Title

Examining the impact of delayed payments on SMME's by Gauteng Provincial government.

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A research study submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Management (MBA)

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DECLARATION

I, Murendeni Negondeni, I affirm that this research report is solely my own creation, with the exception of any information explicitly cited in the references and acknowledgements. This document is being presented as a partial fulfilment of the requirements for the Master of Business Administration degree at the University of the Witwatersrand, Johannesburg. This work has not been previously submitted for any academic degree or examination at this university or any other institution.

Murendeni Negondeni

(Type your name in full here, and sign in the space above)

Signed at …………………………………………………

On the …………………………….. day of ………………………… 20…..

Aknowledgement

I foremost attribute all praise and glory to God Almighty, who has served as my guide and source of strength during the course of my journey. I am profoundly appreciative of His wisdom and grace that facilitated this endeavour.

I wish to acknowledge the efforts of my ancestors, the Nthulane and Negondeni, whose heritage and sacrifices have established the framework for the opportunities I possess today.

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Abstract

The study conducted by (S. Y. Paul & Boden, 2011) uncovered that late payments by governments and large corporations significantly undermine their sustainability. In the United Kingdom, delayed payments contribute to the insolvency of approximately 50,000 small businesses annually, with an average loss of £22,000 per business due to late payments. Similarly, in Australia, over 20% of SMME's are at risk of insolvency under new payment laws, exacerbating cash flow challenges.

Small, Medium, and Micro Enterprises (SMMEs) play an important role in the economy's growth and promote grassroots entrepreneurial activities in South Africa. However, SMMEs encounter myriad of challenges which affect their effectiveness. Such challenges include cash flow, poor financial management, and late payments. This study aims to examine the impact of late payments by the Gauteng Provincial Government on SMMEs. This mixed methods study recruited 150 participants, representing SMME's in Gauteng. Data were collected using qualitative and quantitative instruments. The study employed statistical analysis to investigate the extent of payment delays experienced by the participants. The study examined the effects on their financial health, operational capacities, and viability.

The study's findings have significant implications for both policymakers in formulating targeted strategies, including enhanced invoice tracking systems, stronger enforcement of payment deadlines, and the establishment of assistance mechanisms, such as bridging finance facilities, for impacted SMMEs.
and business owners to improve the effectiveness of SMMEs.

Key words: SMMEs, Gauteng Provincial government, late payments, financial management

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CHAPTER 1: INTRODUCTION

1.1 Statement of purpose

The study’s purpose is to provide evidence-based insights to drive policy reforms, support initiatives, and advocacy campaigns. This is to streamline procedures, reduce bureaucracy, and ensure effective, prompt payments to small, medium, and micro enterprise (SMME) within 30 days after receiving the invoice. The insights from the proposed study may be used to improve the financial health and sustainability of South African SMMEs that render services to the government.

1.2 Background of the study

The widespread practice of delayed payments to SMMEs by the Gauteng Provincial Government emerged as a substantial obstacle to the viability and expansion of small enterprises (Bailey, 2019a). SMMEs are fundamental in South Africa's economy, through facilitating job creation, economic expansion, and innovation (Matekenya & Moyo, 2022). Nonetheless, tardy payments from government agencies impede their cash flow, financial stability, and operational effectiveness, frequently compelling companies to incur debt or cease operations. This study investigates the magnitude of payment delays, their effects on enterprise growth, and the wider economic implications. Furthermore, it examines the lack of trust between SMMEs and government entities, emphasising the difficulties in, regulatory adherence and policy execution.

(Tumane, 2019)argues that SMME’s are vital to most economies, particularly those of developing nations. According to (Tewari et al., 2013), SMMEs constitute over 50% of employment, and approximately 90% of enterprises globally. Emerging economies may derive approximately 40% of their national income (GDP) from formal SMMEs. These figures increase significantly when informal SMMEs are accounted for. The World Bank estimates that, to accommodate the expanding global workforce, 600 million jobs will be required by 2030. Consequently, the expansion of small and medium-sized enterprises

(Tewari et al., 2013). Emerging markets are dominated by SMMEs, which account for 70% of all formal employment. Although highlighted as economically crucial, SMMEs in South Africa encounter threatening challenges, such as liquidation due to late payments from government entities.

To mitigate the risk of liquidity faced by SMME's, in 2009, former Trade and Industry Minister Rob Davies established a hotline to assist with overdue payments for more than 30 days as mandated by Treasury Regulations (NT, 2016) and Public Finance Management [PFMA] (2000).. In 2011, following the hotline's launch, several challenges were identified as contributing factors to late payments. In addition, (Maepa et al., 2023)found that a lack of communication regarding payment procedure, including the need to register for online vendor numbers, and e-invoicing systems was a pressing challenge.

According to report published by South Africa Institute of Chartered Accountants (2020) suggest that numerous SMMEs continue to experience significant cash flow constraints due to protracted payment delays from government departments and agencies. .(Nieuwenhuizen, 2019) reveal that the state of SMME's affairs is worsened by ineffective regulatory processes, excessive bureaucratic obstacles, and insufficient enforcement mechanisms.

Problem statement

The government's late payments to SMME's violates the Public Finance Management Act (PFMA) 1 of 1999. SMMEs' operational costs have risen due to debts and credits created by late payments. (Tshilo & van Niekerk, 2024)found that payments resulted in a strain between government agencies and SMMEs relationship, resulting in lawsuits and cancellation of purchase orders and service level agreements (SLAs).

According to (Aksom & Vakulenko, 2024) **in applying institutional theory**, their study uncovered the Comprehension of how institutional dynamics influence organizational conduct within public administration. Their study underscores the restrictive impact of entrenched norms, regulations, and beliefs on businesses, illustrating how these institutional pressures may result in uniformity and potentially impede innovation and efficiency. This perspective provides useful insights into the structural influences on organizations, although it sometimes diminishes the agency of actors and the dynamic processes through which institutions develop. It may inadequately consider the complexities and subtleties of how delayed government payments affect the operational viability of SMMEs, especially in regions like Gauteng, where bureaucratic inefficiencies and regulatory problems are common. In contrast to explanatory theoretical framework deployed in this study, which facilitates a comprehensive, transdisciplinary analysis, accounting for both structural restrictions and the agency of players. This method enables a thorough investigation of the causal mechanisms underlying payment delays and their diverse impacts on SMMEs, incorporating insights from public administration, economics, and development studies to offer a holistic comprehension of the matter.

According to a report published by Gabara (2023), in National Development Plan (NDP), and the National Growth Path (NGP) aims to improve economic growth to eliminate poverty, inequality, and unemployment. However, the persistent practice of paying service providers more than 30 days after the invoice's due date is detrimental to this goal.

The bureaucratic inefficiencies and inadequate regulatory frameworks in South Africa's public sector exacerbated the difficulties encountered by SMMEs (Nieuwenhuizen, 2019). According to(DPME, 2020), excessive administrative procedures, along with insufficient support systems, foster an environment where payment delays are prevalent, placing SMMEs in a vulnerable financial situation. Additionally, Bailey (2019) asserts that late payment is detrimental, especially to developing economies such as South Africa, where SMME's are essential for creating employment and enhancing GDP.

Recent critiques of **principal-agent theory**, including research conducted by (Khaile et al., 2020),their study have underscored its inadequacies in elucidating non-compliance in South African municipalities. (Khaile et al., 2020) contends that the theory's premise of knowledge asymmetry between principals (municipal councils) and agents (municipal officials) inadequately encompasses the intricacies of governance failures. The study indicates that municipal councils frequently possess sufficient information yet still do not implement effective oversight, implying a deficiency in political will rather than a lack of expertise. This undermines the fundamental assumption of principal-agent theory, which asserts that principals are consistently inclined to oversee and rectify agent conduct when equipped with adequate knowledge. This study employs an explanatory theoretical framework that facilitates a comprehensive, transdisciplinary analysis, accounting for both structural restrictions and the agency of players. This method enables a thorough investigation of the causal mechanisms underlying payment delays and their diverse impacts on SMMEs, incorporating insights from public administration, economics, and development studies to offer a holistic view of the matter.

(Tshilo & van Niekerk, 2024)found that ongoing challenges encountered by SMMEs due to delayed government payments indicate a substantial deficiency in policy execution and enforcement. Although frameworks such as the 1995 White Paper (DTI, 1995) and governmental initiatives recognise the significance of SMMEs in mitigating economic disparities. Their effectiveness is constrained by systemic inefficiencies and inadequate institutional accountability.

The current study investigates the fundamental issues causing payment delays and their effects on the sustainability of SMMEs in South Africa. It seeks to offer practical solutions for optimising regulatory processes, increasing transparency, and guaranteeing prompt payments to foster the growth and resilience of SMME's. A study conducted by (Madzivhandila, & Asha, 2012)highlights the intricacies and obstacles within South Africa's local municipalities, emphasising how bureaucratic inefficiencies hinder effective service delivery, indirectly impacting the operational landscape for SMMEs.

The study employs an **explanatory theoretical framework** to facilitate a comprehensive analysis that encompasses both institutional and operational aspects. The framework supports the integration of both data types, making it possible to connect measurable patterns (e.g., delayed payments correlating with reduced turnover) with real-world experiences shared by business owners. This strengthens the study's analytical depth and overall coherence. It also enhances the credibility of the findings by situating them within existing theories on business finance and public procurement, contributing valuable insights for both policymakers and academics concerned with improving payment practices and sustaining SMMEs in Gauteng. This paradigm synthesizes findings from public administration, development economics, and policy studies, rendering it transdisciplinary, to investigate the causal pathways via which payment delays arise and impact SMME profitability. It transcends isolated cause-effect models and facilitates the analysis of systemic difficulties, including policy misalignment, bureaucratic bottlenecks, and their economic ramifications, as demonstrated in the study conducted by(Tshilo & van Niekerk, 2024).

Research objectives

1. To explore the impact of non-payment within 30 days on SMMEs' business relationships with the government

2. To explore the livelihood outcomes for non-payment of invoices to SMMEs.

1.2.1 Main Research Questions

a) How does delayed and/or non-payment within 30 days impact SMMEs' business relationships with the government?
b) What are the outcomes on the livelihood of those directly and indirectly affected?
c) To what extent does the delayed and/or non-payment of invoices by the government affect SMMEs?
d) How does delayed payment affect your cash flow management and day-to-day operations?

1.3 Rationale of the study

The study's aim is to explore the extent of delayed and/or non-payment of services, by the South African government to SMMEs. This study explores the implications of delayed and/or non-payment, on the economy, and the government's relationships with the SMMEs. The study's findings can assist the Department of Small Business Development (DSBD) in developing a policy framework to address the effects of government delays and/or non-payments on SMMEs.

Findings can also inform policy makers such as those in the department of monitoring and evaluations, on how current policies may hinder the growth of SMMEs, through partnerships with the government. The findings will then assist them to review policies to mitigate the risks faced by SMMEs and the government.

1.4 Delimitations of the study

A study's scope is defined by its inclusion and exclusion criteria. When assessing the effects of the government's decision to delay payments to SMMEs in the Gauteng province, the constraints discussed below were considered. The geographical focus of this study is the Gauteng province, South Africa. Gauteng is the nation's economic hub and has a high concentration of SMMEs. It is ideal to focus on Gauteng since the province has many SMMEs and governmental procurement operations. However, findings are not applicable to other provinces with different socioeconomic and political conditions. Furthermore, the study examines recent government payment process changes and their effects on Gauteng's SMMEs in one academic year.

1.5 Definition of terms

Late payments: describes a situation where an entity or company does not timeously pay for goods or services offered by another provider. For this study's purpose, late payments are referred to as invoices paid after 30 days. Hofmann and Belin (2011) define late payments as a liquidity risk, occurring when a buyer neglects to remit payment for invoices within the stipulated credit terms, affecting suppliers' cash flow and working capital.

Service providers: a service provider is any person, organisation, or company that supplies specific goods and services to the government departments, agencies, and other state organs. Tumane (2019) defines service providers as any organisation providing third party services to another organisation. In this study, service provider are referred to as SMMEs.

Small, Micro and Medium Enterprises (SMMEs): are defined based on the metrics such as yearly revenue, personnel, and total assets. Based on these categorisations, SMMEs need to fit into a certain size. Tumane (2019) defines SMMEs as those employing 50 or less people and medium with 200 or less employees. In the current study, the SMMEs of interest are those providing goods and services to government entities in the Gauteng provincial government.

Chapter outline

The following is an outline of the chapters making up this dissertation:

Chapter one established the topic of this study by describing: the primary goal of the study, research objectives, approach, and setting. This chapter is the roadmap for the rest of the study.

Chapter two is a literature review on SMMEs and the South African government's late/non-payment. This chapter described the gap observed in the problem statement.

Chapter three discussed the research methodology and design of the study. It provided details of the strategies used to collect the empirical data for this study. The discussion included demographic, sampling methodologies data collection, and analysis methods. This chapter also discussed the validity and ethical considerations.

Chapter four analysed and discussed the study’s results.

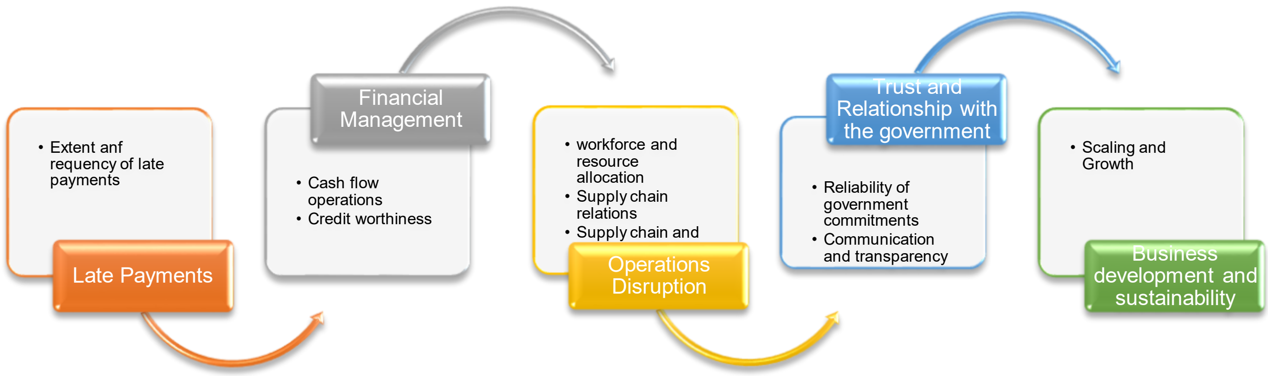
Chapter five is the conclusion of the study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter reviews prevailing literature on the topic explored by the current study. This literature review unpacks late payments and its impact on SMMEs, as well as policies set by the government and their application in relation to late payments. The literature review concludes by unfolding the effects of late payments in financial management, operations disruption, relationship with the government, business development, and sustainability of SMME’s.

The diagram below illustrates the cascading relationship between late payments and essential components of SMME's operations. It demonstrates how delayed payments can disrupt cash flow management, impede operational efficiency, and damage the ability to meet daily obligations. In turn, these disruptions have destroyed trust and relationships between SMME’s and the government (Faque, 2022). They also obstruct business development efforts, risking the enterprise's long-term viability.



2.2 Late payments

South Africa's Public Finance Management Act 1 of 1999 section 38(1)(f) mandates the public entities to pay service providers within 30 days of completing the projects. Furthermore, Treasury Regulations notes 8.2.3 (NT, 2016) outlines that:

> *"Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from the date of a statement which reflects all invoices, payments and credits and, in the case of civil claims, from the date of settlement or court judgement."*

A study conducted by (Mazanai & Fatoki, 2012)demonstrates that late payments have strained the relationship between SMME's and their suppliers denting their credibility, leading to mistrust, resentment, and possibly ruining the long-term business relationships essential for sustainability and success of SMME's. SMME's operate on a small margin making it difficult to absorb any late payments as it impacts the operations of their cash flows to cover operational expenses, pay employees, and invest in growth. This was corroborated by (P. Paul et al., 2024)that delayed payments frequently erode the confidence and collaboration between SMMEs and their suppliers. Similarly, (Tumane, 2019)states that the credibility of effective business partnerships is significantly undermined when SMME’s do not fulfil payment obligations due to delayed client receipts. Distrust and animosity among stakeholders may intensify, resulting in deteriorated relationships and reduced capacity to negotiate advantageous terms in the future.

According to (Van Rooyen, 2018), internal and external factors contribute to SMMEs’ late payments. The internal components include officials’ lack of urgency, corruption in supplier preferences, obsolete, and poorly maintained technological systems. External factors include poor management of accounts payables (Samuel & Kamala, 2016). However, other challenges contributing to SMME’s late payments are inaccuracies in the central supplier database and erroneous duplication of invoice numbers during submission.

2.3 **Financial Management**

(Nkwinika & Akinola, 2023)found that SMME’s often fail during their initial years of operation due to insufficient comprehension of essential financial principles, including budgeting, cash flow management, and financial reporting. This knowledge deficiency impedes their capability to make rational choices and identify early indicators of financial turmoil, resulting in superfluous expenditures, ineffective resource allocation, and constrained ability to address future issues.

(Bailey, 2019a)asserts that SMME’s within Gauteng Provincial Government endure the challenges of cash flow management due to late payments. A study conducted by (Tumane, 2019)found that SMMEs that have exceeded their credit limit with financial institutions are considered to be high-risk by their suppliers. These suppliers might be offering products such as books, clothes, and, toiletries which are necessary to supply to the government. To acquire these materials in large quantities, companies require capital from financial institutions. However, this poses a dilemma since there is a significant risk of such SMME’s being bankrupt. (Stiglitz & Weiss, 1981)assert that delayed payments circumstances are anticipated to have a substantial effect on SMME’s credit rating, impeding their prospects for future expansion and advancement.

The operational disruption resulting from delayed payments generates a cascading impact that influenced all facets of SMME's operations (Kaya, 2023). A study conducted by (Bailey, 2019a)found that extensive economic ramifications are considerable, as these businesses are crucial for job creation and economic expansion. They highlight the importance of systemic measures in addressing the challenges of delayed payments. In a study conducted by (Miller & Wongsaroj, 2017)they examined a study of over 3,000 enterprises across 11 countries, indicating that more than one in ten SMME’s invoices are paid late, amounting to one trillion US dollars yearly. This further highlights that delayed payments result in cash flow problems, impede expansion, and leads SMME’s towards insolvency.

Delays in payments by the GPG significantly impacts SMMEs, particularly in their daily operations (Tumane, 2019). It further illustrate that the most immediate and substantial consequences pertains to lab and resource allocation.(Hopkins et al., 2017) found that delays in cash inflows frequently hindered SMME’s from fulfilling payroll responsibilities, resulting in staff discontent and, in some instances, retrenchments.(Suseno et al., 2020)highlight that delays in payments by the government often provides substantial difficulties in fulfilling payroll responsibilities, resulting in employee discontent, diminished morale, and, in certain instances, staff turnover. The study highlights that these difficulties impact the internal operations of SMME’s and have ramifications for staff retention and productivity.

It is implied by SMME’s that in some instances, vendors would apply penalties, reduce the quantity of products, and mandate advance payments, thus, compromising their operational agility. This is corroborated by the study conducted by (DPME, 2020). Over time, these tense interactions undermine confidence and hinder SMME’s from securing advantageous contracts or obtaining competitive pricing. In another study conducted by(Sunjka, 2015), report on the vulnerabilities in vendor relationships within South African manufacturing SMME’s, emphasising that payment delays results in penalties, reduced supply volumes, and requests for advance payments from vendors.

(Tshilo & van Niekerk, 2024)found that delays in payments by GPG have significantly weakened the relationship between SMMEs and the government. This relationship is intended to be a vital collaborator in fostering economic growth and job creation.(Bailey, 2019a)asserts that government contracts signify a crucial support system, providing stability, and a reliable source of income. Furthermore, the study shows that ongoing payment delays have diminished confidence, causing numerous businesses to feel neglected and undervalued.

The prolonged failure to meet financial obligations indicates a deficiency in accountability, undermining interactions crucial for cultivating a cooperative and prosperous economic landscape. (Aluko et al., 2023)corroborates this by highlighting the reduced confidence between SMME's and government agencies. This is due to the delays intensifying financial pressures and impairing operational continuity for small enterprises. The erosion of trust may result in compromised relationships, reducing the propensity of SMME's to participate in government initiatives in the future.

A study by (DPME, 2020)found that the ongoing payment delays indicate systemic inefficiencies and inadequate financial oversight within the GPG, cultivating an impression of neglect, and a deficiency in accountability. This further estranges SMME's and dissuade their engagement in government contracts. Additionally, (Tumane, 2019)asserts that the absence of intentional measures to rectify these challenges, including optimising payment procedures and ensuring accountability across responsible entities, the government may encounter significant challenges in attracting and retaining SMME's as partners. (Mohammed et al., 2015)offer empirical evidence that structural inefficiencies and insufficient financial control in government institutions might foster perceptions of neglect and a deficiency in accountability. Consequently, it deters SMMEs from pursuing government contracts.

2.4 Business Development and Sustainability

According to(Marivate, 2014), corporate growth is necessary for cash flow to finance operations, invest in innovation, and broaden the market share of SMME's. Nonetheless, when payments are delayed, SMME's reallocate scarce resources towards urgent survival, forsaking long-term development initiatives . Furthermore, undermining SMME's capacity to scale and diversify their products, renders them susceptible to competition and market fluctuations. Beck and (Beck & Maksimovic, 2002)findings show that businesses with restricted external financing sometimes depend on internal cash flow to finance development prospects. However, inadequate internal resources can result in lost growth prospects and obstructed innovation.

(Van Wyk, 2023)show that the lack of emphasis on development and long-term planning, confines SMME's to a cycle of reactive decision-making, prioritising survival over advancements. This threatens SMME's sustainability chances, since they cannot develop the resilience required to endure economic downturns or seize development opportunities. A study by (DPME, 2020)shows that delayed payments by GPG to SMME's signify a transient discontent and a fundamental obstacle to their growth and sustainability. I addition, (Faque, 2022)highlights that ineffective management of accounts receivable, often resulting from tardy payments, leads to difficulties in cash flow, Such cash flow limitations compels SMME's to prioritise immediate survival over long-term investments, ultimately impeding their ability to be innovative and growth.

2.5 Theoretical Framework

This study employed the explanatory theory framework to comprehensively examine the underlying causes and mechanisms by which late payments from the Gauteng Provincial Government affect SMME's. This paradigm enables a thorough examination of the causal links between delayed payments and the ensuing financial and operational difficulties encountered by SMMEs.(Tumane, 2019) demonstrates that delayed payments from the North West Department of

Health resulted in considerable cash flow issues for SMMEs, causing several enterprises to cease operations owing to financial pressure.(Radebe, 2021) similarly discovered that construction SMMEs in Johannesburg relied on unsustainable financial strategies, including loans from informal sources, to alleviate the impact of delayed payments. These studies highlight the importance of an explanatory approach to comprehend the complex effects of late payments on SMMEs.

The relevance of the explanatory framework is further strengthened by its congruence with transdisciplinary research, synthesizing insights from public finance, business management, and organizational behaviour. Study by (Radebe, 2021) exhibits the impact of delayed payments on the financial health of SMME’s, as well as their operational decisions and stakeholder connections. This is corroborated in the study conducted by (Tumane, 2019) which underscores the significance of governmental accountability and administrative efficiency in facilitating prompt payments, illustrating the nexus between governance and economic viability. This study utilizes an explanatory framework to integrate multiple disciplines, offering a comprehensive knowledge of the systemic challenges that lead to late payments and their effects on SMME’s.

This approach was implemented by analysing existing literature and empirical data to discern patterns and causal relationships between GPG's payment methods and the issues faced by SMME’s. The research conducted by (Radebe, 2021) and (Tumane, 2019) furnished empirical evidence of the adverse effects of delayed payments, including diminished operational capacity and heightened financial vulnerability. The findings guided the creation of a conceptual model that depicts the cascade implications of delayed payments, ranging from immediate cash flow problems to long-term sustainability issues. By clarifying these links, the explanatory framework allowed the study to suggest specific policy recommendations designed to enhance payment systems and bolster the resilience of SMMEs in Gauteng.

2.6 Conclusion

This chapter underscores the extensive consequences of delayed payments, such as compromised trust, weakened vendor relations, and reduced staff morale. These challenges cumulatively compromise the sustainability and potential growth for SMMEs, essential for job generation and economic development.

The persistent payment delays threaten the operational sustainability of these enterprises and ruined their relationships with suppliers, employees, and the government. Delayed payments hindered the cash flow, induced operational inefficiencies, and forced SMME's to focus on short-term survival rather than long-term growth. This act renders them susceptible to economic volatility and competitive challenges. Moreover, systemic concerns such as inadequate financial control, inefficiencies in payment systems, and corruption exacerbated these challenges.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research design- Mixed methods

(Plano Clark & Ivankova, 2016) Define mixed methods approach as a design a design that integrates both quantitative (numerical) and qualitative (descriptive or narrative) data collection and analysis within a single study. This strategy enables researchers to leverage the advantages of both methodologies to achieve a more thorough comprehension of the study problem. The reason for the choice mixed methods approach in this study by the researcher was to broaden understanding of the impact of late payments on SMME's by GPG, whereby both qualitative and quantitative methods were incorporated. The data was collected and analysed using both quantitative and qualitative approaches.

Quantitative Methodology

(Lim, 2024)Quantitative research is a systematic approach that involves collecting and analysing numerical data to identify patterns, test hypotheses, and make predictions. It employs statistical methods to quantify relationships between variables and generalize findings across populations

The researcher used surveys and questionnaires, providing a platform to explore the complex experiences, perceptions, and coping strategies of SMMEs and employees affected by delayed payments. Quantitative findings in this study enhanced an understanding of the human element of the problem, uncovering underlying causes and generating comprehensive insights applicable to the context. The quantitative approach relied on the assumptions based on a large sample size to guarantee statistical significance and the ability to generalise the findings. Examining delayed payments, using quantitative-based assumptions, enables the analysis of overall trends and patterns among various types of SMMEs within the Gauteng province. In addition, quantitative methods assume that data can be measured and processed in an unbiased manner. This is appropriate for examining the frequency, length of delayed payments, and their financial consequences on SMMEs.By employing quantitative analysis the researcher was able to find patterns, trends, and correlations across a wider sample size. Additionally, the benefit of utilising quantitative tools was that they provide comprehensive and pragmatic suggestions for policymakers, financial institutions, and SMMEs to alleviate the consequences of delayed payments.

Qualitative methodology

(Lim, 2025) in their study define qualitative research as a methodological approach that aims to investigate and comprehend individuals' experiences, behaviours, and social environments through non-numerical data. It underscores the profundity and complexity of context and voice in comprehending social occurrences.

The principal qualitative method employed in the study was semi-structured interviews with chosen participants from the larger cohort of SMMEs in Gauteng. This methodology enabled the researcher to investigate critical problems, including the impact of payment delays on daily cash flow management, decision-making processes, supplier and employee relations, and the emotional or psychological stress encountered by business owners. Open-ended questions were created to provoke comprehensive responses while remaining consistent with the study's primary aims. Qualitative methodologies yield comprehensive insights on the impact of late payments from the Gauteng Provincial Government on the everyday operations, emotions, and coping mechanisms of SMME owners. They elucidate the tangible effects underlying the data, providing context and a more profound comprehension of business difficulties. The researcher was able to obtain deep and insightful data from participants.

3.2 Population and sample

3.2.1 Population

A study population refers to the specific group within the target area chosen to be part of the sample (Cooper & Schindler, 2014) .The estimated total population of

SMMEs in Gauteng province is 903,220. However, due to budget and logistical limitations, a sample of 150 SMMEs from central supplier database (CSD) were chosen to participate in the study for quantitative methods and twenty participants were selected for qualitative method. Conducting an extensive survey of more than 900,000 SMME's would have extended the research timeframe, prolonging meaningful insights and recommendations. Additionally, interviewing such a huge population requires financial, human, and time resources, which exceeded the study's limitations.

3.2.2 Sample and sampling method.

For quantitative, sampling was drawn from a database obtained from CSD. The researcher used random sampling to select participants. Simple random sampling is a type of probability sampling in which the researcher randomly selects a subset of participants from a population.150 SMMEs from various parts of the Gauteng Region were requested to participate in the questionnaires. Furthermore, 20 participants were randomly selected from the 150 participants to participate on face-to-face individual interviews.

To guarantee the study's success, the researcher sought assistance from the business forum leaders in the focused township. Business leaders were asked to encourage local business proprietors to participate in the survey. Inviting business leaders also offered an opportunity to showcase the significance in enhancing the comprehension of departmental accounting officers and policymakers regarding the challenges encountered by SMMEs due to delayed payments.

3.2.3 The research instrument.

Open questionnaires, structured and semi-structured tools were used in the study to enable business owners to share rich qualitative data about their perspectives and experiences of late payments. Open-ended questions on how often payments are delayed and the duration of delays, and how it affects them financially, operational disruptions, and resilience strategies employed by SMMEs. For a quantitative approach, closed-ended questionnaires and surveys were employed (see annexure A)

In the study, **mathematical model** was used to evaluate the efficacy of various policy measures and help quantify the financial implications of payment delays. The amount and timing of late payments, interest rates, penalties, and financial indicators of SMMEs, such as revenue and cash flow, are all variables that constitute important aspects in the proposed study.

3.3 Procedure for data collection

Open questionnaire, emails, face to face questionnaire administration, online survey platforms were used to gather insights from 150 SMME owners in the Gauteng province. Additionally, printed copies of the survey were distributed at conventions and trade association to ensure a diverse range of respondents. The survey included free-form questions designed to capture participants' experiences with payment delays and their impact on business operations. Participation in this study was voluntary and participants signed the consent forms, with assurances of anonymity and confidentiality. To allow respondents sufficient time for thoughtful responses, the data collection cycle took four weeks. Interviews with 20 participants were conducted. Audio recording was used to record the interviews, and later transcribed by the researcher.

3.4 Data analysis and interpretation

According to(Hair, 2023), data analysis is a systematic inspection and manipulation of data to discover meaningful patterns, trends, and relationships. It consists of several phases, including cleaning and organising data, analysing it using statistical or computer methods, and interpreting the results to draw insights and conclusions. Data analysis allows the study to discover correlations, causations, and linkages in data, to make evidence-based decisions, and test hypotheses.

In the study, sources of quantitative data which were analysed using **quantitative analysis**. The researcher used statistical data and figures for analysis. Furthermore, descriptive statistics was deployed to calculate how often and the amount SMMEs lose due to late payments. Descriptive statistics was used tocalculate the mean, median, and standard deviation.

For **qualitative analysis,** the researcher used thematic analysis. Thematic analysis is a method for identifying, analysing and reporting patterns or themes within qualitative data(Braun&Clark,2006).The advantage of thematic analyses is that it provides skills to combine data into smaller, easy-to-read and understandable chunks. Data which was obtained from face-to-face interviews were recorded in an audio device, then transcribed. The researcher read through data line by line to generate a sense of what it looks like, and did the coding, which was done manually using highlighters. From the coding, the researcher identified the themes from the data collected. Themes were used as major findings in this study and were also used as headings in the findings section. Quotes from participants were also used to analyse data. The researcher did not use the participants' real names to protect their identity; instead, the pseudonyms were assigned. The researcher used a narrative passage approach to convey the findings. The findings from the participants were supported by the literature.

3.5 Validity and reliability in mixed methods research

3.5.1 Validity and Reliability

Validity refers to the accuracy and credibility of the findings(Repke et al., 2024), while reliability focuses on the consistency and dependability of data collection and analysis(Karnia, 2024).

Mixed methods reliability and validity

In mixed methods, reliability and validity can be assessed by examining the consistency and accuracy of findings across different methods and data sources. In this study, validity and reliability were ensured using the following methods:

- ✓ Triangulation-triangulation was ensured by employing qualitative and quantitative methods to collect data
- ✓ Diverse data sources- data was collected from diverse data sources i.e. interviews, surveys, and questionnaires
- ✓ Member check- The researcher shared the findings of the study with the participants to ensure the accuracy and that the findings reflect their experiences.
- ✓ Peer Review-The findings were discussed with the peers to asses the researcher's own perception, biasness and feelings
- ✓ Reflexivity- the researcher constantly reflected on her own thoughts, feelings, interpretations, and preconceptions to prevent biasness. Furthermore, the researcher ensured that she complied with ethical standards.

3.6 Ethical Consideration

The researcher obtained ethics clearance from the research ethics committee, clearance number **WBS/BA0515315k/415**. Presentation was facilitated to assist participants in making informed decisions regarding their engagement. Participants were informed of the study's aim, objectives, methodology, and planned application of the findings. Prior to this, written consent was secured before participation, guaranteeing that individuals are fully informed of their ability to withdraw at any time without repercussions or justification. To preserve anonymity, no identifying information gathered or linked to respondents' responses. Data was presented in aggregated and anonymised versions, guaranteeing that individual responders remain untraceable and unidentifiable in the final analysis. All information disclosed in the study findings has been presented in a way that safeguards participants' confidentiality, in compliance with data protection legislation. All data will be securely saved and accessible exclusively to the researcher and the authorised officials in the university. Electronic data obtained from participants was stored in a password-protected gadget(audio recorder). Transcripts are saved in a password-locked USB. The researcher has ensured honesty in methods, procedures, reporting data, results, and publication status. The researcher did not falsify not fabricate the data.

CHAPTER 4: PRESENTATION OF RESULTS AND DISCUSSION

4.1 INTRODUCTION

During data collection,150 questionnaires were distributed to SMME's who were sampled from CSD with National Treasury is the custodian. 122 responses were received from the SMMEs, which is 81.33% of the data collection, exceeding over 50% of the questionnaire. These questionnaires excluded demographic information extracted from CSD reports of the sampled SMMEs. The demographic information includes age, gender, business sector, and positions held by SMMEs in the organisation. The table below provided more analysis on the findings. The survey response rate for SMMEs was significantly high. Of the 150 targeted SMMEs, 122 successfully completed and accurately filled out the surveys, resulting in a response rate of 81.33%. Remarkably, there were no incomplete questionnaires, signifying a high degree of interest and comprehension among the participants. In this study, the researcher used mixed methods whereby she applied a quantitative method followed by a qualitative method.

4.2 PARTICIPANT DEMOGRAPHIC INFORMATION

This dataset offers substantial demographic information for evaluating the effects of late payments on SMMEs in Gauteng by the provincial government. The breakdown of gender, age, industrial sector, and number of years in operation enables the evaluation of diversity within SMMEs and the potential differential impacts of delayed payments on various business kinds and demographics.

Table 4.2.1 Participants demographic information

Demographic Analysis of SMME's affected by late payments							
Age Category		**Gender**		**Number of years in business**			
25-35 Years	**35-45 Years**	**Male**	**Female**	**0-1 Years**	**1-3 Years**	**3-5 Years**	**6 Years and Above**
103	19	103	19	3	9	5	105

Table 4.2.2 Participants' industrial category

Industry category				
Manufacturing	**Hospitality**	**Pest control and Hygiene**	**Construction**	**General Supply of goods and services**
1	3	1	9	109

The study grouped participants into two primary age groups: 25-35 years and 35-45 years. Male participants comprised 84% of the sample, reflecting their predominant involvement in male-dominated industries such as construction and general supply. In contrast, female participants accounted for 16%, underscoring persistent gender disparities in business ownership and leadership roles. Women-owned enterprises were predominantly found in the hospitality sector.

Additionally, the data indicated that most businesses (105) had been operational for over six years, signifying a high level of organisational maturity among the participating SMMEs. Enterprises with 1-3 years (9) and 3-5 years (5) of operational experience formed a smaller proportion of the sample, while only three businesses were startups with less than one year of operation. The sample included diverse range of sectors, notably construction, general supply, hospitality, manufacturing, pest control, and hygiene, with construction and general supply being the most represented industries.

4.3 DATA ANALYSIS

In this study data was analysed using mixed methods wherein the researcher started with a quantitative method of analysis then followed by qualitative method of analysis.

The table below presents **quantitative data** regarding the measurable impacts of delayed payments on SMMEs. It demonstrates the influence on essential domains including cash flow management, growth potential, and relationships between SMMEs and the GPG. The chart emphasises critical inquiries on the impact of delayed payments on daily operations, investment potential, and the necessity for external finance. It elucidates the degree which cash flow disruptions strain relationships with GPG, providing evidence-based insights into the operational and strategic challenges encountered by SMMEs. The Chi-**Square Goodness-of-Fit test** was employed to compare the observed frequencies of the sampled respondents, with the expected frequencies to examine these effects. This statistical method determines the significance of deviations in replies. This table serves as an essential instrument for comprehending the operational sustainability and potential growth of SMMEs

Table 4.3.1.Impact of late payments

Impact of late payments based on highest responses: I. What is the impact on cash flow operations? II. How does delayed payments affect your relationship with government III. In your opinion, what extra assistance or resources could assist SMMEs in better managing the repercussions of late payments?					
Questions	**Level of impact**	**Highest number of affected respondents**	**Expected frequency**	**Average Category contribution**	**Observed VS Expected value**
How does delayed payment affect your cash flow management	Significantly	91	30.5	126.03	Observed frequency is much larger than expected value (30.5)
How do delayed payments affect your relationship with the government and its entities?	Significantly	80.	30.5	41.4	The observed frequency significantly exceeds expectations, indicating that most respondents indicated considerable effects on their capacity to invest in new projects or expand operations. This indicates that cash flow volatility is a significant concern for the majority of businesses.
In your opinion, what extra assistance or resources could assist SMMEs in better managing the repercussions of late payments?	Significantly	87.	30.5	167.61	The category has a markedly higher number of responses than anticipated based on a uniform distribution.
		258	**91.5**	**335.04**	

The findings reveal a significantly greater-than-anticipated effect on cash flow operations and relationships with GPG, highlighting the significant challenges caused by delayed payments. The sampled key questions suggest that delayed payments substantially impair cash flow operations, compelling SMMEs to pursue external financing to sustain daily activities. This reliance on supplementary financial assistance jeopardizes operational sustainability, as highlighted by 91 respondents who reported significant disruptions in cash flow management. The lack of continuous cash flow limits the ability to invest in new initiatives or expand operations, as indicated by 80 respondents who reported that delayed payments impede growth investments. These interruptions generate a cumulative impact that jeopardises the long-term sustainability of enterprises. These findings are supported by a study conducted by (Kaya, 2023) where they alluded that payments have been demonstrated to adversely affect the cash flow of SMMEs. The strained relationship between SMMEs and their major partners, including the GPG, worsens the negative cycle caused by late payments. With 87 respondents reporting significant pressure, the data underscores how cash flow fluctuations erode trust and teamwork, further exacerbating operational stability.

Below is the qualitative data analysis of the study

4.4 The severity of the impact of late payments based on key questions sampled

The study findings revealed that the continued systemic violation of the (National Treasury, 1999) clear mandates is that payments should be made within an agreed-upon timeline. However, (NT, 2016) outlines that the timeline should not exceed 30 days upon submission of the invoice. In this study, SMMEs alluded that payment delays often exceeding 90 days severely affect them financially, jeopardising their viability, undermining their contributions to the economy. SMMEs incur increasing operating costs, such as the inability to maintain inventory levels, pay payroll commitments, or settle outstanding debts due to late payments. Sharing his experiences, below is Mr Lungu’s assertion:

"Everything is disrupted when payments take more than ninety days. My stock runs out, I can't pay my employees on time, and I have to take out costly loans to make ends meet. This is not the proper way for a business to function" (Mr Lungu, 47 year old SMME in general supply).

The SMME owner above illustrates how the impact of late payments on his business hinders his operations. It was further uncovered in this study that delayed payments significantly hinder SMMEs' capacity to invest or expand their businesses as well. The observed frequency for this phenomenon (80.33), significantly exceeds the expected frequency (30.5), suggesting that delayed payments undermine the financial stability required for businesses to invest in growth efforts. SMMEs encounter difficulties in resource allocation for new initiatives, capacity expansion, or capitalising on market possibilities due to restricted access to stable cash flow. Atli did not hold back when sharing her experiences, emphasising the difficulties in expanding:

"Without timely payments, it is impossible to allocate funds for expansion or capitalize on new market opportunities" (Atli, a 40 year old male SMME in the construction industry).

Delayed payments makes it challenging for these companies to keep the consistency and quality of their services. Therefore, it directly affects the communities relying on municipal support. This scenario compromises mutual trust between government entities and their service suppliers and aggravates socio-economic inequality.(Enwereji & Uwizeyimana, 2019)further elucidated that the prospect of delayed payments jeopardizes the viability of SMMEs and adversely affects the broader economic landscape by constraining innovation, reducing employment opportunities, and overall sectoral output.

4.4.1 Economic vulnerability and financial instability

The analysis of data collection reveals that 77.05% of SMMEs lacked strategies to mitigate risks associated with sustaining their businesses while awaiting payment for invoices submitted to the government. This lack of financial planning reflects structural challenges within the sector. The absence of contingency plans, limited capacity to negotiate favourable terms with suppliers, and restricted access to financial instruments, including credit facilities leave these enterprises vulnerable to cash flow disruptions (Bancoro, 2023).This was explained by Tshilidzi in the below phrase:

> *"I have tried to save a bit of cash aside in case I get a purchase order to deliver, but I always find it difficult because the government jobs comes once in a while, but I will be happy if I can get training on how to manage my money for business.)"* (Tshilidzi, General supply).

Poor financial management in SMME's constitutes a significant obstacle to growth and sustainability, as illustrated in Tshilidzi's narrative. Her difficulties in reconciling personal and corporate finances among the volatile landscape of government contracts highlights the necessity for accessible and pragmatic financial education for SMME's. Findings by (Derbyshire, 2016) corroborated the study findings, highlighting that the financial literacy and understanding of financial concepts among SMMEs are inadequate, particularly regarding business planning. The findings in this study further revealed that SMMEs rarely employ accountants, financial consultants, and other experts in bookkeeping that could assist with financial operations. by Madira shares her experience below:

> *"Hiring a financial accountant sounds like a luxury we cannot afford. Though I attempt to wrap up books myself, I really sometimes just guess. Terms like 'cash flow forecast,' make me feel totally out of my reach" (*Madira, a 38 years old female).

The emphasis by Madira highlights the challenges encountered by numerous entrepreneurs in maintaining their financial records and understanding essential financial concepts, such as cash flow forecasts. Townships, typically marked by significant entrepreneurial activities, constrained by inadequate access to institutional support systems, would substantially benefit from specialised outreach initiatives by institutions that provide financial aid and intensifies the financial literacy. (Abor, 2010) argues that multitude of small enterprises in South Africa remain oblivious to the financial and consulting services accessible to them, prohibiting their growth.

The current study's findings revealed that 13 of 19 interview participants were unaware of entities such as Industrial Development Corporation (IDC). Their primary focus is to assist SMMEs in various sectors with financial advice among other services. IDC does not have a footprint in most parts of townships, where campaigns can be used to capture the business communities. Furthermore, it makes use of local radio stations as part of their awareness programmes to assist SMMEs with equipment to structure their finances and cash flow management respectively. Zwivhuya, as an SMME owner residing in the township alluded in the quote below that local radio stations can be used to furnish them with information about financial institutions that can assist with financial aid and financial literacy.

> *''I've heard of certain entities that provide funds, but no one really explains where to find them or what they do. If they came to our township or used our local radio, more people like me would know how to seek assistance. Sometimes it seems like we're left to find things out on our own'' (*Zwivhuya, an SMME in the general supply of goods and services).

In this study, the findings revealed that SMMEs often sought external finances to sustain their businesses and keep them afloat. The category contribution of 126 in the table is linked to findings where SMMEs reported that, without a credible financial record, they struggle to secure funding from banks. As a result, they often turn to loan sharks, family, friends, or informal investors who believe in their business attributes. This study uncovered that SMMEs, like Adolf, often resort to loan sharks as a mitigation strategy to sustain their operations.

> *"I do rely on mashonisa sometimes for money to run my business but their interest rates often cripple my profit"* (Ado, a 37 male SMME in general supply of goods and services).

4.4.2 Eroded trust between SMMEs and GPG

Tanny and Hossiebie (2019) found that there is a widespread suspicion toward public institutions, undermining their credibility and diminishing confidence in their ability to serve the public effectively. This is due to lack of integrity and corruption. 45% of SMMEs highlighted that their relationship with GPG is strained. Conversely, 44 SMMEs who participated in the survey indicated that they have lost trust in government resolving issues of delayed payments. High unemployment rate and costs of living in South Africa leaves a small room for SMMEs to refrain from conducting business in GPG despite the crisis of delayed payments. Such behaviour led to SMMEs building a corrupt relationship with government officials to speed up payment processing of the rendered services, while some resort to suspending their accounts with them until invoices are paid. Rajah expressed his dissatisfaction on the phrase below:

> *"Murendeni, as a manufacturer, let me tell you that the impact of delayed payments from various departments in government always leave a gap in our production line as the demand is always higher on our products. Suspending government accounts on the absence of payment settlement had severe negative Impact on our relationship with most government entities, such that we no longer offer extended credits on any products to government, it is now 'no payment, no delivery' principle"* (Rajah, 42 year old SMME in, manufacturing industry).

This study uncovered that, protracted payments from governmental agencies significantly hindered the operations of manufacturing firms. Delays impeded cash flow, disrupted manufacturing timelines, and compelled firms to modify their credit policies, thereby jeopardizing ties with government entities. In reaction to these aspects, certain manufacturers implemented a "no payment, no delivery" policy to alleviate financial concerns. This strategy, although preserving the financial stability of the business, affects relations with government prospects, resulting in a decline in government contracts. Fernandes and Vieira (2015) postulate that government policies regarding payments negatively affected the SMMEs as those policies are not fully adhered to, resulting in substantial cash flow difficulties, hindering industrial processes, and undermining the trust and relationships between SMMEs and governmental entities.

4.4.3 Obstructed growth and development

The findings revealed that there is a significant impact in the suppression of growth potential on SMMEs as they depend on stable revenue streams to reinvest in their operations, for acquiring equipment, employing more personnel, or broadening their service portfolio. 84 SMMEs emphasised that late payments significantly affect their potential to grow and develop their businesses. (Eresia-Eke & Raath, 2013)suggest that financial knowledge among SMME proprietors is essential for business expansion. Nonetheless, financially astute proprietors have challenges in managing cash flow efficiently, when clients postpone payments, resulting in impeded growth and operational complications. Below, Alfred shared his experience by stating that:

> **"***Prolonged payment delays hindered our capacity to invest in equipment enhancements, resulting in difficulties in fulfilling client requests and expanding our business" (*Alfred, a male SMME in the construction sector).

5 How SMME's contribute to payment delays "Breaking down obstacles"

The study participants during the interviews acknowledgement that late payments do stem from their side as well. The graph below illustrates that 50% of SMMEs identified incorrect invoice submission methods, 30% are invoice duplication, 10% are faced with compliance issues, and the remaining 10% resulted from inadequate communication as obstacles contributing to delayed payments

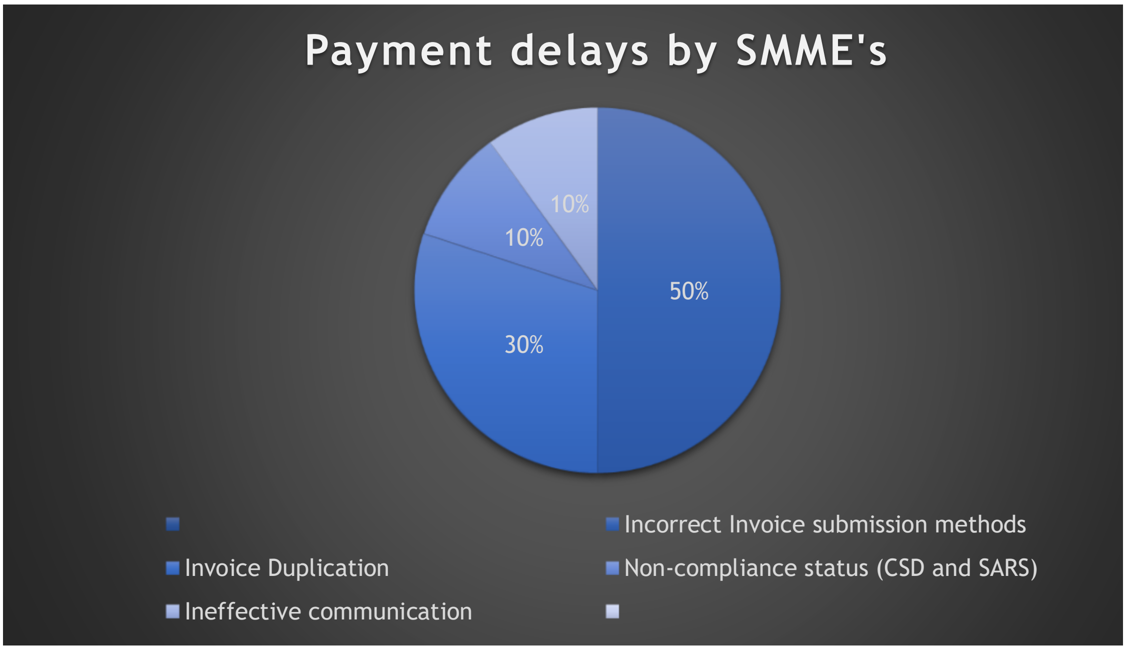


Figure 5.1 Payment delays by SMME's

In this study, the findings revealed that there are no systems in GPG such as the use of chatbot. This can assist SMMEs by preventing them from utilising incorrect submission methods. With the current systems, upon the formation of a purchase order, there is no automatic dispatch of notifications, prompting the SMME to submit the invoice following the provision of services, utilising the preferred method associated with its profile. The existing method permits SMMEs to verify payment status upon logging into the web-board, a platform where many SMMEs struggle to acclimate. A study conducted by Telukdarie et al. (2023) corroborate these findings by noting that, SMMEs encounter difficulties in adapting to new digital platforms, resulting in inefficiencies and inaccuracies of operations such as invoice submissions. Adding to this, Seth narrated his experience on the quote below:

> *"When you register for online invoicing method, the instruction is not clear on which method is easy to use and why, so I ended up choosing the first option on the form, that was until I had to submit the invoice and I didn't know what to do so I ended up sending the invoice via email, which I was later told that I used the wrong method"* (Tendi,a 37 female in the general supply of goods and services).

"The webboard is absolutely not user-friendly. Many of us lack the tools or technical ability needed to properly negotiate it. We simply want an easier method of knowing when we will be paid; this system increases our stress" (Seth, a male SMME in construction sector).

6 Conclusion of findings

Findings from both quantitative and qualitative research are as follows:

I. **Cash flow challenges are exacerbated by payment delays**

Of 122 participants who responded to questionnaires, 91 participants cited that Payment delays significantly exacerbate cash flow challenges. Further to this, the findings on qualitative findings are in support of these findings that indeed they threaten the financial health and sustainability of their businesses. This was corroborated by a study conducted by (Bailey, 2019b).SMMEs typically operate with limited working capital and depend on predictable payment cycles to manage their day-to-day operations, including purchasing inventory, paying suppliers, covering wages, and servicing debt. When payments from GPG are delayed beyond the agreed terms, it disrupts this cycle, forcing businesses to either halt operations, delay their own payments to creditors, or seek costly short-term financing solutions. This strain can lead to a cascading effect, where the inability to meet financial obligations damages credit ratings, supplier relationships, and overall business credibility. Moreover, persistent cash flow instability discourages growth, innovation, and investment in skills or infrastructure, making it difficult for SMMEs to scale or compete effectively. In worst-case scenarios, chronic payment delays contribute directly to business closures and job losses, undermining the provincial government's objectives of fostering entrepreneurship and inclusive economic development.

II. **Eroded trust between SMMEs and GPG**

A disconcerting discovery in both data analyses uncovered similar results, whereby 80 participants out of 122 admitted that they have lost trust in government systems due to late payments.17 interviewed participants out of 20 cited unethical behaviour of certain GPG employees who purposely delay supplier payments to extort bribes from susceptible SMMEs. In support of these findings, the study by(Munyai, 2024) argues that corruption manifested through bribery has become a normative practice in the public sector, emphasizing the systemic character of the issue. This conduct not only contravenes public sector ethics but also significantly jeopardizes the financial stability and growth of SMMEs, which frequently operate with constrained cash reserves and rely substantially on prompt payments to cover operational expenses, compensate personnel, and service debts. Corrupt officials abuse the desperation of small enterprises in cash flow crises by deliberately delaying payments, thereby transforming public procurement into a mechanism for extortion.

III. Lack of financial literacy in seeking financial assistance.

Limited options and complex lending procedures which hinder their ability to access bridging finance or emergency funding during cash flow shortages caused by late government payments. This lack of knowledge often leads to missed opportunities for financial relief, reliance on informal and high-risk lending sources, or complete operational paralysis. Furthermore, without basic financial skills, many entrepreneurs struggle to present credible business cases to financiers or to manage the funds they do receive, leading to further financial distress. The absence of targeted financial education and support from GPG exacerbates this issue, leaving many SMMEs ill-equipped to survive payment delays. Ultimately, this impairs the resilience of the SMME sector, discourages participation in public procurement, and undermines efforts to promote inclusive economic growth in the province.

CHAPTER 5: FINDINGS, RECOMMENDATIONS, AND CONCLUSION OF THE STUDY

5.1 Introduction

This chapter concludes the study, which examines the impact of late payments by GPG on SMMEs. This chapter consolidates the principal findings from the study, offers pragmatic recommendations to tackle the highlighted difficulties, and concludes the study by emphasising its importance and implications on stakeholders. Furthermore, the chapter examines the relationship between late payments and the operational, financial, and growth dynamics of SMMEs. it also highlights the considerable obstacles faced by these SMMEs, while providing practical solutions to mitigate negative effects. Furthermore, it analyses the broader economic and social ramifications of delayed payments and emphasises the need for collaborative efforts between governmental entities and SMMEs to foster sustainable economic development.

5.2 Summary of key findings

This study presents a summary of key findings based on the study's objectives, which sought to elucidate the issues encountered by SMME’s due to government’s payment delays. The study intended to firs investigate the effects of non-payment within 30 days on SMMEs' relationships with the government. It also aims to analyse the livelihood outcomes stemming from non-payment of invoices to SMMEs.

5.2.1 Research objectives

I. To explore the impact of non-payment within 30 days on SMMEs’ business relationships with the government

This research objective has been fulfilled by examining the impact of delayed payments by GPG to SMMEs. A mixed-method approach was utilised, integrating qualitative interviews, and quantitative surveys to achieve a thorough understanding of the topic. These methodologies enabled the study to acquire both statistical data and human perspectives, offering a nuanced perspective on its impact on SMMEs. In accordance with the initial research objective, the findings indicated that non-payment within 30 days significantly impacts SMMEs' relationship with the government. Payment delays have undermined trust between SMMEs and GPG, with 45% of SMME participants reporting strained relations with government entities, while 36% lost faith in the resolution of payment-related matters. This distrust arises from systemic inefficiencies, corruption, and non-compliance with payment regulations, prompting certain SMMEs to act, including halting services to the government and enforcing "no payment, no delivery" policies. These policies protect their financial stability but adversely affects corporate relations with government entities, reducing contract opportunities.

II. To explore the livelihood outcomes for non-payment of invoices to SMMEs.

Corresponding with the second research objective, the study found that delayed payments significantly impacted the livelihood outcomes of SMMEs. The analysis revealed that 77.05% of SMMEs lack sufficient financial planning and risk mitigation methods. Hence, it increases their susceptibility to cash flow interruptions. These SMMEs encountered difficulties in harmonising personal and corporate funds, highlighting the necessity for accessible and pragmatic financial literacy training. The lack of financial planning instruments, including cash flow projections and contingency reserves, renders these businesses vulnerable to operational interruptions. Furthermore, SMMEs frequently depend on informal financing sources, such as loans from predatory lenders, acquaintances, and relatives, which impose exorbitant interest rates and Jeopardise their financial viability.

The study also uncovered that SMMEs suffer structural impediments for growth and development, resulting from delayed payments. There were 84 SMMEs who indicated that delayed payments impede their capacity to reinvest in their operations, including the procurement of equipment, recruitment of staff, or enhancing service offerings. SMMEs emphasised that these delays generate operational difficulties, reducing their ability to meet client expectations, thus, hindering potential growth. Furthermore, the deficiency in financial literacy and restricted access to advisory services exacerbates the difficulties, as several SMMEs find it challenging to maintain accurate financial records or grasp fundamental concepts such as cash flow forecasting.

5.2.2 Significance of this study

This study highlighted the significant vulnerabilities of SMMEs resulting from insufficient financial planning and lack of appropriate risk mitigation techniques. It demonstrated how delayed payments hinder the reinvestment process, constraining these enterprises' capacity for development and innovation. Additionally, the study elucidates the structural and operational impediments that obstruct SMME sustainability. Thus, enhancing comprehension of the elements that limit their enduring success.

This study addressed a significant gap in existing research by linking financial management shortcomings to operational difficulties, offering a more cohesive approach. It provides a basis for future research to investigate innovative financial instruments, frameworks, and policy solutions customised for the distinct requirements of SMMEs across diverse industries and countries. These findings enhance the understanding of how to strengthen SMME resilience in a volatile and uncertain economic environment.

The study highlighted a trust deficit caused by payment delays and offered pragmatic proposals for rebuilding confidence and improving cooperation between SMMEs and government entities. This includes recommendations for openness, accountability, and streamlined payment processes, fostering a stronger and more productive relationship between SMMEs and government entities.

5.3 Action plan

Finding	Action Plan
Finding 1. Cash flow challenges are exacerbated by payment delays	To mitigate cash flow challenges intensified by payment delays, GPG should execute a comprehensive action plan that incorporates the creation of a centralized, transparent payment tracking system to oversee and ensure compliance with the 30-day payment policy, featuring automated notifications for overdue invoices. This must be accompanied by rigorous accountability procedures for agencies and officials who do not adhere to compliance standards. Furthermore, GPG should establish a specialized emergency liquidity support fund or guarantee facility exclusively for SMMEs experiencing delays, facilitating access to low-interest bridging loans.
Finding 2. Lack of financial literacy in seeking financial assistance.	To rectify the deficiency in financial literacy among SMMEs in obtaining financial assistance, the Gauteng Provincial Government (GPG) should formulate and execute a specialized financial education and capacity-building initiative designed exclusively for small business proprietors. This endeavour must encompass practical training workshops, online courses, and mentorship programs concentrated on essential areas including comprehension of financial products, preparation of

	loan applications, budgeting, cash flow forecasting, and interaction with official lenders. GPG ought to collaborate with financial institutions, business development agencies, and approved training providers to guarantee content relevance and accessibility throughout all regions, particularly in marginalized populations. The government should create accessible financial advice hubs for SMMEs inside local municipalities to offer immediate, personalized help and guidance.
Finding 3 Withholding supplier payments by GPG employees to solicit bribes from SMME's	To address the unethical conduct of GPG employees who withhold supplier payments to extort bribes from SMMEs, a comprehensive and strategic action plan must be executed. Initially, GPG must implement compulsory and periodic lifestyle audits for all procurement and finance officers to identify unaccounted wealth and potential corruption, followed by prompt investigations and disciplinary measures upon discovering inconsistencies. The government must concurrently implement a secure, anonymous, and independently administered whistleblower reporting system, guaranteeing comprehensive protection and incentivization of whistleblowers through legal safeguards, confidentiality assurances, and potential cash awards. An anti-corruption unit inside the provincial treasury should be established to oversee payment procedures, implement anti-bribery regulations, and monitor invoice turnaround times through transparent digital dashboards accessible to officials and vendors.

5.4 Recommendations

For future studies, it is advisable to broaden the study's focus beyond the GPG and SMMEs in Gauteng to encompass additional provinces in South Africa. This expanded scope has provided a comparative investigation of payment processes, challenges, and their impacts on SMMEs across different geographical regions. Therefore, this technique can reveal regional differences, highlight best practices, and provide a more thorough understanding of the structural difficulties impacting SMMEs across the country. Furthermore, incorporating a broader spectrum of governmental entities, including municipalities and national departments, would yield a comprehensive perspective on payment difficulties in the public sector.

Future studies should also investigate the sector-specific effects of delayed payments on SMMEs to discern distinct difficulties and formulate customised solutions for various industries. Using mixed methodologies beyond qualitative and quantitative approaches, such as action research, participatory research, and Delphi studies, may enhance the comprehension of the intricate experiences of SMMEs. These methodologies, along with case studies, interviews, and statistical analysis, can yield profound insights, and inform the development of specialised policies and interventions catering for the distinct requirements of diverse sectors and areas. This holistic strategy enhances the support infrastructure for SMMEs in South Africa.

In addition to scope extension, future studies should investigate theoretical and methodological aspects. Theoretical frameworks such as institutional theory, stakeholder theory, and behavioural economics offer profound insights into the governance, roles, and decision-making processes that shape payment systems. Methodologically, longitudinal research, case studies, and comparative analyses can elucidate regional dynamics and evaluate specific initiatives. Additionally, studies should additionally investigate practical domains, such as the impact of technology on payment efficiency, the economic repercussions of delayed payments, and the harmonisation of policies across several governmental tiers. Analysing the effects of payment obstacles on SMME innovation and growth, especially in vital economic areas, will provide valuable information for policymakers and stakeholders.

5.5 Limitations of the study

Limited participation and sampling constraints

Of the 150 targeted SMMEs, only 122 respondents participated in the survey. 28 SMMEs denied participation for several reasons, including time limitations, a general aversion to engaging with research thought to be linked to government entities, and apprehensions over possible repercussions for critiquing official procedures and policies.

Response bias and knowledge limitation

A notable constraint of the study is the possibility of response bias. A significant number of participants who opted to interact conveyed intense unfavourable attitudes and prior experiences with delayed government payments, that had a disproportionately shaped the tone and direction of their comments. Moreover, numerous SMMEs exhibited a constrained comprehension of the study's aims and prospective advantages, potentially influencing the thoroughness and precision of the replies given. This knowledge gap restricted the data's richness and may have curtailed the diversity of perspectives included in the study.

5.6 Conclusion

This study underscored the significant effect of delayed payments by the GPG on the operational sustainability, financial stability, and growth potential of SMMEs in Gauteng. The findings indicated that non-payment within 30 days significantly destroys trust between SMMEs and governmental organisations, resulting in strained relationships, operational disruptions, and reduced contract opportunities. The lack of financial literacy and risk management strategies among SMMEs intensifies their susceptibility to cash flow disruptions, compelling numerous enterprises to seek informal financing alternatives that threaten their long-term sustainability. These delays impede reinvestment in operations, suppressing innovation and growth, ultimately constraining the capacity of SMMEs to foster economic development and job creation.

By addressing systemic inefficiencies, promoting transparency, and improving adherence to the 30-day payment requirement, policymakers can restore trust and strengthen the relationship between SMMEs and government entities. These findings constitute a vital motive for cultivating a more supportive and inclusive environment for SMMEs, crucial for promoting economic diversification, poverty reduction, and sustainable development in South Africa.

Abbreviations of terms:

SMME- Small, Medium, and Micro Enterprise

GPG-Gauteng Provincial Government

IDC-Industrial Development Institution

CSD-Central Supplier Database

NT-National Treasury

PFMA- Public Finance Management Act

DPME-Department of Monitoring and Evaluations

APPENDIX A

INSTRUCTION TO RESPONDENTS:

1. Please select ONLY ONE response with a cross**(X)** for the statement below
2. Please answer all pre-coded statements in this section
3. Please do not leave any statement black.

Possible Questions on the survey: With an indication of an X underneath your most suitable answer

Questions	**Possible answers**			
How long have you been in the SMME sector	0-1yr	1-3yrs	3-5yrs	6yrs and above
identify the primary industry or sector in which your SMME operates?	Construction	Hospitality	Manufacturing of products	General supply of goods and Services
How long has your SMME been in operation	0-1yr	1-3yrs	3-5yrs	6yrs and above
How frequently do you experience late payments from Government	30 Days	60 Days	90 Days	120 Days and Above
How does delayed payment affect your cash flow management and day-to-day operations?	It Does not affect my business	It rarely affect my business	My Business is severely affected	My Business closed down
To what extent do late payments impair your capacity to pay suppliers or satisfy other financial obligations?	Significantly	Moderately	Slightly	Not at all
Have you had to seek external finance or borrow money to cover expenses owing to late payments?	Yes	No	Sometimes	Never will
How do delayed payments affect your relationship with the government and its entities?	Strained Relationship	Loss of Trust	Negative Impact on future business	No significant impact
Do you have any Strategies in place to mitigate the impact of delayed payment on your operation	Payment reminders	Late payment interest	Upfront payments	None
How do you communicate with the government and	Verbal agreements	Written Agreements	Regular follow-up	No communication at all

its agencies about payment terms and expectations?				
Have you faced any difficulties in seeking remedies or resolving disputes about late payments?	Yes	No	Sometimes	Maybe
In your opinion, what extra assistance or resources could assist SMMEs in better managing the repercussions of late payments?	Access to financing options	Improved dispute resolution	Free business advisory forums	Strong enforcement of payments

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