2013:1), commercial banks form the large percentage of debt finance providers. Banks usually require collateral security before they can grant loans to SMEs. There is a higher denial rate among SMEs that apply for loans from banks (Andrieu *et al*., 2015:3). Most rural SMEs do not have the required collateral security as well satisfactory financial records. The few SMEs that access loans from banks end up struggling to pay back the loans, as they are associated with higher interest rates. Oke and Aluko (2015:26) argue that regardless of the higher denial rates for SMEs loans, commercial banks remain crucial as a source of finance for SMEs considering to embark on long-term investment projects. In South Africa, quite a number of banks have long since established sections to manage transactions with SMEs.

3.6.1.3 Leasing

According to Kraemer-Eis and Lang (2012:6), leasing is a contractual agreement between the lessor (owner) and lessee (user) that the user can use a machine, building or a vehicle over a period of time paying for the services but, however, not having ownership rights thereof. Mostapha (2016:171) and Prohorovos and Beizitere (2016:407) identify leasing as a source of finance used by a significant number of SMEs. According to Mostapha (2016:171), "an advantage of leasing is that it converts what would otherwise be a large, lump sum expenditure into a series of smaller expenditures, thereby freeing up funds for investment in inventory, working capital, or other shorter term assets." Similarly, Kwarteng and Li (2015:4) note that leasing is less costly in relation to other sources such as bank loans that are accompanied by transaction costs. Furthermore, Zhaofeng (2016:29) remark that leasing is a panacea to financial problems faced by SMEs.

3.6.1.4 Hire purchase

Hire purchase can be defined as the use of an asset while paying for it in instalments (Okioga, 2012:256). Manyani *et al.* (2014) as well as Padachi *et al.* (2012:125) indicate that hire purchase is a cost effective alternative for SMEs considering capitalisation with minimal expenditure. According to Gerlach-Kristen, O'Connell and O'Toole (2015:152), hire purchase is a viable financing option for businesses with limited access to bank credit. This method of debt allows SMEs to be profitable regardless of financial constraints they face. Furthermore, hire purchase allows a firm to maintain a healthy working capital as cash outflows are minimised while at the same time having access to the latest technology available to speed business processes. However, the ownership remains with the suppliers of the asset until one finishes paying the whole amount.

3.6.1.5 Crowdfunding

Fatoki (2014:752) describes crowdfunding as an innovative way of raising finance by SMEs. Crowdfunding is another alternative source of finance at SMEs' disposal. According to Belleammey, Lambertz and Schwienbacherx (2013), crowdfunding is "*an open call, essentially through the internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes*". Similarly, Zhang, Baeck, Ziegler, Bone and Garvey (2016:8) indicate that crowdfunding can take the form of equity-based, donation and reward crowdfunding. Munyanyi and Mapfumo (2016:19) believe that crowdfunding can be an important and sustainable way to raise funds especially for new firms. Lambert and Schwienbacher (2010) describe crowdfunding as an internet based approach used by people to raise funds for projects and or business in exchange for shares in return. Massolution (2013) opines that crowdfunding is a flexible and cheap alternative source of finance to public and private finance. Munyanyi and Mapfumo (2016:22) posit that crowdfunding has the advantages that it enables SMEs to mobilise resources quickly through the use of social networks.

3.6.2 The Debt Gap

The debt gap explains the bottlenecks involved in the flow of money from owners of capital such as banks among others to borrowers such as firms. Debt finance is needed for firms to swiftly move from newly formed enterprises to well established growth oriented firms. According to FinMark Trust (2006), accessing debt finance is still a challenge for many SMEs. Most SMEs are not assisted by banks due to their inability to provide collateral security while the situation is dire for the new SMEs that have to depend on borrowing from family and friends. Mahembe (2011:9) finds that the debt gap for SMEs is approximately between 45-48% in South Africa. Mahembe (2011:9) further adds that of the majority of SMEs that apply for loans, it is only a minute number who successfully obtain the loans. Consequently, a significant number of SMEs get to be excluded, financially. This shows that lack of start-up capital is one of the worst problems encountered by many small businesses (Kwarteng & Li, 2015:2).

3.7 POLICIES AND INSTITUTIONAL FRAMEWORKS SUPPORTING SMEs

The government of South Africa, through the Department of Trade and Industries (DTI) as mandated by the government has created a number of bodies to assist SMEs. These different bodies have a critical mandate or role to play to inclusively identify and address the needs of small businesses. Some of the different bodies among others include; Khula Enterprise Finance Ltd, Small Enterprises Development Agency (SEDA), Industrial Development Cooperation (IDC), National Youth Development Fund, South African Micro-Finance Apex Fund (SAMAF), National Empowerment Fund (NEF), South African Women Entrepreneurs' Network (SAWEN). According to Mazanai and Fatoki (2011:209), "provincial government agencies such as the Eastern Cape Development Corporation (ECDC) in the Eastern Cape, Gauteng Enterprise Propeller (GEP) in Gauteng and Limpopo Economic Development Agency (LEDA) in Limpopo also provide a range of business-development services to SMMEs at provincial level and have strengthened partnerships with SEDA".

Regardless of the different government support programmes, SMEs still face challenges in accessing finance. This greatly hinders SMEs' growth and development. This suggests a need for SMEs to consider adopting other sources of finance such as bootstrapping finance.

3.8 ACCESS TO EQUITY AND DEBT BY SMALL BUSINESS

Despite the above mentioned sources of finance such as equity, debt as well government funding, SMEs still experience hardships in accessing external funding. New business and small business face difficulties in accessing debt capital because they do not have assets that can be used as collateral (Andreea & Aiga, 2012:1). Similarly, Mahembe (2011:9) notes that there is a great denial rate for SMEs who apply for loans in South Africa due to lack of collateral security. The FinMark Trust (2015:4) notes lack of access to finance as a common enemy for a significant number of new ventures in South Africa. A study by The FinMark Trust (2015:5) shows that 93% of

SMEs have never accessed formal credit either equity or debt in their lifetime. Many SMEs have limited access to debt finance the reason being that owners of external finance hesitate to extend loans to small businesses (North, Baldock & Ekanem, 2010:17). Beck and Cull (2014:3) report that Sub- Saharan Africa has a low usage rate of bank loans as compared to other developing countries. This lead to what the author of this study call, a finance gap, whereby SMEs cannot access loans from suppliers of capital. This is a major drawback given that external capital is crucial for SMEs' growth (Balogun, Nazeem, & Agumba, 2016:475). There are numerous factors that providers of debt capital consider when evaluating a potential debtor. These include the industry and market characteristics, the stage and viability of the business, debt coverage and collateral. According to Mostapha (2016:169), due to the market constraints faced by small firms, external equity is usually not available to them. Therefore, there is a need for SMEs to migrate from traditional sources of finance to more innovative sources such as bootstrapping finance. According to Vanacker *et al.* (2011:p4), "*bootstrap strategies may allow young ventures to pursue new opportunities without owning a sizeable resource base and without mobilising large amounts of outside finance to access more resources*."

3.9 SUMMARY

This chapter focused on the financing options for SMEs. The chapter started by discussing the financing needs for SMEs. It was discovered that SMEs need capital to acquire fixed assets, to fund new product development and to maintain a positive working capital. The financing needs for SMEs determines the proportion of debt and equity (capital structure) required by SMEs. The static trade-off theory, the agency theory and the pecking order theory were discussed in order to explain the financing of SMEs. It was deduced from the theories that SMEs capital structure consist of equity and debt finance. The smallness of SMEs and lack of collateral security make it difficult for them to attract external funding. It was also noted that SMEs need external finance since internal funding alone is not sufficient to sustain a business. The chapter concluded by suggesting that SMEs should consider adopting more innovative and creative methods such as bootstrapping to secure capital at a lower cost. The following chapter will comprehensively discuss the bootstrapping strategies that can be used by SMEs.

CHAPTER FOUR

BOOTSTRAPPING AND SMEs

4.1 INTRODUCTION

There is a financing gap for rural SMEs in South Africa. Rural SMEs face challenges in accessing funds from banks and equity investors. The few who manage to access these loans struggle to repay the loans as they are accompanied by high interest rates. This chapter introduces bootstrapping as an alternative source of capital available for rural SMEs. The advocacy for bootstrapping method as an innovative and creative source of finance for rural SMEs is based on the notion that it enables SMEs to have enough capital at a lesser cost. In order to understand the role of bootstrapping, the chapter starts by defining the concept and discussing the various bootstrapping methods. In addition, the effect of entrepreneurs' characteristics (gender, education and age of the owner of SMEs) on bootstrapping strategies will be explained.

4.2 DEFINITION OF BOOTSTRAPPING

The term bootstrapping finance has no uniform definition as indicated in the existing literature. Freear, Sohl, and Wetzel (1995) define bootstrap financing as a highly creative ways of acquiring the use of resources without borrowing money or raising equity financing from traditional sources. As indicated by Padachi *et al.* (2012:130), bootstrap financing is associated with funds mobilised by the owner after failing to obtain external funding which in most cases comes from the owner's savings, close family members and friends. Schofield (2015:2) views bootstrapping finance as a simple and sustainable source of capital for start-ups. Vanacker et al. (2011) link bootstrapping finance to the resource dependency theory. On that note, SMEs can easily mobilise resources from other firms connected to them. Despite the variation in the definition of bootstrapping financing, the definition propounded by Winborg and Landström (1997) forms a common definition adopted by a plethora of existing studies. In this study, bootstrapping financing is defined as innovative and creative ways of raising finance internally by firms without involving external sources of finance.

4.3 BOOTSTRAPPING METHODS

There are different bootstrapping methods identified by researchers in the existing literature. As indicated by Ebben (2009:347) "*bootstrapping methods include a combination of techniques that reduce overall capital requirements, improve cash flow, and take advantage of personal sources of financing*." Winborg and Landström (1997, 2001) as cited in Andreea and Aiga (2012:7) identified 32 financial bootstrapping methods. According to Schofield (2015:33) these 32 bootstrapping methods can be grouped into the following: owner financing, minimising accounts receivable, joint utilisation of resources, delaying payments of accounts payable, minimising stock, and subsidy financing. The above bootstrapping financing methods have been adopted and used extensively in the existing literature (Bosse & Arnold, 2010; Neeley & Van Auken, 2009, 2010; Perry, Chandler, Yao, & Wolff, 2011; Winborg, 2009). Bootstrapping finance allows a business to operate with minimum resources (Vanacker, et al, 2011:6). The above-mentioned bootstrapping methods are discussed in detail below.

4.3.1 Owner Financing

According to Perry *et al*. (2011:2), owner financing is a cash increasing bootstrapping strategy used by the SME owner to improve cash inflows for the firm. The SME owner can use methods such as working part time jobs, using personal savings and getting advance loans from close relatives (Ayyagari et al., 2010; Bosse & Arnold, 2010). Fatoki (2014:77) indicate that SME owners are responsible for providing the primary resources needed to start and run a new venture. Mwarari (2013) remark that loans from family and friends forms a crucial component of internal financing for SMEs.

4.3.2 Minimising Accounts Receivable

According to Schinck and Sarkar (2012:6), “this bootstrapping finance method includes such factors as obtaining payment in advance from customers, using interest on overdue payment from customers, ceasing business relations with customers frequently paying late and deliberately choosing customers who pay quickly among others." Accounts receivables are one of the important elements in the working capital management (Nadeem, Naveed & Zeeshan, 2014:14). Wembe (2013:1124) notes that monitoring the working capital flow improves the liquidity of a business. On that note, firms should put systems and policies to manage accounts receivables.

4.3.3 Joint Utilisation of Resources

Joint utilisation entails businesses embarking on cost cutting strategies such as buying used equipment, sharing premises, borrowing equipment, coordinating purchases with other firms, as well as, embarking on barter trade. According to Schinck and Sarkar (2012:7), joint utilisation can take the form of creating partnerships with other businesses where each part equally benefits. Vanacker *et al.* (2011:20) found that businesses, which embark on joint utilisation, tend to be successful.

4.3.4 Delaying Payments of Accounts Payable

Perry *et al*. (2011:2) categorise delaying of accounts payable as a cost decreasing bootstrapping method. Cost decreasing bootstrapping methods defined as the techniques that reduce the need for cash. Schinck and Sarkar (2012:6) agree that this method involve the firm entering into an agreement with suppliers to use their raw materials and pay at a later stage. This reduces cash outflows for a firm in the short run.

Wembe (2013:33) advises that SMEs should manage accounts payables to avoid costs such as late payment penalties. Similarly, Fatoki, (2014:77) warns that SMEs should practice caution when considering delaying payments, as it can have negative consequences on the image of the business.

4.3.5 Minimising Stock/ Investment

Fatoki (2013:94) points out that minimising stock/ investment bootstrapping method include strategies such as hiring part time employees instead of permanent ones and seeking out best conditions possible with suppliers, among others. Schinck and Sarkar (2012:6) assert that SMEs need to sharpen their negotiation skills in order to cut cost from cash discounts.

4.3.6 Subsidy Financing

Subsidy financing forms a crucial component of SMEs' financing and is important for SME growth (Vanacker *et al.,* 2011:21). Subsidy financing comprises government grants and credit guarantees among others given to new start-ups by the government through banks and other government agencies (Mostapha, 2016:171). According to Mazanai and Fatoki (2011), the government of South Africa have created a number of bodies to assist SMEs in different ways. However, a significant number of SMEs are not aware of these bodies.

4.4 ADVANTAGES OF BOOTSTRAPPING FINANCE FOR RURAL SMEs

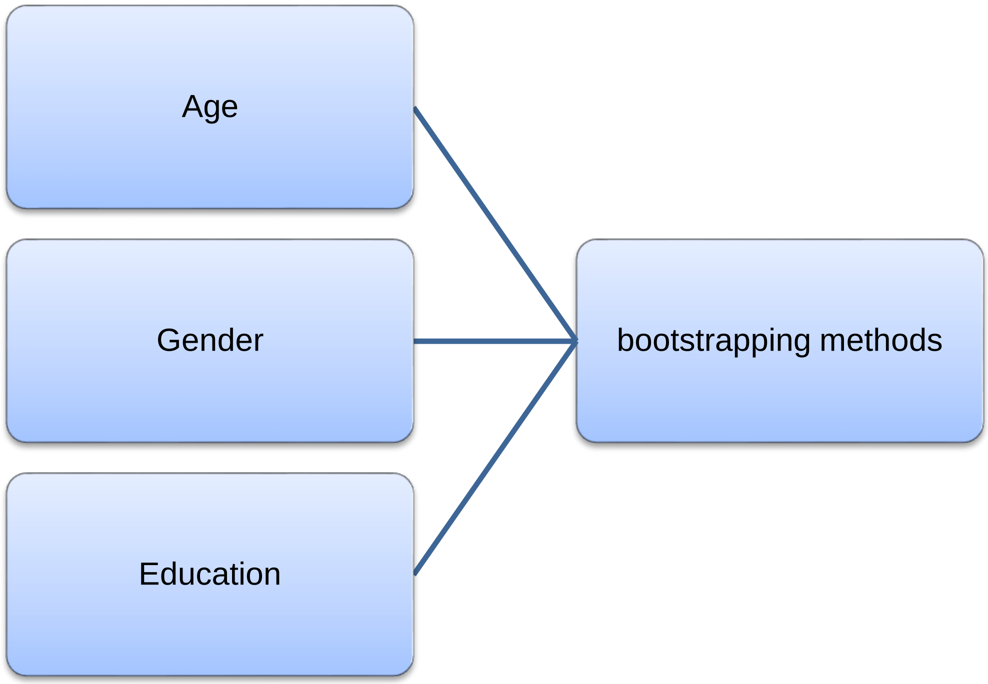
The main motive for financial bootstrapping is linked to its lower costs and lack of capital requirements (Winborg, 2009:81). It is important for rural SMEs to combine both financial bootstrapping methods that reduce costs or allow meeting the need for capital. Managing efficiently the cash-flow of a firm ensures the success of a business, by propelling its growth and development. Jones and Jayawarna (2010) believe that use of bootstrapping finance improves the profiles of rural SMEs that consider external sources of finance in the long term. Similarly, Rutherford, Coombes and Mazzei (2012:7) note that bootstrapping can signal a positive message to the investors over time. On that note, it becomes easy for rural SMEs to obtain loans from banks and other credit providers. More importantly is the fact that SMEs, which use bootstrapping finance, tend to cut transaction cost associated with external sources of finance (Neeley & Van Auken, 2010). According to Schofield (2015:42), cutting cost with bootstrapping finance can improve the profitability of SMEs. Studies such as Vasiliou, Eriotis and Daskalakis (2009) as well as Almeida and Campello (2010) state that firms can become profitable by minimising the amount of debt finance.

A study conducted by Ayyagari *et al.* (2010) revealed that productivity as well as growth were experienced by SMEs in China which use bootstrapping financing. Similarly, Perry *et al*. (2011) discovered that the use of bootstrapping financing gives fresh start-ups a swift take off. On the other hand, Paul, Whittam and Wyper (2007) note that bootstrapping finance accord SMEs control and independence to run the venture into the foreseeable future without diluting ownership. However, Ayyagari *et al*. (2010) as well as Vanacker *et al*. (2011) warn against overreliance on bootstrapping finance as it can retard business growth. It is advisable for SMEs to consider external sources of capital after a certain stage to attain growth (Rungani & Fatoki, 2010). Nevertheless, the importance of bootstrapping as an innovative and creative source of capital for rural SMEs need not be underestimated, as the benefits greatly outweigh the shortcomings if well implemented by rural SMEs.

4.5 FACTORS AFFECTING BOOTSTRAPPING METHODS USED BY SMEs

In order to have a better understanding of the contribution brought by financial bootstrapping, it is important to understand its determinants. Many factors affect the bootstrapping methods adopted by SMEs. These include firm size, industry type, and stage in the business life cycle among others. Many studies have investigated the effect of firm size on the bootstrapping strategies employed by SMEs (Pretorius, 2007). While others such as Brush, Carter, Gatewood, Greene and Hart (2006) have investigated the impact of stage of business development on the bootstrapping methods used by SMEs. However, as indicated by Schofield (2015:36), literature studies about the effect of owners' characteristics on firm financial bootstrapping strategies is sparse. Therefore, it is within the scope of this study to interrogate if the entrepreneur characteristics influence the utilisation of bootstrapping finance by rural SMEs.

Figure 4.1: Proposed conceptual framework of the study



Source: Author's conceptualisation

4.5.1 The Effect of Owners' Characteristics on Firm Financial Bootstrapping Strategies

Studies such as Neeley and Van Auken (2009) as well as Schofield (2015:36) highlight the importance of owner's characteristics on the financial decisions and performance of SMEs. It is imperative to note that the owners' characteristics have a greater role on the decision pertaining bootstrapping methods employed by SMEs. The different entrepreneurship characteristics such as gender, age and education are discussed below.

4.5.1.1 The effect of the education of the owner on firm financial bootstrapping strategies

Neeley and Van Auken (2009), argue that high level of education improves network diversity. This can enhance access to resources apart from debt or equity. The literature about the effect of the education of the owner on firm financial bootstrapping strategies is inconclusive. Schinck and Sarkar (2012:17) report that low educated SME owners tend to use bootstrapping finance than their educated counterparts. Furthermore, findings by Pretorius (2007:83) indicate that education is not a significant determinant factor for bootstrapping methods used by SMEs. Therefore, this raises a strong need to test and report on this heterogeneity of findings among studies. However, the scope of this study is based on the premise that higher levels of education increase the adoption of bootstrapping by SMEs. On that note, studies such as Neeley and Van Auken (2009), Irwin and Scott (2010) as well as Grichnik, Brinckmann, Singh and Manigart (2014) report that entrepreneurs with university qualifications are likely to use bootstrapping financing compared to uneducated entrepreneurs. On that account, educated entrepreneurs have a clear understanding on the different bootstrapping methods compared to their counterparts. Therefore, this study argues that there is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the level of education of the owner.

4.5.1.2 The effect of the age of the owner on firm financial bootstrapping strategies

Coleman (2007) points out that an entrepreneur's age has a positive influence on gaining credit. Kwong, Jones-Evans and Thompson (2012) point out that age is normally perceived as a proxy for experience, connection and wealth accumulation. Age also positively impacts on social capital, and improves an entrepreneur’s connections and networks that might have been built over time. Thus, there are huge possibilities that old SME owners are likely to take advantage of bootstrap financing compared to the youthful owners. There is evidence from developed economies that the extent to which small business managers use different finance bootstrap methods is influenced by their characteristics such as age (Neeley & Van Auken, 2010).

Accordingly, Hanlon and Saunders (2007) believe that the owner-managers’ age enhances their ability to secure resources. Age greatly enhance resource mobilisation. (Neeley & Van Auken, 2010). These findings and assertions suggest that with age, the owner-manager acquires experience in sourcing funding. As such, the owner-manager becomes knowledgeable in addressing common challenges such as information asymmetry that normally impose major barriers when small businesses attempt to access funding. One of the objectives of this study is to explore the relationship, between owner-managers' age and their choice of bootstrap financing in small businesses in developing economies.

Therefore, it is hypothesised that there is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

4.5.1.3 The effect of the gender of the owner on firm financial bootstrapping strategies

Kwong et al. (2012) point out that women have higher loan denial rate as compared to men. This can be attributed to many factors such as, supply-side discrimination and debt and risk aversion. Neeley and Van Auken (2010) indicate that women tend to use their own finance and borrow from close relatives and family than men. Consequently, women are likely to use less external financing options than men (Schinck and Sarkar, 2012). This indicates that gender is a discouraging factor for formal credit demand by SMMEs. Women entrepreneurs suffer from higher levels of discouragement and higher rejection rates. Thus, women entrepreneurs will have to seek for unconventional sources of finance. This suggests that women are likely to exhibit a huge desire for bootstrapping finance in relation to men. It is hypothesised that there is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the gender of the owner.

4.6 SUMMARY

This chapter discussed financial bootstrapping as an important creative and less expensive method rural SMEs can use to finance their ventures. It was discovered that SMEs need resources such as human capital and financial resources. The Resource dependency theory was used to explain the resource need for rural SMEs. Financial bootstrapping strategies can help rural SMEs to mobilise resources through collaboration with other businesses. Bootstrapping methods such as owner's financing, joint utilisation, delaying payments, minimisation of accounts receivables and minimisation of investment were found to be common from existing literature and were adopted for the study. It was further proposed that entrepreneur characteristics such as gender, age and level of education influence the use of bootstrapping finance by rural SMEs. In the next chapter, the research methodology guiding this study will be discussed in detail.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 INTRODUCTION

The preceding chapter focused on the bootstrapping strategies used by rural SMEs. The purpose of this chapter is to give a logical breakdown of the research methodology utilised in this study. The present study is driven by the desire to investigate the financial bootstrapping strategies used by rural SMEs in Fetakgomo Municipality, Limpopo Province. The research philosophy and approach will be discussed. In addition, the research design will be explained.

5.2 RESEARCH PHILOSOPHY

Positivism and phenomenology are the two main research philosophies as documented in the existing literature. According to Babbie (2011:35), positivism is grounded on the scientific approach. Denscombe (2010:120) and Welman, Kruger, and Mitchell (2009:6) further explain that the positivism philosophy assumes that the natural science laws can be applied to social research. Therefore, the positivism philosophy uses objectivity when dealing with human beings. Studies such as Lincoln, Lynham and Guba (2011:107) and Denscombe (2010:324) agree that the positivism philosophy is powered by the assumption that scientific methods such as generalisations, methods, procedures can as well be applied to the social sciences. Ideally, positivism is driven by the goal to obtain empirical evidence, which is testable to come up with conclusions and generalisations. On the other hand, as noted by Fouché and Schurink (2011:309), the phenomenology philosophy argues that it is not possible to apply scientific methods to social sciences. According to Babbie & Mouton (2008:28), the phenomenology philosophy is driven by the goal to have an in-depth understanding of human beings. Collis and Hussey (2009:56) add that phenomenology philosophy is driven by the goal to understand and interpret events and experiences associated with everyday human behaviour. More importantly is that the phenomenology philosophy is subjective in nature and uses qualitative methods to arrive at conclusions (Vosloo, 2014). This study adopts the positivism approach by investigating the financial bootstrapping strategies used by rural SMMEs in Fetakgomo municipality. The decision is well-informed following studies such as Thomas *et al.* (2010) which endorse the positivism philosophy whereby surveys can be used to collect data. Similarly, Gratton and Jones (2010:25) remark that the positivism philosophy is precise and objective.

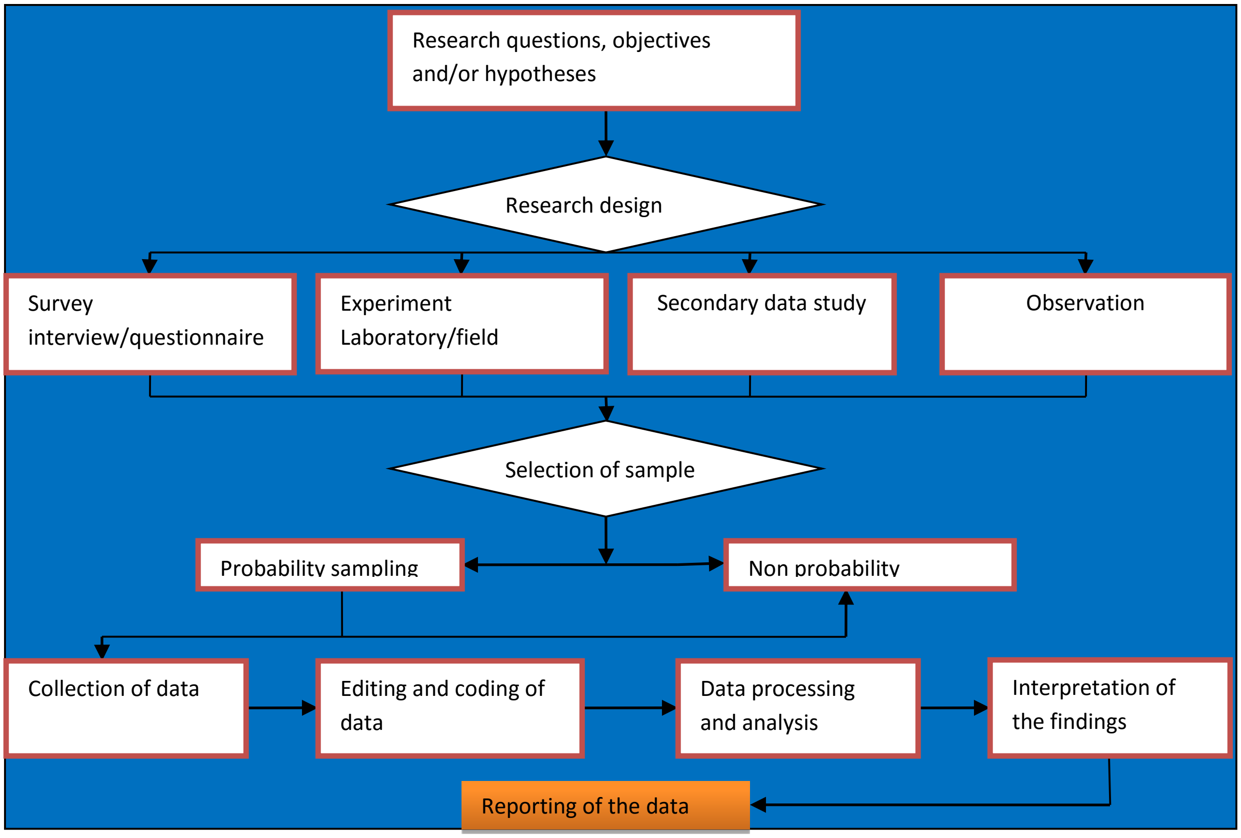
5.2 RESEARCH APROACH

As noted by Saunders, Lewis and Thornhill (2009:125), there are basically two research approaches: the deductive and the inductive approach. Driscoll (2011:158) explains that the deductive approach is a situation whereby a researcher starts by developing a hypothesis from existing literature then collects data to test the hypothesis. On the other hand, the inductive approach starts with a research problem after which, data is collected and analysed, which will form the basis to formulate a hypothesis (Gabriel, 2013). This study used the deductive approach since the researcher developed hypotheses from the existing literature that are to be tested using primary data. According to Saunders *et al.* (2009:125), the deductive approach is scientific in nature and is characterised by a goal to explain causal relationships between variables.

5.3 THE BUSINESS RESEARCH PROCESS

The business research process gives a logical breakdown of the research methodology employed in a study. Similarly, Cooper and Schindler (2008:64) as well as Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, Masenge, Van Aardt and Wagner (2014), describe the business research process as a series of sequential steps and systems involved in the gathering and processing of data to make generalisations. The business research process is divided into seven steps. These stages include the research objectives and questions, research design, data collection methods, sampling method, how data was gathered for the study, data analysis methods and results reporting.

Figure 5.1: Steps in the business research process



Source: Adapted from Zikmund, Babin, Carr and Griffin (2010:61).

5.3.1 Research Objectives

According Bryman *et al.* (2014), a research objective is defined as an intended outcome. In other words, a research objective detail in measurable terms what the researcher intend to achieve. This study had the following objectives

- To investigate the financial bootstrapping strategies used by rural entrepreneurs.

- To examine if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of gender education.
- To determine if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of age
- To investigate if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of gender.

5.3.2 Research Hypothesis

H_{o1} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the level of gender of the owner.

H_{a1} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the level of gender of the owner.

H_{o2} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

H_{a2} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

H_{o3} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the gender of the owner.

H_{a3} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the gender of the owner.

5.4 RESEARCH DESIGN

According to Thomas (2010:308) and Welman *et al*. (2009:46), a research design can be defined as an overall plan or strategy to reach a certain goal. a research design can be described as a guide towards achieving the intended results (Babbie & Mouton, 2008:74). The qualitative, quantitative and a hybrid are the major research design types as noted from the existing literature (Williams, 2007:65).

5.4.1 Quantitative Research

The quantitative research is known for its objective and numerical approach where all data is summarised i into quantifiable nature for further analysis (Bryman & Bell, 2007:28). Bless *et al.* (2007) further add that quantitative research employs different units of measurement to record the data. This methodology is characterised by the assignment of numbers to observations from the data collected by the research instrument. These include techniques such as questionnaires, surveys, case studies and observations that provide data that enables quantitative analysis (Thomas, 2010:303).

5.4.2 Qualitative Research

Qualitative research strategy is aimed to examine and interpret all forms of observations in order to find meanings and trends of relationships. Hence, in qualitative research, *the aim is to study the research settings in their normal environment with the view of making some sense from the data and to carry out the interpretation of the research phenomena for the real meanings*" (Abawi, 2008:5). Its main goal is to derive deep understanding about the subject matter. Qualitative research allows the researcher to get answers and explanations about a displayed behaviour. This implies that the research produces descriptive data of the participants under study (Brynard *et al.,* 2014). Qualitative methodology allows the researcher to perceive the world in the context of the respondents by immersing him/herself directly into the situation experienced by the subjects. Common methods used in qualitative methodology include case studies, participant observation, questionnaires and in depth interviews (Cooper & Schindler, 2011:183).

5.4.3 Mixed Method

As the name entails, a mixed method research is a combination of both quantitative and qualitative research (Williams, 2007:65). In most cases, quantitative research is used to describe phenomena while qualitative research is used to get a deep insight in order to understand the results better. According to Shank & Brown (2007:190), the strength of this method lies in the synergy brought about by combing two methods that eventually complement each other.

This study utilised the quantitative research design. According to Williams (2007:66), a quantitative research design has a potential to produce quality results due to its objective approach towards answering the research problem. In addition, the quantitative research design generates results that can be easily verified, since it generates statistical data in form of numbers and tables. More importantly, is the fact there is no researcher intervention when using a quantitative research design, respondents fill in the questionnaires on their own, hence, reducing researcher bias. Saunders *et al*. (2009:139) argue that the exploratory, descriptive and causal researches are the three common types of research researchers can use in either quantitative research or qualitative research or both.

- **Explorative research**

According to Saunders *et al.* (2009:139), exploratory is the preliminary step that helps to uncover a research problem. It employs existing literature and other secondary sources to gather information about the subject matter. According Cooper & Schindler (2008:157), exploratory research helps the researcher to come up with questions about the phenomenon, which will stand as research questions. As of this stage, a thorough literature review was conducted. Explorative research was used to identify research gaps this study can fill.

- **Descriptive research**

The application of descriptive research assists the researcher in obtaining information from various cases, individual, situation, groups, interaction or the social objects being studied (Pietersen & Maree, 2007; Zikmund & Babin, 2007:51; Cooper & Schindler, 2008:151). However, Saunders et al. (2009:140) warns that descriptive research should be used as a basis to employ other further analysis. This means that more detailed and advanced statistical methods should be used after descriptive research in order to fully explain the phenomenon. Furthermore, a descriptive research strategy also makes use of surveys, interviews with additional research data using frequencies, averages and percentages. In this study, descriptive research was used to describe the financial bootstrapping strategies used by rural SMEs. Descriptive research can be either longitudinal or cross-sectional depending on the objectives of the study (Cooper & Schindler, 2008:45).

- **Causal research**

Causal research aims to establish relationships among variables (Cooper & Schindler, 2008:157). For example, it aims to investigate what happens to a dependent variable (y) when there is a change in the independent variable (x). Salkind (2012:11) likens casual research to correlational research as both primarily aim to establish and understand relationships among variables. The main goal of the study is to determine the financial bootstrapping strategies employed by rural SMMEs. In addition, the study aims to examine the influence of owners' characteristics on the bootstrapping strategies used by rural SMMEs. Hence, causal research formed the basis through which relationships among the above variables were tested. This study utilised all the three types of research.

5.4.4 Selecting the Primary Data Collection Method

Cooper and Schindler (2008:88) identify observation, experiment and survey as the common primary data collection methods. According to Driscoll (2011:154), "*the observation method includes observing and measuring the world around, including observations of people and other measurable events, while, the experiment method aims to study causal links; whether a change in one independent variable produces a change in another dependent variable*."

This study utilised the survey method to collect data. The survey method utilises questions to stimulate responses from the participants (Driscoll, 2011:154). A survey method was chosen because it enables one to gather quantitative data (Saunders *et al*., 2009:144). There are five types of surveys: personal interviews, telephone surveys, mail surveys, online survey and self-administered surveys (Bryman *et al.,* 2014:85). In this study, the researcher utilised self-administered questionnaires, which were delivered personally to the respondents by the researcher. According to Monette, Sullivan and DeJong (2011:164), a questionnaire comprises questions intended to stimulate responses from participants, however in the absence of the researcher. As indicated by

Muijs (2011:38), a questionnaire was chosen for this study because of the following benefits: (1) it can be used to collect large volume of data at a goal, (2) it saves time and (3) it is convenient for respondents given that they can fill the questionnaire at their own time.

5.4.4.1 Questionnaire content

The questionnaire for the study consisted of two sections; (1) Biographical questions and (2) Bootstrapping methods questions. The biographical section included the owner/manager characteristics such as gender, age and level of education as well as firm characteristics. Section 2 consisted of questions aimed at examining the bootstrapping methods used by rural SMEs. The questionnaire was adapted from past studies (Winborg & Landström, 2001). In these previous studies, the question reported high levels of reliability and validity. According to Bird (2009:1310), "*a questionnaire can be open or close ended*." An open-ended questionnaire is easy to construct but difficult to analyse. The questionnaire for this study utilised closed ended questions where respondents were limited to respond to a set of answers provided in the questionnaire. Close-ended questionnaires were chosen for this research because they can be analysed easily, the answers of different respondents are easier to compare as well as being suitable for computer analysis (Bird, 2009:1310). This decision to use close-ended questions was made following similar studies on bootstrapping finance (Winborg & Landström, 2001; Schinck & Sarkar, 2012; Fatoki, 2014). The five point Likert scale questions were used to obtain data. According to Bertram (2007:1), a Likert scale is a psychometric response scale primarily used in questionnaires to obtain participant's preferences or degree of agreement with a statement or set of statements.

5.4.5 Pilot Study

A pilot study is an important step to take before conducting the actual data collection. A well conducted pilot study enhances quality in the final data collection process. According to Bless *et al.* (2007), a pilot study is like a prototype of the actual data collection procedure. According to Welman *et al.* (2009:148), the purpose of a pilot study is to identify if there are mistakes in the questionnaire before the actual data collection and to see if the questionnaire contains sensitive questions which might pose a threat to the respondents' privacy. In this study, as part of the pilot study, twenty-five (10%) questionnaires were randomly distributed to SMEs' owner/managers in the study area. According to Hazzi and Maldaon (2015:53), a pilot study should be 10-20% of the total study sample. The results from the pilot study indicated that the questionnaire was too long and had few questions that were difficult to understand. After the pilot study, the questionnaire questions were trimmed by merging questions, which were related. Furthermore, the questions on the questionnaire were rephrased to suit the English proficiency of the respondents.

5.4.6 Sample Design

Collecting data for the entire population is in most cases irrational and economically impossible. This triggers the need to collect data on the sample of the total population. A sample is a subset of the total population. Sampling is driven by the goal to generalise about the whole population (Sekaran & Bougie, 2010:445).

5.4.6.1 Population

Banerjee and Chaudhury (2010) define a population as the total number of subjects from which the researcher aims to derive inferences from. In selecting a population for the study, what is included and excluded in the population should be clearly stated in the definition. The population for this study was all SMEs in Fetakgomo municipality.

5.4.6.2 Sample size

Due to the difficulty in getting a population frame of SMEs in the study area, a sample size of 230 SMEs in Fetakgomo municipality was conveniently taken. Two hundred and thirty was considered a sufficient sample size for the study to cater for the documented low response rate among SMEs.

5.4.6.3 Sampling design

The probability and non-probability sampling approaches are the major sampling approaches as indicated in existing literature (Latham, 2007). Probability sampling strategies aim to achieve representativeness where a sample is drawn to generalise the characteristics of the total population. On the other hand, the issue of representativeness is difficult to attain in non-probability sampling (Teddlie & Yu, 2007:77). The non- probability sampling was utilised in this study. Salkind (2010:96) points out that, non-probability sampling is used when the probability of picking a respondent is not known.

The study used convenience sampling and the snowball sampling methods. As indicated by Teddlie and Yu (2007:77), convenience sampling is a non-probability sampling technique where respondents are selected because of their convenient accessibility and their willingness to participate. On the other hand, snowball sampling was used to obtain respondents where one respondent could refer the other new ones to be considered for the survey. These two sampling techniques were used in trying to address the problem of failing to obtain a sampling frame of SMEs database in Fetakgomo.

5.4.7 Gathering the Data

The data was collected from the 15th of June to the 10th of September 2016. The questionnaires were hand delivered to owner/managers of rural SMEs in Fetakgomo Municipality by the researcher.

5.4.8 Data Analysis

According to Kunene (2008:160) as well as Cooper and Schindler (2008:93), data analysis involves breaking down huge volumes of data into manageable sizes and application of statistical techniques. For the purpose of this study, data analysis included descriptive statistics, factor analysis and T- tests. Attention is required when choosing the appropriate data analysis techniques or otherwise the results will be distorted (Khawaja, Haim & Kumar, 2012:24).

5.4.8.1 Descriptive statistics

As explained by Cooper & Schindler (2008:436), descriptive statistics summarise data into means and standard deviations among others, which is a preparatory step for further analysis. In addition, descriptive statistics are used to reduce huge sets of data into manageable sets that are easier to interpret. In this study, descriptive statistics were used to describe the variables under study using means and standard deviation.

5.4.8.2 Factor analysis

Hu, Jiang and Li (2015:15) and Khawaja *et al.* (2012:24) point out that exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) are the major facets of factor analysis. Exploratory factor analysis is used to group common variables together into a single factor while on the other hand confirmatory factor analysis is used to confirm the hypothesis of the study (Suhr, 2006:1; Yong & Pearce, 2013:79). Factor analysis aims at reducing the many observable variables into fewer meaningful categories (Yong & Pearce, 2013:79). According to Yong and Pearce (2013:80), as a preliminary step to perform factor analysis, the data set should attain normality. This study used both EFA and CFA as advised by Hu et al. (2015:17). This study used factor analysis to categorise the bootstrapping methods into factors (1, 2, 3, 4, and 5). Using factor analysis, factor loadings with 0.5 and above were considered for further analysis.

5.4.8.3 T-test

T- test is a statistical test used in research to analyse a set of two variables. According to Kim (2015), "*t- test is usually used in cases where the experimental subjects are divided into two independent groups, with one group treated with A and the other group* *treated with B*." In this study this data analysis tool was used to compare mean differences between gender (male and female), age (35 years and below and above 35 years) and education (matric and below and tertiary qualification).

5.5 VALIDITY AND RELIABILITY

Researchers are entitled to test the data collection to ensure that there are valid and reliable in order to guarantee generalisability and transferability of the research findings for future studies.

5.5.1 Validity

A data collection tool is valid if it accurately measures what it is supposed to measure (Babbie, 2007:146). Validity refers to the accuracy of measurements and the strength of the research conclusions. Taylor, Bates and Webster (2011) state that the research instrument should be relevant to the participants of the study. Cooper & Schindler (2008:289) believe that validity can be categorised into; content, criterion and construct validity. Table 5.1 below provides clarity on these types of validity.

Table 5.1 Types of validity

Type of validity	**What is measured**	**How each can be ensured**
Content	Degree to which the content of the items adequately represent the universe of all relevant items under study	Judgemental or panel evaluation with content validity ratio
Criterion	Degree to which the predictor is adequate in capturing the relevant aspects of the criterion	use of correlation coefficient
Construct	Identifies the underlying constructs being measured and determine how well the tests represents them	Factor analysis

Source: Adapted from Cooper & Schindler (2008:289)

As advised by Cooper & Schindler (2008:289), content validity was ensured by exposing the questionnaire to other supervisors in the Department of Business Management for evaluation. The bootstrapping questionnaire was adapted from existing literature to ensure criterion validity as advised by Heale and Twycross

(2016:1). In addition, construct construct validity was ensured by running factor analysis on the different bootstrapping methods used by SMEs.

5.5.2 Reliability

Easterby-Smith *et al*. (2008:109) define reliability as the ability of the data collection instrument to yield the same results consistently over a period of time. Babbie (2007:143) argues that a reliable instrument should be stable and show no signs of variation even if tests are conducted at intervals. This implies that when conducting a research in order to ensure reliability all the participants should treated similarly. According to Heale and Twycross (2016:1), reliability can be ensured by measuring the following attributes: homogeneity (internal consistency) using Cronbach's alpha, stability using inter-rater reliability and equivalence using test–retest measures. The researcher decided to use the Cronbach's alpha for this study. This tool was used as a measure of reliability following similar studies. The minimum acceptable coefficient of the Cronbach's alpha will be 0.70 (Cooper & Schindler, 2008:417).

5.6 REPORTING THE RESULTS

Bryman and Bell (2007:693) indicate that reporting the results forms a critical step of all quality research report. Care should be exercised to ensure that the results are presented in a manner that makes it easier for readers to interpret and use the information (Saunders *et al*., 2009:536). This part is discussed in detail in the next chapter. This step is crucial because it determines if the study managed to achieve its objectives or not.

5.7 ETHICAL CONSIDERATIONS

Ethics form a crucial component in research especially if human beings are used as respondents. Various steps and ethical behaviour need to be adhered to during the research process by all researchers (Gratton & Jones, 2010:121). As part of ethical considerations, an ethical clearance certificate was obtained from Turfloop Research Ethical Committee (TREC) before data collection. A consent form was presented to the respondents before data collection. Kumar (2012:244) states that “informed consent asserts that respondents are informed about information needed from them, the reasons why the information is needed, where the information will be used, how they are expected to conduct themselves in the research and how the research will affect them.” In addition, the participants were informed about the purpose and benefits for participating in the study. In addition, the respondents were informed that participation was voluntary hence the freedom to withdraw from participating before or in the middle of filling the questionnaire. Furthermore, respondents were informed not provide any information which can identify them such as names to maintain anonymity.

5.7 SUMMARY

The chapter gave an in-depth discussion on the methodology for the study. Different research philosophies were discussed which formed the basis to understand the research approaches a research can base on. The quantitative research method was used to achieve the objectives of the study. Purposive sampling techniques such as convenience and snowball sampling were used to select SMEs for data collection in Fetakgomo due to the difficulty in obtaining a sampling frame for SMEs in this study area. A self-administered questionnaire was chosen as a data collection instrument for the study. The succeeding chapter will present the empirical results of the study.

CHAPTER SIX

RESEARCH RESULTS

6.1 INTRODUCTION

The main objective of this chapter is to interpret and report the research results. The reporting of results forms a critical component of a quality research. This chapter will start by briefly outlining the response rate followed by a discussion of the biographical information. In addition, a detailed analysis of the descriptive statistics of the variables of the study will be provided after which inferential statistics will be outlined.

6.2 RESPONSE RATE

Table 6.1: The response rate

Respondents	No. of questionnaires sent	No. Returned	Response rate
SME owners	230	104	45%

As indicated in the above table, two hundred and thirty questionnaires were distributed to owners of SMEs in Fetakgomo Municipality and one hundred and four questionnaires returned. The response rate was forty-five percent (45%). There is a notable low response rate among SMEs in the existing literature (Abor & Biekpe, 2010; Fatoki, 2014).

6.4 BIOGRAPHICAL INFORMATION

This section presents the results on the entrepreneur's as well as the firm characteristics. These variables enabled the researcher to have a clear picture about the characteristics of the businesses in Fetakgomo Municipality.

6.4.1: The Gender of the Respondents

Figure 6.1: The gender of the respondents

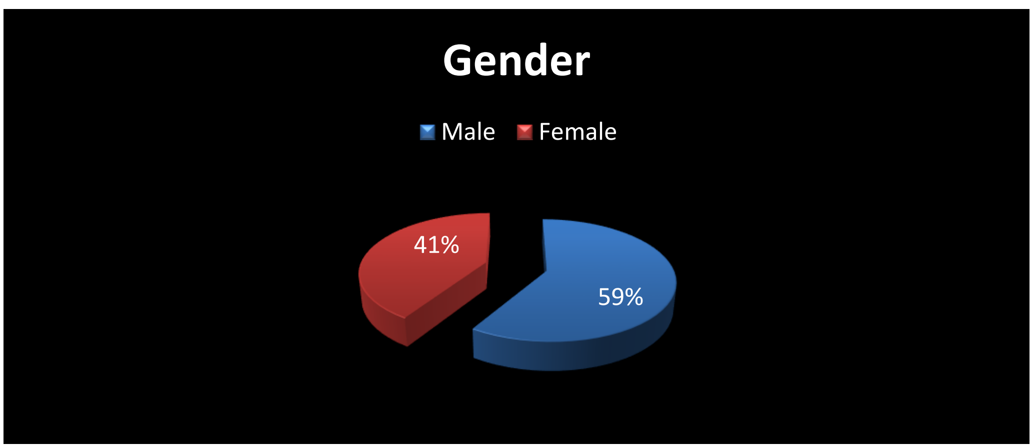


Figure 6.1 shows the gender properties of the respondents. As indicated, 59 percent were males while 41 percent were females. This suggests that most SMEs in South Africa are owned and operated by males. Studies such as Brijlal, Naicker and Peters (2013:860) also share similar findings. However, according to SBP (2013:1), the

number of female entrepreneurs is gradually increasing especially in areas such as retail and services sector where there are low barriers to entry.

6.4.2 The Age of the Respondents

Table 6.2: The age of the respondents

Age	Frequency	Percent
Below 20	5	4.8
21- 35 years	39	20.2
36- 50 years	43	39.4
51- 60 years	15	15.4
Above 60 years	2	20.2
Total	104	100.0

Table 6.2 above shows the age of the respondents. From the findings, it can be deduced that SMEs in Fetakgomo are owned mostly by individuals in the 21 to 35 and 36 to 50 age brackets. According to the National Youth Plan of South Africa, individuals that are not older than 35 years can be regarded as youths. The results indicate that sixty out of the one hundred and four respondents can be regarded as old and forty four can be regarded as young. Youth entrepreneurship is not particularly strong in South Africa (Fatoki & Chindoga, 2011; Kew, Herrington, Litovsky, & Gale, 2013.). Most youth in South Africa still believe in searching for jobs in the formal sector (Sykes & Govender,

2015:58). Sadly, most of the youth still struggle to get jobs in the formal sector. Yu (2012:3) believes that this is caused by the fact that most youth do not have relevant knowledge and experience to be entrepreneurs.

6.4.3 The Level of Education of the Respondents

Figure 6.2: The level of education of the respondents

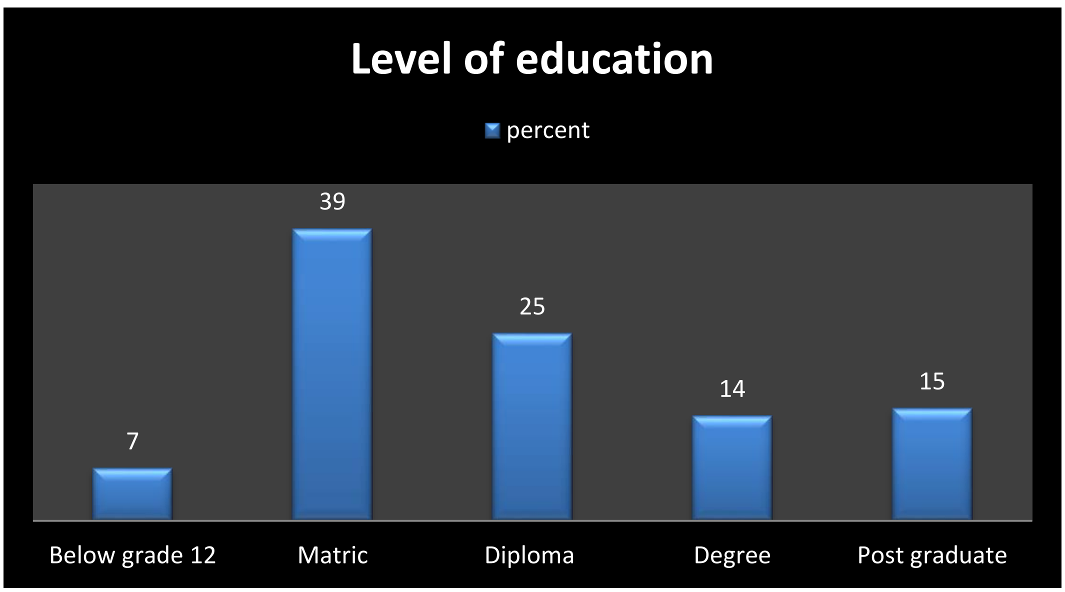
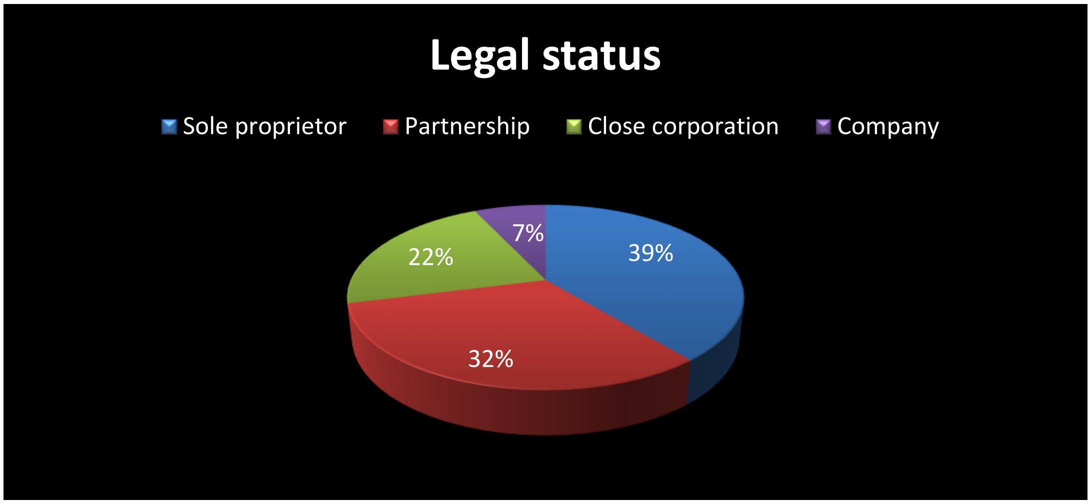


Figure 6.2 above presents the qualifications held by SME owners in Fetakgomo municipality. The results indicate that most SMEs are owned by matric holders. This suggests that most people with degrees and post graduate qualifications automatically find their way into formal employment. Alternatively, this explains why most rural SMEs fail as they are owned by matric holders who lack critical skills on how to manage and run a successful business.

6.4.4 The Legal Status of Your Business

Figure 6.3: The legal status of your business



As indicated by figure 6.3 above majority of SMEs in Fetakgomo are sole proprietors (39%), followed by partnerships (32%), close corporations (22%) and lastly companies (7%). The results show that sole proprietorship is the dominant business type in most rural areas in South Africa. Although new close corporations are not registered, old close corporations still exist in South Africa.

6.4.5 Industry (Sector) Of the Business

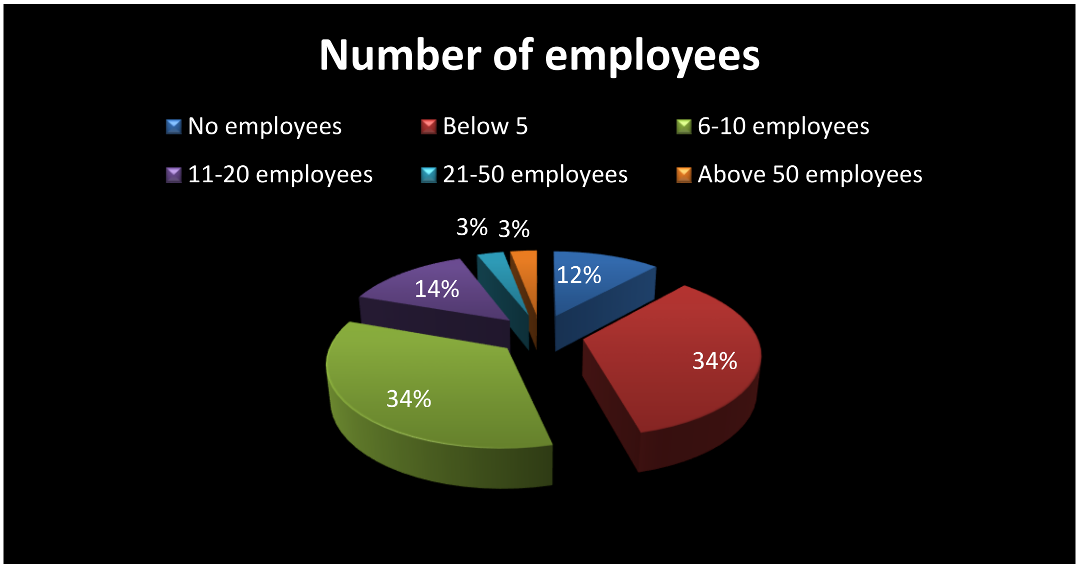
Table 6.3: Industry of the business

Sector	Frequency	Percent
Retail	30	28.8
Service	55	52.9
Manufacturing	9	8.7
Wholesale	10	9.6
Total	104	100.0

As indicated on the above table, the results show that the service industry (53%) and the retail industry (29%) are the dominant sectors occupied by SMEs in South Africa. Since most SMEs are confronted with financial challenges, the service and the retail sectors allow most SMEs to be in business as there are low capital requirements needed as compared to when someone wants to venture into manufacturing and wholesale. Furthermore, these two sectors have low barriers to entry and exit, which is favourable for most rural SMEs (Abor and Biekpe, 2010).

6.4.6 The Number of Employees of the Respondent's Business

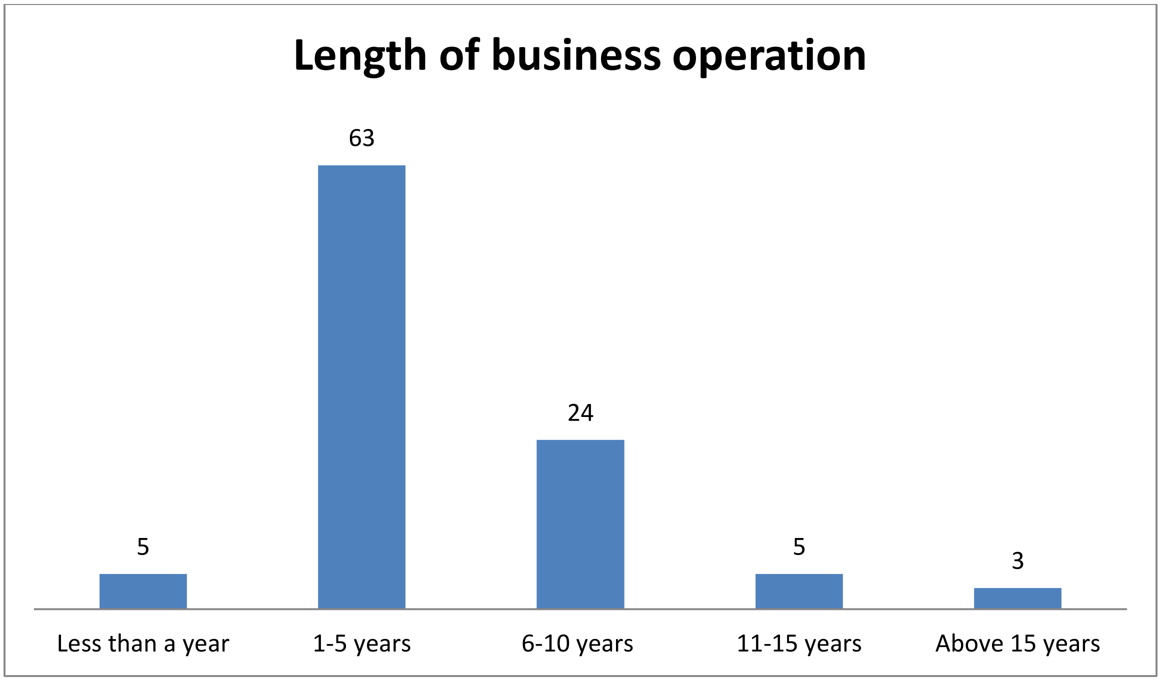
Figure 6.4: The number of employees



The results indicate that most rural SMEs employ up to 10 employees. It was found out that 34% of the SMEs in the study area employ below five employees, while an equal number of SMEs (34%) employ 6-10 employees. Furthermore, the results indicate that approximately 3% of the rural SMEs have no employees at all, with 14% employing 11-20 employees while 12% employs 21-50 employees and 3% employs above 50 employees.

6.4.7 Length of Business Operation

Figure 6.5: Length of business operation



As indicated by the above figure, most rural SMEs (63%) in the study area have been operating for not more than 5 years. This indicates a very low survival and growth rate among rural SMEs. This supports one of a plethora of challenges SME owners and policy makers have to battle with. Similar studies (Fatoki & Garwe, 2010:732; Adeniran & Johnston, 2011:5), reveal that the rate of SMEs failing to reach their first anniversary is severe in South Africa. A study by Ramukumba (2014:20), indicate that SMEs are struggling to attain the targeted growth rates which is sufficient to curb high unemployment levels in South Africa.

6.5 Descriptive Statistics

As background questions to investigate the need for bootstrapping methods among SMEs, respondents were asked whether they require loans from banks and if they had a chance of obtaining such loans.

Table 6.4 Need for external finance

Statement	Yes	No
Do you require Long-term funding from banks?	(76%)	(24%)
Do you have a chance to obtain Long-term funding?	(35%)	(65%)
Do you have required collateral security for the loan?	(33%)	(67%)

The results indicated that the majority of the respondents 76% agreed that they needed additional capital from banks and only 24% indicated that they did not require external finance. However, 35% of the respondents indicated that they had a chance of obtaining such loans, while 65% indicated that they have no chance of securing a loan from banks. Worryingly, 67% indicated that they had no collateral security required by banks with only 33% agreeing that they had the collateral security to obtain a loan. These findings clearly indicate a strong need for rural SMEs to leverage more on bootstrapping methods as a best alternative to raise capital. Most SMEs are financially handicapped therefore suggesting a strong need for external funding (Todor & Alin, 2008; Cardon, Wennberg, Wiklund & De Tienne, 2009; Barringer & Ireland, 2012). However, studies such as Mahembe, (2011), Fatoki, (2014) and Osano and Languitone (2016) reveal that most SMEs do not qualify for loans from banks because they do not have the required collateral security. This calls for rural SMEs to embark on other innovative and creative ways of raising finance such as bootstrapping finance.

6.5.1 Bootstrapping Methods Used by the Business

Table 6.5 Bootstrapping Methods Used by the Business

Bootstrapping technique	Mean	Standard deviation
1. In my business I buy used equipment instead of new	2.50	1.307
2. I borrow equipment from other businesses for shorter periods	2.60	1.178
3. I hire personnel for shorter periods instead of permanently employing personnel	2.37	1.133
4. I co-ordinate purchases with other businesses	3.00	1.223
5. I lease equipment instead of buying	2.41	1.228
6. I practice barter instead of buying/selling goods or services	2.42	1.040
7. I offer customer discounts if paying in cash	2.62	1.185
8. I buy on consignment from supplier/s	2.89	1.105
9. I seek out best conditions possible with	3.18	1.221

supplier/s		
10. I deliberately delay payment to supplier/s	2.24	1.219
11. I withhold manager's salary for some period	4.05	1.109
12. I make use of my own private credit card for business expenses	4.57	1.180
13. I obtain capital via assignments in other businesses	2.39	.999
14. I obtain payment in advance from customers	2.34	1.085
15. I raise capital from a factoring company	2.47	1.004
16. I obtain loans from relatives/friends	4.29	1.121
17. I deliberately delay payment of value-added tax	1.99	.970
18. I obtain subsidy from County Administrative Board	2.13	1.103
19. I use routines in order to speed up invoicing	2.75	1.113
20. I use interest on overdue payment from customers	2.51	1.052
21. I cease business relations with customers frequently paying late	2.54	1.051
22. I offer the same conditions to all customers	3.20	1.257
23. I deliberately choose customers who pay quickly	2.85	1.077

24. I use routines in order to minimize capital invested in stock	3.05	1.046
25. I employ relatives and/or friends at non-market salary	2.45	1.190
26. I run the business completely at home	4.03	1.242
27. I share premises with others to cut costs	2.61	1.169
28. I share employees with other businesses	2.27	1.159
29. I share equipment with other businesses	2.23	1.168
30. Late payment of wages and salaries for my employees	2.13	1.094
31. I receive free consulting	2.49	.975

The respondents were tasked to respond to closed-ended questions in the form of a Likert scale. As indicated by table 6.5 above, the results show that rural SMEs are not utilising financial bootstrapping methods to improve the financial standing of their businesses. The findings show that the five most widely used bootstrapping strategies by rural entrepreneurs are withholding the salary of owners, use of personal credit cards, obtain loan from relatives, run the business from home and give same conditions to all clients. The limited use of bootstrapping methods can be due to the fact that, rural SMEs are not aware of bootstrapping finance, Schinck and Sarkar (2012:20) report that 83.8% of their respondents were not aware of bootstrapping finance.

6.5.2 Factor Analysis

Table 6.6: Rotated component analysis

Bootstrapping technique	**1**	**2**	**3**	**4**	**5**
I withhold manager's salary for some period	0.834				
I make use of my own private credit card for business expenses	0.762				
I obtain loans from relatives/friends	0.654				
I employ relatives and/or friends at non-market salary	0.776				
In my business I buy used equipment instead of new		0.651			
I share premises with others to cut costs		0.755			
I borrow equipment from other businesses for shorter periods		0.565			
I co-ordinate purchases with other businesses		0.666			
I practice barter instead of buying/selling goods		0.763			
I lease equipment instead of buying			0.562		
Late payment of wages and salaries			0.634		

for my employees					
I deliberately delay payment to supplier/s			0.721		
17. I deliberately delay payment of value-added tax			0.543		
I hire personnel for shorter periods instead of permanently employing personnel				0.761	
I buy on consignment from supplier/s				0.631	
I use routines in order to minimize capital invested in stock				0.853	
I seek out best conditions possible with supplier/s				0.640	
I obtain capital via assignments in other businesses				0.533	
I offer customer discounts if paying in cash					0.774
I obtain payment in advance from customers					0.636
I use routines in order to speed up invoicing					0.863
I use interest on overdue payment from customers					0.622

I cease business relations with customers frequently paying late					0.773
I offer the same conditions to all customers					0.674
I deliberately choose customers who pay quickly					0.776
Eigen value	25.643	9.301	6.211	4. 563	2.771
% of variance explained	47.533	20.654	12.774	8.665	4.551
Cronbach's alpha	0.751	0.832	0.744	0.765	0.775

Table 6.6 above shows the results of component analysis. As the data set was huge it was important to reduce it to manageable data which can further be analysed. Factor loadings of greater than or equal to 0.3 and those loading only to one factor loading were considered. Most factors from the data collection instrument were retained showing that they are sufficient to explain the variable as indicated by Winborg and Landström (2001) which has become a template for acceptable bootstrapping methods and has been widely used in literature (Winborg, 2009; Bosse & Arnold, 2010; Neeley & Van Auken, 2010). Factor 1 was identified as owner's finance. Existing literature identify financial resources as the most pressing challenge among SMEs. Therefore, innovative ways whereby the owner try to raise capital without borrowing from outside enables the business to swiftly climb up all the stages of business growth. This also enables the owner to retain ownership, control and independence to pursue his vision without external interference.

Factor 2 was identified as joint utilisation consisting of 5 items. These are innovative measures used by the business to cut costs through sharing the burden of costs. This involves items such as buying used equipment, sharing premises, borrowing equipment, coordinating purchases with others as well as embarking on barter trade. SMEs need to actively extend their networks as joint utilisation allows the business to have enough working capital to which is the life blood of every business (Padachi, 2006; Atseye, Ugwu & Takon, 2015.

Factor 3 was identified as delaying payments. This factor consisted of 4 items, namely; leasing equipment instead of buying, late payment of wages and salaries for my employees, deliberately delaying payment to supplier/s and delaying payment of value-added tax. Delaying payments can be a creative way rural SMEs can use to sustain themselves with the little capital they have. This helps them to have enough working capital to take.

Factor 4 was identified as minimising investment consisting of 5 items. Cutting down unnecessary costs increases the firm's profitability. Embarking on a series of investments at once strains the business as it can lead to a lot of cash outflows. This is a serious challenge more especially to rural SMEs who are financially weak (Chimucheka & Mandipaka, 2015:312).

Factor 5 was identified as minimising accounts receivables. Accounts receivables form a crucial part of the working capital of any business. However, if not well managed the business risk chances of getting into liquidity crunch in the short run. A study conducted by Bowen, Morara and Mureithi (2009) found that 55% of the respondents agreed that debt collection is a serious challenge for SMEs. Studies such as Nyamao, Patrick, Martin, Odondo and Simeyo (2012) warn that receivables should be kept at an optimal point. Therefore, having flexible credit policies as well as short receivable collection period can help rural SMEs in avoiding receivables, which can turn into bad debts.

6.6 INFERENTIAL STATISTICS

Inferential statistics were employed to test the proposed hypotheses. On that account, T- tests were employed to ascertain if there were differences in the bootstrapping strategies employed by rural entrepreneurs on the basis of gender, education and age. The study is focusing on the entrepreneur's characteristics hence the focus on age, gender and education. Rural entrepreneurs were considered because they are the ones mostly affected by the inability to access capital compared to their counterparts in urban locations.

6.6.1 T-Test for Gender Difference

Table 6.7: Gender differences on the financial bootstrapping strategies used by rural entrepreneurs

Factor	Female	Male	t- statistic	Sig level
Owner financing	3.453	3.835	1.65	0.01
Joint utilisation	1.665	1.775	1.43	0.03
Delaying payments	1.475	1.133	1.02	0.76
Minimisation of investment	1.236	1.156	0.45	0.01

Minimisation of receivables	0.472	0.761	0.87	0.26

Sig 0.05

Table 6.7 shows gender differences on the financial bootstrapping strategies used by rural entrepreneurs. As indicated above, there are gender differences on the bootstrapping methods used by rural SMEs. Gender is significant on three factors such as owner financing, joint utilisation and minimisation of investment. Considering each factor, the literature on gender entrepreneurship in South Africa shows that men finance their businesses using their own money as compared to women. This can be attributed to the fact that males have accumulated personal wealth, which they can use to run a business. Women have been marginalised, disadvantaged and excluded economically dating back to the time of apartheid. This explains why they do not have much retained income to fund their businesses. In addition, the results indicated gender differences on joint utilisation. As well, males tend to embark on joint utilisation than females. However, considering minimisation of investments, females have a higher mean than males. This shows that females are conservative than males. The results led to the decision to reject the null hypothesis **(H_0)** and accept **(H_1)** which states that there is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the gender of the owner.

6.6.2 T- Test for Age Difference

Table 6.8: Age differences on the financial bootstrapping strategies used by rural entrepreneurs

Factor	35 years and below	Above 35 years	t- statistic	Sig level
Owner financing	1.334	1.335	1.23	0.67
Joint utilisation	0.863	0.863	1.03	0.43
Delaying payments	0.565	0.673	0.86	0.35
Minimisation of investment	1.255	1.356	1.32	0.66
Minimisation of receivables	1.436	1.661	1.22	0.54

Sig 0.05

Table 6.8 shows age differences on the financial bootstrapping strategies used by rural entrepreneurs. Age was decomposed into two groups. Entrepreneurs that are not older than 35 years (youth entrepreneurs) and the entrepreneurs that are older than 35 years. The findings indicate that age has no significance on the bootstrapping methods used by rural SMEs. This means that the bootstrapping methods used by rural SMEs do not depend on the age of the owners. This led to the decision to reject the alternative hypothesis (**H_{02}**) and accept the null hypothesis (**H_{a2}**) which states that there is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

6.6.3 T Test for Educational Difference

Table 6.9: Educational differences on the financial bootstrapping strategies used by rural entrepreneurs

Factor	Matric and below	Tertiary qualification	t- statistic	Sig level
Owner financing	2.561	3.754	1.61	0.03
Joint utilisation	1.632	1.754	0.76	0.26
Delaying payments	1.264	1.264	1.43	0.33
Minimisation of investment	0.268	0.257	0.66	0.54
Minimisation of receivables	1.733	1. 863	1.63	0.02

Sig 0.05

Table 6.9 shows t-test results for educational differences among the SME owners. Education was decomposed into Matric and below and tertiary education. As indicated, the results show that educational level is significant on two factors: owner's financing and minimisation of account receivables. Considering owner's financing, tertiary qualification holders finance their businesses using their personal savings than their counterparts with metric and below. The author of this study explains the variation based on the notion that people with tertiary qualifications understand the concept of saving better than those with metric and below, hence, a higher mean in favour for tertiary qualification holders. The findings led to a conclusion to reject the null hypothesis **(H_{03})** in favour of the alternative hypothesis **(H_{a3})** which states that there is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the education of the owner. This led to the decision to reject the alternative hypothesis (**H_{02}**) and accept the null hypothesis (**H_{a2}**) which states that there is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

6.7 SUMMARY

The chapter presented the findings of the study. The results indicated that rural SMEs require external funding but most of them do not have the required collateral security to obtain funding from banks. In addition, the results showed that rural SMEs are not fully utilising bootstrapping finance. The five most widely used bootstrapping strategies by rural entrepreneurs are withholding the salary of owners, use of personal credit cards, obtain loan from relatives, run the business from home and give same conditions to all clients. The results of the T test showed significant differences between gender and education on the bootstrapping methods used by rural SMEs for some factors. However, there is no significant difference between age and bootstrapping methods used by rural SMEs.

CHAPTER SEVEN

CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

This study was motivated by the goal to investigate the determinants of the financial bootstrapping financing methods employed by rural SMEs. Bootstrapping methods are innovative ways SME owners can use to raise finance for their businesses without suffering from exorbitant interest rates that come with external finance. This chapter will conclude the study by presenting a chapter by chapter summary. In addition, the recommendations, limitations and areas for further study will be discussed.

7.2 SUMMARY

The author organised this study into seven chapters. The summary of the chapters is presented from section 7.2.1 to 7.2.5. This chapter is organised in this manner; section 7.2 will give a synopsis of each chapter, Section 7.3 will deliberate on the recommendations while section 7.4 will outline the limitations of the study and section 7.5 will highlight the areas for further study.

7.2.1 Chapter One: Introduction to the Study

Chapter one introduced the entire study. The study aimed at investigating the determinants of the financial bootstrapping strategies used by rural SMEs. Detailed literature review was conducted by analysing journal articles, newspapers about bootstrapping methods. This gave an insight into the research gap that this study could fill.

The study was propelled by the following objectives;

- To investigate the financial bootstrapping strategies used by rural entrepreneurs.
- To examine if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of gender.
- To determine if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of age
- To investigate if there is a significant difference in the financial bootstrapping methods used by rural entrepreneurs on the basis of education.

From the above objectives, it was crucial to make hypothesis. This was important, to measure the relationships between the independent and dependent variables to give in-depth and reasoned conclusions. The following hypotheses guided the study;

H_{o1} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the level of gender of the owner.

H_{a1} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the level of gender of the owner.

H_{o2} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

H_{a2} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the age of the owner.

H_{o3} There is no significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the education of the owner.

H_{a3} There is a significant difference in the financial bootstrapping strategies used by rural entrepreneurs on the basis of the education of the owner.

7.2.2 Chapter Two: Rural SMEs and Development

The study was driven by the desire to understand the context of rural SMEs. The chapter started by discussing rural areas in South Africa in general. To have a detailed picture of the plight faced by rural SMEs it was important to have a background of the environment in which they operate in. Most of the rural areas in South Africa are underdeveloped and require state intervention. More importantly, it was noted that Limpopo and Northern Cape have majority of their population staying in the rural areas.

It was also important to discuss the developmental challenges facing South Africa, and how rural SMEs can be solutions. The literature indicated that South Africa is plagued with developmental challenges such as unemployment, poverty and income inequality. It was deduced that these challenges are more severe in rural areas where majority are unemployed and living below the poverty datum line, hence relying on government social grants. It was discovered that rural SMEs employ the marginalised and disadvantaged groups such as youth and women who fail to get jobs in the formal sector. The way rural SMEs are scattered makes them an effective vehicle to evenly, distribute income.

In order to understand the contribution of SMEs it was important to define the term “SME”. It was discovered that the term defies a once off definition that cut across all nations. However, there is a consensus from literature that the term is commonly defined quantitatively and qualitatively worldwide. International comparisons were made, where different definitions of an SME in different regions such as United States of America, European Union, Asia and Africa were outlined. These were compared with the South African definition of an SME. It was discovered that South Africa adopts the quantitative approach as its formal SME definition that tallies with the international standards.

A description of the rural SME was also given. It was discovered that rural SMEs share almost similar characteristics and challenges faced by other SMEs elsewhere. However, this group tend to be located in semi deserted growth points with poor infrastructure that is dilapidated buildings and poor road network. Furthermore, it was established that rural SMEs face challenges emanating from the business environment. These include factors in the internal environment such as difficulties in attracting external funds, unsatisfactory management know how, poor location, entrepreneur characteristics and factors in the external environment such as economic variables, strict legal and regulatory framework, as well as high crime levels.

7.2.3 Chapter Three: Financing Options Available to SMEs

Financial resources stand as the most crucial aspect of all businesses especially SMEs who still want to expand their operations. However, literature indicates that rural SMEs struggle a lot financially. It was discovered that SMEs need capital to acquire fixed assets, to fund new product development and to maintain a positive liquidity position. The financing needs for SMEs determine the proportion of debt and equity (capital structure) required by SMEs. Three theories such as the static trade-off theory, the agency theory and the pecking order theory were discussed in order to explain the capital structure for SMEs. It was deduced from the theories that SMEs capital structure consist of equity and debt finance. Rural SMEs are denied loans and other financial assistance due to their size and lack of collateral security. It was further discovered that debt capital is costly for SMEs as it comes with higher interest. The chapter concluded by suggesting that SMEs should consider adopting more innovative and creative methods such as bootstrapping to secure capital at a lower cost.

7.2.4 Chapter Four: Bootstrapping and SMEs

There is both equity and debt financing gap for rural SMEs in South Africa. Rural SMEs face challenges in accessing funds from banks and investors. The few SMEs that manage to access these loans struggle to repay the loans as these loans are accompanied by high interest rates. This chapter introduced bootstrapping as an alternative source of capital available for rural SMEs than debt and equity. The advocacy for bootstrapping method as an innovative and creative source of finance for rural SMEs was based on the notion that it enables SMEs to have enough capital at a lesser cost. The bootstrapping was defined in order to understand the role it plays.

In addition, The Resource Dependency Theory was discussed in detail to understand the resource needs for rural SMEs and how bootstrapping methods can help in commanding such resources. From the literature review, it was found out that there are different bootstrapping methods rural SMEs can leverage on. As indicated by Ebben (2009:p347) "*bootstrapping methods include a combination of techniques that reduce overall capital requirements, improve cash flow, and take advantage of personal sources of financing*." An analysis of literature indicated that there are 32 commonly used financial bootstrapping methods, 19 of them aiming to minimize the need for capital and 13 aiming at meeting the capital needs of the businesses without involving external funding. These bootstrapping methods were further categorised into five groups such as owner's finance, joint utilisation, delaying payments, minimising investments and minimising accounts receivables. The main motive for financial bootstrapping is linked to its lower costs and lack of capital. It is important for rural

SMEs to combine both financial bootstrapping methods that reduce costs or allow meeting the need for capital. However, care should be exercised in choosing bootstrapping methods. For example, such methods as sharing equipment, premises and employees can result in deadly conflicts that can hinder the growth and sustainability of rural SMEs.

Many factors impact the bootstrapping methods used by rural SMEs. However, this study aimed at finding the effect of owners' characteristics on firm financial bootstrapping. It was deduced that education, age and gender influence financial decisions and performance of firms.

7.2.5 Chapter Five: Research Methodology

The chapter discussed the research methodology in detail. The study employed a quantitative research method to achieve the objectives of the study. Purposive sampling techniques such as convenience and snowball sampling were used to select SME samples in Fetakgomo municipality due to the difficulty in obtaining a sampling frame. A questionnaire was used as the data collection instrument. It was adapted from existing literature. The questionnaire for the study consisted of two sections; (1) Biographical questions and (2) Bootstrapping methods questions. The questionnaire consisted of closed ended questions where respondents were limited to respond to a set of answers provided in the questionnaire. The five point Likert scale questions were used to obtain data. Data analysis included descriptive statistics and T test.

7.2.6 Chapter Six: Research Results

This study investigated the determinants of the financial bootstrapping strategies used by rural SMEs. Financial bootstrapping methods were measured using a 32 item questionnaire following similar studies (Winborg & Landström 2001; Winborg, 2009; Bosse & Arnold, 2010; Neeley & Van Auken, 2010). The descriptive statistics indicated that rural SMEs require external finance. However, most of them do not have the required collateral security to secure loans from banks and other lending institutions. Surprisingly, the use of bootstrapping finance was found to be low among rural SMEs.

Inferential statistics were run to test the hypotheses for the study. T–test was run in order to test the significance of independent variables such as entrepreneur characteristics: gender, age and level of education on each of the 5 dependent variable (bootstrapping methods). The results showed significant differences between gender and education and some of the bootstrapping factors used by rural SMEs. No significant difference was found between age and bootstrapping methods used by rural SMEs.

7.3 RECOMMENDATIONS

The problem of access to external finance remains a challenge for most rural areas. Bootstrapping finance stands as a cheaper and innovative source of finance for rural SMEs. However, the findings indicated that rural SMEs are not fully utilising bootstrapping finance.

7.3.1 Government and its Agencies

The government has a huge role to play, especially, on the rural SMEs. It has been found out that government grants and subsidies do not normally reach rural SMEs. Most rural SMEs are not aware of the government bodies that assist SMEs in various ways. Instead, it is mostly SMEs in urban areas who are benefiting from government subsidies and grants. Therefore, it is recommended that the government embark on a heavy awareness campaign targeted at rural SMEs.

In addition, government agencies such as the Department of Small Business, the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA) and non-governmental organisations that support SMEs among others should conduct a series of workshops where they enlighten rural SMEs about the importance of adopting and using bootstrapping finance. This will boost the utilisation of bootstrapping methods such as free consulting by rural SMEs.

More importantly, the government should consider giving subsidies to private companies who volunteer to assist rural SMEs be it financially or by mentoring. This is a sustainable measure as private companies are more committed where there is a commercial return for their services.

7.3.2 SME Owners

The issue of bootstrapping finance in a way requires an understanding of financial management. However, the results indicated that most of rural SME owners have matric or below. This can explain the low adoption rate of bootstrapping finance as SME owners lack a clear understanding of it and, hence its benefits. SME owners are therefore encouraged to enrol for a certificate in financial management to sharpen their financial skills.Equally important is the issue of networking. Other bootstrapping methods such as joint utilisation depend on networks created by the owner. Hence, SME owners are encouraged to build long-term and sustainable business networks as the benefits are beyond any possible doubt.

Furthermore, rural SMEs should raise their entrepreneurial alertness given that bootstrapping requires creativity. This will enable them to actively search and locate opportunities such as government subsidies, obtaining best deals with their suppliers and locating beneficial collaborations with their counterparts. Lastly, it is strongly recommended that rural SMEs should improve on bootstrapping methods such as delaying payments, minimisation of investment, minimisation of receivables and joint utilisation where they are currently lacking.

7.4 LIMITATIONS OF THE STUDY

This study only focused on one rural area in South Africa. Therefore, care should be exercised in generalising the findings of the study to all rural areas in South Africa.

7.5 AREAS FOR FURTHER STUDY

Additional studies should expand the scope by expanding the expanding the study to other rural areas in South Africa. Other studies can investigate the effect of firm characteristics such as the sector, the age of the business and the legal status of the business) on the bootstrapping strategies employed by rural entrepreneurs. Information and Communication Technology (ICTs) and networking help SME owners to obtain information. Future studies can investigate the role of ICTs and networking on the bootstrapping methods used by SMEs.

7.6 SUMMARY

This chapter presented the conclusion and recommendations of the study. This study was motivated by the goal to investigate the determinants of the financial bootstrapping financing methods employed by rural SMEs. It specifically aimed to interrogate if the owner's characteristics such as gender, education and age had an influence on the choice of bootstrapping finance utilised by rural SMEs. A review of existing literature indicated that there is both equity and debt gap for rural SMEs in South Africa. Rural SMEs face challenges in accessing funds from banks and investors. The study suggested bootstrapping finance as an alternative source of capital available for rural SMEs at a lesser cost than debt and equity. The financial bootstrapping methods identified in the study are owner's finance, delaying payments, joint utilisation, minimisation of investment and minimisation of receivables. However, it was discovered that rural SMEs have a low adoption and usage rate of bootstrapping finance. This showed that rural SMEs are not well informed about bootstrapping and its benefits. The results of the T-test showed significant differences between gender and education on the bootstrapping methods used by rural SMEs with significant difference between age and bootstrapping methods used by rural SMEs. Recommendations focused on how government agencies can help SMEs to improve the use of financial bootstrapping. In addition, Rural SME owners need to be proactive and attend courses and seminars on financial management to improve their knowledge of financial bootstrapping.

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APPENDICES

APPENDIX 1 Questionnaire - The Determinants of the Financial Bootstrapping Strategies Used by Rural Small, Medium and Micro Enterprises in Fetakgomo Municipality, Limpopo Province, South Africa.
Dear participant

My name is Nchabeleng, L.M, a Master of Commerce student in the Department of Business Management at the University of Limpopo. I am writing to invite you to participate in my research in the form of a questionnaire. My research is titled “The Determinants of the Financial Bootstrapping Strategies Used by Rural Small, Medium and Micro Enterprises in Fetakgomo Municipality, Limpopo Province.”This questionnaire is for academic purposes only and confidentiality will be highly maintained. As a respondent you are not obliged to disclose your name. I am humbly requesting you to assist me by answering the following set of questions which will take about twenty minutes. However completion of the questionnaire is voluntary.

Please mark the right answer with an X

Section A: Biographical information

1. What is your gender?

Male	
Female	

2. What is your age?

Below 20	21-35	36-50	51-60	Above 60

3. What is your level of education?

Bellow grade 12	Matric	Diploma	Degree	Post Graduate

4. What is the legal status of your business?

Sole proprietor	Partnership	Close corporation	Company

5. In which industry is your business?

Retail	service	manufacturing	Wholesale

6. How many employees do you have?

No employees	Below 5	6-10	11-20	21-50	50 and above

7. What is the age of your business?

Less than a year	1-5	6-10	11-15	15 and above

8. Do you require Long-term funding from Banks?

Yes	No

9. Do you have a chance to obtain Long-term funding?

Yes	No

10. Do you have required collateral security for the loan?

Yes	No

SECTION B: BOOTSTRAPPING METHODS USED BY THE BUSINESS

Read the statements below about your business (firm) and indicate your level of agreement or disagreement. Please mark the right answer with an X

Bootstrapping technique	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5

1. In my business I buy used equipment instead of new					
2. I borrow equipment from other businesses for shorter periods					
3. I hire personnel for shorter periods instead of permanently employing personnel					
4. I co-ordinate purchases with other businesses					
5. I lease equipment instead of buying					
6. I practice barter instead of buying/selling goods					
7. I offer customer discounts if paying in cash					
8. I buy on consignment from supplier/s					
9. I seek out best conditions possible with supplier/s					
10. I deliberately delay payment to supplier/s					
11. I withhold manager's salary for some period					

12. I make use of my own private credit card for business expenses					
13. I obtain capital via assignments in other businesses					
14. I obtain payment in advance from customers					
15. I raise capital from a factoring company					
16. I obtain loans from relatives/friends					
17. I deliberately delay payment of value-added tax					
18. I obtain subsidy from County Administrative Board					
19. I use routines in order to speed up invoicing					
20. I use interest on overdue payment from customers					
21. I cease business relations with customers frequently paying late					
22. I offer the same conditions to all customers					
23. I deliberately choose customers					

who pay quickly					
24. I use routines in order to minimize capital invested in stock					
25. I employ relatives and/or friends at non-market salary					
26. I run the business completely at home					
27. I share premises with others to cut costs					
28. I share employees with other businesses					
29. I share equipment with other businesses					
30. Late payment of wages and salaries for my employees					
31. I receive free consulting					

END OF QUESTIONNAIRE

THANK YOU

APPENDIX 2- Research Consent Form

Department of Business Management, University of Limpopo (Turfloop Campus), Private Bag X1106, Sovenga, 0727

Research Consent Form

Name of Researcher	Nchabeleng Lekgathole Maurice
Title of Study	The determinants of the financial bootstrapping strategies used by Rural Small, Medium and Micro Enterprises in Fetakgomo local Municipality
Contact Details	079 511 5232
Email Address	Nchabelenglm@treasury.limpopo.gov.za

Please read and complete this form carefully. If you are willing to participate in this study, tick the appropriate responses and sign and date the declaration at the end. If you do not understand anything and would like more information, please ask.

1.	I have been informed of and understand the purpose of the study.	Yes	No
2.	I understand that the research will involve filling a questionnaire which will take not more than 20 minutes.		
3.	I have been given the opportunity to ask questions about the research project and my participation.		
4.	The risks and benefits associated with my participation have been clearly explained to me.		
5.	I voluntarily agree to participate in the project.		
6.	I understand I can withdraw at anytime without giving reasons and		

	that I will not be penalised for withdrawing nor will I be questioned on why I have withdrawn.		
7.	The procedures regarding confidentiality have been clearly explained (e.g use of names, anonymization of data, etc.) to me.		
8.	The use of data in research, publications, sharing and archiving has been explained to me		
9	Any information which might potentially identify me will not be used in published material.		
10.	I, along with the Researcher, agree to sign and date this consent form.		

Participant:

…………………….. ……………… ………………………...

Name of participant Signature Date

Researcher:

…………………….. ……………… ………………………...

Name of researcher Signature Date